



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-07	BOARD MEETING: November 12, 2014	PROJECT NO: 14-040	PROJECT COST: Original: \$1,442,398
FACILITY NAME: NorthPointe Health & Wellness Campus Free- Standing Emergency Center		CITY: Roscoe	
TYPE OF PROJECT: Substantive			HSA: I

PROJECT DESCRIPTION: The applicant (Beloit Health System) proposes to establish a Free-Standing Emergency Center (FSEC), in Roscoe. The cost of the project is \$1,442,398. **The anticipated date of completion is December 15, 2017.**

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicant (Beloit Health System) proposes to establish a Free-Standing Emergency Center (FSEC) on the site of their existing Immediate Care Center, located at 5605 East Rockton Road, in Roscoe. The cost of the project is \$1,442,398. **The anticipated date of completion is December 15, 2017.**
- The proposed facility will be one of six FSECs located throughout the State, and it will be located in space currently operating as a satellite facility of Beloit Memorial Hospital's Emergency Department.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes to establish a category of service, under criterion 77 IL Admin. Code Part 1110.3230.

PURPOSE OF THE PROJECT:

- According to the applicants the purpose of the project is to improve the delivery of healthcare in the service area, by providing 24-hour a day, 7 day a week, access to Emergency services. The applicant notes the current travel time to the nearest Emergency Department (ED), is over 15 minutes. The applicant proposes to eliminate the excessive travel for said services in the area, by accepting ambulance transports, and shortening any excessive wait times often encountered at hospital-based EDs. The proposed FSEC will continue to operate as a division of Beloit Memorial Hospital's Emergency Department (ED). The applicant notes the proposed project will provide increased access for the residents of the service area through expanded hours, and reduced ambulance transport times for emergent cases.

BACKGROUND:

- In December 2008, Beloit Health System submitted an application for project #08-103, NorthPointe Emergency Center. The project proposed to convert an existing an 8-station Immediate Care Center (ICC) to a Free Standing Emergency Center (FSEC). The 5,575 GSF facility was to be located at 5605 East Rockton Road, Roscoe, Illinois. Project cost: \$262,594.
- In February 2009, the applicant withdrew project #08-103, citing the need to "safeguard our community's resources in these uncertain and challenging economic times."
- The applicant continued operations at its current location as an Immediate Care Center (ICC).

NEED FOR THE PROJECT:

- This project is a considered a necessary expansion and modernization of an existing health care facility's clinical services other than a category of service.
- The applicant cites the need for a 24-hour/7day per week, Emergency Department (ED), in the area. The ICC currently operates on a 12-hour, daily schedule.
- The applicant cites a need in the area for this facility to decrease ambulance transport times for patients with emergent medical needs. The applicant cites excessive travel times to area hospital EDs, and public testimony from first responders was provided at the October, 22, 2014 Public Hearing, attesting to the need for locally-available Emergency services.

PUBLIC COMMENT:

- A public hearing was held on October 22, 2014, 2010. The meeting was held at 11:30am at the Roscoe Village Hall, 10631 Main Street, Roscoe. There were 43 individuals in attendance. 19 individuals testified in support of the project and 4 individuals testified in opposition. In addition,

16 individuals registered their support, 3 registered their opposition, and 1 registered as being neutral toward the proposed project.

FINANCIAL

- The applicant is funding this project with cash and securities. The applicant provided evidence of an A– Stable rating from FitchRatings Service(application, p. 110). The applicant also supplied Audited Financial Statements (application, p. 124), supporting the applicant’s attestation of financial viability.

WHAT WE FOUND:

- The applicant addressed a total of 14 criteria and did not meet the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1110.3230(b) – Service Accessibility	There appears to be underutilized ED categories of service in the 30-minute service area surrounding the proposed facility.
1110.3230(c) – Unnecessary Duplication/Maldistribution of Service	There are four facilities in the service area (30 minutes), that are underutilized. (See Table 5).
1120.140(c) – Reasonableness of Project Cost	The applicant has exceeded the Board Standard for Preplanning costs for this project by 2.2%

STATE AGENCY REPORT
NorthPointe Health & Wellness Campus
Free Standing Emergency Center (FSEC)
Project #14-040

APPLICATION SUMMARY	
Applicant	Beloit Health System, Inc.
Facility Name	NorthPointe Health & Wellness Campus Free-Standing Emergency Center
Location	Roscoe, Illinois
Application Received	August 22, 2014
Application Deemed Complete	August 28, 2014
Applicants' Modified the Project?	No

I. The Proposed Project

The applicants are proposing to establish an eight station free standing emergency center (FSEC), in a 6,734 GSF of space in Roscoe. The proposed cost of the project is \$1,442,398.

