



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-06	<b>BOARD MEETING:</b> August 12, 2025	<b>PROJECT NO:</b> 25-021	<b>PROJECT COST:</b> Original: \$29,978,477
<b>FACILITY NAME:</b> Riverside Medical Center		<b>CITY:</b> Kankakee	
<b>TYPE OF PROJECT:</b> Non-Substantive			<b>HSA:</b> IX

**PROJECT DESCRIPTION:** The Applicants (Riverside Health System d/b/a Riverside Healthcare and Riverside Medical Center) propose modernizing their 64-bed acute mental illness service category. The project has a total cost of \$29,978,477, with a completion date of December 31, 2026.

Information regarding this Application for a Permit can be found at this site  
<https://hfsrb.illinois.gov/project.25-021-riverside-medical-center-1.html>.

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The Applicants (Riverside Health System d/b/a Riverside Healthcare and Riverside Medical Center) propose modernizing their 64-bed acute mental illness (“AMI”) service category. The project is estimated to cost \$29,978,477 and is scheduled for completion by December 31, 2026.
- Riverside Medical Center has three distinct AMI units serving adolescents, adults, and older adults. The **adult unit** will relocate to the current geriatric unit space and expand into adjacent, previously vacant patient rooms that were used as medical/surgical beds. The **new adult unit** will accommodate 30 beds, including 24 private rooms and three double-occupancy rooms. The **geriatric unit** will be relocated to the existing adult behavioral health unit space, increasing its capacity from **14 to 17 private rooms**. The **17-bed adolescent unit** will feature seven private rooms, five double occupancy rooms, and upgrades that modernize the nursing space and create larger group and educational areas. The total number of private rooms will increase from 12 to 40, while the number of beds in double rooms will decrease from 52 to 24.

### WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project exceeds the capital expenditure minimum in effect at the time of this report.

### PUBLIC HEARING/COMMENT:

- No public hearing was requested. To date, no letters of support or opposition have been received by the State Board.

### CONCLUSIONS:

- Riverside Medical Center is proposing to modernize its AMI (Acute Mental Illness) unit to provide higher-quality, more efficient, and patient-centered care for individuals experiencing acute mental illness. There is no increase in the 64 AMI beds. Riverside Medical Center’s inpatient behavioral health units were constructed in 1973. According to the Applicants, the current layout of the units does not support evidence-based practice of care, as demonstrated by closed or locked nursing units, an inadequate number of seclusion rooms, limited quiet space areas for patients' behaviors, and a lack of distinct spaces needed for diagnosis-based treatment. The current space lacks a direct line of sight to patients, posing challenges and increasing safety risks. The current 52 beds in double rooms have blocked beds, resulting in situations where patients needing beds are declined and transferred from the emergency department to other hospitals. The Applicants estimate that converting double-occupancy rooms to single-occupancy rooms will increase bed capacity by approximately nine beds with no increase in total AMI beds.
- The Applicants addressed a total of 17 criteria and have not met the following:

Criterion	Non-Compliant
Criterion III. Adm.. Code. 1110.210 (d) (4) – Occupancy	The average daily census (ADC) would justify 45 AMI beds at the State Board’s target occupancy of 85%. ( $38 \text{ ADC} \div 85\% = 45 \text{ Beds}$ )
Criterion III. Adm.. Code. 1120.140 (c) – Reasonableness of Project Costs	Modernization Contracts and contingency costs total \$20,479,624, or \$583 per square foot. This appears HIGH when compared to the State Board Standard of \$466.05. Explanation of these costs is at the end of this report.



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STATE BOARD STAFF REPORT

#25-021

Riverside Medical Center

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Riverside Medical Center and Riverside Health System d/b/a Riverside Healthcare.
Facility Name	Riverside Medical Center
Location	350 N Wall Street, Kankakee, Illinois
Application Received	May 21, 2025
Application Deemed Complete	May 27, 2025
Review Period Ends	July 26, 2025
Permit Holder	Riverside Medical Center and Riverside Health System d/b/a Riverside Healthcare.
Operating Entity	Riverside Medical Center
Owner of the Site	Riverside Medical Center
Project Completion Date	December 31, 2026
Expedited Review	No
Can Applicants Request a Deferral?	Yes

I. **The Proposed Project**

The Applicants (Riverside Health System, doing business as Riverside Healthcare, and Riverside Medical Center) propose modernizing their 64-bed acute mental illness (“AMI”) service category. The project is estimated to cost \$29,978,477 and is scheduled for completion by December 31, 2026.

