



DOCKET NO: H-06	BOARD MEETING: March 10, 2015	PROJECT NO: 14-061	PROJECT COST: Original: \$24,448,432
FACILITY NAME: Northwestern Memorial Hospital		CITY: Chicago	
TYPE OF PROJECT: Non Substantive			HSA: VI

PROJECT DESCRIPTION: The applicants (Northwestern Memorial Hospital and Northwestern Memorial HealthCare) propose to expand an existing hospital-based outpatient surgical service by adding 8 operating rooms on the 11th floor of the newly constructed Outpatient Care Pavilion. The total project cost is \$24,448,432. The anticipated completion date of the project is December 31, 2016.



EXECUTIVE SUMMARY

PROJECT DESCRIPTION/BACKGROUND:

- **The applicants** (Northwestern Memorial Hospital and Northwestern Memorial HealthCare) propose to expand an existing hospital-based outpatient surgical service on the downtown Chicago campus of Northwestern Memorial Hospital by adding 8 operating rooms on the 11th floor of the newly constructed Outpatient Care Pavilion. The 11th floor was originally designated for physician office space as part of Permit #11-107. The total project cost is \$24,448,432. The anticipated completion date of the proposed project is December 31, 2016.
- **In February 2012** the State Board approved Permit #11-107 for the Outpatient Care Pavilion on the campus of Northwestern Memorial Hospital at a cost of \$322,826,935. Permit #11-107 approved the construction of a 25-story Medical Office Building at 259 East Erie Street, Chicago, across the street from the Feinberg Pavilion. At that time the State Board approved the following:
 - Floors 1 and 2 to be lobby/retail space;
 - Floors 3 through 9 to house 575 parking spaces;
 - Physician office space to be located on floors 11, 13 through 16, and 18 through 24;
 - Floors 10 and 25 to be mechanical floors;
 - Floor 12 for outpatient surgical services; and
 - Floor 17 approved for Outpatient Diagnostic and Therapeutic Services consisting of 1 CT Scanner, 2 MRI Machines, 2 General X-Ray Machines, and 1 Ultrasound Machine (relocated from Feinberg Pavilion). The Outpatient Diagnostic Clinic will also contain exam rooms and EKG services for pre-surgical patients.
- **In December 2014** the applicants were approved to reduce the cost of Permit #11-107 from \$322,826,935 to \$320,471,935 or \$2,355,000 for the removal of the build-out of the 11th floor physician office space from the cost of Permit #11-107. This alteration did not require State Board approval. \

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the cost of the project exceeds the capital expenditure minimum of \$12,670,607.

PURPOSE OF THE PROJECT:

- The applicants stated the purpose of the project is to address the demand for surgical services at Northwestern Memorial Hospital. To address this demand the applicants are proposing to expand outpatient surgical capacity by 8 surgery rooms. If this project is approved the applicants will have a total of 70 operating rooms, 65 Phase I Recovery Stations and 96 Phase II recovery stations at various locations on their Chicago campus. See Table below.



Executive Summary		
Table One		
Number of Current and Proposed Operating Rooms		
Location	Current # of Operating Rooms	Proposed # of Operating Rooms
Feinberg Pavilion	34	34
Prentice Women's Hospital	10	10
Olson Pavilion	10	10
Outpatient Care Pavilion	8	16
Total	62	70

PUBLIC COMMENT:

- An opportunity for a public hearing was offered no hearing was requested. No opposition or support letters were received regarding this project by the State Board Staff.

NEED FOR PROJECT:

- An expansion of service not a category of service is based upon the historical utilization of the service.
- The applicants' average annual growth for surgical services from CY04 - CY13 was 2.6% for surgical cases and 4.0% for surgical hours. Historical utilization for CY 2012 and CY 2013 justifies 66 operating rooms (98,741 hours/1,500 hours = 66 operating rooms). The applicants currently have 62 operating rooms and are proposing a total of 70 operating rooms at the hospital at the conclusion of the project.
- The applicants addressed a total of 15 criteria and did not meet the following:

State Board Criteria Not Met	
Criteria	Reasons for Non-Compliance
77 IAC 1110.3030(d) (2) – Necessary Expansion (d)(3)(B)	The historical utilization for CY 2012 and CY 2013 justifies a total of 66 operating rooms and not the 70 operating rooms being requested by the applicants.



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STATE BOARD STAFF REPORT
Northwestern Memorial Hospital
Project #14-061

APPLICATION CHRONOLOGY	
Applicants(s)	Northwestern Memorial Hospital, Northwestern Memorial HealthCare
Facility Name	Northwestern Memorial Hospital
Location	Chicago
Permit Holder	Northwestern Memorial Hospital
Operating Entity Licensee	Northwestern Memorial Hospital
Application Received	December 10, 2014
Application Deemed Complete	December 18, 2014
Review Period Ends?	February 16, 2015
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. The Proposed Project

The applicants (Northwestern Memorial Hospital and Northwestern Memorial HealthCare) propose to expand existing hospital-based Outpatient Surgical services on the downtown Chicago campus by adding 8 operating rooms on the 11th floor of the newly constructed Outpatient Care Pavilion. The total project cost is \$24,448,432. The anticipated completion date of the project is December 31, 2016.

II. Summary of Findings

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

III. General Information

The applicants are Northwestern Memorial Hospital and Northwestern Memorial HealthCare. Northwestern Memorial Hospital is an 894 bed acute hospital located at 259 East Erie Street, Chicago. The operating entity/licensee and the owner of the site is Northwestern Memorial Hospital. Northwestern Memorial Hospital is located in the HSA VI Service Area and Health Planning Area A-01.



