

July 7, 2021

Ms. Debra Savage
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
2nd Floor
Springfield, IL 62761

Re: OrthoIllinois Ambulatory Surgery Center
Project #20-040

Dear Ms. Savage:

This letter is in response to the testimony of OrthoIllinois during the State of Illinois Health Facilities and Services Review Board meeting dated May 4, 2021. During the testimony Mr. Silberman and other representatives made numerous inaccurate and misleading remarks regarding Advocate Aurora Health's financial information, and I would like to set the record straight.

On pages 108-109 of the transcript, Mr. Silberman made comments that Sherman "enjoyed profits of \$35 million" in 2019, and "\$30 million" in 2020. That is false, the Sherman service area has had substantial losses over the last three years, given the patient population we serve. That is why taking profitable outpatient surgeries out of a hospital like Sherman that provides safety net services to the community is so egregious. We need services like that to continue our mission to the community.

Second, later he said that Advocate Aurora Health (AAH) had a "half billion dollars in annual profits", for shock value. AAH did have an operating profit of \$481 million in 2019 (not \$1.45 billion that he erroneously reported), but that is more a reflection of the millions of patients we serve from the Chicago area up to north of Green Bay Wisconsin. That operating profit translates into an operating margin percentage of only 4.8% in 2019, and is only 1.6% so far this year. That compares to the 24% operating margin that OrthoIllinois predicts for their ASC. Further, as a community not for profit, any surplus we do generate is used to reinvest in the health ministry, not line the pockets of shareholders. These resources are used to maintain infrastructure, replace outdated equipment, and offer new services to the community. Without a small margin, facilities and equipment would deteriorate and new services could not be provided, negatively impacting health services to the local community.

About 16-18% of the services Advocate Sherman provides are for patients with Medicaid or no insurance., and as I noted above, Sherman has had significant financial losses. This contrasts with the misleading statement made by Ortho Illinois representatives that "40%

percent of the proposed payer mix will be Medicaid and Medicare” (p 83, 120). What they are not telling you, and are obligated to do so if you request, is that the Medicaid portion will be tiny, based on the .4% Medicaid and charity care they provide at their Rockford facility. Now I understand some of that is due to Medicaid payment rules that require certain ortho procedures to be provided in the hospital. But that only makes my point that they will move the profitable cases to their ASTC, while leaving the Medicaid cases at the hospital, at least until the Medicaid rules change. Even then, the Medicaid percentage will surely be very low.

We are proud to serve this community, but we are asking for the Board’s support to maintain this mission. We can’t do it, or do it well, if profitable services are siphoned off to support for profit services that really are not even necessary given the unused capacity at hospital operating rooms and ASTCs in the Elgin community.

Thank you for allowing me to express my concerns about this project.

Sincerely,



David Cartwright, CPA
Vice President, Finance
Advocate Aurora Health