II. **Summary of Findings**

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

III. **General Information**

The Applicants are Riverside Health System d/b/a Riverside Healthcare and Riverside Medical Center. **Riverside Healthcare** is a fully integrated healthcare system serving patients' needs throughout Kankakee, Iroquois, Will, Grundy, and beyond. **Riverside Medical Center**, a 300-bed hospital, provides a full scope of inpatient and outpatient care, including a Level II Trauma Center with programs in heart care, cancer care, neurosurgery, and orthopedics. Riverside Medical Center also operates several community, primary, and specialty health centers throughout the region. The licensee and owner of the site is Riverside Medical Center. Financial Commitment will occur after permit issuance.

#### IV. Health Service Area

The Applicants reside in Health Service Area IX, the A-14 Hospital Planning Area, and the A-13 AMI Planning Area. HSA IX includes the Illinois Counties of Grundy, Kankakee, Kendall, and Will, and the A-14 AMI Planning Area includes Kankakee County.

There is currently a calculated excess of 31 AMI beds in the A-14 Planning Area. Two hospitals, Prime Saint Mary's Hospital and Riverside Medical Center, provide AMI service in this planning area.

Hospital	City	Beds	Occ
Prime Saint Mary's Hospital	Kankakee	25	37.46%
Riverside Medical Center	Kankakee	64	63.33%

The State Board estimates an approximately 1% increase in Kankakee County's population and a 27% increase in the population aged 65 and above by 2030.

Kankakee County				State of Illinois		
	2020	2030	% change	2020	2030	% change
+65	18,227	23,124	26.87%	2,060,629	2,695,534	30.81%
Total	107,236	108,273	0.97%	12,785,245	12,775,245	-0.08%

#### V. Riverside Medical Center

Table One depicts the 2024 utilization of Riverside Medical Center.

TABLE ONE Riverside Medical Center 2024 Utilization									
Category of Service	Auth Beds	Staff Beds	ADM	DAYS	OB Days	ALOS	ADC	Auth OCC	Staff OCC
Medical Surgical	145	145	5,138	22,126	2,568	4.81	67.65	46.66%	46.66%
Intensive Care	31	31	979	3,861	13	3.96	10.61	34.24%	34.24%
OB/GYN	30	30	873	1,929	51	2.27	5.42	18.08%	18.08%
AMI	64	64	1,714	14,794	2	8.63	40.54	63.34%	63.34%
Rehab	30	30	781	7,968	0	10.20	21.83	72.77%	72.77%
	300	300	9,485	50,678	2,634				

## VI. Project Uses and Sources of Funds

The Applicants are funding this project with cash of \$29,878,477.

TABLE TWO				
Project Costs and Sources of Funds				
Uses of Funds	Clinical	Non-Clinical	Total	% of Total
Preplanning Costs	\$4,309	\$13,691	\$18,000	0.06%
Modernization	\$18,617,840	\$6,157,010	\$24,774,850	82.64%
Contingences	\$1,861,784	\$615,701	\$2,477,485	8.26%
A& E Fees	\$894,263	\$295,737	\$1,190,000	3.97%
Consulting Fees	\$209,926	\$68,474	\$279,400	0.93%
Movable Equipment	\$930,811	\$307,931	\$1,238,742	4.13%
Total	\$22,518,933	\$7,458,544	\$29,978,477	100.00%
Total Uses of Funds				
Cash			\$29,978,477	100.00%
Total			\$29,978,477	100.00%

## VI. **Background of the Applicant, Purpose of Project, Safety Net Impact Statement, and Alternatives**

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

### A) **Background of Applicant**

An Applicant must demonstrate that it is fit, willing, and able, and *has the qualifications, background, and character to adequately provide a proper standard of health care service for the community*. [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFSRB shall consider whether adverse action has been taken against the applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed health care facility, or against any health care facility owned or operated by the applicant, directly or indirectly, within 3 years preceding the filing of the application.