II. Summary of Findings

A. The State Agency finds the proposed project does not appear to be in conformance with the provisions of Part 1110.

B. The State Agency finds the proposed project does not appear to be in conformance with the provisions of Part 1120.

III. General Information

The applicant is Beloit Health System, Inc. The operating entity licensee is Beloit Health System d/b/a Beloit Memorial Hospital. The proposed project will be located at 5605 East Rockton Road, Roscoe, on the NorthPointe Health and Wellness campus, owned and operated by the applicant.

The proposed project will be located in Winnebago County (HSA I) in the B-01 hospital planning area. HSA I consists of the Illinois Counties of Jo Daviess, Stephenson, Winnebago, Boone, Carroll, Ogle, DeKalb, Whiteside, and Lee. There are five general acute care hospitals, one rehabilitation hospital, and one Long Term Acute Care Hospital (LTACH) located in A-09 planning area. These hospitals are Rockford Memorial Hospital, OSF Saint Anthony Medical Center, Swedish American Hospital, Van Matre Rehabilitation Hospital, Katherine Shaw Bethea Hospital, Kindred Hospital, Sycamore, and Swedish American Medical Center.

Per 77 IAC 1110.40 this is a substantive project subject to both Parts 1110 and 1120 review. Project obligation will occur after permit issuance. The anticipated project completion date is December 15, 2017.

Summary of Support and Opposition Comments

A public hearing was held on October 22, 2014, 2010. The meeting was held at 11:30am at the Roscoe Village Hall, 10631 Main Street, Roscoe. There were 43 individuals in attendance. 19 individuals testified in support of the project and 4 individuals testified in opposition. In addition,

16 individuals registered their support, 3 registered their opposition, and 1 registered as being neutral toward the proposed project

IV. The Proposed Project - Details

The applicant proposes to convert an existing Immediate Care Center (ICC), at its NorthPointe Health and Wellness campus in Roscoe, to a Free Standing Emergency Center (FSEC). The 6,734 GSF facility will not expand, but will remodel 1,180 GSF of this space, resulting in an 8-station facility that meets FSEC licensing criteria. The applicants note the existing ICC operates as a “satellite facility” for the Beloit Memorial Hospital ED, and considers itself a “de-facto” FSEC, requiring the appropriate licensure in the State of Illinois. The proposed project will actually be considered an establishment of a category of service (substantive), under Board rules, due the proposed establishment of an FSEC.

V. Project Costs and Sources of Funds

Table One shows the project’s source and use of funds. The project is being funded in its entirety with cash and securities totaling \$1,442,398. The State Agency notes the project has both clinical and non-clinical components. The applicants note there will be a minimal start-up cost of \$55,000, due to the project being more of a conversion from an Immediate Care Center. These costs are not capitalized and are not listed in Table One below.

TABLE ONE			
Project Sources and Uses of Funds			
Use of Funds	Clinical	Non -Clinical	Total
Preplanning	\$18,000	\$7,000	\$25,000
Site Survey/Soil Investigation	\$2,500	\$2,500	\$5,000
Site Preparation	\$0	\$2,100	\$2,100
Off Site Work	\$0	\$72,191	\$72,191
Modernization Contracts	\$219,657	\$649,404	\$869,061
Contingencies	\$21,966	\$64,940	\$86,906
A & E Fees	\$23,920	\$70,720	\$94,640
Consulting and Other Fees	\$40,000	\$17,500	\$57,500
Movable or Other Equipment	\$205,000	\$0	\$205,000
Other Costs to be Capitalized	\$12,500	\$12,500	\$25,000
Totals	\$543,543	\$898,855	\$1,442,398
Source of Funds			
Cash and Securities	\$543,543	\$898,855	\$1,442,398
Total	\$543,543	\$898,855	\$1,442,398

VI. Cost Space Requirements

Table Two displays the project’s cost/space requirements. The State Agency notes that approximately 62.3% of the project’s cost is not subject to review since they are for non-clinical service areas or for other areas for which the State Board has not established review standards

