



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-01	BOARD MEETING: May 6, 2025	PROJECT NO: 25-001	PROJECT COST: Original: \$28,093,000
FACILITY NAME: Effingham Medical Office Building		CITY: Effingham	
TYPE OF PROJECT: Non-Substantive			HSA: V

PROJECT DESCRIPTION: The Applicants (Sarah Bush Lincoln Health Center and Sarah Bush Lincoln Health System) propose to establish a two-story medical office building (MOB) that will include Cardiology, ENT, Laboratory, and retail Pharmacy services, and physician office/exam space. The project's total size is 39,946 GSF, and the total cost is \$28,093,000. The expected completion date is June 30, 2027.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Sarah Bush Lincoln Health Center and Sarah Bush Lincoln Health System) propose establishing a two-story freestanding MOB that includes Cardiology, ear, nose, and throat (ENT), Laboratory, and retail Pharmacy services. The total project size is 39,946 GSF, and the total cost is \$28,093,000. The expected completion date is June 30, 2027.
- This project consists of entirely new construction and will improve the existing health services the Applicants in Effingham provide. It will also improve access to care for Effingham residents.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project proposes establishing a healthcare facility, and the project's cost exceeds the capital expenditure minimum of \$17,252,704.

PURPOSE OF THE PROJECT:

- According to the Applicants, the **purpose of this project** is:
 - To expand Sarah Bush Lincoln's capacity to serve patients in the Effingham area.
 - Consolidate existing services already provided by the Applicants in the service area.
 - Provide additional medical office space for Sarah Bush Lincoln cardiology services, which has experienced exponential growth and has outgrown its existing space.

PUBLIC HEARING/COMMENT:

- A public hearing was offered for this project, but there were no requests. The State Board has received no letters of support or opposition for this project.

SUMMARY

- The Applicants are based in Mattoon (in Coles County, approximately 32 miles from Effingham) and serve a 10-county region that includes Effingham County. The Applicants have experienced significant growth in their Cardiology services and have outgrown their existing cardiology clinic space in Effingham.
- The Applicants have addressed 24 criteria and have not met the following:

Criterion	Non-Compliant
77 Ill. Adm. Code 1110.140(c) – Reasonableness of Project and Related Costs <ul style="list-style-type: none">• New Construction-Contingencies• Architectural & Engineering Fees	<p>The State Board Standard for new construction for this building is \$275.56 per gross square foot (GSF), while the applicants' new construction costs are \$519.73 per GSF.</p> <p>The Applicants' Architectural & Engineering Fees are 11.4% of the new construction/contingencies' costs. The State standard is 4.94% - 7.42%</p>



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STATE BOARD STAFF REPORT

#25-001

Effingham Medical Office Building

APPLICATION CHRONOLOGY	
Applicants	Sarah Bush Lincoln Health System and Sarah Bush Lincoln Health Center
Facility Name	Effingham Medical Office Building
Location	900 Maple Street, Effingham, Illinois
Permit Holder	Sarah Bush Lincoln Health Center
Operating Entity/Licensee	Sarah Bush Lincoln Health Center
Owner of Site	Sarah Bush Lincoln Health Center
Application Received	January 3, 2025
Application Deemed Complete	January 9, 2025
Anticipated Completion Date	June 30, 2027
Review Period Ends	May 9, 2025
Did the State Board staff extend the review period?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants (Sarah Bush Lincoln Health System and Sarah Bush Lincoln Health Center) propose establishing a two-story MOB that will include cardiology, ENT, laboratory, and retail Pharmacy services. The project's total size is 39,946 GSF (25,353 GSF clinical/14,593 non-clinical), and the total cost is \$28,093,000. The expected completion date is June 30, 2027.

II. Summary of Findings

- A. The State Board Staff finds the project conforms to all relevant provisions of 77 Ill. Adm. Code Part 1110.
- B. The State Board Staff finds the project does not conform to all relevant provisions of 77 Ill. Adm. Code Part 1120.

