



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

52525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

	BOARD MEETING: November 18, 2025	PROJECT NUMBER: 25-042
BUSINESS ITEM: Declaratory Ruling Request		
FACILITY: University of Illinois Medical Center at Chicago		
SUBJECT: Cost Overrun		

STATE BOARD STAFF REPORT DECLARATORY RULING REQUEST

I. Request for Declaratory Ruling

The Board of Trustees of the University of Illinois has requested a declaratory ruling to determine the appropriate course of action regarding a cost overrun.

II. Background Information

In May 2020, the State Board approved the University of Illinois Medical Center at Chicago to establish a medical office building on the Medical Center's campus. The approved permit amount was \$191,369,851 (Permit #20-001). The medical office building is a six-story ambulatory care facility with a basement and a penthouse and is currently open, providing care. Services in the building include outpatient surgery, endoscopy, and outpatient clinics. The medical office building is connected to the Hospital by a bridge. The Permit was completed for \$208,455,373, which exceeded the approved permit amount by 8.92% or \$17,070,192. Table One documents the approved permit amount, the final realized cost, and the difference between them.

TABLE ONE
Project Costs and Sources of Funds

USE OF FUNDS	Permit Amount	Final Realized Cost	Difference	% Difference
Preplanning Costs	\$2,250,000	\$775,831	-\$1,474,169	-65.52%
Site Survey and Soil Investigation	\$50,000	\$39,000	-\$11,000	-22.00%
Site Preparation	\$4,350,000	\$7,485,643	\$3,135,643	72.08%
New Construction Contracts	\$88,575,855	\$111,767,869	\$23,192,014	26.18%
Contingencies	\$3,036,045	\$3,343,103	\$307,058	10.11%
Architectural/Engineering Fees	\$6,500,000	\$6,634,485	\$134,485	2.07%
Consulting and Other Fees	\$31,114,492	\$19,496,271	-\$11,618,221	-37.34%
Movable or Other Equipment (not in construction contracts)	\$53,687,313	\$47,042,354	-\$6,644,959	-12.38%
Net Interest Expense During Construction (project-related) ⁽¹⁾	\$1,560,143	\$11,870,817	\$10,310,674	660.88%
Other Costs to Be Capitalized	\$246,013	\$0	-\$246,013	-100.00%
TOTAL USES OF FUNDS	\$191,369,861	\$208,455,373	\$17,085,512	8.92%

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1. Net interest during construction, known as capitalized interest, is calculated based on the project's average accumulated expenditures during the construction period. This involves multiplying the average accumulated qualifying expenditures by an appropriate interest rate. $\text{Average Accumulated Expenditures} \times \text{Weighted-Average Interest Rate} = \text{Capitalized Interest}$.
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III. Reason for the Request

The Board of Trustees of the University of Illinois is requesting that the State Board “*consider the fine assessed to the original application because of the miscalculation, and the filing fee associated with the "revised" application be waived.*” The Board of Trustees of the University of Illinois argues.

1. The cost overrun was the result of a misunderstanding of the definition of construction period interest.
2. No material changes were made to the project from the time its CON application was filed to the project's completion.
3. The "revised" application, soon to be filed, is very similar to the original application, with no programmatic or facility changes (i.e., square footage, number of procedure rooms, etc.).
4. Because the high level of consistency between the original and revised application will significantly reduce the amount of time required to develop a *State Board Staff Report* for the revised application, and
5. The Permit holder has not disputed the fact that the construction period interest was miscalculated.

The University of Illinois Medical Center at Chicago has exceeded 7% of the permit amount, and by rule, the permit has been invalidated.

The Original Fee for Permit #20-001 was **\$100,000**. The Fee for a new Application (#25-042) for a Permit is **\$150,000**. The total amount being requested for the **waiver is \$150,000**.

