



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-01	BOARD MEETING: October 29, 2024	PROJECT NO: 24-018	PROJECT COST:
FACILITY NAME: NorthPointe Neighborhood Hospital		CITY: Roscoe	Original: \$20,760,312
TYPE OF PROJECT: Substantive			HSA: I

PROJECT DESCRIPTION: The Applicant, Beloit Memorial Health System, proposes establishing a 10-bed Hospital at 5605 East Rockton Road, Roscoe, Illinois. The estimated project costs is \$20,760,312, and the expected completion date is October 1, 2027.

Interested Parties can find information regarding this Application for a Permit at this link: <https://hfsrb.illinois.gov/projects/project.24-018-northpointe-neighborhood-hospital.html>.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicant (Beloit Memorial Health System) proposes establishing a 10-bed acute care Hospital at 5605 East Rockton Road, Roscoe, Illinois. The estimated project costs are \$20,760,312, and the expected completion date is October 1, 2027.
- The proposed Hospital will be approximately 52,632 square feet and adjacent to NorthPointe Surgery Center, an Illinois-licensed ASTC. If approved, the Hospital and the ASTC will be separated by a two-hour firewall, each with a separate entrance.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because it proposes establishing a healthcare facility.

PURPOSE OF THE PROJECT:

- The Applicant states that the project aims to improve access to inpatient and emergency services in the 17-mile geographic service area (GSA).

PUBLIC HEARING/COMMENT:

- The Staff of the Illinois Health Facilities and Services Review Board (State Board) conducted a public hearing on August 13, 2024. A total of two hundred twenty-one individuals registered their attendance at the hearing. Thirty-five individuals supported the project, and twenty-one spoke in opposition. The State Board has received 220 support letters and 138 opposition letters at the time of this report.

SUMMARY:

- The Applicant estimates a payor mix of 66% Medicare, 10% Medicaid, 21% Commercial Insurance, and 3% Charity Care at the proposed Hospital.
- The proposed project will be in the B-01 Hospital Planning Area (HPA), which, as of this report, has 507 medical-surgical beds and an excess of 94 medical-surgical beds (M/S).
- The State Board has estimated that the B-01 Hospital Planning Area population will decrease by 1.13% by 2026. Medical-surgical patient days in this planning area have declined 6.38% over the past five years (2019-2023).
- The Applicant has addressed a total of 23 criteria and has not met the following:

Criterion	Non-Compliant
77 Ill. Adm. Code 1110.200 (b) (1) – Planning Area	As of the date of this report the B-01 Hospital Planning Area has a calculated excess of 94 Medical-Surgical beds. Should the State Board approve this project, the excess will be 104 medical-surgical beds.
77 Ill. Adm. Code 1110.200 (c) Unnecessary Duplication of Service	There are three hospitals in the 17-mile GSA with 473 M/S beds. In 2023, utilization of these 473 beds was 79%, with an ADC of 374 patients and an ALOS of 6.66 days. This 2023 utilization justifies 416 medical-surgical beds at the State Board’s target occupancy of 90%. Based on the 2023 utilization, there is an excess of 57 medical-surgical beds in this 17-mile geographical service area.
77 Ill. Adm. Code 1110.200 (f) – Performance Requirements	The Applicant is proposing a 10-bed medical-surgical category of service. However, because the Hospital is in a metropolitan statistical area, a 100-bed medical-surgical category of service is required.



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Project #24-018
 NorthPointe Neighborhood Hospital
 State Board Staff Report

APPLICATION/CHRONOLOGY/SUMMARY	
Applicant	Beloit Memorial Health System
Facility Name	NorthPointe Neighborhood Hospital
Location	5605 East Rockton Road, Roscoe, Illinois
Permit Holder	Beloit Memorial Health System
Licensee/Operating Entity	Beloit Memorial Health System d/b/a NorthPointe Neighborhood Hospital
Owner of Site	Beloit Memorial Health System
Application Received	June 6, 2024
Application Deemed Complete	June 11, 2024
Review Period Ends	October 9, 2024
Project Completion Date	October 1, 2027
Did the State Board staff extend the review period?	No
Can the Applicant request a deferral?	Yes

I. The Proposed Project

The Applicant (Beloit Memorial Health System) proposes establishing a 10-bed Hospital at 5605 East Rockton Road, Roscoe, Illinois. The total estimated project cost is \$20,760,312, and the expected completion date is October 1, 2027.

II. Summary of Findings

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

III. General Information

The Applicant is Beloit Memorial Health System. The System is a not-for-profit corporation. The System operates an acute care hospital (Beloit Memorial Hospital, Beloit, Wis.) and a multi-specialty physician practice. It provides inpatient, outpatient, emergency, home healthcare, and hospice services in Beloit, Wisconsin, and the surrounding communities, including north central Illinois. The System also owns and operates a 45-unit independent living senior residence located in Beloit, Wisconsin, and operates a health and wellness center in northern Illinois d/b/a NorthPointe consisting of a physician clinic space, an urgent care facility, related ancillary services, a fitness center, an ambulatory surgery center, a birthing center, and a 24 unit assisted living facility. (Source: Beloit Health System, Inc., and Affiliate 2023 Audited Financial Statements) Table One below documents Beloit Memorial Hospital 2023 utilization.

TABLE ONE
Beloit Memorial Hospital
2023 Utilization

<u>Service</u>	<u>Beds</u>	<u>Adm</u>	<u>Days</u>	<u>ALOS</u>	<u>ADC</u>	<u>Occ</u>
M/S	69	5,817	17,619	3.03	48.27	69.96%
Ped	3	69	56	0.81	0.15	5.11%
ICU	20	561	1,998	3.56	5.47	27.37%
OB	10	930	1,708	1.84	4.68	46.79%
Total	102	7,377	21,381	2.90	58.58	57.43%

The proposed project is a substantive project subject to a Part 1110 and 1120 review. The financial commitment will occur after permit issuance. The State Board's occupancy target for adding medical surgical beds is 80% for a bed complement of 1-99 beds, 85% for 100-199 beds, and 90% for 200+ beds.

