



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST, SPRINGFIELD, ILLINOIS 62761 •(217) 782-3516 FAX: (217) 785-4111

<b>DOCKET NO:</b> H-04	<b>BOARD MEETING:</b> August 8, 2024	<b>PROJECT NO:</b> 24-014	<b>PROJECT COST:</b> Original: \$5,594,105
<b>FACILITY NAME:</b> OSF Saint Elizabeth Medical Center-Peru		<b>CITY:</b> Peru	
<b>TYPE OF PROJECT:</b> Non-Substantive			<b>HSA: II</b>

**PROJECT DESCRIPTION:** The Applicants (Ottawa Regional Hospital and Healthcare Center d/b/a OSF Saint Elizabeth Medical Center and OSF Healthcare System) propose the modernization of the hospital in Peru, Illinois, and the addition of 7 medical surgical beds and 4 intensive care beds at a cost of \$5,594,105. The expected completion date is December 31, 2025.

Information regarding this application can be found at this link:  
<https://hfsrb.illinois.gov/projects/project.24-014-osf-st-elizabeth-hospital---peru.html>

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The Applicants (Ottawa Regional Hospital and Healthcare Center d/b/a OSF Saint Elizabeth Medical Center and OSF Healthcare System) propose the modernization of the hospital in Peru, Illinois, and the addition of 7 medical surgical beds and 4 intensive care beds at a cost of \$5,594,105. The expected completion date is December 31, 2025.
- The Hospital in Peru is being operated as a second campus of OSF Saint Elizabeth Medical Center-Ottawa.

### BACKGROUND:

- On July 27, 2023, the State Board approved a change of ownership of St. Margaret's Health - Peru to OSF Healthcare System. OSF Healthcare System purchase St Margaret's Health-Peru (f/k/a Illinois Valley Community Hospital) a 53-bed acute care hospital located at 925 West Street, Peru, Illinois. This change of ownership was considered a purchase resulting in the issuance of a license to an entity different from the current licensee. The fair market value of the purchase was \$38 million and included the hospital campus and personal property belonging to St. Margaret's Health-Peru as well as various off-campus real properties owned by St. Margaret's Health-Peru.

St. Elizabeth Medical Center-Peru		
Service	Current Beds	Proposed Beds
Medical Surgical	38	45
Obstetrics *	11	11
Intensive Care	4	8
Total	53	64

\*4 OB beds were added under the 10% rule.

### WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes to add beds in excess of the lesser of 10% or 20-bed rule.

### PUBLIC HEARING/COMMENT:

- A public hearing was conducted by the State Board Staff on June 26, 2024. The transcript from that public hearing has been included in the State Board's packet of information. Letters of support and opposition have been received by the State Board.

### SUMMARY:

- For the addition of beds at an existing Hospital the calculated bed need, or excess in a Hospital Planning Area is not taken into consideration in evaluating the Application for Permit.
- While Ottawa and Peru are under one license, for State Board purposes the Ottawa and Peru facilities are considered separate hospitals.
- The Applicants are not modernizing any of the **clinical service areas other than categories of service** as part of this Application for Permit. The State Board requested the Applicants to document the services to be provided at the Peru location, the estimated demand at the Peru location, as well as the number of rooms/stations/units.
- The Applicants are estimating inpatient and outpatient volume at the Peru location based upon the following assumptions.

1. A transfer of ICU and OB volume from OSF St. Elizabeth Medical Center – Ottawa to Peru. ICU and OB Services are to be discontinued at the Ottawa Replacement Hospital.
  2. Replacement of the volume provided by St. Margaret’s Health – Peru and St. Margaret Health – Spring Valley that were closed.
  3. Return of volumes to Peru that were seen by two OSF hospitals: OSF Saint Paul Medical Center – Mendota and OSF Saint Clare Medical Center – Princeton upon the closure of St. Margaret’s Health – Peru and St. Margaret Health – Spring Valley.
- Currently the Applicants are operating the following services in Peru: 12 medical/surgical beds, the emergency department (basic)<sup>1</sup>, diagnostic imaging, outpatient services, respiratory therapy, infusion, laboratory, and pharmacy. Intensive Care or Obstetric Services have not been restarted.

