



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-03	BOARD MEETING: October 29, 2024	PROJECT NO: #24-026	PROJECT COST: Original: \$23,076,474
FACILITY NAME: BJC HealthCare Edwardsville Medical Clinics Building		CITY: Edwardsville	
TYPE OF PROJECT: Non-Substantive			HSA: XI

DESCRIPTION: The Applicants (Progress East HealthCare Center and BJC Health System d/b/a BJC Healthcare) propose to build out vacant space in an existing Medical Office Building at 2122 Troy Road, Edwardsville. According to the Applicants, the project will expand physician office space and ancillary/support services. The total project cost is \$23,076,474, and the expected completion date is October 31, 2025.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Progress East HealthCare Center and BJC Health System d/b/a BJC HealthCare) propose to build out vacant space at the existing BJC HealthCare Edwardsville Medical Clinics Building, located at 2122 Troy Road, Edwardsville. According to the Applicants, the build-out will allow for the expansion of physician office space and ancillary/support services. The proposed project will contain Board-designated categories of service. The total project cost is \$23,076,474 and the expected completion date is October 31, 2025.

PURPOSE OF THE PROJECT

- According to the Applicants, the purpose of the project is to expand the capacity of BJC HealthCare Edwardsville Medical Clinics Building as well as the scope of services provided through this facility, resulting in increased access to health care and increased well-being of the market area population.

PUBLIC COMMENT:

- No public hearing was requested. No letters of support and one letter of opposition was received by the State Board.

SUMMARY

- The Applicants state this project is an expansion of existing outpatient services to accommodate current and growing demand for services in this 17-mile geographic service area (GSA). The Project includes the introduction of additional physician office space, and the necessary ancillary/support services, to include MRI, CT, General Radiology, Mammography, Infusion Therapy, and Laboratory services.
- The Applicants addressed a **total of 14 criteria and have not met the following:**

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1120.140(c) - Reasonableness of Project Costs	New Construction costs total \$1,901,325, or \$389.06 per GSF ($\$1,901,325/4,887 = \389.06). This is high compared to the State Board Standard of \$259.28 per GSF.



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State Board Staff Report PROJECT #24-026

BJC HealthCare Edwardsville Medical Clinics Building, Edwardsville

APPLICATION / CHRONOLOGY / SUMMARY	
Applicants	Progress East HealthCare Center and BJC Health System d/b/a BJC HealthCare
Facility Name	BJC HealthCare Medical Clinics Building
Location	2122 Troy Road, Edwardsville, Illinois
Permit Holder	BJC Health System d/b/a BJC Healthcare
Operating Entity	Progress East HealthCare Center
Owner of Site	Progress East HealthCare Center
Application Received	8/8/2024
Application Deemed Substantially Complete	8/12/2024
Review Period Ends	10/11/2024
Project Completion Date	10/31/25
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. The Proposed Project

The Applicants (Progress East HealthCare Center and BJC Health System d/b/a BJC HealthCare) propose to modernize/build-out approximately 23,000 GSF of vacant/shell space in the existing BJC HealthCare Medical Clinics Building, located at 2122 Troy Road, Edwardsville. The project will allow for the expansion of physician office space, and the establishment of ancillary/support services. The total project cost is \$23,076,474 and the expected completion date is October 31, 2025.

II. Summary of Findings

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

III. General Information

BJC HealthCare is a Missouri-based corporation created in May 1992 as an incorporated entity. Progress East HealthCare Center is an Illinois-based corporation, incorporated under Illinois law in October 2007. Both are in good standing with their respective states. This is a non-substantive project subject to a 60-day review. Financial commitment will occur after permit issuance. This project is subject to a Part 1110 and Part 1120 review. BJC HealthSystem owns the following facilities:

TABLE ONE BJC HealthCare	
St. Louis Children’s Hospital	St. Louis, Mo.
Progress West Hospital	O’Fallon, Mo.
Alton Memorial Hospital	Alton, Il.
Barnes-Jewish Hospital	St. Louis, Mo
Barnes Jewish St. Peters Hospital	St. Peters, Mo.
Barnes Jewish West County Hospital	Creve Cour, Mo.
Barnes Christian Hospital	St. Louis, Mo.
Memorial Hospital Belleville	Belleville, Il.
Memorial Hospital Shiloh	Shiloh, Il.
Missouri Baptist Medical Center	St. Louis, Mo.
Missouri Baptist Sullivan Hospital	Sullivan, Mo.
Parkland Health Center-Bonne Terre*	Bonne Terre, Mo.
Northwest HealthCare MOB	Florissant, Mo.
Parkland Health Care MOB	Farmington, Mo.
*Rural/Critical Access Facility	

IV. Memorial Hospital-Belleville / Memorial Hospital-Shiloh

Of the twelve hospitals owned by BJC HealthSystem, three are Illinois-based facilities. Tables Two and Three provide current-year utilization data (2022) for Memorial Hospital-Belleville and Memorial Hospital-Alton. Memorial Hospital-Shiloh became operational in 2023 and will publish its first year of utilization data for 2023.

