



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-02	BOARD MEETING: December 17, 2024	PROJECT NO: 24-029	PROJECT COST: \$17,829,393
FACILITY NAME: Advocate Lutheran General Hospital		CITY: Park Ridge	
TYPE OF PROJECT: Non-Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital, Advocate Aurora Health, Inc., and Advocate Health, Inc.) propose to add 38 additional medical-surgical beds, add ten additional ICU beds, and discontinue 11 OB beds at Advocate Lutheran General Hospital, 1775 Dempster Street, Park Ridge, Illinois. The project costs \$17,829,393, and the expected completion date is June 1, 2026.

Information on this application can be found at this link:
<https://hfsrb.illinois.gov/project.24-029-advocate-lutheran-general-park-ridge.html>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital, Advocate Aurora Health, Inc., and Advocate Health, Inc.) propose to add 38 additional medical-surgical beds, add ten additional ICU beds, and discontinue 11 OB beds at Advocate Lutheran General Hospital, 1775 Dempster Street, Park Ridge, Illinois. The project costs \$17,829,393, and the expected completion date is June 1, 2026.
- The Applicants have experienced high utilization over the past years in their medical-surgical and intensive care units. The Applicants believe the medical-surgical days will increase by 3.4% compounded annually and intensive care patient days by 5.8% compounded annually until 2027. Obstetric patient days are expected to decline by 6% over this period.¹ Current utilization will justify the proposed 38 medical-surgical and ten intensive care beds at 90% and 60% target occupancy, respectively.
- If this project is approved, the number of authorized medical-surgical beds will increase from 332 to 370 M/S beds, the number of authorized ICU beds will increase from 75 to 85, and the number of obstetric beds will decrease from 62 to 51.

Executive Summary						
TABLE ONE						
			2023	2023	2027	2027
	Authorized Beds	Proposed Beds	ADC	OCC	ADC	OCC
M/S	332	370	331.9	100.00%	379.4	107.80%
ICU	75	85	55.19	73.59%	69	81.81%
OB	62	51	27.07	43.66%	24.3	47.65%

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicants are before the State Board because the proposed project proposes to change the bed capacity of a healthcare facility by increasing the total number of beds by more than 20 beds or more than 10% of the total bed capacity over two years.

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and the State Board has received letters of support and no opposition letters.

CONCLUSION:

- The Applicants have addressed a total of 18 criteria and have met them all.

¹ The discontinuation of the obstetric beds does not require approval of the State Board. A Hospital can discontinue beds with a letter notifying the State Board of the discontinuation.



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STATE BOARD STAFF REPORT

Project #24-029

Advocate Lutheran General Hospital

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Advocate Aurora Health, Inc., Advocate Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital
Facility Name	Advocate Lutheran General Hospital
Location	1775 Dempster Street, Park Ridge, Illinois
Permit Holder	Advocate Aurora Health, Inc., Advocate Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital
Operating Entity/Licensee	Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital
Owner of Site	Advocate Health and Hospitals Corporation
Application Received	September 11, 2024
Application Deemed Complete	September 18, 2024
Does the State Board staff extend the review period?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants (Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital, Advocate Aurora Health, Inc., and Advocate Health, Inc.) propose to add 38 additional medical-surgical beds, add ten additional ICU beds, and decrease 11 OB beds at Advocate Lutheran General Hospital, 1775 Dempster Street, Park Ridge, Illinois. The project costs \$17,829,393, and the expected completion date is June 1, 2026.

II. Summary of Findings

- A. State Board Staff finds the proposed project appears to conform with the provisions of 77 Ill. Adm. Code Part 1110.
- B. State Board Staff finds the proposed project appears to conform with the provisions of 77 Ill. Adm. Code Part 1120.

III. General Information

The Applicants are Advocate Aurora Health Inc., Advocate Health, Inc., and Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital. Advocate Lutheran General Hospital has received a **five-star rating** from Medicare. This rating reflects the hospital's performance across several categories, including effectiveness of care, safety of care, patient experience, and readmission rates.

