



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-05	BOARD MEETING: August 8, 2024	PROJECT NO: 24-015	PROJECT COST: Original: \$26,414,552
FACILITY NAME: Advocate Good Shepherd Hospital		CITY: Barrington	
TYPE OF PROJECT: Non-Substantive			HSA: VIII

PROJECT DESCRIPTION: The Applicants (Advocate Health and Hospitals Corporation d/b/a Advocate Good Shepherd Hospital, Advocate Aurora Health Inc., Advocate Health Inc.), propose to modernize the laboratory and pharmacy departments at Advocate Good Shepherd Hospital. The cost of the project is \$26,414,552 and the expected completion date is June 1, 2026.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Advocate Health and Hospitals Corporation d/b/a Advocate Good Shepherd Hospital, Advocate Aurora Health Inc., Advocate Health Inc.), propose to modernize the laboratory and pharmacy departments at Advocate Good Shepherd Hospital. The cost of the project is \$26,414,552 and the expected completion date is June 1, 2026.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the proposed project exceeds the capital expenditure minimum of \$17,252,704.

PUBLIC HEARING/COMMENT:

- A public hearing was conducted by the State Board Staff on Wednesday July 10, 2024. No letters of support or opposition have been received by the State Board.

PURPOSE OF THE PROJECT

- According to the Applicants the purpose of the project is to modernize and update the hospital to industry standards and to continue to meet the needs of the residents of the hospital service area. The Applicants are proposing the relocation and construction of the pharmacy and laboratory services within the hospital. The Applicants state these services are needed to be relocated due to facility infrastructure issues. Additionally, this new space will be designed to accommodate the expanded space needed to support the increased volume that these services experienced over the past few years and the replacement with state-of-the-art equipment needed to serve the patient population now and in the future.

SUMMARY:

- The Applicants addressed a total of 14 criteria and have not met the following:

Criterion	Non-Compliant
77 ILAC 1120.140 (c) – Reasonableness or Project Costs	Modernization and Contingency costs total \$6,251,845 or \$443.55 per GSF (\$6,251,845/14,095 GSF= \$443.55 per GSF). This appears HIGH when compared to the State Board Standard of \$211.88 per GSF .



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**Project #24-015
Advocate Good Shepherd Hospital
State Board Staff Report**

APPLICATION/CHRONOLOGY/SUMMARY	
Applicant	Advocate Health and Hospitals Corporation d/b/a Advocate Good Shepherd Hospital, Advocate Aurora Health Inc., Advocate Health Inc.
Facility Name	Advocate Good Shepherd Hospital
Location	450 West Highway 22, Barrington
Permit Holder	Advocate Health and Hospitals Corporation d/b/a Advocate Good Shepherd Hospital, Advocate Aurora Health Inc., Advocate Health Inc.
Licensee/Operating Entity	Advocate Health and Hospitals Corporation d/b/a Advocate Good Shepherd Hospital
Owner of Site	Advocate Good Shepherd Hospital
Application Received	May 1, 2024
Application Deemed Complete	May 6, 2024
Review Period Ends	July 5, 2024
Project Completion Date	June 1, 2026
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

I. The Proposed Project

The Applicants (Advocate Health and Hospitals Corporation d/b/a Advocate Good Shepherd Hospital, Advocate Aurora Health Inc., Advocate Health Inc.), propose to modernize the laboratory and pharmacy departments at Advocate Good Shepherd Hospital. The cost of the project is \$26,414,552 and the expected completion date is June 1, 2026

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 and Hospitals Corporation, Advocate Aurora Health Inc., and Advocate Health Inc. Advocate Aurora Health, Inc., a Delaware nonprofit corporation, owns and operates primarily not-for-profit healthcare facilities in Illinois and Wisconsin. The Advocate Aurora Health, Inc is the sole corporate member of Advocate Health Care Network, an Illinois not-for-profit corporation and Aurora Health Care, Inc., a Wisconsin nonstock not-for-profit corporation. Effective December 2022, the System and Atrium Health, Inc., a North Carolina not-for-profit corporation, entered into a joint

operating agreement pursuant to which they created Advocate Health, Inc. a Delaware nonprofit corporation. The System maintains its separate legal existence and no sale, transfer or other conveyance of assets or assumption of debt and liabilities occurred in connection with the formation of Advocate Health. (See Audited Financial Statements page 319 of the Application for Permit). This is a substantive project subject to Part 1110 review and Part 1120 review. Financial commitment will occur after permit issuance.

