



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516

| DOCKET ITEM: A-06 | BOARD MEETING: October 30, 2018 | PROJECT NUMBER: 12-066 |
|--|------------------------------------|---------------------------|
| PERMIT HOLDERS(S): Advocate Health Care Network Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center | | |
| FACILITY NAME and LOCATION: Advocate Christ Medical Center, Oak Lawn | | |

STATE BOARD STAFF REPORT **PERMIT RENEWAL REQUEST**

I. Background

On December 10, 2012, the State Board approved Project #12-066. The permit authorized the construction of a 7-story patient tower as part of a modernization/expansion project on the campus of their 788-bed acute care hospital in Oak Lawn, Illinois. The State Agency notes the project is obligated, and the current project completion date is July 31, 2019. Project cost: \$299,990,191.

State Board Staff notes the permit holders submitted the permit renewal request on September 25, 2018. This submittal was in accordance with 77 IAC 1130.740(d), which states that the State Board must receive renewal requests at least 45 days prior to the permit expiration date. A \$500.00 permit renewal fee accompanied the renewal request.

II. Findings

State Board Staff notes this is the first renewal request for this project and the permit holders have submitted all of the information required in Section 1130.740 for a permit renewal. Board Staff notes a permit alteration request was submitted at the same time as the renewal request, seeking to alter the number of beds and increase space. No increase in costs will occur.

III. The Permit Renewal Request

- A. Requested Completion Date: The permit holders request a project completion date of June 30, 2020. This would extend the project's completion date by eleven months, from July 31, 2019 to June 30, 2020.
- B. Status of the Project and Components Yet to be Finished: The permit holders state the construction phase is 85% complete. The new inpatient tower was granted occupancy in January 2016, and space in the existing patient tower vacated in March 2014. The following project component remain:

- Re-occupying the vacated space in the existing patient tower
- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state the project has proceeded according to schedule. However, reassessment of the health care delivery model at Advocate Christ Medical Center necessitated the changes outlined in the permit alteration, resulting on the need for a permit renewal.
- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate approximately \$255,687,836 (89.6% of the total project cost), has been expended to date and can attest to the existence of sufficient financial resources to complete the project.
- E. Anticipated Final Cost of the Project: The permit holders estimate the project will not deviate from the approved permit amount of \$299,990,191.

IV. **Project Description & Other Background Information**

The permit authorized the modernization/expansion project on the campus of Advocate Christ Medical Center, Oak Lawn, Illinois, to include the construction of a 9-story patient tower. Project cost: \$299,990,191.

Permit Issuance Date: December 10, 2012

Project Obligation Date: October 29, 2013

Original Project Completion Date: July 31, 2019

Proposed Project Completion Date: June 30, 2020
(11-month renewal request)

V. **Applicable Rules for Permit Renewal Requests**

77 IAC 1130.740 specifies that a permit holder may request a change in the approved project completion date by applying for a permit renewal.

77 IAC 1130.230(h)(5) states that failure to complete a project or to renew a permit within the prescribed timeframes will subject the permit holders to the sanctions and penalties provided in the Act and this Subpart.

77 IAC 1130.740(b) states that a permit renewal will commence on the expiration date of the original or renewed completion period.

77 IAC 1130.740(c) states that the State Board must be in receipt of a permit renewal request at least 45 days prior to the expiration date of the completion period, and include the

following: 1) the requested completion date; 2) a status report on the project detailing what percent has been completed and a summary of project components yet to be finished and the amount of funds expended on the project to date; 3) a statement as to the reasons why the project has not been completed; and 4) confirmatory evidence by the permit holders' authorized representative that the project's costs and scope are in compliance with what the State Board approved and that sufficient financial resources are available to complete the project.

77 IAC 1130.740(d) states the State Board staff will review the request and prepare a report of its findings. If the findings are that the request is in conformance with all HFSRB criteria, and if this is the first request for this project, then the request, staff's findings, and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFSRB, will approve, deny or refer the request to the HFSRB for action. If staff finds that all criteria are not positive or, if this is not the first request for this project, or if the Chairman refers this to HFSRB for action, then HFSRB will evaluate the information submitted to determine if the project has proceeded with due diligence (as defined in 77 IAC 1130.140). Denial of a permit renewal request constitutes HFSRB's Notice of Intent to revoke a permit and the permit holders will be afforded an opportunity for an administrative hearing.

VI. Other Information

Appended to this report are the following: the permit holders' documents for a permit renewal.

