



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-10	BOARD MEETING: March 18, 2025	PROJECT NO: 24-042	PROJECT COST:
FACILITY NAME: Elmhurst Memorial Hospital		CITY: Elmhurst	Original: \$100,849,833
TYPE OF PROJECT: Non-Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Elmhurst Memorial Hospital and Endeavor Health) propose to add three operating rooms and support space, a 16-bed observation unit, and a two-story addition above the cancer center to accommodate the expansion of the cancer center's clinic and administrative space, and the relocation of endoscopy procedure rooms and support space. The project cost is approximately \$100,849,833, with an expected completion date of September 30, 2028.

Information on this Application for a Permit can be found at this link:

<https://hfsrb.illinois.gov/project.24-042,-elmhurst-memorial-hospital,-elmhurst.html>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Elmhurst Memorial Hospital and Endeavor Health) propose to add three operating rooms and support space, a 16-bed observation unit, and a two-story addition above the cancer center to accommodate the expansion of the cancer center’s clinic and administrative space, and the relocation of the endoscopy procedure rooms and support space. The project cost is approximately \$100,849,833, with an expected completion date of September 30, 2028.
- The Applicants submitted a Type B Modification to change the allocation of some costs. This modification does not require an opportunity for a public hearing. The overall project did not change (See Table Four).

Executive Summary			
TABLE ONE			
Key Rooms			
	Existing	Proposed	Increase
	Key Rooms		
Operating Rooms	16	19	+3
PACU	18	27	+9
Endoscopy Suites	7	7	0
Cancer Exam Rooms	16	30	+14
Observation	8	24	+16

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the proposed project exceeds the capital expenditure minimum of \$17,252,704.

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and the State Board has received no letters of support or opposition.

SUMMARY:

- According to the Applicants, the proposed renovations and expansion will improve patient access in key areas such as cancer, surgery, endoscopy, and observation.
- The State Board Standard for adding operating/procedure rooms is 1,500 hours per room. The State Board does not have a utilization standard for observation beds or cancer treatment clinics.
- The Applicants are proposing 19 operating rooms and seven procedure rooms for 26 rooms. Over six years, the 16 operating rooms have experienced a 3.7% annual increase in hours utilized, while the seven procedure rooms have experienced a 1.5% increase in hours. The Applicants are projecting a 4.5% yearly increase in the number of hours in the operating rooms and an 8.5% yearly increase in the number of hours in the procedure rooms.
- The Applicants addressed a total of 14 criteria and have not met the following:

Criterion	Non-Compliant
77 Ill. Adm. Code 1110.120 (a) Size of the Project	The Applicants do not meet the size standard for Stage I PACU stations. (See page 11)
77 Ill. Adm. Code 1110.270 (c) (2) – Service Modernization	Two years of historical utilization justifies six procedure rooms, not the seven requested. (See Table Seven, Page 16 of this report)

Criterion	Non-Compliant
77 Ill. Adm. Code 1120.140 (c) – Reasonableness or Project Costs	<p>New Construction and Contingency Costs are \$35,283,768 per GSF ($\\$35,116,144 \div 33,450$ per GSF = \$1,049.81 per GSF), which appears high compared to the State Board Standard of \$575.56 per GSF.</p> <p>Modernization and Contingency Costs are \$28,471,358 or \$728.40 per GSF ($\\$26,805,144 \div 36,800$ = \$734.96 per GSF). This appears high compared to the State Board Standard of \$402.90 per GSF. (See Explanation at the end of this report)</p>

ELMHURST MEMORIAL HOSPITAL





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Project #24-042
Elmhurst Memorial Hospital
State Board Staff Report

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Elmhurst Memorial Hospital and Endeavor Health
Facility Name	Elmhurst Memorial Hospital
Location	155 E/ Brush Hill Road, Elmhurst, Illinois
Permit Holder	Elmhurst Memorial Hospital and Endeavor Health
Licensee/Operating Entity	Elmhurst Memorial Hospital
Owner of Site	Elmhurst Memorial Hospital
Application Received	December 23, 2024
Application Deemed Complete	December 27, 2024
Review Period Ends	February 25, 2025
Project Completion Date	September 30, 2028
Does the State Board staff extend the review period?	No
Can the Applicant request a deferral?	Yes

I. The Proposed Project

The Applicants (Elmhurst Memorial Hospital and Endeavor Health) propose to add three operating rooms and support space, a 16-bed observation unit, and a two-story addition above the cancer center to accommodate the expansion of the cancer center’s clinic and administrative space, and the relocation of the endoscopy procedure rooms and support space. The project costs approximately \$100,849,833, and the expected completion date is September 30, 2028.

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 the provisions of Part 1120.

III. General Information

The Applicants are Endeavor Health and Elmhurst Memorial Hospital. On January 1, 2022, NS-EE Holdings (NS-EE) became the sole corporate member of NorthShore University Health System and Edward-Elmhurst Healthcare, Illinois not-for-profit corporations. On December 5, 2023, NS-EE’s name was changed to Endeavor Health. Endeavor Health operates eight acute care facilities, including Edward Hospital, Elmhurst Hospital, Evanston Hospital, Glenbrook Hospital, Highland Park Hospital, Northwest Community Hospital, Skokie Hospital, Swedish Hospital, and Linden Oaks Hospital, a behavioral health hospital. This non-substantive project is subject to a Part 1110 and Part

1120 review. Financial Commitment will occur after permit issuance. The State Board Standard for operating/procedure rooms is 1,500 hours per room.