III. General Information

Sarah Bush Lincoln Health System was incorporated in April 1983 as a general not-for-profit corporation, and is the parent corporation of Sarah Bush Lincoln Health Center, a general not-for-profit corporation incorporated in May 1980. Sarah Bush Lincoln Health System maintains ownership of three healthcare facilities in Illinois, including:

- Sarah Bush Lincoln Health Center, Mattoon - a 150-bed Acute Care Hospital
- Sarah Bush Lincoln Fayette County Hospital, Vandalia - a 25-Bed Critical Access Hospital
- Effingham Ambulatory Surgery Center, Effingham - a Multi-Specialty ASTC

The operating entity is Sarah Bush Lincoln Health Center, which will also maintain site ownership.

IV. Health Service Area Health Planning Area

The proposed facility is in Health Service Area (HSA) V and Hospital Planning Area F-02. HSA V includes the Illinois Counties of Alexander, Bond, Clay, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hardin, Hamilton, Jackson, Jasper, Jefferson, Johnson, Lawrence, Marion, Massac, Perry, Pope, Pulaski, Randolph, Richland, Saline, Union, Wabash, Washington, Wayne White, and Williamson. Planning Area F-02 includes Bond, Fayette, and Effingham Counties, and Clay County Townships: Blair, Bible Grove, Larkinsburg, and Jasper County Townships: Grove, North Muddy, South Muddy, Smallwood, Wade, and Crooked Creek. The Department of Public Health is projecting an approximately 2% increase in the overall population in this planning area by 2026 and an increase in the population of over 65+ by 11% (See Table One)

TABLE ONE				
Population Projection				
F-02 Hospital Planning Area				
Years	2026	2021	Diff	% Diff
0-14	13,850	14,650	-800	-5.46%
15-44	29,560	29,710	-150	-0.50%
45-64	19,990	21,160	-1,170	-5.53%
65-74	9,820	9,010	810	8.99%
75+	7,570	6,700	870	12.99%
65+	17,390	15,710	1,680	10.69%
Total	82,816	81,230	1,586	1.95%
Source: Illinois Department of Public Health				

Sarah Bush Lincoln Health Center-Mattoon

Sarah Bush Lincoln Health Center (SBLHS)-Mattoon is a 150-bed acute care hospital that serves as the flagship hospital for the Sarah Bush Lincoln Health System. SBLHC-Mattoon is one of three hospitals in Planning Area F-02 and has the largest bed capacity. Their bed complement comprises 90 Medical/Surgical, six Pediatric, 14 Intensive Care, 19 Obstetrics/Gynecology, and 18 Acute Mental Illness beds. The overall utilization rate for this hospital was 77.4% for CY 2023.

Sarah Bush Lincoln Fayette County Hospital

Sarah Bush Lincoln Fayette County Hospital-Vandalia is a 25-bed critical-access hospital serving under the guidance of SBLHS and is one of the three hospitals located in Planning Area F-02. The bed complement consists of 25 Medical/Surgical beds, and the hospital reported an overall utilization rate of 56% for CY 2023. The Hospital also has 85 LTC beds and is approved for the swing bed program.

VI. Project Details

The proposed project will be located at 900 North Maple Street, in Effingham, 32 miles away from the Sarah Bush Lincoln Mattoon campus, in a newly constructed two-story medical office building. The building will consist of 39,946 GSF of space (25,353 clinical/14,593 non-clinical), and will provide the following services:

- Patient Exam Rooms/Provider Work Areas
- Retail Pharmacy
- Laboratory Services
- Cardiology Services
 - Nuclear Medicine
 - Stress Testing
 - Echocardiology
 - Cardiac Rehabilitation Gym
 - Device Testing
 - Pulmonary Function Testing
- ENT Services
 - Audiology Testing
 - Hearing Aid Fitment
- Non-Clinical Service Areas
 - Conference Room
 - Administrative Offices
 - Environmental Services
 - Materials Management
 - Storage
 - Staff Services
 - Mechanical/Electrical Space and Equipment
 - Entrances

VII. Project Costs and Sources of Funds

The Applicants fund this project with bond proceeds totaling \$28,093,000 (See Table Two).