IV. Staff Analysis

A permit is valid only for the defined construction or modification, equipment, site, amount, time period, and persons named in the application for the permit and shall not be transferable or assignable. A permit is invalidated by:

- 1) a change in the person who is the permit holder.
- 2) a change in the membership or sponsorship of a not-for-profit corporation that is the permit holder; or
- 3) the transfer or assignment of a controlling interest in, or voting rights of, a for-profit corporation that is the permit holder.
- d) other events causing a permit to become invalid include:**
 - 1) Change of permit (see Section 1130.710(c));
 - 2) Failure to submit the Expenditure Commitment or Financial Commitment Report, which should be included with the annual progress reports.
 - 3) Failure to submit annual progress reports to HFSRB.
 - 4) Failure to submit Final Cost Reports to HFSRB.
 - 5) **Implementation of a prohibited alteration (see Section 1130.750(c)).**

Notwithstanding the provisions of subsection (c), the following alterations are not allowed and, if incurred, invalidate the permit: 1) an increase in the total project cost that exceeds 7% of the permit amount.

- 6) Relinquishment of a permit without Board approval; and
- 7) Failure to comply with the requirements of Section 1130.660(d).

V. Recommendation

The State Board Staff recommends that the State Board require the Board of Trustees of the University of Illinois at Chicago to submit a new Application for a Permit to replace the invalidated permit. The submittal of a new Application for Permit after a permit has been invalidated is consistent with the State Board's past practice. If the State Board invalidates an original permit, it effectively voids the prior approval for the project, meaning the project cannot proceed under that permit. The State Board would require a new application to ensure the following: that project details are up to date, that altering the project without State Board approval circumvents the review process, and that a new Application maintains transparency.

The Staff recommends that the fee for the filing of a new Application for Permit not be waived. The Illinois Health Facilities and Services Review Board (IHFSRB) does not have a single set of criteria for determining penalties in all circumstances. The State Board rules outline specific, mandatory fines for certain violations, including cost overruns.

The State Board must consider the potential precedent-setting if it waives the fee. While there is no direct precedent for this exact situation, the board's rules on fees indicate that non-refundable fees are standard procedure. The State Board's rules do not provide for a direct fee refund in the event of permit invalidation. All activities of the State Board are funded through fees for certificate of need applications, exemptions, permit renewals, alterations, and extensions of obligation. The State Board does not receive an appropriation from the State General Revenue Fund or receive any federal dollars.

VI. Applicable Statute and Rules

77 IAC 1130.810 Declaratory Rulings

HFSRB shall render determinations on various matters relating to permits and the applicability of the statute and regulations. Requests for determination shall be made in writing. Pursuant to Section 5-150 of the Illinois Administrative Procedure Act, such determinations are declaratory rulings and are not subject to appeal. The following matters shall be subject to declaratory rulings by HFSRB, including, but not limited to:

- a) whether a proposed project requires a permit or exemption.
- b) corrections to the facility inventories utilized by HFSRB.
- c) recognition that a particular service was in existence before permit requirements.
- d) amount of fees required.
- e) project classification as substantive or non-substantive; and
- f) applicability of rules.

BOARD NOTE: Declaratory ruling requests about an application for a permit or exemption during the review period may be submitted only by the applicant and by IDPH.

VII. Financial Information and Inpatient Utilization

Table One documents the Medicare Cost Information and Hospital Inpatient Utilization.

TABLE ONE							
University of Illinois Medical Center at Chicago							
Medicare Cost Information							
	2024	2023	2022	2021	2020		
Total Patient Revenue	\$4,135,787,046	\$3,631,026,907	\$3,229,885,687	\$2,839,423,391	\$2,646,287,527		
Contractual Allowance	\$2,908,983,354	\$2,489,057,195	\$2,220,098,298	\$1,997,254,385	\$1,866,272,869		
Net Patient Revenue	\$1,226,803,692	\$1,141,969,712	\$1,009,787,389	\$842,169,006	\$780,014,658		
Operating Expenses	\$1,410,647,661	\$1,282,834,089	\$1,310,114,810	\$1,320,838,647	\$1,123,713,149		
Net Income	-\$183,843,969	-\$140,864,377	-\$300,327,421	-\$478,669,651	-\$343,698,491		
Other Income	\$292,868,645	\$247,641,184	\$363,671,349	\$553,096,112	\$350,724,679		
Other Expense	\$52,140,712	\$31,000,000	\$22,835,206	\$0	\$0		
Net Income	\$56,883,964	\$75,776,807	\$40,508,722	\$74,426,461	\$7,026,188		
Operating Margin	-4.45%	-3.88%	-9.30%	-16.86%	-12.99%		
University of Illinois Medical Center at Chicago							
2024 Inpatient Utilization Information							
Category	Beds	Adm	Days	OB Days	ALOS	ADC	Con Occ
Medical Surgical	240	10,061	70,763	7,413	8	214	89.70%
Pediatric	20	388	2,800	640	9	9	47.10%
Intensive Care	65	2,603	18,811	0	7	52	79.30%
Obstetric	45	2,101	4,839	174	2	14	30.50%
Neonatal	30	548	4,844	0	9	13	44.20%
AMI	50	584	12,363	0	21	34	67.70%
Total	450	16,285	114,420	8,227			

