



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-03	BOARD MEETING: April 21, 2015	PROJECT NO: 15-002	PROJECT COST: Original: \$23,100,000
FACILITY NAME: Orthopedic and Sports Medicine Facility		CITY: Champaign	
TYPE OF PROJECT: Non substantive			HSA: IV

PROJECT DESCRIPTION: The applicants (The Carle Foundation and The Carle Foundation Hospital) are proposing a 2-story Orthopedic and Sports Medicine Facility in Champaign, Illinois at a cost of \$23,100,000. The anticipated completion date is January 31, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants are proposing a 2-story Orthopedic and Sports Medicine Facility in Champaign, Illinois at a cost of \$23,100,000. The anticipated completion date is January 31, 2017

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project is by or on behalf of a health care facility is in excess of the capital expenditure minimum and will be providing clinical service. (20 ILCS 3960/3).

PURPOSE OF THE PROJECT:

- The purpose of this project is to improve continuity and quality of care to patients in the broad geographic area served by The Carle Foundation Hospital.

PUBLIC HEARING/COMMENT

- A public hearing was offered in regard to the proposed project, but none was requested. No opposition letters were received by the State Board Staff. Support letters were received from:
 - o Jennifer Eardley, PHD University of Illinois
 - o Leland A. Phipps, MD
 - o Deborah Chew, MS

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicants are financially viable as evidenced by their balance sheet and the project is economically feasible as the applicants have sufficient cash to fund the project. The applicants have an “A” or better bond rating.

CONCLUSIONS:

- The applicants addressed a total of 15 criteria and have met all of the requirements of the State Board.

STATE BOARD STAFF REPORT
Project #15-002
Orthopedic and Sports Medicine Facility

APPLICATION CHRONOLOGY	
Applicants(s)	The Carle Foundation Hospital, The Carle Foundation
Facility Name	Orthopedic and Sports Medicine Facility
Location	Champaign, Illinois
Permit Holder	The Carle Foundation Hospital
Operating Entity	The Carle Foundation Hospital
Owner of Site	The Board of Trustees University of Illinois
Application Received	January 23, 2015
Application Deemed Complete	January 29, 2015
Anticipated Completion Date	January 31, 2017
Review Period Ends	April 1, 2015
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The applicants are proposing a 2-story Orthopedic and Sports Medicine Facility in Champaign, Illinois at a cost of \$23,100,000. The anticipated completion date is January 31, 2017

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 appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are The Carle Foundation and The Carle Foundation Hospital. The Carle Foundation is an Illinois not for profit corporation and controls The Carle Foundation Hospital, Hoopeston Community Memorial Hospital, Carle Physician Group, Champaign Surgicenter, Carle Clinic, Health Alliance (HMO), and Carle Retirement Centers. The Carle Foundation Hospital is a not for profit corporation 393 bed acute care hospital in Urbana, Illinois. The Carle Foundation and The Carle Foundation Hospital are in Good Standing with the State of Illinois.

The proposed facility will be located in Health Service Area IV which includes the Illinois Counties of Champaign, Clark, Coles, Cumberland, DeWitt, Douglas, Edgar, Ford, Iroquois, Livingston, Macon, McLean, Moultrie, Piatt, Shelby, and Vermilion.

The property in which the proposed facility will be located is not in a Special Flood Plain Hazard Zone and the property is in compliance with the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180). This is non substantive project and project obligation will occur after permit issuance.

IV. Current Certificate of Need Projects

CON 14-015: Medical Surgical Bed Expansion Project

The CON permit for project 14-015 was approved on August 27, 2014. The project increased the number of medical surgical beds from 212 to 260 medical surgical beds at an approximate cost of \$17,750,000. The project has not yet been obligated. It is anticipated that the project will be obligated by the January 31, 2016 obligation deadline. The project completion date of record is January 31, 2016. Per the applicants it is anticipated that the project will be completed in advance of this date.

V. Project Detail

The applicants are proposing to construct a two story outpatient Orthopedic and Sports Medicine Facility in Champaign, Illinois upon land bounded by S. First Street to the west, Gerty Drive to the north, S. Fourth Street to the east and W. Windsor Road to the south. Carle will enter into a ground lease to develop the land associated with the Project from the site owner and will be the owner of the entire building and associated parking lot. The total project cost is expected to be \$23,100,000 and will be funded with cash and securities. The Orthopedic and Sports Medicine Facility will include 32,806 square feet of clinical space for diagnostic and treatment rooms. Specifically, the medical office building is intended to house the following clinical components:

- Exam and procedure rooms for Orthopedic and Sports Medicine providers
- Physical therapy gym
- X-ray rooms
- Cast bays

The Project will also contain 19,194 square feet relating to non-clinical areas, including:

- Administrative space for leadership, case management and insurance experts
- Sports performance enhancement space
- Mechanical components and other building systems

A non-binding letter of intent was provided by the applicants on behalf of the University of Illinois Research Park, LLC and is intended to serve as the basis for negotiating a final written ground lease agreement with Carle Foundation Hospital for a tract of land to be located in the Phase IV development area of the University of Illinois Research Park and upon which Carle will construct and operate the Carle Orthopedic & Sports Medicine Medical Office building. The ground lease is to be for 50 years. No financial terms were provided.