TABLE TWO NorthPointe Health & Wellness Campus FSEC – Cost/Space Requirements Summary							
Department	Cost (\$)	Exist. GSF	Proposed GSF	New Const GSF	Remodeled GSF	As is GSF	Vacated GSF
Clinical							
FEC	\$543,543	6,734	6,734	0	1,180	5,554	0
Clinical Total	\$543,543	6,734	6,734	0	1,180	5,554	0
Non Clinical							
Helistop	\$68,314	0	0	0	0	0	0
Ambulance Pad	\$2,096	0	0	0	0	0	0
Sidewalk Access	\$1,781	0	0	0	0	0	0
Electrical Systems Upgrade	\$649,404	0	0	0	0	0	0
*Other Expense	\$177,260	0	0	0	0	0	0
Non Clinical Total	\$898,855	0	0	0	0	0	0
Total	\$1,442,398	6,734	6,734	0	1,180	5,554	0
*Attributed to Allocated Project Costs, see application, p. 43.							

VII. 1110.230 Background, Purpose and Alternatives

A. Criterion 1110.230(a) - Background of Applicants

The criterion reads as follows:

- “1) An applicants 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.* [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicants , HFPB shall consider whether adverse action has been taken against the applicants , or against any health care facility owned or operated by the applicants , directly or indirectly, within three years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").
- 2) Examples of facilities owned or operated by an applicants include:
 - A) The applicants , Partnership ABC, owns 60% of the shares of Corporation XYZ, which manages the Good Care Nursing Home under a management agreement. The applicants , Partnership ABC, owns or operates Good Care Nursing Home.
 - B) The applicants , Healthy Hospital, a corporation, is a subsidiary of Universal Health, the parent corporation of Healthcenter Ambulatory Surgical Treatment Center (ASTC), its wholly-owned

subsidiary. The applicants , Healthy Hospital, owns and operates Healthcenter ASTC.

- C) Dr. Wellcare is the applicants . His wife is the director of a corporation that owns a hospital. The applicants , Dr. Wellcare, owns or operates the hospital.
- D) Drs. Faith, Hope and Charity own 40%, 35% and 10%, respectively, of the shares of Healthfair, Inc., a corporation, that is the applicants. Dr. Charity owns 45% and Drs. Well and Care each own 25% of the shares of XYZ Nursing Home, Inc. The applicants, Healthfair, Inc., owns and operates XYZ Nursing Home, Inc.

3) The applicants shall submit the following information:

- A) A listing of all health care facilities currently owned and/or operated by the applicants, including licensing, certification and accreditation identification numbers, as applicable;
- B) A certified listing from the applicants of any adverse action taken against any facility owned and/or operated by the applicants during the three years prior to the filing of the application;
- C) Authorization permitting HFPB and Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFPB.

4) If, during a given calendar year, an applicants submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicants shall attest that the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicants are able to submit amendments to previously submitted information, as needed to update and/or clarify data.

The applicant is Beloit Health System, Inc. located at 1969 W. Hart Road, Beloit, Wisconsin. Beloit Health System, Inc. is a fully integrated healthcare provider with facilities in the Southern Wisconsin, Northern Illinois state-line region. It is comprised of Beloit Memorial Hospital, the Beloit Clinic, several satellite clinics in the region, and also assisted living facilities in Wisconsin and Illinois. The System has a regional cancer care center located in Wisconsin. Beloit Memorial Hospital is a 256 bed facility that includes a [Dialysis Center](#), [Stateline Emergency Care Center](#), and [Cancer Care Center](#). In December 2007, the hospital opened a \$35 million new health and wellness campus in Roscoe, Illinois called [NorthPointe](#). NorthPointe includes an Assisted Living Center ([NorthPointe Terrace](#)), Fitness Center, Immediate Care, Spa, Physician Clinic. Laboratory and imaging services are also provided at North/Pointe.