Facilities	Planning Area
Advocate Christ Medical Center, Oak Lawn	HSA-VII
Advocate Condell Medical Center, Libertyville	HSA-VIII
Advocate Good Samaritan Hospital, Downers Grove	HSA-VII
Advocate Good Shepherd Hospital, Barrington	HSA-VIII
Advocate Illinois Masonic Medical Center, Chicago	HSA-VI
Advocate Lutheran General Hospital, Park Ridge	HSA-VII
Advocate Sherman Hospital, Elgin	HSA-VIII
Advocate South Suburban Hospital, Hazel Crest	HSA-VII
Advocate Trinity Hospital, Chicago	HSA-VI
Dreyer Ambulatory Surgery Center, Aurora	HSA-VIII

IV. Project Uses and Sources of Funds

The Applicants are funding this project with cash and securities amounting to \$6,852,994, and bond proceeds totaling \$19,561,558.

Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total
Preplanning	\$125,000	\$106,425	\$231,425	0.88%
Site Survey and Soil Investigation	\$20,650	\$5,000	\$25,650	0.10%
Site Preparation	\$11,100	\$598,900	\$610,000	2.31%
Off Site Work	\$52,750	\$76,300	\$129,050	0.49%
Modernization Contracts	\$5,681,865	\$7,532,643	\$13,214,508	50.03%
Contingencies	\$569,980	\$1,417,342	\$1,987,322	7.52%
A& E Fees	\$485,800	\$759,396	\$1,245,196	4.71%
Consulting and Other Fees	\$735,900	\$757,879	\$1,493,779	5.66%
Movable or Other Equipment	\$985,650	\$113,829	\$1,099,479	4.16%
Bond Issuance Expense	\$178,498	\$63,003	\$241,501	0.91%
Net Interest Expense During Construction	\$550,340	\$194,249	\$744,589	2.82%
Other Costs to be Capitalized	\$3,058,868	\$2,333,185	\$5,392,053	20.41%

TABLE TWO
Project Uses and Sources of Funds

Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total
Total	\$12,456,401	\$13,958,151	\$26,414,552	100.00%
Sources of Funds				
Cash and Securities			\$6,852,994	25.94%
Bond Proceeds			\$19,561,558	74.06%
Total			\$26,414,552	100.00%

V. Project Details

The proposed project includes the relocation and construction of the laboratory and pharmacy departments at Advocate Good Shepherd Hospital. The project's total square footage will be 19,070 of modernization (14,095 of clinical and 4,975 of non-clinical space). This modernization project will include new interior architectural walls, flooring/ceiling structures and mechanical, electrical, and plumbing infrastructure within an existing space in the hospital.

TABLE THREE
Cost Space Chart

Reviewable						
Department	Cost	Existing	Proposed	New Cons	Modernization	As Is
Laboratories	\$7,619,547	6,358	8,755	0	8,755	6,358
Pharmacy	\$4,836,854	2,530	5,340	0	5,340	2,530
Total	\$12,456,401	8,888	14,095	0	14,095	8,888
Non-Reviewable						
Staff Facilities	\$2,575,745	0	1,499	0	1,499	0
Connecting Corridor	\$905,644	0	565	0	565	0
M/E/IT	\$10,476,762	0	2,911	0	2,911	0
Total	\$13,958,151	0	4,975	0	4,975	0
Total	\$26,414,552	0	19,070	0	19,070	8,888

VI. Background of the Applicant, Purpose of Project, Safety Net Impact Statement, and Alternatives

- A) Criterion 1110.110 (a) – Background of the Applicant
- B) Criterion 1110.110 (b) – Purpose of the Project
- C) Criterion 1110.110 (c) - Safety Net Impact Statement
- D) Criterion 1110.110 (c) – Alternatives to the Project

A) Background of 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]

The Applicants provided licensure and accreditation information as required. The Applicants 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 attested they have not had any adverse actions as defined by the State Board in the past three years of filing this Application for Permit. The Applicants have addressed this criterion.

B) Purpose of the Project

The applicant shall 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.