IV. Health Service Area

Elmhurst Memorial Hospital is in Health Service Area HSA VII and Hospital Planning Area A-05, DuPage County. There are six Hospitals in the A-05 Hospital Planning Area.

TABLE ONE			
Hospitals in the A-05 Hospital Planning Area			
Hospital	City	Miles	Total Beds
Elmhurst Memorial Hospital	Elmhurst	0	258
UC Medicine AdventHealth Hinsdale	Hinsdale	5.6	241
Advocate Good Samaritan	Downers Grove	6.9	313
UC Medicine AdventHealth Glen Oaks	Glendale Heights	15	128
NW Medicine Central DuPage	Winfield	19.3	406
Edward Hospital	Naperville	20.7	359

The population of DuPage County is projected to be 935,451 by 2030, and it is projected to grow by .50% during the 2020 to 2030 decade, a higher rate of growth than the projected growth for Illinois, which has been declining. The 65+ population is projected to grow faster than the overall population, about 43.35%, in DuPage County during the same decade, compared with 30.8% across Illinois (See Table Two).

TABLE TWO				
Population Projections				
	2020	2025	2030	Increase 2020-2030
DuPage County				
Population	931,153	933,829	935,451	0.50%
65+ Pop	151,240	186,290	216,805	43.35%
State of Illinois				
Population	12,785,245	12,780,245	12,775,245	-0.08%
65+ Pop	2,060,629	2,398,232	2,695,534	30.81%
(Source IDPH Population Projections)				

V. Elmhurst Memorial Hospital

Over six years (2018-2023), the Hospital’s patient days increased by approximately 30%, the average length of stay (“ALOS”) increased by 18%, and emergency department visits increased by 26%. Table Three shows the Hospital’s utilization for 2023. Over this same period, the Hospital's payor mix was approximately 31.5% Medicare, 12.5% Medicaid, 54% commercial insurance, 1% private pay, and 1% charity care. (See Table Three)

TABLE THREE
Elmhurst Memorial Hospital
2023 Utilization

	Authorized	Staff	Admit	Days	ALOS	ADC	Occ	State Standard
Medical Surgical	196	196	13,727	65,064	4.74	178.26	90.95%	85%
Obstetrics	23	23	2,327	7,504	3.22	20.56	89.39%	75%
Intensive Care	39	39	2,450	10,872	4.44	29.79	76.38%	60%
Total	258	258						

Emergency		Operating		Procedure	
Rooms	44	Rooms	16	Rooms	5
Visits	84,647	Hours	33,641	Hours	8,110
Visits Per Room	1,924	Hrs. Per Room	2,103	Hrs. Per Room	1,622
State Standard	2,000	Hrs. Per Room	1,500	Hrs. Per Room	1,500
	Visits per Room				

IV. Project Uses and Sources of Funds

The Applicants are funding this project with bond proceeds totaling \$100,849,833. They submitted a Type B Modification that modified some line items in Table Four below.

TABLE FOUR
Project Uses and Sources of Funds

Department	Original Proposal			Type B Modification			Difference
	Clinical	Non-clinical	Total	Clinical	Non-clinical	Total	
Preplanning Costs	\$31,080	\$0	\$31,080	\$31,080	\$0	\$31,080	\$0
Site Preparation	\$0	\$0	\$0	\$294,000	\$0	\$294,000	\$294,000
New Construction Costs	\$35,562,446	\$1,481,769	\$37,044,215	\$32,889,148	\$1,370,381	\$34,259,529	-\$2,784,686
Modernization Costs	\$25,025,442	\$1,317,129	\$26,342,571	\$23,600,442	\$1,242,129	\$24,842,571	-\$1,500,000
Contingencies	\$5,431,698	\$408,838	\$5,840,536	\$5,431,698	\$408,838	\$5,840,536	\$0
A & E Fees	\$3,468,714	\$301,627	\$3,770,341	\$3,468,714	\$301,627	\$3,770,341	\$0
Consulting and Other Fees	\$725,801	\$31,120	\$756,921	\$770,801	\$31,120	\$801,921	\$45,000
Movable or Other Equipment	\$9,447,604	\$0	\$9,447,604	\$9,447,604	\$0	\$9,447,604	\$0
Bond Issuance	\$862,932	\$37,068	\$900,000	\$862,932	\$37,068	\$900,000	\$0
Net Interest Expense	\$12,480,000	\$520,000	\$13,000,000	\$12,480,000	\$520,000	\$13,000,000	\$0
Other costs will be Capitalized	\$3,270,578	\$445,988	\$3,716,566	\$6,742,781	\$919,470	\$7,662,251	\$3,945,685
Uses of Funds	\$96,306,295	\$4,543,538	\$100,849,833	\$96,019,200	\$4,830,633	\$100,849,833	\$0
Bond Issuance			\$100,849,833			\$100,849,833	\$0
Source of Funds			\$100,849,833			\$100,849,833	\$0

V. Project Details

The Applicants (Elmhurst Memorial Hospital and Endeavor Health) propose to add three operating rooms and support space, a 16-bed observation unit, a two-story addition above the cancer center to accommodate the expansion of the cancer center's clinic and administrative space, and the relocation of seven endoscopy procedure rooms and support space.