TABLE THREE				
Safety Net Information per PA 96-0031				
Beloit Memorial Hospital				
Charity Care				
	2010	2011	2012	2013
# of Patients				
Inpatient	118	94	91	102
Outpatient	1,510	1,269	945	1,296
Total	1,628	1,363	1,036	1,398
Charity Care (Cost)	2010	2011	2012	2013
Inpatient	\$1,546,000	\$1,430,000	\$1,541,000	\$1,173,000
Outpatient	\$3,513,000	\$3,342,000	\$3,992,000	\$3,174,000
Total	\$5,059,000	\$4,772,000	\$5,463,000	\$4,347,000
Medicaid				
	2010	2011	2012	2013
# of Patients				
Inpatient	1,160	1,223	1,097	981
Outpatient	83,679	85,735	81,158	82,376
Total	84,839	86,958	82,255	83,357
Medicaid Revenue	2010	2011	2012	2013
Inpatient	\$16,440,000	\$20,113,000	\$17,648,000	\$19,873,000
Outpatient	\$49,469,000	\$57,850,000	\$61,799,000	\$63,505,00
Total	\$65,909,000	\$77,963,000	\$79,447,000	\$83,378,000

B. Criterion 1110.230(b) – Purpose of the Project

The criterion states:

“The applicants 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 applicants shall define the planning area or market area, or other, per the applicants’ definition.

- 1) The applicants shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:**
 - A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;**
 - B) The population's morbidity or mortality rates;**
 - C) The incidence of various diseases in the area;**
 - D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);**
 - E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).**
- 2) The applicants shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).**
- 3) The applicants shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicants shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.**
- 4) For projects involving modernization, the applicants shall describe the conditions being upgraded. For facility projects, the applicants shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicants shall also include repair and maintenance records.”**

The applicant states the proposed project will convert an existing Immediate Care Center (ICC), to a Free-Standing Emergency Center (FSEC). The proposed conversion will expand services to the region with increased access for both outpatient and

ambulance traffic. In addition, decreased travel times will result for emergent care patients, and wait times that are considerably less than traditional Emergency Departments (EDs), will result. The applicant further notes the conversion to an FSEC will enhance the quality of care provided to the service area, by staffing the facility with ED trained physicians and clinicians.

C. Criterion 1110.230(c) Alternatives to the Proposed Project

The criterion states:

“The applicants 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.

- 1) Alternative options shall be addressed. Examples of alternative options include:**
 - A) Proposing a project of greater or lesser scope and cost;**
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;**
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and**
 - D) Other considerations.**
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.**
- 3) The applicants shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available.”**

The applicants' state they considered the following alternatives:

1. Joint Venture/Other Resources

The applicant notes there are no other FSEC's in the service area to utilize or partner with. The applicant notes their ICC is the only healthcare facility suitable for transformation to an FSEC. The applicant identified no cost, and rejected this alternative.

2. Expand ICC Hours to a 24/7, 365 Day Operation

This alternative was rejected because while this option would improve patient access, it would do nothing for ambulance access, and the excessive travel times encountered for this population. In essence, this alternative would not serve the needs of a population that needs it most. The applicant identified no cost, and rejected this alternative.

3. Develop a New 8-Station FSEC

This alternative was rejected because it was too costly. While the construction of a separate FSEC would increase access, it would duplicate some services already offered at

the ICC, and be more costly to operate. The applicant identified a cost of \$4,100,000 with this project.

4. Modernize the Existing ICC

The applicant chose this alternative, based on the improved access to care, greater quality of medical services, and the lowest cost of all alternatives listed. The proposed project will utilize existing space, increase access, and provide a higher level of medical services to a service area lacking such services. Cost of this alternative: \$1,442,398.

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

A. Size of Project

The criterion states:

“The applicants shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

- 1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;**
- 2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;**
- 3) The project involves the conversion of existing bed space that results in excess square footage.”**

The applicant proposes to establish an 8-station FSEC in 6,734 GSF of space. The State Board standard for free standing emergency centers is 840-1170 bgsf/Treatment Station. This equates to 842 GSF per room (6,734 GSF/8 treatment room = 841.75 GSF per room). The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT SIZE CRITERION (77 IAC 1110.234(a)).

B. Project Services Utilization

The criterion states:

“This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFPB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100. The applicants shall document that, in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in Appendix B.”

The applicants are proposing 8 rooms to be located at the proposed FSEC site, and are projecting 14,531 emergency visits in 2017, the second year of operation. Based upon the number of projected visits the applicants can justify the 8 rooms being requested.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT SERVICE UTILIZATION CRITERION (77 IAC 1110.234(b)).

VIII. Freestanding Emergency Center Medical Services

A. Criterion 1110.3230(a)(4) - Target Utilization

The criterion states:

“The minimum operational capacity for each treatment station in an FEC is 5.5 patients per day (2,000 patient visits per year) based upon 24-hour availability.”