IV. Health Planning Area

The proposed ten-bed Hospital will be in Health Service Area I and the Hospital Planning Area B-01. **Health Service Area I** includes the Illinois Counties of Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago. **Hospital Planning Area B-01** includes Boone and Winnebago Counties; DeKalb County Townships of Franklin, Kingston, and Genoa; and Ogle County Townships of Monroe, White Rock, Lynnville, Scott, Marion, Byron, Rockvale, Leaf River, and Mount Morris. There are five acute care hospitals located in the B-01 Hospital Planning Area (see Table Two).

TABLE TWO
Acute Care Hospitals in the B-01 Hospital Planning Area

<u>Hospital</u>	<u>City</u>	<u>Miles</u>	<u>M/S Beds</u>	<u>2023 Utilization</u>
Mercyhealth Hospital-Rockton ⁽¹⁾	Rockford	12.6	0	0
Mercyhealth Hospital-Riverside	Rockford	9.9	84	87.25%
SwedishAmerican Hospital	Rockford	11.6	199	77.50%
Saint Anthony Medical Center	Rockford	11.3	190	76.99%
SwedishAmerican Medical Center ⁽²⁾	Belvidere	21.3	34	0.00%
Total			507	

1. Javon Bea Mercyhealth Hospital discontinued the 70-bed medical-surgical category of service in March 2022 (Exemption #E-56-21).

2. SwedishAmerican Medical Center Belvidere did not provide medical-surgical service in 2023.

The State Board projects a 1.13% decrease in the population in the B-01 Hospital Planning Area by 2026 (See Table Three).

TABLE THREE
Estimated Population Growth in B-01 Hospital
Planning Area 2021-2026

Age Cohort	2021	2026	% Difference
0-14	71,150	65,180	-8.39%
15-44	135,730	133,080	-1.95%
45-64	97,840	93,480	-4.46%
65-74	38,930	42,790	9.92%
75up	27,710	32,630	17.76%
Total	371,360	367,160	-1.13%

The number of medical-surgical patient days in the B-01 Hospital Planning Area has not grown but has decreased by 6.38% over the past five years. There are 507 authorized medical-surgical beds in the B-01 Hospital Planning Area. Five-year average medical-surgical patient days will justify 420 beds at the target occupancy of 90% (see Table Four).

TABLE FOUR
Five-year medical surgical patient day in B-01 Hospital Planning Area

Year	2019	2020	2021	2022	2023	Ave
Days	145,774	129,793	140,120	137,465	136,477	137,926
ADC	399.38	355.60	383.89	376.62	373.91	377.88
ALOS	5.7	5.9	6.15	6.3	6.66	6.10
Occ	78.77%	70.14%	75.72%	74.28%	73.75%	74.53%
Beds Justified at 90%	444	395	427	418	415	420

V. Project Uses and Sources of Funds

The Applicant is funding this project from bond proceeds of \$20,760,312. The estimated start-up and operating costs are approximately \$1.061 million (see Table Five).

TABLE FIVE
Project Uses and Sources of Funds

Use of Funds	Clinical	Non-Clinical	Total	% of Total
Preplanning Costs	\$79,236	\$60,264	\$139,500	0.67%
Site Survey and Soil Investigation	\$9,650	\$9,650	\$19,300	0.09%
Site Preparation	\$360,517	\$360,517	\$721,034	3.47%
Modernization Contracts	\$6,823,101	\$4,332,388	\$11,155,489	53.73%
Contingencies	\$896,596	\$683,635	\$1,580,231	7.61%
Architectural/Engineering Fees	\$683,760	\$744,650	\$1,428,410	6.88%
Consulting and Other Fees	\$297,214	\$118,795	\$416,009	2.00%
Movable and Other Equipment (not in construction contracts)	\$3,151,697	\$255,642	\$3,407,339	16.41%

TABLE FIVE
Project Uses and Sources of Funds

Use of Funds	Clinical	Non-Clinical	Total	% of Total
Bond Issuance Expense	\$284,000	\$216,000	\$500,000	2.41%
Net Interest Expense During Construction	\$791,224	\$601,776	\$1,393,000	6.71%
Total Uses of Funds	\$13,376,995	\$7,383,317	\$20,760,312	100.00%
Source of Funds			Total	
Bond Proceeds			\$20,760,312	100.00%
Total Sources of Funds			\$20,760,312	100.00%

VI. Project Details

The proposed 10-bed acute care hospital will be enrolled with the Centers for Medicare and Medicaid Services as a remote location of the Applicant’s Beloit Memorial Hospital. It will operate under the same Medicare CMS Certification Number.¹

The proposed project will consist of approximately 52,632 square feet and have ten medical surgical beds in private rooms, a 24-hour emergency department with 13 stations, one operating room for surgery, two PACU rooms, a laboratory, pharmacy, and imaging department, which will include an MRI, CT scan, ultrasound, and x-ray. The existing NorthPointe Immediate Care will become part of the emergency department for the planned hospital. The emergency department will have eight emergency bays, five immediate care bays, and a triage area. Patients presenting at the NorthPointe emergency department will be triaged according to medical condition, with patients presenting with emergent conditions, e.g., stroke, heart attack, seizures, and ruptured appendix, going to the emergency bays and patients with less urgent situations, e.g., respiratory infections, strep, dehydration, sprains, lacerations, ear infections, and urinary tract infections sent to the immediate care area. According to the Applicant, the NorthPointe Neighborhood Hospital emergency department will decrease high utilization at the Beloit Memorial Hospital emergency department while treating patients who historically have used the immediate care center (see Table Six).

¹ If the State Board approves the Hospital the approval as a remote location of Beloit Memorial Hospital will have to be determined.

