



Cory Dixon, MPA
Elgin City Councilman

Elgin City Hall
150 Dexter Court
Elgin, IL 60120

(224) 717-6936
dixon_c@cityofelgin.org

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

April 12, 2021

Ms. Courtney Avery, Administrator
Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761
courtney.avery@illinois.gov

Re: Opposition to Project #20-040, OrthoIllinois Surgery Center, Elgin

Dear Ms. Avery:

I serve as one of eight elected city council members for the City of Elgin. Our membership is “at large,” meaning that we serve the entire community as opposed to wards or districts. Accordingly, the entire Elgin population of over 100,000 persons is my direct constituency. For the reasons expressed below, and after studying the matter in some detail, I must oppose Project #20-040 because the proposed OrthoIllinois Surgery Center is *not* in the best interests of the residents I serve. In so doing, I add my voice to those Elgin community leaders who have likewise expressed opposition to, or serious reservations about, this proposed new surgery center.

My Background

I was born and raised in Elgin, and have long been active in its volunteer community and civic affairs. Now in my second term as Councilman, I have experience in law enforcement (as an administrator with the Kane County Sheriff's Department), education (as a teacher and program facilitator with the Hispanic and African American Parent Leadership Institute at Elgin School District U-46), and as Interim-Chair of the City of Elgin's Human Relations Commission.

My educational background provides me with a unique perspective on the project before your Board: I have a Bachelor's Degree in Business Management from Grambling State University and a Master's Degree in Public Administration with a concentration in government from Keller Graduate School of Management. As I assess the merits of this project, I find both the economics and equities weigh significantly against it.

Concerns Over This Project

I have serious concerns about the project. The applicant's projected statements of annual income show revenues ranging from \$14 million to \$15.4 million through the first three years of operation. (CON Application, page 270.)

According to the applicant, 67.5% of its patient volume (corresponding to over \$10 million in the third year of operation) is coming from existing not-for-profit hospitals, including our two Elgin hospitals, Advocate Sherman Hospital and Amita Health Saint Joseph Hospital. I understand that in the past, hospitals appearing before your Board have sometimes sounded like "Chicken Little" when a new surgery center comes to town. But today, your Board knows better than anyone that the sky really is falling, and has fallen, for hospitals throughout the State, especially in the Chicago Metropolitan Area. Hospitals that have been the bedrock and anchor of their communities for a century or more are now gone, and seemingly overnight. This cannot be allowed to happen in Elgin. The financial concerns expressed by our Elgin-area hospitals and published in the IHFSRB project file must be taken seriously, especially in these current times when our health care infrastructure is being so severely stressed.

This \$10 million a year is not simply coming from hospitals. It is coming out of the Elgin community. The procedures the applicant is taking from the hospitals are high-margin orthopedic surgeries that the hospitals use to cross-subsidize essential health care services such as emergency departments, obstetrics, behavioral health, safety net services and charity care – none of which the applicant will provide. Safety Net services and charity care with its statement on page 275 of the CON Application that, "Ambulatory Surgical Treatment Centers are not providers of safety net services, with all procedures scheduled on an elective basis." comes at a direct detriment to the Elgin community.

I well understand that entrepreneurs take risks, and with that risk comes financial rewards. Let me be clear, I do not oppose businesses who move into the Elgin community to start or continue growing their business. Though if that business comes at the detriment to the most vulnerable in Elgin, I will have an issues with it and that seems to be the case here. There are eleven private investors in this project consisting of ROA and ten individuals (CON Application, page 52). The projected balance sheet on page 272 shows that they will be contributing a total of \$3.2 million in capital to the project, a little under \$300,000 each. By the third year of operation, their invested equity will have tripled even while they are taking out over \$3.5 million a year in profits, amounting to over \$318,000 per investor – not including any surgical or professional fees, just for owning the surgery center. That is more than a 100% return on investment *every year*. I feel compelled to speak out on the behalf of my constituents, and to protect their interests and our community's Safety Net, by opposing Project #20-040.

Conclusion

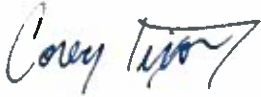
It is not as if we need another surgery center. Your Board approved a new surgery center on the Sherman hospital campus. That facility is not even open yet, and area surgery centers that are open have excess surgical capacity. I understand the applicant here wants to locate across the street from the new Sherman surgery center. I cannot imagine a clearer example of "unnecessary duplication" and "maldistribution of facilities."

As to the Sherman surgery center, I note that with regard to charity care, the CON application in Project #16-038, on page 172, states that its surgery center "will have charity care policies and treat Medicare and Medicaid patients, similar to the cooperating venture hospital, Advocate Sherman Hospital." A surgery center can, in fact, serve those in need, if it so desires.

For the above reasons, I must oppose Project #20-040, and respectfully request that it be denied by the IHSRB.

