



# STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

<b>DOCKET NO:</b> H-04	<b>BOARD MEETING:</b> October 29, 2024	<b>PROJECT NO:</b> #24-027	<b>PROJECT COST:</b> Original: \$96,300,000
<b>FACILITY NAME:</b> Northwestern Medicine Huntley Medical Office Building		<b>CITY:</b> Huntley	
<b>TYPE OF PROJECT:</b> Non-Substantive			<b>HSA: VIII</b>

**DESCRIPTION:** The Applicants (Northwestern Memorial HealthCare and Northern Illinois Medical Center d/b/a Northwestern Medicine Huntley Hospital) propose to construct an outpatient Medical Office Building located at 10400 Haligus Road, Huntley, on the campus of Northwestern Medicine Huntley Hospital. According to the Applicants, the addition will provide infusion services, radiation oncology treatment services, outpatient cardiac diagnostics, and physician offices. The total project cost is \$96,300,000, and the expected completion date is June 30, 2027.

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The Applicants (Northwestern Memorial HealthCare and Central Northern Illinois Medical Center d/b/a Northwestern Medicine Huntley Hospital) propose to construct an outpatient Medical Office Building (MOB) in 79,430 GSF of newly constructed space on the campus of Northwestern Medicine Huntley Hospital, located at 10400 Haligus Road, Huntley. According to the Applicants, the MOB will provide infusion services, radiation oncology treatment services, outpatient cardiac diagnostics and physician offices. The total project cost is \$96,300,000 and the expected completion date is June 30, 2027.

### PURPOSE OF THE PROJECT

- According to the Applicants, the purpose of the project is to improve access to Northwestern Medicine care by providing a convenient care delivery location close to where Northwestern Medicine patients live and work.

### PUBLIC COMMENT:

- Eight letters of opposition, two emails of opposition, and no letters of support were received by the State Board. A public hearing was conducted regarding this project on September 17, 2024, at 1:00 pm, at the Huntley Public Library, 11000 Ruth Road, Huntley. Eight individuals attended, with one registering support, four registering opposition, and the remaining three attendees registering their neutrality to the project. Copies of individual testimonies are included in the project file.

### SUMMARY

- The Applicants state this project will address the two leading causes of death in the United States and McHenry County: heart disease and cancer. The Applicants attest that both diseases are treatable, and remediation/elimination is best realized with timely and increased access to care. The Applicants note a correlation between improved disease management and outcomes when the treatment is proximal and accessible. Greater distances to care reduce the likelihood of follow-up care and can increase complications and mortality risks.
- The Applicants addressed **14 criteria and have met them all:**



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## State Board Staff Report PROJECT #24-027

Northwestern Medicine Huntley Medical Office Building

APPLICATION / CHRONOLOGY / SUMMARY	
Applicants	Northwestern Memorial HealthCare and Northern Illinois Medical Center d/b/a Northwestern Medicine Huntley Hospital
Facility Name	Northwestern Medicine Huntley Medical Office Building
Location	10400 Haligus Road, Huntley, Illinois
Permit Holder	Northern Illinois Medical Center d/b/a Northwestern Medicine Huntley Hospital
Operating Entity	Northern Illinois Medical Center
Owner of Site	Northern Illinois Medical Center
Application Received	08/09/2024
Application Deemed Substantially Complete	08/12/2024
Review Period Ends	10/11/2024
Project Completion Date	06/30/2027
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

### I. The Proposed Project

The Applicants (Northwestern Memorial HealthCare and Northern Illinois Medical Center d/b/a Northwestern Medicine Huntley Hospital) propose to construct an MOB, located at 10400 Haligus Road, Huntley. The addition will allow for the expansion of infusion services, radiation oncology treatment services, and outpatient cardiac diagnostics. The total project cost is \$96,300,000 and the expected completion date is June 30, 2027.