TABLE SIX
Cost Space Requirements

Dept. Area	Cost	Existing	Proposed	Modernized	As Is	Vacated Space
REVIEWABLE						
Medical-Surgical Unit	\$3,100,262	6,546	6,546	6,546	0	0
Radiology	\$191,330	7,744	7,744	404	7,340	0
Emergency Department	\$3,156,622	6,665	6,665	6,665	0	0
Emergency Department Ambulance Bay/Garage	\$1,230,917	0	2,143	2,143	0	0
Operating Room	\$916,438	1,935	1,935	1,935	0	0
Recovery Rooms	\$282,746	597	597	597	0	0
Laboratory	\$358,524	757	757	186	571	0
Pharmacy	\$0	456	456	0	456	0
Other Clinical	\$4,179,623	1,485	1,485	1,485	0	0
Total Reviewable	\$13,416,462	26,185	28,328	19,961	8,367	0
NON-REVIEWABLE						
Mechanical and Other Building Systems, Administrative, Other Non-Clinical	\$7,383,317	22,733	22303	19,839	3,690	0
Total	\$20,760,312	48,488	50,631	39,800	10,831	0

VII. Background of the Applicant, Purpose of Project, Safety Net Impact Statement, Alternatives to the Project

- A)** 77 Ill. Adm. Code 1110.110 (a) – Background of the Applicant
- B)** 77 Ill. Adm. Code 1110.110 (b) – Purpose of the Project
- C)** 77 Ill. Adm. Code 1110.110 (c) – Safety Net Impact Statement
- D)** 77 Ill. Adm. Code 1110.110 (d) – Alternatives to the Project

A) Background of the Applicant ²

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]

The Applicant has attested that no adverse action has been taken against any facility owned and operated by the Applicant during the three years before filing this Application for Permit. The Applicant has also authorized the State Board and the Illinois Department of Public Health access to any documents necessary to verify information in the Application for Permit. The Applicant has demonstrated that it is fit, willing, and able and has the proper qualifications, background, and character to adequately provide an appropriate standard of health care services to the community. (see pages 47-52 of the Application for Permit)

² The Applicants’ ASTC in Roscoe and adjacent to the proposed Hospital, while licensed in Illinois, is under the parent’s (Beloit Memorial Hospital) Medicare/Medicaid certification as an outpatient provider of their WI hospital.

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, per the applicant's definition. The applicant shall address the project's purpose, i.e., identify the issues or problems the project proposes to address or solve. Information to be provided shall include but is not limited to identifying existing problems or issues that must be addressed, as applicable and appropriate for the project.

The Applicant states this project aims to improve access to inpatient and emergency services in the 17-mile GSA. The Applicant has defined their market area as a 17-mile radius of the proposed Hospital. The boundaries of the market area as defined by the Applicant are as follows:

- North approximately 17 miles to Janesville, WI
- Northeast, approximately 17 miles to Darien, WI
- East, approximately 17 miles to Leroy, IL
- Southeast approximately 17 miles to Bonus, IL
- South approximately 17 miles to Cherry Valley, IL
- Southwest approximately 17 miles to Pecatonica, IL
- West approximately 17 miles to Durand, IL
- Northwest approximately 17 miles to Orford, WI

The problems identified by the Applicant that will be corrected with the approval of this project are:

1. The out-migration of Illinois residents to Wisconsin health care providers.
2. High inpatient medical surgical utilization at Beloit Memorial Hospital in Wisconsin
3. Address the projected increase in medical surgical utilization in the B-01 Hospital Planning Area.
4. Improve access to emergency services and reduce emergency transport times.
5. Reduce the high utilization at the Beloit Memorial Hospital Emergency Department

C) Safety Net Impact Statement

All healthcare facilities, except skilled and intermediate long-term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement filed with an application for a substantive project (see Section 1110.40). Safety net services are those offered 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]

The Applicant stated the following:

Beloit Health System is a non-profit, tax-exempt hospital; it has a financial assistance policy and associated procedures that make care available to patients regardless of their payment source or ability to pay and complies with Section 501(r) of the Internal Revenue Code. The planned remote location hospital will not negatively impact essential safety net services in the community. The expected admissions to this location are generally patients

*admitted to the Applicant's hospital in Beloit. The planned project will not impact the ability of other providers or other healthcare facilities to cross-subsidize safety net services. As noted above, no patients are expected to be redirected from any other hospital but the Applicant's hospital. The planned NorthPointe Neighborhood Hospital will be a new healthcare facility with no historical Medicaid or charity care to report. **The projected payor mix of the planned hospital is as follows:***

Medicare	66%
Medicaid	10%
Commercial	21%
Self-Pay	0%
Charity Care	3%

State Board Staff Notes:

The Applicant owns the NorthPointe ASTC adjacent to the proposed Hospital. Over six years, 2.3% of the patients provided care at the ASTC were Medicaid patients, and no Charity Care patients were provided care (see Table Seven).

TABLE SEVEN
Number of Patients by Payor Source
ASTC

	2023	2022	2021	2020	2019	2018	% of Total
Medicaid	68	45	33	57	40	18	2.32%
Medicare	1,066	972	848	1,014	1,551	1,218	59.17%
Other Public	0	36	66	48	0	0	1.33%
Insurance	719	468	492	687	877	912	36.87%
Private Pay	2	0	0	13	6	14	0.31%
Charity Care	0	0	0	0	0	0	0.00%
TOTAL	1,855	1,521	1,439	1,819	2,474	2,162	100.00%

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 Applicant considered three alternatives to the proposed project.

1. Doing Nothing
2. Utilize Other Providers
3. Expand Beloit Memorial Hospital

1. Do Nothing

The Applicant rejected this alternative because, according to the Applicant, this alternative would not stem the outmigration to Wisconsin health care providers. Additionally, the Applicant believes that due to the aging population, utilization of the medical-surgical beds in the NorthPointe geographic service area will increase for the foreseeable future, with

average utilization of existing hospitals in the geographic service area projected to reach 92% by 2027, which would justify 509 beds, or according to the Applicant a need for 36 medical-surgical beds. There was no cost provided with this alternative.

2. Utilize Other Providers

The Applicant rejected this alternative because, according to the Applicant, utilizing other providers in Illinois would not stem the outmigration to Wisconsin hospitals because the Illinois providers are further away from “stateline community” residents than the Wisconsin hospitals. The Applicant states that Beloit Memorial Hospital is only 6 miles from the Stateline Community. There was no cost provided with this alternative.