The observation unit will be on the 1st floor (ground level) of the main hospital building, directly below surgical services on the 2nd floor. There are additional inpatient floors/units above the 2nd floor. The new 16-bed observation unit is located on the East end of the hospital. The three additional operating rooms will be adjacent to the current operating rooms on the 2nd floor of the East side of the hospital and within the current surgical services area. The five existing onsite procedure rooms will be repurposed in this space to accommodate the expansion of the operating room. The proposed seven procedure rooms in the project will be located on the new cancer center's 2nd floor (new floor added), and the new floor will be connected directly to the main hospital. The seven new procedure rooms on the 2nd floor above the cancer center will be contiguous and connected to the surgical services area on the 2nd floor of the main hospital building.

Note: GI Services is currently in a medical office at 755 N. York St., Elmhurst. The building, which goes by the formal name of Endeavor Health Center—North Elmhurst, houses physician offices, a walk-in clinic, and GI services with two endoscopy rooms.

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

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

A) **Background of Applicant**

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 Applicants provided licensure and accreditation information as required. They attested that they comply with and are in good standing with all federal and State regulations, including the Illinois State Agency Historic Resources Preservation Act and Executive Order #2006-5. In addition, the Applicants attested that they have not had any adverse actions as defined by the State Board in the past three years of filing this Application for Permit.

Additionally, the Hospital has been certified by the Joint Commission. As of the date of this report, the Medicare Care Compare website has assigned Elmhurst Memorial Hospital

an overall four-star rating.¹ The rating summarizes quality information on essential topics like readmissions and deaths after heart attacks or pneumonia. Cost Compare shows how well each hospital performed on an identified set of quality measures compared to other hospitals in the United States.

The Applicants appear fit, willing, and able to provide the community with a proper standard of healthcare service.

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 area according to the applicant's definition.

According to the Applicants, the proposed renovations and expansion will improve patient access in key areas such as cancer, surgery, endoscopy, and observation. The Applicants state their planning area is 33 zip codes surrounding Elmhurst Memorial Hospital, which will have approximately 760,000 residents in 2024. The Applicants estimate the 65+ population will increase by 10.6% over the next five years. The Applicants believe this 65+ population will be the primary beneficiary of the proposed project.

Problems to be Addressed by this Application for Permit

Observation Unit

- The Applicants state that the Hospital has seen a 33.8% increase in inpatient days from 2018 to 2023. This has led to patients being in the emergency department longer than necessary, which, according to the Applicant, is costly and inefficient. Observation day volumes have increased by 18% since 2018, and the Applicants believe that will continue, driven by CMS and commercial payment policies. The Applicants are proposing a 16-bed observation unit to address this problem.

Cancer Services

- According to the Applicants, the cancer treatment facility operates at full capacity. The Applicants state that as cancer incidence rates continue to rise, along with an increasing prevalence of co-morbidities amongst the patient population, the need for expanded services has become critical. The Applicants state that delayed access to care often forces patients to seek treatment in emergency departments or through hospital admissions, which are costly and can lead to poorer health outcomes. Expanding the cancer center will address these issues by providing much-needed space and resources to accommodate the growing demand for services.

¹ ¹ The hospital's overall star rating summarizes quality information on essential topics, like readmissions and deaths after heart attacks or pneumonia. The overall rating, between 1 and 5 stars, summarizes various measures across seven areas of quality into a single-star rating for each hospital. The seven measure groups include:

• Mortality • Safety of care • Readmission • Patient experience • Effectiveness of care • Timeliness of care • Efficient use of medical imaging. The overall rating shows how well each hospital performed on an identified set of quality measures compared to other hospitals in the U.S. The more stars a hospital has, the better it performs on the available quality measures. (Source: CMS Compare Website)

Procedural Space

- According to the Applicants, Elmhurst Memorial Hospital has experienced growth in surgical and endoscopic procedures despite the national and local trend of shifting these services to ambulatory settings. Due to this growth, the existing procedural spaces are inadequate to meet the demand, leading to longer patient wait times and increased strain on staff and resources. The current endoscopy spaces are separated, resulting in operational inefficiencies that reduce workflow, increase turnaround times, and complicate staff coordination. The Applicants believe a dedicated procedural space expansion would streamline these processes, improve patient throughput, and enhance patient experience. With the continued growth of surgery and endoscopy services, expanding the procedural space is essential to maintaining high-quality care, reducing delays, and improving operational efficiency.

C) Safety Net Impact Statement

All healthcare facilities, except for 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]

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

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.

Alternative One – Full Cancer Build Out – Est. Cost \$125 Million

Alternative Two – Vertical Build-Out of Hospital – Est. Cost \$105.7 Million

Alternative Three – Surgery and Observation Unit Addition – Est. Cost \$46.6 Million

Alternative Four – Do Nothing

Alternative One: Estimated Cost: \$125 Million

This alternative would involve renovating the existing facility and adding three new floors. The Applicants state that while this extensive expansion would significantly improve clinical and nonclinical space requirements, it was ultimately rejected in favor of a more fiscally responsible approach aimed at reducing the overall size and cost of the project.

