



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-03	BOARD MEETING: March 21, 2022	PROJECT NO: 22-050	PROJECT COST: Original: \$27,998,242
FACILITY NAME: Advocate Outpatient Center-South Elgin		CITY: South Elgin	
TYPE OF PROJECT: Non-Substantive			HSA: VIII

PROJECT DESCRIPTION: The Applicants (Advocate Health, Inc., Advocate Aurora Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group) are proposing to build out existing space in a Medical Office Building (MOB), located at 486 south Randall Road, South Elgin. Project cost: \$27,998,242. The completion date as stated in the application for permit is May 31, 2024.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Advocate Health, Inc., Advocate Aurora Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group) are proposing to build-out space in an existing Medical Office Building (MOB) to establish a clinic for Advocate Medical Group physicians in South Elgin. Project cost: \$27,998,242. The completion date as stated in the application for permit is May 31, 2024.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes a capital expenditure more than \$15, 723,786 and is “by or on behalf of a health care facility” as defined at 20 ILCS 3960/3.

BACKGROUND:

- The Applicant (Advocate Aurora Health, Inc.), oversees ownership and operations of the following healthcare facilities:
 - Advocate Christ Medical Center, Oak Lawn HSA-07
 - Advocate Condell Medical Center, Libertyville HSA-08
 - Advocate Good Samaritan Hospital, Downers Grove HSA-07
 - Advocate Good Shepherd Hospital, Barrington HSA-08
 - Advocate Illinois Masonic Medical Center, Chicago HSA-06
 - Advocate Lutheran General Hospital, Park Ridge HSA-07
 - Advocate Sherman Hospital, Elgin HSA-08
 - Advocate South Suburban Hospital, Hazel Crest HSA-07
 - Advocate Trinity Hospital, Chicago HSA-06
 - Advocate Health and Hospitals Corporation has ownership interest greater than 50% in the following health care facility
 - Dreyer Ambulatory Surgery Center, Aurora HSA-08
- The Applicants propose to establish a Medical Office Building (MOB) in 36,697 GSF of leased space, located at 486 South Randall Road, South Elgin.
- The newly constructed building will contain 11,216 GSF of clinical and 25,491 GSF of non-clinical space.
- The MOB will include 36 exam/treatment rooms for both primary and specialty care, diagnostic imaging, physical therapy/occupational therapy, immediate care, educational space, and laboratory space.

PURPOSE:

- According to the Applicants, the proposed project will improve access to Advocate Medical Group (AMG) physicians by relocating providers and services from its current location in South Elgin, to an expanded/modernized facility that will allow the provision of more outpatient services to the South Elgin community from one location. The co-location of services will improve care coordination, allowing patients to see multiple specialists, receive multiple treatments in one day, and facilitate the ambulatory patient care process by expediting time between evaluation, diagnosis, and therapeutics.

PUBLIC HEARING/COMMENT:

- No public hearing was requested. No letters of opposition or support were received.

SUMMARY:

- The proposed project does involve the establishment of clinical components. The project is by or on behalf of a health care system, and the project cost (\$27,998,242), is more than the FY 2023 Capital Expenditure Minimum Threshold of \$15,723,786.

CONCLUSIONS:

The Applicants addressed a total of ten (10) criteria and appear non-compliant with the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1120.140(c) – Reasonableness of Project Costs	The Applicants report New Construction Costs totaling \$503.37 per GSF, which is more than the State Board standard for New Construction Costs of \$329.83



**STATE BOARD STAFF REPORT
#22-050
Advocate Outpatient Center-South Elgin**

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Advocate Health, Inc., Advocate Aurora Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group
Facility Name	Advocate Outpatient Center-South Elgin
Location	486 North Randall Road, South Elgin
Application Received	December 29, 2022
Application Deemed Complete	January 4, 2023
Review Period Ends	March 6, 2023
Permit Holder	Advocate Health and Hospitals Corporation, Inc.
Operating Entity	Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group
Owner of the Site	PMAT SEC, LLC
Project Financial Commitment Date	March 31, 2024
Departmental Gross Square Footage	36,697 DGSF (11,216 clinical) (25,491 GSF non-clinical)
Project Completion Date	May 31, 2024
Expedited Review	No
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The Applicants (Advocate Health, Inc., Advocate Aurora Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group) are proposing to establish an outpatient care center/medical office building in 36,697 GSF of space, located at 486 North Randall Road, South Elgin, at a cost of \$27,998,242. The anticipated completion date as stated in the application for permit is May 31, 2024.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project is not in conformance with the provisions of Part 1120.

