



**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: May 9, 2024	PROJECT NO: 24-001	PROJECT COST: \$54,682,918
FACILITY NAME: Advocate Outpatient Center-Westmont Blackhawk		CITY: Westmont	
TYPE OF PROJECT: Non-Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Advocate Aurora Health, Inc., Advocate Health, Inc., and Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group) propose to establish a two-story medical office building (“MOB”) in Westmont. The new building will house primary care and specialty care clinician offices for Advocate Medical Group and non-hospital-based outpatient services including physical therapy, lab, imaging, and immediate care. The total cost of the project is \$54,682,918 with an anticipated completion date of December 31, 2025.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Advocate Aurora Health, Inc., Advocate Health, Inc., and Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group) propose to establish a two-story MOB, located at 639 Blackhawk Drive in Westmont. The land, building and operations will be owned by Advocate Health and Hospitals Corporation. The MOB will house primary care and specialty care clinician offices for Advocate Medical Group and non-hospital-based outpatient services including physical therapy, lab, imaging, and immediate care. The total cost of the project is \$54,682,918 with an anticipated completion date of December 31, 2025.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because it exceeds the capital expenditure minimum, and it is by or on behalf of a health care facility.

PURPOSE OF THE PROJECT

- The Applicants state the purpose of this project is to improve access to Advocate physicians, clinicians, and Advocate services. The Applicants attest that the co-location of services will expedite the time between evaluation, diagnosis, and therapeutics, and will improve care coordination by allowing patients to see multiple specialists and have multiple tests/procedures performed in a single day. The facility will also provide orthopedic urgent care with expanded hours, allowing residents to receive expedited musculoskeletal care outside of the Emergency Department setting.

CONCLUSION:

- The State Board does not have a need methodology for MOBs, nor does it maintain an inventory of medical office buildings.
- The Applicants have addressed 14 criteria and are not compliant with the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1120.140(c) - Site Preparation, Site Survey and Soil Investigation	Site Survey, Soil Investigation and Site Preparation costs are \$2,121,208, which is 9.1% of new construction and contingency costs of \$23,275,673. This is high compared to the State Board Standard of 5%.
Criterion 1120.140(c) - Reasonableness of Project Costs	New Construction costs total \$22,347,687, or \$767.15 per GSF (\$22,347,687/29,131 = \$767.15). This is high compared to the State Board Standard of \$305.24 per GSF.



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**Advocate Outpatient Center – Westmont Blackhawk
STATE BOARD STAFF REPORT
Project #24-001**

APPLICATION / CHRONOLOGY / SUMMARY	
Applicants	Advocate Aurora Health, Inc., Advocate Health, Inc., and Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group
Facility Name	Advocate Outpatient Center – Westmont Blackhawk
Location	639 Blackhawk Avenue, Westmont
Permit Holder	Advocate Health and Hospitals Corporation
Operating Entity	Advocate Health and Hospitals Corporation
Owner of Site	Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group
Application Received	January 29, 2024
Application Deemed Complete	January 29, 2024
Review Period Extended by the State Board Staff?	Yes
Can the Applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants (Advocate Aurora Health, Inc., Advocate Health, Inc., and Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group) propose to establish a two-story MOB in Westmont. The land, building and operations will be owned by Advocate Health and Hospitals Corporation d/b/a Advocate Medical Group. The total cost of the project is \$54,682,918 with an anticipated project completion date of December 31, 2025.

II. Summary of Findings

- A. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 Ill. Adm. Code 1110 (Part 1110).
- B. State Board Staff finds the proposed project to **not** be in conformance with the provisions of 77 Ill. Adm. Code 1120 (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 Medical Group. *Advocate Aurora Health, Inc., a Delaware nonprofit corporation (the “Parent Corporation”), owns and operates primarily not-for-profit healthcare facilities in Illinois and Wisconsin. The Parent Corporation is the sole corporate member of Advocate Health Care Network, an Illinois not-for-profit corporation (“Advocate”) and Aurora Health Care, Inc., a Wisconsin nonstock not-for-profit corporation (“Aurora”). Effective December 2022, the System and Atrium Health, Inc., a North Carolina not-for-profit corporation, (“Atrium”)*

entered into a joint operating agreement pursuant to which they created Advocate Health, Inc. ("Advocate Health"), a Delaware nonprofit corporation, to manage and oversee an integrated health care delivery and academic system that will focus on meeting patients' needs by redefining how, when and where care is delivered. The System and Atrium are the two corporate members of Advocate Health. 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. The System received \$1,113 and \$34,354 for the years ended December 31, 2022, and 2021, respectively in grant payments from the U.S. Department of Health and Human Services from the Provider Relief Fund established under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which has been recognized as revenue and included in other operating revenue within the accompanying consolidated statement of operations and changes in net assets (Source 2022 Audited Financial Statements).

