Hospital Sisters
HEALTH SYSTEM

HSHS St. Joseph's Hospital
Breese, IL

HSHS St. Mary's Hospital
Decatur, IL

HSHS St. Anthony's Memorial Hospital
Effingham, IL

HSHS Holy Family Hospital
Greenville, IL

HSHS St. Joseph's Hospital
Highland, IL

HSHS St. Francis Hospital
Litchfield, IL

HSHS St. Elizabeth's Hospital
O'Fallon, IL

HSHS Good Shepherd Hospital
Shelbyville, IL

HSHS St. John's Hospital
Springfield, IL

HSHS St. Mary's Hospital Medical Center
HSHS St. Vincent Hospital
Green Bay, WI

HSHS St. Clare Memorial Hospital
Oconto Falls, WI

HSHS St. Nicholas Hospital
Sheboygan, WI

HSHS Medical Group

Prairie Cardiovascular

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July 17, 2025

Via Hand Delivery and Email
Chairwoman Debra Savage
Illinois Health Facilities and Services Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761
dph.hfsrb@illinois.gov

Re: Letter of Concern and Comment
Project #25-012 – Mt. Zion Center for Surgery

Dear Chairwoman Savage:

On behalf of the Hospital Sisters Health System ("HSHS") and HSHS St. Mary's Hospital in Decatur ("SMD"), I respectfully submit this letter of grave concern and comment on the permit application for Mt. Zion Center for Surgery, Project #25-012. As SMD makes every effort to remain viable as a provider of safety net services in the greater Decatur area, striving in the utmost good faith to stem its history of annual financial losses, it is important that each step forward not be met with another backwards one that brings yet new financial challenges. Operational goal posts for struggling hospitals should not be moved in ways inconsistent with the Health Facilities Planning Act ("Planning Act") and rules of the Health Facilities and Services Review Board ("Review Board").

This proposed new ambulatory surgical treatment center ("ASTC"), which will redirect more than $5.0 million of positive margin patient volume away from SMD in favor of the for-profit ASTC investors, represents a step backward for SMD and the other hospitals in the involved planning area that serve the Macon County region. Literally *all patient volume* for this ASTC will come from four nearby hospitals – each with its own respective financial challenges and *all with significant underutilization*. The *adverse impact on safety net services providers*, and their ability to cross-subsidize these negative-margin lines of care, is clear – notwithstanding the cynical claim in the CON application that disclosure and consideration of safety net impacts, as required by Review Board rules, should not apply to this application since ASTCs themselves do not provide safety net services.

All that HSHS and SMD can do, and hereby respectfully does, is to ask that the Review Board carefully apply the applicable statute and rules in evaluating this project, with a clear understanding of the context for its decision. I sincerely appreciate your consideration of the necessarily lengthy comments that follow.

SUMMARY

Having recruited the two orthopedic surgeons involved in this CON application to Decatur – something hospitals must do to bring specialty care to populations in smaller markets, often at significant cost (like the income guarantees made here) – HSHS and SMD have nothing but respect for these physicians and their professional caliber. Yet, as they now seek to pull significant positive-margin patient volume out of SMD and other underutilized hospitals in the region, to benefit their for-profit surgery center that will not provide safety net services, we are compelled to comment on the inevitable adverse impacts their project would pose for the greater Macon County area.

This CON application, we sincerely believe, represents a textbook example of what the Planning Act and associated rules seek to avoid:

- It acknowledges that the project is an unnecessary duplication of services that adversely impacts existing, underutilized facilities.
- It makes no effort to document that the project will not lower, to a further extent, the utilization of other facilities that are currently operating below the state's utilization standards – something the project undeniably will do.
- It impairs the delivery of, and the cross-subsidization that enables, safety net services.
- It draws away needed clinical and technical staff from existing facilities, in an area where such professional resources are scarce.
- It conceals the identity of those who will control the licensee, site or building, or be responsible for project financing, and declines to include them as co-applicants as required.

