



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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BOARD MEETING: July 21, 2026	PROJECT NUMBER: NA
BUSINESS ITEM: Declaratory Ruling Request	
FACILITY: Prime St. Mary Medical Center - Kankakee	
SUBJECT: 12-Bed OB/GYN Category of Service	

STATE BOARD STAFF REPORT
DECLARATORY RULING REQUEST

I. Request for Declaratory Ruling

Prime Healthcare Foundation, Inc. and St. Mary's Hospital- Kankakee, LLC ("Saint Mary's") are requesting a Declaratory Ruling for a one-year extension of the temporary suspension of the 12-bed Obstetrics and Gynecology category of service.

II. Requestors

The **Prime Healthcare Foundation** is a 501(c)(3) non-profit public charity and health system focused on providing community-based healthcare. The Foundation is headquartered in Ontario, California, and it functions as the charitable, not-for-profit arm of Prime Healthcare Services, one of the largest hospital management companies in the United States. The foundation operates 21 acute-care community hospitals across multiple states (including California, Georgia, Illinois, Ohio, Pennsylvania, Rhode Island, and Texas). It has more than \$1.8 billion in assets, heavily driven by donations from the system's founder, Dr. Prem Reddy, and his family. It is led by Dr. Kavitha Bhatia, MD, who serves as the President and Chair of the Foundation.

St. Mary's Hospital (historically known as Presence St. Mary's or Ascension Saint Mary – Kankakee) is a 182-bed acute care facility located in Kankakee, Illinois. Prime Healthcare Foundation officially took ownership of St. Mary's Hospital on March 1, 2025, also acquiring St. Francis Medical Center in Evanston from Ascension.

II. Background Information

In May of 2025, St. Mary's initiated a 12-month temporary suspension of obstetric services. The suspension, according to Prime Healthcare, resulted in part from a material breach of an existing agreement by Westwood Obstetrics & Gynecology Ltd., the sole physician group providing obstetrical coverage at Saint Mary's Hospital.

St. Mary's has experienced a decline in births, with deliveries averaging fewer than 1 per day. Prime Healthcare states that recruiting and retaining a specialized 24/7 workforce (OB/GYNs, labor and delivery nurses, midwives, and anesthesiologists) for such low volume proved unsustainable and raised concerns about patient safety and quality of care.

Saint Mary's continues to offer outpatient preventive health services, ongoing gynecological care, and gynecological oncology. Additionally, Prime Healthcare states that since the temporary suspension began in May 2025, there have been no EMTALA-required deliveries at the facility. The Emergency Department remains fully operational; patients presenting in active labor are stabilized in accordance with EMTALA and transferred via the Prime Connect Transfer Center. According to Prime Healthcare, only 15 stabilized OB patients required transfer in the past year, with zero EMTALA-required deliveries on-site.

TABLE ONE				
St. Mary's OB Historical Utilization				
Year	Beds	Births	ADC	Occ
2013	12	444	3	25.00%
2014	12	411	2.7	22.50%
2015	12	417	2.7	22.50%
2016	12	402	2.7	22.50%
2017	12	360	2.9	24.17%
2018	12	373	2.8	23.33%
2019	12	325	2.4	20.00%
2020	12	428	1.7	14.17%
2021	12	455	3.2	26.67%
2022	12	516	3.4	28.33%
2023	12	515	2.6	21.67%
2024	12	359	2	16.67%
Ave.	12	417.08	2.68	22.29%
Target Occupancy: 75%				
Information from Hospital Surveys				

III. Riverside Medical Center

Riverside Medical Center is located less than a mile away, directly across the Kankakee River, and already handles most of the area's births. Riverside has a 30-bed Obstetric Service. Riverside OB service utilization is in Table Two below.