VI. Project Costs

The applicants are funding this project with cash of \$23,100,000.

TABLE ONE			
Project Costs and Sources of Funds			
	Clinical	Non Clinical	Total
Preplanning	\$142,075	\$138,450	\$280,525
Site Survey and Soil Investigation	\$25,000	\$25,000	\$50,000
Site Preparation	\$272,987	\$256,988	\$529,975
Off Site Work	\$485,276	\$2,085,132	\$2,570,408
New Construction Contract	\$6,100,000	\$5,000,000	\$11,100,000
Contingency	\$610,000	\$500,000	\$1,110,000
Architectural/Engineering Fees	\$454,823	\$442,612	\$897,435
Consulting and Other Fees	\$485,000	\$630,000	\$1,115,000
Movable or Other Equipment	\$2,420,000	\$1,400,000	\$3,820,000
Other Costs to Capitalized	\$423,352	\$1,203,305	\$1,626,657
Total Uses of Funds	\$11,418,513	\$11,681,487	\$23,100,000
Source of Funds			
Cash	\$11,416,513	\$11,681,487	\$23,100,000
Total Sources of Funds	\$11,416,513	\$11,681,487	\$23,100,000

TABLE TWO			
Itemization of Project Costs			
Preplanning Costs			
	Clinical	Non-Clinical	Total
Preliminary Design	\$74,050	\$70,475	\$144,525
Precon Budgets	\$68,025	\$67,975	\$136,000
Total	\$142,075	\$138,450	\$280,525
Architectural Fees			
Architectural Engineering	\$264,620	\$252,410	\$517,030
Mechanical Engineering	\$141,584	\$141,583	\$283,167
Structural Engineering	\$33,619	\$33,619	\$67,238
Code Review	\$15,000	\$15,000	\$30,000
Total	\$454,823	\$442,612	\$897,435
Consulting and Other Fees			

TABLE TWO Itemization of Project Costs			
IDPH Permits	\$20,000	\$20,000	\$40,000
City Permits	\$180,000	\$180,000	\$360,000
Special Inspections	\$50,000	\$50,000	\$100,000
Commissioning	\$45,000	\$45,000	\$90,000
CON Fees/Expenses	\$50,000	\$50,000	\$100,000
Consultants	\$140,000	\$285,000	\$425,000
Total	\$485,000	\$630,000	\$1,115,000
Movable or Other Equipment (not in construction contracts)			
Equipment General	\$1,500,000	\$500,000	\$2,000,000
Furniture	\$600,000	\$610,000	\$1,210,000
Security Access/Cameras	\$100,000	\$50,000	\$150,000
ITT/Telecom	\$180,000	\$200,000	\$380,000
Signs/Wayfinding	\$40,000	\$40,000	\$80,000
Total	\$2,420,000	\$1,400,000	\$3,820,000

VII. Section 1110.230 –Purpose of the Project, Safety Net Impact, Alternative to the Project

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

The applicants stated the following:

The applicants propose to construct a two-story outpatient orthopedic and sports medicine medical office building. This building will include 32,806 square feet of clinical space for diagnostic and treatment rooms as well as 19,194 square feet relating to non-clinical areas. The project would relocate professional orthopedic and certain related ancillary services currently located within two sites in Champaign and Urbana to a single location in Champaign. Carle currently houses its orthopedics and sports medicine functions in two separate buildings. Orthopedic subspecialty services for upper extremity, hip, knee and foot and ankle care are located at the Mattis Avenue location in Champaign, while sports medicine is located at the North Annex location on Anthony Drive in Urbana. Carle proposes to integrate the location of these services and accommodate demand for physician office and ancillary space. Upon moving orthopedics and sports medicine to the proposed location, Carle will continue to utilize the North Annex and Mattis Avenue locations and will backfill services into the available space. The purpose of this project is to improve continuity and quality of care to patients in the broad geographic area served by Carle. Among other things, Carle Foundation Hospital is a 393 bed tertiary care hospital, a Level I trauma center, and a primary stroke center. It is the primary safety net hospital for the region, and is an IDPH designated Regional Hospital Coordinating Center, which is a hospital which serves as a centralized coordination center to address the challenges of emergency events such as catastrophic events related to weather, accidents or terrorism. The project will improve access in Planning Area D-01 to orthopedic specialty care, which is one of the key areas of demand for complex, specialized health care in the area. Access to orthopedic care is essential to the overall well-being of the communities Carle Foundation Hospital services, particularly in light of the aging population and the orthopedic co-morbidities associated with that shifting age cohort.

1. Document that the Project will provide health care services that improve the health care or well-being of the market area population to be served. Two-thirds of the patients who receive outpatient sports medicine and orthopedic care from Carle Foundation Hospital at the Carle locations which currently provide these services reside within the D-01 planning area. The Applicants do not expect the Project to alter the catchment area for these services.

