



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-09	BOARD MEETING: June 2, 2015	PROJECT NO: 15-021	PROJECT COST: Original: \$85,292,193
FACILITY NAME: OSF Saint Anthony Medical Center		CITY: Rockford	
TYPE OF PROJECT: Non-Substantive			HSA: I

PROJECT DESCRIPTION: The applicants (OSF Healthcare System and OSF Healthcare System d/b/a OSF Saint Anthony Medical Center) are proposing the construction of a four story pavilion attached to the Medical Center to house 78 private medical surgical beds, prompt care, women's health center and a retail pharmacy. The estimated cost of the project is \$85,292,193. The anticipated project completion is March 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (OSF Healthcare System and OSF Healthcare System d/b/a OSF Saint Anthony Medical Center) are proposing the construction of a four story pavilion attached to the Medical Center to house 78 private medical surgical beds, prompt care, women's health center and a retail pharmacy. The estimated cost of the project is \$85,292,193. The anticipated project completion is March 31, 2018.

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:

- The primary purpose of the project is to address the limited space for medical surgical rooms and to expand the space to allow for private rooms, versus almost all semi-private rooms, which is the current situation (of the 190 beds, only 38 are in private rooms)

PUBLIC HEARING:

- No public hearing was requested and no letters of opposition were received. Letters of support were received from:
 - W. Stephen Minore, President and CEO Rockford Anesthesiologists Associated, L.L.C.
 - Thomas Lassandro, Executive Secretary Belvidere Area Chamber of Commerce
 - Dan Schreiner, Chief Executive Officer Rockford Orthopedic Associates, Ltd.
 - Perryville Surgical Associates S.C.
 - Bill Gorski, CEO SwedishAmerican
 - Jeffrey A. Barteau MD, President The Rockford Surgical Service
 - Jodi Kast and Cooper, OSF Therapy Dog Team
 - Rochelle Community Hospital
 - Brent S. Bernardi
 - Phillip W. Eaton
 - Alex Stagnaro-Green, MD Regional Dean University of Illinois College of Medicine
 - Joseph Vicari, MD, Managing Partner, Rockford Gastroenterology Associates
 - Michael Perry, MD, President and CEO, FHN Memorial Hospital
 - George P. Gendron

SUMMARY:

- Historical utilization (61%-midnight census) of the 190 medical surgical beds will justify 137 medical surgical beds at the target occupancy of 85% and not the 190 medical surgical beds being requested by the applicants. The applicants state the midnight census that the State Board uses understates the actual usage of the medical surgical beds. If the applicants' methodology is accepted the applicants can justify 172 beds at the target occupancy of 85%. **(See pages 12-13 below)**

- The additional ultrasound (4 units) and mammography units (2 units) are not justified by the medical center's historical utilization for these pieces of equipment.
- No assurance was provided by the applicants that they will meet target occupancy for the beds or the equipment within 2 years of project completion as required.
- Further no modernization costs were included in this application for permit for the existing rooms. Generally the Board Staff would expect modernization costs for existing rooms to be included in the same application for permit. We have advised the applicants that if modernization of those rooms occur and require IDPH approval we will request that a certificate of need be submitted no matter the costs. We believe the modernization of existing rooms is programmatically interrelated with the construction of the new pavilion for the medical surgical rooms

CONCLUSION:

- The applicants have addressed a total of 18 criteria and have not met the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criteria 1110.234(b) Project Services Utilization	The applicants projected utilization for the proposed 190 medical surgical beds does not meet the State Board's target occupancy of 85%. Projected utilization is 77%.
Criteria 1110.234 (e) Assurance	The applicants failed to provide the necessary assurance that the proposed modernization will be at the State Board's target occupancy for the number of medical surgical beds being proposed two years after project completion.
Criterion 1110.530 (e) –Modernization of Medical Surgical Beds	Historical utilization of the 190 medical surgical beds has averaged 61.1% over the past three calendar years (CY 2012-2014) The historical utilization will justify 137 medical surgical beds and not the 190 medical surgical beds being proposed.
Criterion 1110.3030 (d) (1) Clinical Service Area Other than a Category of Service	The applicants' historical utilization for ultrasound and mammography equipment does not justify the number of pieces of equipment for ultrasound (2) or mammography (4).
Criterion 1110.140 (c) Reasonableness of Project Costs	The costs for Site Survey, Soil Investigation and Site Preparation exceed the State Board Standard by \$1,128,684.