III. General Information

The Applicants are Advocate Health, Inc., Advocate Aurora Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group. Advocate Aurora Health, Inc. is comprised of not-for-profit and for-profit entities, the primary activities are the delivery of health care services and the provision of goods and services ancillary thereto. Advocate Aurora Health, Inc. is

comprised of 24 acute care hospitals (nine hospitals in Illinois), an integrated children's hospital and a psychiatric hospital, primary and specialty physician services, outpatient centers, physician office buildings, pharmacies, and rehabilitation and home health and hospice care in northern and central Illinois and eastern Wisconsin (Source: Audited Financial Statements).

The proposed Medical Office Building will result from the build-out of existing office space, in a building located at 486 north Randall Road, South Elgin, which is in HSA VIII and the A-11 Hospital Planning Area. HSA VIII includes Kane, Lake, and McHenry counties. The A-11 Hospital Planning Area includes the Cook County townships of Barrington and Hanover, Kane County townships of Hampshire, Rutland, Dundee, Burlington, Plato, Elgin, Virgil, Campton, and St. Charles. There two hospitals located in the A-11 Hospital planning area.

TABLE ONE
Hospitals within the A-11 Hospital Planning Area

Hospital	City	Beds ⁽¹⁾
Advocate Sherman Hospital	Elgin	255
AMITA St. Joseph Hospital	Elgin	184

1) Source: Annual Hospital Questionnaire 2020

This is a non-substantive project subject to a Part 1110 and Part 1120 review. Financial commitment will occur after permit issuance. A non-substantive project is all projects not classified as substantive or emergency projects.

IV. Project Details

The Applicants (Advocate Health, Inc., Advocate Aurora Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group) are proposing to establish a Medical Office Building (MOB)/Outpatient Care Center in South Elgin. The MOB will include 36 exam/treatment rooms for both primary and specialty care, diagnostic imaging, physical therapy/occupational therapy, immediate care, educational space, and laboratory space. The building will consist of 36,697 DGSF of space (11,216 GSF clinical, 25,491 GSF non-clinical). Construction/build/out is expected to commence upon permit approval, with an expected completion date of May 31, 2024.

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash and bond issues totaling \$27,998,242. The Applicants provided proof of an AA bond rating from Fitch’s Ratings Service (dated August 2021), an AA/Stable bond rating from Standard & Poor’s Ratings Service (dated June 2021), and an Aa3 bond rating from Moody’s Investors Service (dated August 2021). The project file also contains Audited Financial Statements for years ending December 2020/2021).

TABLE TWO
Project Costs and Sources of Funds

Project Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Preplanning Costs	\$93,098	\$211,177	\$304,875	1%
New Construction Contracts	\$5,645,763	\$9,842,258	\$15,488,021	55.3%
Contingencies	\$305,366	\$694,634	\$1,000,000	3.6%
Architectural/Engineering Fees	\$379,800	\$863,954	\$1,243,754	4.4%
Consulting & Other Fees	\$269,237	\$612,449	\$881,686	3.3%
Moveable & Other Equipment	\$2,209,657	\$741,010	\$2,950,667	10.5%

Bond Issuance Expense	\$66,505	\$151,282	\$217,787	.8%
Net Interest Expense During Construction	\$118,326	\$269,164	\$387,490	1.4%
Fair Market Value of Leased Space/Equipment	\$1,132,276	\$2,575,661	\$3,707,937	13.2%
Other Costs to be Capitalized	\$554,551	\$1,261,474	\$1,816,025	6.5%
Total Uses of Funds	\$10,774,579	\$17,223,663	\$27,998,242	100.00%
Project Sources of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Cash/Securities	\$10,708,074	\$17,072,381	\$27,780,455	99.2%
Bond Issues	\$66,505	\$151,282	\$217,787	.8%
Total Sources of Funds	\$11,890,491	\$49,592,509	\$61,483,000	100.00%

VI. Costs Space Requirements

The Applicants are proposing to build out 36,697 DGSF of leased space for this project. Table Three delineates between clinical (11,216gsf), and non-clinical (25,491gsf) spatial considerations.