TABLE TWO				
Riverside Medical Center OB Utilization				
Year	Beds	Days	ADC	Occ.
2013	30	1,015	7	23.3%
2014	30	1,012	6.8	22.7%
2015	30	1,077	7.4	24.7%
2016	30	1,046	7.3	24.3%
2017	30	978	6.9	23.0%
2018	30	1,045	7.4	24.7%
2019	30	1,090	7.7	25.7%

TABLE TWO
Riverside Medical Center OB Utilization

Year	Beds	Days	ADC	Occ.
2020	30	973	6.3	21.0%
2021	30	803	5.8	19.3%
2022	30	697	5.2	17.3%
2023	30	704	5.2	17.3%
2024	30	776	5	16.7%
Ave.	30	934.67	6.50	21.7%
Information from Hospital Surveys				

III. Litigation

There is pending litigation initiated by the Kankakee County State's Attorney, in which a portion of the relief sought is to compel the resumption of the OB/GYN inpatient service line at St Mary's. Because Prime Healthcare suspended the obstetrics and labor/delivery services less than 50 days after taking ownership of the Hospital, the State's Attorney argues that Prime's testimony to the State Board was intentionally misleading or fraudulent. Prime Healthcare has challenged the lawsuit, moving to dismiss it on the grounds that the State's Attorney lacks the proper authority under the Planning Act.

Prime Healthcare has stated that, out of respect for the judicial process, the certificate-of-exemption process, and HFSRB rules, maintaining the status quo during this temporary suspension is the most appropriate course of action. Prime Healthcare states that, because of the ongoing litigation, filing for a permanent discontinuation would be imprudent. Saint Mary's is requesting a one-year extension of the temporary suspension to maintain the status quo and continue serving as a vital safety-net provider for the Kankakee community.

IV. Temporary Suspension of Facility or Category of Service

A facility that ceased operation or that ceased to provide a category of service due to unanticipated or unforeseen circumstances (such as the loss of appropriate staff or a natural or unnatural disaster) shall file notice to HFSRB of a temporary suspension of service that is anticipated to exceed 30 days. The notice shall be filed no later than 30 days after the suspension of the service. It shall include a detailed explanation of the reasons for the suspension, the efforts being made to correct the circumstances, and a timetable for reopening the service. Reports documenting the progress of corrections must be filed every 30 days thereafter until services resume. **Temporary suspensions shall not exceed one year unless otherwise approved by HFSRB. (77 Ill. Adm. 1130.240 (d))**

IV. Staff Analysis

A hospital may temporarily suspend a service category without board approval, provided it formally notifies the Illinois Health Facilities and Services Review Board and the Illinois

Department of Public Health. Under Part 1130.240, this notice may be filed up to 30 days after the suspension takes effect and remains in effect for up to 12 months without the Board's approval. St. Mary's has complied with this requirement.

The State Board can do the following:

1. The Board can formally acknowledge and approve the temporary suspension of the OB service line for an additional period. Because Prime Healthcare's suspension of OB services at St. Mary's is the subject of a lawsuit by the Kankakee County State's Attorney, the Board can defer its final decision or review period regarding the project or service status when the application is the subject of litigation, until all litigation related to the application is complete. 77 Ill. Adm. Code 1130.655(b)(5).
2. If the hospital demonstrates that the cause of the suspension (e.g., the lack of OB surgical coverage or staffing shortages) is being corrected but requires more time, the Board can grant an extension. However, the Board can attach conditions, such as:
 - Quarterly progress reports on recruitment efforts.
 - Patient-transfer plan with neighboring regional hospitals to ensure community safety during the coverage gap.
3. If the Board determines that the suspension does not meet the criteria of a true temporary emergency or that the facility is using it as a loophole to discontinue the service without a permit permanently, they can deny the continuation of the temporary status and require an exemption to discontinue the service.
4. If the Board reviews the situation and finds that the staffing shortage is permanent or that the facility has no viable plan to restore OB services, it can rule that the temporary suspension has effectively become a permanent change and require an exemption to discontinue the service.

V. Applicable Statute and Rules

77 Illinois Administrative Code 1130.810 Declaratory Rulings

HFSRB shall render determinations on various matters relating to permits and the applicability of the statute and regulations. Requests for determination shall be made in writing. Pursuant to Section 5-150 of the Illinois Administrative Procedure Act, such determinations are declaratory rulings and are not subject to appeal. The following matters shall be subject to declaratory rulings by HFSRB, including, but not limited to:

- a) whether a proposed project requires a permit or exemption
- b) corrections to the facility inventories utilized by HFSRB
- c) recognition that a particular service was in existence before permit requirements.

