



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-04	BOARD MEETING: March 10, 2015	PROJECT NO: 14-056	PROJECT COST: Original: \$14,004,619
FACILITY NAME: St. Anthony's Hospital-Ambulatory Care Center		CITY: Effingham	
TYPE OF PROJECT: Non-Substantive			HSA: X

PROJECT DESCRIPTION: The applicants (St. Anthony's Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis Hospital Sisters Services, Inc, and Hospital Sisters Health System) are proposing to lease space in a newly-constructed Ambulatory Care Center, in Effingham, Illinois. The total cost of the project is \$14,004,619. **The anticipated completion date is June 17, 2016.**

Board Staff notes having received a Type A Modification Request for this project on January 26, 2015. The modification request proposes to incorporate the project costs incurred by Agracel, a third party developer responsible for the construction and management of the proposed ACC. The applicants initially submitted the application, and excluded a portion of the project costs incurred by this developer.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants are proposing to lease space in an Ambulatory Care Center/Physicians Office Building (ACC/POB) on the campus of St Anthony's Memorial Hospital, in Effingham. The facility will be built/financed/managed by a third party developer and will consist of 45,730 GSF of newly constructed space. The applicants will occupy The total cost of the project is \$14,004,619. **The anticipated completion date is June 17, 2016.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the cost of the overall project exceeds the capital expenditure minimum of \$12,670,607. The State Board Staff believes the proposed project is by or on behalf of a health care facility, the applicant is providing clinical services in the space and the total costs of the POB is in excess of the capital expenditure minimum.

PURPOSE OF THE PROJECT:

- The applicants note the outpatient services, planned to occupy the ACC/POB are already provided at St. Anthony's Hospital, Effingham. However these services are part of a fragmented care delivery model, which disrupts patient access to integrated healthcare. The applicants propose to consolidate its ambulatory care services from 3 buildings to one, and improve accessibility to its ambulatory care services.

PUBLIC COMMENT:

- A public hearing was offered regarding this project, but none was requested. There were no letters received in opposition to, or in support for this project..

NEED FOR THE PROJECT:

- The applicants have stated the need for the proposed project stems from the fragmented care delivery model currently in place for its Ambulatory Care program. These outpatient/ambulatory care services are currently divided between existing hospital space, Effingham Medical Center Space, and leased space within the Marshall Clinic. These fragmented services are the basis for an inefficient ambulatory care model, resulting in limited patient access, and the inefficient provision patient ambulatory care services at St. Anthony's Memorial Hospital.

WHAT WE FOUND:

The applicants' addressed a total of 13 criteria and appear to have not met the following.

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1120.140 (c) - Reasonableness of Project and Related Costs	<p>The applicants reported having New Construction costs in excess of the 2015 RS Means standard for Effingham. The applicants stated the following regarding this criterion: <i>"The proposed ACCIPOB facility is a mixed use building containing both hospital and medical office (MOB/POB) type space. R.S. Means does not have a building type comparable to the facility being proposed by the applicant. Using solely a medical office building (MOB) comparative construction cost per sq. ft., results in the clinical portion of the facility exceeding the comparative construction cost / sq. ft. of an MOB. If the total facility area is taken into consideration, the proposed building construction cost at \$201 .00 / sq. ft. is below the escalated R.S. Means construction cost / sq. ft. comparative of an MOB at \$209.00. The higher cost of the clinical space in the proposed ACC/POB facility is a cost allocation anomaly."</i></p>

STATE BOARD STAFF REPORT
St. Anthony's Memorial Hospital-Ambulatory Care Center
PROJECT #14-056

APPLICATION CHRONOLOGY	
Applicants(s)	Hospital Sisters Health System St. Anthony's Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis
Facility Name	St. Anthony's Hospital-Ambulatory Care Center
Location	503 North Maple Street, Effingham
Permit Holder	St. Anthony's Hospital
Operating Entity/Licensee	St. Anthony's Hospital
Owner of the Site	St. Anthony's Hospital
Application Received	November 5, 2014
Application Deemed Complete	November 6, 2014
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. The Proposed Project

The applicants are proposing to lease space in a newly constructed Ambulatory Care Center/Physicians Office Building on the campus of St. Anthony's Memorial Hospital, in Effingham, Illinois. The total cost of the project is \$14,004,619. **The anticipated completion date is June 17, 2016.**