TABLE THREE					
Cost/Space Requirements for Construction					
Reviewable/Clinical	Cost	Proposed	New Construction	% Of Total	Met Standard?
General Radiology (Clinic)	\$1,137,766	950	950	3.1%	Yes
General Radiology (Immediate Care)	\$1,123,187	929	929	3%	Yes
Mammography (1 Room)	\$501,982	512	512	1.9%	Yes
Ultrasound (Ob/Gyn)	\$222,439	192	192	.1%	Yes
Subtotal Reviewable/Clinical	\$3,486,842	2,988	2,988	8.1%	
Non-Reviewable/Clinical*					
Physician Exam Rooms (36 Rooms)	\$4,265,862	4,485	4,485	12.2%	N/A
NST (1 Room)	\$185,261	181	181	.1%	N/A
ICC Exam/Procedure (5 Rooms)	\$634,057	668	668	2.1	N/A
Wellness Lab (1 Room/2 Bays)	\$785,616	924	924	2.7%	N/A
Physical Therapy (1 Gym/4 Rooms) Occupational Therapy (1 Gym)	\$1,416,941	1,960	1,960	5.3%	N/A
Subtotal Non-Reviewable/Clinical	\$7,287,737	8,218	8,218	22.4%	
Total Clinical	\$10,774,579	11,216	11,216	30.5%	
Non-Reviewable/Non-Clinical					
Building Circulation/Support	\$13,790,900	19,531	19,531	53.2%	N/A
Integrative Medicine/Multi-Purpose Room	\$620,883	724	724	2%	N/A
Building Shell	\$2,811,881	5,236	5,236	14.3%	N/A
Subtotal Non-Reviewable/Non-Clinical	\$17,223,663	25,491	25,491	69.5%	N/A
Grand Total	\$27,998,242	36,697	36,697	100.00%	

VII. Background of the Applicants

A) Criterion 1110.110 (a)(1) to (3) – Background of the Applicants

To demonstrate compliance with this criterion, the Applicants must provide

- 1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.**
- 2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.**
- 3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
- 4. "Adverse Action" means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations.**

1. The Applicants provided a listing with license and certification data of all health care facilities owned or operated by the Applicants at pages 61 of the application for permit.
2. No adverse actions have been taken against any facility owned and/or operated by the Applicants. [Application for Permit page 61]
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify information submitted has been provided at Application for Permit page 61.
4. Advocate Health and Hospitals Corporation, A Domestic Corporation, Incorporated in Delaware and licensed under the Laws of This State on April 3, 2018, is in Good Standing as a General Not-for-Profit Corporation in the State of Illinois.
5. Advocate Health, Inc., Incorporated in Delaware and licensed under the Laws of This State on June 28, 2022, is in Good Standing as a Domestic Corporation in the State of Illinois.
6. The Applicants supplied a copy of the lease for the property located at 486 North Randall Road, South Elgin.
7. The Applicants follow Executive Order #2006-05 and the Illinois Historic Preservation Agency, and the Flood Plain Requirements. [Application for Permit pgs. 47-48]
8. All required reports have been provided to the State Board as required.

VIII. Purpose of The Project, Safety Net Impact Statement, Alternatives to The Project

These three (3) criteria are informational only. No determination on whether the Applicants have met the requirements of the three (3) criteria is being made by the State Board Staff.

A) Criterion 1110.110 (b) – Purpose of the Project

To demonstrate compliance with this criterion, the Applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

“This project will improve access to Advocate (AMG) physicians and screening services through the expansion and relocation of providers and services from the current South Elgin Advocate Clinic location. The project will serve patients by offering immediate care services, primary care

specialty physicians and outpatient services all in one building, providing more services to the community. The co-location of services will provide the ability to expedite the time between evaluation, diagnosis, and therapeutics in one ambulatory setting location. This will improve care coordination and allow patients to see multiple specialists and have a variety of tests performed in a single day. This new facility new facility will improve availability for specialty physicians in the building closer to residents of this community. This will increase access to needed services as it has been challenging to access appointments with existing primary care physicians in this location.”

B) Criterion 1110.110 (c) – Safety Net Impact Statement

All health care facilities, except for skilled and intermediate long-term care facilities licensed under the Nursing Home Act [210 ILCS 45], shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). *Safety net services are the services provided by health care providers or organizations that deliver health care 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.*

This project is considered a non-substantive project. Non-substantive projects are not required to submit a safety net impact statement, only projects that are deemed substantive projects. Non-substantive projects are all projects that are not classified as either substantive or emergency.

Substantive projects shall include no more than the following:

- a. *Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*
- b. *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
- c. *Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]*

The Applicants provided charity care information for Advocate Aurora Hospital.