The Hospital is in the Health Service Area VII and the A-07 Hospital Planning Area. The Hospital Planning Area A-07 includes the Cook County Townships of Maine, Elk Grove, Schaumburg, Palatine, and Wheeling. This project is subject to Part 1110 and Part 1120 review. Financial Commitment will occur after project approval. There is currently an excess of 429 medical surgical beds and a need for 29 intensive care beds in the A-07 Hospital Planning Area. The A-07 Hospital Planning Area includes the following acute care hospitals:

TABLE ONE							
Acute Care Hospitals in the A-07 Hospital Planning Area 2023 Information							
<u>Hospitals</u>	<u>City</u>	<u>Miles</u>	<u>Total Beds</u>	<u>M/S Beds</u>	<u>M/S Occ</u>	<u>ICU Beds</u>	<u>ICU Occ.</u>
Alexian Brothers Medical Center	Elk Grove Village	15.8	509	260	61.69%	36	62.81%
Northwest Community Hospital	Arlington Heights	14.6	396	239	81.48%	36	91.09%
Ascension Holy Family Medical Center	Des Plaines	2.4	178	49	0.00%	0	0
St. Alexius Medical Center	Hoffman Estates	21.8	318	212	56.08%	35	42.34%
1. Ascension Holy Family reported no utilization in the 49-bed medical-surgical unit in 2023.							

Table Two documents Advocate Lutheran General Hospital's utilization for the past six years (2018-2023), and Table Three documents the hospital's utilization in 2023.

TABLE TWO							
Utilization Advocate Lutheran General Hospital (2018 Thru 2023)							
	Authorized Beds	2018	2019	2020	2021	2022	2023
M/S	332	91.10%	91.60%	95.90%	103.90%	104.10%	99.97%
PED	48	60.50%	64.90%	61.70%	73.20%	97.60%	96.20%
ICU	75	76.60%	68.20%	63.30%	69.40%	73.80%	73.60%
OB	62	50.20%	53.70%	38.20%	39.00%	41.00%	43.66%
Neonatal	54	61.20%	66.70%	56.00%	69.00%	79.40%	77.05%
AMI	55	48.30%	38.20%	43.30%	45.00%	43.60%	55.67%
Rehab	45	74.80%	75.60%	78.50%	80.60%	71.60%	71.69%
Total	671	76.10%	76.30%	75.90%	82.50%	85.70%	82.89%

TABLE THREE								
Utilization Advocate Lutheran General Hospital 2023 Utilization for both Authorized and Proposed Beds								
	Authorized Beds	Proposed Beds	ADM	DAYS	ALOS	ADC	OCC	OCC
M/S	332	370	17,162	121,145	7.10	331.93	100.0%	89.70%
PED	48	48	3,664	16,860	4.60	46.19	96.23%	96.23%

TABLE THREE								
Utilization Advocate Lutheran General Hospital								
2023 Utilization for both Authorized and Proposed Beds								
ICU	75	85	4,353	20,146	4.63	55.19	73.59%	64.92%
OB	62	51	3,897	9,881	2.54	27.07	43.66%	53.08%
Neonatal	54	54	115	15,187	132.06	41.61	77.05%	77.05%
AMI	55	55	1,160	8,010	6.91	21.95	39.90%	39.90%
Rehab	45	45	796	11,775	14.79	32.26	71.69%	71.69%
	671	708	31,147	200,004	6.42	547.96	81.66%	77.40%

IV. Project Costs and Sources of Funds

The Applicants will fund this project with cash of \$4,781,807 and bond proceeds of \$13,047,586.

TABLE FOUR				
Project Costs and Sources of Funds				
PROJECT COSTS	Reviewable	Non-Reviewable	Total	% of Total
Preplanning Costs	\$155,000	\$80,084	\$235,084	1.32%
Site Survey and Soil Investigation	\$30,000	\$20,000	\$50,000	0.28%
Site Preparation	\$312,560	\$98,200	\$410,760	2.30%
Off-Site Work	\$15,000	\$60,000	\$75,000	0.42%
Modernization Contracts	\$7,123,195	\$2,232,300	\$9,355,495	52.47%
Contingencies	\$712,000	\$223,000	\$935,000	5.24%
Architectural/Engineering Fees	\$669,850	\$198,850	\$868,700	4.87%
Consulting and Other Fees	\$326,500	\$300,000	\$626,500	3.51%
Movable or Other Equipment	\$2,946,750	\$41,200	\$2,987,950	16.76%
Bond Issuance Expense (project related)	\$135,182	\$25,899	\$161,081	0.90%
Net Interest Expense During	\$303,816	\$58,207	\$362,023	2.03%
Other Costs to Be Capitalized	\$1,214,876	\$546,924	\$1,761,800	9.88%
Total Uses of Funds	\$13,944,729	\$3,884,664	\$17,829,393	100.00%
SOURCES OF FUNDS				
Cash and Securities			\$4,781,807	26.82%
Bond Issues (project related)			\$13,047,586	73.18%
TOTAL SOURCES OF FUNDS			\$17,829,393	100.00%

V. Project Details

The Applicants propose to add 38 medical-surgical beds and 10 ICU beds and discontinue 11 OB beds at Advocate Lutheran General Hospital. The project will include:

- The addition of a 22-bed medical-surgical unit to be developed and located on the 9th floor of the hospital.
- An 11-bed M/S unit, transitioning from an 11-bed OB unit.