3. Expand Beloit Memorial Hospital

The Applicant considered adding beds at Beloit Memorial Hospital but rejected this option as it would not stem the outmigration to Wisconsin due to the extensive cost and disruption to hospital operations. According to the Applicant, establishing a small acute care hospital in the area where patients live is the most prudent course of action to address the healthcare needs of the Stateline community. Further, according to the Applicant, Beloit Memorial Hospital is improving patient care units in the 55-year-old facility by converting the remainder of the semi-private rooms to private rooms. Due to physical plant constraints at Beloit Memorial Hospital, the additional ten beds cannot be added to the main hospital without adding a fifth floor. There was no cost provided with this alternative.

VII. Project Scope and Size, Utilization

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

A) Size of Project

1. 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).
2. If the project square footage is outside the standards in Appendix B, the applicant shall submit architectural floor plans (see HFSRB NOTE) of the project identifying all clinical service areas and those clinical service areas or components of those areas that do not conform to the standards. The applicant shall submit documentation of one or more of the following:
 - A) The proposed space is appropriate and neither excessive nor deficient about the scope of services provided, as justified by clinical or operational needs; supported by published data or studies, as available; and certified by the facility's Medical Director; or
 - B) The existing facility's physical configuration has constraints that require an architectural design that exceeds the standards of Appendix B, as documented by architectural drawings delineating the constraints or impediments, by this subsection (a) or
 - C) Additional space is mandated by governmental or certification agency requirements that were not in existence when the Appendix B standards were adopted or
 - D) The project involves the conversion of existing space that results in excess square footage.

HFSRB NOTE: Architectural floor plans submitted shall identify clinical service areas or components and designate the areas in square footage. They must be of sufficient accuracy and format to allow measurement. The format may be either a digital drawing format (.dwg file or equivalent) or a measurable paper copy 1/16 scale or more significant.

As shown in Table Eight below, the Applicant has met the size requirements of the State Board.

TABLE EIGHT ⁽¹⁾
Size of the Project

Services	Beds/Units/Rooms	State Standard	Propose DGSF	Met Standard?
Medical-Surgical Unit	10-beds	500-600 DGSF per bed	6,546	Yes
Radiology				
CT Scanner	1	1,800 DGSF per unit	569	Yes
Mammography	1	900 DGSF per unit	461	Yes
Bone Densitometry	1	NA	230	Yes
MRI	1	1,800 DGSF per unit	1,063	Yes
Ultrasound	2	900 DGSF per unit	332	Yes
X-Ray	3	1,300 DGSF per unit	804	Yes
Emergency Department	13	900 DGSF per station	6,665	Yes
Operating Room	1	2,750 DGSF per Room	2,143	Yes
Recovery Rooms			1,935	Yes
Phase I	1	180 DGSF per Room		Yes
Phase II	1	400 DGSF per Room		Yes
Emergency Department Ambulance Bay/Garage	NA		597	NA
Laboratory	NA		757	NA
Pharmacy	NA		456	NA

1. NA – No State Board Standard

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 number of years projected shall not exceed the number of historical years documented. If the applicant does not meet the utilization standards in Appendix B, or if service areas do not have utilization standards in 77 Ill. Adm. Code 1100 the applicant shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source, that minimally include the following:

- 1) Clinical encounter times for anticipated procedures in key rooms (for example, procedure room, examination room, imaging room).
- 2) Preparation and clean-up times, as appropriate
- 3) Operational availability (days/year and hours/day, for example 250 days/year and 8 hours/day); and
- 4) Other operational factors.

1. Medical Surgical Beds

The Applicant is proposing ten medical-surgical beds at the proposed Hospital. The Applicant estimates that 740 patients would utilize the proposed 10-bed medical-surgical beds two years after project completion. The Applicant is estimating an average length of stay of 4 days, which, if the patients materialize, would total 2,960 days or an average daily census of 8.1 patients per day. This would equate to 81% utilization, which complies with the State Board's target occupancy of 80%.

Additionally, the Applicant believes that due to the aging population, the utilization of medical-surgical beds in the NorthPointe geographic service area will increase for the foreseeable future. The average utilization of existing hospitals in the geographic service area is projected to reach 92% by 2027, which would justify 509 beds or, according to the Applicant, a need for 36 medical-surgical beds (509 beds – 473 beds = 36 beds).

2. Emergency Department

According to the Applicant, Beloit Memorial Hospital is one of the busiest emergency departments in Wisconsin, averaging 34,000 visits annually from 2019 – 2023. According to the Applicant, most “stateline community” patients requiring EMS transport are. The Applicant proposes to convert the existing NorthPointe Immediate Care space into a comprehensive emergency department for the planned hospital. The emergency department will have eight emergency bays, five immediate care bays, and a triage area. The Applicant is projecting 15,000 visits to the eight emergency bays by the second year after project completion and 10,000 visits to the five immediate care bays by the second year. The Applicant based these emergency department visits on the number of Illinois residents seen at Beloit Memorial Hospital emergency department. The State Board Standard is 2,000 visits per station. Should the visits materialize, the Applicant will meet this requirement of the State Board.

3. Radiology Department³

Table Nine (below) outlines the number of units and the historical and projected volume for the imaging department. The historical volume is from the existing NorthPointe Clinic. Should these visits/procedures materialize, the Applicant will meet this State Board requirement.

³ All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except those noted in 77 Ill. Adm. Code 1100. HFSRB shall periodically evaluate the guidelines to determine if revisions should be made. The provisions of the Illinois Administrative Procedure Act will promulgate any revisions.