Criterion	Non-Compliant
77 ILAC 1110. 200 (b) (4) – Expansion of a category of service	<ul style="list-style-type: none"> <li>• The Applicants are proposing <b>45 medical surgical beds</b>. The Applicants are projecting 2,502 admissions and approximately 12,860 patient days for the 45 medical surgical beds at the Peru Hospital. This will result in an ADC of 35.2. This ADC equates to an occupancy of 78.2%. The State Board’s target occupancy for the addition of medical surgical beds is 80% for a bed complement of 1-99 beds.</li> </ul>

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<sup>1</sup> Basic Emergency Department – a classification of a hospital emergency department where at least one physician is available in the emergency department at all times; physician specialists are available in minutes; and ancillary services, including laboratory, x-ray, and pharmacy, are staffed or are "on-call" at all times in accordance with Section 250.710 of the Hospital Licensing Requirements. (77 ILAC 515.100)



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**STATE BOARD STAFF REPORT**  
**OSF Saint Elizabeth Medical Center-Peru**  
**Project #24-014**

<b>APPLICATION CHRONOLOGY</b>	
Applicant	Ottawa Regional Hospital and Healthcare Center d/b/a OSF Saint Elizabeth Medical Center and OSF Healthcare System
Facility Name	OSF Saint Elizabeth Medical Center-Peru
Location	925 West Street, Peru, Illinois
Permit Holder	Ottawa Regional Hospital and Healthcare Center d/b/a OSF Saint Elizabeth Medical Center and OSF Healthcare System
Operating Entity/Licensee	Ottawa Regional Hospital and Healthcare Center d/b/a OSF Saint Elizabeth Medical Center and OSF Healthcare System
Owner of Site	OSF Healthcare System
Application Received	April 29, 2024
Application Deemed Complete	April 30, 2024
Anticipated Completion Date	December 31, 2025
Review Period Ends	June 29, 2024
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

**I. Project Description**

The Applicants (Ottawa Regional Hospital and Healthcare Center d/b/a OSF Saint Elizabeth Medical Center and OSF Healthcare System) propose the modernization of the hospital in Peru, Illinois, and the addition of 7 medical surgical beds and 4 intensive care beds at a cost of \$5,594,105. The expected completion date is December 31, 2025.

**II. Summary of Findings**

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

**III. General Information**

OSF HealthCare System is an Illinois not-for-profit corporation incorporated in 1880 as The Sisters of the Third Order of St. Francis. OSF HealthCare System’s current name was adopted as part of a corporate restructuring in 1989, at which time a new Illinois not-for-profit corporation known as The Sisters of the Third Order of St. Francis (the Parent) was incorporated by a religious congregation of the Roman Catholic Church having the same name. The Parent is the sole member of OSF and OSF HealthCare Foundation (the Foundation). OSF HealthCare System currently owns and operates 15 acute care hospitals and other healthcare-related entities. OSF HealthCare System operates the following 13 of its healthcare facilities as a single corporation, with each healthcare facility functioning as an operating division of OSF HealthCare System.

- OSF St. Francis Hospital, Escanaba, Michigan
- OSF Saint Anthony Medical Center, Rockford, Illinois
- OSF Saint James-John W. Albrecht Medical Center, Pontiac, Illinois
- OSF St. Joseph Medical Center, Bloomington, Illinois
- OSF Saint Francis Medical Center, Peoria, Illinois
- OSF St. Mary Medical Center, Galesburg, Illinois
- OSF Holy Family Medical Center, Monmouth, Illinois
- OSF Saint Luke Medical Center, Kewanee, Illinois
- OSF Saint Anthony Health Center, Alton, Illinois
- OSF Heart of Mary Medical Center, Urbana, Illinois
- OSF Sacred Heart Medical Center, Danville, Illinois
- OSF Little Company of Mary Medical Center, Evergreen Park, Illinois
- OSF Saint Clare Medical Center, Princeton, Illinois

OSF has two hospitals, which are wholly owned subsidiaries – Ottawa Regional Hospital and Healthcare Center and Subsidiaries (d/b/a OSF Saint Elizabeth Medical Center in Ottawa, Illinois, OSF Saint Elizabeth Medical Center-Peru and Mendota Community Hospital (d/b/a OSF Saint Paul Medical Center) in Mendota, Illinois. (Source Audited Financial Statements)

This is a non-substantive project subject to the Part 1110 and Part 1120 review. Financial commitment will occur after permit approval. The State Board Standard for the addition of medical surgical beds is 80% for a bed complement of 1-99 beds, for the addition of intensive care beds the State Board Standard is 60% no matter the number of beds being requested and for addition of obstetric beds the State Board Standard is 75% for a bed complement of 11-25 OB beds.