Table One shows the licensed healthcare facilities owned or operated by Advocate Aurora Health, Inc. in Illinois.

TABLE ONE	
Facilities owned or operated by Advocate Aurora Health, Inc.	
Facilities	Health Service Area
Advocate Christ Medical Center, Oak Lawn	HSA-07
Advocate Condell Medical Center, Libertyville	HSA-08
Advocate Good Samaritan Hospital, Downers Grove	HSA-07
Advocate Good Shepherd Hospital, Barrington	HSA-08
Advocate Illinois Masonic Medical Center, Chicago	HSA-06
Advocate Lutheran General Hospital, Park Ridge	HSA-07
Advocate Sherman Hospital, Elgin	HSA-08
Advocate South Suburban Hospital, Hazel Crest	HSA-07
Advocate Trinity Hospital, Chicago	HSA-06
Dreyer Ambulatory Surgery Center, Aurora	HSA-08

The MOB will be in Health Service Area VII and the A-05 Hospital Planning Area, which encompasses the entirety of DuPage County. No Public Hearing was requested, and no letters of support or opposition were received by the State Board.

IV. Project Costs and Sources of Funds

As shown in Table Two, the Applicants will fund this project with cash/securities (\$13,529,508) and bond issues (\$41,153,410) (application, p. 60).

TABLE TWO				
Project Costs and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Preplanning	\$336,609	\$132,930	\$469,539	.09%
Site Survey and Soil Investigation	\$26,813	\$10,589	\$37,402	.07%
Site Preparation	\$2,094,395	\$827,098	\$2,921,493	5.3%
Off-Site Work	\$9,033	\$3,567	\$12,600	.04%
New Construction Contracts	\$22,347,687	\$6,410,384	\$28,758,071	52.6%
Contingencies	\$927,986	\$366,471	\$1,294,457	2.4%
A&E Fees	\$1,711,492	\$675,885	\$2,387,377	4.4%
Consulting	\$704,648	\$278,273	\$982,920	1.8%
Movable Equipment	\$1,714,021	\$542,762	\$2,256,783	4.1%
Bond Issuance Expense	\$364,229	\$143,838	\$508,067	1%
Net Interest Expense During Construction	\$1,400,569	\$553,099	\$1,953,668	3.6%
Other Costs to Capitalized	\$8,706,580	\$4,393,962	\$13,100,542	24.6%
TOTALS	\$40,344,060	\$14,338,859	\$54,682,918	100.00%
Source of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Cash and Securities	\$9,981,824	\$3,547,684	\$13,529,508	24.7%
Bond Issues	\$30,362,235	\$10,791,175	\$41,153,410	75.3%
TOTALS	\$40,344,060	\$14,338,859	\$54,682,918	100.00%

V. Cost Space Requirements

The total gross square feet (“GSF”) of the MOB will be 40,635. Of this amount, 29,131 GSF is clinical space and 11,504 GSF is non-clinical space (see Table Three).

TABLE THREE				
Cost / Space Requirements for Construction				
Reviewable	Cost	Proposed	New Construction	State Standard / Met Size Standard?
General Radiology (1 Room)	\$1,731,586	1,020	1,020	1,300 DGSF /Yes
General Radiology-Ortho ICC (1 Room)	\$1,904,593	1,134	1,134	1,300 DGSF/Yes
Mammography (1 Unit)	\$1,193,205	411	411	900 DGSF/Yes
Ultrasound (1 Room)	\$677,441	319	319	900 DGSF/Yes
Subtotal Reviewable	\$5,506,825	2,884	2,884	
Reviewable - No State Board Standards				
Physician Exam Rooms (41 Rooms)	\$26,860,866	20,912	20,912	N/A
ICC Exam Procedure Room (5 Rooms)	\$5,857,858	3,762	3,762	N/A
Lab (1 Room 3 bays)	\$1,469,182	1,047	1,047	N/A
Physical Therapy (3 Rooms)	\$649,328	526	526	N/A
Subtotal Clinical	\$34,837,234	26,247	26,247	
Subtotal Clinical Reviewable/Non-Reviewable	\$40,344,059	29,131	29,131	
Non-Reviewable	Cost	Proposed	New Construction	State Standard / Met Size Standard?
Public Circulation, Staff Support, Building Support	\$14,338,859	11,504	11,504	N/A
Subtotal Non-Reviewable	\$14,338,859	11,504	11,504	
Total	\$54,682,918	40,635	40,635	
NA- Not Applicable				

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.