Alternative #2: Estimated Cost: \$105.7 Million

This alternative proposes adding one floor atop the existing hospital, providing 24 additional beds and necessary support space. According to the Applicants, this expansion does not address the need for operating rooms and cancer services. The Applicants note that as healthcare services increasingly transition outside of traditional hospital settings, there is a substantial risk that this alternative could lead to overbuilding, raising concerns about the long-term viability and utilization of the newly created space. This could result in wasted resources and operational inefficiencies, undermining financial sustainability. For these reasons, this option was rejected as it fails to address essential access needs and poses risks of inefficient resource utilization.

Alternative #3: Estimated Cost: \$46.8 Million

This alternative involves the construction of a 2-story addition behind the existing Elmhurst Memorial Hospital to accommodate a 15-bed observation unit, two operational operating suites, two shelled operating suites, and essential support spaces. According to the Applicants, this alternative would not address the space needed for cancer and endoscopy services. The proposed location of this new wing raises concerns regarding patient transport and wayfinding, as **it** may complicate navigation for patients and their families. This alternative does not fully align with the goals of enhancing healthcare delivery at Elmhurst Hospital.

Alternative #4: No Cost

As evidenced by the reported growth in services over the past six years, capacity at the Hospital needs to be increased. According to the Applicants, opting to do nothing would hinder the ability of the Hospital to improve access and address the needs of the community. This inaction would exacerbate existing challenges, such as long wait times and limited-service availability, and risk compromising patient care quality. Instead, the

Applicants state they are committed to pursuing options that will expand capacity and ensure that they can meet the community's healthcare needs promptly and efficiently.

VI. Project Scope and Size, Utilization and Unfinished/Shell Space – Review Criteria

- 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 State Board’s size standard for operating rooms is 2,750 DGSF per room; procedure rooms are 1,100 DGSF per room, Phase I Recovery Station is 180 DGSF, and Phase II Recovery Stations is 400 DGSF. (See Table Five)

TABLE FIVE
Size of the Project

	Rooms	Proposed DGSF	State Standard per Room DGSF	State Standard Total DGSF	Met Standard?
Operating Rooms	19	51,900	2,750	52,250	Yes
Procedure Rooms	7	7,700	1,100	7,700	Yes
PACU Phase I	29	7,200	180	5,220	No
PACU Phase II	60	23,400	400	24,000	Yes

The State Board has no standard for an observation unit or an outpatient oncology clinic. All areas meet the state standard except the post-anesthesia recovery rooms. According to the Applicants, the proposed post-anesthesia recovery rooms are slightly larger than the state standard due to limitations in the existing layout and structural grid, which prevent full compliance with the standard. The current bays are 250 DGSF/KPU.², and the expansion aligns with this existing configuration. Additionally, the structural grid dictates the PACU station spacing in the expanded PACU, necessitating the slightly larger space to maintain operational efficiency and patient care standards within the constraints of the building's infrastructure.

² KPU refers to a key planning unit, a unit of measurement used in healthcare design. It measures the square footage needed for a key planning unit in a hospital, such as an operating room, patient bed, or imaging modality.

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 State Board Standard for the operating/procedure rooms is 1,500 hours per room. The Applicants are proposing 19 operating rooms and seven procedure rooms for 26 rooms. Over six years, the 16 operating rooms have experienced a 3.7% annual increase in hours utilized, while the seven procedure rooms have experienced a 1.5% increase in hours. The Applicants are projecting a 4.5% yearly increase in the number of hours in the operating rooms and an 8.5% yearly increase in the number of hours in the procedure rooms. Should these hours materialize, the Applicants can justify the number of rooms being proposed. (See Table Six below)

	2018	2019	2020	2021	2022	2023	2030
Surgery Rooms							
Cases	11,476	13,041	11,164	12,712	13,669	14,387	17,226
Hours	27,385	30,579	27,468	30,591	32,697	33,641	41,325
Hours Per OR	1,712	1,911	1,717	1,912	2,044	2,103	2,175
# of Rooms Justified	18	20	18	20	22	22	28
Procedure Rooms							
Cases	7,213	7,249	6,309	7,221	7,598	7,985	15,228
Hours	7,533	4,047	6,609	7,374	7,832	8,110	11,487
Hours Per OR	1,507	809	1,322	1,475	1,566	1,622	1,641
# of Rooms Justified	5	3	4	5	5	6	8

VII. Clinical Services Other than Categories of Service

A) Service Modernization

The applicant shall document that the proposed project meets one of the following:

1) Deteriorated Equipment or Facilities

The proposed project will result in the replacement of equipment or facilities that have deteriorated and need replacement. Documentation shall include but is not limited to, historical utilization data, downtime or time spent out of service due to operational failures, upkeep and annual maintenance costs, and licensure or fire code deficiency citations involving the proposed project.

2) Necessary Expansion

The proposed project is necessary to expand diagnostic treatment, ancillary training, or other support services to meet patient service demands. Documentation shall consist of, but is not limited to, historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project.