#### **IV. Health Service Area/Health Planning Area**

The Hospital is located in Health Service Area II and Hospital Planning Area C-02. HSA II includes the Illinois Counties of Bureau, Fulton, Henderson, Knox, LaSalle, Marshall, McDonough, Peoria, Putnam, Stark, Tazewell, Warren, and Woodford. Planning Area C-2 includes LaSalle, Bureau, and Putnam Counties, Stark County Townships of Elmira, and Osceola. There is currently a calculated excess of 11 medical surgical beds, 12 obstetric beds, and an excess of 2 intensive care beds in the C-02 Hospital Planning Area. The Geographical Service Area for a facility located in LaSalle County is 21 miles per 77 IAC 1100.510 (d).

There are four hospitals in the C-02 Hospital Planning Area. While Ottawa and Peru are under one license, for State Board purposes the Ottawa and Peru facilities are considered separate hospitals.

<b>TABLE ONE</b>		
Hospitals in the C-02 Hospital Planning Area		
Hospital	Beds	Miles
OSF Saint Elizabeth Medical Center-Peru	53	0
OSF Saint Elizabeth Medical Center-Ottawa	97	17.1
OSF Saint Paul Medical Center-Mendota	25	30.5
OSF Saint Clare Medical Center-Princeton	25	38.5

**V. Project Details**

The Applicants state the proposed project will modernize 2,674 GSF for the addition of 4 ICU beds. 87,060 GSF at the Hospital will remain unchanged. The Table below outlines the services to be provided at the Peru campus.

<b>TABLE TWO</b>	
Services at Peru Location	
Service	Proposed Beds/Rooms/Units Services
Medical Surgical	45 beds
Obstetrics (includes LDRP)	11 beds
Intensive Care	8 beds
Emergency Dept. (Basic)	10-Rooms
Diagnostic Imaging	
X-Ray	3 Units
Nuclear Medicine	1 Unit
CT	1 Unit
Ultrasound	3 Units
Mammography	1 Unit
MRI	1 Unit
Operating Rooms	5 Rooms
Procedure Rooms	1 Room
C-Section	1 Room
Stage 1 Recovery	6 rooms
Stage 2 Recovery	13 Rooms
Outpatient Services	13 Rooms
Laboratory	
Pathology	
Pharmacy	

## VI Project Costs and Sources of Funds

The Applicants are funding this project with proceeds from a bond issue in the amount of \$5,594,105.

<b>Uses of Funds</b>	<b>Reviewable</b>	<b>Non-Reviewable</b>	<b>Total</b>	<b>% of Total</b>
Preplanning Costs	\$20,475	\$14,525	\$35,000	0.63%
Modernization Costs	\$1,698,436	\$1,202,746	\$2,901,182	51.86%
Contingencies	\$254,578	\$180,599	\$435,177	7.78%
A& E Fess	\$154,707	\$109,750	\$264,457	4.73%
Consulting Fees	\$133,904	\$94,991	\$228,895	4.09%
Moveable Equipment	\$794,800	\$203,200	\$998,000	17.84%
Bond Issuance Expense	\$58,438	\$41,456	\$99,894	1.79%
Net Interest Expense	\$292,208	\$207,292	\$499,500	8.93%
Other Costs to be Capitalized	\$77,125	\$54,875	\$132,000	2.36%
<b>Total</b>	<b>\$3,484,671</b>	<b>\$2,109,434</b>	<b>\$5,594,105</b>	<b>100.00%</b>
Sources of Funds				
Bond Issuance			<b>\$5,594,105</b>	<b>100.00%</b>
<b>Total</b>			<b>\$5,594,105</b>	<b>100.00%</b>

## VI. Background of the Applicants

### A) Criterion 1110.110(a) - Background of the Applicant

*An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background, and character to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6] In evaluating the qualifications, background, and character of the applicant, HFSRB shall consider whether adverse action has been taken against the applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed health care facility, or against any health care facility owned or operated by the applicant, directly or indirectly, within 3 years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by that person or entity (see 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").*

The Applicants (Ottawa Regional Hospital and Healthcare Center d/b/a OSF Saint Elizabeth Medical Center OSF Healthcare System) have provided proof of Certificate of Good Standing and licensure/accreditation credentials. Letters were provided by both Applicants, permitting the State Board and the Illinois Department of Public Health to verify any information contained in this application. It appears the Applicants are fit, willing and able, and has the qualifications, background, and character to adequately provide a proper standard of health care service for the community.