- A) Criterion 1110.110(a) - Background of the Applicants
- B) Criterion 1110.110(b) - Purpose of the Project
- C) Criterion 1110.110(c) - Safety Net Impact Statement

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

A) Background of the Applicants

The Applicants provided licensure and accreditation information for the hospitals and the ASTC (see Table One). 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.

B) Purpose of the Project

The Applicants state the purpose of this project is to improve access to Advocate physicians through the expansion of clinicians and services to the proposed location. The proposed project will serve patients by offering primary/specialty physicians and outpatient services in one building. This project will improve access and serve the residents that live in suburban Cook and DuPage County. The co-location of services will also provide the ability to expedite the time between evaluation, diagnosis, and therapeutics in one ambulatory setting. The facility will also offer urgent orthopedic care services with expanded hours, to increase access to immediate musculoskeletal services, without having to visit a hospital emergency department (ED).

C) Safety Net Impact Statement

This is a non-substantive project. A safety net impact statement is not required.

D) Alternatives to the Proposed Project

The Applicants considered four alternatives to the proposed project.

Alternative 1: Maintain Current Health and Fitness Center Location in Downers Grove (Cost: \$0)

Under this alternative, the Adult Primary Care Office in Downers Grove would continue providing physician offices and ancillary services. This alternative was rejected due to the need for additional physician office space, the need for Laboratory and Imaging services to support these physician offices, and an inability to expand the existing facility to accommodate the prescribed services.

Alternative 2: Lease Additional Space in the Advocate Good Samaritan Location (Cost: \$4,000,000)

This option would be to remain at the current clinic location in Downers Grove and lease additional space from the hospital for the needed clinicians and services. According to the Applicants, the location has limited capacity and is not conducive to any expansion projects at this time. This alternative was rejected because it does

not address the need to co-locate services in one setting, to improve patient experience, clinical collaboration, and positive clinical outcomes.

Alternative 3: Develop a Project of Lesser Scope/Cost (Cost: \$30,000,000)

This option would be to construct an MOB that would include only primary care physician offices without ancillary and specialty services. This would not provide patients complementary services, such as imaging, during their physician visits and increase time to diagnose and treat illnesses. This alternative was not chosen because it would not address the need for increased access for the identified services and better continuity of care for patients in the service area.

Alternative 4: Develop a Project of Greater Scope/Cost (Cost: \$65,000,000)

While this option would allow the Applicants to establish a building/facility with additional specialists and ancillary services for its patients (CT/MRI), the Applicants determined a project of this scope/cost would not meet the critical care needs of the community and would subjugate the applicants mission to be good financial stewards of Advocate Health. This option was rejected.

Alternative #5: Project as Proposed (Cost: \$54,682,918)

The Applicants selected this option based on its ability to provide the necessary primary/specialty care and ancillary services to the community and provide a continuum of needed services in a location that is more visible and accessible to the residents of the service area.

VII. Size of the Project, Projected Utilization, Assurance

- A) Criterion 1110.120(a) - Size of the Project
- B) Criterion 1110.120(b) - Projected Utilization
- C) Criterion 1110.120(c) - Assurances

A) Size of the Project

The Applicants propose to establish an MOB in 40,635 GSF of newly constructed space, located at 639 Blackhawk Avenue, Westmont. Table Four identifies all services with applicable State standards, both reviewable and non-reviewable services, the current size, and its applicability to the State standard. It appears the Applicants have met the requirements of this criterion.