- d) amount of fees required
- e) project classification as substantive or non-substantive; and
- f) **applicability of rules.**

BOARD NOTE: Declaratory ruling requests about an application for a permit or exemption during the review period may be submitted only by the applicant and by IDPH.

Appended to this report is a copy of the request for a declaratory ruling.

St Mary's Medical Center 2024 Utilization							
	Beds	Admit	Days	OB Days	ALOS`	ADC	Occ.
Medical Surgical	105	2,620	10,546	1,458	4.58	32.9	31.32%
Intensive Care	26	865	3,369	80	3.99	9.4	36.34%
PED	14	0	0	0	0.00	0.0	0.00%
OB	12	384	854	8	2.24	2.4	19.68%
AMI	25	553	3,418	0	6.18	9.4	37.46%
Total	182	4,422	18,187	1,546	4.46	54.1	29.70%

St. Mary's Medical Center Revenue Medicare Cost Report			
	2022	2023	2024
Total Patient Revenue	\$986,899,838	\$1,003,002,958	\$1,037,184,670
Contractual Allowances	\$843,694,767	\$856,852,609	\$890,874,431
Net Patient Revenue	\$143,205,071	\$146,150,349	\$146,310,239
Operating Expenses	\$144,761,928	\$158,190,418	\$164,779,426
Net Income from Patient Services	-\$1,556,857	-\$12,040,069	-\$18,469,187
Other Income	\$5,925,698	\$4,889,984	\$5,914,046
Other Expense	\$0	\$0	\$0
Net Income	\$4,368,841	-\$7,150,085	-\$12,155,141

June 30, 2026

VIA E-MAIL

John P. Kniery
Board Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62702

Re: **Request for Declaratory Ruling- Saint Mary's Hospital- Kankakee**

Dear Mr. Kniery:

We represent Prime Healthcare Foundation, Inc. ("Prime Healthcare") and St. Mary's Hospital- Kankakee, LLC ("Saint Mary's") in connection with this request for a Declaratory Ruling regarding their request for an extension of the temporary suspension of the Obstetrics and Gynecology ("OB/GYN") category of service at the facility pursuant to 77 Ill. Admin. Code Section 1130.810(f). Saint Mary's temporarily suspended operation of the OB/GYN inpatient service line effective May 17, 2025, pursuant to 77 Ill. Admin. Code Section 1130.240(d). Please accept this letter as Saint Mary's request for a one year extension of the temporary suspension as required by 77 Ill. Admin. Code Section 1130.240(d) and their monthly report for the month of June.

Background for Temporary Suspension

This temporary suspension was unexpected and resulted in part from a material breach of an existing agreement by Westwood OB-GYN, the sole physician group providing obstetrical coverage at Saint Mary's Hospital. The hospital had experienced declining birth volumes and significant challenges recruiting and retaining obstetrical providers for many years. The low patient volume of less than one delivery a day and reliance on a single provider raised ongoing concerns regarding the long-term sustainability of the service line and the ability to maintain consistent staffing and clinical readiness necessary for quality and patient safety.

The circumstances giving rise to the suspension underscore the significant workforce challenges facing low-volume obstetric programs. Recruiting and retaining OB/GYN physicians, labor and delivery nurses, certified nurse-midwives, and anesthesiologists willing to provide 24/7 coverage for a unit averaging fewer than one birth per day has proven exceedingly difficult. When

the sole contracted provider ceased coverage, Saint Mary's was unable to safely sustain inpatient obstetrical services.

Importantly, obstetrical services remained readily available within the community at neighboring Riverside Medical Center, located less than one mile away and already serving the majority of obstetrical patients in the area. Saint Mary's took steps to ease the transition by coordinating with other hospitals in the community, offering impacted staff comparable positions within the organization or at other Prime Healthcare facilities, expanding its internal network, and coordinating care for affected OB patients.

Available Services and Patient Transfers

Saint Mary's has continued to offer women's preventive health and continuous gynecological care services at the facility. This includes full-service gynecological care in the outpatient clinic at the hospital as well as emergency department coverage for urgent gynecological issues. In addition, an oncology program is available to provide services for gynecological oncology cases. These continued services demonstrate Saint Mary's ongoing commitment to women's health in the Kankakee community and ensure that patients have access to comprehensive care, even without the inpatient OB service line.