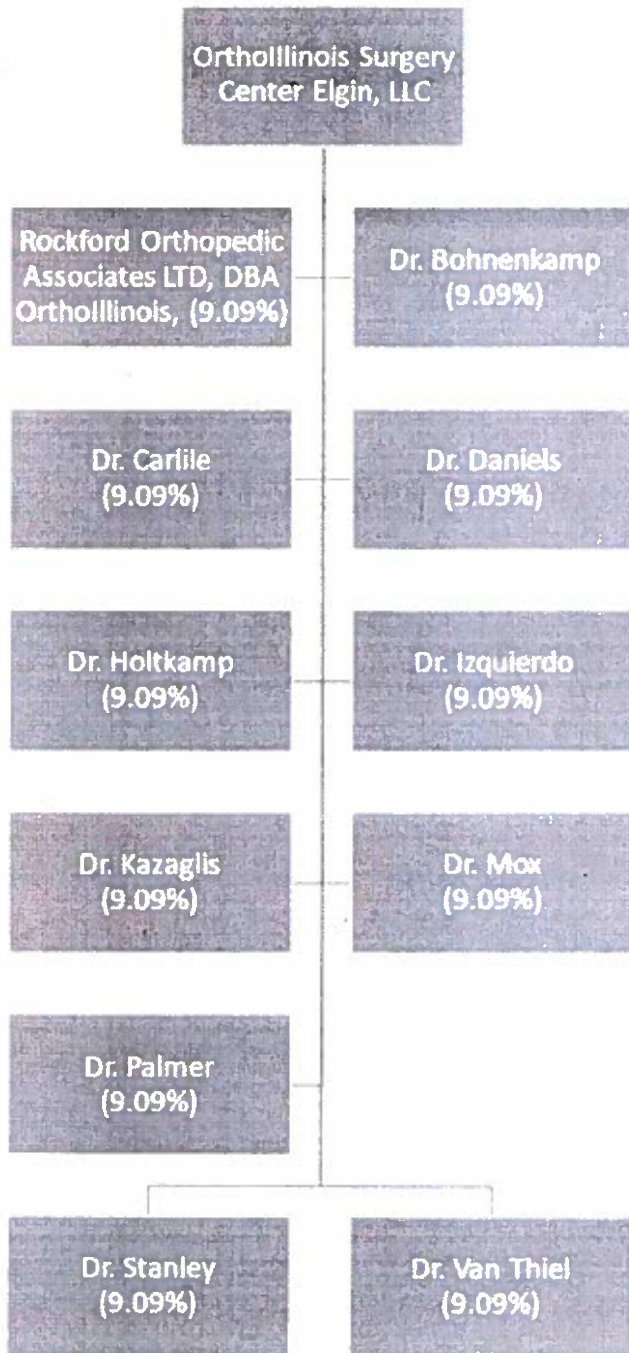
Very truly yours,

Corey Dixon,
Elgin City Councilman

A handwritten signature in blue ink that reads "Corey Dixon". The signature is written in a cursive style with a long, sweeping tail on the letter "y".

Attachment: Highlighted portions of Project #20-040 CON application

ATTACHMENT 4- ORGANIZATIONAL CHART



ATTACHMENT 36- ECONOMIC FEASIBILITY**PROJECT OPERATING COSTS AND
TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS****OrthoIllinois Surgery Center Elgin, LLC
Projected Statements of Income**

	Year 1	Year 2	Year 3
Revenues, net of allowances	14,000,000	14,700,000	15,435,000
Operating expenses:			
Wages	1,190,000	1,249,500	1,311,975
Payroll taxes	95,200	99,960	104,958
Retirement plan contributions	53,550	56,228	59,039
Employee benefits	202,300	212,415	223,036
Total employment expenses	1,541,050	1,618,103	1,699,008
Clinical supplies	4,200,000	4,410,000	4,630,500
Repairs and maintenance	140,000	147,000	154,350
Real estate taxes	250,520	255,530	260,641
Computer and IT expenses	72,000	74,160	76,385
Telephone expense	12,000	12,360	12,731
Office expense	30,000	30,900	31,827
Professional services	40,000	41,200	42,436
Meetings, recruitment, meals and dues	12,000	12,360	12,731
Directorship	25,000	25,750	26,523
Utilities	180,000	185,400	190,962
Malpractice and business insurance	48,000	49,440	50,923
Marketing	5,000	5,150	5,305
Bank and credit card charges	28,000	29,400	30,870
Bad debts	210,000	220,500	231,525
Depreciation	781,529	811,529	841,529
Management fees	770,000	808,500	848,925
Miscellaneous expenses	48,000	49,440	50,923
Total operating expenses	9,934,149	10,404,824	10,897,100
Operating income	4,065,851	4,295,176	4,537,900
Other expense:			
Interest expense	773,500	667,000	641,000
Net income	3,292,351	3,628,176	3,896,900