2. Define the planning area or market area, or other, per the applicant's definition Carle Foundation Hospital serves a 28 county region extending from Kankakee County in the north to Richland County in southern Illinois and as far west as Decatur and east into western Indiana.

A. Increasing Demand Has Brought About a Need For Additional Space

Orthopedic care and associated rehabilitation care in the United States has expanded substantially over the last two decades providing major improvements in functionality for an aging population. For example, musculoskeletal disease is the leading cause of disability in the United States, with over 40 percent of American adults aged 65 and older living with chronic joint pain. More than 750,000 total hip and knee replacement procedures are performed annually in the United States. Technology and innovation make these replacement surgeries beneficial for patients who suffer from arthritis or other painful hip and knee conditions. These procedures can alleviate pain and improve function for those individuals who suffer from arthritis, fractures, osteoarthritis, congenital deformity and other diseases. Orthopedic and sports medicine services at Carle Physician Group have been no exception to the national growth trend in orthopedic care.

TABLE THREE		
Historical Utilization-Sports Medicine at North Annex & Orthopedics at Mattis Ave		
Year	Total Exams·	Annual Growth
2011	28,861	n/a
2012	31,247	8.30%
2013	34,708	11.10%
2014**	38,142	9.90%
·CPTs 99201-99205,99211-99215 and 99241-99245		
**Annualized based on YTD through 12/8/14		

This growth shows no signs of stopping. According to the Health Care Advisory Board, four drivers will contribute to growth in orthopedics volumes over the coming years. First of all, baby boomers are now approaching the optimal age for joint replacement. Secondly, high obesity rates have resulted in an increased prevalence of osteoarthritis. Third, recent robust growth among orthopedic services will inevitably result in future demand for revision surgeries. An aggregation of worldwide registry data demonstrated that for both hip and knee replacements, revision rates were approximately six percent at five years, and 12 percent after 10 years. Finally, many of the patients who underwent arthroscopic repair as part of the recent increase in arthroscopic procedures will eventually require a joint replacement. One study reported that in Medicare patients, those treated with arthroscopy for osteoarthritis required a total joint replacement in 10 percent of cases one year after surgery and in 33 percent of cases nine years after surgery. In addition to external growth drivers, Carle's projected growth in utilization is attributable to several internal factors, which the Applicants anticipate will continue for the foreseeable future. These factors include Carle Foundation Hospital's position as a tertiary care facility and Level 1 Trauma Center as well as its affiliations, strategic partnerships and outreach initiatives designed to ensure the medical needs of residents in east central Illinois are met close to home.

Furthermore, demographic and regulatory trends have increased demand for outpatient orthopedic and sports medicine services. As a result of the aforementioned growth, Carle is recruiting to increase from 17 to 24 orthopedics and sports medicine physicians over

the next five years (2015-2020). This figure includes two fellows to be added as part of Carle's sports medicine fellowship, which will be housed in the proposed location.

B. Limitations of Current Spaces

The waiting rooms and support space at the current Mattis Avenue and North Annex locations are not large enough and the physical plan lay-out is not ideal for current and projected orthopedic and sports medicine patient volumes. Unfortunately, these shortcomings result in inefficient throughput and impact the patient experience. Additionally, it is ineffective to have sports medicine and orthopedics located at two separate locations, as doing so requires duplication of resources and creates inefficiencies for patients. For example, it is not uncommon for a patient to have hip pain that is caused by foot issues. With orthopedic specialization as it has matured today, this individual would be treated by two different orthopedic subspecialists. If sports medicine and orthopedics were to be co-located physicians could more easily discuss and collaborate on these cases and patients could minimize travel.

C. Ability to Backfill North Annex and Mattis Avenue Locations

After sports medicine and orthopedics are moved to the proposed location, Carle will continue to utilize the North Annex and Mattis Avenue locations. This opportunity to backfill services is a vital component of the project, as Carle has experienced significant growth in a number of outpatient services in addition to sports medicine and orthopedics. Carle is in the process of developing a backfill plan to optimize the use of these resources.

B) Criterion 1110.230 (b) - Safety Net Statement

The applicants provided safety net information and the community benefit report at pages 84-107 of the application for permit.

The Applicants propose to construct a two story outpatient Orthopedics and Sports Medicine Facility. No services are being discontinued or added to the scope of services provided by Carle Foundation Hospital. The Project will enhance the delivery of care for Carle Foundation Hospital which serves its broad patient base without regard to ability to pay and it is not expected to have any adverse impact on safety net services in the community or on the ability of any other health care provider to deliver services.