Importantly, the low patient volumes at issue also raise significant patient safety and quality of care concerns. Research from the American College of Obstetricians and Gynecologists and other leading clinical authorities has consistently demonstrated that low-volume obstetric units face heightened challenges in maintaining staff competency, ensuring the availability of 24/7 anesthesia coverage, and sustaining neonatal resuscitation readiness. At the utilization levels reflected in Saint Mary's historical data, resuming the inpatient OB service line could present clinical risks that would not serve the best interests of patients. The current arrangement whereby OB patients are directed to higher-volume facilities with established delivery infrastructure is the clinically safer approach and ensures that mothers and newborns receive care in a setting equipped to handle the full range of obstetric scenarios. Saint Mary's experience is not unique. The temporary suspension here reflects the reality of healthcare delivery in communities where patient demand has fallen below the level needed to maintain safe, adequately staffed, and financially viable obstetric programs.

Since initiation of this temporary suspension, Saint Mary's has met its obligation to provide monthly updates to this Board regarding the ongoing status of this service line. During this period, Saint Mary's has maintained a formal transfer agreement with Riverside Medical Center, located less than one mile from the facility and directly across the Kankakee River. Saint Joseph Medical Center – Joliet another Hospital in the Prime Healthcare system network, continues to act in a supportive capacity to ensure the seamless transition of care. The Emergency Department at Saint Mary's remains fully operational, and patients presenting in active labor continue to be stabilized in compliance with 77 Ill. Admin. Code Section 250.310(c) and the Emergency Medical Treatment and Labor Act ("EMTALA"), 42 U.S.C. § 1395dd requirements, then transferred to a receiving hospital when inpatient care is required. Prime Healthcare's Prime Connect Transfer Center continues to support coordination between hospitals and ensure timely patient placement across

the system. The immediate proximity of Riverside Medical Center ensures that there is no substantial or unreasonable disruption in access to OB/GYN services for the Kankakee community.

Pending Litigation

Given pending litigation initiated by the Kankakee State's Attorney in which a portion of the relief sought is to compel resumption of the OB/GYN inpatient service line, it would be imprudent for Saint Mary's to file for discontinuation at this time. To be clear, Prime Healthcare has challenged this litigation since its initiation and continues to oppose the lawsuit, the State's Attorney's authority to prosecute the lawsuit, the claims asserted therein, and the relief being sought. Prime Healthcare filed a Motion to Dismiss the Second Amended Verified Complaint filed by the Kankakee State's Attorney in its entirety with prejudice. Prime Healthcare argues the State's Attorney lacks authority under the Illinois Health Facilities Planning Act or otherwise to bring the claims alleged, that the Second Amended Verified Complaint fails to state any cognizable cause of action under the Illinois Consumer Fraud Act, public nuisance, or unjust enrichment theories, and that the relief sought is unavailable under any existing Illinois law. Prime Healthcare further moved for sanctions under Supreme Court Rule 137 based on the State's Attorney's repeated reliance on legal inaccuracies and material mischaracterizations. The court granted the motion for sanctions and has ordered the State's Attorney to pay Prime Healthcare's legal fees. Notably, the State's Attorney has conceded that the Planning Act itself does not provide the relief sought and that the HFSRB "has no authority to act" with respect to the remedies requested. This concession further underscores the appropriateness of maintaining the temporary suspension through this Board's existing administrative process. Thus, out of respect for the judicial process as well as the certificate of exemption process and HFSRB rules, Saint Mary's believes maintaining the status quo through this temporary suspension is the most appropriate course of action, at this time.

Low Utilization for OB/GYN Category of Service at Hospital

As this Board knows, Prime Healthcare took over operation of this facility effective March 1, 2025. At that time, the hospital was struggling financially, and the Obstetrics service line had unsustainably low rates of utilization. Prime Healthcare was able to step into the ownership and operation of the hospital, breathe new life into the facility, and ensure continued services to the community. One of the service lines where Saint Mary's experienced issues in utilization was obstetrics.