3) Utilization

A) Major Medical Equipment

Proposed projects for acquiring major medical equipment shall document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition.

B) Service or Facility

Projects involving the modernization of a service or facility shall meet or exceed the utilization standards for the service, as specified in Appendix B. The number of key rooms being modernized shall not exceed the number justified by historical utilization rates for each of the last 2 years unless additional key rooms can be justified per subsection (c)(2) (Necessary Expansion).

C) If no utilization standards exist, the applicant shall document its anticipated utilization regarding the incidence of disease, conditions, or population use rates.

The Applicants are proposing the following key rooms as part of this modernization.

	Existing	Proposed	
	Key Rooms		Increase
Operating Rooms	16	19	3
PACU	18	27	9
Endoscopy Suites	7	7	0
Cancer Exam Rooms	16	30	14
Observation	8	24	16

1. Operating Rooms

Elmhurst Hospital expects steady growth in surgical services through 2030, driven by the expanding 65+ population, which is projected to grow by 11% in the next five years. According to the Applicants, this demographic shift is expected to drive high demand for surgical procedures. Elmhurst experienced an average annual growth of 5.1% in surgical volume, while the projected volumes indicate an expected average annual increase of 2.8% from 2023 to 2030. The Applicants believe Elmhurst's operating rooms run very efficiently, a key factor that makes Elmhurst a preferred choice for surgeons who need to promptly get patients in for procedures. Elmhurst has already extended hours to ensure patients have access to timely care as volumes increase. To keep pace with the growing demand and maintain high standards of timely, quality care, adding more

operating rooms will be essential to accommodate the projected increase in volume and serve the patients within our community.

2. Endoscopy Rooms

Elmhurst is projecting an increase in endoscopy procedure volumes, driven by an 8.5% average annual growth from 2021 to 2023 and an estimated 4.5% annual increase from 2023 to 2030. The Applicants state that historical trends, shifts in population demographics, and the growing need for these services, particularly as the local population ages, fuel this growth.

The Applicants state an aging population requires more frequent endoscopic screenings and procedures, particularly for conditions such as colorectal cancer, which significantly contributes to the increasing demand for these services. Additionally, changes in screening guidelines—such as the recent lowering of the recommended age for colorectal cancer screening—will further drive demand. With these shifts, more individuals will be eligible for screenings, intensifying the need for timely and efficient endoscopy services.

The Applicants state Elmhurst Memorial Hospital's current infrastructure, spread across two facilities (Elmhurst Memorial Hospital and the North Elmhurst Location), creates operational inefficiencies, increases turnaround times, and strains resources, especially considering the ongoing provider shortage.

According to the Applicants, the proposed expansion of endoscopy procedural space at Elmhurst Memorial Hospital is essential to meet the growing demand for diagnostic and therapeutic endoscopic procedures. Elmhurst Memorial Hospital currently performs over 10,000 endoscopy procedures annually across two locations. However, the geographic separation of these units has resulted in operational inefficiencies that impact timely patient care access. The proposed solution involves co-locating the existing endoscopy units to a single centralized location on the Elmhurst Memorial Hospital campus, improving workflow, reducing wait times, and enhancing patient throughput.

As a result of increased demand, Elmhurst Memorial Hospital's surgical and procedure rooms are operating at/above the State Board's benchmark capacity of 80%. The table below demonstrates that the Hospital's operating capacity was at or above the State Board's operating standard for the years presented. The State Board Standard is 1,500 hours per operating/procedure room or 80%. Historical utilization justified 22 operating rooms and six procedure rooms.

TABLE SEVEN			
Average Historical Utilization			
Surgery	2022	2023	Ave.
Cases	13,669	14,387	14,028
Hours	32,697	33,641	33,169
Hours Per OR	2,044	2,103	2,074
# of Rooms Justified	22	22	22
Procedure			
Cases	7,598	7,985	7,792
Hours	7,832	8,110	7,971
Hours Per OR	1,566	1,622	1,594
# of Rooms Justified	5	6	6

3. Cancer Exam Rooms

The State Board does not have a utilization standard for this service. The Applicants are proposing 30 cancer treatment exam rooms. The Applicants state the proposed cancer exam room expansion is necessary to meet the growing demand for cancer care, driven by local population increases, a rise in cancer incidence, and advances in treatment options. Historical utilization data shows a significant year-over-year increase in patient volumes, with current capacity nearing full utilization. Projections suggest continued growth, making timely access to cancer care critical for positive clinical outcomes. The proposed expansion will include the addition of 14 exam rooms. Expanding the cancer center will improve access, enhance outcomes, and meet the community's growing demand for cancer services, ensuring that residents and their families can receive high-quality care without traveling.