	2019	2020	2021
Net Patient Revenue	\$4,526,518,372	\$4,328,346,158	\$4,891,752,006
Amount of Charity Care	\$416,789,717	\$190,768,385	\$342,625,287
Cost of Charity Care	\$99,758,960	\$50,107,969	\$76,109,520
% Of Charity Care to Net Revenue	22%	11.6%	15.5%

C) Criterion 1110.110 (d) - Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicants must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The Applicants considered six (6) alternatives to the proposed project.

Alternative 1: Maintain Current Elgin Location (Cost: \$0)

This option would continue to provide Advocate Healthcare services at its current location in Elgin. This option was rejected because the Lab and Imaging services could not be added, due to space constraints. This would cause patients to have to schedule these services at a different location and date, and ultimately affect the ability to provide comprehensive services in one location.

Alternative 2: Lease Additional Space in Current Location (Cost: \$11,000,000)

This option would allow the Applicants to remain at the current location, and lease additional space necessary to provide the services proposed. It was discovered that the existing building did not have the space needed for the proposed expansion, nor would it enhance access to additional providers or services needed to care for the patient base in the service area. It was also noted that remaining in the current building would not alleviate the issue of substandard visibility and patient access. This option was rejected.

Alternative 3: Develop a Project of Lesser Scope/Cost (Cost: \$18,600,000)

The option to construct a physician’s office building that would meet the critical care needs of the community without additional specialists and ancillary services, was researched. However, the issue of decreased patient access to services, and the need for patients to reschedule the proposed services for another day, and a different location was contradictory to Applicants mission to co-locate services and enhance patient accessibility. This option was rejected.

Alternative 4: Develop a Project of Greater Scope/Cost (Cost: \$35,600,000)

While this option would allow the Applicants to establish a building/facility commensurate to the imminent needs of the community, it would also allow for the addition of MRI Imaging services, meeting both critical care needs and projected growth. However, the Applicants determined a project of this scope/cost would be a significant undertaking and would compromise the financial position of the health system. This option was rejected.

Alternative 5: Buy Land and Construct a Building Nearby (Cost: Indeterminate)

The option of buying land in the near vicinity of the proposed project was researched. This would allow the Applicants greater flexibility in the establishment and utilization of space for its service mission. However, there was no available space in the service area in which to build to their minimal specifications and service needs. This option was rejected.

Alternative 6: Build a Medical Clinic with Primary/Specialty Care Physician Space and Ancillary Services (Option Chosen/Cost: \$27,998,242)

The option of providing primary and specialty care physician services, combined with the proposed ancillary care and immediate care services, in a high-visibility location was seen as most feasible, and the best use of the Applicant party’s financial resources.

IX. Size of the Project, Projected Utilization and Assurances

A) Criterion 1110.120 (a) – Size of the Project

To demonstrate compliance with this criterion the Applicants must document that the size of the project is in conformance with standards published in Part 1110 Appendix B.

The Applicants propose to establish a Medical Office Building (MOB) in 36,697 GSF of space in South Elgin. Table Three of this report identifies all services with applicable State standards, both reviewable and non-reviewable services, the current size, and its applicability to the state standard, and it appears that the Applicants have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT OF THE PROJECT (77 IAC 1110.120 (a))

B) Criterion 1110.120 (b) –Projected Utilization

To demonstrate compliance with this criterion, the Applicants must document that the projected utilization of the services in which the State Board has established utilization standards will be in conformance with the standards published in Part 1110 Appendix B.

The Applicants are proposing to establish a Medical Office Building in South Elgin, offering a selection of clinical services seen below. The data presented in Table Five are based on historical utilization data at existing Advocate Medical Group (AMG) outpatient facilities and affirms the proposed services will meet State Utilization standards.

**TABLE FIVE
Project Utilization**

Service/# of Units	Projected* Year One	Projected* Year Two	State Standard Per unit	Met Standard?
General Radiology-Ortho (1 Unit)	4,828	5,105	8,000	Yes
General Radiology-Immediate Care (1 Unit)	4,798	4,941	8,000	Yes
Mammography (1 Unit)	2,033	2,133	5,000	Yes