A ten-year review of Saint Mary's utilization data shows an average of 417.08 live births per year over that period. This equates to 22.59% utilization, which is well below the 75% utilization standard for a 12-bed OB unit under this Board's rules pursuant to 77 Ill. Admin. Code Section 1100.530(c)(2). Notably, this trend has accelerated in recent years, with Saint Mary's recording only 359 live births and 19.70% utilization in 2024, the lowest figures in the review period. Riverside Medical Center located less than a mile away experienced utilization during that period which was similarly low at 21.78%. Even if every live birth in the Kankakee area occurred at Saint Mary's Hospital and none occurred at Riverside Medical Center, Saint Mary's would not meet the Board's target utilization threshold for the category of service.

The data also reflects a broader structural demographic decline in the Kankakee area. Combined live births across both Saint Mary's and Riverside fell from 1,459 in 2013 to 1,135 in 2024. This represents a decline of approximately 22% over the review period. Combined utilization dropped to 18.90% in 2024, which was the lowest level recorded since the COVID-19 pandemic. These trends are consistent with well-documented statewide and national declines in birth rates and are not attributable to any action or inaction by Saint Mary's. This structural decline strongly suggests that the patient volume necessary to sustain a viable OB inpatient service line at Saint Mary's does not exist and is unlikely to materialize in the foreseeable future.

	<u>Saint Mary's Births</u>	<u>Saint Mary's ADC</u>	<u>Saint Mary's Utilization</u>	<u>Riverside Births</u>	<u>Riverside ADC</u>	<u>Riverside Utilization</u>	<u>Combined Births</u>	<u>Combined Utilization</u>
2013	444	3.0	25.2%	1,015	7.0	23.2%	1,459	24.2%
2014	411	2.7	22.4%	1,012	6.8	22.8%	1,423	22.6%
2015	417	2.7	22.7%	1,077	7.4	24.7%	1,494	23.5%
2016	402	2.7	22.3%	1,046	7.3	24.3%	1,448	23.3%
2017	360	2.9	23.9%	978	6.9	23.1%	1,338	23.5%
2018	373	2.8	23.6%	1,045	7.4	24.5%	1,418	24.1%
2019	325	2.4	20.3%	1,090	7.7	25.7%	1,415	23.0%
2020	428	1.7	14.1%	973	6.3	20.9%	1,401	17.5%
2021	455	3.2	26.3%	803	5.8	19.2%	1,258	22.8%
2022	516	3.4	28.7%	697	5.2	17.4%	1,213	23.1%
2023	515	2.6	21.9%	704	5.2	17.4%	1,219	19.7%
2024	359	2	19.70%	776	5	18.10%	1,135	18.90%
Averages	417.08	2.68	22.59%	934.67	6.50	21.78%	1,351.75	22.17%

Additionally, since the start of the temporary suspension in May 2025, there have been no EMTALA-required deliveries at the facility. During that period, only 15 stabilized obstetric patients were transferred from the Emergency Department to receiving hospitals for further inpatient care. These transfer statistics from the past year further demonstrate the low utilization of the service line.

The ultimate goal of Prime Healthcare will be to determine how best to serve the Kankakee community and provide access to care. This facility meets the very definition of a safety-net provider, serving patients in the community regardless of their ability to pay. According to HFSRB 2024 Hospital Data, approximately two-thirds of Saint Mary's payor revenue came from Illinois Medicaid and Medicare. Prime Healthcare appeared before this Board and made a commitment to stabilize and revitalize this hospital to best serve the surrounding community, and it has never wavered in that commitment. Prime Healthcare has made concerted efforts to ensure that access to elective birth services remained available to the community through the coordination described above. Accordingly, Saint Mary's respectfully requests that this Board grant a one year extension of the temporary suspension for the OB/GYN category of service.

If you should have any questions or need any additional information regarding this submission, please do not hesitate to contact me at 312-212-4967 or via email at JMorado@beneschlaw.com. You can also contact my colleague Mark J. Silberman at 312-212-4952 or via email at MSilberman@beneschlaw.com

Very truly yours,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP



Juan Morado, Jr.

JMJ