- 15 M/S beds transitioning from private to semiprivate rooms on the 7th floor (10 beds), 12th floor (3 beds) and 14th floor (2 beds).
- 9 M/S beds will transition to 9 ICU beds on the 7th floor. This will create an 18-bed ICU unit on the 7th floor, combining it with the existing 9-bed intensive care unit.
- A transition of 1 M/S bed in the SICU to 1 ICU bed.

This proposal will increase the number of authorized medical-surgical beds from 332 to 370 M/S beds, increase the number of authorized intensive care beds from 75 to 85, and decrease the number of obstetric beds from 62 to 51. Upon project completion, the total number of hospital beds will increase to 708. The project's total square footage will be 17,819 square feet of modernization (14,954 of clinical and 2,865 of non-clinical space).

The Applicants have received permits for the following CON/COE applications from the State Board and are in the development process. According to the Applicants, these projects are expected to be completed on time and within budget without any changes in scope.

<u>Project</u>	<u>Permit Number</u>
Advocate Illinois Masonic Medical Center	# 22-009
Advocate Outpatient Center – Chicago Webster	# 23-002
Advocate Outpatient Center – Lakemoor	# 23-010
Advocate Christ Medical Center	# 23-021/E-051-22
Advocate ASTC – Chicago Webster	# 23-007
Advocate Outpatient Center Hoffman Estates	# 23-028
Advocate Outpatient Center Westmont	# 24-001
Advocate Good Shepherd Hospital	# 24-015
Advocate Naperville ASTC/Cath/Outpatient Center	#24-008

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

The four criteria below are informational only.

- Criterion 1110.110 (a) - Background of the Applicants
- Criterion 1110.110 (b) – Purpose of the Project
- Criterion 1110.110 (c) – Safety Net Impact Statement
- Criterion 1110.110 (d) – Alternatives to the Proposed Project

A) Background of Applicant

An applicant must demonstrate that he 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 healthcare facility is considered "owned or operated" by every person or entity directly or indirectly owning an ownership interest. Suppose any person or entity owns any option to acquire stock. In

that case, 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 attest that no adverse action was taken against any facility owned and operated by the Applicants during the three years before the filing of this application. The Applicants have given authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to, official records of IDPH or other State agencies; the licensing or certification records of different states, when applicable; and the records of nationally recognized accreditation organizations. The Applicants have the qualifications, background, and character to provide the community with a proper standard of health care services. (Application for Permit pages 55-59)

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, market area, or other area according to the applicant's definition.

The Applicants are proposing a modernization project to expand the medical/surgical capacity to maintain access to tertiary care services for Advocate Health Care's residents Near North Service Area. Advocate Lutheran General Hospital is a Level One Trauma center, and according to the Applicants, there is a need to increase the authorized medical/surgical beds and the number of semi-private beds to address Lutheran General Hospital's capacity issue.

The Applicants state that the Hospital's service area includes 57 zip codes that comprised 74% of the hospital's inpatient and outpatient cases in 2023. With a population of 1,414,250, the service area is a diverse community, with 23% of its residents of Hispanic ethnicity and a racial distribution of 58% White, 14% Asian, 7% Black, and others. The median age of residents in the service area is 42 years old. Older adults (65 and older) represent nearly 21 percent of the service area population. This geography has a more significant number (21%) of adults 65 and older than 18% for the entire United States. Table Five shows the population projection for the A-07 Hospital Planning Area.