## VII. Purpose of the Project, Safety Net Impact Statements, Alternatives to the Project

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

*The Applicant is required to:*

- 1. Document that the project will provide health services that improve the health care or wellbeing of the market-area population to be served.*
- 2. Define the planning area or market area, or other area, per the applicant's definition.*
- 3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project.*
- 4. Cite the sources of the information provided as documentation.*
- 5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.*
- 6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.*

The purpose of this project is to continue to provide health care services in the C-02 Hospital Planning Area. In 2023, St. Margaret's Health closed its two hospitals one in Peru and one in Spring Valley in Planning Area C-02. OSF Healthcare System purchased the 53-bed Peru hospital, to operate the Peru Hospital as a second campus of OSF Saint Elizabeth Medical Center- Ottawa. OSF St. Elizabeth Medical Center -Peru is 17 miles to the west of Ottawa. The Applicants state the plan is to transfer ICU and OB services at Ottawa to the Peru campus and part of the medical surgical patient volume. According to Applicants this will enable OSF to replace OSF St. Elizabeth Medical Center -Ottawa at a smaller scale and with less capital required than originally planned. The two hospitals will operate as one licensed entity.

This project proposes to operate OSF St. Elizabeth Medical Center at its two locations as a **hub of services** in the three counties area (LaSalle, Bureau, and Putman) with spokes at the outlying hospitals. OSF St. Elizabeth Medical Center-Peru will be the **hub** for **ICU** and **obstetrics** services relocated from Ottawa, with expansion of medical/surgical services at Peru. OSF St. Elizabeth Medical Center-Ottawa will be the **hub** for **acute mental illness** inpatient care. The spokes relating to OSF St. Elizabeth Medical Center will be OSF Saint Clare Medical Center in Princeton, OSF Saint Paul Medical Center in Mendota, and OSF Center for Health in Streator (free standing emergency department, outpatient, no inpatient beds at Streator).

The Applicants believe the proposed Peru project (#24-014) will reduce the capital cost of building a replacement hospital in Ottawa and help maintain access to health care services in the C-02 Hospital Planning Area. (See Application for Permit pages 54-60 for complete discussion)

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

This project is considered a non-substantive project, no safety net impact statement is required. However, a safety net impact statement was provided by the Applicants at pages 117-122 of the Application for Permit.



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

**To demonstrate compliance with this criterion the Applicant 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 two alternatives to the proposed project. Both alternatives were rejected by the Applicants.

1. Maintain the Peru Hospital at its 53-bed size.
2. Expand the Peru Hospital to a 75-bed hospital.

**Alternative One:** According to the Applicants the option of maintaining the Peru hospital at 53 beds would require OSF to build a larger replacement hospital in Ottawa, with associated greater capital costs. According to the Applicants a combined 57 medical/surgical beds are needed to meet patient needs in the C-02 area. If OSF St. Elizabeth Medical Center-Peru remained at 38 medical/surgical beds, 19 beds would need to be constructed in Ottawa, 7 more than the planned 12 beds. Additionally, if the ICU were not expanded to 8 beds in Peru, OSF St. Elizabeth Medical Center-Ottawa would need to include a 4 bed ICU unit. The cost to design, construct and equip 7 added medical/surgical beds and 4 ICU beds in Ottawa is estimated at \$12.5 million. Adding the bond issuance costs and net interest during construction results in a total increased cost of about \$14.0 million. This amount is \$8.4 million above the cost to add these 7 med/surg and 4 ICU beds at OSF St. Elizabeth Medical Center-Peru. The 7 med/surg beds are already available for service at Peru.

**Alternative Two:** According to the Applicants the planning process for deciding how to address the deficiencies at OSF St. Elizabeth Medical Center -Ottawa considered a 220,000 sq ft replacement hospital **with 75 beds**. The new hospital would be located somewhere in the I-80 corridor area. The total cost of the replacement hospital would be \$225 to \$250 million. The Applicants state the opportunity to purchase the existing St. Margaret's Health Hospital in Peru and operating it in conjunction with OSF St. Elizabeth Medical Center -Ottawa was a much better option than constructing a larger OSF St. Elizabeth Medical Center-Ottawa Hospital. The capacity available at St. Margaret's Health in Peru allows service expansion in Peru, and replacement of OSF St. Elizabeth Medical Center-Ottawa with a smaller facility, saving capital cost.

**VIII. Size of the Project, Projected Utilization**

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

**A) Size of the Project**

The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B, or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

In January 2023 St. Margaret Health-Peru closed. In July 2023 the State Board approved a change of ownership of St. Margaret Health- Peru. The Applicants state over 87,000 sq ft of clinical space will be used "as is" at the Peru Hospital. The Applicants are modernizing two services in which the State Board has standards: **medical surgical beds and the intensive care beds.** The Applicants propose to modernize space for an 8 room Intensive Care Unit, with 2,674 sq ft of space. Additionally, 2,632 sq ft of space formerly used for intensive care beds will be converted to 7 medical/surgical beds to enable medical/surgical expansion from 38 to 45 beds. As shown in the Table below the Applicants have met the requirements of this criterion.