General Ultrasound (1 Unit)	2,181	2,381	3,100	Yes
OB Ultrasound (1 Unit)	1,000	1,000	3,100	Yes
Physician Exam# (36 units)	49,693	69,529	N/A	N/A
NST# (1 Unit)	395	407	N/A	N/A
Immediate Care# (5 Units)	16,546	18,000	N/A	N/A
Well-Patient Lab# (1 Unit)	27,280	28,098	N/A	N/A
Physical/Occupational Therapy (4 Units)	3,826	3,941	N/A	N/A
*Procedures				
#Visits				

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 IAC 1110.120 (b))

X. Clinical Services Other than Categories of Service

A) Criterion 1110.270 (b) – Need Determination-Establishment

The applicant shall describe how the need for the proposed establishment was determined by documenting the following:

1. Service to Planning Area Residents
2. Service Demand

Table Five of his report identifies services being proposed as part of the Advocate Outpatient Center-Elgin. The applicants identified a 10-mile radius primary service area consisting of 12 zip codes. The total resident population of this service area is approximately 386,717 (CY 2021) residents. It has been determined that the 12 zip codes identified are the source of the majority of patient served by Advocate Health facilities.

1) Service Demand

The projected utilization of clinical equipment and services germane to this project are based on historical utilization of services provided to Advocate Healthcare patients through its outpatient care initiatives. Table Six identifies the population residing in the established service area containing 12 zip codes, and projected growth in the age 20-44 and 65+ cohorts are the impetus behind the proposed project. Additionally, the Chicago Metropolitan Agency for Planning expects the population of Kane County to increase by 11% over the next 10 years.

Zip Code	City	2021 Population	2026 Population
60103	Bartlett/Streamwood	40,800	40,237
60120	Elgin/Hoffman Estates	52,265	52,344
60123	Elgin	48,788	49,154
60124	Elgin	23,652	25,535
60134	Geneva	28,730	29,065
60174	St. Charles	31,678	32,471
60175	St. Charles	27,107	27,732
60184	Wayne	23,486	23,789
60185	West Chicago/Lakewood	2,485	2,520
60188	Carol Stream	36,323	36,104

60510	Batavia/Geneva	42,893	42,619
60177	South Elgin	28,510	29,118
TOTAL		386,717	390,688
Age Group Population Data			
Age Group	2021	2026	
0-19 Years	107,006	105,233	
20-44 Years	125,523	126,311	
45-64 Years	101,168	96,393	
65+ Years	52,920	62,751	
TOTAL	386,717	390,688	

2) Impact of Project on Area Providers

It is noted that most patient referrals identified for this application are currently patients of Advocate Health and Hospital Corporation, or one of its outpatient care facilities. The proposed outpatient care center will enhance services for this 12-zip code planning area by consolidating services and providing outpatient care in a modern facility equipped to provide comprehensive care. There are no expectations for maldistribution or disruption of services.

3) Utilization

Table Five illustrates projected utilization for the year 2026, the second year after project completion. It appears that all modalities will follow state utilization standards.

THE STATE BOARD STAFF FINDS PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE MODERNIZATION (77 IAC 1110.270 (d)(1))

XI. Financial Viability

A) Criterion 1120.120 - Availability of Funds

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with these criteria the Applicants must document sufficient cash to fund the proposed project and that the Applicants are financially viable.

The Applicants are funding this project with a combination of cash/securities totaling \$27,780,455, and bond issuances totaling \$217,787. The Applicant, (Advocate Aurora Health, Inc.), has supplied Audited Financial Statements and the results shown in Table Seven prove the Applicants have sufficient cash to fund this project through its completion. The Applicants also provided proof of an AA bond rating from Fitch’s Ratings Service (dated August 2021), an AA/Stable bond rating from Standard & Poor’s Ratings Service (dated June 2021), and an Aa3 bond rating from Moody’s Investors Service (dated August 2021). It appears the Applicants have sufficient funds available to fund this proposed project.

TABLE SEVEN		
Audited Financial Statements		
Advocate Aurora Health, Inc.		
Years ended December, 2021,2020		
(In thousands)		
	2021	2020
Cash	\$703,725	\$959,878
Current Assets	\$3,407,129	\$3,379,077
Total Assets	\$23,138,561	\$21,449,643
Current Liabilities	\$3,713,295	\$3,319,862

TABLE SEVEN Audited Financial Statements Advocate Aurora Health, Inc. Years ended December, 2021,2020 (In thousands)		
LTD	\$3,298,508	\$3,310,401
Total Liabilities	\$8,807,582	\$9,049,599
Net Patient Revenue	\$11,702,581	\$10,216,386
Total Revenues	\$14,062,232	\$13,132,189
Income from Operations	\$593,552	\$212,967
Net Income	\$1,922,253	\$608,125
Source: advocate Aurora Health Audited Financial Statement, See Application File		

XII. Economic Feasibility

- A) Criterion 1120.140(a) – Reasonableness of Financial Arrangements**
- B) Criterion 1120.140(b) –Terms of Debt Financing**

To demonstrate compliance with this criterion the Applicants must document the terms of the debt financing and attest the financing will be at the lowest cost available to the Applicants.

