



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-01	BOARD MEETING: December 5, 2023	PROJECT NO: 23-037	PROJECT COST: \$17,772,653
FACILITY NAME: OSF St. Joseph Medical Center		CITY: Bloomington	
TYPE OF PROJECT: Substantive			HSA: IV

PROJECT DESCRIPTION: The Applicants (OSF St. Joseph Medical Center, OSF Healthcare System) are proposing to add 10 Medical/Surgical (Med/Surg) beds and 15 Intensive Care (ICU) beds at OSF St. Joseph Medical Center at a cost of \$17,772,653. The expected completion date is December 31, 2026.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (OSF St. Joseph Medical Center and OSF Healthcare System) are proposing to add 10 Medical/Surgical beds and 15 Intensive Care beds at OSF St. Joseph Medical Center at a cost of \$17,772,653. The expected completion date is December 31, 2026.

BACKGROUND

- In August 2023, the Applicants were approved to add 3 Medical/Surgical beds through 77 IAC 1130.140, the “20-Bed/10% Rule”. This transaction increased the Medical/Surgical bed complement from 118 to 121 beds. The proposed transaction, if approved, would increase the overall bed complement at OSF St. Joseph Medical Center from 152 to 177 beds (See Table One).

EXECUTIVE SUMMARY			
TABLE ONE			
Bed Increase			
OSF St. Joseph Medical Center, Bloomington			
Service	Current Beds	Proposed Beds	Difference
Medical/Surgical	121	131	10
Pediatrics	5	5	0
Intensive Care	14	29	15
Obstetrics	12	12	0
Total	152	177	25

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the cost of the project exceeds the capital expenditure threshold of \$16,541,423.

PURPOSE OF THE PROJECT

- The Applicants cite significant population growth, realized through an exponential increase in jobs in the service area. This, and secondary growth realized through growth in the leisure, hospitality, and educational industries have resulted in a population increase from 170,954 in 2020, to 176,370 in 2023, and a projected population increase to 185,000 inhabitants by 2030. The Applicants also cite their need to expand due to OSF St. Joseph’s role in the region as a major referral center for specialized care.

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and letters of support were received by the State Board. No opposition letters have been received by the State Board.

SUMMARY:

- The Applicants propose to add 10 Medical/Surgical beds, and 15 Intensive Care beds to increase the bed count reflected in Table One. The Applicants cite a 3.2% population increase between years 2020 and 2023, and a projected population increase of 4.9% by 2030. This population increase is attributed to growth in jobs, secondary education, and the health care industry as well.

- In 2020 and 2021, OSF St. Joseph Medical Center accepted significant amounts of specialty referrals of COVID patients from area hospitals, due to specialty services established to serve this population. The approximate 3,000 referrals came from area hospitals, with over 66% of the referrals coming from other OSF facilities in the State.
- Despite their willingness to accept these referral patients, approximately 256 referrals were unable to be accepted, with the majority being in the last two years. This inability to accept the mentioned referrals stems from capacity and staffing limitations during years 2020 and 2021. Historical utilization data is identified in Table Two.

EXECUTIVE SUMMARY								
TABLE TWO								
OSF St. Joseph Medical Center								
Historical Utilization								
	2015	2016	2017	2018	2019	2020	2021	2022
Beds	149	149	149	149	149	149	149	149
Admissions	6,644	6,572	6,845	7,318	7,398	6,783	6,929	6,397
Inpatient Days	25,521	26,033	27,531	28,969	29,517	33,761	36,913	33,047
Obs. Days	2,235	2,450	2,778	3,362	3,582	3,360	4,273	4,460
Total Days	27,756	28,483	30,309	32,331	33,099	37,121	41,186	37,507
ALOS	4.2	4.3	4.4	4.4	4.5	5.5	5.9	5.9
ADC	76.0	77.8	83	88.6	90.7	101.4	112.8	102.8
Utilization	51%	52.2%	55.7%	59.4%	60.9%	68.1%	75.7%	63.8%