**STATE BOARD STAFF REPORT
OSF Saint Anthony Medical Center
PROJECT #15-021**

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	OSF Healthcare System and OSF Healthcare System d/b/a OSF Saint Anthony Medical Center
Facility Name	OSF Saint Anthony Medical Center
Location	5666 E. State Street, Rockford, Illinois
Application Received	April 22, 2015
Application Deemed Complete	April 23, 2015
Permit Holder	OSF Healthcare System d/b/a OSF Saint Anthony Medical Center
Operating Entity/Licensee	OSF Healthcare System d/b/a OSF Saint Anthony Medical Center
Owner of the Site	OSF Healthcare System
Completion Date	March 31, 2018
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The applicants (OSF Healthcare System and OSF Healthcare System d/b/a OSF Saint Anthony Medical Center) are proposing the construction of a four story pavilion attached to the Medical Center to house 78 private medical surgical beds, prompt care, women's health center and a retail pharmacy. The estimated cost of the project is \$85,292,193. The anticipated project completion is March 31, 2018.

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 does **not** appear to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are OSF Healthcare System and OSF Healthcare System d/b/a OSF Saint Anthony Medical Center. OSF Healthcare System is an Illinois Not-For-Profit corporation incorporated in 1880. OSF Healthcare System currently owns and operates the following hospitals: OSF Saint Francis Medical Center (Peoria), OSF Saint Joseph Medical Center (Bloomington), OSF St. Mary Medical Center (Galesburg), OSF Holy Family Medical Center (Monmouth), Ottawa Regional Hospital and Healthcare Center d/b/a OSF St. Elizabeth Medical Center (Ottawa), OSF St. Luke Medical Center (Kewanee), OSF Saint James Hospital (Pontiac), OSF Saint Anthony Medical Center (Rockford), OSF Saint Anthony Health Center (Alton). OSF Saint Anthony Medical Center is a 254 bed medical center located at 5666 E. State Street, Rockford, Illinois in

Health Service Area I and Health Planning Area B-01. The operating entity/licensee is OSF Healthcare System d/b/a OSF Saint Anthony Medical Center and the owner of the site is OSF Healthcare System. Project obligation will occur after permit issuance. This is a non-substantive project subject to a Part 1110 and Part 1120 review.

IV. **Health Service Area**

Health Service Area 1 includes the Illinois counties of Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago. **Health Planning Area B - 01** includes Boone and Winnebago Counties; DeKalb County Townships of Franklin, Kingston, and Genoa; Ogle County Townships of Monroe, White Rock, Lynnville, Scott, Marion, Byron, Rockvale, Leaf River and Mount Morris.

There are five hospitals located in the B-01 Health Planning Area: OSF Saint Anthony Medical Center (Rockford), Rockford Memorial Hospital (Rockford), Swedish American Hospital (Rockford), SwedishAmerican Medical Center –Belvidere (Belvidere), and Van Matre Rehabilitation Hospital (Rockford). Over the past five years (2009-2013 average daily census has decreased from 371.4 to 354.4 or approximately 4.6% in the B-01 planning area.

V. **Project Details**

The project entails modernization of OSF Saint Anthony Medical Center via the construction of a 144,247 GSF four story bed pavilion that will be attached to the current medical center building. It will house 78 private rooms for medical surgical beds and the existing medical center will convert semi-private rooms to private rooms, for a total of 112 private rooms in that space when the new bed pavilion is constructed. There will be no change in the number of medical surgical beds as a result of this project.

In addition, some ambulatory services will be offered on the first floor of the new bed pavilion. This will include prompt care (a walk in clinic) and women's health which will include the following services: mammography, ultrasound and bone density testing. There will be no additional imaging pieces of equipment as a result of the relocation of women's health. There will also be space in the new bed pavilion allocated to a retail pharmacy. Certain non-clinical services will be located in the bed pavilion, including employee health and wellness, weight management (dietary consultation and healthy eating and cooking classes), a women's salon, offices to provide support for patients and their families regarding palliative care, pastoral care, administrative and additional lobby and circulation space. There will be minor modernization of the existing space (4,244 GSF) primarily to accommodate the access to the new bed pavilion from the current medical center at the first floor and second floor levels. The total cost of the project is \$85,292,193.00.