TABLE TWO Memorial Hospital-Belleville													
	Licensed		Staffed		ADM	Days	ADC	ALOS	Licensed		Staffed		
Service	Occ		Occ						Occ		Occ		
Medical Surgical	175		253		12,731	58,994	173.5	5.0	99.1%		68.6%		
Pediatrics	14		0		0	0	0.0	0.0	0.0%		0.0%		
Intensive Care	19		20		1,362	4,929	13.5	3.6	71.2%		67.6%		
Obstetrics/Gynecology	8		29		2,908	7,152	9.9	2.5	123.7%		34.1%		
Totals	276		302		17,001	71,075	196.9	4.8	91.2%				
	Medicare		Medicaid		Other Public		Private Insurance		Private Pay		Charity Care		Total
Inpatient	6,579	43.5%	524	3.5%	389	2.6%	6,662	44.1%	202	1.3%	753	5.0%	15,109
Outpatient	59,215	26.7%	7,808	3.5%	12,105	5.5%	132,690	59.8%	3,450	1.6%	6,450	2.9%	221,718

TABLE THREE													
Alton Memorial Hospital													
									Licensed		Staffed		
Service	Licensed		Staffed		ADM	Days	ADC	ALOS	Occ		Occ		
Medical Surgical	117		96		5,487	18,714	55.8%	3.7	47.7%		58.1%		
Pediatrics	4		4		0	0	0.0	0.0	0.0%		0.0%		
Intensive Care	12		12		858	2,513	7.0	3.0	58.5%		58.5%		
Obstetrics/Gynecology	28		25		737	1,592	2.2	3.0	15.8%		17.7%		
Long Term Care	28		28		352	4,401	12.1	12.5	43.1%		43.1%		
Acute Mental Illness	20		20		275	2,783	7.6	10.1	38.2%		38.2%		
Totals	209		185		7,709	30,003	86.9%	4.2	41.6%				
	Medicare		Medicaid		Other Public		Private Insurance		Private Pay		Charity Care		Total
Inpatient	4,097	51.9%	1,620	20.5%	106	1.3%	1,611	20.4%	184	2.3%	276	3.5%	7,894
Outpatient	62,942	43.9%	28,855	20.1%	1,325	0.9%	41,575	29%	5,059	3.5%	3,517	2.5%	143,273

V. Health Service Area

BJC HealthCare Edwardsville Medical Clinics Building is in Health Service Area XI. This includes the counties of Clinton, Madison, Monroe and St. Clair. The MOB is also located in the F-01 Hospital Planning Area. There are ten hospitals in the F-01 Hospital Planning Area (see Table Four).

TABLE FOUR		
Hospitals in the F-01 Hospital Planning Area		
Hospital	City	Beds
Anderson Hospital	Maryville	108
Gateway Regional Medical Center	Granite City	166
HSHS St. Elizabeth’s Hospital	O’Fallon	112
OSF Saint Anthony’s Medical Center	Alton	38
St. Joseph’s Hospital	Highland	25
St. Joseph’s Hospital	Breese	40
Touchette Regional Hospital	Centreville	82
Alton Memorial Hospital*	Alton	117
Memorial Hospital-Belleville*	Belleville	202
Memorial Hospital East*	Shiloh	72
Data taken from 2023 Inventory Update		
*Applicant-owned facilities		

VI. Project Uses and Sources of Funds

The Applicants are funding this project in its entirety with cash/securities in the amount of \$23,076,474 (see Table Five).