II. Summary of Findings

- A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project **does not** appear to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are St. Anthony's Hospital of the Hospital Sisters of the Third Order of St. Francis Hospital Sisters Services, Inc, and Hospital Sisters Health System. St. Anthony's Hospital, is a 146-bed general acute care hospital, in Effingham, Illinois. The operating entity licensee and the owner of the site is St. Anthony's Hospital. The hospital is located in the HSA 05 and Health Planning Area F-02. Health Planning Area F-02 consists of Bond, Fayette, and Effingham counties, and townships that comprise a portion of Jasper and Clay Counties.

The Ambulatory Care Center/Physicians Office Building will be located on the campus of St. Anthony's Memorial Hospital, Effingham, and serve to consolidate its currently-fragmented outpatient/ambulatory care model.

IV. The Proposed Project – Details

The applicants are proposing to construct a Physician's Office Building/Ambulatory Care Center (POB/ACC), on the campus of St. Anthony's Memorial Hospital, located at 503 North Maple Street, Effingham. The building will comprise approximately 45,730 total GSF, of which, St. Anthony's will rent/occupy 25,710 GSF. The construction, financing for construction, and management of day to day operations will be undertaken by a third party developer. The applicants intend to rent the aforementioned space to house select outpatient ambulatory care programs that are currently housed in different facilities. The building will be located on the hospital campus, and be connected to an existing medical office building on the campus. The overall cost for the project is \$14,004,619.

V. Project Costs and Sources of Funds

The project is being funded with cash and securities totaling \$5,834,801, and a mortgage totaling \$8,169,818. The application file contains audited financial statements for Hospital Sisters Health System (HSBS) for the years 2012 and 2013 (application, pgs. 189-249), and the Type A modification includes audited financial statements for Agracel. The application also contains a loan commitment letter from the First National Bank of Dieterich, attesting to the financing of the proposed project for the third party developer, in its entirety. Table Two illustrates the specific project costs and sources of funding. Note: The applicants are not assuming the financial obligations for the construction of the ACC/POB. The project costs associated with the construction portion of the project will be assumed by a third party developer/landlord.

TABLE TWO			
Project Costs and Sources of Funds			
St. Anthony's Hospital-Ambulatory Care Center			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs*	\$0	\$41,000	\$41,000
Site Survey/Soil Investigation*	\$0	\$80,000	\$80,000
Site Preparation*	\$0	\$40,000	\$40,000
New Construction Contracts	\$3,382,838	\$5,087,925	\$8,470,763
Contingencies*	\$0	\$720,000	\$720,000
Architectural/Engineering Fees*	\$0	\$565,937	\$565,937
Consulting and Other Fees	\$48,300	\$44,598	\$92,898
Movable or Other Equipment (not in construction contracts)	\$2,317,713	\$136,798	\$2,454,511
Bond Issuance Expense*	\$0	\$55,000	\$55,000
Net Interest Expense During Construction*	\$0	\$199,965	\$199,965
Other Costs to be Capitalized	\$204,280	\$1,080,265	\$1,284,545
TOTAL USES OF FUNDS	\$5,953,131	\$8,051,488	\$14,004,619
SOURCE OF FUNDS			
Cash and Securities	\$2,570,293	\$3,264,508	\$5,834,801

TABLE TWO Project Costs and Sources of Funds St. Anthony's Hospital-Ambulatory Care Center			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Mortgages (Includes FMV Cost)	\$3,382,383	\$4,786,980	\$8,169,818
TOTAL SOURCES OF FUNDS	\$5,953,131	\$8,051,488	\$14,004,619
*Costs incurred by the developer (Agracel), who is responsible for the build out of the shell and core, with no clinical considerations.			

VI. Cost/Space Requirements

The applicants are proposing to construct 13,486 gross square feet of clinical space and 12,224 gross square feet of non clinical space for total of 25,710 GSF for the ACC/POB. Table Three illustrates the specific clinical spatial allotments, with the nonclinical subtotal below.