The applicants provided a projection of 14,531 patients in FY 2017 for the 8 proposed treatment rooms; which equals 1,816 visits per room and meets the State Board’s target utilization of 2,000 patients per treatment room (14,531 treatments/8 rooms = 1,816). The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TARGET UTILIZATION CRITERION 77 IAC 1110.3230 (a)(4)

B. Criterion 1110.3230(a)(5)(6) - Licensing

The criterion states:

“5) All projects for an FEC must comply with the licensing requirements established in the Emergency Medical Services (EMS) Systems Act [210 ILCS 50/32.5], including the requirements that the proposed FEC is located:

- A) *in a municipality with a population of 75,000 or fewer inhabitants;”***
- B) *within 20 miles of the hospital that owns or controls the FEC; and***
- C) *within 20 miles of the Resource Hospital affiliated with the FEC as part of the EMS system (Section 32.5(a) of the Emergency Medical Services (EMS) Systems Act).***

6) The applicant shall certify that it has reviewed, understands and plans to comply with all of the following requirements:

- A) The requirements of becoming a Medicare provider of freestanding emergency services; and**
- B) The requirements of becoming licensed under the Emergency Medical Services Systems Act [210 ILCS 50].”**

The proposed FSEC will be located in Roscoe, A community with a population of 10,680. The applicant notes the proposed facility will also serve Rockton (population: 7,613), and South Beloit (population: 7,773). Beloit Health System, Inc. and Beloit Memorial Hospital is the controlling hospital. It is located at 1969 west Hart Road, Beloit, and is located 8.9 miles away (12 minutes). Rockford Memorial Hospital is the resource hospital. RMH is located 14.5 miles (20 minutes) from the proposed facility. The applicants have certified to the

requirements of this criterion. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERIA CRITERION 77 IAC 1110 3230 (a)(5)(6).

C. Criterion 1110.3230(b)(2) – Area Need

The criterion states:

“2) Service to Area Residents

Applicants proposing to establish or expand an FECMS category of service shall document that the primary purpose of the project will be to provide necessary health care to the residents of the geographic service area (GSA), which is defined as 30 minutes travel time from the proposed FEC site.

A) For projects to establish an FECMS category of service, the applicant shall document that at least 50% of the projected patient volume will be residents of the GSA described in subsection (b)(2). Documentation shall consist of patient origin data, as follows:

- i) Letters from authorized representatives of hospitals or other FEC facilities that are part of the Emergency Medical Services (EMS) System for the defined GSA, including patient origin data by zip code. If letters are submitted as documentation, a certification in each letter, by the authorized representative, that the representations contained in the letter are true and correct. A complete set of the letters with original notarized signatures shall accompany the application for permit; or**
- ii) Patient origin data by zip code from independent data sources (e.g., Illinois Hospital Association CompData or IDPH hospital discharge data), based upon the patient's legal residence, for patients receiving services at the existing GSA facilities' emergency departments (ED), verifying that at least 50% of the ED patients served during the last 12-month period were residents of the GSA.”**

The applicant provided historical utilization data (application, p. 81) for the ICC, from residents of Roscoe, South Beloit, and Rockton. The applicant notes 63.2% of the entire patient base originated from these three municipalities in 2013. The applicant attests that enhanced licensure standards that will allow ambulance utilization, and extended service hours (24 hours/day, 365 days/year), will result in the proposed FSEC to reach its projected utilization standard for 2017.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AREA NEED CRITERION 77 IAC 1110 3230 (b)(2).

D. Criterion 1110.3230(b)(3) – Service Demand

The criterion states:

“3) Service Demand – Establishment of FECMS Category of Service

The applicant shall document that establishment of an FECMS category of service is necessary to accommodate the service demand experienced annually by the existing GSA (as defined in subsection (b)(2)) hospitals over the latest two-year period.

A) Historical Utilization

The applicant shall document the annual number of ED patients that have received care at facilities that are located in the applicant's defined GSA for the latest two-year period prior to submission of the application;

B) Projected Utilization

The applicant shall document:

- i) the estimated number of patients anticipated to receive services at the proposed FEC. The anticipated number cannot exceed the documented historical caseload of all hospitals that are located in the applicant's defined GSA.
- ii) if applicable, the estimated number of patients anticipated to receive services at the proposed FEC, based upon rapid population growth in the applicant facility's existing market area.