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There are eight additional acute care hospitals in the A-01 Health Planning Area.

TABLE ONE
Hospital in the A-01 Planning Area and their Surgical Utilization ⁽¹⁾

Facilities ⁽²⁾	City	Operating Rooms	Total Surgery Hours	2013 Util. ^{(3) (4)}
Advocate Illinois Masonic Medical Center	Chicago	14	25,154	120%
Louis A. Weiss Memorial Hospital	Chicago	10	9,285	62%
Methodist Hospital of Chicago	Chicago	3	1,507	35%
Northwestern Memorial Hospital	Chicago	54	101,218	125%
Presence Our Lady of the Resurrection Medical Center ⁽⁵⁾	Chicago	9	4,215	32%
Presence Resurrection Medical Center	Chicago	14	12,023	58%
Presence Saint Joseph Hospital Chicago	Chicago	12	10,239	57%
Swedish Covenant Hospital	Chicago	10	13,936	93%
Thorek Memorial Hospital	Chicago	5	2,564	35%
<ol style="list-style-type: none"> 1. Information taken from 2013 Hospital Profile Data 2. These hospitals are also in the A-01 planning area: Ann & Robert Lurie Children's Hospital, Aurora Chicago Lakeshore, Kindred Chicago Central Hospital, Kindred Hospital-Chicago, and the Rehabilitation Institute of Chicago 3. State Board Standard for Operating Rooms is 80%. 4. Information rounded to the nearest percentage. 5. Hospital now known as Community First Medical Center approved as Permit #14-050. 				

IV. Project Description

The applicants are proposing to add 8 operating rooms, 8 Phase I Recovery Stations and 16 Phase II Recovery Stations in 30,161 GSF of space on the 11th floor of the Outpatient Care Pavilion. If approved the applicants will have a total of 70 operating rooms 65 Phase I recovery stations and 96 Phase II recovery stations.

TABLE TWO
Number of Current and Proposed Operating Rooms

Location	# of Operating Rooms	Proposed # of Operating Rooms
Feinberg Pavilion	34	34
Prentice Women's Hospital	10	10
Olson Pavilion	10	10
Outpatient Care Pavilion	8	16
Total	62	70



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V. Project Costs

The cost of the project is \$24,448,431 and is being funded by cash of \$3,748,432 and a bond issue of \$20,700,000.

TABLE THREE Project Costs and Sources of Funds			
	CLINICAL	NONCLINICAL	TOTAL
USE OF FUNDS			
Modernization Contracts	\$9,650,012	\$2,889,144	\$12,539,156
Contingencies	\$965,001	\$288,914	\$1,253,915
Architectural/Engineering Fees	\$497,292	\$173,057	\$670,349
Consulting and Other Fees	\$337,256	\$117,365	\$454,621
Movable or Other Equipment	\$5,925,594	\$2,062,101	\$7,987,695
Bond Issuance Expense	\$229,970	\$80,030	\$310,000
Net Interest Expense During Construction	\$844,585	\$293,915	\$1,138,500
Other Costs To Be Capitalized	\$69,878	\$24,317	\$94,195
TOTAL USES OF FUNDS	\$18,519,588	\$5,928,843	\$24,448,431
SOURCE OF FUNDS			
Cash and Securities	\$2,839,422	\$909,010	\$3,748,432
Bond Issues (project related)	\$15,680,167	\$5,019,833	\$20,700,000
TOTAL SOURCES OF FUNDS	\$18,519,589	\$5,928,843	\$24,448,432

VI. Cost Space Requirements

TABLE FOUR Cost Space Requirement				
Department	Cost	Proposed DGSF	Proposed BGSF	Modernized
CLINICAL				
Surgical Services	\$9,650,012	23,090	30,161	30,161
Clinical Subtotal	\$9,650,012	23,090	30,161	30,161
NON-CLINICAL				
Administration	\$226,580	680	888	888
Central Sterile Supply	\$1,504,048	3,901	5,096	5,096



TABLE FOUR
Cost Space Requirement

Department	Cost	Proposed DGSF	Proposed BGSF	Modernized
Environmental Services	\$38,905	160	209	209
Loading/Materials Management	\$40,841	168	219	219
Staff Lounge	\$350,558	1,052	1,374	1,374
Reception/Waiting/Public Toilets	\$691,117	2,074	2,709	2,709
MEP Systems (10th floor)	\$37,094	200	200	200
Non-Clinical Subtotal	\$2,889,144	8,235	10,696	10,696
TOTAL	\$12,539,156	31,325	40,857	40,857
Contingencies	\$1,253,916			
A/E Fees	\$670,349			
Consulting and Other Fees	\$454,621			
Movable or Other Equipment	\$7,987,695			
Bond Issuance Expense	\$310,000			
Net Interest During Construction	\$1,138,500			
Other costs to be capitalized	\$94,195			
Subtotal	\$11,909,276			
Total	\$24,448,432			

VII. Section 1110.3030 – Background of Applicant

A) Criterion 1110.3030(b)(1)(3) – Background of Applicant

Northwestern Memorial HealthCare (NMHC) is the parent corporation of Northwestern Memorial Hospital. NMHC is the parent of ten health care facilities, all of which are located in Illinois:

1. Northwestern Memorial Hospital
2. Northwestern Lake Forest Hospital
3. Central DuPage Hospital
4. Delnor Community Hospital
5. Cadence Health Surgery Center
6. Tri-Cities Surgery Center
7. CDH Proton Center
8. Grayslake Freestanding Emergency Center



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9. Grayslake ASTC
10. Grayslake Endoscopy

The applicants have certified that no adverse action has been taken against Northwestern Memorial Hospital, directly or indirectly, within three years prior to the filing of this application. **In addition the applicants have** authorized the State Board and the Illinois Department of Public Health to access any documentation which the State Board finds necessary to verify any information submitted, including, but not limited to: official records of IDPH or other State agencies and the records of nationally recognized accreditation organizations.