The four impacted hospitals collectively provide a substantial volume and wide array of safety net services to the populations in and around Decatur – services that will be adversely impacted, and to varying degrees put at risk, if Project #25-012 is approved. For SMD, these safety net services and other community benefits include:

- Care for more than 18,600 patients annually who are covered by Medicaid, representing more than 15% of total patient volume.
- More than 19,000 Emergency Department visits per year.
- Financial assistance and cash/in-kind contributions to annually support more than 5,200 patients experiencing economic disparities.
- Numerous charity care programs to support the at-risk population in the greater Decatur area (including the Health Connect, Beyond the NICU, Emergency Department Referral and Recovery, Good Samaritan Inn, Dental Voucher, and Stop the Bleed Programs).

- Full tuition for 177 nursing and surgical tech students, at a cost of $5.4 million each year, to educate and recruit health care professionals to serve SMD and its patients in and around Decatur.

As described below, beyond imperiling safety net services, approval of unnecessary duplications of services like Project #25-012 can challenge the very viability of struggling healthcare facilities. On the heels of the recently enacted Medicaid cuts at the federal level, this CON application poses yet another financial challenge that – as a literal "final straw" – could itself produce seriously diminished health care availability and access. This particular project, at this time and in this location, merits especially close attention and careful review.

FACTS AND CONTEXT

These are Perilous Times for Hospitals

The headwinds facing small hospitals are becoming increasingly fierce, with both Governor Pritzker and the Illinois Health and Hospital Association anticipating imminent hospital closures. Any number of things can now become the "tipping point" that renders a hospital – and its associated safety net care – no longer viable. The establishment of new surgical facilities that are entirely dependent on the redirection of patient volume from existing, underutilized area hospitals imposes yet one more stress on already-fragile hospitals.

The Review Board plays a unique and critical role in sustaining a viable health care delivery system throughout the State. Its core purpose and central tenets, as described in the Planning Act, include: *(i)* the promotion of an orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and *(ii)* the preservation and support of safety net services. (20 ILCS 3960/2). Yours is both a weighty and consequential responsibility.

SMD Has Been Weathering Its Own Financial Storms

The Review Board is aware of our challenges at SMD. In 2023, we submitted a project designed to address the declining physical and financial condition of the hospital. (Project #23-035.) The main hospital building was constructed in 1958, and we sought to: *(i)* modernize over 100,000 gsf in that building; and *(ii)* demolish over 200,000 gsf of now unneeded space in the building. The project reduced total bed capacity from 102 to 36 beds. At the time of project submission, SMD had incurred five-year operating losses totaling over $62 million and averaging $12 million per year. We included in the application the following table:

Unsustainable Financial Performance

	FY18	**FY19**	**FY20**	**FY21**	**FY22**
Net Operating Income *(millions)*	($4.5)	($13.6)	($15.8)	($8.1)	($19.8)
% Net Operating Income	-3.2%	-9.1%	-9.9%	-4.7%	-11.2%

Even with the reduction in hospital size, and even with the prior decrease in beds and discontinuation of services approved in Project #23-006, we still anticipated continued operating losses at SMD – albeit at

a sustainable level within the HSHS system. This was based on our hope and expectation at the time that overall financial conditions, and the "goal posts" for SMD operations, would remain relatively constant and not significantly deteriorate.

Before accounting for new challenges posed by the federally approved Medicaid cuts, or the "cream skimming" of positive-margin services proposed in Project #25-012, financial pressures continued at SMD during its last two fiscal years:

Recent Financial Performance

Financial Measure	FY23	FY24
Net Operating Income *(millions)*	($11.1)	($21.9)
% Net Operating Income	-18.8%	-17.6%

One Big Beautiful Bill Act

The financial challenges facing all four Decatur-area hospitals have only worsened with the enactment of H.R.1, 119th Cong. (2025), the One Big Beautiful Bill Act. Media reports indicate that this new law will result in a 20% reduction in Medicaid benefits for Illinois and more than 330,000 Illinoisans losing their Medicaid coverage.[1] Regarding this new federal statute, Governor Pritzker predicted that "many hospitals will be forced to eliminate critical services, cut staff, or even close, creating ripple effects that harm all patients in their communities, regardless of whether they rely on Medicaid coverage."[2] In an Op-Ed for *Crain's Chicago Business*,[3] the Illinois Health and Hospital Association ("IHHA") projects more than $2.0 billion in annual Medicaid funding cuts for Illinois, concluding:

> The consequences of reductions at the level being considered in Washington would ripple across our entire healthcare system, striking hardest in areas already operating on the margins. In rural hospitals, where every dollar counts, these cuts would force painful decisions: scaling back services, laying off staff, or closing entirely. Many of these providers have already reduced or eliminated critical care such as labor and delivery or behavioral health services. Additional cuts would further erode access and leave entire regions without viable options for care.

Medicaid is a significant source of revenue for SMD. The 2023 Hospital Profiles show that Medicaid accounted for 20% of its inpatient, and 14.6% of it outpatient, revenue. If the projected Illinois Medicaid cuts are realized, this would result in *lost revenue for SMD of more than $5 million annually*, based on 2023 data. *On top of losses SMD already experiences.*

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[1] *See, e.g.*, P. Hancock, "Pritzker warns 330,000 Illinoisians could lose Medicaid under Trump's budget plan," Capitol News Illinois (July 3, 2025).

[2] T. Sfondeles, "Trump tax bill could close nine Illinois hospitals, health advocates warn," Chicago Sun-Times (July 3, 2025.

[3] A.J. Wilhelmi, "Opinion: Medicaid cut threaten care, access and jobs in Illinois," Crain's Chicago Business (June 24, 2025).

Yet More Added Financial Pressure from Project #25-011

In addition to these preexisting financial pressures and the new challenges presented by the One Big Beautiful Bill Act, the proposed Mt. Zion Center for Surgery would redirect thousands of surgical cases from SMD and other area hospitals to this privately-owned surgery center.

Added Pressures for SMD

The application indicates that the project will redirect 521 orthopedic surgical cases from SMD alone, which represents 84% of all outpatient orthopedic surgeries at the hospital. We estimate that the financial impact on SMD alone would be a *loss in contribution margin of over $5.0 million a year*, further exacerbating the hospital's operating losses and its ability to subsidize safety net services, including its Emergency Department.

Added Pressures for Other Area Hospitals

As the CON application acknowledges, SMD is not the only small hospital to be adversely impacted by the proposed ASTC. Kirby Medical Center, a Critical Access Hospital in nearby Monticello, would lose *all* of its orthopedic cases and 30% of its entire surgical volume. The project proposes to redirect 315 surgical hours away from Kirby, which reported total surgical hours of only 1,046 in the 2023 Hospital Profiles.

The project relies on significant shifts of patient volume for two additional hospitals: Pana Community Hospital, another critical access hospital, and Decatur Memorial Hospital.

All four of these adversely impacted hospitals operate with substantial *excess surgical capacity*, and yet would experience the following caseload reductions in favor of the Mt. Zion Center for Surgery:

Orthopedic Volumes	Kirby Med. Ctr.	St. Mary's	Decatur Memorial	Pana Community
Hospital Outpatient Cases	100	622	2,123	146
Cases to be Redirected to ASTC	165	521	703	22
% of Cases Redirected to ASTC	**100%**	**84%**	**33%**	**15%**

In filed comments on this project, the Illinois Critical Access Hospital Network ("ICAHN") has stated that nearly 30% of the state's 80 rural hospitals operate on negative or thin margins, and that small and rural hospital's reliance on Medicare and Medicaid, coupled with lower reimbursement rates, makes them financially vulnerable. ICAHN has submitted a letter of concern on this project "*regarding any Certificate of Need (CON) application that proposes to establish new services, an expansion of existing services, and/or new surgery centers or facilities that significantly relies upon patient volume from CAHs [Critical Access Hospitals].*" We certainly share this concern, as HSHS operates a number of small Critical Access Hospitals that are also members of ICAHN.[4]

[4] HSHS Critical Access Hospitals in Illinois include Good Shepherd Hospital, Shelbyville (30-beds), St. Francis

LEGAL FRAMEWORK AND REQUIREMENTS

At this perilous time for hospitals, the ICAHN letter of concern filed in connection with this project is an especially timely reminder of the Planning Act goals to: *(i)* assure the orderly development of health care facilities that avoids unnecessary duplication; and *(ii)* protect the ability of existing providers to cross-subsidize safety net services. ICAHN sagely highlights the Review Board's "need criteria" that, among other things, require an applicant to document that it will not lower, to a further extent, the utilization of other facilities that are currently operating below the state's utilization standards. These and other Review Board criteria should be carefully considered in your review of Project #23-011.