The Applicants provided a listing of all Illinois-licensed healthcare facilities they own. The Illinois Department of Public Health licenses Riverside Medical Center, which has been accredited by the DNV Hospital Accreditation Program and has received a four-star rating from the Centers for Medicare & Medicaid Services' (CMS) Medicare Compare website.

The Applicants attest that there has been no “adverse action” (as that term is defined in Section 1130.140 of the Illinois Health Facilities and Services Review Board (HFSRB) rules) against any Illinois health care facility owned and/or operated by the Applicants during the three years immediately before the filing of this application. The Applicants hereby authorize the HFSRB and the Illinois Department of Public Health to access information that may be required to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or

information that the HFSRB or the Illinois Department of Public Health finds pertinent to this subsection. The Applicants have demonstrated the *qualifications, background, character, and financial resources to provide adequate service to the community*.

**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 relevant areas as per the applicant's definition.

The project aims to modernize the 64-bed AMI unit by accommodating 40 private rooms and 24 double rooms, updating mechanical, plumbing, and electrical services, and addressing the current standard of care design to ensure it is ligature-free, thereby reducing the risk of patient self-harm. The Applicants identify their market area as primarily Kankakee County—the A-14 AMI Planning Area.

**Problems:**

**1. Capacity**

The current 52 beds in double rooms have blocked beds, resulting in situations where patients needing beds are declined and transferred from the emergency department to other hospitals. The Applicants estimate that converting double-occupancy rooms to single-occupancy rooms will increase bed capacity by approximately nine beds with no increase in total AMI beds.

**2. Physical layout, age, and condition of physical units**

Riverside Medical Center's inpatient behavioral health units were constructed in 1973. According to the Applicants, the current layout of the units does not support evidence-based practice of care, as demonstrated by closed or locked nursing units, an inadequate number of seclusion rooms, limited quiet space areas for patients' behaviors, and a lack of distinct spaces needed for diagnosis-based treatment. The current space lacks a direct line of sight to patients, posing challenges and increasing safety risks. (Application for Permit pages 64-69 for complete discussion)

**C) Safety Net Impact Statement**

*All health care facilities, except skilled and intermediate long-term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are the services provided by healthcare providers or organizations that deliver healthcare services to individuals with barriers to mainstream healthcare due to a lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]*

This is considered a non-substantive project and is not subject to a Safety-Net Impact Statement requirement. The Applicants provided the payor mix for the hospital's AMI unit. See Table Three below. Charity care at Riverside Medical Center is outlined in Table Four.

<b>TABLE THREE</b>		
<b>AMI Payor Mix</b>		
<b>Payor</b>	<b>Adult</b>	<b>Adolescent</b>
Blue Cross	12.00%	18.00%
Commercial	6.00%	5.00%
Medicaid	13.00%	4.00%
Medicaid Replacement <sup>(1)</sup>	51.00%	72.00%
Medicare	6.00%	0
Medicare Replacement	7.00%	0
Other	1.00%	0
Self-Pay	3.00%	0
Third Party	0.00%	0
Tricare	1.00%	1.00%
1. A "replacement payment" or "replacement claim" generally refers to the process by which healthcare providers can resubmit a claim for reimbursement if the original claim was incorrectly processed or paid.		

<b>TABLE FOUR</b>			
Riverside Medical Center			
	2022	2023	2024
Net Patient Revenue	\$375,531,172	\$467,763,091	\$494,559,698
Cost of Charity Care	\$2,587,111	\$2,832,851	\$3,698,586
Ratio of Charity Cost to Net Patient Revenue	0.79%	0.60%	0.75%

#### **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 it will serve.

The Applicants considered five alternatives to the proposed project.