- For the expansion of existing services (Medical Surgical and Intensive Care) for an existing hospital the calculated bed need or excess is not considered. Other Hospitals in the Planning Area are not considered even though they may be underutilized.
- The Applicants have addressed 14 criteria and are not compliant with the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.200 (b) (4) (A) – Service Demand - Expansion of Existing Service	Two-year average historical utilization for medical surgical beds will justify 112 medical surgical beds and not the 131 being requested. Two-year average historical utilization for intensive care beds will justify 16 ICU Beds and not the 29 ICU Beds being requested
Criterion 1110.200 (b) (4) (C) – Service Demand - Expansion of Existing Service	It does not appear the rapid population growth model used to justify the increase in population in the planning area meets the State Board Requirements. The projections that were provided did not contain documentation of population changes in terms of births, deaths, and net migration for a period of time equal to or in excess of the projection horizon as required.
Criterion 1120.140(c) – Reasonableness of Project Costs	The Applicant is in excess of the State Standard for: <ul style="list-style-type: none"> • New Construction Costs • Modernization Costs • Proportionate Contingency-New Construction

**OSF St. Joseph Medical Center
STATE BOARD STAFF REPORT
Project #23-037**

APPLICATION SUMMARY	
Applicants	OSF St. Joseph Medical Center OSF Healthcare System
Facility Name	OSF St. Joseph Medical Center
Location	2200 East Washington Street, Bloomington, IL
Permit Holder	OSF St. Joseph Medical Center
Operating Entity	OSF St. Joseph Medical Center
Owner of Site	OSF Healthcare System
Application Received	August 23, 2023
Application Deemed Complete	August 25, 2023
Project Completion Date	December 31, 2026
Financial Commitment Date	December 5, 2024
Review Period Extended by the State Board Staff?	Yes
Can the Applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants (OSF St. Joseph Medical Center and OSF Healthcare System) are proposing to add 10 Medical/Surgical (Med/Surg) beds and 15 Intensive Care (ICU) at OSF St. Joseph Medical Center, Bloomington at a cost of \$17,772,653. The expected completion date is December 31, 2026.

II. Summary of Findings

- A. State Board Staff finds the proposed project to **not** be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project to **not** be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicants are OSF Healthcare System and OSF St. Joseph Medical Center. OSF is an integrated health system owned and operated by the Sisters of the Third Order of St. Francis, based in Peoria, Illinois. Financial commitment will occur after permit issuance. This project is subject to both a Part 1110 and a Part 1120 review. Occupancy standards for medical surgical beds is 85% for a bed complement of 100 to 199 beds and for ICU beds 60% no matter the number of beds.

OSF Healthcare owns/operates 16 facilities (10 acute care, 5 critical access, 1 transitional care), in Illinois and Michigan. The Applicants identified 15 healthcare facilities in Illinois, and they are listed in Table Three.

TABLE THREE		
Illinois Facilities Owned/Operated by OSF Healthcare		
Facility	City	Beds
OSF Holy Family Medical Center	Monmouth	23>
OSF Transitional Care Hospital	Peoria	47<
OSF St. Francis Medical Center	Peoria	642
OSF Saint Anthony's Medical Center	Alton	49
OSF St. James-John Albrecht Medical Center	Pontiac	42
OSF St. Joseph Medical Center	Bloomington	152
OSF Saint Anthony Medical Center	Rockford	241
OSF St. Luke Medical Center	Kewanee	25>
OSF St. Elizabeth Medical Center	Ottawa	97
OSF St. Elizabeth Freestanding Emergency Center	Streator	N/A*
OSF St Mary Medical Center	Galesburg	83
OSF St. Paul Medical Center	Mendota	25>
OSF Sacred Heart Medical Center	Danville	174
OSF Heart of Mary Medical Center	Urbana	210
OSF Little Company of Mary Medical Center	Evergreen Park	274
OSF St. Clare Medical Center	Princeton	25>
TOTAL		683
>Critical Access Hospital		
<Transitional Care		
*Freestanding Emergency Center		
Source: 2022 Hospital Survey		

IV. Health Service Area

OSF St. Joseph Medical Center Medical Center is in Health Service Area IV and the D-02 Hospital Planning Area. HSA-IV consists of the following Illinois counties: Champaign, Clark, Coles, Cumberland, DeWitt Douglas, Edgar, Ford, Iroquois, Livingston, Macon, McLean, Moultrie, Piatt, Shelby, and Vermilion. The October 2023 Hospital Inventory Update reports a calculated excess of 85 Med/Surg beds, and an excess of 10 ICU beds in HPA D-02.