According to the Applicants the purpose of the project is to modernize and update the hospital to industry standards and to continue to meet the needs of the residents of the hospital service area. The Applicants are proposing the relocation and construction of the pharmacy and laboratory services within the hospital. The Applicants state these services are needed to be relocated due to facility infrastructure issues. Additionally, this new space will be designed to accommodate the expanded space needed to support the increased volume that these services experienced over the past few years and the replacement with state-of-the-art equipment needed to serve the patient population now and in the future.

The Applicants completed a facility assessment last year to evaluate current deficiencies in the infrastructure and determine the options to rectify the hospital's laboratory and pharmacy issues. The plan identified significant infrastructure needs in the current location. The project will address the following:

- The physical infrastructure needs for the laboratory and pharmacy services.
- The size of each department needed for current and projected volume for each service.
- The space needed for replacement equipment needed for these services.
- The department design to support state of the art technology and new equipment.

C) Safety Net Impact Statement

All health care facilities, with the exception of skilled and intermediate long term care facilities licensed under the Nursing Home Care Act, 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. [20 ILCS 3960/5.4]

This is a non-substantive project, and a safety net impact statement is not required. The Applicants did provide a safety net statement and that statement can be found at pages 156-163 of the Application for Permit.

D) Alternatives to the Proposed Project

The applicant shall 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.

Alternative One – Maintain services in current location without modernization.

Alternative Two – Complete modernization in current location

Alternative Three – Modernize only the Laboratory or only the Pharmacy.

Alternative Four - Develop alternative settings to meet all or a portion of the project's intended purposes.

The **first alternative** was rejected because this option would not address the infrastructure or space deficiencies of the current services. The Applicants stated this option was rejected as it would not address the significant infrastructure deficiencies in electrical, plumbing, HVAC and space that have accelerated over the past few years and the increasing cost to maintain a safe environment. According to the Applicants over the years, the expansion of Lab's equipment and services to meet regulatory standards has resulted in the department outgrowing its current footprint and infrastructure needs.

Cost: There is no capital cost for this alternative

The **second alternative** was rejected because it would involve completing a construction and modernization project with multiple phases to address the infrastructure concerns. The Applicants state this option would be challenging for these services to continue to operate and would neither remediate all issues for compliant laboratory and pharmacy functions, or provide the expanded space needed for updated standards, equipment, technology, and growth. Although the phased approach would allow lab and pharmacy departments to remain in their current locations, the cost of the project would exceed fully relocating both departments to the new location on the hospital campus.

Cost: \$32,580,000

The **third alternative** was rejected because it would involve only relocating and modernizing the Laboratory, while maintaining the Pharmacy to be modernized in the future. According to the Applicants this alternative would be costlier to complete these projects separately would extend the timeframe for completion, as the two departments are adjacent to each other. In addition, it would be more disruptive to the patients and staff to complete these as two separate projects. As good financial stewards, it was determined that modernization for both services would be combined into one project. **Cost: \$17,870,000**

Pharmacy only; \$19,716,000 Laboratory only

The **fourth alternative** was rejected because the Laboratory and Pharmacy are essential functions for all inpatient and outpatient hospital services and are critical to be located within the hospital. It is not an option to relocate these services to a location outside of the hospital building. **Cost: There is no capital cost for this alternative.**

VI. Project Scope and Size, Utilization and Unfinished/Shell Space – Review Criteria

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

A) Size of 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).

The State Board does not have size standards for the laboratory and pharmacy being modernized with this project.

B) Project Services 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 State Board does not have utilization standards for the laboratory and pharmacy being modernized with this project.

VII. Clinical Service Areas Other Than Categories of Service

Service Modernization 77 ILAC 1110.270	(c)(1)	– Deteriorated Facilities and/or
	(c)(2)	– Necessary Expansion PLUS
	(c)(3)(A)	– Utilization – Major Medical Equipment or
	(c)(3)(B)	– Utilization – Service or Facility

A) Service Modernization

The applicant shall document that the proposed project meets one of the following:

1) Deteriorated Equipment or Facilities

The proposed project will result in the replacement of equipment or facilities that have deteriorated and need replacement. Documentation shall consist of, but is not limited to historical utilization data, downtime or time spent out of service due to operational failures, upkeep and annual maintenance costs, and licensure or fire code deficiency citations involving the proposed project.

2) Necessary Expansion

The proposed project is necessary to provide expansion for diagnostic treatment, ancillary training, or other support services to meet the requirements of patient service demand. Documentation shall consist of, but is not limited to historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project.