- |   |                           |
|---|---------------------------|
| 1. Do Nothing:                          | No Capital Costs          |
| 2. Smaller Scope:                       | \$10M                     |
| 3. Discontinue Services:                | No Capital Costs          |
| 4. Build a Free-Standing facility:      | \$64M                     |
| 5. Construct a Project of Larger Scope: | No Capital Cost Estimated |

The Applicants rejected the **first** alternative because it would not meet current patient needs and would incur continued maintenance in the units, resulting in the transfer of patients to other organizations. There was no capital cost for this alternative. The **second** alternative, a smaller-scope project, was rejected because the Applicants believed that the value of maximizing single-occupancy costs outweighed the construction costs. The capital cost was estimated at **\$10 million**. The **third** alternative to discontinuing the AMI service at the hospital was rejected because the applicants believe there is a need for AMI beds in the

market area. The **fourth** alternative of building a free-standing facility was dismissed because there is space in the Hospital, and this alternative would be duplicative. The estimated capital cost for this alternative is approximately \$64 million. The Applicants rejected the **fifth** alternative because the construction of a larger-scale project would result in a reduction in the number of beds. No capital costs were estimated.

## **VII. Project Scope and Size, Utilization**

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

### **A) Size of 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).

The Applicants are proposing 35,124 DGSF for the 64-bed AMI Unit, or 549 DGSF per bed. The State Board Standard is 440-560 DGSF per bed. The Applicants have successfully addressed this criterion.

### **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 projected years shall not exceed the number of documented historical years. 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 utilization standard by providing published data or studies, as applicable and available from a recognized source, that minimally include the following:

The State Board’s target occupancy for AMI beds is 85%. The Applicants state that Riverside Medical Center had an average daily census (“ADC”) of 49.1 (76.7%) through the first quarter of 2025. The Applicants believe that optimizing the configuration of the AMI unit with more private beds, essentially overcoming bed blockage, would result in the Applicants' ADC being 54.4, or 85%, by 2028. Based on the information provided, it appears that converting to single-bed rooms would enable the applicants to achieve their target utilization of 85% by 2028.

**TABLE FIVE**  
**Historical and Projected Utilization**  
**AMI Unit**

	2021	2022	2023	2024	2028
Beds	64	64	64	64	64
ADM	1,563	1,278	1,661	1,714	2,301
DAYS	14,504	9,852	13,469	14,794	19,856
ALOS	9.28	7.71	8.11	8.63	8.63
ADC	39.74	26.99	36.90	40.53	54
OCC	62.09%	42.17%	57.66%	63.33%	85.00%



## VIII. Acute Mental Illness

Category of Service Modernization  Ill. Adm.. Code 1110.210	(d)(1)	– Deteriorated Facilities
	(d)(2) & (3)	– Documentation
	(d)(4)	– Occupancy
	(f)	– Performance Requirement

### A) AMI Modernization

- 1) If the project involves modernization of an AMI and/or CMI service, the applicant shall document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:
  - A) High cost of maintenance.
  - B) Non-compliance with licensing or life safety codes.
  - C) Changes in standards of care (e.g., private versus multiple bedrooms); or
  - D) Additional space for diagnostic or therapeutic purposes.
- 2) Documentation shall include the most recent:
  - A) IDPH CMMS inspection reports; and
  - B) The Joint Commission reports.
- 3) Other documentation shall include the following, as applicable to the factors cited in the application:
  - A) Copies of maintenance reports.
  - B) Copies of citations for life safety code violations; and
  - C) Other pertinent reports and data.
- 4) Projects involving the replacement or modernization of a category of service or hospital shall meet or exceed the occupancy standards for the categories of service, as specified in 77 Ill. Adm.. Code 1100.

### 1. Conditions

The Applicants state that the Project will upgrade the HVAC system, remove wooden cabinetry in patient rooms, repair non-functioning and leaking patient showers, and enhance patient safety through finishing upgrades. The Hospital has three distinct AMI units that serve adolescents, adults, and geriatric adults. The adult unit will be relocated to the current geriatric unit space and expanded into the adjacent, previously vacant patient rooms that were used as M/S beds. The new adult unit will accommodate 30 beds, comprising 24 private rooms and three double-occupancy rooms. The Geriatric unit will be relocated to the existing adult behavioral health unit space, increasing capacity from 14 to 17 private rooms. The 17-bed adolescent unit will feature seven private rooms and five double-occupancy rooms. It will receive unit upgrades as part of the modernization of the nursing space and the addition of larger group and educational spaces. The number of private rooms will increase from 12 to 40, and the number of beds in double rooms will decrease from 52 to 24.