The applicants are in good standing with the State of Illinois and the applicants have also provided documentation that the site is not in a flood plain and no historic, architectural or archaeological sites exist within the project area.

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

VIII. Section 1110.230 – Purpose, Safety Net Impact, Alternatives

A) Criterion 1110.230 (a) – Purposed of Project

The applicants stated the following:

“This project responds to the continued need for quality healthcare in Chicago and the surrounding regions. It is intended to provide additional surgical capacity on the campus of Northwestern Memorial Hospital. The project will improve health care for residents of the City of Chicago (the Planning Area), Cook County and the region by enhancing access to surgical services at Northwestern Memorial Hospital. The project will increase NMH's surgical capacity by 8 operating rooms. As defined in NMH's past CON applications, NMH's market area is the City of Chicago, the source of 65% of NMH admissions. NMH is one of the largest providers of inpatient services and outpatient care in Chicago. NMH serves the entire Chicago Metropolitan area and beyond. Since the opening of the Feinberg/Gaiter Pavilions in 1999, NMH's surgery volume has experienced tremendous growth. In 2004, NMH responded by adding 10 operating rooms in the Olson Pavilion and in 2007, an additional 4 operating rooms were opened in the new Prentice Women's Hospital. In 2012, the HFSRB approved an additional 8 operating rooms in the Outpatient Care Pavilion (CON #11-107). Since that time, as documented in NMH's IDPH Hospital Profiles, demand for surgical services has continued to increase, with the number of surgical hours on campus increasing 27% from 2012 to 2013. The number of existing operating rooms on campus is putting constraints on this increased demand. The addition of 8 operating rooms will alleviate the current surgical capacity constraints at NMH. Initially, the new operating rooms will allow NMH to perform necessary upgrades



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to the existing operating rooms on campus without major disruption to the surgical schedule. Additionally, the Olson Pavilion will likely require a significant capital investment to replace major mechanical systems and building envelope systems that are necessary to support continued surgical services in the next few years. If NMH is able to achieve planned operational efficiencies with the new operating rooms, surgical services in the Olson Pavilion may be discontinued. The broad goal of this project is to provide additional surgical capacity in a setting that was created to provide greater coordination throughout a continuum of care. Together with the previously approved two floors of clinical services in the Outpatient Care Pavilion, the additional surgery floor will strive for a coordinated and seamless patient/family experience. This will be done with services such as convenient parking, expedited discharge flow, and robust communications systems to inform families throughout the care experience. The project will also allow for increased operational efficiencies that will improve turnaround times, minimize wait time, minimize travel distances and consolidate work areas.”

B) Criterion 1110.230 – Safety Net Impact

This project is considered a non-substantive project. A safety net impact statement is not required for a non-substantive project. 20 ILCS 3960/5.4 Charity care information was provided as required.

TABLE FIVE			
Northwestern Memorial Healthcare Charity Care			
	FY11	FY12	FY13
Net Patient Revenue	\$1,310,119,000	\$1,324,519,000	\$1,333,016,073
Amount of Charity Care (charges)	\$208,007,000	\$235,298,922	\$255,526,930
Cost of Charity Care	\$41,566,000	\$48,649,000	\$47,415,000
% of Charity Care/Net Patient Revenue	3.17%	3.67%	3.56%

C) Criterion 1120.230 (c) – Alternatives to the Proposed Project

The applicants stated they did not develop cost estimates for the alternatives that were deemed not feasible for reasons of size constraints or other reasons as stated below.

The applicants provided the following:

“Proposed Project

The proposed project addresses the need to provide additional surgical services space on the NMH campus. Due to continued demand for health services at NMH, there is limited clinical space on campus. Non-clinical functions have been relocated to administrative buildings adjacent or close to campus in order to make additional space available for clinical programs. The newly constructed Outpatient Care Pavilion offers NMH a unique opportunity to increase clinical services on campus. NMH owns the building and there



are already two floors of hospital-based clinical services in the building: an outpatient surgery unit and an outpatient D&T clinic. The building is located on the west side of Fairbanks Court between Erie Street and Ontario Street at 259 East Erie Street. It is immediately south of the Feinberg Pavilion, NMH's largest inpatient care pavilion. It is connected by bridge and tunnel to the Feinberg Pavilion and by bridge to the Northwestern University parking garage on the east side of Fairbanks Court. The proposed project is the least expensive of the realistic options for providing surgical services expansion space. It is also the most practical in both the short- and long-term and is therefore the preferred alternative.

Alternative 1: Do Nothing

The current operating rooms on campus do not have the capacity to accommodate the projected growth in surgical services. If no additional operating rooms are built, NMH would be forced to cap surgery volume which would not meet the needs of the community. This alternative was rejected because it does not meet the current or projected demand for surgical services at NMH.