3) Utilization

A) Major Medical Equipment

Proposed projects for the acquisition of major medical equipment shall document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition.

B) Service or Facility

Projects involving the modernization of a service or facility shall meet or exceed the utilization standards for the service, as specified in Appendix B. The number of key rooms being modernized shall not exceed the number justified by historical utilization rates for each of the latest 2 years, unless additional key rooms can be justified per subsection (c)(2) (Necessary Expansion).

C) If no utilization standards exist, the applicant shall document in detail its anticipated utilization in terms of incidence of disease or conditions, or population use rates.

The Applicants state the physical infrastructure of the Advocate Good Shepherd Laboratory and Pharmacy was constructed in 1977 and has significantly deteriorated and is considered end of life. According to the Applicants for the last several years, Advocate Good Shepherd Hospital's facilities division has experienced monthly plumbing and draining issues in the Lab. Since Spring 2023, the frequency of water and sewage leaks from the above ceiling supply and waste lines increased to multiple times a month.

The Applicants note the following issues:

- **Electrical:** Electrical panels that support the Lab are full.
- **Plumbing:** Water and sanitary supply lines running above the Lab have significantly

deteriorated over the years. Past leaks have resulted in disruption of Lab operations; accessing these supply lines to repair or reroute is impossible without an extended shutdown of the Lab or a highly phased construction schedule.

- **Floor drains** are undersized and inadequate for Lab functions.
- **Heating, ventilation, A/C (HVAC):** Cooling in the department is inadequate. If the department temperatures exceed regulation standards, sensitive equipment and patient specimens can become compromised. While the grossing area of the Lab has hood exhaust fans, the area’s ventilation is barely meeting code minimums. Full HVAC remediation requires a complete shutdown of Lab operations to replace the dual duct box system with a new variable air volume (VAV) system featuring larger duct work and new building automation system (BAS) controls.

1. Laboratory

The Applicants are proposing the modernization and expansion of the space needed for hospital laboratory services. The Applicants state the core function of the clinical laboratory is to perform various tests on collected specimens. These tests can range from simple point-of-care tests to complex analyses involving biochemistry, hematology, microbiology, immunology, cytology, and molecular biology. The expansion of laboratory’s equipment and services to meet regulatory standards has resulted in the department outgrowing its current footprint.

Year	2021	2022	2023	% change
Tests	583,362	603,771	627,641	7.60%
Year	2024	2025	2026	% change
Tests	646,470	665,864	685,840	6.10%

The State Board does not have utilization standards for laboratory services.

2. Pharmacy

The proposed modernization will address the space needed for hospital pharmacy services. According to the Applicants the pharmacy has outgrown its space. The pharmacy modernization will include replacement with updated equipment and technology to support current capacity and equipment that is at end of life. This will include:

- **Carousels** - expanded capacities of carousels will allow pharmacy enhanced inventory management and control, expiration date checking, and quality assurance with selecting and dispensing medications to patients. These carousels require expanded size.
- **Refrigerators** - expanded refrigerator capacity will allow for enhanced and optimal storage and temperature control of medications requiring refrigerated storage. The addition of expanded refrigerated storage capacity in the sterile compounding areas allows staff to stay in this space instead of retrieving medications from central pharmacy storage and

reenter the clean room requiring staff to continually de-garb and re-garb upon entering this space. Pharmacy manages inventory, tracks stock levels, and ensures proper storage conditions, including monitoring temperature and humidity control for sensitive medications, as well as ambient room temperatures.

- **Additional biological safety cabinet (BSC)** - As infusion volume has increased significantly for Oncology and other service lines, the addition of a second BSC in the hazardous medication clean room buffer zone allows for pharmacy’s ability to continue to provide for expanded volumes for chemotherapy and other infusions.

- **Expanded pharmacy services** – Additional designated space in the pharmacy will be developed that includes the:

Implementation of **kit checks** for accurate and efficient preparation of pharmacy. emergency kits. This technology provides improved tracking for lot numbers and recalls.

Development of a **“meds to beds”** program allowing the pharmacy to provide patient medications to patients’ besides prior to discharge. The primary goal is to ensure that patients leave the hospital with all necessary prescribed medications in hand, reducing the need for them to stop at a pharmacy post-discharge, which increases medication adherence issues, patient satisfaction and reduce the risk for readmissions. The program will support inpatients as well as ED patients and those undergoing outpatient surgery and other interventional procedures. This equipment requires additional space and updated infrastructure. This new equipment is necessary to continue to support the continued volume at the hospital.