According to the Applicants, the current AMI units were constructed in 1973 and need considerable improvements. The Applicants state that under the proposed construction plan, all AMI units and patient rooms will be replaced, and/or remodeled during the

expansion and renovation. The Applicants state that the geriatric unit has six rooms without showers because they leak into the nursery unit below. The geriatric unit has a patient room blocked off when showering the patients. The Applicants state further that the adult unit does not meet code as the patient bathrooms are not readily handicapped and accessible to a patient who needs any assistance with showering. They are small and only accommodate one person. The Applicants plan to relocate the geriatric unit to the former adult care location, where all bathrooms will be spacious, accommodating showering with assistance and adaptive equipment. According to the Applicants, additional space is needed to provide proper seclusion space on two of the three units. The adult and adolescent units do not presently have a seclusion space. The current girls' section of the adolescent unit does not have access to a seclusion room.<sup>1</sup>

## 2. Cost

From January 1, 2023, through April 23, 2025, Riverside recorded 1,302 work orders for the Behavioral Health units. Riverside estimated an average cost of \$250 per work order.

Mental Health Unit (adult unit): 787 work orders = \$196,700  
Adolescent Unit: 220 work orders = \$55,000  
Geriatric Unit: 295 work orders = \$73,750  
Total: 1,302 work orders = \$325,500

The following statistics summarize the maintenance and work orders for each Behavioral Health unit from January 1, 2023, through April 23, 2025. The Mental Health Unit (**adult unit**) had 787 work orders placed. 87 in 2025 to date. In 2025:

- 23% of calls were related to temperature, thermostat changes, or heat failure.
- 28% were related to plumbing: toilet and sink clogs, toilet and sink not running water, showers leaking, etc.
- 13.8% were related to electrical wire exposures or outlet access needs (the outlets are not psych safe, so maintenance must uncover them for use).
- 13.8% due to faulty locks, door handles, or door closure-related issues.
- 3.4% of calls are due to water leaking from the ceiling.
- 5.7% of calls are related to ceiling and wall repair, as well as caulking needs.

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<sup>1</sup> In Illinois, the Illinois Department of Public Health (IDPH) regulates hospitals, including those providing psychiatric services for acute mental illness. Regarding seclusion spaces for acute mental illness patients, the IDPH has specific requirements, primarily found in the Illinois Administrative Code, particularly Title 77, Part 250. **General Requirements for Seclusion Use:**

**Last Resort:** Seclusion should only be used to prevent a patient from causing physical harm to themselves or others and only after less restrictive interventions have been explored and found to be inappropriate.

**Physician Order:** Seclusion must be ordered by a physician or, in some cases, a registered nurse with supervisory responsibility as authorized by the medical staff.

**Documentation:** A written log of each seclusion episode must be maintained, detailing the justification, timing, and monitoring of the patient.

**Monitoring:** The patient must be monitored continuously by trained staff, either directly or through visual observation via a window or one-way mirror, as long as staff have unimpeded access to the room.

**Patient Rights:** Patients in seclusion must be informed of their rights, including the right to have chosen individuals notified.

The **adolescent unit** had 220 work orders placed. 26 in 2025 to date. In 2025:

- 30% of calls were related to temperature, thermostat changes, or heat failure.
- 27% were related to plumbing: toilet and sink clogs, toilet and sinks not running
- water, showers leaking, etc.
- 15.4% due to faulty locks, door handles, or door closure-related issues.
- 3.8% of calls were due to water leaking from the ceiling.
- 7.6% of calls are related to ceiling and wall repair, as well as caulking needs.

