



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-06	BOARD MEETING: August 27, 2014	PROJECT NO: 14-027	PROJECT COST: Original: \$2,032,564
FACILITY NAME: Advocate BroMenn Medical Center – Pharmacy		CITY: Normal	
TYPE OF PROJECT: Non-Substantive			HSA: IV

DESCRIPTION: The applicant (Advocate Health and Hospitals Corporation d/b/a Advocate BroMenn Medical Center) proposes to relocate its Pharmacy Department into shell space established through an earlier construction/expansion project. The anticipated cost of the project is \$2,031,564. The anticipated completion date is March 31, 2016.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicant proposes to relocate its Pharmacy Department to newly built shell space, established through an earlier construction/expansion project. The proposed project is classified as non-substantive, and will occur on the existing hospital campus, located at 1304 Franklin Avenue, Normal. The anticipated cost of the project is \$2,031,564. The anticipated completion date is March 31, 2016.

WHY THE PROJECT IS BEFORE THE BOARD:

- The proposed project seeks to build out shell space established through an earlier project. Project #08-076, was approved by the Illinois Health Facilities and Services Review Board in January of 2009. The modernization/expansion project included the establishment of 29,318 GSF of newly constructed shell space, and an agreement from the permit holders to apply for a Certificate of Need permit for any project involving the building out of this newly established shell space.

PURPOSE OF THE PROJECT:

- According to the applicant, the purpose of the project is to meet the need of the U.S. Pharmacopeia compendium of the standards of medication preparation, now enforced by the U.S. Food & Drug Administration (USP 797). The project will establish an environment that meets the standards for sterile compounding of medications, with air handling and airflow systems applicable to health care standards required for handling of intravenous and chemotherapeutic medications. The applicant also notes the proposed project will facilitate the implementation of an automated carousel medication distribution system, which will improve efficiency and accuracy when selecting, dispensing, and re-stocking medications.

PUBLIC COMMENT:

- A public hearing was offered in regard to the proposed project. However, none was requested. One letter of support was included in the CON application. No letters of opposition were received. Board Staff notes the applicant submitted a formal request and received approval for expedited review of this application, and the placement of this project on the August 27, 2014 agenda.

NEED FOR THE PROJECT:

- The applicant is proposing to build out shell space established through an earlier modernization/expansion project, to modernize and expand its Pharmacy Department. The relocation/modernization project will enhance the Pharmacy services at Advocate BroMenn Medical Center by modernizing its handling, compounding, and distribution capabilities, and ensuring their compliance with modern pharmaceutical standards established by the U.S. Food and Drug Administration.

STATE BOARD STAFF REPORT
Advocate BroMenn Medical Center-Pharmacy
PROJECT #14-027

Applicants	Advocate Health and Hospitals Corporation d/b/a Advocate BroMenn Medical Center
Facility Name	Advocate BroMenn Medical Center
Location	Normal
Application Received	July 3, 2014
Application Deemed Complete	July 17, 2014
Can Applicants Request Another Deferral?	Yes

I. The Proposed Project

The applicant proposes to build out shell space established through an earlier approved project to relocate and expand the Pharmacy department on the campus of its acute care hospital, in Normal. The cost of the project is \$2,031,564. The anticipated completion date is March 31, 2016.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1120.

III. General Information

The applicant is Advocate Health and Hospitals Corporation d/b/a Advocate BroMenn Medical Center. Advocate BroMenn Medical Center is located at 1304 Franklin Avenue, Normal, Illinois. The applicant has been approved for a series of permits to modernize and expand its campus, including project #08-076, to construct a three-story addition to its campus. The hospital is located in HSA-04, which includes the following Illinois counties: McLean, Ford, Iroquois, Vermilion, Champaign, Piatt, DeWitt, Macon, Moultrie, Douglas, Edgar, Marshall, Woodford, Livingston, Shelby, Coles Cumberland, and Clark,

This is a non substantive project subject to both a 1110 and 1120 review. Obligation of the project will occur after permit issuance.

At the conclusion of this report is the 2012 Hospital Profile for Advocate BroMenn Medical Center, Normal.