Alternative 2: Use Other ASTC's in the Area

All NMH physicians are on faculty of the Feinberg School of Medicine. As an academic medical center, it is the practice of NMH to have residents and students in the surgery program. This is not compatible with the practices at other ASTCs and therefore would not meet the need of NMH's surgery or GME programs. This alternative was rejected because it does not meet the education requirements of NMH's GME programs. Cost estimates were not developed for this option since it is not realistic for the project.

Alternative 3: Conversion of Space in Other Hospital Buildings

NMH's clinical facilities on the Streeterville campus include the 2.0 million square foot Feinberg/Gaiter Pavilion, opened in 1999 and the 940,000 square foot Prentice Women's Hospital, opened in 2007. Additionally, NMH has joint ownership of the Olson Pavilion with Northwestern University. The Olson Pavilion is located between the Feinberg Pavilion and Prentice Women's Hospital and prior to the opening of Feinberg had housed NMH's operating rooms and ICU beds. Currently, the Olson Pavilion has 10 outpatient operating rooms. The current operating rooms in Olson are on the 6th floor, where NMH's operating rooms had been located prior to their relocation to Feinberg. The building was designed to house operating rooms on that floor and therefore it is the only floor that has the required floor to floor height to support surgical services. Additionally, the Olson Pavilion will require a significant capital investment to replace major mechanical systems and building envelope systems in order to continue to support surgical services in the next few years. Because of this, NMH will be looking for ways to optimize surgical resources in order to potentially close the Olson Pavilion for clinical services in the near future. This alternative was rejected because it cannot accommodate additional surgical services and requires a significant capital investment which will not produce an acceptable return on investment.

***Alternative 4: Lease or Purchase Space in Other Area Commercial Buildings***

The Northwestern campus is located in the Streeterville/North Michigan Avenue area north of downtown Chicago. NMH frequently commissions real estate analyses to survey high-rise office buildings closest to the campus to determine the availability of space. The proposed project layout demands a floor plate of a minimum 30,000 square feet. Recent findings showed that the area market does not have sufficient space of this size. Additionally, many of the commercial buildings near campus do not have sufficient building infrastructure (elevators, plumbing, etc.) to support clinical use, nor do they have sufficient I.S. infrastructure to support necessary patient care systems that tie into the hospital's systems. This alternative was rejected because it does not meet the program need for the surgical services expansion. Cost estimates were not developed for this option since it is not realistic for the project.

Alternative 5: Expand by a Lesser Number of Operating Rooms

The proposed project includes 8 operating rooms which maximizes the surgical capacity of the 11th floor. NMH had a total of 101,218 surgical hours in CY13 which justifies 68 operating rooms using the State's utilization standard of 1,500 hours/operating room/year, which are 6 operating rooms more than the current license. However, NMH is proposing to add 8 operating rooms for a total of 70 operating rooms in CY16, when the unit would open. This is due not only to conservative projections based on the last decade of continued increases in surgical demand but it also maximizes the floor plate and duplicates the model that was approved on the 12th floor, directly above it. While building only 6 operating rooms on the 11th floor of the OCP would reduce the project cost by approximately \$4 million, it does not meet the projected demand for surgical services nor is it an optimal use of the space. This alternative was rejected because it does not meet the projected demand for surgical services at NMH." Capital costs approximately \$20.5

IX. Section 1110.234 – Size of Project Utilization, Unfinished Shell Space**A) Criterion 1110.234(a) – Size of Project**

To address this criterion the applicants must document that the physical space is necessary and appropriate.

The applicants currently have a total of 62 operating rooms at four locations on the campus of Northwestern Memorial Hospital.



TABLE SIX		
Number of Current and Proposed Operating Rooms		
Location	# of Operating Rooms	Proposed # of Operating Rooms
Feinberg Pavilion	34	34
Prentice Women's Hospital	10	10
Olson Pavilion	10	10
Outpatient Care Pavilion	8	16
Total	62	70

The applicants are proposing 8 Class C surgery rooms, 8 Phase 1 recovery rooms and 16 Phase II recovery rooms in 30,161 GSF of space in the Outpatient Care Pavilion. The applicants' exceed the State Board Standard by 321 GSF.

TABLE SEVEN				
Size of the Project				
Department	Number of Rooms	State Board GSF Standard/Room		Applicants' Proposal
		Room	Total	
Surgery Rooms	8	2,750 DGSF	22,000	
Phase I Recovery Rooms	8	180 DGSF	1,440	
Phase II Recovery Rooms	16	400 DGSF	6,400	
Total			29,840 DGSF	23,090 DGSF

The applicants' stated the following:

"The proposed project is for the expansion of hospital-based outpatient surgical services on the 11th floor of the Outpatient Care Pavilion. The existing outpatient surgical services unit in the building is on the 12th floor. As on the 12th floor, the 11th floor will have 8 Class C standardized operating rooms with substerile/scrub sinks between every two rooms. The operating rooms will accommodate a wide range of intraoperative care for outpatients. The 8 operating rooms will be arranged around a sterile core. In addition to direct access from each operating room, there will be the ability to enter and exit the sterile core from two portals. There will also be 8 Phase 1 recovery bays for post-anesthesia care where a patient will stay until they are cognizant of his/her surroundings. The Phase I bays will be open cubicle bays equally divided and located on the north and south sides of the floor. There will be 16 Phase II recovery bays. Phase II recovery bays will be used by patients who received local anesthesia and don't need as much observation after surgery. The surgery suite will also have one main control station located between the two operating room pods. It will contain pharmacy space that will be



used to process IV additives, narcotics, antibiotics, etc., preparing and dispensing medications on a "per case" basis. The suite contains a nourishment room equipped with a large refrigerator, microwave oven, and ice machine for patients who may require dietary support consisting of light meals, beverages, and snacks. Central Sterile Supply space will also be located on this floor. The description of that area is included later in this attachment, in the Non-Clinical Components section. Additionally, there will be two physician consult rooms for post-operative consults with the patient's family/friends".