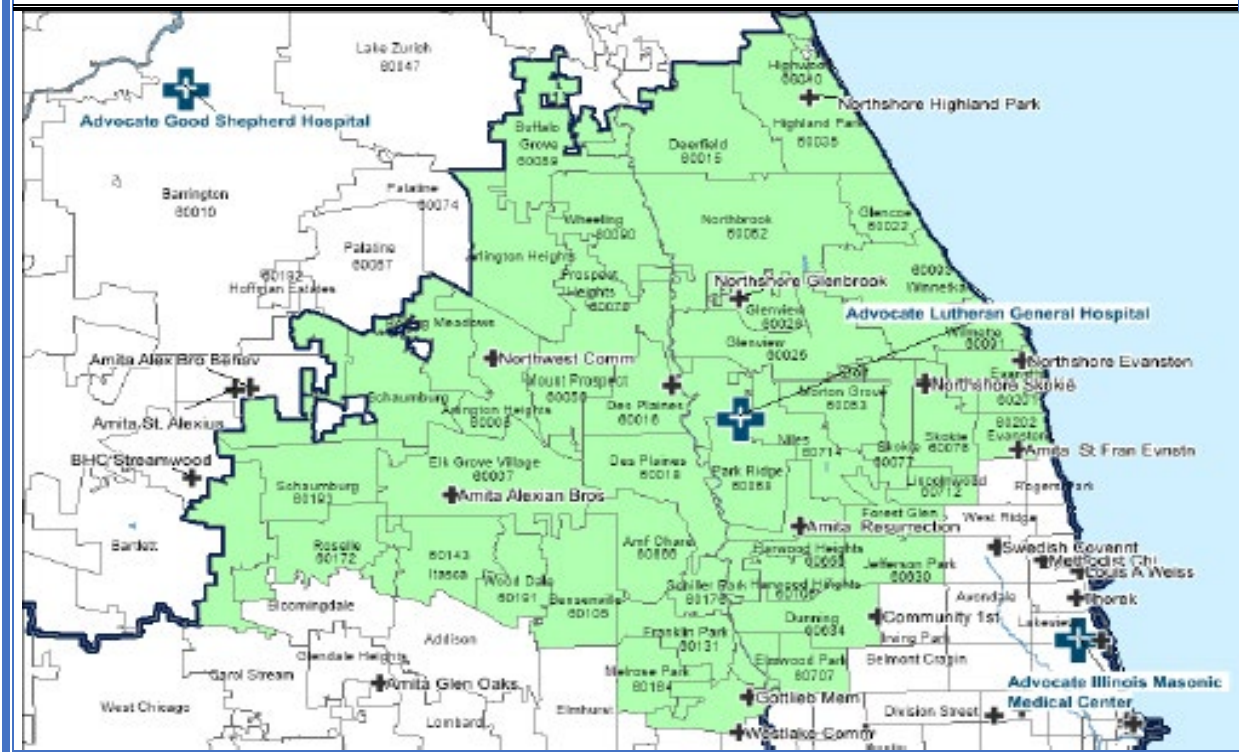
TABLE FIVE			
Population Projections in the A-07 Hospital Planning Area			
Age Cohort	2021	2026	Change
0-14	112,650	109,060	-3.19%
15-44	241,780	244,480	1.12%
45-64	171,500	166,410	-2.97%
65-74	67,290	75,780	12.62%
75+	50,890	59,570	17.06%
Total	644,110	655,300	1.74%

Table Six shows the projected population in the Advocate Lutheran General Hospital's service area, and Table Seven outlines the hospital's service area.

TABLE SIX
Population Projections in the Advocate
Lutheran General's Service Area

Age Cohort	2023	2028	Change
0-19	325,098	305,504	-6.03%
20-44	432,199	424,483	-1.79%
45-64	363,958	339,784	-6.64%
65+	292,995	320,020	9.22%
Total	1,414,250	1,389,791	-1.73%

TABLE SEVEN
Advocate Lutheran General's Service Area



C) Safety Net Impact Statement

Since this project is non-substantive, a safety net statement is not required. However, the applicants provided Charity Care and Medicaid information on pages 169-175 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 healthcare needs of the population it will serve.

The Applicants considered three alternatives to the proposed project.

Alternative One - Maintain Status Quo/Do Nothing

This option was rejected because the Medical/Surgical units at Lutheran General have continually operated above the State Board utilization standard with average utilization at maximum capacity over the past three years. Occupancy at the hospital has consistently been above 90% at the midnight census and is 11% higher mid-day. This does not account for the peak census in specific months and days of the week where the census is higher. The ICU units have also operated well above the state standard. In addition to the number of inpatient admissions, the understanding of patients has increased, leading to more ICU patient days. The Applicants believe additional medical/surgical and ICU beds are needed to adequately address the acute care needs in the Lutheran General's Service Area. This option would not alleviate the patients waiting in the emergency department for a lengthy time nor require the hospital's emergency department to go on bypass. **Cost: No capital costs would be necessary.**

Alternative Two - Add an addition to a hospital building to create additional M/S and ICU beds.