The Project Simply Does Not Comply with the Review Board's Criteria

Without any effort at pretense or deflection, the application *straightforwardly and affirmatively shows* that this project is an *unnecessary duplication* of services that *impairs existing safety net service providers*.

Further, the application will *draw away needed clinical and technical staff from existing facilities* in favor of this new surgery center.

Finally, the application *fails to*: *(i) identify the parties* who will be in control of the facility; and *(ii) include those controlling parties as co-applicants* in accordance with the Review Board's regulations (which will require a Type A modification to correct).

By Its Very Design, the Project Is an Unnecessary Duplication of Services

The applicants acknowledge that all of their patient volume will come from four existing area hospitals, all of which have underutilized surgical capacity. This is the *very definition* of "unnecessary duplication" under the Review Criteria.

The Unnecessary Duplication/Maldistribution Criterion requires an applicant to document that the proposed project will not lower, to a further extent, the utilization of other facilities in the service area that are currently operating below the utilization standard. (77 Ill. Adm. Code 1110.235(C)(ii)). Here, the applicants have documented the opposite: they *affirmatively state* that the *proposed project will lower, to a further extent, the utilization of all four area hospitals* – each of which operates well below state utilization standards (with such target utilization being 80%, or 1500 hours, per operating room).

All Four Area Hospitals are Currently Underutilized

Healthcare Facility	City	Opertating Rooms	2022 Hours	2023 Hours	Average Hours	Utilization
HSHS St. Mary's Hospital	Decatur	8	5,749	4,737	5,243	**35%**
Decatur Memorial Hospital	Decatur	18	19,506	18,849	19,178	**57%**
Kirby Medical Center	Monticello	2	924	1,046	985	**26%**
Pana Community Hospital	Pana	2	616	758	687	**18%**

Hospital, Litchfield (25-beds), and St. Joseph's Hospital, Highland (25-beds).

The physician referral letters in the application show that the project's volume will take approximately 1800 cases from the above four hospitals combined. Based on the applicants' own estimate of surgical times and stated referrals, the project will further reduce utilization of these already-underutilized hospitals:

The Project Further Reduces Utilization at All Four Area Hospitals

Healthcare Facility	Average Hours	Hours Redirected to ASTC	Remaining Hours at Hospital	Resulting Utilization
HSHS St. Mary's Hospital	5,243	995	4,248	**28%**
Decatur Memorial Hospital	19,178	2,170	17,008	**50%**
Kirby Medical Center	985	315	670	**18%**
Pana Community Hospital	687	42	645	**17%**

The targeted 80% utilization standard reflects an official state determination of the patient volume required for efficient operation of the designated service. It is the Review Board's stated policy that "facilities and services should operate at or above the prescribed utilization targets." (77 Ill. Adm. Code 1100.370). By driving utilization at these four hospitals even further below the targeted 80% utilization level, this project will create greater operating inefficiencies at the existing facilities it adversely impacts.

Again by Its Very Design, the Project Adversely Impacts Safety Net Service Providers

Support of safety net services is a central tenet of the Planning Act. (20 ILCS 3960/2). To this end, the statute requires applicants to submit a Safety Net Impact Statement that includes, among other things, the project's material impact on safety net services in the community, and on the ability of another provider to cross-subsidize safety net services. (20 ILCS 3960/5.4(a) and (c)). These statutory requirements have been adopted in the Review Board's regulations at 77 Ill. Adm. Code 1110.110(c)(1)(A) and (B).