TABLE FOUR			
Hospitals in the D-02 Hospital Planning Area			
Hospital	Distance	Beds	Occ
OSF St. Joseph Medical Center, Bloomington*	0	149	63.8%
OSF St. James Hospital, Pontiac	34 mi.	42	43.1%
Carle BroMenn Medical Center, Normal	2.9 mi.	200	53.2%
TOTAL		394	
*Applicant Facility			

V. Project Costs and Sources of Funds

The Applicants will be funding this project in its entirety with a line of credit loan totaling \$17,772,653. Three were no reported start-up or operating deficit costs.

TABLE FIVE				
Project Costs and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Preplanning	\$127,300	\$62,700	\$190,000	1%
Site Preparation	\$371,850	\$183,150	\$555,000	3.1%
New Construction Contracts	\$1,618,591	\$1,567,912	\$3,186,503	17.9%
Modernization Contracts	\$5,029,757	\$1,678,713	\$6,708,470	37.7%
Contingencies	\$916,323	\$408,598	\$1,324,921	7.5%
A&E Fees	\$586,000	\$289,000	\$875,000	4.9%
Consulting	\$335,370	\$165,179	\$500,549	2.9%
Movable Equipment	\$1,843,553	\$78,447	\$1,922,000	10.8%
Net Interest Expense During Construction	\$1,500,950	\$739,260	\$2,240,210	12.6%
Other Costs to Capitalized	\$180,000	\$90,000	\$270,000	1.6%
Total	\$12,509,694	\$5,262,959	\$17,772,653	100.00%
Sources of Funds				
Other Funds (Line of Credit Loan)	\$12,509,694	\$5,262,959	\$17,772,653	100.00%
Total			\$17,772,653	100.00%

VI. Project Details

The proposed project will involve a combination of new construction and modernization of existing space. Of the 17,419 GSF of space allotted for this project, 13,749 GSF is modernized space that was formerly occupied by non-clinical patient services. The remaining 3,670 GSF will be new construction consisting of a single-story building adjacent to the newly modernized space. The spatial designation for this project is 14,871 GSF listed as clinical, and 2,548 GSF as non-clinical. The project cost allocations are illustrated in Table Five.

VII. Background of the Applicants, Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project

The four criteria below are informational only.

- A) Criterion 1110.110 (a) - Background of the Applicants
- 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 Proposed Project

A) Background of the Applicants

The Applicants have supplied the required licensure/accreditation information (application, pgs. 49-51), attested they comply and are in good standing with all federal and state regulations including the Illinois State Agency Historic Resources Preservation Act and Executive Order #2006-5. In addition, the Applicants have attested that they have not had any adverse actions as defined by the State Board in the past 3 years of filing this Application for Permit. Table Three lists the facilities under the Applicants ownership/operational control.

B) Purpose of the Project

The Applicants have stated that there is a need to increase the number of medical surgical beds due to significant population growth attributed to increased employment opportunities in the region. The Applicants note the start-up of the Rivian electric vehicle production facility, and related businesses related to parts supply and battery manufacturing has resulted in an increased need for technical/professional workers. The educational field is also experiencing growth through the recent provision of Engineering studies/program at Illinois State University, and the start-up of an Electric Vehicle (EV) manufacturing-training and apprentice program at Heartland Community College. As a result of these new industries and programs, secondary growth is realized in the hospitality, leisure, and service industry that supports the mentioned programs. As a result of this growth, a 4.9% growth in the area population is expected by year 2030. The Applicants present the proposed project in anticipation of an increased need for beds in the service area.

The table below outlines the Hospitals medical surgical and ICU utilization for the past 5-years as reported to the State Board.

