STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
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DOCKET NO: H-05	BOARD MEETING: July 27, 2023	PROJECT NO: 23-030	PROJECT COST: Original: $10,000
FACILITY NAME: O'Fallon Surgical Center		CITY: O'Fallon	
TYPE OF PROJECT: Non-Substantive			HSA: XI

PROJECT DESCRIPTION: The Applicants (O'Fallon Surgical Center, LLC, and Haris Assets, LLC) propose to add Podiatry to an existing ambulatory surgical treatment center located at 741 Insight Avenue, O'Fallon, Illinois. Project costs total $10,000, and the expected completion date is December 31, 2023.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (O'Fallon Surgical Center, LLC, and Haris Assets, LLC) propose to add Podiatry to an existing multi-specialty ambulatory surgical treatment center located at 741 Insight Avenue, O'Fallon, Illinois. The project cost totals $10,000, and the expected completion date is December 31, 2023.
- The ASTC has 1 operating room 1-non-sterile procedure room, 1 examination room and 2 Stage I and 2 Stage II recovery stations and has been approved to provide ophthalmology, gastroenterology, and pain management surgical services. The Applicants added 1 operating room after the completion of #19-025 because the cost did not exceed the capital expenditure threshold in effect at the time. The Applicants report having provided no charity care or Medicare/Medicaid services in the last three years prior to the submittal of this application.
- Table One documents the number of cases and hours performed at the facility over the past 4-years.

Executive Summary
TABLE ONE
Number of Cases and Hours
Physicians Surgical Center/O'Fallon Surgical Center
2019-2022

Year	2019*	2020*	2021	2022	Ave
Pain Management					
Cases					
Hours					
Ophthalmology					
Cases			516	1,676	1,096
Hours			215	699	457
Gastrointestinal					
Cases	1	6	109	0	38.6
Hours	1	22	40.5	0	21.1
Total					
Cases	1	6	625	1,676	592
Hours	1	22	255.5	699	202.5

*Physicians Surgical Center
State Standard for Operation: 80%

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes the addition of a surgical specialty.

PUBLIC HEARING/COMMENT:

- A public hearing was offered but was not requested. No letters of support or opposition were submitted regarding this project.

SUMMARY:

- This ASTC was approved as part of Permit #19-025 for the discontinuation of an ASTC in Belleville and the establishment of a one room ASTC in O'Fallon, Illinois to provide gastroenterology services. The Application for Permit #19-025 stated that 1,200 gastro cases would be performed for each of the first two years after project completion (see page 69 of the Application for Permit #19-025). Additionally, that Application also indicated that between 22% and 27% of the patients would be Medicaid patients (Application for Permit #19-025 page 75). That has not happened.
- The Applicants state the purpose of this project is to improve access to podiatric surgery to residents of the geographical service area and to increase utilization at O'Fallon Surgical Center, which currently has capacity. According to the Applicant it is common knowledge that many Illinois residents living in the metropolitan St. Louis area travel to St. Louis for appointments with specialists, including podiatric surgery. Of the cases identified in the physician referral letter (Appendix 1 of the Application to Permit), 165 cases were Illinois residents traveling to Missouri for Podiatric procedures. According to the Applicants cases identified in the physician referral letter are associated with outpatient procedures that are currently being performed in the hospital setting[1], and by offering additional ASTC services in O'Fallon, the Applicant will allow these patients to obtain the same high-quality care in a more convenient, lower cost setting without the risk for hospital-acquired infections, including MRSA. Pursuit of this project is commensurate with the preferences of patients, providers, and insurance companies.
- The Applicants have not provided evidence of providing any Medicaid or charity care to its patient based in the three years prior to filing this application.
- The Applicants addressed 14 criteria and were not compliant with the following:

77 ILAC 1110.120 (b) – Projected Utilization	With the additional 165 cases the two room ASTC will not be at the State Board's target occupancy. Current and projected utilization does not warrant these two rooms.
77 ILAC 1110.235 (c)(5)(A) & (B)Treatment Room Need Assessment	As stated above the Applicant added one operating room after the completion of Permit #19-025 because the cost was less than the capital expenditure minimum at the time. Current and projected utilization does not warrant these two rooms.
77 ILAC 1110.235 (c)(6)- **Service Accessibility**	There are existing providers (all hospitals) in the 17-mile GSA that currently provide podiatry services. See Table Three below
77 ILAC 1110.235 (c)(7)-Unnecessary Duplication of Service	Adding podiatry service is a duplication of service as all hospitals within the 17-mile GSA currently provide this service.