TABLE FIVE				
Project Uses and Sources of Funds				
Project Uses of Funds	Reviewable	Non-Reviewable	Total	Percent of Total
Preplanning Costs	\$25,000	\$25,000	\$50,000	.2%
New Construction	\$1,901,325	\$6,868,700	\$8,770,025	38%
Modernization	\$0	\$217,770	\$217,770	.9%
Contingencies	\$48,870	\$724,990	\$773,860	3.4%
Architectural and Engineering	\$180,393	\$500,000	\$680,393	2.9%
Consulting and Other Fees	\$660,750	\$220,250	\$881,000	3.8%
Movable or Other Equipment	\$4,035,019	\$7,332,407	\$11,367,426	49.3%
Other Costs to be Capitalized	\$336,000	\$0	\$336,000	1.5%
Totals	\$7,187,357	\$15,889,117	\$23,076,474	100%
Sources of Funds	Reviewable	Non-Reviewable	Total	Percent of Total
Cash	\$7,187,357	\$15,889,117	\$23,076,474	100%
Totals	\$7,187,357	\$15,889,117	\$23,076,474	100%

VII. Project - Details

On May 20, 2021, the Applicants were approved to establish a Medical Clinics Building/Medical Office Building in Edwardsville, via Permit #21-010. The permit authorized the renovation/repurposing of formal retail space (55,747 GSF), housing physician office space (45 exam rooms/33,613 GSF), Imaging Services (one General Radiology Unit /852 GSF), and Laboratory Services (300 GSF). The project also called for the establishment of approximately 23,000 GSF of space for retail use, and space available for lease. The proposed project (#24-026) seeks to repurpose the previously--proposed retail/available space for additional imaging, infusion therapy, and exam room space.

The Proposed Project #24-026 will include the following components:

- One CT Unit in 753 GSF of space
- One MRI Unit in 1,441 GSF of space
- One Mammography Unit in 389 GSF of space
- Laboratory Services, in 539 GSF of space
- Non-Oncology Infusion Therapy Space, in 1,125 GSF of space
- 13 additional Exam Rooms, for a total of 58 Exam Rooms in 41,608 GSF of space

VIII. Background of the Applicant

Criterion 1110.110(a) – Background of the Applicant

The Applicants have attested that there has been no adverse action¹ taken against any of the facilities owned or operated by the Applicants and have authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection to the Applicants' certificate of need. Certificates of Good Standing have been provided for the Applicants and the Applicants are compliant with the reporting requirements of the State Board. (see application, pg. 36)

IX. Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project. The information for these three criteria is informational only.

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

The purpose of the project is to expand the capacity of BJC HealthCare Edwardsville Medical Clinics Building as well as the scope of services provided through this facility, resulting in increased access to health care and increased well-being of the market area population.

B) Criterion 1110.110(c) – Safety Net Impact

This project is classified as non-substantive project, and a safety net impact statement is not required. Charity care information was submitted as required at page 25 of the application. The Applicants were able to supply Charity Care data for 2023 only, as this was the facility's first full year of operation. The Applicants did not supply any Charity Care data for BJC Health System (see Table Six).

TABLE SIX	
Progress East HealthCare Center	
	2023
Net Patient Revenue	\$5,815,245
Amount of Charity Care	\$28,431

¹ "Adverse Action" means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations. As defined in Section 1-129 of the Nursing Home Care Act [210 ILCS 45], "Type 'A' violation" means a violation of the Nursing Home Care Act or of the rules promulgated thereunder which creates a condition or occurrence relating to the operation and maintenance of a facility presenting a substantial probability that risk of death or serious mental or physical harm to a resident will result therefrom or has resulted in actual physical or mental harm to a resident. As defined in Section 1-128.5 of the Nursing Home Care Act, a "Type AA violation" means a violation of the Act or of the rules promulgated thereunder which creates a condition or occurrence relating to the operation and maintenance of a facility that proximately caused a resident's death. [210 ILCS 45/1-129]

TABLE SIX Progress East HealthCare Center	
Cost of Charity Care	\$9,993
% of Cost of Charity Care to Net Patient Revenue	.17%

C) Criterion 1110.110(d) – Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The Applicants considered three alternatives to the proposed project.

1. Maintain Status Quo/Do Nothing
2. Expand Project Scope/Build on to Existing Facility
3. Develop Second Medical Clinics Building in the Area

All three of these alternatives were rejected by the Applicants. The first option would not improve accessibility to the necessary services. The second option was rejected because the Applicants determined that the “repurposing” of the existing shell/retail space would provide sufficient space to accommodate the expanded services. The third alternative was also dismissed once the Applicants realized the viability and cost savings associated with utilizing the existing shell/retail space (see application pages 39-40).

X. Size of the Project, Projected Utilization

A) Criterion 1110.120(a) – Size of the Project

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

Table Seven represents the gross square footage of the clinical departments germane to the proposed project. The Applicants have met the requirements of this criterion.