The Applicants rejected a horizontal bed tower expansion to the hospital campus. This option would require demolishing an existing parking structure to allow an area to construct a new bed tower. A new parking garage would also burn this project to supplement the loss of the existing parking garage. The new structure would be located across a state route, including a skybridge, to facilitate ease of pedestrian traffic across the busy state route. The structure and cost to add these clinical and non-clinical hospital services would be significantly higher than this project cost. **Cost: \$950,000,000**

Alternative Three - Add only the new 22-bed M/S Floor

The Applicants rejected this option because the Hospital would continue to have medical/surgical room challenges, and this option would not address the need for additional ICU beds. The Applicants state that, as the region's Level 1 Trauma Center, with the increase in inpatient volume experienced and projected, the alternative selected provides extra capacity for the medical-surgical and ICU categories of service that are needed currently and in the future. **Cost: \$16,300,000.**

VII. Size of the Project, Projected Utilization, Assurance

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

A) Size of the Project

The State Board’s Departmental Gross Square Footage Standard for medical-surgical beds is 500-660 DGSF per bed, and the State Board’s Departmental Gross Square Footage Standard for intensive care beds is 600-685 DGSF per bed. As shown in Table Eight, the Applicants have successfully addressed this criterion.

TABLE EIGHT					
Size of the Project					
Floor	Beds	Total DGSF	DGSF per Bed	State Standard	Met Standard?
9W	22	11,149	507	11,000-14,520 DGSF	Yes
3C	11	2,776	252	5,500-7,260 DGSF	Yes
7CE	10	2,698	270	5,000 -6600 DGSF	Yes
12CW	3	789	263	1,500-1980 DGSF	Yes
14W	2	581	291	1,000 - 1,320 DGSF	Yes
Total	48	17,993			
7W	9	2,817	313	600-685 DGSF	Yes
SICU	1	250	250	600-685 DGSF	Yes
Total	10	3,067			

B) Projected Utilization

The Applicants propose adding 38 medical-surgical beds and 10 ICU beds. The State Board’s utilization standard is 90% for medical-surgical beds and 60% for intensive care beds. Table Nine shows that the Applicants have met the State Board’s Standards for all years presented for medical surgical and intensive care services.

The Applicants state medical surgical and intensive care patient days are projected to continue to increase due to the increasing complexity of specialty patients requiring longer inpatient stays. As a Level 1 Trauma Center, the increase in trauma patients and the increased acuity of inpatients demonstrates the need for more inpatient patient days and the need to increase medical-surgical and intensive care beds. The projected increase in the population 65 and older in the hospital’s service area will further increase the number of inpatients with co-morbidities requiring increasingly complex inpatient care to support the needs of patients living there. The Applicants believe the medical-surgical days will increase by 3.4% compounded annually and intensive care patient days by 5.8% compounded annually until 2027. Obstetric patient days are expected to decline by 6% over this period. Historical utilization will justify 370 medical surgical beds and 92 intensive

care beds at the State Board's target utilization of 90% and 60%, respectively. See Table Nine below.

TABLE NINE Utilization Advocate Lutheran General Hospital (2018 Thru 2023)							
	Authorized Beds	2018	2019	2020	2021	2022	2023
M/S	332	91.10%	91.60%	95.90%	103.90%	104.10%	99.97%
Beds Justified		336	338	354	383	384	370
ICU	75	76.60%	68.20%	63.30%	69.40%	73.80%	73.60%
Beds Justified		73	85	79	87	92	92

VIII. Expansion of Medical-Surgical, Intensive Care Services

Expansion of Existing Services	(b)(2)	Planning Area Need – Service to Planning Area Residents
	(b)(4)	Planning Area Need – Service Demand – Expansion of Existing Category of Service
	(e)	Staffing Availability
	(f)	Performance Requirements
	(g)	Assurance

b) 2) 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 service category 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 region residents.

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

As shown above, under Criterion Purpose of the Project (77 Ill. Adm. 1110.110 (b), Advocate Lutheran General Hospital is a significant health care provider to the residents of Suburban Cook County and surrounding areas. It is a Level I trauma center. The proposed project will add 38 medical surgical beds for 370 beds and ten intensive care beds for 85 ICU beds at Advocate Lutheran General Hospital.

The Applicants provided the patient's origin by zip code on pages 102-124 of the Application for Permit, which is required for medical surgical and intensive care beds. Based upon a review of the information on those pages, 79% of patient admissions for medical surgical beds and 65% of the admissions for intensive care beds were residents of the area. The Applicants have successfully addressed this criterion.

b) 4) Service Demand – Expansion of Existing Category of Service

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

A) Historical Service Demand

i) An average annual occupancy rate that has equaled or exceeded occupancy standards for the service category, as specified in 77 Ill. Adm. Code 1100 for each of the last 2 years.

ii) If patients have been referred to other facilities to receive the subject services, the applicant shall provide documentation of the referrals, including patient origin by zip code; name and specialty of referring physician; and name and location of the recipient hospital, for each of the latest 2 years.