The **Geriatric Unit** had 295 work orders placed, 58 in 2025 to date. In 2025:

- 55% of calls were related to temperature, thermostat changes, or heat failure.
- 19% were related to plumbing: toilet and sink clogs, toilet and sinks not running
- water, showers leaking, etc.
- 20.6% were related to other.
- 5.1% due to faulty locks, door handles, or door closure-related issues.
- 

### 3. Occupancy

The State Board's occupancy target for modernizing AMI beds is 85%. At this occupancy level, the average daily census would justify 45 AMI beds. ( $38 \text{ ADC} \div 85\% = 45 \text{ Beds}$ )

TABLE SIX AMI Bed Utilization							
<i>Acute Mental Illness</i>	2019	2020	2021	2022	2023	2024	Ave
<i>Beds</i>	64	64	64	64	64	64	64
<i>ADM</i>	1,574	1,418	1,563	1,278	1,661	1,714	1,535
<i>DAYS</i>	14,488	14,106	14,504	9,852	13,469	14,794	13,536
<i>ALOS</i>	9.20	9.95	9.28	7.71	8.11	8.63	8.81
<i>ADC</i>	39.69	38.65	39.74	26.99	36.90	40.53	37.08
<i>OCC</i>	62.02%	60.39%	62.09%	42.17%	57.66%	63.33%	57.94%

#### B) Performance Requirements – Bed Capacity Minimums

- 1) The minimum unit size for a new AMI unit within an MSA is 20 beds.
- 2) The minimum unit size for a new AMI unit outside an MSA is 10 beds.

Riverside Medical Center is located in the Kankakee-Bourbonnais-Bradley, IL, Metropolitan Statistical Area (MSA), which encompasses Kankakee County, Bourbonnais, and Bradley. The Applicants will retain all 64 AMI beds at the Hospital, which exceeds the minimum requirement.

## IX. Financial Viability and Economic Feasibility

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

The Applicants are funding this project with \$29,878,477 in cash. **No debt** is being used to finance this project. The Applicants have an “A2” Rating from Moody’s Ratings and an “A+” Rating from S&P Global Ratings. Due to the “A” or better bond ratings, the Applicants have qualified for the financial viability waiver, which waives the requirement for financial ratios.

### Moody’s Ratings

*“The A2 rating reflects Riverside Health System’s (RHS) stable operating cash flows achieved through the management’s effective expense management and strong outpatient volume growth. RHS’s leading market position supports cash flow (68% in the primary service area), diverse service array, and strategic partnerships with Chicago-based academic medical centers. Capital expenditures will be manageable, given the recent completion of the system’s emergency department expansion, which will allow for the maintenance of excellent liquidity (approximately 400 days of cash on hand) and favorable leverage (3.5 times cash to debt). However, a relatively small enterprise revenue base and high exposure to governmental payors remain the primary challenges.”*

<b>TABLE SEVEN</b>		
<b>Riverside Health System</b>		
<b>Audited Financial Statement</b>		
<b>December 31<sup>st</sup></b>		
	2023	2022
Cash	\$91,621,143	\$95,856,656
Current Assets	\$198,988,155	\$202,367,031
Total Assets	\$844,344,621	\$828,769,483
Current Liabilities	\$65,923,428	\$98,499,221
Total Liabilities	\$239,557,050	\$285,653,902
Patient Service Revenue	\$449,278,320	\$402,314,802
Total Revenue	\$471,470,501	\$421,617,832
Expenses	\$455,361,101	\$443,361,350
Other Income	\$44,673,650	-\$43,654,832
Revenue above expenses	\$60,808,050	-\$65,398,350

**TABLE EIGHT**  
**Riverside Medical Center**  
**Medicare Cost Report**

	2019	2020	2021	2022	2023
Total Patient Revenue	\$1,379,588,622	\$1,317,203,893	\$1,460,239,989	\$1,430,892,387	\$1,602,749,021
Contractual All	\$1,005,245,497	\$960,910,439	\$1,064,173,657	\$1,041,769,691	\$1,168,295,702
Net Patient Revenue	\$374,343,125	\$356,293,454	\$396,066,332	\$389,122,696	\$434,453,319
Operating Expenses	\$366,598,887	\$370,593,936	\$397,408,852	\$414,179,164	\$425,495,621
Net Income from Patient Services	\$7,744,238	-\$14,300,482	-\$1,342,520	-\$25,056,468	\$8,957,698
Other Income	\$46,337,395	\$32,714,047	\$48,597,153	-\$33,010,840	\$47,539,808
Net Income	\$54,081,628	\$18,413,565	\$47,254,652	-\$58,067,298	\$56,497,505
Operating Margin <sup>(1)</sup>	2.07%	-4.01%	-0.34%	-6.44%	2.06%
1. Operating Margin = Net Income from Patient Services ÷ Net Patient Revenue					

**C) Criterion 1120.140 (c) – Reasonableness of Project Costs**

The applicant shall document that the estimated project costs are reasonable and justifiable.