Year	2021	2022	2023	% change
Tests	NA	6,151,620	6,623,637	7.7%
Year	2024	2025	2026	% change
Tests	7,130,101	7,629,208	8,163,252	14.4%

The State Board does not have utilization standard for pharmacy services.

¹RVU stands for Relative Value Unit, which is a unit of measurement used in the United States Medicare reimbursement formula for physician services. The Centers for Medicare and Medicaid Services (CMS) assigns RVUs to each CPT code, and these numbers are multiplied by a conversion factor (CF) and a geographical adjustment (GPCI) to create a compensation level for a specific service. RVUs reflect a physician's level of effort and the volume of work they do for patients. The more RVUs a physician generates, the more income they and their practice should receive. RVUs are part of the resource-based relative value scale (RBRVS), and there are three types of RVUs: Physician work RVUs (wRVUs), Practice expense RVUs, and Professional liability insurance RVUs. The AMA/Specialty Society Relative Value Scale Update Committee (RUC) recommends annual updates to the RVUs assigned to new or revised codes. For example, the conversion factor for 2023 is \$33.8872, so each RVU is worth \$33.8872.

XI. Financial Viability
A. Criterion 1120.120 - Availability of Funds
B. Criterion 1120.130 - Financial Viability
C. Criterion 1120.140(a) - Reasonableness of Debt Financing

The Applicants provided audited financial statements and the results shown in Table Six demonstrate 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 July 2022), an AA/Stable bond rating from Standard & Poor’s Ratings Service (dated September 2022), and an Aa3 bond rating from Moody’s Investors Service (dated October 2022). The Applicants have sufficient resources available to fund this proposed project.

TABLE SIX		
Advocate Aurora Health, Inc.		
Years ended 2022 & 2021.		
(In thousands)		
audited		
	2022	2021
Cash	\$372,898	\$703,725
Current Assets	\$3,298,360	\$3,407,129
Total Assets	\$21,878,270	\$23,138,561
Current Liabilities	\$3,195,849	\$3,713,295
LTD	\$3,255,423	\$3,298,508
Total Liabilities	\$8,430,723	\$8,807,582
Net Patient Revenue	\$12,065,771	\$11,702,581
Total Revenues	\$14,544,246	\$14,062,232
Income from Operations	(\$23,887)	\$593,552
Net Income	(\$705,708)	\$1,922,253

Source: Advocate Aurora Health Audited Financial Statement,
See Application File

Fitch Rating’s Service states in part *“AAH is the largest health system in both Illinois and Wisconsin, with a broad market reach and operating in multiple markets covering a contiguous service area stretching from northeastern Illinois (Chicago area) through Milwaukee to northeastern Wisconsin. Despite its leading market position, the system operates in many competitive service areas, notably Chicago (where AAH is the market leader in a crowded market) and Milwaukee, the population hubs of the combined service area. AAH’s largest competitor is Ascension Health (AA+), which also operates multiple facilities in both the Milwaukee and Chicago markets. AAH also has one of the largest and most sophisticated physician integration models in the industry, with broad population health management capabilities, including employing approximately 3,600 physicians. and covering nearly three million unique lives.”* (See Application for Permit page 201)

TABLE SEVENAdvocate Good Shepherd Hospital Patient Revenue
Medicare Cost Reports

Year	2018	2019	2020	2021	2022
Total Patient Revenue	\$889,024,749	\$925,359,915	\$860,020,183	\$1,045,034,817	\$1,108,953,807
Contractual Allowances	\$566,109,209	\$595,142,271	\$560,213,899	\$680,251,172	\$733,707,713
Net Patient Revenue	\$322,917,540	\$330,217,644	\$299,806,284	\$364,783,645	\$375,246,094
Operating Expenses	\$260,189,315	\$273,526,275	\$271,127,557	\$287,885,877	\$300,194,329
Net Income	\$62,728,225	\$56,691,369	\$28,678,727	\$76,897,768	\$75,051,765
Other Operating Income	\$2,160,023	\$2,039,311	\$68,788,922	\$81,465,837	\$80,435,245
Other Operating Expenses	-\$934,359	-\$249,091	-\$124,426	-\$381,926	-\$394,414
Net Income	\$65,822,607	\$58,979,771	\$66,664,496	\$81,847,763	\$80,829,659

Source: <https://hfs.illinois.gov/medicalproviders/costreports.html>

A) Criterion 1120.140 (b) – Terms 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 attest that the selected form of debt financing for the purpose of the Advocate Good Shepherd Hospital project will be the lowest net cost available, or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgages, access to additional debt, term financing costs and other factors. The Applicants have successfully addressed this criterion.