VI. Project Costs and Sources of Funds

The project is being funded with cash of \$977,193, gifts and bequests of \$2,250,000 and a bond issue of \$82,065,000. There is no start up or operating deficit for this project.

TABLE ONE			
Project Costs and Sources of Funds			
	Clinical	Non Clinical	Total
Preplanning	\$283,541	\$339,707	\$623,248
Site Survey and Soil Investigation	\$15,923	\$19,077	\$35,000
Site Preparation	\$2,450,480	\$2,935,888	\$5,386,368
Off Site Work	\$0	\$0	\$0
New Construction Contracts	\$24,460,883	\$29,306,272	\$53,767,155
Modernization Contracts	\$606,014	\$726,058	\$1,332,072
Contingencies	\$1,997,832	\$2,393,576	\$4,391,408
Architectural/Engineering Fees	\$1,679,168	\$2,011,790	\$3,690,958
Consulting and Other Fees	\$113,735	\$136,265	\$250,000
Movable or Other Equipment	\$3,284,915	\$3,935,615	\$7,220,530
Bond Issuance Expense	\$374,689	\$448,911	\$823,600
Net Interest Expense	\$3,133,712	\$3,754,460	\$6,888,172
Other Costs to be Capitalized	\$402,024	\$481,658	\$883,682
Total	\$38,802,916	\$46,489,277	\$85,292,193
	Clinical	Non Clinical	Total
Cash	\$444,565	\$532,628	\$977,193
Gifts and Bequests	\$1,023,617	\$1,226,383	\$2,250,000
Bond Issues	\$37,334,733	\$44,730,267	\$82,065,000
Total	\$38,802,915	\$46,489,278	\$85,292,193

VII. Cost Space Requirements

The applicants are proposing a total 137,906 GSF of new construction and 6,341 GSF of modernization.

TABLE TWO							
Project Costs Space Requirements							
	Cost	GSF		Amount of Proposed total GSF that is:			
Dept/Area		Exist.	Prop	New Const	Mod.	As Is	Vacated
Medical / Surgical	\$30,893,389	51,000	101,710	50,710	0	51,000	0
Ambulatory Care	\$2,789,604	0	2,482	2,482	2,097	N/A	0
Imaging	\$4,037,890	5,400	6,628	6,628	0	4,005	0
Pharmacy	\$1,082,033	0	1,776	1,776	0	N/A	0
Clinical Total	\$38,802,916	56,400	112,596	61,596	2,097	55,005	0
Non-Clinical							

TABLE TWO Project Costs Space Requirements							
	Cost	GSF		Amount of Proposed total GSF that is:			
Dept/Area		Exist.	Prop	New Const	Mod.	As Is	Vacated
Dept/Area		Exist.	Prop	New Const	Mod.	As Is	Vacated
Lobby	\$10,500,682	N/A	2,000	2,000	0	N/A	0
Administrative	\$106,540	N/A	20,635	20,635	0	N/A	0
Pastoral Care	\$1,189,800	N/A	264	264	0	N/A	0
Wt. Management	\$494,553	N/A	2,839	2,839	0	N/A	0
Spa	\$212,613	N/A	884	884	0	N/A	0
Palliative Care	\$1,570,146	N/A	524	524	0	N/A	0
Employee Health & Wllns	\$413,820	N/A	2,706	2,706	0	N/A	0
Materials Management	\$597,913	N/A	668	668	0	N/A	0
Facilities	\$499,004	N/A	1,188	1,188	0	N/A	0
Public Bathrooms	\$22,012,424	N/A	1,255	1,255	707	N/A	0
Mech/Electrical	\$783,486	N/A	22,649	22,649	0	N/A	0
Circulation (incl stairs/elev)	\$8,108,297	N/A	20,698	20,698	3,537	N/A	0
Non-Clinical	\$46,489,277		76,310	76,310	4,244	N/A	0
	\$85,292,193		188,906	137,906	6,341	NA	0

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

The applicants stated the following:

The primary purpose of the project is to address the limited space for medical surgical rooms and to expand the space to allow for private rooms, versus almost all semi-private rooms, which is the current situation (of the 190 beds, only 38 are in private rooms). The current semi-private rooms (almost 80% are semi-private in the MS category) create problems regarding infection control, patient privacy and patient stress. In addition, the current general room size of 242 GSF is small for a semi-private room. The new bed pavilion will allow for 100% private medical surgical rooms that will accommodate modern equipment, including beds and related monitoring machines. This will improve overall patient care and well-being.