	2022	2023	Projected
Clinic Visits	28,266	31,885	34,704

4. Observation Rooms

The State Board does not have a utilization standard for this service. The Applicants are proposing the addition of sixteen observation beds. Total observation days have increased by 13% over the past six years, reflecting a growing demand for short-term care and monitoring that does not necessitate entire hospitalization. The Applicants believe this trend in observation stays is expected to continue, driven by advancements in outpatient care, shifts in healthcare policy encouraging lower-cost care alternatives, and a rising patient population with more complex, chronic conditions that require closer monitoring but not entire hospitalization. The Applicants state the proposed unit will allow the hospital to better manage lower-acuity patients by consolidating care in a dedicated space, separate from medical/surgical inpatient beds. According to the Applicants, this will optimize staffing, improve patient flow, and free up inpatient capacity. By shifting observation patients from inpatient beds to the new unit, the hospital can increase efficiency and meet

the growing demand for observation services. Literature reviews on observation beds generally highlight that utilizing observation units within emergency departments (EDs) can lead to significant benefits, including decreased inpatient admission rates, shorter length of stays, lower costs, and improved patient satisfaction by providing efficient care for patients with uncertain diagnoses who may not require full inpatient admission; this ultimately frees up inpatient beds for more critically ill patients⁰ *Source: <https://pubmed.ncbi.nlm.nih.gov/21157228>)

Year	2018	2019	2020	2021	2022	2023
Total Observation Days	6,142	6,188	5,709	7,061	7,105	6,899
M/S Observation Days	5,667	5,737	5,312	6,546	6,893	6,651

VIII. Financial Viability

- A) Criterion 1120.110 - Availability of Funds
- B) Criterion 1120.120 - Financial Viability
- C) Criterion 1120.140 (a) – Reasonableness of Financing Arrangement

The Applicants are funding this project with bond proceeds totaling \$100,849,833. They have an “AA-:”³ Rating on Illinois Finance Authority's \$291 million revenue refunding bonds series 2024A from S&P Global Ratings. Also included was the “Aa3”⁴ Rating from Moody’s Rating. The Applicants have qualified for the financial viability waiver (1120.120) and the reasonableness of financing arrangements (1120.140 (a) with the “A” or better bond rating.

Moody’s Ratings states in part:

“Endeavor Health's position as the third largest system in the Chicago Region and strong share in attractive local markets provide key fundamental strength. Significant savings from the successful integration of several mergers, ongoing investments in clinical services, and an extensive physician network will drive further operating improvement following good performance in fiscal 2023. Debt to cashflow will remain low, and cash to debt will be close to 300% due to moderate debt, including limited pension and operating lease obligations. While capital expenditure will increase, cash on hand will be substantial as spending is funded with cash flow and investment returns. However, labor and nonlabor costs will prolong a return to historical margins in several years. Competition will be high in the broader regions, especially with ongoing consolidation.”

TABLE EIGHT
Elmhurst Memorial Hospital
Revenue
Medicare Cost Report

	2018	2019	2020	2021	2022	2023
Total Rev.	\$2,524,436,928	\$2,674,876,637	\$2,678,828,256	\$2,947,060,822	\$3,192,902,382	\$3,625,762,984
Allowances	\$2,072,288,011	\$2,191,490,562	\$2,217,057,455	\$2,435,692,751	\$2,663,761,032	\$3,008,309,976
Patient Rev.	\$452,148,917	\$483,386,075	\$461,770,801	\$511,368,071	\$529,141,350	\$617,453,008
Op. Exp.	\$461,521,510	\$475,216,458	\$471,112,931	\$492,801,308	\$494,098,362	\$475,160,124
Op. Inc.	-\$9,372,593	\$8,169,617	-\$9,342,130	\$18,566,763	\$35,042,988	\$142,292,884
Other Inc.	\$20,845,553	\$25,081,124	\$44,522,168	\$32,848,341	\$26,716,736	\$20,623,132
Net Income	\$11,472,960	\$33,250,745	\$35,180,042	\$51,415,109	\$61,753,724	\$162,916,013
Op. Margin %	-2.07%	1.69%	2.02%	3.63%	6.62%	23.05%

1. Operating Margin = Operating Income (Op. Inc.) ÷ Patient Revenue

³ An AA S&P rating indicates that an obligor has a powerful ability to meet its financial obligations. It's considered an investment grade rating, meaning the obligor has a low credit risk.

⁴ A Moody's Aa3 rating is a long-term corporate obligation rating that indicates high quality and very low credit risk. It is the fourth highest rating in Moody's Long-term Corporate Obligation Rating scale.

TABLE NINE
Endeavor Health
(Dollars in Thousands)
Audited

	2023	2022
Cash	\$360,524	\$227,858
Current Assets	\$1,344,861	\$1,173,174
Total Assets	\$9,537,843	\$8,969,709
Current Liabilities	\$972,466	\$852,708
Total Liabilities	\$3,496,754	\$3,368,503
Patient Service Revenue	\$4,969,589	\$4,603,026
Total Revenue	\$5,600,765	\$5,343,454
Operating Expenses	\$5,583,061	\$5,329,225
Operating Income	\$17,704	\$14,229
Revenues over Expenses	\$471,815	-\$731,366

IX. Economic Feasibility

- A) Criterion 1120.140 (b) – Terms of Debt Financing
- B) Criterion 1120.140 (c) – Reasonableness of Project Costs
- C) Criterion 1120.140 (d) – Projected Operating Costs
- D) Criterion 1120.140 (e) – Total Effect of the Project on Capital Costs

A) Terms of Debt Service

The Applicants are funding this project with bond proceeds totaling \$100,849,833. They have an “AA-”⁵ Rating on Illinois Finance Authority's \$291 million revenue refunding bonds series 2024A from S&P Global Ratings. Also included was the “Aa3”⁶ Rating from Moody’s Rating. Refunding bonds are issued to refinance a prior bond issue at a new lower borrowing rate and/or under a new financing structure. They are issued to achieve debt savings on outstanding bonds.