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

Preplanning costs are \$125,000, which is 1.73% of modernization, contingencies, and moveable equipment of \$7,237,495. This appears reasonable compared to the State Board Standard of 1.8%.

Site Survey, Soil Investigation and Site Preparation costs are \$31,750 which is less than 1% of modernization and contingency costs of \$6,251,845. This appears reasonable when compared to the State Board Standard of 5%

Modernization and Contingency costs total \$6,251,845 or \$443.55 per GSF (\$6,251,845/14,095 GSF= \$443.55 per GSF). This appears **HIGH** when compared to the State Board Standard of \$211.88 per GSF.

Contingency Costs total \$569,980, or 10.03% of modernization costs. This appears reasonable compared to the State Board Standard of 10%-15%.

Architectural and Engineering Fees total \$485,800 or 7.77% of modernization and contingency costs. This appears reasonable compared to the State Board Standard of 6.54-9.82%

The State Board does not have a standard for the costs listed below.

Off Site Work	\$52,750
Consulting and Other Fees	\$735,900
Movable or Other Equipment	\$985,650
Bond Issuance Expense	\$178,498
Net Interest Expense During Construction	\$550,340
Other Costs to be Capitalized	\$3,058,868

Criterion 1120.140(d) - Direct Operating Costs

Criterion 1120.140(e) - Total Effect of the Project on Capital Costs

Costs per visit for the second year after opening, are calculated as \$3331.35per visit. The total effect of the project on capital costs is estimated at \$226.21 per visit. The State Board does not have standards for these costs.

Advocate Good Shepherd Hospital Lab & Pharmacy Modernization Estimated Premium

Exterior Wall Improvements: The existing exterior foundation walls are uninsulated and not prepared for an interior buildout. Costs have been included to install the required insulation improvements to prepare this space for a new interior build out. **\$75,000**

Infrastructure Needs: The current space has no infrastructure for Plumbing, HVAC, HVAC Piping, HVAC Controls, or Electrical Distribution that a typical interior build out would have in place. Costs have been included for new Plumbing, a new Air Handling Unit (AHU), all new ductwork, HVAC Piping, and HVAC Controls, as well as new Electrical Distribution to support the new space. **\$1,000,000**

Concrete Slab-on-Grade: The existing space was left as graded stoned. Costs have been included in this project to install a new concrete slab on grade with the appropriate vapor barrier to support a new usable interior space. **\$200,000**

Exterior Duct Riser for Isolation Exhaust: The build out of this space requires a new Isolation Fan for the Pharmacy. With the location of this project in the Lower Level of the Hospital, it is critical that this exhaust be terminated ABOVE the 5th floor roof, which will require a new 6 story exterior riser. **\$250,000**