TABLE TWO				
Project Costs and Sources of Funds				
	Clinical	Non-Clinical	Total	% of Total
Site Survey and Soil Investigation	\$0	\$20,000	\$20,000	1%
Site Preparation	\$0	\$8,000	\$8,000	.4%
New Construction Contracts	\$11,978,928	\$7,771,072	\$19,750,000	68.4%
Contingencies	\$1,197,893	\$777,107	\$1,975,000	6.8%
Architectural/Engineering Fees	\$1,507,935	\$962,065	\$2,470,000	8%
Consulting and Other Fees	\$0	\$80,000	\$80,000	2%
Movable or Other Equipment	\$1,159,950	\$740,050	\$1,900,000	6.7%
Bond Issuance Expense	\$114,964	\$75,036	\$190,000	.7%
Net Interest Expense During Construction	\$1,028,628	\$671,372	\$1,700,000	6%
TOTAL USES OF FUNDS	\$16,988,298	\$11,104,702	\$28,093,000	100.00%
SOURCE OF FUNDS				
Bond Issuance	\$16,988,298	\$11,104,702	\$28,093,000	100.00%
TOTAL SOURCES OF FUNDS	\$16,988,298	\$11,104,702	\$28,893,000	100.00%

VIII. **Background of the Applicant, Purpose of Project, Safety Net, Impact Statement, And Alternatives – Information Requirements**

- 1110.110(a) – Background of the Applicant
- 1110.110(b) – Purpose of the Project
- 1110.110(c) – Safety Net Impact Statement
- 1110.110(d) – 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] 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. A healthcare facility is considered "owned or operated" by every person or entity directly or indirectly owning an ownership interest.

The Applicants attest that no adverse action was taken against the Applicants' facility during the three years before the filing of this application. The Applicants authorize HFSRB and IDPH to access any documents necessary to verify the

information submitted, including, but not limited to, official records of IDPH or other State agencies; the licensing or certification records of different states, when applicable; and the records of nationally recognized accreditation organizations. The Applicants have demonstrated that they are fit, willing, and able and have the qualifications, background, and character to provide proper healthcare services for 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 area according to the applicant's definition.

According to the Applicants, the **purpose of this project** is:

- To expand Sarah Bush Lincoln's capacity to serve patients in the Effingham area.
- Consolidate existing services already provided by the Applicants in the service area.
- Provide additional medical office space for Sarah Bush Lincoln cardiology services, which has experienced exponential growth and has outgrown its existing space.

The Applicants report having a 10-county service area encompassing counties in both HSAs 4 and 5, with a population totaling 200,921 inhabitants. A 21-mile radius of the proposed ASTC location defines the geographic service area. The Applicants state that patients within the GSA make up 95% of the population served by the current facility.

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]

According to the Applicants, this project will not have any material impact on the essential safety net services in the community, including not impacting racial and health care disparities. Sarah Bush Lincoln's mission is to provide exceptional care for all and create healthy communities. The project will not affect any other area provider or health care system to cross-subsidize safety net services. The Applicants supplied consolidated Charity Care Data for the Health System in Table Three.

TABLE THREE Charity Care Information Sarah Bush Lincoln Health System			
	FY2023	FY2022	FY2021
Net Patient Revenue	\$475,739,555	\$425,881,646	\$398,223,965
Amount of Charity Care (charges)	\$9,392,301	\$10,655,243	\$11,363,865
Cost of Charity Care	\$3,885,477	\$4,195,783	\$4,265,485
% of Charity Care	.08%	.09%	.1%

D) Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the healthcare needs of the population it will serve.

The Applicants considered four alternatives to the proposed project.

Alternative #1: Project of Lesser Scope/Do Nothing

The Applicants note this alternative would do nothing to address the growth experienced in the Effingham County market, and the imminent need to expand and centralize its outpatient services, including new specialty services such as cardiac rehabilitation, pulmonary function testing, and various specialty care provided to area residents through visiting specialists recruited by Sarah Bush Lincoln. The Applicants rejected this alternative.

Alternative #2: Pursue a Joint Venture with One or More Providers to Meet the Needs of the Service Area

The Applicants note that this project involves core healthcare services and would not be appropriate for a joint venture arrangement. This alternative was rejected.

Alternative #3: Utilize Other Healthcare Resources Available to Serve All or a Portion of the Population Proposed to be Served by the Project

The Applicants note that Sarah Bush Lincoln's Effingham Medical Office Building (MOB) is already operating at capacity. The expansion into existing space is not feasible due to a lack of physical space in the current location, a lack of physical land space to expand the existing building's footprint, and any construction at the current location would significantly disrupt day-to-day operations and create an unpleasant patient care environment.