The permit application here utterly fails to address the safety net services criterion. The applicants' Safety Net Impact Statement consists of the following assertion: "Due to the nature of the proposed project, that being the establishment of an ASTC, no impact to the safety net services provided in the area are anticipated; and the project will not impact the ability of any other provider to provide or cross–subsidize safety net services." (CON Appl. at 84).

The applicants take the cynical position that, because they do not intend to provide safety net services themselves, their facility will have no impact on safety net services. The Review Board criteria requires more sincerity and discussion than the application offers.

Completely unaddressed is the admitted adverse impact on the surgical utilization of the existing safety net providers in the area. The Planning Act defines safety net services as "services provided by health care providers or organizations that deliver healthcare services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation." (20 ILCS 3960/5.4(b)). Services provided to Medicaid patients are therefore included within the definition of safety net services.

All four hospitals from which the project will divert surgical procedures have significant Medicaid patient volumes:

Medicaid Patients Served at Area Hospitals

Healthcare Facility	Total Medicaid Patients	% Medicaid Patients
HSHS St. Mary's Hospital	18,646	15.1%
Decatur Memorial Hospital	52,757	19.5%
Kirby Medical Center	8,114	15.6%
Pana Community Hospital	6,176	21.7%

Source: 2023 Hospital Profiles (includes Inpatients and Outpatients)

As the Review Board well understands, the cost of providing Medicaid services is not covered by Medicaid reimbursement. These are negative-margin services that must be subsidized by other, positive-margin services to remain viable. Outpatient orthopedic surgeries – which the project redirects away from the four adversely impacted four hospitals – are among those positive-margin services. By definition, this impairs the ability of the four impacted hospitals to cross-subsidize safety net services to their Medicaid patients and others.

The Project Fails to Identify the Source of Needed Clinical and Technical Staff

The Review Criteria requires an applicant to 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. (77 Ill. Adm. Code 1110.235(c)(8)(A)). The application contains *no letters of interest or completed applications* for employment; instead, it merely states that recruitment of staff will begin 90 days before the facility opens, primarily through "word-of-mouth," and that difficulties in recruitment are not anticipated. (CON Appl. at 77.)

This "word-of-mouth" recruiting suggests the applicants will poach necessary clinical staff – such as anesthesiologists, nurses and surgical techs – from existing facilities, resulting in increasing costs and staffing shortages at those facilities. All four impacted hospitals face enormous challenges in recruiting and retaining sufficient operating room staff. As a representative example, SMD has experienced extremely high turnover in the Post Acute Care Unit (42.9%), the Surgical Unit (39%), and the Pre- and Post Surgical Units (25.7%) in the past 12 months. Filling these positions routinely requires more than a year of recruiting effort. Unless they take staff away from existing area hospitals, it is highly unlikely that the applicants can fill these position in three months.

The Project Application Fails to Disclose the Parties Who Will: *(i)* Control the Licensee, Site, or Building; or *(ii)* Be Responsible for Project Financing

The Planning Act requires a determination that the applicant is fit, willing, and able to provide a proper standard of health care service for the community with particular regard to the qualification, background and character of the applicant. (20 ILCS 3960/6(d)(1)). The Review Board rules state that the following persons *shall* be made applicants:

- The person who has final control of the entity that will hold facility's license.
- Any person who will be financially responsible for guaranteeing or making payments on any debt related to the project.
- The person who controls the capital assets of the project, including the building.

(77 Ill. Adm. Code 1130.220(a)(2), (3) and (4)). In contravention of these regulatory requirements, the application *does not even identify these controlling persons, much less include them as co-applicants*.