IV. The Proposed Project – Details

The applicant notes having received approval to build out 11,400 GSF of this shell space through project #12-104. This project involved the relocation of its Laboratory department, and is still underway. The proposed project will build out 8,830 GSF of the remaining 20, 871 GSF of space on the lower level of the new building. The proposed project will expand/modernize the Pharmacy department, and establish conference rooms and corridor space.

The applicant is proposing to fund the project with a combination of cash and securities and bond issues. The project costs have both clinical and non-clinical components (See Table One).

VI. Cost Space Requirements

TABLE TWO Cost Space Requirements						
Department Areas	Costs	Existing	Proposed	Modernized	As Is	Vacated
Clinical						

Pharmacy	\$1,769,477	3,127	3,854	3,854	0	3,127
Total (Clinical)	\$1,769,477	3,127	3,854	3,854	0	3,127
Non Clinical						
Conference Rooms	\$51,196	3,910	4,882	972	3,910	0
Corridors/Toilets	\$210,892	3,245	7,249	4,004	3,245	0
Total (Non Clinical)	\$262,087	7,155	12,131	4,976	7,155	0
Grand Total	\$2,031,564	10,282	15,985	8,830	7,155	3,127

Section 1110.230 - Purpose of Project, Safety Net Impact Statement and Alternatives

- A) Criterion 1110.230 (a) - Purpose of the Project – Information Requirements**
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 notes the importance of having a reliable, comprehensive pharmacy system in their hospital. While the pharmacological formulary is the clinicians responsibility, the responsibility of providing it rests with hospital management. The applicant identified a need to meet the US Pharmacopeia compendium of standards of medication preparation, known as USP 797, which is now overseen by the U.S. Food and Drug Administration (FDA). USP 797 addresses standards for sterile handling, preparation, dispensing, and stocking of pharmacological stock. The applicant notes the new facility will contain separate preparation rooms with adequate sterilization/air handling equipment, and include a carousel automation medication storage system to improve efficiency and accuracy of pharmacological services at Advocate BroMenn Medical Center.

- B) Criterion 1110.230 (b) - Safety Net Impact Statement – Information Requirements**
All health care facilities, with the exception of skilled and intermediate long-term care facilities licensed under the Nursing Home Act [210 ILCS 45], shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are the services provided 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]

Board Staff notes the proposed project is classified as non-substantive, and no Safety Net Impact Statement was required. The applicant did supply its Charity Care data for the years 2011, 2012, and 2013 (See Table Three)

TABLE THREE			
Safety Net Information per PA 96-0031			
	Year 2011	Year 2012	Year 2013

Net Patient Revenue	\$155,470,000	\$159,546,000	\$158,083,408
CHARITY CARE			
Amount of Charity Care (Charges)	\$23,592,439	\$14,056,480	\$18,470,054
Cost of Charity Care	7,993,118	\$4,394,056	\$5,700,000
Charity Care as % of Net Revenue	5.1%	2.8%	3.6%

C) Criterion 1110.230 (c) - Alternatives to the Proposed Project – Information Requirements

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The applicants considered five alternatives to the proposed project.

1. Expand Pharmacy in its Current Location

The applicant considered incorporating nearby locker rooms into the Pharmacy Area. While this alternative was more cost effective, the additional 800 SGF of space would have been set apart from the main pharmacy space, and create inefficiencies with the workflow of the overall pharmacy. Cost of identified alternative: \$671,945.

2. Relocate Pharmacy to Adjoining Medical Office Building.

The applicant explored this option, but determined the space would not be available to meet the USP #797 standards in a timely manner. It was also determined the space in the adjoining medical office building would require extensive remodeling and result in a considerable distance between the pharmacy and the Intensive Care and Emergency Departments, decreasing response time. Estimated cost of this alternative: \$3,000,000.

3. Move Pharmacy to Vacated ICU or OB/Gyn Departments

The applicant notes this option would have resulted in smaller construction costs, but would have split the Pharmacy into multiple separate rooms, severely decreasing the economy of operation. A relocation to these areas would also place the pharmacy further from inpatient units, decreasing response times in emergency situations. The applicant identified a project cost of \$1,500,000.