TABLE SIX					
Historical Utilization Data					
OSF St. Joseph Medical Center					
2018-2022					
Medical/Surgical					
	2018	2019	2020	2021	2022
Beds	95	95	106	106	118
Staffed Beds	95	95	95	106	118
Days*	27,005	28,130	31,454	35,583	32,952
ADC	74	77.1	85.9	97.5	90.3
ALOS	4.6	4.8	6.0	6.7	6.8
Occupancy	77.9%	81.1%	81.1%	92%	76.5%
Staff Occupancy	77.9%	81.1%	90.5%	92%	76.5%

TABLE SIX Historical Utilization Data OSF St. Joseph Medical Center 2018-2022 Intensive Care					
	2018	2019	2020	2021	2022
Beds	14	14	14	14	14
Staffed Beds	14	14	14	14	14
Days*	1,887	1,686	2,569	3,664	3,056
ADC	5.2	4.6	6.5	10	8.4
ALOS	3.4	2.6	3.4	4.4	3.7
Occupancy	36.9%	33%	46.6%	71.7%	59.8%
Staff Occupancy	36.9%	33%	46.6%	71.7%	59.8%
*Includes Observation Days Data taken from the Annual Hospital Surveys State Standards: Medical/Surgical: 80% 1-99 beds 85% 100-199 beds Intensive Care: 60% 1+ beds Shaded areas denote operational capacity in compliance with or in excess of State standard					

C) Safety Net Impact Statement

This is a substantive project, and the Applicants supplied a safety net impact statement and charity care data for years 2020, 2021, and 2022 (see Tables Seven and Eight).

TABLE SEVEN Charity Care Information OSF Healthcare System			
	2020	2021	2022
Net Patient Revenue	\$2,383,901,200	\$2,978,991,756	\$3,211,070,549
Amount of Charity Care	\$201,864,109	\$195,002,654	\$217,695,250
Cost of Charity Care	\$41,284,835	\$40,569,889	\$54,215,573
% Of Charity Care to Net Revenue	17.3%	13.6%	16.8%
OSF St. Joseph Medical Center			
	2020	2021	2022
Net Patient Revenue	\$180,211,007	\$242,165,268	\$240,392,314
Amount of Charity Care	\$16,108,010	\$17,779,404	\$15,830,665
Cost of Charity Care	\$3,193,143	\$3,402,420	\$3,460,620
% Of Charity Care to Net Revenue	17.7%	14%	14.3%

TABLE EIGHT Safety Net Information Consolidated OSF Healthcare System			
Charity Care	2020	2021	2022

Charity (# of Patients)			
Inpatient	1,231	945	857
Outpatient	22,945	28,323	25,162
Total	24,176	29,268	26,019
Charity Care (cost in dollars)			
Inpatient	\$18,862,733	\$17,740,857	19,288,516
Outpatient	\$22,422,102	\$22,532,449	\$25,420,598
Total	\$41,284,835	\$40,273,306	\$44,709,114
Medicaid	2020	2021	2022
Medicaid (# of Patients)			
Inpatient	14,074	15,608	15,168
Outpatient	307,481	427,556	506,719
Total	321,555	443,164	521,887
Medicaid (revenue)			
Inpatient	\$253,442,281	\$274,688,101	\$337,605,609
Outpatient	\$131,986,088	\$201,739,577	\$242,779,460
Total	\$385,428,369	\$476,427,678	\$580,385,069

Safety Net Information OSF St. Joseph Medical Center			
Charity Care	2020	2021	2022
Charity (# of Patients)			
Inpatient	112	96	84
Outpatient	3,112	3,784	2,735
Total	3,224	3,880,2,819	0.0012
Charity (cost in dollars)			
Inpatient	\$1,246,476	\$1,622,060	\$1,357,928
Outpatient	\$1,946,132	\$1,780,359	\$2,102,655
Total	\$3,192,608	\$3,402,419	\$3,460,583
Medicaid	2020	2021	2022
Medicaid (# of patients)			
Inpatient	745	823	749
Outpatient	25,336	33,296	32,525
Total	26,081	34,119	33,274
Medicaid (revenue)			
Inpatient	\$9,898,644	\$12,563,764	\$15,424,429
Outpatient	\$11,624,148	\$12,034,933	\$14,054,458
Total	\$21,522,792	\$24,598,697	\$29,478,887

D) Alternatives to the Proposed Project

The Applicants considered three alternatives in contrast to the proposed project. They are:

1) Add More than 25 Beds

The Applicants note the current facility has limited options to expand, and the project as proposed has already made it necessary to add 3,670 GSF of newly constructed space to the first-floor area that was formerly used for community health programs (outpatient/non-clinical). The Applicants did research the option of adding more than 25 beds, realizing the projected growth that is expected to occur, but cited excessive costs (approximately \$7.1 million dollars) as the reason for rejecting this alternative.