### 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 in conformance with the provisions of Part 1120.

### III. General Information

The Applicants (Northwestern Memorial HealthCare, and Northern Illinois Medical Center d/b/a Northwestern Medicine Huntley Hospital) are Illinois, non-profit, tax-exempt corporations that oversee an integrated health care delivery system comprised of teaching and community hospitals, physician groups, behavioral health providers, post-acute care providers and other caregivers serving patients in Chicago and throughout northern Illinois. This project 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. Northwestern Memorial HealthCare owns the following facilities (see Table One):

<b>TABLE ONE</b> Northwestern Memorial HealthCare	
Northwestern Memorial Hospital	Chicago
Northwestern Lake Forest Hospital	Lake Forest
Central DuPage Hospital Association	Winfield
Delnor Community Hospital	Geneva
Marianjoy Rehabilitation Hospital	Wheaton
Kishwaukee Community Hospital	Kishwaukee
Valley West Community Hospital	Sandwich
Northern Illinois Medical Center	McHenry
Northern Illinois Medical Center	Huntley
Memorial Medical Center	Woodstock
Palos Community Hospital	Palos Heights
Grayslake ASTC	Grayslake
Grayslake Endoscopy ASTC	Grayslake
Cadence Ambulatory Surgery Center	Warrenville
The Midland Surgical Center	Sycamore
Palos Health Surgery Center*	Orland Park
River North Same Day Surgery Center	Chicago
Grayslake Freestanding Emergency Center	Grayslake
Illinois Proton Center	Warrenville
* >50% ownership interest	

**IV. Northwestern Medicine Huntley Hospital**

Table Two outlines the average length of stay (“ALOS”), average daily census (“ADC”), utilization, and patients by payment source for the Northwestern Medicine Huntley Hospital from January 1, 2022 - December 31, 2022 (see Table Two).

TABLE TWO Northwestern Medicine Huntley Hospital CY 2022								
							Licensed	Staffed
Service	Licensed	Staffed	ADM	Days	ADC	ALOS	Occ	Occ
Medical Surgical	96	116	7,219	31,787	98.4	5.0	102.5%	84.8%
Intensive Care	12	20	696	2,206	6.1	3.2	51%	30.6%
Obstetrics/Gynecology	20	20	1,840	4,587	12.8	2.5	64.1%	64.1%
<b>Totals</b>	<b>128</b>	<b>156</b>	<b>9,574</b>	<b>38,580</b>	<b>119.4</b>	<b>4.6</b>	<b>93.3%</b>	

	Medicare		Medicaid		Other Public		Private Insurance		Private Pay		Charity Care		Total
Inpatient	5,045	51.1%	1,235	12.9%	226	2.4%	2,889	30.2%	89	0.9%	90	0.9%	9,574
Outpatient	36,108	37.3%	11,574	12%	2,705	2.8%	44,193	45.7%	1,427	0.9%	713	0.7%	

**V. Health Service Area**

Northwestern Medicine Huntley Hospital is in Health Service Area VIII, which includes Kane, Lake, and McHenry Counties, and Hospital Planning Area A-10, which includes McHenry County. Four hospitals are in the A-10 Hospital Planning Area (see Table Three).

TABLE THREE Hospitals in the A-10 Hospital Planning Area	
Hospital	City
Mercy Harvard Hospital	Harvard
MercyHealth Hospital & Physician's Clinic	Crystal Lake
Northwestern Medicine Huntley	Huntley
Northwestern Medicine McHenry	McHenry

**VI. Project Uses and Sources of Funds**

The Applicants are funding this project in its entirety with \$96,300,000 in cash or securities (see Table Four).