Endeavor Health stated the bond proceeds will refund the 2022E, 2022F, 2022G, and 2022H bonds for savings, mitigate interest rate volatility, and simplify the capital structure. We will withdraw the series 2022E and 2022F ratings once the new debt is issued. All interest rate swaps are anticipated to be terminated in the finance plan. (Source S&P Global Ratings)

B) Reasonableness of Project Costs

Preplanning Costs of \$31,000 are less than 1% of new construction, modernization, and contingency costs. This appears reasonable when compared to the State Board Standard of 1.8%.

⁵ An AA S&P rating indicates that an obligor has a powerful ability to meet its financial obligations. It's considered an investment grade rating, meaning the obligor has a low credit risk.

⁶ A Moody's Aa3 rating is a long-term corporate obligation rating that indicates high quality and very low credit risk. It is the fourth highest rating in Moody's Long-term Corporate Obligation Rating scale.

Site Preparation Costs are \$294,000, less than 1% of new construction and contingency costs. This appears reasonable when compared to the State Board Standard of 5%.

New Construction and Contingency Costs are \$35,283,768 per GSF ($\$35,116,144 \div 33,450$ per GSF = \$1,049.81 per GSF), which appears high compared to the State Board Standard of \$575.56 per GSF.

Modernization and Contingency Costs are \$28,471,358 or \$728.40 per GSF ($\$26,805,144 \div 36,800 = \734.96 per GSF). This appears high compared to the State Board Standard of \$402.90 per GSF.

Architectural and Engineering Fees total \$3,468,714 or 5.3% of construction and modernization costs. This appears reasonable when compared to the State Board Standard of 5.4%.

Contingency Costs total \$5,431,698 and are 8.96% of new construction and modernization costs. This appears reasonable when compared to the State Board Standard of 15%.

The State Board does not have standards for these costs.

Consulting and Other Fees	\$770,801
Movable or Other Equipment	\$9,447,604
Bond Issuance	\$862,932
Net Interest Expense	\$12,480,000
Other costs to be capitalized	\$6,742,481

E) Projected Operating Costs

The Applicants estimate the total operating costs per equivalent patient day to be \$13,528 by the second year after project completion. The State Board does not have a standard for this criterion.

F) Total Effect of the Project on Capital Costs

The Applicants are estimating the total effect of the project on capital costs per equivalent patient day by the second year after project completion to be \$227. The State Board does not have a standard for this criterion.

EXPLANATION OF COST ABOVE STATE BOARD STANDARD

The Applicants provided additional detail on the project costs to explain some of the complexities that may not be considered in the usual RS Means calculation. These enhancements total about \$6,300,000.

First, there are many phases to this project. The expansion and modernization will be completed in 13 phases due to the need to maintain the operations of the adjacent hospital spaces during construction. This construction is occurring within multiple areas of the hospital. As an initial consideration, this phasing and scope requires additional contractor staffing and supervision. The phased nature of the work also extends the project's overall duration due to multiple IDPH inspections and time between the phases to move into and set up the space, making it more expensive.

Elmhurst Memorial Hospital must ensure adequate infection control and ongoing sanitizing due to extensive work in existing high-risk occupied hospital spaces (PACU, OR, and cancer center). Appropriate containment measures that will need to be implemented include sealing off construction areas with barriers (e.g., STARC walls⁷, plasterboards, rigid plastic panels), creating negative air pressure within the work zone, and using HEPA-filtered air scrubbers inside and outside the work area. Another cost factor is complex air handling needs due to maintaining operations in the various adjacent spaces. There is an additional cost to keep the current rooftop HVAC unit operational during construction and to use temporary air handling units. Removing the old rooftop unit after the new units are installed is also an additional cost. This unit will be removed through the new walls that are being installed. Based on the size and needs of the HVAC system, Elmhurst Memorial Hospital is ordering custom air handlers and systems. Also, the operating rooms will have CLEANSUITE systems installed for proper ventilation and lighting during procedures. This comprehensive solution integrates air delivery, lighting, and structural support for medical equipment. Phasing, temperature protection, and infection control considerations are estimated to add about \$3,200,000 to the project costs.

The general contractor also identified a unique cost to an existing hospital based on work: \$1,200,000 for MEP Relocation/Overtime Allowance.

Further, the bids consider that the planned expansion is vertical, not an out-of-the-ground project, and that element of the construction will take place over an occupied building. The general contractor identified this expense to be \$600,000. Relative to the exterior of the building, the municipality, the City of Elmhurst, requires that Elmhurst Memorial Hospital maintain, with the expansion, a facade consistent with the existing hospital and campus, including brick and limestone insets. The city also requires that for all the rooftop air handling units, Elmhurst Memorial Hospital needs to install screening so that the mechanical equipment cannot be seen

⁷ STARC walls are temporary, reusable panels that isolate renovation areas from occupied spaces.