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 IAC 1110.234 (a))

B) Criterion 1110.234 (b) – Projected Utilization

The applicants must document that the proposed clinical services will meet or exceed the utilization standards documented in Appendix B or 1110 by the second year after project completion.

The average annual growth from CY04 - CY13 was 2.6% for surgical cases and 4.0% for surgical hours. The applicants' assumed an average annual growth of 1.5% for surgical cases and 2.0% for surgical hours. The applicants can justify 73 operating rooms in CY17, the first full year of operation.

TABLE EIGHT Historical Surgery Cases and Hours ⁽¹⁾										
	CY 2004		CY 2005		CY 2006		CY 2007		CY 2008	
	Cases	Hours	Cases	Hours	Cases	Hours	Cases	Hours	Cases	Hours
Inpatient	10,454	43,885	11,232	47,364	11,338	47,936	11,895	43,925	12,379	43,345
Outpatient	17,367	30,507	17,441	30,806	17,685	31,884	19,188	46,028	19,723	50,597
Total	27,821	74,392	28,673	78,170	29,023	79,820	31,083	89,953	32,102	93,942
# of ORs	48		48		48		48		52	
Hours/OR	1,550		1,629		1,663		1874		1807	
# of ORs justified	49.6		52.1		53.2		60		62.6	
	CY 2009		CY 2010		CY 2011		CY 2012		CY 2013	
	Cases	Hours	Cases	Hours	Cases	Hours	Cases	Hours	Cases	Hours
Inpatient	12,236	43,174	13,006	45,985	13,519	47,119	12,531	44,111	12,703	55,846
Outpatient	20,510	52,644	19,652	51,561	18,814	49,640	20,001	52,153	21,503	45,372
Total	32,746	95,818	32,658	97,546	32,333	96,759	32,532	96,264	34,206	101,218
# of ORs	52		52		52		54		54	
Hours/OR	1,843		1,876		1,861		1,783		1,874	
# of ORs justified	63.9		65		64.5		64.2		67.5	
	CY 2014		CY 2015		CY 2016		CY 2017			
	Cases	Hours	Cases	Hours	Cases	Hours	Cases	Hours		
Inpatient	13,465	50,261	13,627	51,216	13,790	52,189	13,956	53,181		
Outpatient	21,507	53,085	21,765	54,094	22,027	55,122	22,291	56,169		
Total	34,972	103,347	35,392	105,310	35,817	107,311	36,247	109,350		
# of ORs	62		62		70		70			
Hours/OR	1,667		1,699		1,533		1,562			
# of ORs justified	68.9		70.2		71.5		72.9			
1. Historical Information taken from Annual Hospital Profiles CY 2004-CY 2013										

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

X. Section Criterion 1110.3030 - Clinical Service Areas Other than Categories of Service

A) Criterion 1110.3030 (d) (2) - Necessary Expansion

B) Criterion 1110.3030 (d) (3) (B) – Utilization

The proposed project is necessary to provide expansion of necessary services.

Projects involving the modernization of a service or facility shall meet or exceed the utilization standards for the service, as specified in Appendix B. The number of key rooms being modernized shall not exceed the number justified by historical utilization rates for each of the latest two years, unless additional key rooms can be justified per subsection (d)(2) (Necessary Expansion).

The applicants are proposing 8 Class C surgery rooms, 8 Phase 1 recovery rooms and 16 Phase II recovery rooms at the Outpatient Care Center on the campus of Northwestern Memorial Hospital. The applicants currently have a total of 62 operating rooms at four locations on the campus of Northwestern Memorial Hospital. Historical utilization (CY 2012-CY 2013) will justify 66 operating rooms and the not 70 rooms being requested.

$(96,264 + 101,218 \text{ hours}) / 1,500 \text{ hours State Board Standard} = 66 \text{ operating rooms}$

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION NECESSARY EXPANSION UTILIZATION (77 IAC 1110.3030 (d) (2) (d) (3) (B))

**FINANCIAL****XIV. 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.

Standard and Poor's Rating Services stated the following: *Standard & Poor's Ratings Services affirmed its 'AA+' long-term rating to the Illinois Finance Authority's series 2013 bonds issued on behalf of Northwestern Memorial HealthCare (NMHC). The outlook is stable.*

TABLE NINE
Northwestern Memorial HealthCare and Subsidiaries ⁽¹⁾
Financial Information
(In thousands)