ATTACHMENT 36- ECONOMIC FEASIBILITY**OrthoIllinois Surgery Center Elgin, LLC
Projected Balance Sheets**

	Year 1	Year 2	Year 3
ASSETS			
Current Assets			
Cash and Cash Equivalents	4,066,313	4,372,890	4,648,984
Accounts Receivable, Net	1,750,000	1,837,500	1,929,375
Inventory	420,000	441,000	463,050
Total Current Assets	6,236,313	6,651,390	7,041,409
Property and Equipment			
Land	1,025,000	1,025,000	1,025,000
Land Improvements	947,000	947,000	947,000
Building	12,981,200	12,981,200	12,981,200
Furniture and Equipment	3,835,800	4,135,800	4,435,800
Total Property and Equipment	18,789,000	19,089,000	19,389,000
Less Accumulated Depreciation	781,529	1,593,057	2,434,586
Property and Equipment, Net	18,007,471	17,495,943	16,954,414
Total Assets	24,243,785	24,147,332	23,995,823
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Bank Line of Credit	1,600,000	-	-
OrthoIllinois Line of Credit	600,000	-	-
Current Maturities of Long Term Debt	549,000	574,000	601,000
Accounts Payable and Accrued Expenses	420,000	441,000	463,050
Self-insured Liabilities	67,433	70,805	74,345
Total Current Liabilities	3,236,433	1,085,805	1,138,395
Long Term Debt, less current maturities	14,515,000	13,941,000	13,340,000
Total Liabilities	17,751,433	15,026,805	14,478,395
Members' Equity			
Members' Capital Contribution	3,200,000	3,200,000	3,200,000
Accumulated retained income	-	3,292,351	5,920,527
Current year income	3,292,351	3,628,176	3,896,900
Member Distributions	-	(1,000,000)	(3,500,000)
Members' Equity	6,492,351	9,120,527	9,517,428
Total Liabilities and Members' Equity	24,243,785	24,147,332	23,995,823

ATTACHMENT 37- SAFETY NET INFORMATION

Ambulatory Surgical Treatment Centers are not providers of safety net services, with all procedures scheduled on an elective basis. The applicants, however, are directly affiliated with Orthollinois, and physicians investing in this project are employed by Orthollinois. The practice has served the bone and joint needs of northern Illinois for over 70 years, since 1967.

Orthollinois has a long history of civic engagement and commitment to the communities it serves. Since 2004, they have raised over \$450, 000 for the programs at Northern Illinois Food Bank's after school and weekend meal programs, enabling tens of thousands of children to be served. They also have a tradition of charitable giving and capital campaign pledges to hospital foundations, United Way programs, and University of Illinois School of Medicine and other not for profit agencies in the area.

The applicant is a new entity; thus has no history of services. However, the Safety Net Impact of Orthollinois practice is provided below.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	2017	2018	2019
Inpatient	0	0	0
Outpatient	0	0	0
Total	0	0	0
Charity (cost in dollars)			
Inpatient	0	0	0
Outpatient	0	0	0
Total			
MEDICAID			
Medicaid (# of patients)	2017	2018	2019
Inpatient	0	0	0
Outpatient	77	98	86
Total	77	98	86
Medicaid (revenue)			
Inpatient	0	0	0
Outpatient	\$712.670	\$956.728	\$772.005
Total	\$712.670	\$956.728	\$772.005

Advocate Sherman Surgery Center #16-038

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

APPLICATION FOR PERMIT- July 2013 Edition

The proposed Project will not have a negative effect on the existing safety net services available to the community. It will have charity care policies and treat Medicare and Medicaid patients, similar to the cooperating venture hospital, Advocate Sherman Hospital. The statistics for Sherman are shown below.

Advocate Sherman Hospital Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year 2013	Year 2014	Year 2015
Inpatient	466	135	288
Outpatient	1,605	4,299	2,493
Total	2,071	4,434	2,781
Charity (cost in dollars)			
Inpatient	\$ 1,163,529	\$ 4,154,000	\$ 2,313,000
Outpatient	\$ 1,290,645	\$ 3,703,000	\$ 2,505,000
Total	\$ 2,454,174	\$ 7,857,000	\$ 4,818,000
MEDICAID			
Medicaid (# of patients)	Year 2013	Year 2014	Year 2015
Inpatient	2,253	2,302	2,075
Outpatient	49,991	49,770	43,658
Total	52,244	52,072	45,733
Medicaid (revenue)			
Inpatient	\$ 21,095,179	\$ 26,850,499	\$ 31,066,928
Outpatient	\$ 6,533,693	\$ 8,651,213	\$ 12,675,666
Total	\$ 27,628,872	\$ 35,501,712	\$ 43,742,594