C) Projected Service Demand – Documentation Parameters

- i) Population projections shall be produced, using, as a base, the population census or estimate for the most recent year for zip code, county, incorporated place, township, or community area by the U.S. Census Bureau or IDPH;
- ii) Projections shall be for a maximum period of 10 years from the date the application is submitted;
- iii) The number of years projected shall not exceed the number of historical years documented;
- iv) Projections shall contain documentation of population changes in terms of births, deaths, and net migration for a period of time equal to or in excess of the projection horizon;
- v) Projections shall be for total population and specified age groups for the applicant's market area, as defined by HFPB for each category of service in the application; and

- vi) **Documentation on projections methodology, data sources, assumptions and special adjustments shall be submitted to HFPB.**

The applicant identified the cities of Roscoe, Rockton, South Beloit, and Beloit Wisconsin, as communities served by the ICC in the past, and projected to be served by the proposed FSEC, in the future. The applicant notes having staffed and operated its ICC in a manner consistent with FSEC licensure/compliance standards, and in essence, has operated as a “de-facto” FSEC. The applicant notes being unable to provide data alluding to 50% of the patient origin presenting to other area EDs, they have provided historical utilization data for the ICC in Table Four.

TABLE FOUR					
Historical/Projected Utilization Data NorthPointe ICC/FSEC					
City	Zip Code	2013 Population	2013 Visits	Service Area Percent	2017 Projected Visits
Roscoe	61073	10,680	1,921	18.0%	3,472
Rockton	61072	7,613	1,784	23.4%	2,510
South Beloit	61080	7,773	2,028	26.1%	2,766
Illinois Average		26,066	5,733	22%	8,748
Beloit, Wi.	53511	36,888	1,901	5.2%	2,900
Subtotal			7,634		11,648
All Others			1,442		2,883
Total			9,076		14,531

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SERVICE DEMAND CRITERION 77 IAC 1110.3230(b) (3)

- E. **Criterion 1110.3230(b)(4) – Service Accessibility**
The criterion states:

“4) Service Accessibility

The proposed project to establish or expand an FECMS category of service is necessary to improve access for GSA residents. The applicant shall document the following:

A) Service Restrictions

The applicant shall document that at least one of the following factors exists in the GSA:

- i) **The absence of ED services within the GSA;**
- ii) **The area population and existing care system exhibit indicators of medical care problems, such as high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;**

- iii) All existing emergency services within the 30-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

B) Supporting Documentation

The applicant shall provide the following documentation, as applicable, concerning existing restrictions to service access:

- i) The location and utilization of other GSA service providers;
- ii) Patient location information by zip code;
- iii) Travel-time studies;
- iv) A certification of waiting times;
- v) Scheduling or admission restrictions that exist in GSA providers;
- vi) An assessment of GSA population characteristics that documents that access problems exist;
- vii) Most recently published IDPH Hospital Questionnaire

The applicant notes there are no other FSECs in the defined 20-minute Illinois service area, nor are there any hospitals with ED services. The applicant notes the area is served by ambulance and hospital-based ED services, with the closest being an average of 21 minutes away. Board Staff identified 4 general hospitals within a 30-minute radius, and has compiled the ED utilization data for each in Table Five below. Board Staff notes there are three full-time and one stand-by ED service, and the three full-time EDs identified are operating beneath the State Occupancy Standard. While it appears the proposed facility will fill a void in an area without Emergency services immediately available, there are underutilized facilities in the service area. The applicant has not met the requirements of this criterion.

TABLE FIVE						
Hospital EDs Within 30 Minutes of NorthPointe Wellness Campus FSEC						
Hospital	City	Time	Rooms/ Stations	Utilization*	Stations Justified	Standard Met?
St. Anthony Medical center	Rockford	20	24	37,398	19	No
OSF Rockford Memorial Hospital	Rockford	23	29	49,377	25	No
Swedish American Hospital	Rockford	26	42	60,286	31	No
Swedish American Medical Center#	Belvidere	26	4	13,370	7	Yes
Data taken from 2013 IDPH Hospital Profiles						
*Emergency + Trauma Visits						
#Stand-By Emergency						
State Utilization Standard: 2,000 visits/year = 1 Station						

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE SERVICE ACCESSIBILITY CRITERION 77 IAC 1110.3230(b) (4).