[1] The referring physician is based in Belleville, Illinois according to the referral letter and had privileges at South Side Hospital in St. Louis. The South Side Hospital in St. Louis was recently sold to American Healthcare Systems which recently purchased Gateway Regional Medical Center and Vista Medical Center-East.

STATE BOARD STAFF REPORT
Project #23-030
O'Fallon Surgical Center

APPLICATION/SUMMARY	
Applicant(s)	O'Fallon Surgical Center, LLC Haris Assets, LLC
Facility Name	O'Fallon Surgical Center
Location	741 Insight Avenue, O'Fallon
Permit Holder	O'Fallon Surgical Center, LLC
Owner of Site	Haris Assets, LLC
Application Received	May 22, 2023
Application Deemed Complete	May 30, 2023
Anticipated Completion Date	December 31, 2023
Review Period Ends	July 29, 2023
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

I. Project Description

The Applicants (O'Fallon Surgical Center, LLC, and Haris Assets, LLC), propose to add Podiatric Surgery to an existing multi-specialty ambulatory surgical treatment center located at 741 Insight Avenue, O'Fallon, Illinois. The project cost is $10,000, and the expected completion date is December 31, 2023.

II. Summary of Findings

A. State Board Staff finds the proposed project is not in conformance with all relevant provisions of Part 1110 (77 ILAC 1110).

B. State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1120 (77 ILAC 1120).

III. General Information

The Applicants (O'Fallon Surgical Center, LLC, Haris Assets, LLC), state the applicant facility is the only ASTC under their ownership/operational control, and its Chief Executive Officer (Shakeel Ahmed, M.D.), also reports owning and operating Metroeast Endoscopic Surgery Center, Fairview Heights. The multi-specialty ASTC is licensed to perform Ophthalmology, Gastroenterology, and Pain Management services, but has reported only gastroenterology and ophthalmology in the last two years.

IV. Project Uses and Sources of Funds

The Applicants are funding this project in its entirety with cash and securities amounting to $10,000, and the entirety of these project costs are attributed to the purchase of moveable and other equipment.

TABLE TWO Project Costs and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Movable or Other Equipment	$10,000	$0.00	$10,000	100%
TOTAL USES OF FUNDS	$10,000	$0.00	$10,000	100.00%
SOURCE OF FUNDS				
Cash & Securities	$10,000	$0.00	$10,000	100%
TOTAL SOURCES OF FUNDS	$10,000	$0.00	$10,000	100.00%

V. Background of the Applicant, Safety Net Impact Statement, Purpose of the Project

A. Criterion 1110.110 (a) – Background of the Applicant
B. Criterion 1110.110 (b) – Purpose of the Project
C. Criterion 1110.110 (c) – Safety Net Impact Statement
D. Criterion 1110.110 (d) – Alternatives to the Project

A) Background of the Applicant

The Applicant has certified that there have been no adverse action taking against any facility owned and/or operated by the Applicant during the three years prior to filing of the application. The Applicant also certifies that there have been no individuals cited, arrested, taken into custody, charged with, indicted, convicted, or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. The Applicant permits the HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

B) Purpose of the Project

The Applicants state the purpose of this project is to improve access to podiatric surgery to residents of the geographical service area and to increase utilization at O'Fallon Surgical Center, which currently has capacity. According to the Applicant it is common knowledge that many Illinois residents living in the metropolitan St. Louis area travel to St. Louis for appointments with specialists, including podiatric surgery. Of the cases identified in the physician referral letter (Appendix 1), 165 cases were Illinois residents traveling to Missouri for Podiatric procedures. According to the Applicants cases identified in the physician referral letter are associated with outpatient procedures that are currently being performed in the hospital setting, and by offering additional ASTC services in O'Fallon, the Applicant will allow these patients to obtain the same high-quality care in a more convenient, lower cost setting without the risk for hospital-acquired infections, including MRSA. Pursuit of this project is commensurate with the preferences of patients, providers, and insurance companies.