VIII. Other Information

Appended to this report is a copy of the declaratory ruling request.

October 1, 2025

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HEALTH FACILITIES
REVIEW BOARD

Mr. John Kniery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson
Springfield, IL 62761

RE: The Board of Trustees of the University of
Illinois, a body corporate and politic of the State of Illinois
Request for Declaratory Ruling

Dear Mr. Kniery:

On May 7, 2020 The Illinois Health Facilities and Services Review Board ("IHFSRB") awarded Certificate of Need Permit #20-001 to the Board of Trustees of the University of Illinois, a body corporate and politic of the State of Illinois for the establishment of an outpatient building on the University of Illinois Medical Center at Chicago campus. That application was determined to be in compliance with all applicable review criteria, and all components of the project are complete, and patients are being seen and treated.

The approved project cost was \$191,369,851. Following the completion of the project in 2023, and consistent with reporting requirements, The Permit holder filed a final project report on December 21, 2023. The realized project cost as identified in the final project report was \$208,455,373; exceeding the "approved amount" by 8.92%. The allowable exceeding of the approved project cost has subsequently been increased 7% to 10%.

In early 2024, technical assistance discussions between the Permit holder and HFSRB staff, relating to the final cost exceeding the approved project cost by more than the allowable amount were initiated.

The early 2024 discussions resulted in an understanding between the HFSRB staff and the Permit holder's representatives that a revised CON application would be prepared and submitted for HFSRB review, and that the Permit holder may file this request for a Declaratory ruling on the fine that could be imposed on the Permit holder by the HFSRB for exceeding the approved Permit amount by more than the (then) allowable 7%.

When application 2000-001 was deemed complete, the applicant was assessed and paid the the maximum review fee of \$100,000.

The Permit holder respectfully notes that of the approximately \$17.1M incurred in excess of the approved amount, approximately \$10.3M is directly attributable to the applicant miscalculating the project's construction period interest at the time the application was being prepared. The other project costs (construction, equipment, site preparation, etc.) exceeded their cumulative approved amount by only 3.5%. The miscalculation noted above was not realized until the filing of the project's cost report.

miscalculation of the construction period interest. The non-construction period interest components of the project's costs exceeded the cumulative total identified in the application by only 3.5%.

The review fee associated with the agreed-to filing of a revised CON application is \$150,000.

Given that:

1. the cost overrun was the result of a misunderstanding of the definition of construction period interest;
2. no material changes were made to the project from the time its CON application was filed to the project's completion;
3. the "revised" application, soon to be filed, is very similar to the original application, with no programmatic or facility changes (i.e. square footages, number of procedure rooms, etc.);
4. because the high level of consistency between the original and revised application will greatly reduce the amount of time required to develop a *State Board Staff Report* for the revised application; and
5. the Permit holder has not disputed the fact that the construction period interest was calculated incorrectly;

the Permit holder respectfully requests that the fine assessed to the original application as a result of the miscalculation, and the filing fee associated with the "revised" application be waived.

Thank you for your consideration of this request, and should you have any questions concerning this request, please do not hesitate to contact me.

Sincerely,



Mark I. Rosenblatt, MD, PhD, MBA, MHA

G Stephen Irwin Executive Dean, College of Medicine
CEO, University of Illinois Hospital and Clinics
Distinguished Professor, Ophthalmology and Visual Sciences

cc S. Albritton
J. Axel