TABLE THREE Costs Space Requirements					
Department	Costs	Existing GSF	Proposed GSF	New Construction	Vacated Space
CLINICAL					
Express Testing (Lab)	\$238,125	639	1,066	1,066	557
Women's Wellness	\$1,488,280	2,619	5,031	5,031	2,619
Diagnostic Imaging	\$3,899,306	5,171	5,987	5,987	1,797
Walk-In Clinic	\$327,420	4,915	1,402	1,402	4,915
Total Clinical	\$5,953,131	13,344	13,486	13,486	9,888
NON-CLINICAL					
Patient Access (Registration)	\$50,215	0	251	251	0
Education Center/Employee Support	\$282,141	0	1,404	1,404	0
Physician Office	\$499,975	1,197	2,488	2,488	1,197
Circulation/Mechanical	\$1,678,404	0	8,081	8,081	0
Marshall Clinic (POB)/Related Costs*	\$5,540,753	N/A	23,784	23,784	N/A
Total Non-Clinical	\$8,051,488	1,197	36,008	36,008	1,197
Total Project	\$14,004,619	14,541	49,494	49,494	11,085
*Costs and spatial allocation attributed specifically to Marshall Clinic (POB)					

VII. Charity Care

The applicants note the proposed project will have no material impact on essential safety net services currently in the community, nor will it have any bearing the ability of any other provider or healthcare system to cross subsidize safety net services. This project is considered a non substantive project therefore no safety net impact statement is required. Charity care information was provided as required.

TABLE FOUR Safety Net Information per PA 96-0031 St Anthony's Memorial Hospital			
CHARITY CARE			
	2011	2012	2013
Net Patient Revenue	\$115,519,188	\$118,536,477	\$118,705,147
Amount of Charity Care (Charges)	\$5,258,408	\$5,596,633	\$5,943,637
Cost of Charity Care	\$1,226,490	\$1,887,533	\$2,180,720
Charity Care Cost/Net Revenue	1.0%	1.5%	1.8%

VIII. Section 1110.230 - Project Purpose, Background and Alternatives

A) Criterion 1110.230 (b) - Purpose of the Project

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 shall define the planning area or market area, or other, per the applicant's definition.

The applicants state the purpose of the proposed project stems from the need to consolidate its outpatient/ambulatory services into one centralized location on the campus of its hospital, in Effingham. The applicants note these services are currently located in three separate buildings, resulting in a fragmented care delivery model hindering access to patient care.

B) Criterion 1110. 230 (a) - 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.* [20 ILCS 3960/6]

The applicants have provided the necessary licensing information as required by this criterion, and a listing of all health care facilities owned/operated by HSHS in the State of Illinois. The applicants have supplied attestation of no negative judgments or actions being taken against them in the three years prior to the filing of this application, and authorization permitting HFSRB and IDPH to access any documentation necessary to verify said statements. The applicants have met the requirements of this criterion.

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

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, beginning on page 84 of the application. The five alternatives are:

<p style="text-align: center;">TABLE FIVE Alternatives to the Proposed Project</p>		
Alternatives	Project Cost	Reason for Rejection
Self-finance/Develop Hospital facilities and related space	\$16.5 - \$17.4 million dollars	The applicants felt the utilization of internal capital for this alternative would detract from other clinical investments.
Develop a self-financed Ancillary Building, co-located with a 3 rd party developer facility leased to independent physicians and the Marshall Clinic	\$11.8 - \$12.3 million dollars	The applicants felt the utilization of internal capital for this alternative would detract from other clinical investments, and patient costs would increase due to incremental increase in projected capitalized cost over and above the chosen alternative.
Joint Venture	None Identified	There are no locally available providers available to provide joint venture opportunities.
Other Resources	None Identified	No locally available Resources identified to undertake this alternative.
Utilize a 3 rd Party Developer to implement the proposed ACC/POB facility	\$14.8 million (of which \$8.4 million attributable to applicant based on developer provided FMV)	This alternative was chosen as the alternative with the lowest cost for the applicants.

IX. Criterion 1110.234 (a) - Size of Project

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

To demonstrate compliance with 77 IAC 1110.234(a) Size of the Project the applicant provided the departmental gross square footage for all areas being established.