TABLE FOUR					
Size of Project					
Service	Beds	DGSF	State Standard	DGSF per bed	Met Standard
Medical Surgical	45 Beds	28,885	660 dgsf per bed	642	Yes
ICU	8 Beds	2,674	560 dgsf per bed	335	Yes

**B) Projected Utilization**

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented.

The Applicants are estimating inpatient and outpatient volume at the Peru Hospital based upon the following assumptions.

1. A transfer of ICU and OB volume from OSF St. Elizabeth Medical Center – Ottawa to Peru. ICU and OB Services are to be discontinued at the Ottawa Replacement Hospital.
2. Replacement of the volume provided by St. Margaret’s Health – Peru and St. Margaret Health – Spring Valley that were closed.
3. Return of volumes to Peru that were seen by two OSF hospitals: OSF Saint Paul Medical Center – Mendota and OSF Saint Clare Medical Center – Princeton upon the closure of St. Margaret’s Health – Peru and St. Margaret Health – Spring Valley.

**1. Medical/surgical**

The Applicants are projecting 2,502 admissions and approximately 12,860 patient days for the 45 medical surgical beds at the Peru Hospital. This will result in an ADC of 35.2. This ADC equates to an occupancy of 78.2%. The State Board’s target occupancy for the addition of medical surgical beds is 80% for a bed complement of 1-99 beds.

## 2. Intensive care

The Applicants are projecting 785 admissions and 1,844 patient days resulting in an ADC of 6 patients per day with an occupancy of 63% for the 8-bed ICU unit. The State Board’s target occupancy for intensive care beds is 60% no matter the number of beds.

**Note:** The Applicants are not modernizing any of the services identified below as part of this Application for Permit. The State Board asked the Applicants to document the services to be provided at the Peru campus as well as the number of rooms/station/units and an estimate of demand.

## 3. Obstetrics

The Applicants are projecting 1,043 admissions and 2,420 patient days resulting in an ADC of 6.63 patients per day resulting in an occupancy of 60.3%. The State Board’s target occupancy is 75% for a bed complement of 11-25 obstetric beds.

<b>TABLE FIVE</b>							
Estimate of Average Daily Census for Bed Services proposed at OSF St. Elizabeth Medical Center – Peru							
St. Margaret’s Health – Peru							
<b>Historical</b>							
	Year	2020	2021	2022	2023		
Service	Proposed Beds				Closed		
M/S	45	14.4	15.5	5.5	0		
ICU	8	2.72	2.85	1.12	0		
OB	11	2.16	1.87	1.56	0		
<b>TOTAL</b>	<b>64</b>						
OSF St. Elizabeth Medical Center – Peru							
<b>Projected</b>							
	Year	2024	2025	2026	2027	2028	2029
Service	Proposed Beds						
M/S	45	9.6	9.6	35.2	35.2	35.2	35.2
ICU	8	0	4.57	5.05	5.05	5.05	5.05
OB	11	0	6.63	6.63	6.63	6.63	6.63
<b>TOTAL</b>	<b>64</b>						

## 4. Surgery Rooms

The Applicants are proposing 5 operating rooms and 6,186 hours for CY 2026 and CY 2027. The State Board Standard is 80%. Should the 6,186 hours materialize the Applicants can justify the 5 operating rooms.

## 5. Procedure Rooms

The Applicants are proposing 1 procedure room with a total of 743 hours. The Applicants can justify the one procedure room.

## **6. Emergency Department – Basic**

The Applicants are projecting 10 stations for the emergency department and are projecting 20,853 visits per year. The State Board Standard is 2,000 visit per station. Should the visits materialize, the Applicants can justify the 10 stations.

## **7. Diagnostic Imaging**

### **A) X-ray/ fluoroscopy – 3 Units**

The Applicants are estimating 21,574 procedures per year. The State Board Standard is 6,500 procedures per unit per year. Should the procedure materialize, the Applicants can justify the 3 units.

### **B) Mammography – 1 Unit**

The Applicants are estimating 4,653 visits per year. The State Board Standard is 5,000 visits per unit per year. Should the visits materialize, the Applicants can justify the 1 unit.

### **C) Ultrasound – 3 Units**

The Applicants are estimating 7,858 visits per year. The State Board Standard is 3,100 visits per unit. Should the visits materialize, the Applicants can justify the 3 units.