TABLE NINE
Radiology Department

Service	Units	Historical	Projected	State Standard	Met Standard
CT scanner	1	1,793	1,793	>7,000 Visits	Yes
3D Mammography	1	2,275	2,275	> 5,000 Visits	Yes
Bone Densitometry	1	467	467	No Standard	NA
MRI	1	1,049	1,049	>2,500 Procedures	Yes
Ultrasound	2	3,433	3,433	>3,100 Visits	Yes
Digital X-Ray	1	3,970	3,970	>8,000 procedures	Yes
Digital X-Ray & Fluoroscopy	1	226	226	>8,000 procedures	Yes
X-Ray Portable	1	94	94	>8,000 procedures	Yes

VIII. Medical Surgical Beds

PROJECT TYPE	REQUIRED REVIEW CRITERIA
Establishment of Services or Facility (77 Ill. Adm. Code 1110.200)	(b)(1) – Planning Area Need – 77 Ill. Adm. Code 1100 (formula calculation)
	(b)(2) – Planning Area Need – Service to Planning Area Residents
	(b)(3) – Planning Area Need – Service Demand – Establishment of Category of Service
	(b)(5) – Planning Area Need – Service Accessibility
	(c)(1) – Unnecessary Duplication of Services
	(c)(2) – Maldistribution
	(c)(3) – Impact of Project on Other Area Providers
	(e) – Staffing Availability
	(f) – Performance Requirements
(g) – Assurances	

1) 77 Ill. Adm. Code 1100 (formula calculation)

- A) The number of beds to be established for each category of service is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.
- B) The number of beds proposed shall not exceed the projected deficit to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.

The Applicant proposes establishing a 10-bed medical-surgical service at the proposed Hospital. As of the date of this report there are 529 medical-surgical/pediatric beds in the B-01 Hospital Planning Area with a calculated need for 435 medical-surgical/pediatric beds result in a computed excess of 94 medical-surgical/pediatric beds in the B-01 Hospital Planning Area. Should the State Board approve this project, there will be a calculated excess of 104 medical-surgical pediatric beds.

TABLE TEN
Hospitals in B-01 Hospital Planning Area

		M/S Beds	Ped Beds	Total
Mercyhealth Hospital-Riverside	Rockford	84	12	96
SwedishAmerican Hospital	Rockford	199	10	209
Saint Anthony Medical Center	Rockford	190	0	190
SwedishAmerican Medical Center	Belvidere	34	0	34
Total		507	22	529

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

The Applicant is proposing to establish a 10-bed medical-surgical category of service at the proposed Hospital. The Applicant provided a table documenting the number of Illinois patients by zip code who utilized Beloit Memorial Hospital for 2021 – 2023 and resided in the NorthPointe geographical service area (see Table Eleven Below). Over these three years, 55% of the patients lived in South Beloit, Illinois.

Based on the information provided and reviewed, the project's primary purpose appears to be providing health care to residents of the geographical service area who will utilize the proposed 10-bed medical-surgical unit.

TABLE ELEVEN
Residents of Geographical Service Utilizing
Beloit Memorial Hospital

Zip Code	City	2021	2022	2023
61072	Rockton	132	167	158
61073	Roscoe	133	128	144
61080	South Beloit	389	433	401
61011	Machesney Park	7	5	5
61103	Machesney Park	9	7	15
61111	Machesney Park	17	8	8
61115	Machesney Park	22	25	16
Total		709	773	747

3) Service Demand – Establishment of Bed Category of Service

The number of beds proposed to establish a new category of service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest 2-year period, as evidenced by

historical and projected referrals, or, if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and either subsection (b)(3)(B) or (C):

A) Historical Referrals

If the applicant is an existing facility, the applicant shall document the number of referrals to other facilities for each proposed category of service for each of the last two years. Documentation of the referrals shall include patient origin by zip code, name and specialty of referring physician, and name and location of the recipient hospital.

B) Projected Referrals

An applicant proposing to establish a category of service or establish a new hospital shall submit 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 referrals cannot exceed the physician's documented historical caseload.
- iii) 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.

A patient referral attestation letter has been provided on pages 117-121 of the Application for Permit, signed by Roger Kapoor, M.D., Senior Vice President, Beloit Health System, and notarized. The letter states, in part, that over the past two years (2022-2023) for the zip codes listed on pages 119, 120, and 121 of the Application for Permit, Beloit Health System has admitted approximately 4,400 patients annually to Beloit Memorial Hospital with 15% of those patients residing in Illinois and within the 17-mile geographic service area of the NorthPointe campus. According to the Applicant, with the addition of inpatient services on the NorthPointe campus, the Applicant anticipates that 740 Illinois patients will be admitted to the planned hospital annually. Should the 740 patients materialize, there is and will be sufficient demand for the 10-bed medical-surgical beds.

5) Service Accessibility

The number of beds being established or added for each category of service is necessary to improve access for planning area residents. The applicant shall document the following:

A) Service Restrictions

The applicant shall document **that at least one of the following factors** exists in **the planning area**:

- i) The absence of the proposed service within the planning area.
- ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care, or charity care.
- iii) Restrictive admission policies of existing providers.
- iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population.
- v) For purposes of this subsection (b)(5) only, all services within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

B) Supporting Documentation

The applicant shall provide the following documentation, as applicable, concerning existing restrictions to service access:

- i) The location and utilization of other planning area service providers.
- ii) Patient location information by zip code.
- iii) Independent time-travel studies.

- iv) A certification of waiting times.
- v) Scheduling or admission restrictions exist for area providers.
- vi) An assessment of area population characteristics documenting access problems.
- vii) Most recently published IDPH Hospital Questionnaire.

The medical-surgical category of service exists within the B-01 Hospital Planning Area. As noted in this report, four acute care hospitals in the B-01 Hospital Planning Area have 507 medical-surgical beds. Table Twelve below documents the four Hospitals, the number of authorized medical-surgical beds, admissions, patient days, and utilization percentage for 2023. No documentation has been provided of access limitations due to the payor status of patients or restrictive admission policies of existing providers in the B-01 Hospital Planning Area. The Applicant provided documentation from the Health Resources and Services Administration that the proposed hospital will be in the health professional shortage area. The Applicant has met one of the four requirements of this criterion as required.