2) Locate New Beds at OSF Saint Francis Medical Center in a Newly Constructed Area on the Hospital Campus

The Applicants note the current 149-bed facility is designed in a manner that is not conducive for significant expansion construction, and parking/perimeter access roads provide challenges for expansion. The Applicants note there is space to build vertically on top of an existing building that houses a critical care unit (CCU). However, this would result in significant service interruptions in the CCU and was determined to be infeasible. The Applicants did identify a cost for this alternative in the range of \$22-\$26 million dollars. The Applicants rejected this alternative.

3) Add Beds at Another Existing OSF Healthcare Facility

The Applicants operate 14 hospitals in the State of Illinois, with 3 located less than 60 miles from the Applicant facility (Urbana, Pontiac, Peoria). The Applicants cite several factors that warrant the expansion at OSF Saint Joseph Medical Center. Bloomington-Normal is the most populated of the mentioned areas, and the only slated for exponential growth in the future. Peoria (OSF St. Francis Medical Center) has affiliations with the University of Illinois College of Medicine-Peoria, and is the largest of the three hospitals, but is already operating at capacity, has limited room for expansion, and is still too distant (40 miles) to serve the Bloomington-Normal patient population. This alternative was rejected.

VIII. Size of the Project, Projected Utilization, Assurance

- A) Criterion 1110.120 (a) - Size of the Project
- B) Criterion 1110.120 (b) – Projected Utilization

A) Size of the Project

The proposed 10 medical surgical beds will be in 5,505 DGSF of space or 501 DGSF per bed. The State Board Standard is 500-660 per bed. The proposed expansion of 15 ICU beds will be in 10,011 DGSF of space, or 667 DGSF per bed, which is compliant with the State standard for ICU beds which is 685 DGSF per bed. The Applicants have successfully addressed this criterion.

TABLE NINE				
Project Size				
Department	Proposed DGsf	State Standard	Difference	Standard Met?
Clinical				
Intensive Care (15 beds)	10,011 dgsf	10,275 DGsf (685 dgsf/bed)	(264 dgsf)	Yes
Medical Surgical (10 Beds)	4,860 dgsf	6,600 dgsf (660 dgsf/bed)	(1,784 dgsf)	Yes
Total Clinical	14,871 dgsf			
Non-Clinical				
Public Toilets/Family Area	128 dgsf	N/A	N/A	N/A
Administration/Conference	458 dgsf	N/A	N/A	N/A
Lockers/Lounge	228 dgsf	N/A	N/A	N/A
Mechanical/Housekeeping	50 dgsf	N/A	N/A	N/A
Public Circulation	1,684 dgsf	N/A	N/A	N/A
Total Non-Clinical	2,548 dgsf			
TOTAL dgsf	17,419 dgsf			

B) Projected Utilization

From 2018 to 2022 the Hospital experienced steady growth in patient utilization (See Table Six) but failed to meet or surpass the State standards for several of these years for both service lines. The projected utilization by the second calendar year after project completion (2028), projects both service lines to be operating in excess of the applicable standards, and a positive finding result.

TABLE TEN					
Projected Utilization/Growth					
Medical/Surgical (131 beds)					
Year	2024	2025	2026	2027	2028
Utilization	35,689	37,141	38,653	40,226	41,000
Occupancy	80.8%	84.1%	87.5%	84.1%	85.7%
Standard	85%	85%	85%	85%	85%
Intensive Care (29 beds)					
Year	2024	2025	2026	2027	2028
Utilization	4,202	4,778	5,352	5,926	6,500
Occupancy	82.2%	93.5%	50.6%	56%	61.4%
Standard	60%	60%	60%	60%	60%

IX. Medical Surgical/Intensive Care Services

Criterion 1110.200 (b) (2) - Service to Planning Area Residents

The Applicants primary market area is State Board Planning Area D-02. Planning Area D-02 includes McLean and Livingston counties, and the Ford County townships of Rogers, Mona, Pella, and Brenton. According to the Applicants, McLean County accounts for approximately 69.3% of all admission and observation cases at OSF St. Joseph Medical Center. The service area for this facility consists of a 21-mile radius that encompasses the majority of McLean County.