### **D) CT – 1 Unit**

The Applicants are estimating 9,569 visits per year. The State Board Standard is 7,000 visits per unit. Should the visits materialize, the Applicants can justify the 1 unit.

### **E) MRI – 1 Unit**

The Applicants are estimating 2,936 procedures per year. The State Board Standard is 2,500 procedures per unit per year. Should the procedure materialize, the Applicants can justify the 1 unit.

### **F) Nuclear Medicine – 1 unit**

The Applicants are estimating 2,556 visits per year. The State Board Standard is 2,000 visits per unit. Should the visits materialize, the Applicants can justify the 1 unit.

### **G) Outpatient Services - 13 rooms**

The Applicants are estimating 25,707 visits per year. The State Board Standard is 2,000 visits per year. Should the visits materialize, the Applicants can justify the 13 units.

### H) C-Section Room

The Applicants are estimating 297 patients per year. The State Board Standard is 800 procedures per year. The Applicants can justify the one C- Section Room.

## IX. Medical Surgical, Intensive Care and Obstetric

Expansion of Existing Services	(b)(2)	–	Planning Area Need – Service to Planning Area Residents
77 ILAC 1110.200	(b)(4)	–	Planning Area Need – Service Demand – Expansion of Existing Category of Service
	(d)	-	Category of Service Modernization
	(e)	–	Staffing Availability
	(f)	–	Performance Requirements
	(g)	–	Assurances

### A) Service to Planning Area Residents

A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., **the planning** or geographical service area, as applicable), for each category of service included in the project.

B) Applicants proposing to add beds to an existing category of service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.

C) Applicants proposing to expand an existing category of service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).

The Applicants have identified the C-02 Hospital Planning Area as the planning area for this project. The Applicants based their patient origin information on a composite of inpatient and observation cases at St. Elizabeth Medical Center – Ottawa in 2023 and St. Margaret’s Health Hospital in Peru in 2022. The Applicants assumed that the patients served at the Ottawa and Peru locations will in future be the patient origin distributions for Ottawa and Peru. The Applicants state the two hospitals served a total of 7,821 inpatient and observation cases with approximately 90% of the patients residing within the C-02 Hospital Planning Area. The Applicants have successfully addressed this criterion.

### B) 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.

#### 1. Medical Surgical Beds

The Applicants are proposing a total 45 medical surgical beds an increase of 7 medical surgical beds at the Hospital in Peru. As documented above (77 ILAC 1110.120 (b)) the Applicants believe they will have an annual average daily census of 35.2 patients by the second year after project completion resulting in an occupancy percentage of 78.2 % occupancy. The State Board Standard is 80% for a bed complement of 1-99 beds.

## 2. Intensive Care Beds

The Applicants are proposing to add four intensive care beds for a total of 8 intensive care beds at the Peru Hospital. The Applicants are estimating 785 admissions and an ADC of 5.05 patients per day or an occupancy of 63.2%. The State Board Standard is 60% occupancy for intensive care beds.

## 3. Obstetric Beds

The Applicants are proposing 11 OB beds at the Peru Hospital. The Applicants are estimating 1,043 admissions and an ADC of 6.63 patients per day or an occupancy of 60.3%. The State Board Standard is 75% for a bed complement of 11-25 beds.

### C) Category of Service Modernization

If the project involves modernization of a category of hospital bed service, the applicant shall document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:

- A) High cost of maintenance.
- B) Non-compliance with licensing or life safety codes.
- C) Changes in standards of care (e.g., private versus multiple bedrooms).
- D) Additional space for diagnostic or therapeutic purposes.

According to the Applicants there is no space available adjacent to the existing 4-bed ICU unit at the Peru Hospital that would enable expansion at that location. The Applicants state the current four-bed ICU unit is being converted to medical/surgical beds as part of the expansion of medical/surgical capacity from 38 to 45 beds at the Peru Hospital. The 8-bed Intensive Care modernization is the result of the need for expanded bed capacity to accommodate projected patient volumes associated with the transfer of patients from Saint Elizabeth Medical Center-Ottawa, but also patients dispersed from the closures of St. Margaret's Health Hospitals.

### D) Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing a narrative explanation of how the proposed staffing will be achieved.