The Applicants are funding this project with a combination of cash/securities totaling \$27,780,455, and bond issuances totaling \$217,787. The Applicant, (Advocate Aurora Health, Inc.), has supplied Audited Financial Statements and the results shown in Table Seven prove the Applicants have sufficient cash to fund this project through its completion. The Applicants also provided proof of an AA bond rating from Fitch’s Ratings Service (dated August 2021), an AA/Stable bond rating from Standard & Poor’s Ratings Service (dated June 2021), and an Aa3 bond rating from Moody’s Investors Service (dated August 2021). It appears the Applicants have sufficient funds available to fund this proposed project internally, and attests that the selected form of debt financing will be at the lowest net cost available.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1120.140(a) and (b))

- C) Criterion 1120.140(c) – Reasonableness of Project Costs**

To demonstrate compliance with this criterion the Applicants must document that the project costs are reasonable by the meeting the State Board Standards in Part 1120 Appendix A.

Only Clinical Costs are reviewed in this criterion. The clinical gross square footage for new construction is 11,216 GSF. The Applicants have met the State Board Standards for the following criteria, and a positive finding result.

Pre-Planning Costs– These costs total \$93,098, which is 1.1% of the construction, contingencies, and equipment costs (\$8,160,786). This appears to be in conformance with the State standard of 1.8%.

New Construction – These costs total \$5,645,763 or \$503.37 GSF. (\$5,645,763/11,216=\$503.37). This appears HIGH when compared to the State Board Standard of \$329.83/GSF [new construction 2024 mid-point of construction].

Contingencies – These costs total \$305,366 and are 5.4% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees – These costs total \$379,800 and are 6.4% of new construction and contingencies. These costs appear reasonable when compared to the State Board Standard of 5.27% to 7.91%.

Consulting and Other Fees – These costs are \$269,237. The State Board does not have a standard for these costs.

Movable Equipment – These costs total \$2,209,657 and are not reviewable by the State Board (hospital).

Bond Issuance Expense – These costs are \$66,505. The State Board does not have a standard for these costs.

Net Interest Expense During Construction – These costs are \$118,326. The State Board does not have a standard for these costs

Fair Market Value Leased Space/Equipment – These costs are \$1,132,276. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs total \$554,551, and cover the following ancillary expenses: IT, artwork, and signage. The State Board does not have a standard for these costs.

The project appears to be more than the RS Means standard for New Construction costs, and a negative finding result. The Applicants attest that the overage in New Construction costs is attributed to construction premiums identified in Table Eight at the end of the report.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(c))

D) Criterion 1120.140(d) – Projected Operating Costs

The Applicants are projecting \$258.19 in operating expenses per patient day during its first year of service (2024). The Board does not have a standard for this criterion.

E) Criterion 1120.140(e) – Effect of the Project on Capital Costs

The Applicants are projecting an Impact of the project on capital costs totaling \$504.64 per equivalent patient day for the total hospital (FY 2024). The Board does not have a standard for this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA DIRECT OPERATING COSTS AND EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140(d) and (e))

TABLE EIGHT	
Construction Premiums Identified in Project #22-050, Advocate Outpatient Center-South Elgin	
Description	Estimated Premium
Exterior Wall Construction to satisfy architectural integrity of the brand	\$760,000
Repair Sanitary utilities for a functioning system	\$75,000
Structurally reinforce existing roof mounted equipment. Foundations required additional vertical structure	\$450,000
Floor patching, leveling, and preparation for new underground plumbing and new floor finishes.	\$150,000
Expansive lobby for integrity of brand.	\$400,000
On-stage/Off-stage circulation, doors, and portal entries for elevated level of services.	\$600,000
Full replacement of plumbing, mechanical, electrical, and fire protection systems, including two rooftop Air handling units, plenum return system, low voltage wiring	\$5,400,000
150kW natural gas generator with level II outdoor rated sound enclosure for emergency power.	\$200,000
Total Premium Construction Costs:	\$8,035,000