Diagnostic imaging for women's services consisting of mammography and ultrasound will be moved to the new space. The current mammography space is located in the acute care medical center building which is congested and not conducive to a stress free outpatient breast imaging and guided biopsy experience. The current space must be vacated to allow for circulation between the existing medical center building and the new pavilion. The planned new space for women's health will be user friendly, with ample changing room, separate waiting areas for patients who are waiting screening imaging versus diagnostic, and space for biopsies and radiologist consultation. It will include ultrasound testing as it relates to breast imaging and guided biopsy procedures. The current women's health space is 5,400 GSF and the new space will be 6,628 GSF. The vacated space will be used for connecting corridors and back fill. A new 2,482 GSF prompt-care clinic will be in the proposed bed pavilion (none exists currently). It will be user friendly, with a large waiting area, which is an important space in a walk-in clinic. The walk-in clinic is designed to accommodate some patients (as appropriate) from the ED, which should reduce healthcare costs and allow ED staff to focus on true emergency care. The new space will host a non-medical center owned/operated retail pharmacy which will be convenient for all of the medical center's patients.

In addition to the clinical services above, the first floor of the bed pavilion will have a lobby with a coffee shop, a salon (for convenience of the women seen at the women's health center), a weight management area with a kitchen for healthy cooking classes and meeting rooms for weight watchers or similar healthy diet programs, employee health and wellness, offices with counselors for those patients (or family members) who want information and/or support relating to palliative care, pastoral care and administrative space.

The project will enhance patient care, as follows:

- Private rooms reduce patient stress and medical center acquired infections;
- Private rooms allow for patient privacy;
- The larger rooms/space allow for family visiting capacity and sleep over, which improves patient care and comfort;

- The new pavilion will allow for more modern equipment and bed sizes in all medical surgical rooms;
- Patients will no longer have to share a toilet or shower;
- The women's health area will be more patient-friendly with expanded changing areas, waiting areas and rooms allowing for private consultations regarding results of exams;
- The new walk-in clinic will reduce unnecessary utilization of the ED, which will reduce wait times, provide a better environment of care and reduce costs; and
- The new retail pharmacy will be convenient for patients and can link to the Medical center's records for medical center patients, which will allow for reduced medication errors. With over 10,500 annual discharges and 214,000 outpatient visits, a majority of which result in a script for medication which must be filled, the on-site pharmacy will be convenient for Medical center patients.

A goal of the project is to reduce infection control and privacy issues associated with semi-private rooms. In addition, a goal is to provide a larger room for medical surgical inpatients, with private baths and space for modern beds and related equipment. Another goal is to provide for user friendly outpatient areas including women's health services and ambulatory care. Lastly, an ancillary goal is to provide convenient retail pharmacy services for the Medical center's outpatients and inpatients. The time frame for achieving the goal(s) is March 31, 2018 (the completion date for the modernization project).

B) Criterion 1110.230 (b) - Safety Net Impact Statement

The applicants provided the following statement:

“To the applicants knowledge the impact on safety net services will be positive in that this project will maintain them. The applicants do not have knowledge regarding cross subsidization of services.”

TABLE THREE			
Safety Net Impact			
OSF St. Anthony Medical center			
	2011	2012	2013
Net Revenue	\$320,970,774	\$335,340,100	\$325,772,606
Charity # of patients			
Inpatient	567	626	586
Outpatient	6,807	7,677	7,818
Total	7,374	8,303	8,404
Charity Expense			
Inpatient	\$5,409,530	\$4,737,530	\$5,943,400
Outpatient	\$4,404,577	\$4,087,951	\$4,989,626
Total	\$9,814,107	\$8,825,481	\$10,933,026
% of Net Revenue	3.06%	2.63%	3.36%
Medicaid # of patients			