ORIGINAL

REQUEST
TO RENEW PERMIT 12-066
at
ADVOCATE HEALTH and HOSPITALS CORPORATION
d/b/a
ADVOCATE CHRIST MEDICAL CENTER
Oak Lawn, Illinois
and
ADVOCATE HEALTH CARE NETWORK
and
ADVOCATE AURORA HEALTH



4440 West 95th Street || Oak Lawn, IL 60453 || T 708.684.8000 || advocatehealth.com

9/20/2018

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Request for Permit Renewal Section 1130.750

Permit #12-066: Advocate Christ Medical Center, Oak Lawn
Permit Holder: Advocate Health and Hospitals Corporation d/b/a Advocate Christ
Medical Center and Advocate Health Care Network
Permit Amount: \$299,990,191


Dear Ms. Avery:

Advocate Health and Hospitals Corporation and Advocate Health Care Network are seeking to renew Permit 12-066 granted to Advocate Christ Medical Center in Oak Lawn. The current permit is approved to expire on July 31, 2019; the applicants request that the permit be renewed through June 30, 2020.

This report summarizes the current status of the project. An alteration to this permit is being filed concurrently with this request for permit renewal.

Enclosed is a \$500 permit renewal filing fee.

Sincerely,


Matthew Primack
President
Advocate Christ Medical Center

Cc: Mike Constantino, Supervisor of Project Review
Mike Ferrell, President, Advocate Christ Medical Center
Janet Scheuerman, PRISM Healthcare Consulting.

Advocate Christ Medical Center
Request for Permit Renewal Draft Letter

September 15, 2018
Serving individuals, families and communities

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Request for Permit Renewal Section 1130.750

Permit Holder: Permit 12-066 Advocate Christ Medical Center, Oak Lawn
Advocate Health and Hospitals Corporation a d/b/a
Advocate Christ Medical Center and Advocate Health Care
Network
Permit Amount: \$299,990,191

1. The requested completion date:

Permit 12-066 was approved on December 10, 2012; the Permit completion date is July 31, 2019. The requested completion date is June 30, 2020.

2. A status report on the project detailing what percent has been completed and a summary of project components yet to be finished and the amount of funds expended on the project to date.

The Permit includes the construction of a 7-level patient tower including the addition of 50 adult intensive care beds, 17 obstetric beds and 27 neonatal intensive care beds. The project includes 308,090 square feet of new construction and 87,646 square feet of modernization. The inpatient tower was occupied in January 2016. Space vacated in existing towers as the result of services being relocated to either the new Ambulatory Care Building completed in March 2014 or the New Patient Tower is being backfilled or rearranged to better meet evolving patient care requirements.

As of July 2018, the project is 85 percent complete. Table 1 is a comparison of cost incurred to July 18 and cost approved in the Permit.

Table 1

Attachment 7 – Costs Incurred and Costs Approved in the Permit

| Use of Funds | Costs Incurred to Date | In Permit |
|--|------------------------|---------------|
| Preplanning Costs | \$4,370,500 | \$4,370,500 |
| Site Survey and Soil Investigation | \$202,074 | \$263,400 |
| Site Preparation | \$1,540,000 | \$1,540,000 |
| Off Site Work | \$4,583,000 | \$4,583,000 |
| New Construction Contracts | \$139,374,375 | \$140,474,500 |
| Modernization Contracts | \$31,514,042 | \$29,397,568 |
| Contingencies | \$9,063,898 | \$16,678,705 |
| Architectural/Engineering Fees | \$10,890,419 | \$10,834,629 |
| Consulting and Other Fees | \$6,945,368 | \$9,916,000 |
| Movable or Other Equipment (not in construction contracts) | \$33,053,862 | \$44,282,000 |
| Bond Issuance Expense (project related) | \$408,660 | \$2,150,600 |
| Net Interest Expense During Construction (project related) | \$3,307,671 | \$13,707,723 |
| Fair Market Value of Leased Space or Equipment | \$0 | \$0 |
| Other Costs To Be Capitalized | \$10,433,966 | \$21,791,566 |
| Acquisition of Building or Other Property (excluding land) | \$0 | \$0 |
| Total Uses of Funds | \$255,687,835 | \$299,990,191 |

3. A statement as to the reasons why the project has not been completed.

Work on the project has proceeded with due diligence. The project was obligated and all Annual Progress Reports have been filed in a timely way. Construction has proceeded according to the schedule in place at the time of permit approval and the Neonatal Intensive Care Unit modernization will be completed and occupied before the initial completion date.

However, in mid-2017, the leadership of Advocate Health and Hospitals and Advocate Christ Medical Center began to assess the status of Permit 12-066 in view of the many changes in health care delivery that transpired since the Permit was approved more than 6 years before. Several major findings in the Medical Center's utilization trends needed to be addressed.

1. During the design development process, it became evident that the space available for the modernized Neonatal Intensive Care Unit could not support the approved number of neonatal beds.
2. The demand for pediatric cardiac services and especially pediatric cardiac surgery increased substantially so that the current pediatric intensive care bed complement is extremely undersized.
3. The Neuro Critical Care Unit has experienced growth and additional bed capacity is needed.