TABLE FOUR Size of Project				
Department/Units	Proposed	State Standard	Difference	Met Standard?
General Radiology (1 Room)	1,020	1,300	(280)	Yes
General Radiology-Ortho ICC (1 Room)	1,134	1,300	(166)	Yes
Imaging/Mammography (1 Room)	411	900	(489)	Yes
Imaging/Ultrasound-General (1 Room)	319	900	(581)	Yes
Total Reviewable	2,884			
Physician Exam Rooms (41 Rooms)	20,912	N/A	N/A	N/A
ICC Procedure Exam Rooms (5 Rooms)	3,762	N/A	N/A	N/A
Lab (1 Room 3Bays)	1,047	N/A	N/A	N/A
Physical Therapy (3 Rooms)	526	N/A	N/A	N/A
Total Clinical Non-Reviewable	26,247			
Total Clinical Space	29,131			
Public Circulation	11,504			
TOTAL	40,635			

B) Projected Utilization

The services in the proposed project will be provided by Advocate Medical Group and will not be hospital-based services. The clinical services included in this project are provided in Table Five. It appears the Applicants have met the requirements of the criterion.

TABLE FIVE Project Utilization				
Service/# of Units	Procedures/Visits Year 1	Procedures/Visits Year 2	State Standard Per unit	Met Standard?
General Radiology (1 Unit)	3,519	5,569	8,000	Yes
General Radiology/Ortho ICC (1 Unit)	567	1,133	8,000	Yes
Ultrasound (1 Unit)	210	251	3,100	Yes
Mammography (1 Unit)	1,000	2,000	5,000/unit	Yes
Physician Office- PCP	4,108	7,557	N/A	N/A
Physician Office-Specialty	8,136	11,903	N/A	N/A
Ortho Immediate Care	567	1,133	N/A	N/A
Physical Therapy	649	1,184	N/A	N/A
Well-Patient Lab	10,252	15,059	N/A	N/A

VIII. Clinical Service Areas Other Than Categories of Service

These criteria are applicable only to those projects or components of projects (including major medical equipment), concerning Clinical Service Areas (CSAs) that are not Categories of Service, but for which utilization standards are listed in Appendix B.

- A) Service to Planning Area Residents**
- B) Service Demand**

C) Impact of the Proposed Project on Other Area Providers

The Applicants propose to establish an MOB in HSA-7 / HPA-05. The service area for the project contains 46 zip codes and a population of approximately 1,095,443 residents (see Table Six). While the overall population in this area is expected to decrease between the years 2022 and 2027 (see Table Seven), the population for the 65+ age cohort is expected to increase approximately 12%, which establishes the need/demand for the project. This and the trending reduction in primary care physicians in the service area lends to the necessity for this project. The proposed project will serve the residents of suburban Cook and DuPage Counties, and its presence is expected to positively impact the service area through enhanced access, consolidated services, and a coordinated level of patient care.

TABLE SIX		
Zip Codes in the Defined Service Area		
Zip Code	City	2022 Population
60101	Addison	37,047
60104	Bellwood	18,821
60126	Elmhurst	47,686
60130	Forest Park	14,607
60131	Franklin Park	17,899
60137	Glen Ellyn	38,593
60141	Hines	67
60148	Lombard	53,527
60153	Maywood	23,131
60154	Westchester	15,878
60155	Broadview	8,417
60160	Melrose Park	24,289
60162	Hillside	8,774
60163	Berkeley	4,871
60164	Melrose Park	22,230
60165	Stone Park	4,288
60181	Villa Park	29,668
60187	Wheaton	30,084
60189	Wheaton	29,854
60402	Berwyn	64,309
60439	Lemont	24,225
60440	Bolingbrook	51,291
60455	Bridgeview	16,531
60457	Hickory Hills	14,348
60458	Justice	14,265
60480	Willow Springs	5,420
60501	Summit Argo	11,518
60513	Brookfield	19,414
60514	Clarendon Hills	10,565
60515	Downers Grove	29,719
60516	Downers Grove	29,092
60517	Woodridge	32,606
60521	Hinsdale	18,178
60523	Oak Brook	10,040
60525	LaGrange	32,490

60526	LaGrange Park	13,363
60527	Willowbrook	29,539
60532	Lisle	28,529
60534	Lyons	10,699
60540	Naperville	44,128
60546	Riverside	16,707
60558	Western Springs	13,718
60559	Westmont	24,048
60561	Darien	22,615
60563	Naperville	38,498
60565	Naperville	39,857
TOTAL		1,095,443

TABLE SEVEN		
Population Projections in the Service Area		
Age Group	2022 Population	2027 Population
0-19	271,046	256,916
20-44	342,477	339,251
45-64	286,754	265,023
65+	195,169	218,512
Total	1,095,443	1,079,683

IX. Financial Viability

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

The Applicants will fund this project with cash (\$13,529,508) and bond issues (\$41,153,410). The Applicants provided audited financial statements and the results shown in Table Eight 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). It appears the Applicants have sufficient resources available to fund this proposed project.