Criterion 1110.200 (b) (4) (A) (C) - Service Demand Expansion of Existing Category of Service

The number of beds to be added for each category of service is necessary to reduce the facility's experienced high occupancy and to meet a projected demand for service. The applicant shall document subsection (b)(4)(A) and either subsection (b)(4)(B) or (C):

A) Historical Service Demand

- i) An average annual occupancy rate that has equaled or exceeded occupancy standards for the category of service, as specified in 77 Ill. Adm. Code 1100, for each of the latest 2 years.
- ii) If patients have been referred to other facilities in order to receive the subject services, the applicant shall provide documentation of the referrals, including patient origin by zip code; name and specialty of referring physician; and name and location of the recipient hospital, for each of the latest 2 years.

C) Projected Service Demand – Based on Rapid Population Growth:

If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area (as experienced annually within the latest 24-month period), **the projected service demand shall be determined as follows:**

- i) The applicant shall define the facility's market area based upon historical patient origin data by zip code or census tract.
- ii) Population projections shall be produced, using, as a base, the population census or estimate for the most recent year, for county, incorporated place, township, or community area, by the U.S. Census Bureau or IDPH.
- iii) Projections shall be for a maximum period of 10 years from the date the application is submitted.
- iv) Historical data used to calculate projections shall be for a number of years no less than the number of years projected.
- v) Projections shall contain documentation of population changes in terms of births, deaths, and net migration for a period of time equal to or in excess of the projection horizon.
- vi) Projections shall be for total population and specified age groups for the applicant's market area, as defined by HFSRB, for each category of service in the application; and
- vii) Documentation on projection methodology, data sources, assumptions and special adjustments shall be submitted to HFSRB.

Historical Demand

Medical Surgical Beds

The Average Daily Census (ADC) for CY 2021 and CY 2022 is 94.5 ADC which justifies 112 medical surgical beds at the State Board's target occupancy of 85% and not the 131 medical surgical beds being requested.

Intensive Care Beds

The Average Daily Census (ADC) for CY 2021 and CY 2022 for intensive care beds is 9.21 ADC which justifies 16 intensive care beds at the State Board's target occupancy of 60% and not the 29 intensive care beds being requested.

Rapid Population Growth

The Applicants relied on rapid population growth in McClean County to justify the number of beds being requested. Population forecasts predict an overall increase in the population of McLean County by 13,352 inhabitants between years 2021 and 2028, from 171,190, to 184,722, an increase of approximately 8%. The Applicants are projecting the increased patient volume based on rapid population growth, resulting from increased vocational and educational opportunities within the region. The methodology for the rapid population growth used by the Applicants can be found at pages 111-117 of the Application for Permit.

The State Board defines the Rapid Population Growth Rate *to mean an average of the three most recent annual growth rates of a defined geographic area's population that has exceeded the average of three to seven immediately preceding annual growth rates by at least 100%.*

Justification for Using Rapid
Population Growth
McClellan County Growth Rate

Year	Population	Growth Rate
2010	169,815	0.00
2011	170,939	0.66%
2012	172,762	1.07%
2013	175,087	1.35%
2014	174,166	-0.53%
2015	173,222	-0.54%
2016	173,157	-0.04%
2017	172,769	-0.22%
2018	172,368	-0.23%
2019	171,272	-0.64%
2020	170,954	-0.19%
Projections		
2021	171,190	0.14%
2022	174,630	2.01%
2023	176,370	1.00%

MULTIPLIER

Year 2021: 171,190 population/ 80,331 members of the labor force = 2.131 multiplier

Year 2022: 81,945 labor force x 2.131 = population of 174,630

Year 2023: 82,761 labor force x 2.131 population of 176,730

The State Board has not seen a number of Applications relying on rapid population growth to justify the number of beds a hospital is requesting. Prior applications used data documenting changes in births, deaths, and net migration as required. We did not find that information in this Application for Permit. Also, the Applicants used a labor force who lived and worked in the service area multiplier to project CY 2022 and CY 2023. This multiplier was not part of the requirement of the rapid population growth rate.