	2014 ⁽²⁾	FY2013	FY2012	FY2011
Net patient revenue	\$1,137,507	\$1,592,321	\$1,582,051	\$1,593,596
Total operating revenue	\$1,207,389	\$1,709,666	\$1,701,540	\$1,716,854
Total operating expenses	\$1,111,884	\$1,578,319	\$1,613,232	\$1,624,451
Operating income	\$95,505	\$131,347	\$88,308	\$92
Operating margin	7.91%	7.68%	5.19%	5.38%
Net non-operating income	\$143,994	\$188,900	\$150,905	\$111
Excess income	\$239,499	\$320,247	\$239,213	\$203,133
Excess margin	17.72%	16.87%	12.91%	11.11%
Operating EBIDA margin	15.70%	18.27%	15.50%	15.11%
EBIDA margin	24.68%	26.40%	22.38%	20.26%
Net available for debt service	\$333,617	\$501,277	\$414,600	\$370,206
Maximum annual debt service	\$52,031	\$52,031	\$52,031	\$52,031
MADS coverage	12.82	9.63	7.97	7.12
Liquidity and financial flexibility				
Unrestricted cash and investments	\$2,546,873	\$2,388,407	\$1,959,276	\$1,833,860
Unrestricted days' cash on hand	449.9	608.5	487.3	450.4
Unrestricted cash/total long-term debt	3.21%	3.01%	2.43%	2.23%
Average age of plant years	8.4	8.5	7.7	8
Capital expenditures/Depreciation and amortization	125.20%	120.40%	112.20%	129.40%
Total long-term debt	\$793,626	\$793,819	\$806,155	\$821,354
Long-term debt/capitalization	20.30%	22.70%	25.80%	27.10%
Contingent liabilities	\$315,725	\$315,725	\$322,735	\$323,375



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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TABLE NINE
Northwestern Memorial HealthCare and Subsidiaries ⁽¹⁾
Financial Information
(In thousands)

Contingent liabilities/total long-term debt	39.80%	39.80%	40.00%	39.40%
Debt burden	1.92%	2.74%	2.80%	2.84%
Defined benefit plan funded status	NA.	120.11%	104.79%	110.31%
1. Information taken from Standard & Poor's Rating Services 2. Interim Information 3. NA: Not available				

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

XV. Section 1120.130 - Financial Viability

The applicant shall document that the applicant is financially viable.

The applicants have an AA+ bond rating from Standard and Poor's Ratings Services and have provided evidence of sufficient financial resources to fund the project. The applicants have qualified for the financial waiver.

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

XVI. 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 have an AA+ bond rating from Standard and Poor's Ratings Services. The applicants have met the 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.



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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The applicants attested to the following as required by the criterion: we hereby attest that the form of debt financing selected for the project will be at the lowest net cost available, or if a more costly form of financing is selected, that form will be more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional debt, term financing costs, or other factors.

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. Only the clinical costs will be reviewed.

Modernization and Contingencies Costs – these costs are \$10,615,013 or \$351.94 per gross square foot. This cost appears reasonable when compared to the State Board Standard of \$389.99

Contingency Costs – these costs are \$965,001 and are 9.99% of modernization costs. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural and Engineering Fees – these costs are \$497,292 and are 4.68% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 5.62-8.44%

Consulting and Other Fees – these costs are \$337,256. The State Board does not have a standard for these costs. These costs include the following:

TABLE TEN	
Consulting and Other Fees ⁽¹⁾	
Testing/Inspection	\$ 7,000
Commissioning Consultant	\$ 45,000
Legal / Accounting Services	\$ 73,500
Building Information Modeling	\$ 5,000
Permit Expediter	\$ 2,621
Pre-Construction Services	\$ 10,000
Equipment Planning Consultant	\$ 149,500
Telecommunications Consultant	\$ 10,000
Functional Programming Consultant	\$ 7,000



IT Consultant	\$ 45,000
Owner Representative Services	\$ 50,000
Project Management Services	\$ 50,000
Total	\$ 454,621
1. Include non clinical costs	

Movable or Other Equipment – these costs are \$5,925,594. The State Board does not have a standard for these costs.

TABLE ELEVEN	
Movable or Other Equipment ⁽¹⁾	
Headwall and Accessories	\$ 200,000
Patient Monitoring	\$ 570,000
Omniceil Med Dispensing	\$ 120,000
Transmotion Stretchers	\$ 263,000
Pumps (IV, Infusion, PCA)	\$ 100,000
VTS Integration	\$ 1,360,000
Trump Lights/Booms	\$ 880,000
Anesthesia Machines	\$ 100,000
Anesthesia Monitors	\$ 280,000
Pumps	\$ 100,000
Endoscopic Equipment	\$ 400,000
Surgical Tables	\$ 82,594
Mobile Imaging Equipment	\$ 500,000
Microscope	\$ 400,000
Misc Clinical Equipment: OR SS furniture, minor mobile equipment, ultrasound, defib, bladder scanner, nerve stimulator	\$ 220,000
RFID for Supply Tracking	\$ 150,000
Instrumentation	\$ 200,000
Supply Carts and bins/organizers	\$ 100,000
Misc Non-Clinical Equipment: Refrigerators, blanket warming cabinets, waste cans, ice makers, etc.	\$ 137,101
Belimed Equipment (cart washer, sterilizer, pass thru washers, conveyors, sink stations)	\$ 1,200,000



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

Steris System 1E & Ultrasonic	\$ 150,000
ASP Sterrad	\$ 200,000
Intermetro Carts	\$ 100,000
Instrument Tracking	\$ 150,000
Prep Packing Tables	\$ 25,000
Total	\$ 7,987,695
1. Includes non-clinical costs	

Bond Issuance Expense – these costs are \$229,970. The State Board does not have a standard for these costs.

Net Interest Expense During Construction- these costs are \$844,585. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – these costs are \$69,878. The State Board does not have a standard for these costs.