B) Projected Referrals

The applicant shall provide the following:

i) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing facilities located in the area during the 12 months before application submission.

- ii) An estimated number of patients the physician will refer annually to the applicant's facility within 24 months after project completion. The anticipated number of referrals cannot exceed the physician's experienced caseload. The percentage of project referrals used to justify the proposed expansion cannot exceed the historical rate of applicant market share within 24 months after project completion.
- iii) Each referral letter shall contain the physician's notarized signature, the typed or printed name of the physician, the physician's office address, and the physician's specialty; and
- iv) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.

As shown throughout this report, Advocate Lutheran General Hospital has sufficient patient volume to justify the addition of 38 medical-surgical beds and ten intensive care beds.

1. Medical Surgical

Sg2 estimates that patient discharges will increase by 3% over the next 10 years, and inpatient days will increase by 9%. The Applicants believe the medical-surgical days will increase by 3.4% compounded annually and intensive care patient days by 5.8% compounded annually until 2027. Obstetric patient days are expected to decline by 6% over this period. The Applicants state that national trends project that the acuity of inpatient admissions will continue to rise, with an increase in the average length of stay and patient days. Inpatient days are projected to continue growing in part due to the aging population in the service area.

TABLE TEN					
Medical Surgical Utilization					
	2020	2021	2022	2023	Projected 2027 – Yr2
Beds	313	313	313	332	370
Admissions	19,876	16,987	16,474	17,162	
Inpatient Days	100,988	105,669	103,691	106,112	
Observation Days	8,871	13,069	15,265	15,033	
TOTAL Days	109,859	118,738	118,956	121,145	138,479
ALOS	5.5	7	7.2	7.1	
ADC	300.2	325.3	325.9	331.9	379.4
Utilization	95.90%	103.90%	104.10%	100.00%	107.80%
Beds Justified	334	361	362	370	422

2. Intensive Care

The projected increase in intensive care admissions is attributed to many factors, including the aging population, increased obesity, mental health and other co-morbidities, access inequities, chronic disease, and survivorship. According to Sg2, *“At the same time, rising chronic disease and mental health rates continue to fuel inpatient demand and drive higher acuity care demands across the System of CARE. Hospitals are left with sicker patients who have longer stays. COVID-19 exacerbated this trajectory due to long-term conditions caused by this virus and due to delayed and deferred care. In addition, the pandemic exposed significant gaps in health care services and harsh differences in health outcomes and access related to race and socioeconomics. Health inequity is projected to continue to be a factor in rising demand for chronic disease and mental health services, particularly avoidable care utilization, offsetting some of the gains in outpatient shift and inpatient declines.”*

The Applicants state that critically ill patients requiring ICU care would not be transferred to other facilities as it is the hospital's routine practice to admit all patients who present needing inpatient care. The current critical care services provided include all essential therapies of care except organ transplantation and burns, which are provided in regional designated centers. No referrals to other facilities have been included.

TABLE ELEVEN
ICU Utilization

	2020	2021	2022	2023	Projected 2027 – Yr2
Beds	74	74	74	75	85
Admissions	5,863	8,735	8,657	9,326	
Inpatient Days	17,048	18,555	19,796	20,050	
Observation Days	97	195	130	99	
TOTAL Days	17,145	18,750	19,926	20,149	25,246
ALOS	2.9	2.1	2.3	2.2	
ADC	46.8	51.4	54.6	55.2	69
Utilization	63.24%	69.46%	73.78%	74.59%	81.18%
Beds Justified	78.00	85.67	91.00	92.00	115

3. Obstetric Beds

The projection for OB beds was determined based on historic patient trends in the Lutheran General Obstetric Unit and Sg2's projected decline for the Advocate Lutheran General service area over the next 5 years. Although the number of OB patient days has increased slightly due to a new relationship with the local FQHC, as the OB market is projected to continue to decline, it was determined that a 51-bed unit could provide the projected number of beds needed for the future. Sg2's projection for the Advocate Lutheran General Hospital service area (Near North)

for Inpatient Obstetrics is that the number will decline by -6.0% from 2023-2028 and by -9.3% over the next 10 years.

