



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET ITEM: A-01	BOARD MEETING: December 4, 2018	PROJECT NUMBER: 13-069
PERMIT HOLDERS(S): Southern Illinois Healthcare Enterprises, Inc. Southern Illinois Hospital Services d/b/a Memorial Hospital of Carbondale		
FACILITY NAME and LOCATION: Memorial Hospital of Carbondale, Carbondale		

STATE BOARD STAFF REPORT
PERMIT RENEWAL REQUEST

I. Background

On March 11, 2014, the State Board approved Project #13-069. The permit authorized the modernization/expansion of various clinical and non-clinical services on the campus of Memorial Hospital of Carbondale, Carbondale. Memorial Hospital of Carbondale is a 154-bed acute care hospital, located at 405 West Jackson Street, Carbondale. The State Agency notes the project is obligated, and the current project completion date is December 31, 2018. Project cost: \$56,112,398.

The State Board Staff notes the permit holders submitted the permit renewal request on November 7, 2018. This submittal was in accordance with 77 IAC 1130.740(d), which states that renewal requests must be received by the State Agency at least 45 days prior to the permit expiration date. A \$500.00 permit renewal fee accompanied the renewal request.

II. Findings

The State Board Staff notes this is the second renewal request for this project, and the permit holders previously received a 12-month permit renewal on February 16, 2016, extending the project completion date from December 31, 2017 to December 31, 2018. It appears the permit holders have submitted all of the information required in Section 1130.740 for a permit renewal. Board Staff notes the application was subject to a permit alteration which increased the project cost by \$3,616,560 (6.8%), from \$52,495,838 to \$56,112,398. The alteration proposed to incorporate technology upgrades to the new Operating Rooms and Intensive Care (ICU) units, and did not result in any increase to the spatial configurations of the originally proposed project.

III. The Permit Renewal Request

- A. Requested Completion Date: The permit holders request a project completion date of December 31, 2019. This would extend the project's completion date by twelve months, from December 31, 2018 to December 31, 2019.
- B. Status of the Project and Components Yet to be Finished: The permit holders state the project is proceeding with due diligence. The construction/modernization phases are complete for most clinical and all non-clinical services. The modernization of the Surgical Suite, the Mechanical/Electrical Space, installation of equipment, and licensure remains.
- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state the following events occurred, which delayed completion of the project:

"Modernization of the existing operating rooms has required more time than originally projected. The original time line called for the modernization of two operating rooms at a time. However, due to increased surgical utilization and the recruitment of 18 surgeons since the CON permit was approved, it has only been possible to take one operating room out of service at a time, which has required a revision of the construction schedule that has extended the time required to modernize the existing operating rooms. The modernization of each operating room takes 4 months, as a result of which the modernization of the operating rooms is taking 12 months more than anticipated at the time of the first permit renewal. Additionally, during the implementation of this project, it was determined that the hospital's existing da Vinci Robotic Surgical System needed to be replaced and that this replacement should occur while the Surgical Suite is being remodeled. The lead time for the purchase of the da Vinci System as well as the time necessary for the required construction and the installation of this equipment will take approximately 4 months."

- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate \$43,153,780 (76.9% of the total altered 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 altered permit amount of \$56,112,398.

IV. Project Description & Other Background Information

The permit authorized the modernization/expansion of various clinical and non-clinical services on the campus of Memorial Hospital of Carbondale, Carbondale. Project cost: \$56,112,398.

Permit Issuance Date: March 11, 2014

Original Project Completion Date: December 15, 2017

Permit Alteration Date: February 16, 2016
(6.8% cost increase)

Current Project Completion Date: December 31, 2018
(12-month renewal request/1st request)

Proposed Project Completion Date: December 31, 2019
(12-month renewal request/2nd 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 1130.740(b) 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(c) states that a permit renewal will commence on the expiration date of the original or renewed completion period.

77 IAC 1130.740(d) 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(e) states the State Board 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,

Permit Renewal Request**Project #13-069(2)****Page 4 of 4**

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.



SOUTHERN ILLINOIS HEALTHCARE

October 30, 2018

RECEIVED

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
Second Floor
525 West Jefferson
Springfield, Illinois 62702-5056

Re: IHFSRB Project #13-069
Memorial Hospital of Carbondale

Dear Ms. Avery:

We are submitting this request for a permit renewal for the above-referenced project, which was granted a CON permit at the March 11, 2014, meeting of the Illinois Health Facilities and Services Review Board (HFSRB) and received approval for an alteration on February 16, 2016.