According to the Applicants staffing is not going to be an issue, because staff will move with the clinical services from Ottawa to Peru. The Applicants state the recent closures of St. Margaret's Health-Peru and St. Margaret's Health-Spring Valley in 2023 resulted in a pool of available nurses, technicians and other staff that could be recruited to work at SEMC-Ottawa and SEMC-Peru. The Applicants state the phased re-opening of SEMC-Peru (the former St Margaret's Health-Peru) enables the recruitment of *former* St Margaret's employees to continue working in Peru starting in the spring of 2024. As of February 2024, OSF Healthcare System has hired 419 of the St. Margaret's employees.

**E) Performance Requirements – Bed Capacity Minimum**

- 1) Medical-Surgical  
The minimum bed capacity for a new medical-surgical category of service within a Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau, is 100 beds.
- 2) Obstetrics
  - A) The minimum unit size for a new obstetric unit within an MSA is 20 beds.
  - B) The minimum unit size for a new obstetric unit outside an MSA is 4 beds.
- 3) Intensive Care  
The minimum unit size for an intensive care unit is 4 beds.

The **Ottawa, IL Micropolitan Statistical Area**, as defined by the United States Census Bureau, is an area consisting of three counties in north central Illinois, anchored by the city of Ottawa, Peru (until 2020) and Streator (until 2013) are former primary cities. The Peru Hospital is not located in a Metropolitan Statistical Area. The proposed services meet the minimum performance requirements of the State Board.

**F) Assurances**

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

Dawn Trompeter, President OSF Saint Elizabeth Medical Center – Ottawa provided a signed and notarized statement that the 45-medical surgical beds, 8-bed intensive care beds and the 11 bed obstetric beds will achieve the State Board's target occupancy for the bed services being proposed. The Applicants have met the requirements of this criterion.

## **X. Financial Viability**

### **A) 1120.120 -Availability of Funds**

Applicants shall document that financial resources will be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The Applicants are funding this project with bond proceeds of \$5,594,105. The Applicants have an A+ Bond Rating from Fitch Ratings. The A+ rating means there is a low expectation of default and the capacity for payment of financial commitments is considered strong. Fitch Ratings states in part:

*“OSF has a broad reach across multiple markets in Illinois and the system is the distinct market leader in the core PSA around Peoria. OSF has exclusive or leading positions for many high-end services (e.g., OSF has the only children’s hospital between Chicago and St. Louis). Still many OSF markets are competitive. In the Peoria area (Central Region), OSF’s flagship Saint Francis Medical Center competes with Carle Foundation, which is acquiring the acute care operations in Peoria from UnityPoint Health. OSF also competes with Carle in the Eastern Region of Bloomington/Pontiac and Campaign/Urbana, where Carle is the market leader in the Urbana area while OSF is the leader in Bloomington/Pontiac area. OSF has one of three hospitals in Rockford, IL (the core of the Northern Region), competing with University of Wisconsin Health’s SwedishAmerican Hospital and Mercy Health. The acquisition of Little Company of Mary in early calendar year 2020 introduced OSF to the competitive Chicago metro market. Demographic indicators vary by local market. Population trends in many of OSF’s more populous service areas are stagnant to declining, although the service area economy is considered to be generally stable. OSF’s combined Medicaid and self-pay consistently account for less than 25% of gross revenue (including 22.6% in FY22). even though OSF has a large children’s hospital (children’s hospitals tend to rely heavily of Medicaid).”* (Application for Permit page 127) The Table below documents OSF’s financial position for FY 2022 and FY 2023.



**TABLE SIX**  
OSF Healthcare System and Subsidiaries  
Years ended September 30, 2023, and 2022  
(In thousands)  
Audited

	2023	2022
Cash	\$284,355	\$261,428
Current Assets	\$1,065,211	\$958,453
Total Assets	\$5,827,400	\$5,615,062
Current Liabilities	\$701,988	\$754,981
Total Liabilities	\$3,140,192	\$3,265,677
Net Patient Service Revenue	\$3,885,552	\$3,586,931
Total Revenues	\$4,093,620	\$3,824,172
Expenses	\$4,092,429	\$3,939,161
Income (loss) from Operations	\$1,191	(\$114,989)
Non-Operating Gains (loss)	\$202,794	(\$505,432)
Net Income (loss)	\$203,985	(\$620,421)