TABLE EIGHT		
Audited Financial Statements		
Advocate Aurora Health, Inc.		
Years ended December 2022, 2021		
	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		

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

The Applicants are proposing to establish a medical office building in 40,635 GSF of space (2,884 GSF clinical/reviewable, 26 247 GSF non-clinical/non-reviewable).

Preplanning costs are \$336,609, which is 1.3% of new construction, contingencies, and moveable equipment (\$24,989,694). This appears reasonable compared to the State Board Standard of 1.8%.

Site Survey Soil Investigation and Site Preparation costs are \$2,121,208, which is 9.1% of new construction and contingency costs of \$23,275,673. This appears HIGH compared to the State Board Standard of 5%.

New Construction costs total \$22,347,687, or \$767.15 per GSF (\$22,347,687/29,131= \$767.15). This appears HIGH when compared to the State Board Standard of \$305.24 per GSF.

Contingency Costs total \$927,986, or 4.1% of new construction costs. This appears reasonable compared to the State Board Standard of 10%.

Architectural and Engineering Fees total \$1,711,492, or 7.3% of new construction and contingencies costs. This appears reasonable compared to the State Board Standard of 5.52% - 8.28%.

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

Off-Site Work	\$9,033
Consulting	\$704,648
Movable Equipment	\$1,714,021
Bond Issuance Expense	\$364,229
Net Interest Expense During Construction	\$1,400,569
Other Costs to Capitalized	\$8,706,580

The Applicants stated Advocate Outpatient Center-Westmont Blackhawk construction costs include premiums that are above typical New Construction Business Occupancy Classification¹. According to the Applicants a higher cost per Square Foot (SF) is attributed to the following factors:

Building Construction Premiums

1. Clinical Reviewable costs consist of only two General Radiology Rooms, one Ultrasound Room, and one Mammography Room (net 2,884 GSF) compared to the overall 40,635 GSF of the facility (See Table Four). These clinical services are well below State Board Standard square footages making these spaces as efficient as possible. This results in a higher cost per square footage as it compares to the overall facility cost per square foot.
2. Imaging Rooms have special construction required to make the surrounding rooms safe from radiation. Higher \$/SF is attributed to lead shielding infrastructure requirements (i.e., Humidifiers), and other imaging-specific equipment requirements.
3. Structured Rooftop Unit Screening required by Village of Westmont. Estimated Premium: \$136,000.
4. On-stage/Off-stage circulation, doors, and portal entries for elevated level of services. Estimated Premium: \$849,546.
5. Stair tower expansion to roof, as required by the Village of Westmont Fire Department. Estimated Premium: \$134,579.
6. Generator infrastructure to support emergency power to the facility. Estimated Premium: \$208,043.
7. Energy enhancements to the facility (photovoltaic solar and EV charging stations. Estimated Premium: \$821,478.
8. Real-Time location systems for elevated level of services. Estimated Premium: \$175,944

Total: \$2,325,590

Site Construction Premiums

9. Concrete Emergency vehicle lane required by Village of Westmont Fire Department. Estimated Premium: \$51,799.
10. Underground storm detention system due to site constraints of providing a surface grade system. Estimated Premium: \$987,509.

Total: \$1,039,308

11. Construction escalation is at an all-time high. Current contractor pricing indicates that bid price escalation is approximately 34.9% averaged across the various trades since January 2021, well above the 19.34% RS Means escalation adjustments in recent years (13.23% 2022 + 6.11% 2023). Current pricing reflects and outpatient-based /bid price indices whereas, it is our understanding that RS Means indexing accounts for Cost Inputs of labor and material. As identified, there is a gap between output-based and cost input-based costs. National new healthcare construction costs are documented at 32.4% escalation since January 2021.

Criterion 1120.140(d) - Direct Operating Costs

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

Project direct operating expenses for year 2027, the second year after opening, are calculated as \$425.70 per visit. The total effect of the project on capital costs is estimated at \$1,726.70 per visit. The State Board does not have standards for these costs.

24-001 Advocate Outpatient Center - Westmont