F. Criterion 1110.3230(c) - Unnecessary Duplication/Maldistribution
The criterion reads as follows:

- “1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:**
 - A) A list of all zip code areas (in total or in part) that are located within 30 minutes normal travel time of the project's site;**
 - B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and**
 - C) The names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide emergency medical services.**
- 2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified facilities within the Normal Travel Time have an excess supply of ED treatment stations characterized by such factors as, but not limited to:**
 - A) Historical utilization (for the latest 12-month period prior to submission of the application) for existing ED within 30 minutes travel time of the applicant's site that is below the utilization standard established pursuant to 77 Ill. Adm. Code 1100; or**
 - B) Insufficient population to provide the volume or caseload necessary to utilize the ED services proposed by the project at or above utilization standards.**
- 3) The applicant shall document that, within 24 months after project completion, the proposed project:**
 - A) Will not lower the utilization of other GSA providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and**
 - B) Will not lower, to a further extent, the utilization of other GSA hospitals or FECs that are currently (during the latest 12-month period) operating below the utilization standards.**
- 4) The applicant shall document that a written request was received by all existing facilities that provide ED service located within 30 minutes travel time of the project site asking the number of treatment stations at each facility, historical ED utilization, and the anticipated impact of the proposed project upon the facility's ED utilization. The request shall include a statement that a written response be provided to the applicant no later than 15 days after receipt. Failure by an existing facility to respond to the applicant's request for information within the prescribed 15-day response period shall constitute an assumption that the existing facility will not**

experience an adverse impact in utilization from the project. Copies of any correspondence received from the facilities shall be included in the application.”

There are four facilities in the proposed GSA that provide ED services within 30 minutes of the proposed site per Map Quest adjusted, (See Table Five). One of the four facilities identified, one is classified as “Standby”, and does not accept ED cases on a regular basis. This facility, Swedish American Medical Center, Belvidere, is the only facility of the four operating in compliance with the State utilization standard. Based on these data, a negative finding has been made for this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION /MALDISTRIBUTION CRITERION 77 IAC 1110.3230(c)

G. Criterion 1100.3230(e) - Staffing Availability

The criterion states:

- “1) An applicant proposing to establish an FECMS category of service shall document that a sufficient supply of personnel will be available to staff the service. Sufficient staff availability shall be based upon evidence that for the latest 12-month period prior to submission of the application, those hospitals or FECs located in zip code areas that are (in total or in part) within one hour normal travel time of the applicant facility's site have not experienced a staffing shortage with respect to the categories of services proposed by the project.**
- 2) A staffing shortage is indicated by an average annual vacancy rate of more than 10% for budgeted full-time equivalent staff positions for health care workers who are subject to licensing by the Department of Financial and Professional Regulation.**
- 3) An applicant shall document that a written request for such information was received by all existing facilities within the zip code areas, and that the request included a statement that a written response be provided to the applicant no later than 15 days after receipt. Failure by an existing facility to respond to the applicant's request for information within the prescribed 15-day response period shall constitute an assumption that the existing facility has not experienced staffing vacancy rates in excess of 10%. Copies of any correspondence received from the facilities shall be included in the application.**
- 4) If more than 25% of the facilities contacted indicated an experienced staffing vacancy rate of more than 10% percent, the applicant shall provide documentation as to how sufficient staff shall be obtained to operate the proposed project, in accordance with licensing requirements.**

The applicant notes the facility is an existing Immediate Care Center (ICC), already staffed with physicians and clinicians. Based on its existing staff and small turnover rate, the applicant feels this criterion is inapplicable.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE INAPPLICABLE WITH THE STAFFING CRITERION 77 IAC 1110.3230(e).

IX. 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 from the following sources, as applicable:

- a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:**
 - 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and**
 - 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;**
- b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience. Provide a list of confirmed pledges from major donors (over \$100,000);**
- c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;**
- d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:**
 - 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;**
 - 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;**
 - 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;**

- 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
- e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
- f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
- g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.

The applicant is funding this project with cash and securities totaling \$1,442,398. The applicant provided audited financial statements (application, p. 124), and proof of an A-Stable Bond rating from FitchRatings (application, p. 110), providing evidence that sufficient funds are available for this project.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120 (a)).

X. 1120.130 - Financial Viability

a) Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA), or its equivalent; or

HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

b) Viability Ratios

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards. The latest three years' audited financial statements shall consist of:

- 1) Balance sheet;
- 2) Revenues and expenses statement;
- 3) Changes in fund balance; and
- 4) Changes in financial position.