For Inpatient Gynecology, a -2.8% decline is projected over the next 5 years and -5.1% over 10 years. This parallels the national trend outlined below. Sg2 identified *“this national trend as one that has been seen short term and continues to dampen throughout the decade due to cultural norms (e.g., childbearing, smaller family sizes) and pandemic-driven economic instability.”*

TABLE TWELVE
Obstetric Utilization

	2020	2021	2022	2023	Projected 2027 – Yr2
Beds	62	62	62	62	51
Admissions	3667	3513	3,509	3897	
Inpatient Days	8432	8558	8953.0	9559	
Observation Days	229	277	332.0	322	
TOTAL Days	8,661	8,835	9,285	9,881	
ALOS	2.4	2.5	2.60	2.5	
ADC	23.7	24.2	25.4	27.07	24.3
Utilization	38.27%	39.04%	41.03%	43.66%	47.6%
Beds Justified	30	31	33	35	31

e) Staffing Availability – Review Criterion

The applicant shall document that the proposed project's relevant clinical and professional staffing needs 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.

Advocate Lutheran General Hospital has evaluated the staffing needs and does not expect any issues meeting the licensure and accreditation staffing requirements due to the proposed project. According to the Applicants, the hospital's ability to attract and place nurses has historically been strong. Staffing needs for the medical-surgical units were evaluated, and **additional staff is not projected** to be needed due to the project. The Advocate Health Care system has a dedicated team of Recruiters and Sourcing Specialists. If a significant staff need exists in the system, resources are quickly shifted to address the situation. The staffing consultants at Advocate Health Care work collaboratively. The Applicants state that active partnerships with local nursing programs are another source for Advocate Lutheran General Hospital's applicant pool. Advocate Lutheran General has continually benefited from Advocate Health Care's strong reputation as an excellent place of employment, as evidenced by consistently being named one of the Top 100 Places to Work in Illinois. The Applicants have successfully addressed this criterion.

f) Performance Requirements – Bed Capacity Minimum

- 1) Medical-Surgical
The U.S. Census Bureau defines the minimum bed capacity for a new medical-surgical service category within a Metropolitan Statistical Area (MSA) as 100 beds.
- 2) Obstetrics
 - A) The minimum 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 four beds.
- 3) Intensive Care
The minimum unit size for an intensive care unit is four beds.
- 4) Pediatrics
The minimum size for a pediatric unit within an MSA is four beds.

As defined by the U.S. Census Bureau, the minimum bed capacity for a medical-surgical service category within a Metropolitan Statistical Area (MSA) is 100 beds. Advocate Lutheran General Hospital is in the Chicago Metropolitan Statistical Area. This proposal will increase the number of authorized medical-surgical beds from 332 to 370 M/S beds, increase the number of authorized ICU beds from 75 to 85, and decrease the number of OB beds from 62 to 51. Upon project completion, the total number of hospital beds will increase to 708. The Applicants have successfully addressed this criterion.

g) 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.

Dia Nichols, President of Advocate Health Care, provided and signed a letter that the Applicants will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 by the second year of operation after project completion. The Applicants have met the requirements of this criterion.

IX. Financial Viability and Economic Feasibility

A. Criterion 1120.120 – Availability of Funds

B. Criterion 1120.130 – Financial Viability

C. Criterion 1120.140 (a) – Reasonableness of Debt Financing

The Applicants have qualified for the financial waiver because they have an “A” or better bond rating. The Applicants will fund this project with cash of \$4,781,807 and bond proceeds of \$13,047,586. The Applicants have provided Audited Financial Statements (Application for Permit pages 168-215), and the results are shown in Table Ten below. 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 2023), an AA/Stable bond rating from Standard & Poor’s Ratings Service (dated May 2023), and an Aa3 bond rating from Moody’s Investors Service (dated October 2022). The Applicants have sufficient funds available to fund this proposed project.

TABLE THIRTEEN
Audited Financial Statements
Advocate Aurora Health, Inc.
Years ended December 31st,
(In thousands)

	2023	2022	2021	2020
Cash	\$857,599	\$372,898	\$703,725	\$959,878
Current Assets	\$4,037,317	\$3,298,360	\$3,407,129	\$3,379,077
Total Assets	\$27,997,820	\$21,878,270	\$23,138,561	\$21,449,643
Current Liabilities	\$3,648,2954	\$3,195,849	\$3,713,295	\$3,319,862
LTD	\$2,939,221	\$3,255,423	\$3,298,508	\$3,310,401
Total Liabilities	\$8,738,766	\$8,430,723	\$8,807,582	\$9,049,599
Net Patient Revenue	\$12,987,089	\$12,065,771	\$11,702,581	\$10,216,386
Total Revenues	\$15,753,054	\$14,544,246	\$14,062,232	\$13,132,189
Income from Operations	\$71,621	-\$23,887	\$593,552	\$212,967
Net Income	\$774,332	-\$750,832	\$1,922,253	\$608,125