This Project proposes to establish an Ambulatory Care Center/Physician Office Building (ACC/POB) on the campus of St. Anthony's Memorial Hospital, in Effingham, Illinois. The proposed ACC/POB will consist of two major components: 1) Space to relocate existing Hospital services into new facilities, co-located with existing hospital-owned physician services, and 2) Physician Office Space for the Marshall Clinic. Table Six identifies the services to be located in the ACC/POB that have State size standards.

TABLE SIX Size of Project Ambulatory Care Center(ACC) / Physicians Office Building (POB)					
	Number of Beds/Units Proposed	Proposed GSF for all Services	Proposed GSF per Room	State Standard	Met Standard?
Convenient Care	4	1,402	350	800 GSF/Room	Yes
Imaging Services	6	5,987	Application, p. 89	8,000 GSF Overall	Yes
Women's Wellness (Mammography/Ultrasound)	8	1,884	Application, p. 89	2,700 GSF	Yes

Based on the spatial allocations presented in Table Four, it appears the applicants have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION SIZE OF PROJECT (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 applicants supplied data that indicates 86.1% of St. Elizabeth's patients reside in Planning Area F-01, which supports the fact that the primary purpose of the project is to serve the residents of this planning area. The applicants supplied the historical utilization data (from 2013), in Table Seven. The applicants predict the utilization at the new facility will remain stable with the 2013 utilization data, for the second year after project completion, thus supporting the establishment of the rooms/units proposed. A positive finding results for this criterion.

TABLE SEVEN Project Services Utilization St. Anthony's Ambulatory Care Center (ACC)/Physicians Office Building (POB)					
	Historical Utilization 2013	Projected Utilization 2018	Number Rooms/Units Proposed	State Board Standard	Met Standard
Convenient Care	5,760 visits	6,480 visits	4	2,000 hours/room	Yes
Imaging/Radiology	3,936 visits	4,430 visits	1	8,000 visits/unit	Yes
Radiographic/Fluoroscopic	2,190 visits	2,370 visits	1	6,500 visits/unit	Yes
Ultrasound	3,250 visits	3,660 visits	2	3,100 visits/unit	Yes
CT Unit	7,886 visits	8,875 visits	1	7,700 visits/unit	Yes
MRI	3,050 visits	3,330 visits	1	2,500 visits/unit	Yes
Women's Wellness					
Mammography	6,197 visits	6,842 visits	2	5,000 visits/unit	Yes

TABLE SEVEN Project Services Utilization St. Anthony's Ambulatory Care Center (ACC)/Physicians Office Building (POB)					
	Historical Utilization 2013	Projected Utilization 2018	Number Rooms/Units Proposed	State Board Standard	Met Standard
Ultrasound	673 visits	870 visits	1	3,100 visits/unit	Yes
Stereotactic	42 visits	51 visits	1	N/A	Yes
Dexa	832 visits	1,132 visits	1	N/A	Yes
Exam/Prep Room	7,073 visits	7,656 visits	3	2,000 visits/unit	Yes

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

X. 1110.3030 – Clinical Service Areas Other than Categories of Service

- 1) 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		
Service Modernization	(b)(1) & (3)	–	Background of the Applicant
	(d)(1)	–	Deteriorated Facilities and/or
	(d)(2)	–	Necessary Expansion PLUS
	(d)(3)(A)	–	Utilization – Major Medical Equipment or
	(d)(3)(B)	–	Utilization – Service or Facility

The applicants propose to occupy leased space in an Ambulatory Care Center (ACC)/Physicians Office Building (POB), being built and managed by a third party developer. The applicants propose to consolidate an outpatient care model that is currently fragmented and dispersed between three buildings on the campus of St. Anthony’s Memorial Hospital, Effingham. This criterion addresses the following services classified as being Clinical Service Areas Other than Categories of Service. They are: Convenient Care (Exam Rooms), Express Testing (Laboratory), Imaging (General Radiology, Radiology/Fluoroscopy, Ultrasound, CT, MRI), and Women’s Wellness (Mammography, Ultrasound, Stereotactic, DEXA, Exam Room).

1) Convenient Care

The new category of service is intended to serve as a walk-in clinic. This service is expected to increase access and reduce the current demand for emergency services at St. Anthony’s Memorial Hospital. The proposed facility will operate a total of 8 hours per day. Its historical utilization is listed in the table below, and projected utilization is determined using a conservative growth pattern of 3.0%.