This Safety Net Impact Statement addresses the following requirements:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge. As the largest provider of Medicaid and charity care in the D-01 planning area, Carle Foundation Hospital is an integral provider of safety net services to residents in east central Illinois. In 2012, Carle provided 72% of all charity care and 70.5% of all Medicaid care in the D-01 planning area. Further, Carle is the only Level I Trauma Center in the region. As discussed in the Purpose of the Project narrative, demand for Carle's Orthopedic and Sports Medicine services is projected to exceed Carle's existing capacity. The Project is therefore necessary to ensure patients in east central Illinois have continued access to outpatient Orthopedic and Sports Medicine care. The Project will not impact Carle's

Medicaid and/or charity care policies. Patients seeing Carle providers in the proposed facility will be eligible for the same charity care benefits that are available at the current locations.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant. The proposed Orthopedics and Sports Medicine building will not adversely impact the ability of other providers or health care systems to serve patients seeking safety net services. The Applicants do not believe there will be any adverse impact on other providers or health care systems, as the Project is addressing the demand for services that Carle is already providing in Champaign-Urbana.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant. The proposed building does not include the discontinuation of a facility or service. As a result, an analysis regarding how reduced services will impact the community is not applicable.

TABLE FOUR
Safety Net Impact Statement

	FY 11	FY 12	FY 13
Net Patient Revenue	\$395,467,000	\$419,650,000	\$581,961,262
Charity Care (# of patients)	FY 11	FY 12	FY 13
Inpatient	1,545	1,756	3,220
Outpatient	16,082	21,729	60,338
Total	17,627	23,485	63,558
Charity Care (cost in dollars)	FY 11	FY 12	FY 13
Inpatient	\$9,844,226	\$10,681,168	\$12,084,283
Outpatient	\$5,388,600	\$8,063,826	\$12,702,816
Total	\$15,232,826	\$18,744,995	\$24,787,099
Ratio of Charity Care Expense to Net Revenue	3.90%	4.50%	4.30%
Medicaid (# of patients)	FY 11	FY 12	FY 13
Inpatient	3,357	2,961	2,308
Outpatient	56,294	60,014	104,001
Total	59,651	62,975	106,309
Medicaid (Revenue)	FY 11	FY 12	FY 13
Inpatient	\$54,859,000	\$54,396,000	\$73,247,000
Outpatient	\$4,924,000	\$7,495,000	\$9,303,000
Total	\$59,783,000	\$61,891,000	\$82,550,000
Ratio of Medicaid Revenue to Net Revenue	15.12%	14.75%	14.18%

C) Criterion 1110.230 (c) - Alternatives to Project

The Applicants propose to construct a two story outpatient Orthopedics and Sports Medicine Facility. The Applicants believe that the proposed project is the most effective and least costly alternative to the other alternatives considered when balancing access and quality with costs. The following narrative consists of a comparison of the proposed project to alternative options.

The applicants have considered a number of alternatives as follows:

A) Proposing a project of greater or lesser scope and cost.

There are several options in this category.

Project of Lesser Scope: Do Nothing

This option would not address the growing demand for Orthopedic and Sports Medicine services described throughout this application and would, therefore, result in a deterioration of patient access over time. Furthermore, doing nothing would not address existing constraints on the waiting rooms and support spaces, which impact patient satisfaction and operational efficiency. Finally, doing nothing would not allow Carle to backfill ongoing operations requirements into the current Orthopedics and Sports Medicine spaces. As a result, other Carle services will face similar concerns related to access, quality and operational efficiency. Under this option, patient access, patient satisfaction and operational efficiency would be adversely affected. For these reasons, this alternative was rejected.

Project of Lesser Scope: Decrease Project Costs by Reducing Scale

The Applicants believe that the Project is conservative given current and projected demand for services. For example, the Applicants elected not to include space for all outpatient physical therapy within the Project in order to keep down project costs. If the scope of the Project were to be further reduced, additional expansions at this site or other Carle locations would be required in the not too distant future to accommodate projected demand. Under this option, project costs would be reduced in the short term, but would increase in the long term. For this reason, this alternative was rejected.

Project of Greater Scope: Build Facility with Additional Capacity

This alternative was considered since at a 9.7% annual growth rate, capacity may again be an issue within five years. However, due to future uncertainties, the Applicants opted for a more measured approach. If volumes continue to grow as anticipated, the Applicants will add additional space in the future. In doing so, they will abide by all applicable regulations.

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. In the past, Carle has pursued strategic partnerships for special service lines such as inpatient rehab services, but the

project involves core services and would not be appropriate for joint venture arrangements. For this reason, this alternative was rejected.

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.

Renovate Existing Spaces

In this scenario, Carle would have to invest significant financial resources to achieve suboptimal results. The cost of major renovation and expansion in today's construction dollars is often equal to or greater than that of new construction. Accordingly, the existing spaces would undergo more limited renovations under this scenario. Without adding significant space, Carle would be unable to combine services into one location. This scenario would also not allow for future growth associated with projected demand, thereby impacting patient access. This option would also negatively impact patient access by requiring portions of the facilities to be inoperable during construction, and would result in disruptions due to construction noise and debris. Under this option, project cost would not be significantly reduced, patient satisfaction would be adversely impacted, efficiencies would not be realized and maintenance costs would increase. For these reasons, this alternative was rejected.