Alternative #4: Construct Freestanding Two-Story Medical Office Building (Option Chosen): (Cost: \$28.1M)

The Applicants chose this option as the most viable for expanding and centralizing in the Effingham County market. The project will improve patient access and provide adequate office space to accommodate future patient volumes. This option will also provide patient access to specialty services in a modernized environment and enhance overall patient satisfaction.

VIII. Project Scope And Size, Utilization, and Unfinished/Shell Space

- 1110.120(a) – Size of Project
- 1110.120(b) – Utilization of the Project
- 1110.110(c) – Unfinished Shell Space
- 1110.110(e) – Assurances

A) Size of Project

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

The Applicants propose establishing a two-story MOB in 39,946 GSF of newly constructed space (25,353 GSF clinical/14,593 GSF non-clinical). The clinical space will consist of Nuclear Medicine, Laboratory, and Patient Exam/Provider workspace. Nuclear Medicine is the only service with a size standard among these proposed clinical services. Table Four outlines the spatial allocations for this project.

TABLE FOUR						
Size of the Project						
		State Standard		Proposed		
		Gross Square Feet		Gross Square Feet		Met Standard?
Department Service	Rooms/Units		Total		Total	
CLINICAL						
Nuclear Medicine	1	1,600	1,600	643	643	Yes
Laboratory	1	N/A	N/A	2,975	2,975	Yes
Patient Exam	28	N/A	N/A	21,735	21,735	Yes
TOTAL				25,353	25,353	
NON-CLINICAL						
Common Area/Mechanical		N/A	N/A	12,162	12,162	Yes
Retail Pharmacy	1	N/A	N/A	2,431	2,431	Yes
TOTAL				14,593	14,593	

B) Project Services Utilization

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

1. Nuclear Medicine

The Applicants propose to provide cardiac-specific nuclear medicine services as part of their service line in the new medical office building. The 643 GSF allotted for this service will encompass one room, and the Applicants' project to provide 600 units of service annually for the first two years after project completion (See Table Five). The Applicants can justify the proposed Nuclear Medicine room based on the information submitted.

TABLE FIVE Projected Utilization					
Department	Units	State Standard*	Year One*	Year Two*	Justified?
Nuclear Medicine	1	2,000	600	600	Yes
*Visits					

IX. Criterion 1110.270 Clinical Service Areas Other than Categories of Service

PROJECT TYPE	REQUIRED REVIEW CRITERIA		
New Services, Facilities, or Equipment	(b)	–	Need Determination – Establishment

1) Service Demand – Establishment

The applicant shall document that the proposed project is necessary to accommodate the service demand experienced annually by the applicant over the last 2-year period, as evidenced by historical and projected referrals. The applicant shall document the information required by subsection (c)(3) and either subsection (c)(3)(B) or (C):

The Applicants propose establishing a Medical Office Building/Outpatient Care Center in Effingham to accommodate the growing population seeking cardiac care services. The two-story MOB will also provide 28 patient care/exam rooms and Laboratory services. The Applicants provided historic and projected utilization data for these services and are identified in Tables Six and Seven. It appears the Applicants have met the requirements of this criterion.

TABLE SIX Historic/Projected Office Visits Sarah Bush Lincoln Effingham-Based Practice		
Fiscal Year	# of Office Visits	Annual Growth
FY 2022	70,431	
FY 2023	78,450	11%
FY 2024	85,269	9%
FY 2025 (projected)	91,238	7%
FY 2026 (projected)	97,625	7%
FY 2027 (projected)	104,459	7%

TABLE SEVEN Historic/Projected Laboratory Visits Sarah Bush Lincoln Effingham-Based Practice		
Fiscal Year	# of Lab Visits	Annual Growth
FY 2024	145,564	
FY 2025 (annualized)	163,942	13%
FY 2026 (projected)	175,418	7%
FY 2027 (projected)	187,697	7%

XI. Financial Viability and Economic Feasibility

A) Availability of Funds

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

The Applicants are funding this project with project-related Bond proceeds totaling \$28,093,000. Sarah Bush Lincoln Health System has an “A+/Stable” Bond Rating from Standard & Poor’s Global Ratings dated July 26, 2024 (Application, p. 122).