Utilization for Convenient Care	
Year	Current/Projected Utilization
2014	5,760 visits
2017	6,284 visits
2018	6,480 visits

2) Express Testing/Laboratory

The applicants note this program is located at various sites on the hospital campus, and that processing is very limited at these sites, due to the majority of collected specimens being referred to the main hospital or other laboratories. The table below illustrates the number of visits, and its projected utilization is extrapolated using a conservative annual growth pattern of 2%.

Utilization for Express Testing (Laboratory)	
Year	Current/Projected Utilization
2013	39,700 visits
2017	42,130 visits
2018	42,970 visits

3) **Imaging**

The applicants identified select imaging services that support its ambulatory care model, and have identified each with its own utilization table. Each projected utilization data is calculated using a conservative annual growth pattern of 3%.

Utilization for General Radiology	
Year	Current/Projected Utilization
2014	3,936 procedures
2017	4,300 procedures
2018	4,430 procedures

Utilization for Radiographic/Fluoroscopy	
Year	Current/Projected Utilization
2013	2,190 procedures
2017	2,324 procedures
2018	2,370 procedures

Utilization for Ultrasound	
Year	Current/Projected Utilization
2013	3,250 visits
2017	3,550 visits
2018	3,660 visits

Utilization for Computerized Tomography (CT)	
Year	Current/Projected Utilization
2013	7,886 procedures
2017	8,620 procedures
2018	8,875 procedures

Utilization for Magnetic Resonance Imaging (MRI)	
Year	Current/Projected Utilization
2013	3,050 procedures
2017	3,236 procedures
2018	3,330 procedures

4) **Women's Wellness**

The applicants note this program supports the clinical services associated with women's diseases, particularly breast health and bone disease. These services are provided in support of women being treated for cancer-related diseases. The projected utilization for these modalities vary, and are identified in each table.

Utilization for Mammography	
Year	Current/Projected Utilization
2013	6,197 procedures
2017	6,708 procedures
2018	6,842 procedures
Projected Utilization using 2% growth pattern	

Utilization for Ultrasound	
Year	Current/Projected Utilization
2013	673 procedures
2017	830 procedures
2018	870 procedures
Projected Utilization using 5% growth pattern	

Stereotactic Biopsy	
Year	Current/Projected Utilization
2014	42 procedures
2017	49 procedures
2018	51 procedures
Projected Utilization using 5% growth pattern	

Utilization for Dexa Scan	
Year	Current/Projected Utilization
2014	832 procedures
2017	1,048 procedures
2018	1,132 procedures
Projected Utilization using 8% growth pattern	

Utilization for Exam Rooms	
Year	Current/Projected Utilization
2013	7,073 visits
2017	7,506 visits
2018	7,656 visits
Projected Utilization using 2% growth pattern	

Based on the historical and projected utilization data provided for the mentioned services, it appears the applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE CRITERIA (77 IAC 1110.3030).

XI. 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 applicants report funding the proposed project with cash and securities totaling \$5,834,801, and \$8,169,818 in mortgages which include the fair market value (FMV) of the lease. The applicants have an AA-/Stable bond rating from Standard and Poor's (application, p. 115), and an AA-/Stable rating from FitchRatings Service (application, p. 114). The applicants have met the exclusionary requirements of this criterion.

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

XII. Section 1120.130 - Financial Viability

The applicant shall document that the applicant is financially viable.

The applicants have an AA-/Stable bond rating from Standard and Poor's (application, p. 115), and an AA-/Stable rating from FitchRatings Service (application, p. 114). The applicants have met the exclusionary requirements of this criterion.

THE STATE BOARD STAFF FINDS THE FINANCIAL VIABILITY CRITERION IS INAPPLICABLE TO THE PROPOSED PROJECT (77 IAC 1120.130).

XIII. Section 1120.140 - Economic Feasibility

A) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements.

The applicants report funding the proposed project with cash and securities totaling \$5,834,801, and \$8,169,818 in mortgages which include the fair market value (FMV) of the lease. The applicants have an AA-/Stable bond rating from Standard and Poor's (application, p. 115), and an AA-/Stable rating from FitchRatings Service (application, p. 114). The applicants have met the exclusionary requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF 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.