**TABLE FOUR**  
Project Uses and Sources of Funds

Project Uses of Funds	Reviewable	Non-Reviewable	Total	Percent of Total
Preplanning Costs	\$410,810	\$1,489,190	\$1,900,000	1.9%
Site Survey and Soil Investigation	\$86,486	\$313,514	\$400,000	.4%
Site Preparation	\$470,269	\$1,704,731	\$2,175,000	2.5%
New Construction	\$10,132,660	\$40,803,360	\$50,936,020	52.9%
Contingencies	\$1,013,266	\$4,080,336	\$5,093,602	5.4%
Architectural and Engineering	\$704,863	\$2,555,137	\$3,260,000	3.5%
Consulting and Other Fees	\$884,322	\$3,205,678	\$4,090,000	4.3%
Movable or Other Equipment	\$12,000,000	\$9,625,000	\$21,625,000	22.5%
Other Costs to be Capitalized	\$1,474,672	\$5,345,706	\$6,820,378	6.6%
<b>Totals</b>	<b>\$27,177,346</b>	<b>\$69,122,654</b>	<b>\$96,300,000</b>	<b>100.0%</b>
Sources of Funds	Reviewable	Non-Reviewable	Total	Percent of Total
Cash	\$27,177,346	\$69,122,654	\$96,300,000	100.0%
<b>Totals</b>	<b>\$27,177,346</b>	<b>\$69,122,654</b>	<b>\$96,300,000</b>	<b>100.0%</b>

**VII. Project - Details**

The Applicants propose to establish an MOB in 79,340 GSF of newly constructed space on the campus of Northwestern Medicine Huntley Hospital, Huntley. The two-story MOB will comprise 17,174 GSF of clinical/reviewable space, and 62,256 GSF of non-clinical/non-reviewable space. The MOB will provide infusion services (16 private rooms/8,822 DGSF), radiation oncology treatment services (one linear accelerator, one CT simulator/8,397 DGSF), and outpatient cardiac diagnostics (six rooms/4,155 DGSF), and physician office space for 20-30 physicians (32,975 DGSF). State Board Staff notes the only modality applicable to State size/utilization guidelines is radiation oncology.

**VIII. Background of the Applicant**

**Criterion 1110.110(a) – Background of the Applicant**

The Applicants have attested that there has been no adverse action<sup>1</sup> taken against any of the facilities owned or operated by the Applicants and have authorized the Illinois Health

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<sup>1</sup> "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]

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 pages 43-44 of the application).

**IX. Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project.**

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

According to the Applicants, the project aims to improve access to Northwestern Medicine care by providing a convenient care delivery location close to where Northwestern Medicine patients live and work. The proposed project will help address current and projected demand for Northwestern medical services at Huntley Hospital, allowing the co-location of specialty services such as Oncology and Cardiology, in a location convenient for both patients and physicians. Combined deaths by heart disease and cancer accounted for almost half of the deaths in McHenry County in 2020. This project will increase access to preventative care and treatment for both diseases.

**B) Criterion 1110.110(c) – Safety Net Impact**

This project is non-substantive, and a safety net impact statement is not required. Charity care information was submitted as required at page 67 of the application (see Table Five).

<b>TABLE FIVE</b>			
Northwestern Memorial HealthCare			
	FY 2021	FY 2022	FY 2023
Net Patient Revenue	\$6,810,599,673	\$7,399,122,793	\$8,095,919,536
Amount of Charity Care	\$476,740,967	\$469,227,416	\$360,059,649
Cost of Charity Care	\$79,880,361	\$90,752,502	\$67,545,943
% of Cost of Charity Care to Net Patient Revenue	1.17%	1.23%	8.3%
Northwestern Medicine Huntley Hospital			
	FY 2021	FY 2022	FY 2023
Net Patient Revenue	\$218,733,264	\$261,489,998	\$346,416,711
Amount of Charity Care	\$8,462,377	\$12,035,421	\$10,466,948
Cost of Charity Care	\$1,535,221	\$2,101,881	\$1,647,957
% of Cost of Charity Care to Net Patient Revenue	.7%	.8%	.4%

**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 two other alternatives to the proposed project they are:

- 1) Use Space in an Existing Medical Office Building on the Huntley Campus
- 2) Lease/Purchase an existing Medical Office Building in Huntley Area

The Applicants note there are two existing MOB's proximal to the Northwestern Medicine campus, totaling 149,480 GSF. The Applicants attest that both buildings are currently 100% occupied, housing Northwestern Medicine services, but also have DaVita, Inc. and Rosalind Franklin University as occupants. As a result, this alternative was rejected. The second alternative involved having the Applicants acquire the services of an outside entity to locate possible lease options in existing area properties. The Applicants report having many options in the area, but none that met the applicable criteria for use as an outpatient medical building. The Applicants note that renovation of existing structures to medical standards is costly, with site improvements that many landlords refuse to agree to. This alternative was also rejected.