TABLE SEVEN Gross Square Footage			
Departments	Stations/Rooms/Number	GSF	State Standard/Met
Infusion	4 stations	1,125	No Standard
Laboratory	1 Unit	539	
Diagnostic Imaging			
MRI	1	1,441	1,800/Yes
CT	1	753	1,800/Yes
Mammography	1	389	900/Yes
General Radiology	1	640	1,300/Yes
Total Imaging		3,223	

GRAND TOTAL		4,887	
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B) Criterion 1110.120 - Projected Utilization

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

The proposed project involves four clinical areas applicable to the established HFSRB utilization standards, and all four modalities are in the Imaging department. Table Eight illustrates the projected utilization for these modalities in the first two years of service. The Applicants have met the requirements of this criterion.

TABLE EIGHT				
Projected Utilization (Procedures)				
Service	Year 1	Year 2	State Standard	Met Standard?
CT (1)	5,175	5,449	7,000	N/A
MRI (1)	866	959	2,500	N/A
Mammography (1)	3,147	3,273	5,000	N/A
Gen. Radiology	6,887	7,373	8,000	N/A
Laboratory		69,000	N/A	N/A
Non-Oncology Infusion		1,482	N/A	N/A

XI. Clinical Services Other than Categories of Service

A) Criterion 1110.270(c)(2) – Necessary Expansion

This project is considered a necessary expansion of the clinical services provided at the BJC HealthCare Edwardsville Medical Clinics Building. The proposed project includes six clinical service areas not identified as categories of services per HFSRB rule but have spatial and utilization standards. The four Imaging modalities have space and utilization standards, while the Laboratory and Infusion areas are not applicable to these standards. Tables Seven and Eight illustrate these data as presented by the Applicants.

The Applicants have met the requirements of this criterion.

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

The Applicants are funding this project in its entirety with cash or securities in the amount of \$23,076,474. They have a bond rating of AA/Stable from Standard and Poor's (April 2023) and Aa2, stable or better from Moody's (July 2024). The Applicants have met the requirements of the criteria listed above (see Table Nine).

TABLE NINE BJC HealthCare Year Ended December 31, (audited/dollars in millions)		
	2023	2022
Cash	\$177.0	\$194.6
Current Asset	\$1,576.5	\$1,556.8
Total Assets	\$13,076.4	\$12,361.8
Current Liabilities	\$1,572.2	\$1,636.7
Total Liabilities	\$4,477.2	\$4,321.2
Patient Service Revenue	\$6,702.6	\$6,025.8
Total Revenue	\$6,990.9	\$6,311.7
Operating Expenses	\$6,849.3	\$6,286.3
Operating Income	\$141.6	(\$48.0)
Non-Operating Gains (Losses)	\$736.5	(\$170.3)

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

Only the reviewable costs are considered in this analysis.

Preplanning Costs total \$25,000, or less than 1% of new construction, contingencies, and movable equipment costs of \$5,985,214. This appears reasonable compared to the State Board Standard of 1.8%.

New Construction Costs are \$1,901,325, or \$389.06 per GSF ($\$1,901,325 \div 4,887 \text{ GSF} = \389.06 per GSF). This appears **HIGH** compared to the State Board Standard of \$259.28 per GSF.

Contingency Costs are \$48,870, or 2.5% of new construction cost of \$1,901,325. This State Board Standard for this cost is 10%.

Architectural and Engineering Fees are \$180,393, or 9.2% of construction and contingency costs of \$1,950,195. This appears reasonable when compared to the State Board Standard of 6.22% - 9.34%.

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

Consulting and Other Fees are attributed to the following:

- CON-Related \$ 40,000
- Project Management \$498,000
- Local Permitting \$ 86,000
- Equipment Planning \$ 15,000
- Legal Fees \$ 25,000
- Insurance \$117,000

- Misc./Other \$100,000

Total	\$660,750
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Moveable and Other Equipment fees attributed to the following:

- MRI \$ 879,120
- CT \$1,797,287
- Gen. Radiology \$ 424,637
- Mammography \$ 723,570
- Infusion Therapy \$ 143,017
- Laboratory \$ 67,388
- Physician Offices \$6,264,265
- Public Areas \$ 65,443
- Storage \$ 35,000
- Other/Misc. \$ 967,699

Total	\$4,035,019
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Other Costs to be Capitalized

- Imaging Shielding \$336,000

The Applicants exceed the State Board standard for New Construction Costs. Thus, a negative finding is made.

F) Criterion 1120.140(d) - Direct Operating Costs

The total direct operating cost per unit of service is \$169.91. The State Board does not have a Standard for these costs.

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

The total effect of the Project on Capital costs per unit of service is \$45.42. The State Board does not have a Standard for these costs.

24-026 BJC HealthCare Edwardsville Medical Clinics Building - Edwardsville