TABLE TWELVE
Hospitals in the B-01 Hospital Planning Area
2023 Utilization

	Authorized						Authorized
	Miles	Beds	Adm	Days	ALOS	ADC	Occ
SwedishAmerican Hospital	11.6	199	9,041	56,330	6.23	154.33	77.55%
Saint Anthony Medical Center	11.3	190	7,600	53,395	7.03	146.29	76.99%
Mercyhealth Hospital-Riverside Campus	9.9	84	3,847	26,752	6.95	73.29	87.25%
SwedishAmerican Medical Center	21.3	34	0	0	0	0	0.00%
Total		507	20,488	136,477	6.66	373.91	73.75%

C) Unnecessary Duplication/Maldistribution – Review Criterion

1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:

A) A list of all zip code areas that are located, in total or in part, within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site.

B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois); and

C) The names and locations of all existing or approved healthcare facilities within the **established radii** outlined in 77 Ill. Adm. Code 1100.510(d) of the project site provides the categories of bed service that are proposed by the project.

2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services characterized by such factors as, but not limited to:

A) A ratio of beds to population exceeds one-half times the State average.

B) Historical utilization (for the latest 12-month period before submission of the application) for existing facilities and services that is below the occupancy standard established pursuant to 77 Ill. Adm. Code 1100; or

C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above occupancy standards.

3) The applicant shall document that, within 24 months after project completion, the proposed project:

A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

A) The Applicant provided a list of zip codes and the population by zip code for the 17-mile GSA on page 81 of the permit application. There are 20 zip codes and an approximate population of 332,737 residents within the 17-mile GSA. There are three hospitals within the 17-mile GSA with 473 medical-surgical beds. The estimated population of Illinois is 12,852,032⁴, with 20,204 medical-surgical beds. The ratio of medical surgical beds to population in the 17-mile GSA is not 1.5 times the ratio of beds to population in Illinois. As a result, there is no maldistribution of service in this 17-mile GSA (see Table Thirteen).

TABLE THIRTEEN
Ratio of Beds to Population

	Population	M/S Beds	Beds to Population
17 Mile GSA	332,737	473	1 M/S bed per 703 residents
Illinois	12,852,032	20,204	1 M/S bed per 636 residents

B) There are three hospitals in the 17-mile GSA with 473 beds. In 2023, utilization of these 473 beds was 79%, with an ADC of 374 patients and an ALOS of 6.66 days. This 2023 utilization justifies 416 medical-surgical beds at the State Board’s target occupancy of 90% (see Table Fourteen).

TABLE FOURTEEN
Hospitals in the 17-mile GSA

	Authorized					Authorized	
	Miles	Beds	Adm	Days	ALOS	ADC	Occ
SwedishAmerican Hospital	11.6	199	9,041	56,330	6.23	154.33	77.55%
Saint Anthony Medical Center	11.3	190	7,600	53,395	7.03	146.29	76.99%
Mercyhealth Hospital-Riverside Campus	9.9	84	3,847	26,752	6.95	73.29	87.25%
Total		473	20,488	136,477	6.74	373.91	79.07%

C) According to the Applicant, within 24 months after project completion, the proposed NorthPointe Neighborhood Hospital will not further reduce the utilization of existing hospitals within the geographic service area below the State Board’s occupancy standards. The Applicant anticipates the planned hospital will treat patients who have been historically admitted to Beloit Memorial Hospital. According to the Applicant, no patients are expected to be referred to the NorthPointe Neighborhood Hospital from other hospitals in the area.

⁴ Source <https://data.census.gov/profile/Illinois>

D) Staffing Availability

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.

The Applicant stated that many of the staff who provide services upon project completion are employed by Beloit Health System and are currently working on the NorthPointe Campus. The Applicant estimates that 10-20 additional clinical staff will be hired using Beloit Health System's internal and external recruitment teams. The Applicant stated that Beloit Health System works with AMN Healthcare⁵. The Applicant noted that approximately one-third of the Beloit Health System employees live in Illinois, and the redeployment of some Wisconsin clinicians to the NorthPointe campus will also allow some employees to work closer to home. The Applicant provided a narrative on pages 85-86 of the Application for Permit as required.

E) Performance Requirements – Bed Capacity Minimum

1) Medical-Surgical

The minimum bed capacity for a new medical-surgical category of service within a Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau, is 100 beds.

2) Obstetrics

A) The minimum unit size for a new obstetric unit within an MSA is 20 beds.

B) The minimum unit size for a new obstetric unit outside an MSA is 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.

The proposed Hospital will be in Roscoe, Illinois, a village in Winnebago County, Illinois, along the Rock River. It is a suburban area of the Rockford, Illinois Metropolitan Statistical Area. The minimum bed capacity for a new medical-surgical category of service within an MSA is 100 beds. The Applicant does not meet the requirements of this criterion.

F) Assurances

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

As required, a letter signed by Timothy McKeveatt, President and Chief Executive Officer of Beloit Health System, Inc., certifying that the planned NorthPointe Neighborhood Hospital will achieve target utilization by the second year of operation. (See page 89 of the Application for Permit)

⁵ Healthcare Staffing Company <https://www.amnhealthcare.com>

IX. Clinical Service Areas Other Than Categories of Service

A) Need Determination – Establishment

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

1) Service to the Planning Area Residents

A) Either:

i) The primary purpose of the proposed project is to provide care to the residents of the **planning area** in which the proposed service will be physically located or

ii) If the applicant's service area includes a primary and secondary service area that expands beyond the planning area boundaries, the applicant shall document that the primary purpose of the project is to provide care to residents of the service area and

B) Documentation shall include strategic plans or market studies indicating the historical and projected disease incidence, health conditions, or population use rates. The number of years projected shall not exceed the number of historical years documented. Any projections and trend analyses shall not exceed 10 years.

According to the Applicant, the primary purpose of the planned NorthPointe Neighborhood Hospital is to provide lower-acuity inpatient healthcare services to residents of the stateline community and address outmigration to the overutilized Beloit Memorial Hospital. The Applicant states that over 740 admissions to Beloit Memorial Hospital are NorthPointe B-01 Hospital Planning Area residents. The project's purpose is to provide care to the residents of the planning area.

2) Service Demand

To demonstrate the need for the proposed CSA services, the applicant shall document one or more of the indicators presented in subsections (b)(2)(A) through (D). For any projections, the number of years projected shall not exceed the number of historical years documented. Any projections and trend analyses shall not exceed ten years.

