

January 19, 2024

Via U.S. Mail and Electronic Mail

Mr. John Kniery
Administrator
HFSRB Compliance Department
Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Advocate Condell Ambulatory Surgery Center Consent Agreement
Docket No. HFSRB #22-01

Dear Mr. Kniery:

Advocate Condell Ambulatory Surgery Center and the Illinois Health Facilities and Services Review Board (“HFSRB” or the “Review Board”) entered into a Consent Agreement dated May 12, 2022 (the “Consent Agreement”) to resolve a compliance matter relating to our surgery center in Libertyville. This letter constitutes the final report documenting that we have complied with the terms of the Consent Agreement.

In working on a Certificate of Need application to add some specialties to our center in 2020 we discovered that podiatric procedures were being performed without formal approval by HFSRB. The infraction originated because the prior administrator had, in good faith but mistakenly, thought that approval for orthopedic cases also covered podiatry. We self-reported the compliance matter and worked with the Review Board for resolution. We entered into the Consent Agreement, agreed to pay a \$15,000 cash penalty (which was timely paid), and further agreed to provide at least \$200,000 of care in calendar year 2021 and 2022 to military personnel and veterans. Largely these cases are for military personnel that would have been eligible to receive care at the Captain James A. Lovell Federal Health Care Center in North Chicago. The Lovell Veterans Affairs hospital, however, experiences some surgical access issues and we worked out an arrangement for some of those procedures to be performed at our center, largely by U.S. military physicians. These cases, however, are reimbursed through Tricare at significantly lower rates than our average reimbursement and come at a financial loss. The Consent Agreement provides that we report back to the Review Board by May 12, 2024 as to our providing that care.

We are pleased to report that we have fulfilled, and exceeded, our obligations under that agreement. We also note that we have continued to provide these services in 2023 and are continuing to do so in 2024. Below are two tables that document the services provided. As the tables below show, the difference between our average margin per case and the average Tricare

margin in 2021 and 2022 is a loss of \$233,469. Further, the amount for 2023 is \$130,859 for a total of \$364,828. From a revenue loss perspective, the difference is even more profound. Net patient revenue (“NPR”) per case for non-Tricare cases in 2022 was \$4,445 compared to Tricare reimbursement of only \$2,606 per case. On a cumulative basis, the revenue loss for Tricare vs the average of other cases was \$430,992 for 2021-2022 and \$726,718 total. We believe these numbers show that we have clearly exceeded the amount of care provided to military personnel that exceeds the amount specified in the Consent Agreement.

Tricare Volume						
	2021		2022		2023	
Specialty	Cases	NPR/Case	Cases	NPR/Case	Cases	NPR/Case
ENT	8	\$839				
GEN					1	\$2,378
NEU	7	\$2,913	4	\$2,566	3	\$3,065
ORT	25	\$2,311	62	\$2,537	58	\$2,451
POD	4	\$3,735	3	\$6,181	2	\$2,956
URO	5	\$1,561	6	\$1,559	3	\$1,775
Grand Total	49	\$2,196	75	\$2,606	67	\$2,463

	2021	2022	2023	Total
Patient Surgical Cases	1,998	2,034	2,076	6,108
NPR per Case	\$4,146	\$4,445	\$4,416	\$4,337
Total Revenue	\$8,283,516	9,042,037	\$9,166,972	\$26,492,525
Average Cost per Case	\$2,869	\$3,037	\$3,334	\$3,083
Total Cost	\$5,732,069	\$6,177,679	\$6,922,190	\$18,831,938
Total Margin	\$2,551,447	\$2,864,358	\$2,244,782	\$7,660,587
Average Margin per Case	\$1,277	\$1,408	\$1,081	\$1,254
Tricare Revenue per Case	\$2,196	\$2,606	\$2,463	\$2,451
Tricare Margin per Case	(\$673)	(\$431)	(\$872)	(\$632)
Total Tricare Volume	49	75	67	191
Revenue Loss via Services Rendered	(\$97,927)	(\$333,065)	(\$295,726)	(\$726,718)
Margin Loss via Services Rendered	(\$95,526)	(\$137,943)	(\$130,859)	(\$364,328)

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By this report we confirm that we fulfilled the requirements of the Consent Agreement. We appreciate the opportunity to work collaboratively with the Review Board in resolving this matter in a way that provided care for those military personnel who otherwise faced limited access to timely care.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dean Michal". The signature is fluid and cursive, with the first name "Dean" and last name "Michal" clearly distinguishable.

Dean Michal
Chief Executive Officer

cc: Mike Constantino
Joe Ourth