C) Safety Net Impact Statement

This is a non-substantive project a safety net impact statement is not required. The Applicants did not provide charity care to its patient base in the three years prior to filing this application.

D) Alternatives to the Project

The Applicant considered three alternatives to the proposed project.

1) Status Quo/Do Nothing (no cost)

The Applicants considered continuing with the provision of gastroenterology, ophthalmology, and pain management, but realized the continuing absence of podiatry for patients in the service area. Pursuit of this option would perpetuate the need for patients to travel out of state for services, most likely provided in a hospital setting. This option was rejected.

2) Utilize Other Health Care Facilities (no cost)

The Applicants deemed this alternative infeasible, due to the continued absence of podiatric surgical services in the service area, and the need for patients to travel out of state to receive said services. The Applicants note the surgical center is more conveniently located for Illinois residents to receive surgical care, and a higher quality/lower cost alternative to care when compared to current offerings. Lastly, the proposed addition of podiatric surgery will increase utilization at the surgery center.

3) Add Podiatry to the Existing ASTC (Cost $10,000)

The Applicants deemed this alternative as most feasible, due to the excess capacity at the existing ASTC, and the need to provide said services in a more accessible, higher quality, and lower cost setting. This option also provides greatest value, as it does not involve new construction or modernization. The only expense will be for clinical equipment.

VI. Size of the Project, Projected Utilization
Criterion 1110.120 (a) – Size of the Project
Criterion 1110.120 (b) – Projected Utilization

A) Size of the Project

The Applicants are not proposing new construction or modernization for this project. The current spatial configuration for this facility is 2,200 GSF, which is within the State standard of 2,750 GSF for an ASTC.

B) Projected Utilization

The Applicants are projecting to refer 165 podiatric surgery cases in the first year after project completion. The proposed number of procedures does not result in the ASTC operating at the State Board's target occupancy.

VIII. Non-Hospital Based Ambulatory Surgical Treatment Center Services

77 ILAC 1110.235 (c)(2)(B)(i) & (ii)	–	Service to GSA Residents
77 ILAC 1110.235 (c)(3)(A) & (B) or (C)	–	Service Demand – Add Surgical Procedure
77 ILAC 1110.235 (c)(5)(A) & (B)	–	Treatment Room Need Assessment
77 ILAC 1110.235 (c)(6)	–	Service Accessibility
77 ILAC 1110.235 (c)(7)(A) through (C)	–	Unnecessary Duplication Maldistribution
77 ILAC 1110.235 (c)(8)(A) & (B)	–	Staffing
77 ILAC 1110.235 (c)(9)	–	Charge Commitment
77 ILAC 1110.235 (c)(10)(A) & (B)	–	Assurance

A) (Formula Calculation)

As stated in 77 Ill. Adm. Code 1100, no formula need determination for the number of ASTCs and the number of surgical/treatment rooms in a geographic service area has been established. Need shall be established pursuant to the applicable review criteria of this Part.

B) Service to Geographic Service Area Residents

The Applicants shall document that the primary purpose of the project will be to provide necessary health care to the residents of the geographic service area (GSA) in which the proposed project will be physically located.

i) The Applicants shall provide a list of zip code areas (in total or in part) that comprise the GSA. The GSA is the area consisting of all zip code areas that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site.

ii) The Applicants shall provide patient origin information by zip code for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the GSA. Patient origin information shall be based upon the patient's legal residence (other than a health care facility) for the last 6 months immediately prior to admission.