HFSRB NOTE: To develop the above ratios, facilities shall use and submit audited financial statements. If audited financial statements are not available, the applicant shall use and submit Federal Internal Revenue Service tax returns or the Federal Internal Revenue Service 990 report with accompanying schedules. If the project involves the establishment of a new facility and/or the applicant is a new entity, supporting schedules to support the numbers shall be provided documenting how the numbers have been compiled or projected.

c) Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

The applicants were not required to provide financial viability ratios because the project is being funded in its entirety with cash and securities. An A- Stable Bond Rating (application p. 110) and Audited financial statements (application, p. 124) were provided as required as evidence of the sufficiency of the amount of cash to fund the project. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1120.130 (a)).

XI. 1120.140 - Economic Feasibility

A) Criterion 1120.140 (a) Reasonableness of Financing

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

This project is being funded entirely by cash and securities. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF DEBT FINANCING CRITERION (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 by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

This project is being funded entirely by cash and securities. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1120.140 (b)).

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

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the following:

- 1) Preplanning costs shall not exceed the standards detailed in Appendix A of this Part.**
- 2) Total costs for site survey, soil investigation fees and site preparation shall not exceed the standards detailed in Appendix A unless the applicant documents site constraints or complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.**
- 3) Construction and modernization costs per square foot shall not exceed the standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.**

HFSRB NOTE: Construction and modernization costs (i.e., all costs contained in construction and modernization contracts) plus contingencies shall be evaluated for conformance with the standards detailed in Appendix A.

- 4) Contingencies (stated as a percentage of construction costs for the project's stage of architectural development) shall not exceed the standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.**

HFSRB NOTE: Contingencies shall be limited in use for construction or modernization (line item) costs only and shall be included in construction and modernization cost per square foot calculations and evaluated for conformance with the standards detailed in Appendix A. If, subsequent to permit issuance, contingencies are proposed to be used for other component (line item) costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by HFSRB prior to that use.

- 5) New construction or modernization fees and architectural/engineering fees shall not exceed the fee schedule standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.**
- 6) The costs of all capitalized equipment not included in construction contracts shall not exceed the standards for equipment as detailed in Appendix A unless the applicant documents the need for additional or specialized equipment due to the scope or complexities of the services to be provided. As documentation, the applicant must provide evidence that the costs are similar to or consistent with other projects of similar scope and complexity, and attest that the equipment will be acquired at the lowest net cost**

available, or that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

- 7) **Building acquisition, net interest expense, and other estimated costs shall not exceed the standards detailed in Appendix A. If Appendix A does not specify a standard for the cost component, the applicant shall provide documentation that the 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)**

The mix of service areas for new construction and modernization will be adjusted by the table of cost complexity index detailed in Appendix A.

Preplanning costs – These costs total \$18,000 and are 4% of modernization, contingencies and movable or other equipment. This appears **HIGH** when compared to the State Board standard of 1.8%.

Site Survey Site Preparation – These costs total \$2,500 and are 1% of modernization and contingency costs. This appears reasonable when compared to the State Board standard of 5%.

Modernization Contracts – These costs total \$219,657 or \$186.15 per gross square feet. This appears reasonable when compared to the State Board standard of \$257.14

Contingency Costs – These costs total \$21,966 and are 10% of modernization costs. This appears reasonable when compared to the State Board standard of 10%-15%.

A&E Fees – These costs total \$23,920 and are 9.9% of modernization and contingency costs. This appears reasonable when compared to the State Board standard of 9.92%--14.88%

Consulting and Other Fees – These costs total \$40,000. The State Board does not have a standard for this cost.

Movable or Other Equipment – These costs total \$205,000. The State Board does not have a standard for this cost.

Other Costs to be Capitalized – These costs total \$12,500. The State Board does not have a standard for this cost.

The applicant exceeded the Preplanning costs for this project by 2.2%. A negative finding has been made for this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROECT COSTS CRITERION (77 IAC 1120.140 (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 cost means the fully allocated costs of salaries, benefits and supplies for the service.

The applicants anticipate direct operating costs per patient day of \$4,684.83. The State Board does not have a standard for these costs.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT DIRECT OPERATING COSTS CRITERION (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 applicants anticipate the total effect of the Project on Capital Costs per patient day of \$3.31. The State Board does not have a standard for these costs.

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

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