D) Construct a two story outpatient Orthopedics and Sports Medicine Facility (Proposed). The chosen option will improve patient access by ensuring adequate office space to meet forecasted volumes. It will also improve quality of care by providing a state of the art facility that promotes patient satisfaction and operational efficiency. For all of these reasons, this option is the one chosen for the proposed project.

Section 1110.234 – Size of the Project, Projected Utilization, Assurances

A) Criterion 1110.234 (a) - Size of Project

General radiology is a department that has an established State standard of 1,300 DGSF/unit. The applicants propose to add two x-ray units to occupy 2,418 DGSF. This is within the State Board Standard of 2,600 DGSF. The proposed project will also involve the construction of physical therapy and exam and procedure rooms for orthopedic physicians and midlevel practitioners. The 66 exam and procedure rooms will encompass 23,135 of DGSF and the physical therapy space will involve 7,253 DGSF. The State Board does not have size standards for these services.

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) - Projected Utilization

The proposed project will include spaces for general radiology, physical therapy and patient exam rooms for outpatient care.

A) Two general x-ray units

The applicants provided information showing the volume of general radiology procedures associated with the programs that will be relocated to the proposed building. These services are currently provided in the North Annex and Mattis locations. Based on the utilization standards and the volumes relating to the current equipment, x-ray procedures exceeded the state standard in both 2013 and 2014 for these units. While current utilization justifies the two x-ray units, the Applicants project that the volumes for the units that will be housed at the proposed location will continue to grow in the future. Assuming a 2.6% growth rate over the next three years, Carle's Year 1 utilization is projected to be 9,515 procedures. Carle's Year 2 utilization is projected to be 9,760 procedures. Utilization in both years is projected to exceed the minimum state standard of 8,000 procedures.

B) 66 exam and procedure rooms

There are no associated standards for utilization of patient exam and procedure rooms to be used for non-surgical outpatient encounters. The number of rooms was chosen to accommodate ongoing recruitment of additional orthopedic subspecialty physicians and associated mid-level providers in addition to existing providers as discussed in Attachment- 12. In anticipation of having 24 orthopedic and sports medicine physicians and their supporting nursing and mid-level staff involved in patient encounters at this site, the Applicants propose to have 66 exam and procedure rooms. To provide for the most efficient throughput, physicians will have two to three patients using an exam room at any given time. Additionally, depending on the nature of the visit, those patients will also use adjacent rooms for their diagnosis and treatment. Since not all of the 24 physicians will be present at the facility simultaneously due to attending patients receiving inpatient care and surgery, the Applicants derived a floor plan to include 66 exam and procedure

rooms based on an expectation that on average, physicians will utilize this location for about three-fifths of their clinical time. While some of the exam rooms will be standard without significant specialization, the applicants are also planning for rooms specially equipped with educational materials, equipment and supplies that are unique to a variety of sub specialties. Based on the patient encounter volumes in the most recent years (34,708 in 2013 and 38,142 in 2014) and the general growth of the service line, the applicants expect to see 45,934 patient encounters with providers in Yr. 1 after project completion and 50,408 patient encounters in Yr.2.

C) 7,253 square feet of space for physical therapists and certified athletic trainers including a gym

There is no associated standard for utilization. The size of this area was determined through discussions with staff to assess the needs of the various types of patients to be treated and by working with experts in the field of therapy department design. The space includes a gym in which Certified Athletic Trainers will provide injury prevention, rehabilitation and sports performance services. It will also accommodate the five hand surgery physical therapists who are currently practicing at the Mattis location, while allowing for growth. Similar to a fitness center, the gym space will have various stations with specialized equipment to address the diverse therapy requirements of the patient base.

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

C) Criterion 1110.234 (e) - Assurances

The applicants provided the necessary assurance that the proposed services in which the State Board has established standards will be achieve that standard by the second year after project completion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.234 (e))

Section 1110.3030 - Clinical Service Areas Other than Categories of Services

A) Criterion 1110.3030 (a) - Background of Applicant

The applicants provided the necessary attestation that they have not had any adverse actions within the past three years prior to the submittal of this application and have given permission for the State Board and the Illinois Department of Public Health access to any and all information in this application for permit. The Carle Foundation Hospital is compliant with Medicare Conditions of Participation and is DNVaccredited.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BACKGROUND OF APPLICANT (77 IAC 1110.3030 (a))

B) Criterion 1110.3030 (b) – Clinical Services Areas Other than Categories of Service

The applicants propose to construct a two story outpatient Orthopedics and Sports Medicine Facility. Except for general radiology services which will meet the State standard for utilization, there is no associated standard for utilization of the services that will be provided in this building. The additional space is necessary to meet the projected demand for Orthopedic and Sports Medicine services in the future. Orthopedic and Sports Medicine visits have increased 32.2% over the past three years or 9.7% annually. The Applicants anticipate volumes will continue to grow as they improve sub-specialization and general availability of orthopedic physician care. The increased demand shown above is due in part to CFH's position as a Level I Trauma Center as well as its affiliations, strategic partnerships and outreach initiatives designed to ensure the medical needs of residents in east central Illinois are met close to home. Furthermore, demographic trends and advances in medicine have increased demand for outpatient Orthopedic and Sports Medicine services. Finally, an increase in the number of Carle Orthopedics and Sports Medicine providers has contributed to volume growth. As described in Attachment 12, Carle has undertaken a physician recruitment plan which will bring additional Orthopedics and Sports Medicine physicians to practice in Champaign-Urbana in the coming years. The growth projections do not anticipate referrals from physicians who currently do not refer to Carle. Accordingly, no physician referral letters have been submitted.