TABLE THREE			
Safety Net Impact			
Inpatient	952	940	819
Outpatient	40,906	30,507	28,098
Total	41,858	31,447	28,917
Medicaid Revenue			
Inpatient	\$10,777,056	\$11,656,217	\$15,923,465
Outpatient	\$9,851,530	\$8,881,341	\$7,413,296
Total	\$20,628,586	\$20,537,558	\$23,336,761
% of Net Revenue	6.43%	6.12%	7.16%
OSF Healthcare System			
	2011	2012	2013
Net Revenue	\$1,726,920,000	\$1,745,075,000	\$1,823,570,000
Charity # of patients			
Inpatient	3,017	4,373	3,912
Outpatient	43,775	50,575	57,497
Total	46,792	54,948	61,409
Charity Expense			
Inpatient	\$24,420,307	\$29,729,121	\$35,055,905
Outpatient	\$23,029,316	\$27,923,208	\$31,817,535
Total	\$47,449,623	\$57,652,329	\$66,873,440
% of Net Revenue	2.75%	3.30%	3.67%
Medicaid # of patients			
Inpatient	8,972	11,413	9,189
Outpatient	191,483	199,181	206,694
Total	200,455	210,594	215,883
Medicaid Revenue			
Inpatient	\$140,460,419	\$155,838,991	\$170,076,068
Outpatient	\$49,090,756	\$46,794,083	\$59,119,131
Total	\$189,551,175	\$202,633,074	\$229,195,199
% of Net Revenue	10.98%	11.61%	12.57%

C) Criterion 1110.230 - Alternatives

The applicants considered three alternatives to the proposed project

Option 1: Do Nothing

This option would leave the existing medical center and inpatient environment untouched. It has been deemed unacceptable due to the following concerns: The current private/semi-private patient environment presents several concerns related to care inefficiencies, infection control issues, patient privacy and patient satisfaction to name a few. The existing patient units are too small for modern equipment and some do not have showers. For the reasons noted above, this option is not viable. The cost of this alternative **is zero**.

Option 2: Modernize Existing

This option would retain the current private/inpatient bed mix and attempt to improve the patient, staff visitor experience in place. There are several concerns with this option: patient care inefficiencies can only be improved in a minor manner due to the building footprint. Patient privacy will remain unchanged due to the mixed private/semi-private environment. The premium cost to modernize the existing units in place with infrastructure shut-downs would result in a bed depletion that could not be feasible due to current and projected occupancy rates. For the reasons noted above, this option is not viable. The cost of this alternative was estimated to be **\$32,000,000** while this is a less costly option, three main objectives of the proposed project could not be achieved if it were the alternative chosen. These are (1) private MS rooms (2) improved women's health area and (3) add a prompt care clinic.

Option 3: Build New Medical Center

This option would replace the entire facility with a new medical center or build all new beds to replace the existing inpatient units. This is unnecessary and costly. Due to the premium cost that this option would require and the funds available for the project, it is deemed not viable. The cost was estimated to be **\$317,500,000**.

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

A) Criterion 1110.234 (a) – Size of the Project

The applicants shall document that the physical space proposed for the project is necessary and appropriate. The applicants are proposing the following.

TABLE FOUR Size of Project				
Department	Number of Beds Rooms Proposed	State Standard	Size (GSF)	Per Unit
Medical Surgical	190 Beds	500-660 DGSF/Bed	101,710	536 DGSF/Bed
Ambulatory Care	6 rooms	800 DGSF/Room	2,482	414 DGSF/Room
Imaging	24 Units	900 DGSF/Unit	6,803	284 DGSF/Unit
Pharmacy	NA	NA	1,631	NA

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

B) Criterion 1110.234 (b) - Projected Utilization

The applicants 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.

TABLE FIVE Projected Utilization						
Department	Number of Existing Beds/ Rooms	State Standard	CY 2012 (1)	CY 2013 (1)	CY 2014 (1)	CY 2019 (2)
Medical Surgical	190 Beds	85%	60.00%	62.00%	61.10%	No
Ambulatory Care	6 rooms	2,000 Visits/Room			14,200 visits	Yes
Imaging						
Ultrasound	12	3,100 Visits per Unit	14,424	14,133	10,164	No
Mammography	6	5,000 Visits per Unit	14,465	14,781	13,334	No
Pharmacy	NA					
1. Utilization information taken from 2012-2014 Annual Hospital Questionnaire						
2. The applicants currently do not have an ambulatory care service i.e. prompt care						