EXPLANATION OF COST ABOVE STATE BOARD STANDARD

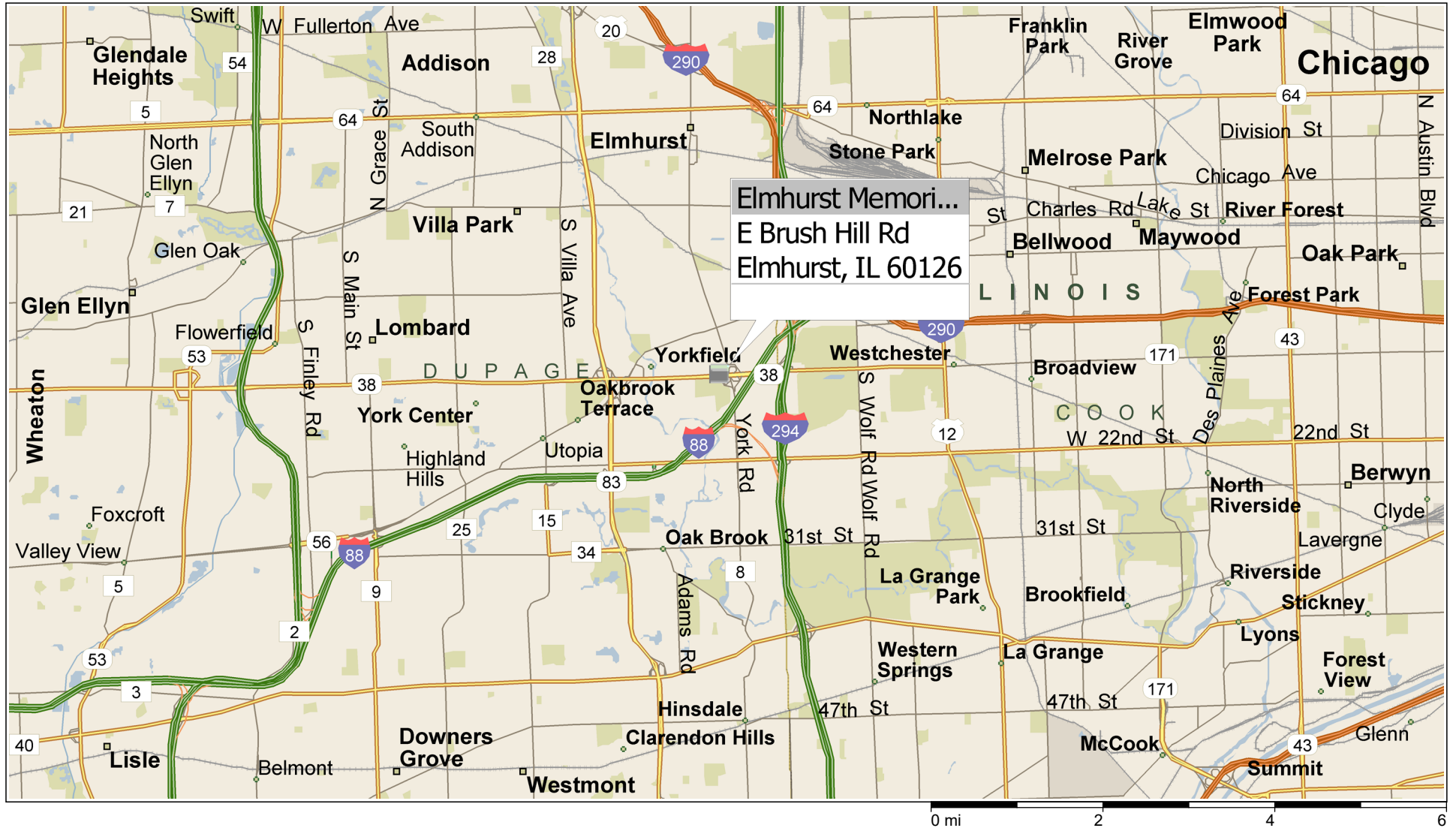
from the roads. These costs add \$750,000 to the project costs. Finally, the unique components of the interior requirements are that the interior finishes need to be consistent with and integrated with the existing hospital finishes. Also, a new elevator pit needs to be dug within the existing occupied cancer center. An existing elevator pit was constructed previously in connection with a plan for vertical expansion. Still, based on the current design plans, that pit is not in the correct location, and it will need to be filled in. These costs add \$566,000 to the project costs.

Relative to Elmhurst Memorial Hospital's work to validate the project costs, our design group sought bids from multiple general contractors to provide budgets for this planned expansion. The contractor that Elmhurst Memorial Hospital selected validated its pricing by obtaining multiple bids from subcontractors to ensure Elmhurst Memorial Hospital has received competitive pricing. (Source: Information provided by Elmhurst Memorial Hospital February 26, 2025)

TABLE TEN
Elmhurst Memorial Hospital
Charity Care

	2021	2022	2023
Net Patient Service Revenue	\$528,003,000	\$543,878,000	\$637,222,000
Amount of Charity Care	\$38,036,000	\$32,307,000	\$39,187,000
Cost of Charity Care	\$6,013,000	\$4,954,000	\$5,564,000
The ratio of Charity Care to Net Patient Revenue	1.10%	0.90%	0.90%

24-042 Elmhurst Memorial Hospital - Elmhurst



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