Criterion 1110.200 (e) - Staffing Availability

Criterion 1110.200 (f) - Performance Requirements

Criterion 1110.200 (g) - Assurances

Table Six of the report illustrates a progressive increase in utilization of its Medical/Surgical and Intensive Care services, and the Applicants predict significant growth in utilization during the coming years, as a result of new industry and educational initiatives in the region (See Table Ten). The data contained in Table Six shows a decrease in utilization for 2022, which is attributed to the Applicants conversion of 12 Long Term

Care beds to Med/Surg, using the 20-Bed 10% rule. It is anticipated that the utilization trend will continue upward for this and the ICU service as well.

In the last year, the Applicants have made significant progress to stabilize operations at OSF St. Joseph Medical Center, to include sufficient staffing levels. The Applicants propose to prioritize recruitment/retention efforts in the coming years to accommodate the need for additional staff during its period of growth. The Applicants attest to working closely with area colleges to provide clinical education, as well as employment opportunities for its graduates. The Applicants have met the minimum number of beds of a hospital located within a MSA of 100 Medical/Surgical beds, and 4 ICU beds. Additionally, the Applicants have provided the necessary assurance that the Hospital will operating at or in excess of the State Board standard by the second year after project completion.

X. 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 a line of credit loan (financing) in the amount \$17,772,653. The Applicant, (OSF Healthcare System), has supplied Audited Financial Statements and the results shown in Table Eleven prove the Applicants have sufficient cash to fund this project through its completion. The Applicants also provided proof of an A+/Stable bond rating from Fitch’s Ratings Service (dated March 2023). It appears the Applicants have sufficient funds available to fund this proposed project.

TABLE ELEVEN Audited Financial Statements OSF Healthcare System Years ended September, 2022,2021 (In thousands)		
	2022	2021
Cash	\$261,428	\$516,712
Current Assets	\$958,453	\$1,223,193
Total Assets	\$5,615,062	\$6,471,382
Current Liabilities	\$754,981	\$1,128,3238
LTD	\$1,706,195	\$1,543,734
Total Liabilities	\$3,265,677	\$3,674,609
Net Patient Revenue	\$3,586,931	\$3,439,728
Total Revenues	\$3,824,172	\$3,683,074
Income from Operations	(\$114,989)	\$110,430
Net Income	(\$620,421)	\$497,225
Source: OSF Healthcare System Audited Financial Statement, See Application File		

TABLE ELEVEN
OSF Saint Joseph Medical Center
Financial Information
2017-2022

	2017	2018	2019	2020	2021	2022
Total Patient Revenue	\$716,367,539	\$718,656,123	\$749,106,000	\$731,700,004	\$844,971,443	\$858,125,319
Less Contractual All	\$534,304,803	\$540,826,847	\$566,762,293	\$551,488,996	\$625,552,114	\$640,521,215
Net Patient Revenue	\$182,062,736	\$177,829,276	\$182,343,707	\$180,211,008	\$219,419,329	\$217,604,104
Operating Expense	\$152,854,897	\$156,371,536	\$155,663,002	\$157,905,621	\$182,077,557	\$204,717,198
Net Income from Services	\$29,207,839	\$21,457,740	\$26,680,705	\$22,305,387	\$37,341,772	\$12,886,906
Other Income	\$17,173,692	\$22,218,415	\$18,497,142	\$21,603,764	\$14,227,153	\$21,936,459
Net Income or Loss	\$46,381,531	\$43,676,155	\$45,177,847	\$43,462,767	\$50,899,038	\$21,441,134

E) Criterion 1120.140 (c) – Reasonableness of Project Costs

The proposed project will consist of 14,871 GSF of clinical space. Of this space, 2,882 GSF will be newly constructed space, and 11,989 GSF will be modernized space. Only clinical spatial considerations are tested against the State Board standards.