Patient Day information provided to the State Board annually as part of the Hospital Annual Survey is based upon the midnight census at the Hospital and the applicants believe the midnight census understates the actual utilization of the medical surgical beds. The applicants believe the number of beds (190 medical surgical beds) is justified because:

1. Discharge of patient occurs between the hours of noon and 5:00 pm understating the midnight census
2. Emergency Department admissions occur throughout the day also understating the midnight census
3. Higher ratio of surgical patients than medicine patients that are accommodated during the week not considered in the midnight census
4. Outpatients in a bed for cath services or surgical services not counted in midnight census
5. ICU patients receiving medical surgical services in ICU beds.
6. Increase in the planning area population and increase in observation day

If this information is considered the average daily census would increase from 116 to 146, resulting in a utilization of 77% for the medical surgical beds, less than the target occupancy of 85%.

TABLE SIX Medical Surgical Beds			
	CY 2012	CY 2013	CY 2014
Number of Beds	190	190	190
Admissions	7510	7909	7847
Patient Days	36036	37890	37502
Observation Days	5730	5480	4642
Total Days	41766	43370	42144
ADC	115	119	116
Occupancy %	60.53%	62.63%	61.05%

Currently the medical center has 12 ultrasound machines and 6 mammography units and the applicants are proposing to add 4 ultrasound and 2 mammography units in the new pavilion. Historical or projected information does not warrant the number of machines being requested.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 IAC 1110.234 (b))

C) Criterion 1110.234 (e) Assurances

The applicant shall submit the following:

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

No assurance was provided by the applicants that the proposed services will achieve target occupancy by the second year after project completion

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION ASSURANCE (77 IAC 1110.234 (e))

X. Section 1110.530 – Medical Surgical Beds

A) Criterion 1110.530 (b) (1) - 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 are OSF Healthcare System d/b/a OSF Saint Anthony Medical Center and OSF Healthcare System. OSF Saint Anthony Medical Center is not located in a flood plain and is in compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). The applicants have attested that there have been no adverse actions over the past three years for the following facilities: OSF Saint Francis Medical Center (Peoria), OSF Saint Joseph Medical Center (Bloomington), OSF St. Mary Medical Center (Galesburg), OSF Holy Family Medical Center (Monmouth), Ottawa Regional Hospital and Healthcare Center d/b/a OSF St. Elizabeth Medical Center (Ottawa), OSF St. Luke Medical Center (Kewanee), OSF Saint James Hospital (Pontiac), OSF Saint Anthony Medical Center (Rockford), OSF Saint Anthony Health Center (Alton). All Hospitals have been accredited by the Joint Commission. The applicants have attested that the State Board and the Illinois Department of Public Health can access any and all information necessary to verify the information in this application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION BACKGROND OF APPLICANTS (77 IAC 1110.530 (b) (1))

B) Criterion 1110.530 (e) (1) (2) (3) - Category of Service Modernization

If the project involves modernization of a category of hospital bed service, the applicant shall document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized.

The applicants are proposing the modernization of OSF Saint Anthony Medical Center via the construction of a 144,247 GSF four story bed pavilion that will be attached to the current medical center building. It will house 78 private rooms for medical surgical beds and the existing medical center will convert semi-private rooms to private rooms, for a total of 112 private rooms in that space when the new bed pavilion is constructed. There will be no change in the number of medical surgical beds as a result of this project.

Per the applicants “the facilities are functionally obsolete as all medical surgical rooms at the Medical center are semiprivate, and share a toilet. The rooms are approximately 275 GSF smaller than the state standard and yet there are two beds in the room. The rooms are not up to standard regarding infection control (patients share a bathroom) or

privacy. Thirteen rooms do not have showers, requiring patients to use a communal shower area. In addition certain medical equipment is difficult to place at bedside given the size of the rooms and the fact they are semi-private. While the facility is ADA compliant based on its age it does have accessibility barriers that are inherent in its overall structure. There are no IDPH or Joint Commission citations pertaining to the current MS rooms.”

Historical utilization over the past three years has averaged 61.1%, which is less than the State Board’s target occupancy of 85% for a bed complement of 100-199 beds. Historical utilization will justify 137 medical surgical beds and not the 190 medical surgical beds being proposed.