A) Referrals from the Inpatient Base

For CSAs that will support or adjunct to existing inpatient services, the applicant shall document a minimum 2-year historical and 2-year projected number of inpatients requiring the subject CSA.

B) Physician Referrals

For CSAs that require physician referrals to create and maintain a patient base volume, the applicant shall document patient origin information for the referrals. The applicant shall submit original signed and notarized referral letters containing certification by the physicians that the representations in the letters are true and correct.

C) Historical Referrals to Other Providers

If patients have been sent to other area providers for the proposed CSA services due to the absence of those services at the applicant facility during the last 12-month period, the applicant shall submit verification of those referrals, specifying the service needed, patient origin by zip code, recipient facility, date of referral, and physician certification that the representations contained in the verifications are true and correct.

D) Population Incidence

The applicant shall submit documentation of incidence of service based upon IDPH statistics or category of service statistics.

The Applicant is basing the demand for these clinical service areas other than categories of service on referrals of Illinois residents to Beloit Memorial Hospital. (See page 117-122 of Application for Permit)

1. Surgery

The Applicant is proposing moving one operating room from the adjacent Northpointe Surgery Center ASTC that has two operating rooms and two procedure rooms. The ASTC is underutilized operating at 19% in both 2023 and 2022. The Applicant proposes moving one operating room to the proposed hospital and is projecting 500 hours of utilization by 2029, the second year after project completion. Should the surgery hours materialize, the Applicant can justify the one operating room.

2. Emergency Service

The Applicant states that the existing NorthPointe Immediate Care will be converted into the emergency department for the planned hospital. The emergency department will have eight emergency bays, five immediate care bays, and a triage area. The Applicant estimates 15,000 visits in the eight emergency bays by 2029. To justify the 15,000 visits, the Applicant stated that Beloit Memorial Hospital averaged 34,000 emergency department visits annually from 2019 – 2023. According to the Applicant, many of these visits are made by patients residing in the Stateline Community. The Applicant is estimating 10,000 trips for the five immediate care bays, and those visits are based on the 2023 historical visits of 10,047 in the immediate care unit. The State Board Standards is 2,000 visits per station for emergency and immediate care bays. Should the visits materialize, the Applicant can justify the eight emergency and five immediate care bays.

3. Radiology

The Applicant relied upon the historical utilization of the existing NorthPointe Clinic to justify the Hospital’s Imaging Department. Table Fifteen below outlines the number of units and the historical and projected volume for the imaging department. Should these visits/procedures materialize, the Applicant will have met the State Board requirements.

TABLE FIFTEEN
Radiology Department

Service	Units	Historical	Projected	State Standard	Met Standard?
CT scanner	1	1,793	1,793	>7,000 Visits	Yes
3D Mammography	1	2,275	2,275	> 5,000 Visits	Yes
Bone Densitometry	1	467	467	No Standard	NA
MRI	1	1,049	1,049	>2,500 Procedures	Yes
Ultrasound	2	3,433	3,433	>3,100 Visits	Yes
Digital X-Ray	1	3,970	3,970	>8,000 procedures	Yes
Digital X-Ray & Fluoroscopy	1	226	226	>8,000 procedures	Yes
X-Ray Portable	1	94	94	>8,000 procedures	Yes

1. NA – No Standard

4. Laboratory

The Applicant states the laboratory volume will be based on 40 tests per inpatient admission and four tests per emergency department visit. Based on the 740 admissions and 15,000 emergency department visits, the Applicant is projecting 62,960 lab tests in year one. There is no State Board Standard for laboratory services.

5. Pharmacy

The Applicant is proposing a pharmacy at the NorthPointe Neighborhood Hospital. The Applicant states the pharmacy prescriptions will be based on 80 prescriptions per inpatient admission and seven prescriptions per emergency visit. Based on the 740 admissions and 15,000 emergency department visits, the Applicant is projecting 164,000 prescriptions in year one. There is no State Board Standard for pharmacy services.

3) Impact of the Proposed Project on Other Area Providers

The applicant shall document that, within 24 months after project completion, the proposed project will not:

- A) Lower the utilization of other area providers below the utilization standards specified in Appendix B
- B) Lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the utilization standards.
- 4) Utilization

Projects involving the establishment of CSAs shall meet or exceed the utilization standards for the services, as specified in Appendix B. If no utilization standards exist in Appendix B, the applicant shall document its anticipated utilization in terms of incidence of disease or conditions, or historical population use rates.

The Applicant stated within 24 months after project completion, the planned NorthPointe Neighborhood Hospital will not further reduce the utilization of existing hospitals within the geographic service area below the State Board's occupancy standards. The Applicant anticipates the planned hospital will treat patients historically admitted to Beloit Memorial Hospital in Wisconsin who are not accounted for in the need calculation of the HFSRB. No patients are expected to utilize the NorthPointe Neighborhood Hospital rather than be admitted to other areas distant from Roscoe.

X. Financial Viability

A) Availability of Funds

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

The Applicant is funding this project from bond proceeds of \$20,760,312. The Applicant has an “A” bond rating from Fitch Ratings Ltd. Fitch Ratings Ltd states in part.

“While Beloit has increased access through outpatient growth, volumes have rebounded since the pandemic, and the medical staff is primarily employed and aligned, operating cost pressure remains. Contract labor spend has reduced but remains a challenge, and Beloit continues to work to reduce the average length of stay as throughput continues to be affected by the lack of local skilled nursing beds due to staffing. Management continues to implement strategies to mitigate these ongoing pressures. Despite the softer cash flows, Beloit maintains ample financial flexibility with low leverage and sufficient liquidity for the rating level. Beloit shows resiliency through Fitch's stress scenario, with cash-to-adjusted debt rebounding to levels solidly consistent with the strong financial risk profile in the outer years of Fitch's stress case. The rating is further informed by Beloit's leading local market position in a stable service area.” (see Application for Permit pp 96-104)