The applicants report funding the proposed project with cash and securities totaling \$5,834,801, and \$8,169,818 in mortgages which include the fair market value (FMV) of the lease. The applicants supplied audited financial statements for Agracel (see Type A Modification), and notarized attestation from The First National Bank of Dieterich (application, p. 121), agreeing to any financially support the proposed project and Agracel, Inc. (application, p. 125) agreeing to fund the remaining \$5,541,753 required to develop and complete the entire medical office building, at a cost of \$14,004,619.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE CONDITIONS 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 State Board Standards.

The applicants are utilizing a third-party developer to incur the expense of constructing the proposed MOB, resulting in several project costs being classified exclusively as non-clinical (See Table Two). The applicants will then lease the necessary space from the developer. Only the clinical costs will be reviewed for this criterion.

New Construction Costs – These costs are \$3,382,838 which equals \$250.84 per GSF, when compared to 13,486 GSF of clinical space. This appears **HIGH** when compared to the Adjusted State Standard of \$209 for a medical office building in Effingham, with a project mid-point of 2015.

Consulting and Other fees – These costs are \$48,300. The State Board does not have a standard for these costs.

Movable of Other Equipment – These costs are \$2,317,713. The State Board does not have a standard for these costs.

Bond Issuance Expense – These costs are \$94,356. The State Board does not have a standard for these costs.

Fair Market Value of Leased Space/Equipment – These costs are \$3,382,838. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs are \$204,280. The State Board does not have a standard for these costs.

Board Staff reports the applicants had New Construction costs that exceeded the State standard, and a negative finding results for this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE CONDITIONS OF REASONABLENESS OF PROJECT AND RELATED COST 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 costs mean the fully allocated costs of salaries, benefits and supplies for the service.

The direct cost per equivalent patient day is \$66,735.00 per equivalent patient day. The State Board does not have a standard for these costs.

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

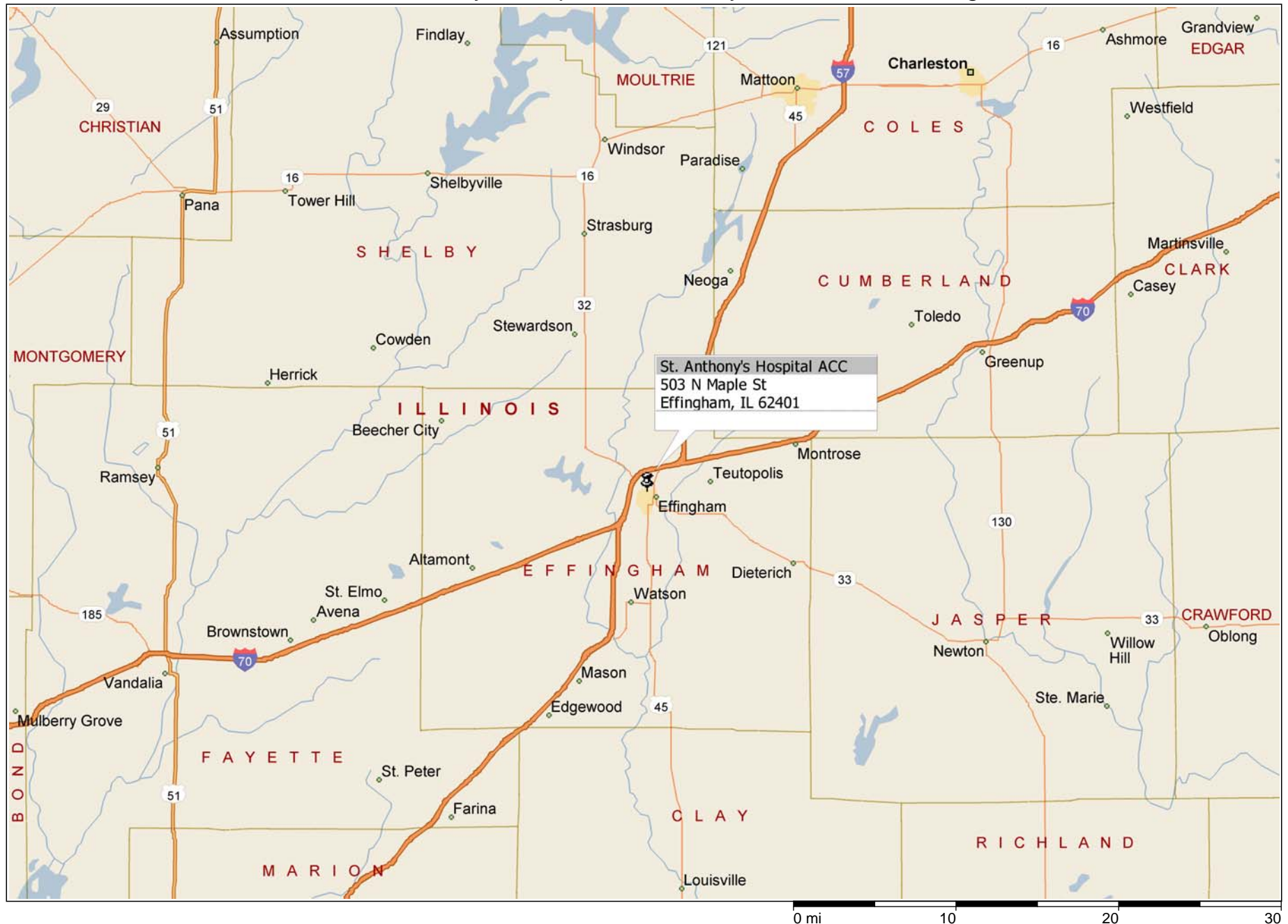
E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