TABLE SEVEN Medical Surgical Beds			
	CY 2012	CY 2013	CY 2014
Number of Beds	190	190	190
Admissions	7510	7909	7847
Patient Days	36036	37890	37502
Observation Days	5730	5480	4642
Total Days	41766	43370	42144
ADC	115	119	116
Occupancy %	60.53%	62.63%	61.05%

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION MODERNIZATION (77 IAC 1110.530 (e) (1) (2) (3))

C) Criterion 1110.530 (g) - Performance Requirements

The minimum bed capacity for a new medical-surgical category of service within a Metropolitan Statistical Area (MSA) is 100 beds.

The applicants currently have a 190 bed medical surgical category of service and are not adding medical surgical beds.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PERFORMANCE REQUIREMENTS (77 IAC 1110.530 (g))

D) Criterion 1110.530 (h) - Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

XI. Section 1110.3030 - Clinical Service Area Other than Categories of Service

A) Criterion 1110.3030 (d) (1) - Service Modernization

Imaging – Ultrasound and Mammography

OSF SAMC proposes modernization of its women's health services, including mammography and ultrasound. There will be no increase in the number of either ultrasound or mammography machines. The modernization is necessary due to deteriorated facilities. The current women's health space must be vacated to accommodate circulation and connection between the existing and proposed buildings. The new space will allow for private changing rooms, a space to consult with radiologists regarding results of exams and includes exam room for gynecological ultrasound and pap smears/routine exams, bone densitometry testing, patient education and consultations. It will be more user friendly and patient oriented. In 2014 volume for breast ultrasound (excluding mobile/portable) was 2,930 procedures. The standard is 3,100 visits per machine. The workload does not support the two ultrasound machines being requested. The 2014 volume for mammography was 10,125, and OSF SAMC has 4 pieces of medical center based equipment. The state standard is 5,000 visits per machine. The volume supports 3 mammography machines and not the four being requested.

Ambulatory Care

The proposed clinical space for a new prompt care clinic in the new bed pavilion will consist of 6 treatment rooms. The area will be accessible via the first floor lobby and the waiting area and overall design will encourage people to use the prompt care clinic versus the ED, as clinically appropriate. There is no historical volume, as the Medical center does not currently operate a prompt care clinic at the medical center. The projected volume comes from modeled visits using patients seen in the ED, who based on acuity level were appropriate for treatment in a prompt care setting. In addition, the Medical center projects approximately 7,000 more visits based on the closure of a walk in clinic in Rockford which had 17,300 visits in 2014. Much of this volume will be absorbed through the Hospital physician visits and the ED but it is expected the availability of the prompt care clinic, when it opens, will easily attract at least half of the volume from the closed clinic. The clinic hours are planned for 8:00 a.m. to 8:00 p.m. 7 days a week. Typically, volume for prompt care peaks in the morning and after 3 p.m., and on weekends.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE (77 IAC 1110.3030 (d) (1))

XII. Section Financial Viability

A) Criterion 1120.120 - Availability of Funds

The applicants are funding this project with cash of \$977,199 gifts and bequests of \$2,250,000 and a bond issue of \$82,065,000. The applicants provided information from Standard & Poor's Ratings Services affirmed its 'A' long-term rating on the Illinois Finance Authority series 2007A, 2009A, 2010A, and 2012A fixed-rate bonds. All bonds have been issued on behalf of OSF Healthcare System.

TABLE EIGHT		
OSF Healthcare System		
	2014	2013
Cash	\$280,090	\$264,949
Current Assets	\$747,709	\$707,194
Total Assets	\$2,923,235	\$2,694,673
Current Liabilities	\$360,937	\$313,511
Total Liabilities	\$1,928,954	\$1,676,003
Net Patient Service Revenue	\$2,065,269	\$2,005,184
Total Revenues	\$2,096,826	\$2,005,184
Expenses	\$2,032,546	\$2,001,367
Income from Operations	\$64,280	-\$5,667
Net Income	\$121,890	\$66,149

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

B) Criterion 1120.130 –Financial Viability

The applicants have provided documentation of an “A” or better bond rating; therefore they qualify for financial viability waiver and do not need to provide 3 years of historic financial ratios and one year of projected information.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.120)

XIII. Section Economic Feasibility

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

B) Criterion 1120.140 (b) – Terms of Debt Financing

The projected related fund financing will be issued by the Illinois Finance Authority and the term is 20 years, with two term bonds in 2040 and 2045 with an anticipated interest rate of 4.379%. The bonds support certain clinical aspects of the project, and do not

support administrative space, pastoral care, or the pharmacy or coffee shop to be located on the first floor of the bed pavilion.