TABLE TWELVE	
Other Costs to be Capitalized ⁽¹⁾	
In-House Staff (Contracted Project Managers)	\$ 10,000
Permits and Fees	\$ 40,550
Printing Costs	\$ 3,615
Insurance (builder's risk, excess general liability & worker's compensation)	\$ 30,030
Architect Construction Administration Work	\$ 10,000
Total	\$ 94,195
1. Includes non-clinical costs	

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (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 \$1,752.68 per equivalent patient day. This cost appears reasonable when compared to previously approved projects.

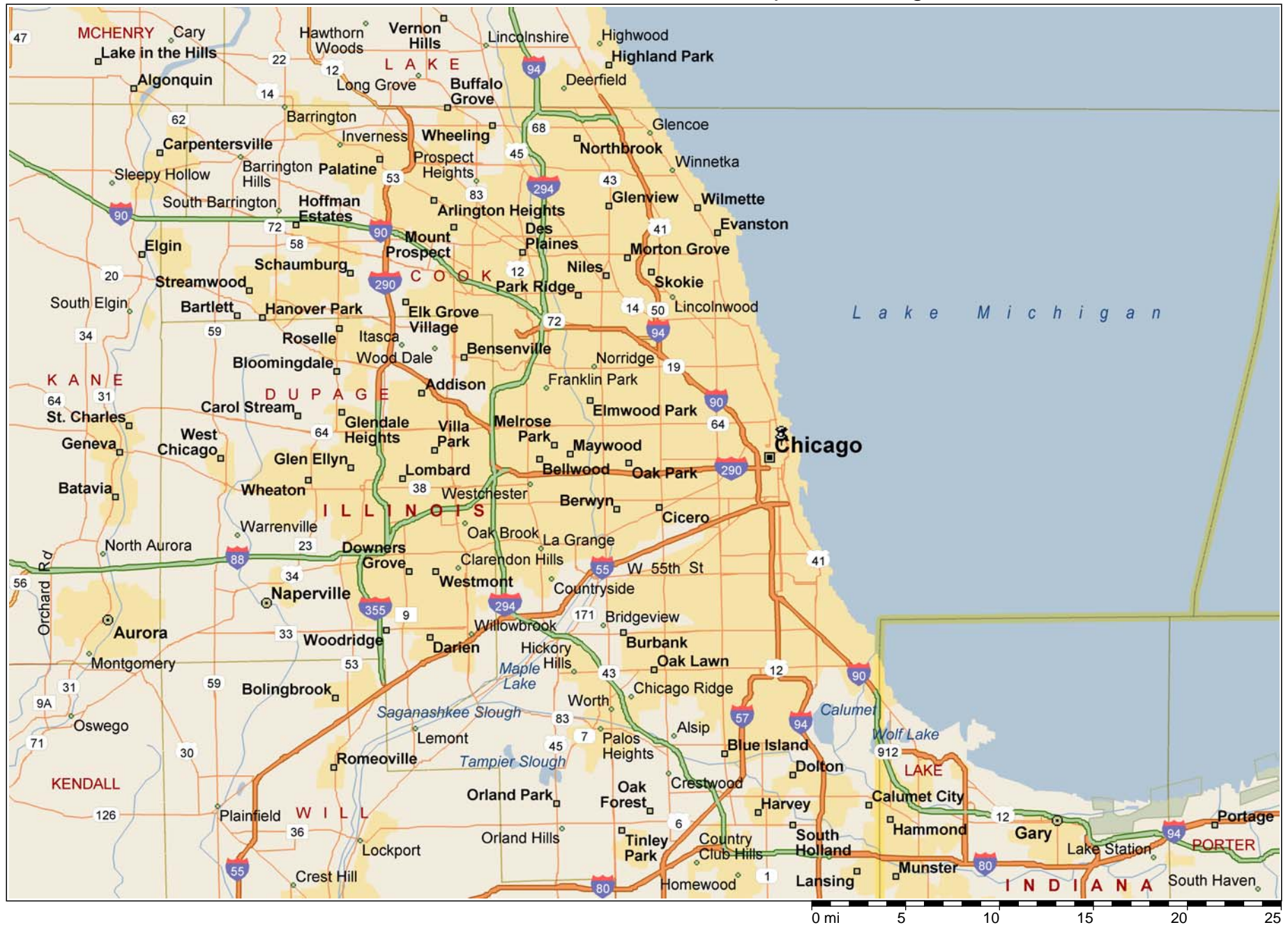
THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1120.140(d)).

- 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 total effect of the project on capital costs is \$3.95 per equivalent patient day. This cost appears reasonable when compared to previously approved projects.

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

14-061 - Northwestern Memorial Hospital - Chicago



<u>Ownership, Management and General Information</u>				<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Dean M. Harrison			White	57.4%	Hispanic or Latino:	11.2%
ADMINSTRATOR PHONE	312-926-3007			Black	21.6%	Not Hispanic or Latino:	83.1%
OWNERSHIP:	Northwestern Memorial Hospital			American Indian	0.1%	Unknown:	5.6%
OPERATOR:	Northwestern Memorial Hospital			Asian	4.0%		
MANAGEMENT:	Not for Profit Corporation (Not Church-R			Hawaiian/ Pacific	0.0%	IDPH Number:	3251
CERTIFICATION:				Unknown	16.9%	HPA	A-01
FACILITY DESIGNATION:	General Hospital					HSA	6
ADDRESS	211 East Ontario, Suite 1400	CITY: Chicago	COUNTY: Suburban Cook (Chicago)				