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

<b>TABLE SIX</b>			
Gross Square Footage			
Departments	Stations/Rooms/Number	GSF	State Standard
Infusion	16 stations	8,822	No Standard
Cardio Diagnostics	11 Rooms	4,155	No Standard
Radiation Oncology		4,197	4,200 GSF
Linear Accelerator	1		Met Standard
CT Simulator	1		Met Standard

**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.*



## **Infusion**

Northwestern Medicine Huntley began providing infusion services in FY 2021 and is currently operating eight stations. In the two years following project completion, infusion services have increased by 81%, and projections anticipate continued growth through 2029. While no State standards exist for infusion services, the Applicants note the continued growth supports the need for the proposed 16 stations (see Table Seven).

<b>TABLE SEVEN</b>				
<b>Historical/Projected Utilization of Infusion Services</b>				
<b>Northwestern Medicine</b>				
	FY 2022	FY 2023	FY 2024	FY 2029
Infusion Cases	3,634	4,365	6,577	11,108
Infusion Hours	9,845	10,185	12,044	25,548
# of Stations	8	8	8	16
Annual Hours of Operation	19,760	19,760	19,760	39,520
Infusion Utilization	50%	52%	61%	65%

## **Radiation Oncology**

The proposed project for radiation oncology includes the acquisition of the following:

- 1) Linear Accelerator
- 2) CT Simulator

Northwestern Medicine Huntley currently does not have a linear accelerator. However, Northwestern Medicine McHenry Hospital has two. It appears that approximately half of the patient base utilizing the linear accelerators at NM McHenry Hospital live closer to NM Huntley, and that one of the two linear accelerators at NM McHenry has reached the end of its useful life. The Applicants decided to replace the aging linear accelerator from NM McHenry and move it to the NM Huntley MOB. Table Eight shows the historical utilization of its linear accelerator at NM McHenry, and the projected utilization shows the linear accelerator utilization at both facilities. There will be one CT Simulator for the proposed NM Huntley project, as every patient who receives a course of radiation treatment undergoes a simulation process to gather images for treatment planning.

<b>TABLE EIGHT</b>				
<b>Historical/Projected Utilization of Linear Accelerators at</b>				
<b>Northwestern Medicine McHenry and Huntley</b>				
	CY 2022	CY 2023	CY 2024	CY 2029
Treatments	7,151	8,004	8,887	15,000
State Standard	7,500	7,500	7,500	7,500
# of LINACS Justified	1	2	2	2
# of LINACS Proposed	1	2	1	1

## **A) Cardio Diagnostics**

The Applicants propose to add six cardio diagnostic rooms as part of the proposed project, adding to the existing complement of five rooms remaining at the NM Huntley Hospital. The Applicants report cardio diagnostics volume at the NM Huntley Hospital increased from

26,409 to 29,854 between FY 2021 and FY 2023 (13% growth), and expects this growth to continue through 2029, resulting in 41,482 visits. There is no State standard for cardio diagnostics (see Table Nine).

TABLE NINE Projected Utilization of Cardio Diagnostics Northwestern Medicine Huntley		
	FY 2028	FY 2029
NMHH Cardio Diagnostics Visits	38,841	41,482
53% of Proposed Project	20,586	21,985

**XI. Clinical Services Other than Categories of Service**

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

This project is considered necessary to expand the clinical services provided at Northwestern Medicine Huntley Medical Office Building. Table Ten outlines the expansion of the proposed medical office building.