The established radii for a facility located in metro East St. Louis/St. Clair County is 17-miles per 77 ILAC 1100.510. The Applicant identified 35 zip codes in this 17-mile service area with a population of approximately 412,000 residents. The Applicants identified patients by zip code of residence for the latest 12-month period. Of the 165 patients the Applicants provided as referrals, the entirety resided within these 35-zip codes. [Application for Permit pages 49-51]

C) Service Demand –Additional ASTC Service

*The applicant shall document that the proposed project is necessary to accommodate **the service demand** experienced annually by the applicant, over the latest 2-year period, as evidenced by historical and projected referrals.*

The Applicants state this project is necessary to bring podiatric surgical services to the metro east St. Louis area and increase utilization at the facility. The Applicant notes the 750 cases performed by the referring physician in the past year were performed out of State (Missouri), with most being at area hospitals. The proposed 165 procedures will provide 302 additional surgical hours to the utilization data for the facility.

D) Treatment Room Need Assessment

The facility has 1 operating room and 1 non-sterile procedure room and reports operations totaling 699 surgical hours (1,676 procedures) in 2022. The additional 165 referrals (302 surgical hours). With the additional 302 hours the Applicant can justify one room and not the two rooms.

E) Service Accessibility

*The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The Applicant shall document **that at least one** of the following conditions exists in the GSA:*

A) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project.

B) The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100.

C) The ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies.

D) The proposed project is a cooperative venture sponsored by 2 or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:

E) The existing hospital is currently providing outpatient services to the population of the subject GSA.

ii) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100.

iii) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms are operating at or above the utilization rate specified in 77 Ill. Adm. Code 1100 for a period of at least 12 consecutive months; and

iv) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

There is one ASTC (MetroEast Endoscopy Center) in the 17-mile GSA as noted in Table three below. This facility has been approved for gastroenterology and ophthalmology. This facility is also owned by Dr. Ahmed. Podiatry service is available at all of the Hospitals within this 17-mile GSA and all but one of the Hospitals is underutilized. The proposed project is not a cooperative venture with a hospital.

TABLE THREE

Hospitals/ASTCs in the Immediate Service Area

Facility	City	Type	Distance (miles)	Rooms	Hours	Utilization
HSHS St. Elizabeth's Hospital	O'Fallon	Hospital	0.8	15	25,132	89.36%
Memorial Hospital East	Shiloh	Hospital	2	6	4,738	42.12%
Metroeast Endoscopy Center	Fairview Heights	ASTC	4.5	1	1,164	62.08%
Memorial Hospital	Belleville	Hospital	7.8	33	12,261	19.82%
Touchette Regional Hospital	Centreville	Hospital	13.6	6	777	6.91%
Anderson Hospital	Maryville	Hospital	14.3	9	10,244	60.71%
Gateway Regional Medical Center	Granite City	Hospital	18.6	NA	1,816	NA

TABLE THREE						
Hospitals/ASTCs in the Immediate Service Area						
Facility	**City**	**Type**	**Distance (miles)**	**Rooms**	**Hours**	**Utilization**
Edwardsville ASTC	Glen Carbon	ASTC	23.5	3	1,011	17.99%

1. Utilization information taken from Annual hospital and ASTC Annual Survey
2. Gateway Regional Medical Center did not report the number of operating and procedure rooms.
3. Metroeast approved to provide Gastroenterology and Ophthalmology.

In response to this criterion the Applicants note the proposed project will enhance access to podiatric surgical services in the service area by providing a less costly, more efficient, and convenient alternative than the hospital inpatient/outpatient departments. By offering this service, O'Fallon Surgical Center will avail its patient base to enhanced ASTC services with easier access, shorter wait times, and better overall patient experiences. Clinicians will realize easier scheduling times, efficiencies with faster turnaround time for operating rooms, and a reduced risk of exposure to nosocomial infections that are prevalent in hospital settings. It is noted that these efficiencies will ultimately result in more time being spent with patients, resulting in improvements in the quality of care.

Service Access to podiatry services is available within this 17-mile GSA as all the hospitals within the 17-mile GSA provide this service. The Applicants have not met the requirements of this criterion.

F) Unnecessary Duplication/Maldistribution

A) The Applicants shall document that the project will not result in an unnecessary duplication. The Applicants shall provide the following information for the proposed GSA zip code areas identified in subsection (c)(2)(B)(i):

i) the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and

ii) the names and locations of all existing or approved health care facilities located within the GSA that provide the ASTC services that are proposed by the project.