<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	530	526	526	27,305	145,406	0	5.3	398.4	75.2	75.7
0-14 Years				0	0					
15-44 Years				6,933	32,652					
45-64 Years				10,566	57,543					
65-74 Years				5,349	29,887					
75 Years +				4,457	25,324					
Pediatric	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Intensive Care	115	106	106	6,735	27,244	77	4.1	74.9	65.1	70.6
Direct Admission				5,251	19,865					
Transfers				1,484	7,379					
Obstetric/Gynecology	134	134	134	12,224	34,727	476	2.9	96.4	72.0	72.0
Maternity				12,224	34,727					
Clean Gynecology				0	0					
Neonatal	86	86	86	1,054	8,518	0	8.1	23.3	27.1	27.1
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds			0	0	0		0.0	0.0		
Acute Mental Illness	29	29	29	1,026	8,801	0	8.6	24.1	83.1	83.1
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	48					16048				
Facility Utilization	894			46,860	224,696	16,601	5.1	661.1	73.9	

(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	29.4%	13.0%	0.1%	53.7%	1.1%	2.6%	
	13779	6100	62	25151	528	1240	46,860
Outpatients	30.5%	8.2%	0.1%	53.3%	4.3%	3.6%	
	173482	46840	523	303066	24392	20401	568,704

<u>Financial Year Reported:</u>	9/1/2012 to	8/31/2013	<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 (\$)	26.4%	16.3%	0.1%	57.0%	0.2%	100.0%			47,415,000
	217,543,122	134,476,513	941,086	469,598,039	1,810,387	824,369,147	20,344,501		
Outpatient Revenue (\$)	14.6%	1.7%	0.1%	83.0%	0.6%	100.0%			Total Charity Care as % of Net Revenue
	74,182,873	8,857,614	391,197	422,271,524	2,944,348	508,647,556	27,070,499		3.6%

<u>Birth Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	12,632		Level I	Level II	Level II+	Kidney:	240
Number of Live Births:	12,583		Beds	144	0	Heart:	21
Birthing Rooms:	0		Patient Days	26,658	12,296	Lung:	0
Labor Rooms:	0		Total Newborn Patient Days		38,954	Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	28
Labor-Delivery-Recovery Rooms:	32					Liver:	113
Labor-Delivery-Recovery-Postpartum Rooms:	0		<u>Laboratory Studies</u>			Total:	402
C-Section Rooms:	4		Inpatient Studies		2,241,869		
CSections Performed:	3,572		Outpatient Studies		1,312,628		
			Studies Performed Under Contract		79,922		

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	7	7	1649	314	9569	794	10363	5.8	2.5
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	10	10	3197	4724	12825	10497	23322	4.0	2.2
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	4	4	1458	328	8595	1063	9658	5.9	3.2
OB/Gynecology	0	0	6	6	760	3257	3059	6222	9281	4.0	1.9
Oral/Maxillofacial	0	0	0	0	27	40	80	127	207	3.0	3.2
Ophthalmology	0	0	2	2	14	2591	46	3322	3368	3.3	1.3
Orthopedic	0	0	10	10	2938	4080	10832	8768	19600	3.7	2.1
Otolaryngology	0	0	3	3	313	1807	1352	4627	5979	4.3	2.6
Plastic Surgery	0	0	5	5	635	1566	2318	4180	6498	3.7	2.7
Podiatry	0	0	0	0	0	0	0	0	0	0.0	0.0
Thoracic	0	0	2	2	583	206	2180	477	2657	3.7	2.3
Urology	0	0	5	5	1129	2590	4990	5295	10285	4.4	2.0
Totals	0	0	54	54	12703	21503	55846	45372	101218	4.4	2.1

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

57

Stage 2 Recovery Stations

80

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	1	12	2	15	3030	27787	2272	20840	23112	0.7	0.7
Laser Eye Procedures	0	0	1	1	1	230	1	198	199	1.0	0.9
Pain Management	0	0	0	0	0	0	0	0	0	0.0	0.0
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0

Multipurpose Non-Dedicated Rooms

Minor Procedures	0	0	2	2	6	89	6	107	113	1.0	1.2
	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	Yes
Level of Trauma Service	Level 1
	Adult
Operating Rooms Dedicated for Trauma Care	1
Number of Trauma Visits:	914
Patients Admitted from Trauma	351
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	55
Persons Treated by Emergency Services:	82,891
Patients Admitted from Emergency:	17,275
Total ED Visits (Emergency+Trauma):	83,805

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	577,963
Outpatient Visits at the Hospital/ Campus:	570,628
Outpatient Visits Offsite/off campus	7,335

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	6
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Lab	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	3

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	7,507
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	4,128
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	1,702
EP Catheterizations (15+)	1,677

Cardiac Surgery Data

Total Cardiac Surgery Cases:	851
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	851
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	147

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

General Radiography/Fluoroscopy	55	0	79,591	100,166	0	Lithotripsy	1	0	121
Nuclear Medicine	10	0	1,091	11,593	0	Linear Accelerator	5	0	30,431
Mammography	26	0	117	85,859	0	Image Guided Rad Therapy			19,485
Ultrasound	53	0	24,039	72,159	0	Intensity Modulated Rad Thrp			10,946
Angiography	12	0				High Dose Brachytherapy	1	0	231
Diagnostic Angiography			0	0	0	Proton Beam Therapy	0	0	0
Interventional Angiography			3,616	5,270	0	Gamma Knife	1	0	162
Positron Emission Tomography (PET)	1	0	229	2,039	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	8	0	19,617	60,540	0				
Magnetic Resonance Imaging	13	0	9,912	47,313	0				