

## ATTACHMENT 42

### REASONABLENESS OF PROJECT AND RELATED COSTS

- c) Reasonableness of Project and Related Costs – Review Criterion  
The applicant shall document that the estimated project costs are reasonable and shall document compliance with the following:
- 1) Preplanning costs – This criterion is not applicable as there are no preplanning costs associated with this project.
  - 2) Total costs for site survey, soil investigation fees and site preparation – This criterion is not applicable as there are no site survey, soil investigation fees or site preparation costs associated with this project.
  - 3) Construction and modernization costs – This criterion is not applicable as there are no construction and modernization costs associated with this project.
  - 4) Contingencies – Contingencies of \$50,000 have been documented to address any unanticipated costs that may be associated with preparing existing space for use as general long term bed / skilled nursing. As a percentage of building acquisition costs (the only cost comparable to construction/modernization costs associated with this project) contingency costs are 3.1%, which is at or below the standards for contingencies listed in 77 Ill. Admin. Code 1120.APPENDIX A (New Construction 3-5%, Modernization 5-7%).
  - 5) New construction or modernization fees – This criterion is not applicable as there are no construction and modernization fees associated with this project.
  - 6) The costs of all capitalized equipment not included in construction contracts do not exceed the standards for equipment. The anticipated Movable or Other Equipment cost is \$400,000. On the basis of 88 beds, the calculated as a per bed cost is \$4,545.45. The corresponding standard listed in 77 Ill. Admin. Code 1120.APPENDIX is \$6,491 for 2008, adjusting for inflation using the RS Means rate of .05% increases this standard to \$6,497.49 for 2010 ( $\$6,491 \times 1.0005 \times 1.0005$ ). The anticipated per bed equipment cost of \$4,545.45 is consistent with both the 2008 and 2010 standard and is thus in compliance.
  - 7) Building acquisition, net interest expense, and other estimated costs are not detailed in Appendix A. However, the costs are consistent with industry norms based upon a comparison with previously approved projects of similar scope and complexity. The scope of this project includes the purchase of an existing facility and the establishment of General Long Term Care beds, thus the most similar projects are for the construction or

modernization of General Long Term Beds. Based on General Long Term Care applications approved by the HFSRB for the establishment or modernization of beds, Applicant has included a table of Construction and Modernization costs per bed. The amended costs associated with this project continue to be consistent with industry norms. A comparison of the clinical construction and modernization cost per bed reveals that the cost of this project is only slightly higher than the average cost of such projects (project cost of \$69,042 versus the average cost of \$65,203). A comparison of the total construction and modernization cost per bed demonstrates that this project is significantly lower than the average construction and modernization cost per bed (project cost of \$78,334 versus the average cost of \$131,444). Consequently, the building acquisition, net interest expense, and other estimated costs are consistent with industry norms based upon a comparison with previously approved projects of similar scope and complexity.

- 8) Cost Complexity Index (to be applied to hospitals only) – This criterion is inapplicable as the Applicant and Project related to General Long-Term Care beds in a continuing care community.

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Application	Date Approved	Beds	Clinical Construction and Modernization Costs	Non-Clinical Construction and Modernization Costs	Total Construction and Modernization Costs	Clinical Construction and Modernization Costs per Bed	Total Construction and Modernization Costs per Bed
Ottawa Pavillion	4/20/2010	129	\$ 6,325,352	\$ 3,133,147	\$ 9,458,499	\$ 49,034	\$ 73,322
Addison Rehabilitation and Living Center	3/2/2010	120	\$ 6,725,997	\$ 4,122,385	\$ 10,848,382	\$ 56,050	\$ 90,403
Asbury Pavilion Nursing and Rehab Center	6/8/2010	75	\$ 2,394,000	\$ 1,366,000	\$ 3,760,000	\$ 31,920	\$ 50,133
Mercy Circle	9/21/2010	24	\$ 4,007,106	\$ 24,538,707	\$ 28,545,813	\$ 166,963	\$ 1,189,409
Park Pointe - South Elgin Healthcare and Rehabilitation Center	12/14/2010	120	\$ 10,724,764	\$ 2,850,887	\$ 13,575,651	\$ 89,373	\$ 113,130
Sedgebrook Health Center	N/A	88	\$ 6,075,700	\$ 818,600	\$ 6,894,300	\$ 69,042	\$ 78,344
Grand Total		556	\$ 36,252,919	\$ 36,829,726	\$ 73,082,645	\$ 65,203	\$ 131,444