TABLE FIVE Growth in Exams		
Year	Total Exams	Annual Growth
2011	28,861	n/a
2012	31,247	8.30%
2013	34,708	11.10%
2014**	38,142	9.90%
Projected 2015	41,857	9.70%
Projected 2016	45,934	9.70%
Projected 2017	50,408	9.70%

FINANCIAL

A) Criterion 1120.140 (a) - Availability of Funds

The applicants are funding this project with \$23.1 million in cash and securities. The applicants have received a AA- rating from Fitch Ratings. Fitch Ratings has affirmed the AA- long-term rating on the following revenue bonds issued by the Illinois Finance Authority on behalf of Carle Foundation

--\$234.7 million series 2011A;

--\$61.9 million series 2009A;

--\$160 million series 2009B-E

The bonds are supported by bank letters-of-credit issued by Northern Trust Company, N.A. or JP Morgan Chase Bank, N.A. A review of the audited financial statements indicates sufficient cash is available to fund the project.

TABLE SIX		
The Carle Foundation Obligated Group		
31-Dec-13		
In thousands		
	Foundation	Hospital
Cash	\$34,695	\$27
Current Assets	\$312,650	\$164,707
PPE (net)	\$442,408	\$65,562
Current Liabilities	\$52,974	\$90,827
LTD	\$554,533	\$0
Total Liabilities	\$647,395	\$94,105
Net Patient Service Revenue	\$3	\$599,179
Total Revenue	\$166,545	\$621,352
Expenses	\$166,233	\$440,743
Income	\$312	\$180,609
Excess of Revenue over Expenses	\$51,930	\$180,470

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

B) Criterion 1110.130 (b) - Financial Viability

The applicants have qualified for the financial waiver which allows an applicant that has a A or better bond rating or is funding the project from internal sources to forgo providing historical financial ratios for the past three years and the first year after project completion. The applicants have an A or better bond rating and are funding this project from internal sources.

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

ECONOMIC FEASIBILITY

A) Criterion 1110.140 (a) - Reasonableness of Financing Arrangements

B) Criterion 1110.140 (b) - Terms of Debt Financing

The applicants are funding this project with cash of \$23.1 million; no form of debt financing is being used to fund the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1140 (a), 77 IAC 1140.140 (b))

C) Criterion 1110.140 (c) - Reasonableness of Project Costs

Preplanning costs are \$142,075 and are 1.56% of the sum of new construction, modernization, contingency, and equipment costs. These costs appear reasonable when compared to the State Board's standard of 1.8%.

Site survey, soil investigation, or site preparation costs are \$297,987 and are 4.4% of construction and contingency costs. These costs appear reasonable when compared to the State Board Standard of 5.0%.

Off-site work costs total \$485,276. The State Board does not have a standard for these costs.

New construction and contingency costs are \$6,710,000 or \$204.54 per GSF. This appears reasonable when compared to the State Board Standard of \$215.00 per GSF.

Contingency costs are \$610,000 and are 10.0% of new construction contracts. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees are \$454,823 and are 6.78% of new construction and contingency contracts. This appears reasonable when compared to the State Board Standard of 5.27-7.91 %.

Consulting and Other Fees total \$485,000. The State Board does not have a standard for these costs.

Movable or Other Equipment (Not in Construction Contracts) costs total \$2,420,000. The State Board does not have a standard for these costs.

Other Costs to Be Capitalized are \$423,352. The State Board does not have a standard for these costs.

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

D) Criterion 1110.140 (d) - Projected Operating Costs

The projected operating cost per equivalent patient day is \$1,717.35. This appears reasonable when compared to previously approved projects.