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 of the project on capital costs is \$59.84 per equivalent patient day. The State Board does not have a standard for these costs.

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

14-056 - St Anthony's Hospital Ambulatory Care Center - Effingham



<u>Ownership, Management and General Information</u>				<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Theresa J. Rutherford			White	98.9%	Hispanic or Latino:	0.4%
ADMINSTRATOR PHONE	217-347-1494			Black	0.1%	Not Hispanic or Latino:	99.1%
OWNERSHIP:	Same			American Indian	0.0%	Unknown:	0.5%
OPERATOR:	St. Anthony's Memorial Hospital of the Hospital Si			Asian	0.0%		
MANAGEMENT:	Church-Related			Hawaiian/ Pacific	0.0%	IDPH Number:	2279
CERTIFICATION:				Unknown	1.0%	HPA	F-02
FACILITY DESIGNATION:	General Hospital					HSA	5
ADDRESS	503 North Maple Street	CITY:	Effingham	COUNTY:	Effingham County		

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	Authorized CON Beds 12/31/2013	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Bed Occupancy Rate %
Medical/Surgical	100	100	75	3,636	14,268	1,396	4.3	42.9	42.9	42.9
0-14 Years				0	0					
15-44 Years				360	1,081					
45-64 Years				1,051	3,798					
65-74 Years				740	2,900					
75 Years +				1,485	6,489					
Pediatric	6	6	6	121	284	148	3.6	1.2	19.7	19.7
Intensive Care	10	10	10	682	1,657	130	2.6	4.9	49.0	49.0
Direct Admission				577	1,088					
Transfers				105	569					
Obstetric/Gynecology	17	17	15	770	1,706	133	2.4	5.0	29.6	29.6
Maternity				735	1,655					
Clean Gynecology				35	51					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	13	13	13	389	3,013	0	7.7	8.3	63.5	63.5
Swing Beds			0	0	0		0.0	0.0		
Acute Mental Illness	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	146			5,493	20,928	1,807	4.1	62.3	42.7	

(Includes ICU Direct Admissions Only)

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	54.0%	10.0%	0.9%	29.7%	3.4%	2.0%	
	2966	549	49	1634	185	110	5,493
Outpatients	38.5%	16.0%	1.4%	32.5%	9.7%	1.9%	
	36484	15150	1283	30852	9198	1838	94,805

<u>Financial Year Reported:</u>	7/1/2012 to	6/30/2013	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>					Charity Care Expense	Total Charity Care Expense
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals			
Inpatient Revenue (\$)	59.7%	5.8%	3.8%	24.2%	6.5%	100.0%			2,180,720
	28,054,790	2,746,095	1,771,527	11,361,320	3,040,472	46,974,204	649,591		
Outpatient Revenue (\$)	23.7%	7.3%	6.2%	52.9%	10.0%	100.0%			Total Charity Care as % of Net Revenue
	16,989,726	5,230,392	4,422,306	37,935,653	7,152,866	71,730,943	1,531,129		1.8%