B) The Applicants shall document that the project will not result in maldistribution of services. Maldistribution exists when the GSA has an excess supply of facilities and ASTC services characterized by such factors as, but not limited to:

i) a ratio of surgical/treatment rooms to population that exceeds one and one-half times the State average.

ii) historical utilization (for the latest 12-month period prior to submission of the application) for existing surgical/treatment rooms for the ASTC services proposed by the project that are below the utilization standard specified in 77 Ill. Adm. Code 1100; or

iii) insufficient population to provide the volume or caseload necessary to utilize the surgical/treatment rooms proposed by the project at or above utilization standards specified in 77 Ill. Adm. Code 1100.

C) The Applicants shall document that, within 24 months after project completion, the proposed project:

i) will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and

ii) will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.

G) Maldistribution/Duplication of Service Maldistribution-17 Mile GSA

The Applicants state the expansion in services at O'Fallon Surgical Center will not result in maldistribution of services due to an excess of underutilized surgical suites in the service area. Table Three illustrates the ratio of population to operating/procedure rooms, and it appears the addition of podiatric surgical services will not result in a maldistribution of services.

TABLE FOUR
Ratio of Surgery/Treatment Rooms to Population

	Population	OR/Procedure Rooms	Rooms to Population	Standard Met?
Geographic Service Area	412,277	94	1:4,386	Yes
State	12,671,821	2,639	1:4,802	

The Applicants note the proposed project will not result in maldistribution of services, based on the ratio of surgical rooms to population (See Table Three) above. The Applicants identified six hospitals and two ASTCs in their application, and the are shown in Table Three above. All of the hospitals within the 17-mile GSA provide this podiatry services.

I) Staffing Availability

The Applicants shall document that relevant clinical and professional staffing needs for the proposed project were considered and that the staffing requirements of licensure and The Joint Commission or other nationally recognized accrediting bodies can be met. In addition, the Applicants shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

B) Medical Director

It is recommended that the procedures to be performed for each ASTC service are under the direction of a physician who is board certified or board eligible by the appropriate professional standards organization or entity that credentials or certifies the health care worker for competency in that category of service.

According to the Applicants the facility is currently staffed in accordance with all IDPH and Medicare Requirements.

J) Charge Commitment

In order to meet the objectives of the Act, which are to improve the financial ability of the public to obtain necessary health services; and to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public; and cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process [20 ILCS 3960/2], the Applicants shall submit the following:

A) a statement of all charges, except for any professional fee (physician charge); and

B) a commitment that these charges will not increase, at a minimum, for the first 2 years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).

The Applicants provided the necessary attestation as required by this criterion at page 59 of the Application for Permit.

K) Assurances

A) The Applicants shall attest that a peer review program exists or will be implemented that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for

the ASTC services, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated.

B) The Applicants shall document that, in the second year of operation after the project completion date, the annual utilization of the surgical/treatment rooms will meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians) and the provision of new procedures that would increase utilization.

The Applicants provided the necessary attestation as required by this criterion at page 60 of the Application for Permit.

III. Financial Viability

A. Criterion 1120.120 – Availability of Funds
B. Criterion 1120.130 – Financial Viability
C. Criterion 1120.140 (a) – Reasonableness of Debt Financing
D. Criterion 1120.140 (b) – Terms of Debt Financing

The Applicants will be funding this project in its entirety with cash in the amount of $10,000, which will be allocated for the purchase of surgical room equipment. The State Board standard for Moveable Equipment costs is $551,212 per surgical suite. It appears the Applicants have met the requirements of this criterion.

Moveable Equipment	$10,000

Criterion 1120.140 (d) – Direct Operating Costs
Criterion 1120.140 (e) – Total Effect of the Project on Capital Costs

Project direct operating expenses for year 2025, the second year after opening are calculated is $350.00 per procedure/visit. The total effect of the project on capital costs is estimated at $60.61 per visit/procedure. The State Board does not have a standard for these costs.