S&P Global Ratings states in part:

“The 'A+' rating reflects Sarah Bush’s track record of consistent positive operating performance, solid maximum annual debt service (MADS) coverage, and exceptional balance sheet metrics. The rating further reflects our view of Sarah Bush’s stable enterprise profile and leading market share in a limited-service area with a small population. The acquisition and integration of Fayette County Hospital, a critical access hospital, in 2022 allowed Sarah Bush to expand its geographic footprint, strengthen relationships with physicians, and grow its operating base. Management has continued to focus on physician recruitment and retention strategies, resulting in expected expansion of clinical service lines and maintenance of a low turnover rate. We believe this investment in physician practice will continue to support Sarah Bush’s competitive position.”

(See Application for Permit pages 122-129)

TABLE EIGHT
Sarah Bush Lincoln Health Center
Medicare Cost Report

Year	2019	2020	2021	2022	2023
Total Patient Revenue	\$800,781,628	\$864,803,477	\$1,070,913,774	\$1,180,560,825	\$1,336,055,734
Contractual Allowance	\$527,583,185	\$573,069,488	\$697,885,354	\$780,674,721	\$887,457,118
Net Patient Revenue	\$273,198,443	\$291,733,989	\$373,028,420	\$399,886,104	\$448,598,616
Operating Expenses	\$326,031,857	\$351,938,280	\$400,501,014	\$459,583,882	\$529,609,335
Net Income	-\$52,833,414	-\$60,204,291	-\$27,472,594	-\$59,697,778	-\$81,010,719
Other Income	\$86,095,537	\$100,352,969	\$130,729,940	\$81,583,388	\$137,863,041
Net Income	\$33,262,123	\$40,148,678	\$103,256,940	\$21,885,810	\$56,852,322
Operating Margin	-19.34%	-20.64%	-7.36%	-14.93%	-18.06%

B) Financial Viability

A) Financial Viability Waiver

Because of the “A+/Stable” bond rating, the Applicants qualify for the financial viability waiver and do not need to provide financial ratios.

XII. Economic Feasibility

A) Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts, and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all the cash and equivalents must be retained in the balance sheet asset accounts to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities, or
 - B) Borrowing is less costly than liquidating existing investments, and the existing investments being retained may be converted to cash or used to retire debt within 60 days.

The Applicants have an “A” or better bond rating and have successfully met the requirements for reasonable financing arrangements.

B) Conditions of Debt Financing

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

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

The Applicants intend to take ownership of the building upon project completion and own the land as the building site. The Applicants are financing the project with project-related bond proceeds, and the selected form of debt financing will be at the lowest cost available.

C) Reasonableness of Project and Related Costs

The Applicants shall document that the estimated project costs are reasonable.

New Construction and Contingency costs are \$13,176,821, or \$519.73 per GSF. This appears high compared to the State Board Standard of \$275.56 per GSF. The applicants exceed the State Board standard by \$244.17 per GSF.

Contingency Costs total \$1,197,893, or 10% of new construction costs (\$11,978,928). This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees total \$1,507,935, or 11.4% of new construction and contingency costs. This appears high compared to the State Board Standard of 4.94% – 7.42%. Based on the State Board’s standard, these fees should not exceed \$977,720. The applicants exceed the State Board standard by \$530,215.

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

Moveable Equipment	\$1,159,950
Bond Issuance Expense	\$114,964
Net Interest Expense During Construction	\$1,028,628

The Applicants have excessive costs for New Construction/contingencies and Architectural/Engineering Fees, which result in a negative finding for this criterion.

D) Projected Operating Costs

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

E) Total Effect of the Project on Capital Costs

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

The Applicants did not address these criteria. The State Board does not have a standard for capital costs.

The map displays the Effingham area in Illinois. A callout box highlights the location of Effingham Medical Center at 900 N Maple St, Effingham, IL 62401. The map shows major highways including I-70 and I-40, and local roads such as N 300th St, N 650th St, and N 2300th St. Surrounding towns and locations include Moccasin, Shumway, Montrose, Teutopolis, Effingham, Funkhouser, Dexter, Keptown, Altamont, Evers, Dieterich, and Lillyville. The map also shows the Effingham County Memorial Airport and the state boundary between Illinois and Indiana.