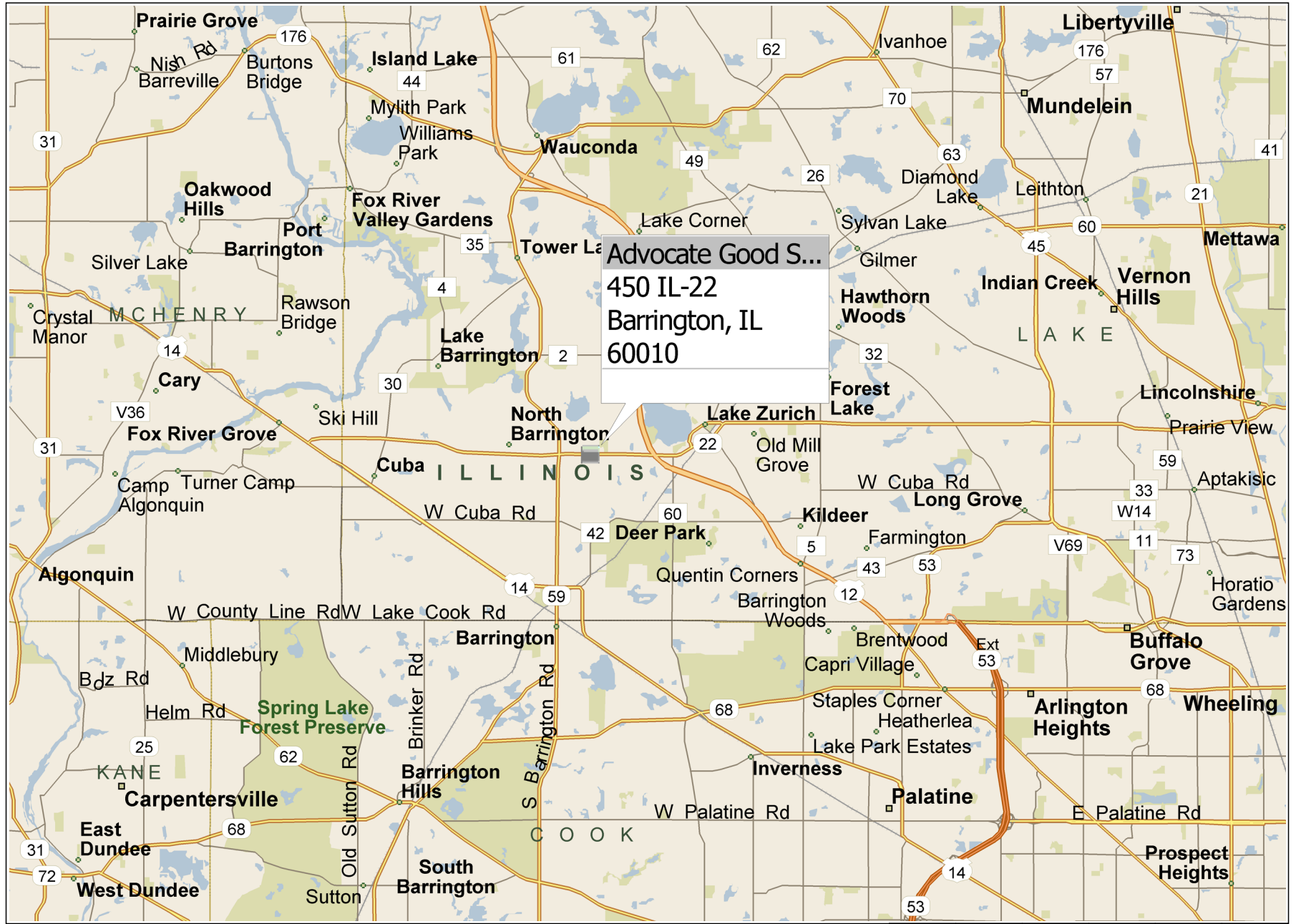
Work in Existing Pharmacy & Lab: After the existing Lab & Pharmacy have relocated to the new location, there is some minor work required to prepare the existing spaces for the purposes identified in this package. Those costs are reflected here. **\$700,000**

Project Specific Construction Cost Premiums \$ 2,225,000

TABLE EIGHT
Charity Care and Medicaid Information
Advocate Good Shepherd Hospital

Year	2020	2021	2022
Net Patient Revenue (NPR)	\$297,578,445	\$364,783,646	\$375,246,094
Charity (# of patients)			
Inpatient	37	142	84
Outpatient	2,766	3,700	3,748
Total	2,803	3,842	3,832
Charity (cost in dollars)			
Inpatient	\$1,008,000	\$971,000	\$331,000
Outpatient	\$1,221,000	\$1,441,000	\$692,000
Total	\$2,229,000	\$2,412,000	\$1,023,000
% of Charity Expense to NPR	0.75%	0.66%	0.27%
MEDICAID			
Medicaid (# of patients)			
Inpatient	633	656	616
Outpatient	12,433	17,264	20,255
Total	13,066	17,920	20,871
Medicaid (revenue)			
Inpatient	\$6,618,638	\$6,398,176	\$5,935,056
Outpatient	\$3,469,162	\$5,047,362	\$6,101,145
Total	\$10,087,800	\$11,445,538	\$12,036,201
% of Medicaid Revenue to NPR	3.39%	3.14%	3.21%

24-015 Advocate Good Shepherd Hospital - Barrington



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