The Parties Controlling the Licensee are Not Disclosed

Rather than disclosing the controlling person(s), the application shrouds their identity in mystery. The application states that the licensee will be Surgical Partners & Associates, LLC. (CON Appl. at 3). Undisclosed is who *controls* this entity. The Organizational Chart on page 30 of the application indicates that the licensee will be owned by unnamed "Individual Investors" and that Agility Properties, LLC – which is similarly owned by unnamed "Individual Investors" – will have ownership interest in or control over the licensee. The application states on page 5 that the licensee is a newly formed limited liability company "consisting of three physicians," but does not: *(i)* identify these physicians; *(ii)* disclose their respective ownership interests; or *(iii)* specify who will have controlling interests in the licensee. The application then contradicts itself on page 37 by stating that two (not three) unnamed physicians "each own a 5%+ share in the licensed entity" – once again declining to reveal whether either (or both or neither) of these unnamed persons will hold a controlling interest in the licensee. This mysterious nondisclosure deprives the Review Board from determining whether the applicant is fit, willing, and able to provide a proper standard of health care service, and renders community stakeholders unable to offer public input on the question.

The signature page for the licensee, Surgical Partners & Associates, LLC, is signed by Jacob Sams and Donald Sullivan – who are both identified as a "managing member." However, nowhere in the application are either of these two shown to have a controlling interest in the licensee. If they do have a controlling interest, the Review Board's regulations require that they be added as co-applicants on the application.

Review Board rules are unmistakably clear: *all parties that control the licensee must be disclosed and added as co-applicants*. The application disregards that mandate.

The Parties Controlling the Site are Not Disclosed

The application states that the site is owned by Agility Properties, LLC. (CON Appl. at 3.) No evidence of site control is provided other than a bald statement that the site is owned by that entity. (CON Appl. at 28.) No deed, lease, letter of intent, property tax statement, or other indicia of control is provided. More importantly, the application does not identify the party who controls the ownership entity. The Organizational Chart merely indicates that Agility Properties, LLC, is owned by unnamed "Individual Investors." (CON Appl. at 30.)

The applicant signature page for Agility Properties, LLC, is again signed by Jacob Sams and Donald Sullivan as managing members, but once again their respective interests in the entity are not disclosed – and nobody is identified as holding controlling interests in the entity.

Again, Review Board rules are unmistakably clear: *parties that control the site must be disclosed and added as co-applicants*.

The Parties Controlling the Building are Not Disclosed

The application states that Agility Properties, LLC, will "own the structure to be built to house the proposed ASTC." (CON Appl. at 28.) Under the Review Board's regulations, a facility's building is specifically identified as a capital asset, and the parties who control this asset are necessary parties to the application. (77 Ill. Adm. Code 1130.220(a)(4)). The application makes no effort to identify the party who controls the entity that will own the building.

The Parties Responsible for Project Financing are Not Disclosed

The permit application states on page 35 that the project will be funded as follows:

Mortgage/Bank Loan:	$5,675,000
Cash:	$1,023,657
Leases:	$4,052,230
Tenant Improvements:	$798,850
Total:	*$11,342,258*

The application does not identify who is supplying any of this financing or who is responsible for paying it. The Review Board's regulations require that all parties who will be financially responsible for guaranteeing or making payments on any debt related to the project are necessary applicants on the permit application. (77 Ill. Adm. Code 1130.220(a)(3)).

The Application Requires a Type A Modification to Add Co-Applicants

Without exception, all parties who control the licensee, the site, and the building are all necessary parties who must be included in the permit application. The addition of an applicant is a Type A modification that is subject to the public hearing requirements of the Planning Act and a new notice of opportunity for public hearing. Section 1130.650(a)(6) of the Review Board's regulations define Type A modifications as including "[a] change in the person who is the applicant, including the addition of one or more co-applicants to the application." (77 Ill. Adm. Code 1130.650(a)(1)). To comply with Review Board rules, the applicants should be required to add as applicants those parties who control the entities that will: *(i)* hold the license; and *(ii)* own the site and the proposed ASTC building.

CONCLUSION

On behalf of HSHS and SMD, I respectfully ask that the Review Board: *(i)* ensure that required disclosures are made and procedural requirements followed in connection with this CON application; and *(ii)* apply with judicious care – as you routinely do – the applicable statute and rules when evaluating

this project, all with a clear understanding of the context for your decision. This is truly an important and consequential responsibility. I greatly appreciate your public service and consideration of this letter.

Respectfully,

Damond Boatwright (Jul 18, 2025 07:39 CDT)

Damond Boatwright, MHA, MHS, FACHE
President and CEO

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