Based on these findings, leadership determined that an alteration to the Permit would be necessary. This alteration is being filed concurrently with this Permit Renewal and includes:

- a. The reduction of 3 neonatal intensive care beds due to structural limitations of the vacated space to be remodeled and the adoption of a private room configuration for all neonatal beds.
- b. The addition of 16 pediatric intensive care beds. These beds will be located in modernized space in an area that was formerly occupied by an adult intensive care unit. The unit has a direct connection between Advocate Christ and Advocate Children's Hospital – Oak Lawn and is adjacent to the surgical suite.
- c. The addition of one adult intensive care bed to meet the expanding needs of the Neuro Critical Care Unit.

In aggregate these changes account for the addition of 14 beds – well within the 20-bed maximum defined in the Rules. Exhibit 1 is a summary of existing and proposed beds. The proposed remodeling of 17,690 sf is also within the State's guideline.

Although the reduction of the neonatal intensive care beds can be completed within the original completion date, July 31, 2019, it is unlikely that the other components of the alteration will be

able to meet that deadline. To be conservative, Advocate Christ is requesting a one-year extension of the project completion data. This additional time is needed to accommodate the phasing of the pediatric intensive care beds and completing the modernization of the neuro intensive care room.

4. Confirming Evidence of financial commitment to fund the alteration projects.

The original funding approved for the project will be adequate to cover the project costs incurred to date, the alteration costs, and all other costs related to completing the project.

| | |
|------------------------|----------------|
| Costs incurred to date | \$255, 687,836 |
|------------------------|----------------|

| | |
|-------------------------------------|------------|
| Alteration costs (NICU, PICU, NCCU) | 16,817,261 |
|-------------------------------------|------------|

| | |
|------------------|--------------------|
| Cost to complete | <u>12,931, 038</u> |
|------------------|--------------------|

| | |
|-------|---------------|
| Total | \$285,326,125 |
|-------|---------------|

\$285,326,135 (project cost at completion) < \$299,990,191

(approved permit amount.)

Attachment 1 is a letter signed by the Chief Executive Officer of Advocate Christ Medical Center stating that the project's costs and scope comply with the HFSRB approved application and that sufficient financial resources are available to complete the project.

Final cost of the project will be within the approved and funded permit amount. The project will continue to be funded with cash and securities and debt. The following letter assures the funding of the project.

Conclusion

Advocate Christ Medical Center's proposed alterations to Permit #12-066 appear to be in compliance with the Administrative Code 1130.750. These alterations will be completed before the project's proposed renewed completion date, June 30, 2020.

Sincerely,



Matthew Primack

Advocate Christ Medical Center
Request for Permit Renewal Draft Letter

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A faith-based health system serving individuals, families and communities
September 15, 2018

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President
Advocate Christ Medical Center

Cc: Mike Constantino, Supervisor of Project Review
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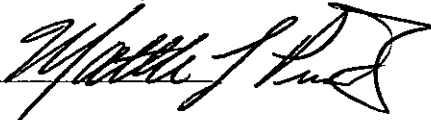
Enclosure: Check \$500.00 Filing Fee



9/20/2018

In accordance with Section 1130.740 part c, of the Illinois Health Facilities and Services Review Board rules for renewal of a permit:

I do hereby certify that construction of the project described in Permit 12-066 was obligated in October 2013 and that the financial resources to fund the project are available and that the project's addition of beds, amount of additional square footage and the cost of the project are in compliance with that which the State Board has approved.

By: 
Matthew Primack

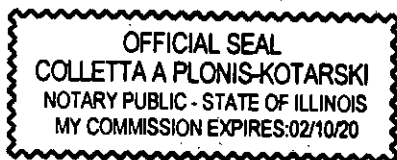
ITS:

President
Advocate Christ Medical Center

Notarization

Subscribed and sworn to before me this 20th day of SEPTEMBER 2018

Notary





Advocate Christ Medical Center
Request for Permit Renewal Draft Letter
September 15, 2018

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Attachment 1

| Advocate Christ Medical Center | | | |
|--------------------------------|------------------------------|-------------------------|---------------|
| | Authorized Beds ¹ | Proposed Bed Alteration | Proposed Beds |
| Medical / Surgical | 394 | | 394 |
| Intensive Care | | | |
| Adult | 129 | +1 | 130 |
| Pediatric | <u>24</u> | +16 | <u>40</u> |
| Total | 153 | | 170 |
| Neonatal Intensive Care | 64 | -3 | 61 |
| General Pediatrics | 45 | | 45 |
| Rehabilitation | 37 | | 37 |
| Acute Mental Illness | 39 | | 39 |
| Obstetrics | <u>44</u> | | <u>44</u> |
| Total | 788 | +14 | 802 |

¹ At no time has the number of operational beds by service exceeded the number of authorized beds.