TABLE SIXTEEN
Beloit Health System
Audited Financial Statements
December 31st

	<u>2023</u>	<u>2022</u>
Cash	\$23,029,233	\$31,489,284
Current Assets	\$73,848,219	\$76,483,013
Total Assets	\$292,569,510	\$290,968,719
Current Liabilities	\$35,410,000	\$35,718,032
Long Term Liabilities	\$70,772,701	\$76,809,629
Total Liabilities	\$106,182,701	\$112,527,661
Total Net Assets	\$186,386,809	\$178,441,058
Patient Revenue	\$264,923,887	\$249,612,992
Total Revenue	\$274,259,889	\$257,378,642
Total Expenses	\$274,213,085	\$257,493,694
Income (loss)	\$46,804	-\$115,052
Revenue Over Expenses	-\$22,631,081	-\$14,214,742

TABLE SEVENTEEN
 Beloit Memorial Hospital
 Medicare Cost Report
 Income
 2018-2023

	2023	2022	2021	2020	2019	2018
Total Revenue	\$1,161,300,655	\$1,073,033,453	\$1,050,735,557	\$942,200,800	\$941,811,060	\$850,705,862
Contractual All	\$896,344,614	\$823,420,460	\$799,947,094	\$717,763,923	\$698,490,333	\$612,250,167
Net Patient Revenue	\$264,956,041	\$249,612,993	\$250,788,463	\$224,436,877	\$243,220,727	\$238,455,695
Operating Expenses	\$273,155,219	\$257,059,269	\$255,483,239	\$241,545,253	\$251,289,175	\$240,757,231
Net Income from Patient Service	-\$8,199,178	-\$7,446,276	-\$4,694,776	-\$17,108,376	-\$7,968,448	-\$2,301,536
Other Income	\$20,397,934	\$8,102,091	\$18,937,389	\$26,876,096	\$20,292,043	\$10,063,711
Other Expenses	\$34,842,815	\$12,863,839	\$76,450	\$558,659	\$1,623,840	\$449,173
Net Income	-\$22,644,059	-\$12,108,024	\$14,166,073	\$9,209,061	\$10,699,755	\$9,614,538

B) Financial Viability

The Applicant is funding this project from bond proceeds of \$20,760,312. The Applicant has an “A” bond rating from Fitch Ratings Ltd. Because the Applicant has an “A” or better bond rating, this criterion does not apply to this project.

XI. Economic Feasibility

A) Reasonableness of Financing Arrangements

The Applicant is funding this project from bond proceeds of \$20,760,312. The Applicant has an “A” bond rating from Fitch Ratings Ltd. Because the Applicant has an “A” or better bond rating, this criterion does not apply to this project.

B) Conditions of Debt Financing

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

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

A letter from Timothy McKeveatt, President and Chief Executive Officer, Beloit Health System, certifying the estimated project and related costs will be funded by borrowing and will be at the lowest net cost available. (Application for Permit page 109)

C) Reasonableness of Project and Related Costs

The applicant shall document that the estimated project costs are reasonable and shall document compliance with State Board Standards. Only the clinical costs are reviewed.

Preplanning Costs are \$79,236, or less than 1% of modernization, contingency, and equipment costs of \$10,871,394. This appears reasonable compared to the State Board standard of 1.8%.

Site Survey, Soil Investigation, and Site Preparation cost \$370,167, which is 4.8% of modernization and contingency costs of \$7,719,697. This appears reasonable compared to the State Board standard of 5%.

Modernization and Contingency Costs are \$7,719,697 or \$358.52 per DGSF. This is reasonable compared to the State Board standard of \$363 per DGSF.

Architectural/Engineering Costs are \$683,760 or 8.86% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 9.02%.

Architectural Engineering	\$393,500
Mechanical/Electrical Engineering	\$290,260

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

Consulting and Other Fees	\$297,214
Movable and Other Equipment (not in construction contracts)	\$3,151,697
Bond Issuance Expense (Project related)	\$284,000
Net Interest Expense During Construction (Project related)	\$791,224

D) Projected Operating Costs

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

The Applicant estimates a cost of \$3,192 per inpatient day. The State Board does not have a standard for this cost.

E) Total Effect of the Project on Capital Costs

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

The Applicant estimates the total effect of the project on capital costs per inpatient day at \$410.47. The State Board does not have a standard for this cost.

State Board Bed Need Calculation

Bed need for Medical-Surgical and Pediatric care is calculated by first calculating a three-year average (base year plus two prior years) utilization of Medical-Surgical and Pediatric services in the area for five age groups: 0-14 years, 15-44 years, 45-64 years, 65-74 years, and 75+ years. The three-year age group average utilizations are divided by the planning area base year population estimate for each age group to produce *age group utilization rates*. The age group utilization rates are multiplied by the projected planning area populations for each age group five (5) years from the base year to calculate projected patient days for each age group. These are added to produce a projected total of medical-surgical and pediatric patient days for the projection year.

Next, a migration adjustment factor is calculated for the planning area. This is done by subtracting the number of patients from outside the planning area receiving services at area hospitals (in-migration) from the number of residents receiving services outside the planning area (out-migration). The difference between these figures is multiplied by the State average for length of stay for Medical-Surgical and Pediatric patients to calculate *migration patient days*. This is multiplied by an adjustment factor of 0.50. If out-migration exceeds in-migration, the adjusted migration days are added to the projected total patient days for the area. If in-migration exceeds out-migration, the adjusted days are subtracted from the planned area's projected total patient days.

The migration-adjusted projected patient days for the planning area are divided by 365 (days in the projection year) to calculate the projected Average Daily Census for Medical-Surgical and Pediatric services for the planning area. The Average Daily Census is divided by the target occupancy rate for additional beds (if the projected Average Daily Census is less than 100, the target occupancy rate is 80% or 0.8; if the projected Average Daily Census is between 100 and 199, the target occupancy is 85% (0.85); otherwise, the target occupancy rate is 90% (0.90)) to calculate the projected number of Medical-Surgical and Pediatric beds needed in the planning area. If the calculated number of beds needed is greater than the number of authorized beds, there is a need for additional beds. If the number of authorized beds exceeds the calculated number of beds needed, there is an excess of beds in the planning area.

24-018 NorthPointe Neighborhood Hospital - Roscoe