<u>Birth Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	717		Level I	Level II	Level II+	Kidney:	0
Number of Live Births:	715		Beds	13	2	Heart:	0
Birth Rooms:	0		Patient Days	1,530	56	Lung:	0
Labor Rooms:	0		Total Newborn Patient Days		1,586	Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	0
Labor-Delivery-Recovery Rooms:	5					Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	0		Inpatient Studies		158,126	Total:	0
C-Section Rooms:	1		Outpatient Studies		211,682		
CSections Performed:	221		Studies Performed Under Contract		369,808		

Surgery and Operating Room Utilization

<u>Surgical Specialty</u>	<u>Operating Rooms</u>				<u>Surgical Cases</u>		<u>Surgical Hours</u>			<u>Hours per Case</u>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	2	22	3	52	55	1.5	2.4
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	8	8	238	517	412	755	1167	1.7	1.5
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	0	0	0	0	0	0.0	0.0
OB/Gynecology	0	0	0	0	72	184	231	159	390	3.2	0.9
Oral/Maxillofacial	0	0	0	0	32	59	25	71	96	0.8	1.2
Ophthalmology	0	0	1	1	1	267	1	169	170	1.0	0.6
Orthopedic	0	0	0	0	953	1061	1511	1267	2778	1.6	1.2
Otolaryngology	0	0	0	0	0	500	0	208	208	0.0	0.4
Plastic Surgery	0	0	0	0	0	12	0	25	25	0.0	2.1
Podiatry	0	0	0	0	10	85	8	132	140	0.8	1.6
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	1	1	170	911	226	805	1031	1.3	0.9
Totals	0	0	10	10	1478	3618	2417	3643	6060	1.6	1.0

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

8

Stage 2 Recovery Stations

0

Dedicated and Non-Dedicated Procedure Room Utilization

<u>Procedure Type</u>	<u>Procedure Rooms</u>				<u>Surgical Cases</u>		<u>Surgical Hours</u>			<u>Hours per Case</u>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	2	2	66	872	41	506	547	0.6	0.6
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	1	1	27	2391	8	667	675	0.3	0.3
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0

Multipurpose Non-Dedicated Rooms

0	0	0	0	0	0	0	0	0	0	0.0	0.0
0	0	0	0	0	0	0	0	0	0	0.0	0.0
0	0	0	0	0	0	0	0	0	0	0.0	0.0

Emergency/Trauma Care

Certified Trauma Center	No
Level of Trauma Service	Level 1
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	83
Patients Admitted from Trauma	0
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	17
Persons Treated by Emergency Services:	24,269
Patients Admitted from Emergency:	3,867
Total ED Visits (Emergency+Trauma):	24,352

Free-Standing Emergency Center

Beds in Free-Standing Centers	0
Patient Visits in Free-Standing Centers	0
Hospital Admissions from Free-Standing Center	0

Outpatient Service Data

Total Outpatient Visits	238,513
Outpatient Visits at the Hospital/ Campus:	208,098
Outpatient Visits Offsite/off campus	30,415

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	1
Cath Labs used for Angiography procedures	1
Dedicated Diagnostic Catheterization Lab	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	227
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	227
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	0
EP Catheterizations (15+)	0

Cardiac Surgery Data

Total Cardiac Surgery Cases:	0
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	0
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

Diagnostic/Interventional Equipment**Examinations****Therapeutic Equipment****Therapies/ Treatments****Owned Contract****Owned Contract**

General Radiography/Fluoroscopy	5	0	8,500	21,909	0	Lithotripsy	0	1	172
Nuclear Medicine	3	0	630	3,120	0	Linear Accelerator	0	0	0
Mammography	2	0	0	5,831	0	Image Guided Rad Therapy			0
Ultrasound	7	0	1,815	8,655	0	Intensity Modulated Rad Thrp			0
Angiography	1	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			0	0	0	Proton Beam Therapy	0	0	0
Interventional Angiography			0	52	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	0	1	0	0	172	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	2	0	2,585	7,886	0				
Magnetic Resonance Imaging	2	0	377	3,050	0				