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

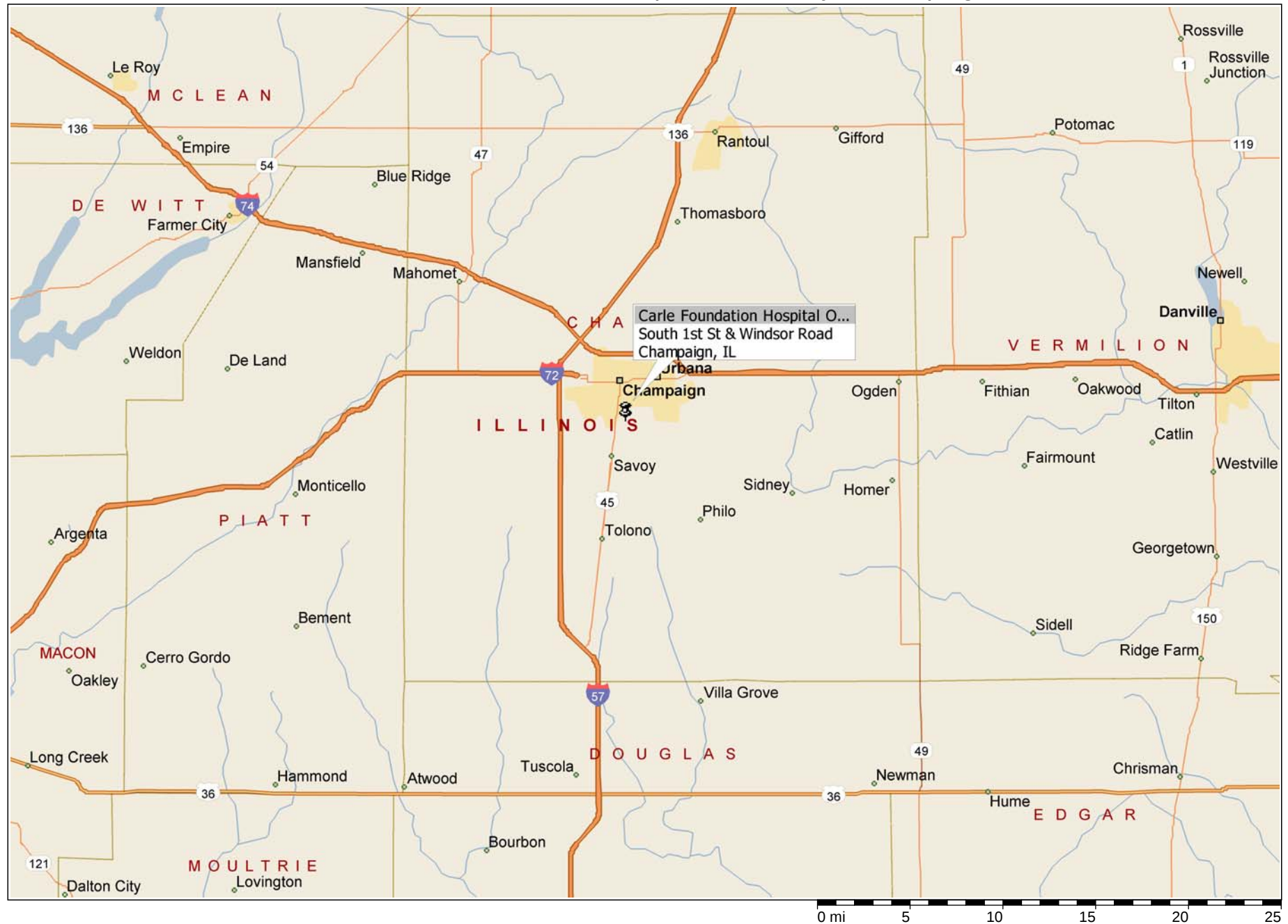
E) Criterion 1110.140 (e) - Projected Capital Costs

The projected capital cost per equivalent patient day is \$247.64. This appears reasonable when compared to previously approved projects.

TABLE SEVEN	
Equivalent Patient Days (2017 Projected)	269,773
Total Capital Cost (2017 Projected)	\$66,805,801.00
Total Operating Cost (2017 Projected)	\$463,293,712.00
Capital Cost per Equivalent Patient Day	\$247.64
Operating Cost per Equivalent Patient Day	\$1,717.35

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

15-002 - Carle Foundation Hospital OP Facility - Champaign



<u>Ownership, Management and General Information</u>				<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	James C. Leonard, MD			White	80.7%	Hispanic or Latino:	2.8%
ADMINSTRATOR PHONE	217-383-3220			Black	11.7%	Not Hispanic or Latino:	97.0%
OWNERSHIP:	The Carle Foundation			American Indian	0.1%	Unknown:	0.2%
OPERATOR:	The Carle Foundation Hospital			Asian	1.7%		
MANAGEMENT:	Not for Profit Corporation (Not Church-R			Hawaiian/ Pacific	0.0%	IDPH Number:	3798
CERTIFICATION:				Unknown	5.8%	HPA	D-01
FACILITY DESIGNATION:	General Hospital					HSA	4
ADDRESS	611 West Park Street	CITY: Urbana	COUNTY: Champaign 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	212	233	233	15,098	66,989	4,694	4.7	196.4	92.6	84.3
0-14 Years				0	0					
15-44 Years				2,747	10,486					
45-64 Years				5,029	23,008					
65-74 Years				2,928	13,338					
75 Years +				4,394	20,157					
Pediatric	20	20	17	1,208	3,207	644	3.2	10.6	52.8	52.8
Intensive Care	38	38	28	1,998	6,849	20	3.4	18.8	49.5	49.5
Direct Admission				1,148	3,894					
Transfers				850	2,955					
Obstetric/Gynecology	35	37	37	2,724	8,159	71	3.0	22.5	64.4	60.9
Maternity				2,724	8,159					
Clean Gynecology				0	0					
Neonatal	25	25	20	437	4,724	0	10.8	12.9	51.8	51.8
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	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	15	15	15	363	4,224	0	11.6	11.6	77.2	77.2
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	32					2150				
Facility Utilization	345			20,978	94,152	7,579	4.8	278.7	80.8	