**Preplanning costs** of \$4,309 are less than 1% of the modernization, contingency, and movable equipment costs. This appears reasonable when compared to the State Board Standard of 1.8%.

**Modernization Contracts and contingency costs total \$20,479,624, or \$583 per square foot.** This appears HIGH when compared to the State Board Standard of \$466.05.

**Contingency Costs** are \$1,861,784, which is 10% of the modernization costs of \$18,617,874. This appears reasonable when compared to the State Board Standard of 10-15%.

**A&E fees are \$894,263, which is 4.37% of the** modernization and contingency costs of \$20,479,624. This appears reasonable when compared to the State Board Standard of 5.74-8.62%.

The State Board does not have standards for these costs.

Consulting and Other Fees	\$209,926
Movable or Other Equipment	\$930,811

**D) Criterion 1120.140 (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 refer to the fully allocated salaries, benefits, and supplies required to provide the service.

The Direct Operating Costs per Equivalent Patient Day are \$427.11. The State Board does not have a standard for this criterion.

**E) Criterion 1120.140 (e) – 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 Total Effect of the Project on Capital Costs per Equivalent Patient Day is \$475.68. The State Board does not have a standard for this criterion.

## Explanation of Cost Increase

Riverside acknowledges that its current construction budget may exceed the state standard for construction cost per square foot. This variance in cost per square foot can be attributed to construction issues unique to this Project and the special physical requirements necessary in mental health units to ensure patient safety. The cost per square foot figures included in the application were adjusted due to several factors, as discussed below:

### **Mechanical, Electrical, and Plumbing (MEP)**

- o Existing medical gas will have to be removed in approximately 11,858 GSF of this project and then added in 17 patient rooms that are not currently outfitted.
- o Approx. 25,870 GRF of this project is not currently under fire suppression (sprinklered) and will require sprinklering with tamper-proof fixtures.
- o All items in patient care areas are required to be ligature resistant, including all plumbing fixtures (toilets, shower valves, sinks, patient HVAC units)

### **• Active Unit**

- o Riverside will maintain patient care during this project, resulting in a multi-phased construction schedule estimated at 104 weeks.
- o Temporary barriers and walls are required to maintain a safe and compliant phased project, adding to the construction cost. An additional need for personnel will be required where patients are present due to safety considerations.

### **• Location of project**

- o This project is located on the 2nd floor of the main hospital with active patient care and critical departments above and below the entire scope of the project. There will be additional costs due to scheduling shutdowns, working off-hours, and implementing extra infection control measures to ensure the safe care of all patients and staff.

### **• Mental Health Codes & Regulations**

- o Anti-ligature and psych-safe materials are required throughout the entire scope of this Project. This includes, but is not limited to, ceiling construction, door hardware, specialized furniture, and plumbing fixtures. These materials can cost up to three times the price of standard construction materials and require additional time and quality checks during the installation process.

### **• Inflation & Tariff**

- o Additional construction costs are expected due to inflation throughout the Project, as well as the impact of tariffs on supplies and construction material costs.

### **Project Item Estimated Cost**

MEP	\$55 per GSF	×46,745 GSF	= \$2,570,975
Multi-Phased Project	\$25 per GSF	×46,745 GSF	= \$1,168,625
Active Healthcare Facility	\$25 per GSF	×46,745 GSF	= \$1,168,625
Psych Safe Material	\$45 per GSF	×46,745 GSF	= \$2,103,525
Inflation and Tariff	\$27 per GSF	×46,745 GSF	= \$1,262,115
Total			= \$8,273,865

## 25-021 Riverside Medical Center - Kankakee