Source: Advocate Aurora Health Audited Financial Statement

TABLE FOURTEEN
Revenue Advocate Lutheran General Hospital
2018 Thru 2023
Medicare Cost Report

	2018	2019	2020	2021	2022	2023
Total Patient Revenue	\$2,503,515,685	\$2,606,099,320	\$2,514,649,454	\$4,304,995,519	\$3,362,750,117	\$3,749,248,712
Contractual All	\$1,640,204,540	\$1,706,040,824	\$1,661,147,791	\$2,931,919,264	\$2,279,740,294	\$2,545,908,427
Net Patient Revenue	\$863,311,145	\$900,058,496	\$853,501,663	\$1,373,076,255	\$1,083,009,823	\$1,203,340,285
Operating Expense	\$755,329,792	\$756,550,882	\$761,727,108	\$1,219,744,804	\$914,595,850	\$985,458,970
Net Income	\$107,981,353	\$143,507,614	\$91,774,555	\$153,331,451	\$168,413,971	\$217,881,315
Other Income	\$11,649,924	\$8,858,855	\$72,068,177	\$16,046,767	\$23,626,148	\$11,268,852
Other Expense	\$0	\$0	\$0	-\$2,027,206	\$0	\$0
Net Income	\$119,631,277	\$152,366,469	\$163,842,732	\$167,351,012	\$192,040,121	\$229,150,167
Capital Costs	\$23,526,784	\$35,258,583	\$31,082,820	\$31,398,990	\$104,703,225	\$97,697,661

D. Criterion 1120.140 (b) – Terms of Debt Financing

Dia Nichols, the President of Advocate Health Care, affirmed that the selected form of debt financing will be at the lowest net cost available or, if not, it is more advantageous due to terms such as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs, and other factors. The Applicants have met the requirements of this criterion.

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

Preplanning costs are \$155,000, less than 1.44% of modernization, contingencies, and moveable equipment, which totals \$10,781,945. This appears reasonable compared to the State Board Standard of 1.8%.

Site Survey, Soil Investigation, and Site Preparation Costs are \$137,679, or 4.37% of modernization and contingency costs of \$7,835,195. This appears reasonable compared to the State Board Standard of 5%.

Modernization and contingency costs total \$7,835,195 or \$523.95 per GSF (\$7,835,195 ÷ 14,954 GSF = \$523.95) This appears reasonable when compared to the State Board Standard of \$520.26

Contingency Costs These costs total \$712,000 and are 9.99% of modernization costs. This appears reasonable compared to the 10-15% State Board Standard.

Architectural and Engineering Fees total \$669,850, or 8.55% of modernization and contingencies. This appears reasonable compared to the State Board Standard of 6.04-9.08%.

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

Off-Site Work	\$15,000
Consulting and Other Fees	\$326,500
Movable or Other Equipment	\$2,946,750
Bond Issuance Expense (project related)	\$135,182
Net Interest Expense During	\$303,816
Other Costs to Be Capitalized	\$1,214,876

Criterion 1120.140 (d) – Direct Operating Costs

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

Project direct operating expenses for the first year after completion per equivalent patient day is \$2,988.76. The total effect of the project on capital costs is estimated at \$120.06 per equivalent patient day. The State Board does not have a standard for these costs.

TABLE FIFTEEN

Charity Care and Medicaid Information
Advocate Lutheran General Hospital

	2021	2022	2023
Net Patient Revenue	\$1,025,238,569	\$1,083,009,823	\$1,203,340,284
Charity (# of patients)			
Inpatient	653	512	425
Outpatient	961	1005	2,667
Total	1,614	1,517	3,092
Charity (cost in dollars)			
Inpatient	\$9,791,000	\$6,962,000	\$4,075,000
Outpatient	\$5,160,000	\$4,286,000	\$4,373,000
Total	\$14,951,000	\$11,248,000	\$8,448,000
% of Net Patient Revenue	1.46%	1.04%	0.70%
MEDICAID			
Medicaid (# of patients)			
Inpatient	5,701	5,888	6,378
Outpatient	56,478	65,960	71,093
Total	62,179	71,848	77,471
Medicaid			
Inpatient	\$111,259,988	\$135,227,833	\$155,181,634
Outpatient	\$29,161,455	\$32,224,428	\$46,277,893
Total	\$140,421,443	\$167,452,261	\$201,459,527
% of Net Patient Revenue	13.70%	15.46%	16.74%