TABLE TEN NM Medicine Huntley MOB		
	Existing	Proposed
Infusion	8	16
Radiation Oncology		
Linear Accelerator	0	1
CT Simulator	0	1
Cardio Diagnostics	7	11
Laboratory	1	1

As documented above in Tables Eight, Nine, and Ten, there appears to be sufficient historical and projected utilization to justify the establishment of 16 infusion stations, one linear accelerator, one CT Simulator, and 11 cardio diagnostic rooms. Although only one category of service is applicable to State utilization standards (Radiation Oncology), there appears to be sufficient need for all the proposed services.

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/securities in the amount of \$96,300,000. The Applicants have a bond rating of AA+ Standard and Poor's (June 2023)

rating agencies, and Aa2, stable or better from Moody's (June 2023). The Applicants have met the requirements of the criteria listed above (see Table Eleven).

**Moody’s** states “Northwestern Memorial HealthCare's (Aa2, stable) consolidated operating model and financial discipline will allow it to effectively execute strategies. while maintaining a strong financial position despite industry pressures. The completion of large-scale strategies well ahead of most peers, a deep analytic approach to management, and a well-defined culture will continue to provide the foundation for unusually consistent margins and an ability to manage operating and strategic risks. Strategies including major facility replacements, the full integration with its faculty practice plan, and single system-wide **IT** platforms will support growth with limited integration risk as demonstrated during a period of **rapid** expansion before and during the pandemic. NMHC's strong brand and affiliation with Northwestern University's Feinberg School of Medicine will underpin further growth. Manageable capital plans will help maintain a very strong investment position. Direct and indirect leverage will remain moderate, particularly since the system has a fully funded pension plan and modest operating lease obligations. Similar to others in the industry, the most significant operating challenge will be managing workforce needs and absorbing higher permanent labor costs. In addition, there will be competition from large healthcare systems and academic medical centers in a region with projected population declines.”

<b>TABLE ELEVEN</b>		
Northwestern Memorial HealthCare and Subsidiaries		
Year Ended August 31 (audited)		
	2023	2022
Cash	\$680,384	\$779,110
Current Asset	\$2,991,526	\$2,668,610
Total Assets	\$18,143,465	\$16,711,238
Current Liabilities	\$2,343,965	\$2,394,416
Total Liabilities	\$5,702,245	\$5,507,001
Patient Service Revenue	\$8,095,920	\$7,399,123
Total Revenue	\$8,721,937	\$7,985,456
Operating Expenses	\$8,369,853	\$7,649,695
Operating Income	\$352,284	\$335,761
Non-Operating Gains (Losses)	\$782,027	-\$1,024,415
Excess (deficiency)	\$1,135,311	-\$688,654

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

Only the reviewable costs are considered in this analysis.

**Preplanning Costs** total \$410,810, or 1.7% of new construction, contingencies, and movable equipment costs of \$23,145,926. This appears reasonable compared to the State Board Standard of 1.8%.

**Site Survey Soil Investigation and Site Preparation** total \$556,755, or 4.9% of construction and contingency costs of \$11,145,926. This appears reasonable when compared to the State Board Standard of 5%.

**New Construction Costs** are \$10,132,660, or \$590 per GSF ( $\$10,132,660 \div 17,174 \text{ GSF} = \$590 \text{ per GSF}$ ). This appears reasonable compared to the State Board Standard of \$650.46 per GSF.

**Contingency Costs** are \$1,013,266, or 10% of the new construction costs of \$10,132,660. This appears reasonable compared to the State standard of 10%.

**Architectural and Engineering Fees** are \$704,863, or 6.3% of construction and contingency costs of \$11,145,926. This appears reasonable compared to the State Board Standard of 4.94% - 7.42%.

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

Consulting and Other Fees	\$884,322
Movable or Other Equipment	\$12,000,000
Other Costs to be Capitalized	\$1,474,672

**E) Criterion 1120.140(d) - Direct Operating Costs**

The total direct operating cost per unit of service is \$389.23. The State Board does not have a Standard for these costs.

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

The total effect of the Project on Capital costs is \$136.94 per day. The State Board does not have a Standard for these costs.

# 24-027 Northwestern Medicine Huntley MOB - Huntley