**TABLE SEVEN**  
OSF Saint Elizabeth Medical Center - Ottawa  
Medicare Cost Report  
Patient Revenue

	2018	2019	2020	2021	2022
Total Patient Revenue	\$442,811,475	\$453,306,724	\$431,222,862	\$464,256,951	\$482,700,169
Contractual Allowance	\$333,763,444	\$342,381,789	\$324,288,319	\$330,809,182	\$335,616,495
Net Patient Revenue	\$109,048,031	\$110,924,935	\$106,934,543	\$133,447,769	\$147,083,674
Operating Expenses	\$104,746,834	\$105,012,749	\$107,830,898	\$110,915,924	\$120,307,459
Net Income	\$4,301,197	\$5,912,186	-\$896,355	\$22,531,845	\$26,776,215
Other Income	\$6,479,819	\$3,089,386	\$12,160,764	\$11,642,135	\$5,240,392
Other Expenses	\$0	\$5,159	\$0	\$0	\$0
Equity Transfer	\$14,914,385	\$0	\$0	\$0	\$0
Net Income	-\$8,434,566	\$8,996,413	\$11,264,409	\$34,173,980	\$32,016,607

**B) 1120.130 - Financial Viability**

a) Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.
- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

The Applicants have provided evidence of an A+ Bond rating at pages 100-107 of the Application for Permit. The Applicants have met the requirements of this criterion because of the A+ Bond Rating.

## **XI. Economic Feasibility**

### **A) Reasonableness of Financing Arrangements**

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
  - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
  - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The Applicants have provided evidence of an A+ Bond rating at pages 100-107 of the Application for Permit. The Applicants have met the requirements of this criterion because of the A+ Bond Rating as stated in the Application for Permit.

### **B) Conditions of Debt Financing**

Applicants with projects involving debt financing shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available.
- 2) That the selected form of debt financing will not be at the lowest net cost available but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors.
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

The Applicants have an A+ Bond Rating and have provided a notarized letter from the Chief Financial Officer of OSF Healthcare System stating that the form of debt financing will be at the lowest cost available or if not, it will be more advantageous due to other terms, such pre-payment privileges, lack of security, loan timing, or other reasons. The Applicants have met the requirements of Conditions of Debt Financing. (See Application for Permit page 109)

### **C) Reasonableness of Project and Related Costs**

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the following:

**Preplanning Costs** are \$20,475 and are less than 1% of modernization, contingency and moveable equipment of \$2,747,814. This appears reasonable when compared to the State Board Standard of 1.8%.

**Modernization and Contingency Costs** are \$1,953,014 or \$730.37 per GSF ( $\$1,953,014 \div 2,674 \text{ GSF} = \$730.37 \text{ per GSF}$ ). This appears reasonable when compared to the State Board Standard of \$914.08 per GSF.

**Contingency Costs** are \$254,578 or 14.99% of Modernization Costs of \$1,698,436. This appears reasonable when compared to the State Board Standard of 10%-15%.

**A&E Fees** are \$154,707 or 7.92%. This appears reasonable when compared to the State Board Standard of 8.28%.

The State Board does not have standards for the following costs:

Consulting Fees	\$133,904
Moveable Equipment	\$794,800
Bond Issuance Expense	\$58,438
Net Interest Expense	\$292,208
Other Costs to be Capitalized	\$77,125

**D) Projected Operating Costs**

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

The Applicants are estimating that the direct cost per equivalent patient day by 2027 two years after project completion would be \$2,099 per equivalent patient day. The State Board does not have a standard for projected operating costs.

**E) Total Effect of the Project on Capital Costs**

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The Applicants are estimating that the total effect of the project on capital costs per equivalent patient day by 2027 two years after project completion would be \$127.26 per equivalent patient day. The State Board does not have a standard for the total effect of the project on capital costs.

**TABLE EIGHT**  
Cost Space Chart

Reviewable		Existing	Proposed	New Const	Modernized	As Is	Vacated
Medical Surgical		26,253	28,885			28,885	
ICU	\$1,698,436	2,632	2,674		2,674	0	2,632
OB		10,874	10,874			10,874	
Emergency Department		5,857	5,857			5,875	
Diagnostic Imaging							
X-Ray		2,070	2,070			2,070	
Nuclear Medicine		1,067	1,067			1,067	
CT		1,303	1,303			1,303	
Ultrasound		2,213	2,213			2,213	
Mammography		787	787			787	
MRI		1,643	1,643			1,643	
Surgery		16,265	16,265			16,265	
Pathology		3,846	3,846			3,846	
Pharmacy		1,610	1,610			1,610	
Outpatient Services		10,640	10,640			10,640	
Subtotal	\$1,698,436	87,060	89,734		2,674	87,078	2,632
Non-Reviewable							
Break Room	\$298,143		353		353		
Office	\$97,325		123		123		
Mechanical Elect	\$432,286		150		150		
Storage	\$186,779		225		225		
Public Circulation	\$129,892		144		144		
Public Restroom	\$58,321		60		60		
	\$1,202,746		1,055		1,055		

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