Preplanning Costs are \$127,300 and are 1.4% of modernization, new construction, contingencies, and moveable equipment (\$9,408,224). This appears reasonable when compared to the State Board Standard of 1.8%.

Site Preparation Costs are \$371,850 and are 4.9% of modernization, new construction, contingencies, and moveable equipment (\$7,564,671). This appears reasonable when compared to the State Board Standard of 5.0%.

New Construction Costs total \$1,618,591 or \$561.62 per GSF ($\$1,618,591/2,882 = \561.62). This appears **high** when compared to the State Board Standard of \$470.34 per GSF.

Modernization Costs total \$5,029,757 or \$419.53 per GSF ($\$5,029,757/11,989 = \419.53). This appears **high** when compared to the State Board Standard of \$329.24 per GSF.

Proportionate Contingency Costs- New Construction These costs total \$219,918 and are 13.5% of new construction costs (\$1,618,591). This appears **high** when compared to the State Board Standard of 10%.

Proportionate Contingency Costs - Modernization These costs total \$696,405 and are 13.8% of modernization costs (\$5,029,757). This appears reasonable when compared to the State Board Standard of 10%-15%.

Proportionate Architectural and Engineering Fees - New Construction total \$140,640 or 7.6% of new construction and contingencies (\$1,838,509). This appears reasonable when compared to the State Board Standard of 9.99% - 14.99%.

Proportionate Architectural and Engineering Fees - Modernization total \$586,000 or 10.3% of new construction and contingencies (\$5,726,162). This appears reasonable when compared to the State Board Standard of 8.36% - 12.56%.

The State Board does not have a standard for these costs.

Consulting	\$335,370
Movable Equipment	\$1,843,553
Net Interest Expense During Construction	\$1,500,950
Other Costs to Capitalized*	\$180,000
*IT, Artwork, Signage	

The Applicants appear to be in excess of the State Board standard for new construction/modernization costs, and proportionate contingency costs for new construction. The Applicants provided justification for the overages in Table Twelve. A negative finding exists for this criterion.

TABLE TWELVE
Description of Premiums
New Construction
Tight Construction Site with Difficult Access: New construction occurs at two locations: 1) A building “nook” that is bounded on three sides by buildings, and covered by a canopy, requiring smaller/special access construction equipment, and 2) an addition located in the existing covered entrance located on the 2 nd floor, presenting challenging conditions for material delivery and set-up
Tie-Ins with existing buildings, to include wall structures, foundations, metal-stud interior walls, and roofs. These tie-ins require special consideration to preserve structural integrity, and water tightness at expansion joints, flashings, and footings.
Infrastructure to support the new inpatient care spaces, to include plumbing, HVAC, medical gases, electrical, and low voltage wiring to support patient observation.
Upgraded flooring, wall protection, and ceiling systems built to withstand heavy duty wear and tear, while maintaining structural rigidity and infection control
Cost premiums realized for traditional construction materials.
Modernization
The majority of the modernization occurs on the first floor, in space formerly used for non-clinical services, and the prescribed infrastructure support for new construction applies in the modernized areas as well (Enhanced Plumbing, HVAC, Electrical, Medical Gases, Low Voltage Wiring).
The existing space is unique in that there are angular considerations and existing columnal support structures, requiring special architectural considerations.
The exterior wall of the modernized portion requires the removal of full-length windows and replacing these with masonry insertions that ensure structural rigidity and patient privacy.
Upgraded flooring, wall protection, and ceiling systems built to withstand heavy duty wear and tear, while maintaining structural rigidity and infection control
Cost premiums realized for traditional construction materials.

F. Criterion 1120.140 (d) – Direct Operating Costs

G. Criterion 1120.140 (e) – Total Effect of the Project on Capital Costs

Project direct operating expenses for year 2028, the second year after opening are calculated as being \$2,226 per equivalent patient day. The total effect of the project on capital costs is estimated at \$139 per equivalent patient day for the new additions, and \$94 per equivalent patient day for the entire facility. The State Board does not have a standard for these costs.

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