This permit was granted for the construction of two additions to the hospital and the modernization of existing space.

1. We are requesting a renewal of this permit to a Project Completion Date of December 31, 2019, from the previously renewed Permit Completion Date of December 31, 2018.
2. The current status of the project is as follows.
 - a. As of September 1, 2018, 75% of the project was completed.
 - b. The following components of the project are completed:
 - All site work and off-site work;
 - The new construction portion of the project, which includes many departments;
 - Modernization of some departments, except for completion of the Surgical Suite and Mechanical/Electrical Space, as noted below.
 - c. The components of the project that are underway but not completed are the modernization of the Surgical Suite, Mechanical/Electrical Space, and installation of equipment.
 - d. The funds expended as of October 2, 2018, are \$43,153,780.

Notification that funds are being shifted among line items of this project without making any change in the total altered project costs that were approved on February 16, 2016, is being provided under separate cover.

A chart showing project expenditures as of October 2, 2018, together with current and proposed Estimated Project Costs by line item is enclosed.

3. The project has not been completed in the time frame proposed in the CON application for the following reasons.

- a. Modernization of the existing operating rooms has required more time than originally projected.

The original timeline called for the modernization of two operating rooms at a time. However, due to increased surgical utilization and the recruitment of 18 surgeons since the CON permit was approved, it has only been possible to take one operating room out of service at a time, which has required a revision of the construction schedule that has extended the time required to modernize the existing operating rooms.

The modernization of each operating room takes 4 months, as a result of which the modernization of the operating rooms is taking 12 months more than anticipated at the time of the first permit renewal.

- b. During the implementation of this project, it was determined that the hospital's existing daVinci Robotic Surgical System needed to be replaced and that this replacement should occur while the Surgical Suite is being remodeled.

The lead time for the purchase of the daVinci System as well as the time necessary for the required construction and the installation of this equipment will take approximately 4 months.

4. We hereby confirm that we are authorized representatives of the permit holders for this project.

We further confirm that the project's costs and scope comply with the project approved by the Illinois Health Facilities and Services Review Board, including the alteration of the sources of funds, and that sufficient financial resources are available to complete the project.

Ms. Courtney Avery
October 30, 2018
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A check for \$500 for the permit renewal processing fee is enclosed

Please feel free to contact Andrea Rozran of Diversified Health Resources, Inc. (312-266-0466, arozran@diversifiedhealth.net) if you have any questions.

Sincerely,



Rex P. Budde, President and CEO
Southern Illinois Hospital Services d/b/a Memorial Hospital of Carbondale



Michael Kasser, Senior Vice President/CFO/Treasurer
Southern Illinois Hospital Services d/b/a Memorial Hospital of Carbondale

cc: Michael Constantino



Valerie K. Cawvey

MEMORIAL HOSPITAL OF CARBONDALE EXPANSION AND MODERNIZATION
IHFPB PROJECT # 13-069
PROJECT COSTS AND SOURCES OF FUNDS AS OF 10/30/18

	APPROVED COSTS PER 2/16/16 ALTERATION	PROJECT EXPENDITURES AS OF 10/2/18	CHANGES IN LINE ITEMS OF PROJECT COSTS AS OF 10/30/18
Preplanning Costs	\$159,231	\$156,229	\$159,231
Site Survey and Soil Investigation	\$33,638	\$23,520	\$33,638
Site Preparation	\$188,631	\$188,631	\$188,631
Off Site Work	\$395,218	\$395,218	\$395,218
New Construction Contracts	\$20,865,371	\$20,391,618	\$20,865,371
Modernization Contracts	\$6,810,506	\$5,028,633	\$7,200,506
Contingencies	\$2,644,088	\$2,644,088	\$2,644,088
Architectural/Engineering Fees	\$1,963,438	\$1,938,955	\$1,963,438
Consulting and Other Fees	\$2,003,014	\$1,852,424	\$2,003,014
Movable or Other Equipment (not in construction contracts)	\$10,209,230	\$9,162,910	\$13,053,705
Bond Issuance Expense (project related)	\$1,055,000	\$339,736	\$1,055,000
Net Interest Expense during construction (project related)	\$9,680,000	\$946,146	\$6,445,525
Fair Market Value of Leased space or equipment	\$0	\$0	\$0
Other costs to be capitalized	\$105,033	\$85,672	\$105,033
Acquisition of building or other property (excluding land)	\$0	\$0	\$0
Estimated Total Project Cost	\$56,112,398	\$43,153,780	\$56,112,398