(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	31.5%	11.0%	0.5%	38.6%	3.1%	15.3%	
	6600	2308	95	8099	656	3220	20,978
Outpatients	21.3%	13.6%	0.3%	54.7%	2.2%	7.9%	
	162886	104001	2553	418000	16935	60338	764,713
<u>Financial Year Reported:</u>	1/1/2013 to	12/31/2013	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>				
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense
Inpatient Revenue (\$)	35.5%	24.0%	0.3%	39.9%	0.3%	100.0%	
	108,314,000	73,247,000	905,000	121,556,000	900,000	304,922,000	12,084,283
Outpatient Revenue (\$)	21.6%	3.4%	0.2%	74.1%	0.8%	100.0%	
	59,751,000	9,303,000	519,000	205,094,000	2,235,000	276,902,000	12,702,816
							Total Charity Care Expense 24,787,099
							Total Charity Care as % of Net Revenue 4.3%

<u>Birthing Data</u>		<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>		
Number of Total Births:	2,700		Level I	Level II	Level II+	Kidney:	0
Number of Live Births:	2,694	Beds	26	23	25	Heart:	0
Birthing Rooms:	0	Patient Days	4,101	2,132	5,226	Lung:	0
Labor Rooms:	0	Total Newborn Patient Days			11,459	Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	0
Labor-Delivery-Recovery Rooms:	7					Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	6					Total:	0
C-Section Rooms:	2						
CSections Performed:	918						
			</				

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	2	2	451	49	1303	118	1421	2.9	2.4
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	3	3	1295	1664	3365	2386	5751	2.6	1.4
Gastroenterology	0	0	0	0	2	0	1	0	1	0.5	0.0
Neurology	0	0	2	2	604	65	2088	98	2186	3.5	1.5
OB/Gynecology	0	0	2	2	431	714	1227	760	1987	2.8	1.1
Oral/Maxillofacial	0	0	1	1	152	151	455	264	719	3.0	1.7
Ophthalmology	0	0	0	0	0	0	0	0	0	0.0	0.0
Orthopedic	0	0	2	2	1765	538	3990	876	4866	2.3	1.6
Otolaryngology	0	0	1	1	162	880	493	1216	1709	3.0	1.4
Plastic Surgery	0	0	1	1	75	152	306	278	584	4.1	1.8
Podiatry	0	0	1	1	250	146	236	127	363	0.9	0.9
Thoracic	0	0	2	2	547	0	1942	0	1942	3.6	0.0
Urology	0	0	2	2	343	658	725	644	1369	2.1	1.0
Totals	0	0	19	19	6077	5017	16131	6767	22898	2.7	1.3
<u>SURGICAL RECOVERY STATIONS</u>				Stage 1 Recovery Stations		17	Stage 2 Recovery Stations		60		

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	10	10	1762	8246	1327	4874	6201	0.8	0.6
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
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
<u>Multipurpose Non-Dedicated Rooms</u>											
Ophthalmology	0	0	2	2	10	2075	17	1552	1569	1.7	0.7
	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:	1,079
Patients Admitted from Trauma	826
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	51
Persons Treated by Emergency Services:	69,725
Patients Admitted from Emergency:	9,428
Total ED Visits (Emergency+Trauma):	70,804

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	764,713
Outpatient Visits at the Hospital/ Campus:	483,761
Outpatient Visits Offsite/off campus	280,952

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	10
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Lab	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	2

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	1,984
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	1,232
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	553
EP Catheterizations (15+)	199

Cardiac Surgery Data

Total Cardiac Surgery Cases:	381
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	381
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	220

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

	<u>Owned Contract</u>		<u>Inpatient</u>	<u>Outpt</u>	<u>Contract</u>		<u>Owned Contract</u>		
General Radiography/Fluoroscopy	16	0	23,728	27,646	0	Lithotripsy	0	1	133
Nuclear Medicine	4	0	920	526	0	Linear Accelerator	3	0	10,878
Mammography	4	0	86	3,847	0	Image Guided Rad Therapy			8,664
Ultrasound	29	0	16,530	17,534	0	Intensity Modulated Rad Thrp			3,625
Angiography	10	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			3,156	2,919	0	Proton Beam Therapy	0	0	0
Interventional Angiography			2,510	1,517	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	1	0	74	246	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	5	0	13,840	26,042	0				
Magnetic Resonance Imaging	4	0	2,184	7,958	0				