4. Pursue a Joint Venture or Use Outside Provider for Pharmacy Services

The applicant determined this option to be infeasible because these services need to be provided in-house, and in space most proximal to the patient units. The applicant did not identify a cost with this alternative.

5. Relocate Pharmacy to Lower Level of New Patient Tower

The applicant deemed this alternative as the best option, due to its proximal location to patient care units most dependent on Pharmacy services, and spatial configurations compliant with USP #797. The applicant also acknowledges this

alternative will allow the Pharmacy department a quicker transition to its new area with minimal disruption in service. Proposed cost of this alternative: \$2,031,564.

Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234 (a) - Size of Project

The applicant shall document that the physical space proposed for the project is necessary and appropriate.

The applicant has documented that the modernized/relocated Pharmacy department will encompass 3,854 GSF of clinical space, and Board Staff acknowledges there is no State Standard for Pharmacy services. However, the applicant acknowledges the US Department of Health and Human Services periodically publishes guidelines for pharmacological services, which are usually based on the type of drug distribution system and the number of patients served by it. The applicant compared Advocate BroMenn's patient/pharmacy capacity with other Advocate health care facilities and determined the proposed Pharmacy department will be in the 24th percentile according to size, making it well within the spatial standards of other Advocate healthcare facilities.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE INAPPLICABLE TO THE REQUIREMENTS OF THE SIZE OF THE PROJECT CRITERION (77 IAC 1110.234(a))

B) Criterion 1110.234 (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 applicant notes the State Board has no utilization standards for Pharmacy services. Therefore, this criterion is inapplicable.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE INAPPLICABLE TO THE REQUIREMENTS OF PROJECT SERVICE UTILIZATION CRITERION (77 IAC 1110.234(b))

C) Criterion 1110.234 (d) - Unfinished or Shell Space

If the project includes unfinished space (i.e., shell space) that is to meet an anticipated future demand for service, the applicant shall document that the amount of shell space proposed for each department or clinical service area is justified, and that the space will be consistent with the standards of Appendix B as stated in subsections (a) and (b).

The proposed project calls for the build out of 8,830 GSF of existing shell space established through an earlier project (#08-076). No new shell space will be built as a result of this project.

**THE STATE BOARD STAFF FINDS THE CRITERION IS
INAPPLICABLE WITH THE REQUIREMENTS OF UNFINISHED
SHELL SPACE CRITERION (77 IAC 1110.234(d))**

Section 1110.3030 – Clinical Service Areas Other Than Categories of Service

These criteria are applicable only to those projects or components of projects (including major medical equipment), concerning Clinical Service Areas (CSAs) that are not "Categories of Service", but for which utilization standards are listed in Appendix B, including:

- A) Surgery
 - B) Emergency Services and/or Trauma
 - C) Ambulatory Care Services (organized as a service)
 - D) Diagnostic and Interventional Radiology/Imaging (by modality)
 - E) Therapeutic Radiology
 - F) Laboratory
 - G) Pharmacy
 - H) Occupational Therapy/Physical Therapy
 - I) Major Medical Equipment
- 2) The applicant shall also comply with requirements of the review criterion in Section 1110.234(a) (Size of Project – Review Criteria), as well as all other applicable requirements in this Part and 77 Ill. Adm. Code 1100 and 1130. Applicants proposing to establish, expand or modernize CSAs shall comply with the applicable subsections of this Section, as follows:

PROJECT TYPE	REQUIRED REVIEW CRITERIA		
New Services or Facility or Equipment	(b)(1) & (3)	–	Background of the Applicant
	(c)	–	Need Determination – Establishment

B) Criterion 1110.3030 (b)(1) &(3) -Background of Applicant

An applicant must demonstrate that it 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.*

The applicant provided the necessary documentation for this criterion at pages 55-59 of the application for permit. The applicant has met the requirements of this criterion,

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION BACKGROUND OF APPLICANT (77 IAC 1110.3030(b)(1)&(3))

C) Criterion 1110.3030 (d) – Service Modernization

The applicant shall document that the proposed project meets one of the following:

- 1) Deteriorated Equipment of Facilities
 - 2) Necessary Expansion
 - 3) Utilization
-
- 1) The applicant notes the existing Pharmacy Department does not meet the standard designated per U.S. Pharmacopeia 797. The Illinois Pharmacy Practice Act is making these standards effective in 2014, which require separate compounding rooms with vent hoods and airflow for the standard intravenous preparation and chemotherapy preparation. The standard also calls for an ante-room between these two preparation areas, with necessary support equipment.
 - 2) Recent developments in Pharmacy automation are the impetus behind the proposed expansion of this service. A medication storage system with rotating shelves, interfaced with the Pharmacy information system, is the latest innovation in the area of Pharmacy management. This system, while requiring extra space for its establishment, allows for more efficient storage of medications, reduces employee stress from repetitive motion, reduces picking errors of medications, and improves patient safety. The bar coding-based system also allows for more efficient distribution tracking, and monitoring of expiration dates.
 - 3) There is no current utilization standard for Pharmacy and Pharmacy-related equipment. However, the applicant notes that there is no piece of the new Pharmacy equipment that meets or exceeds the major medical equipment threshold. The applicant supplied historical and projected utilization data that suggests a 4.2% increase in the dispensation of Pharmaceuticals at Advocate BroMenn Medical Center (See Table Four)

TABLE FOUR				
Pharmacy Utilization/Med Dispensation per Unit				
Year	2011	2012	2013	2017
Doses Dispensed	969,984	976,785	985,936	1,018,631

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION NEED DETERMINATION 77 IAC 1110.3030 (c)

Section 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The applicant is funding this project with cash and securities of \$795,289, and Bond Issues totaling \$1,236,275. The applicant has an “AA” bond rating from FitchRatings (application, p. 81), an “Aa2” rating from Moody’s (application, p. 85), and an “AA/Stable” rating from Standard and Poor’s (application, p.87). The applicant has met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1120.120)

Section 1120.130 - Financial Viability

The applicant is NOT required to submit financial viability ratios if the applicants have an “A” or better bond rating or is funding the project from internal sources.

The applicant is funding this project with cash and securities of \$795,289, and Bond Issues totaling \$1,236,275. The applicant has an “A” or better bond rating from the three ratings services (application. pg. 81-87). The applicant has met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)

Section 1120.140 - Economic Feasibility

- A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements**
The applicant shall document the reasonableness of financing arrangements.

No debt financing is being used for this project. The applicant is funding this project with cash and securities of \$795,289, and Bond Issues totaling \$1,236,275.

The applicant has an “A” or better bond rating from the three ratings services (application. pg 81-87). The applicant has met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS (77 IAC 1120.140 (a))

B) Criterion 1120.140 (b) - Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable.

No debt financing is being used for this project. The applicant is funding this project with cash and securities of \$795,289, and Bond Issues totaling \$1,236,275. The applicant has an “A” or better bond rating from the three ratings services (application. pg 81-87). The applicant has met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION TERMS OF DEBT FINANCING (77 IAC 1120.120(b))

C) Criterion 1120.140 (c) - Reasonableness of Project and Related Costs

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

Modernization and Contingencies – These costs are \$1,124,035 or \$291.65 per GSF. This appears reasonable compared to the State standard of \$296.74/GSF.

Contingencies – These costs are \$91,800 or 8.8% of modernization costs. This appears reasonable when compared to the State Board Standard of 10% - 15%.

Architectural and Engineering Fees – These costs are \$124,820 and are 11.1% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 7.76%-11.66%.

Consulting and Other Fees – These costs are \$85,193. The State Board does not have a standard for these costs.

Movable or Other Equipment – These costs are \$412,923. The State Board does not have a standard for these costs.

Bond Issuance Expense – These costs are \$6,745. The State Board does not have a standard for these costs.

Net Interest Expense During Construction – These costs are \$15,761. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT AND RELATED COSTS (77 IAC 1120.120 (c))

D) Criterion 1120.140 (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 costs of salaries, benefits and supplies for the service.

Annual projected operating costs per patient day for this project are \$226.91. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 IAC 1120.140 (d))

E) Criterion 1120.140 (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 total effect on capital costs are \$1.89 per equivalent patient day. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140 (e))