OSF Healthcare System Chief Financial Officer stated the following *“The purpose of this letter is to attest to the fact that OSF Healthcare System will use tax exempt debt financing for the Saint Anthony Medical Center Project described in this certificate of need application. Proceeding with this form of debt financing will result in the lowest long term interest cost and the most attractive terms, including prepayment provisions. Because of OSF's favorable credit rating; the financing will not require a mortgage. Further, by issuing debt under the System's Master Trust Indenture, Saint Anthony Medical Center has access to additional indebtedness, terms, conditions and competitive financing costs. The term of the indebtedness is anticipated to be 30 years, but in no event would it exceed 40 years, and the final interest rate is expected to be approximately 4%, but in no event will it exceed 6%.”*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1120.140 (a) (b))

C) Criterion 1120.140 (c) – Reasonableness of Project Costs

Preplanning Costs – These costs are \$283,541. These costs are less than 1% of new construction, modernization, contingency and movable equipment. This appears reasonable when compared to the State Board Standard of 1.8%.

Site Survey Soil Investigation and Site Preparation – These costs are \$2,466,403 and are 9.22% of construction, modernization and contingency costs. These costs exceed the State Board Standard of 5% of construction, modernization and contingency costs by \$1,128,684.

TABLE NINE Site Survey, and Site Preparation Costs (clinical and nonclinical)	
Site Survey	
Geotechnical & Surveying Services	\$35,000
Total	\$35,000
Site Work	
Site Preparation	\$1,750,000
Site Improvement	\$1,655,700
Site Utilities	\$1,855,368
Testing	\$125,300
Total	\$5,386,368

New Construction Contracts and Contingencies – These costs are \$25,066,897 or \$406.96 per GSF. This appears reasonable when compared to the State Board Standard of \$424.85 per GSF.

Modernization Contracts – These costs are \$606,014 or \$288.99. This appears reasonable when compared to the State Board Standard of \$297.40.

Contingencies – These costs are \$1,997,832 or 7.97%. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural and Engineering Fees – These costs are \$1,679,168 or 6.2% of new construction, modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 5.48-8.22%.

TABLE TEN A/E Fees (clinical and nonclinical)	
Architectural/Engineering Fees	
Architect Engineering Basic Services	\$2,628,502
Enhanced Interior Design	\$280,000
Civil Engineering Services	\$75,000
Telecom Engineering Services	\$93,250
Equipment Planning Services	\$65,000
Reimbursable Expenses	\$145,000
Additional Consulting Services	\$404,206
Total	\$3,690,958.

Consulting and Other Fees – These costs are \$113,735. The State Board does not have a standard for these costs.

TABLE ELEVEN (clinical and nonclinical)	
CON Consulting	
CON Preparation and Filing Fees	\$250,000
Total	\$250,000

Movable or Other Equipment – These costs are \$3,284,915. The State Board does not have a standard for these costs.

TABLE TWELVE (clinical and nonclinical)	
Movable Equipment	
1st Floor Prompt Care	\$289,970
1st Floor Women's Health	\$559,640
2nd Floor 26 Bed Med Surg.- Cardiac	\$1,031,240
3rd Floor 26 Bed Med Surg. - Ortho	\$855,740
4th Floor 26 Bed Med Surg.	\$1,416,350
Other Misc Equipment	\$1,796,265
Furniture	\$1,271,325

TABLE TWELVE (clinical and nonclinical)	
Total	\$7,220,530

Bond Issuance Expense – These costs are \$374,689. The State Board does not have a standard for these costs.

Net Interest Expense – These costs are \$3,133,712. The State Board does not have a standard for these costs.

Other Costs to Capitalized – These costs are \$402,024. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140 (c))

D) Criterion 1120.140 (d) – Project Direct Operating Costs

The projected operating costs are \$8,664 per equivalent patient day two years after reaching target utilization. This appears reasonable when compared to previously approved projects.

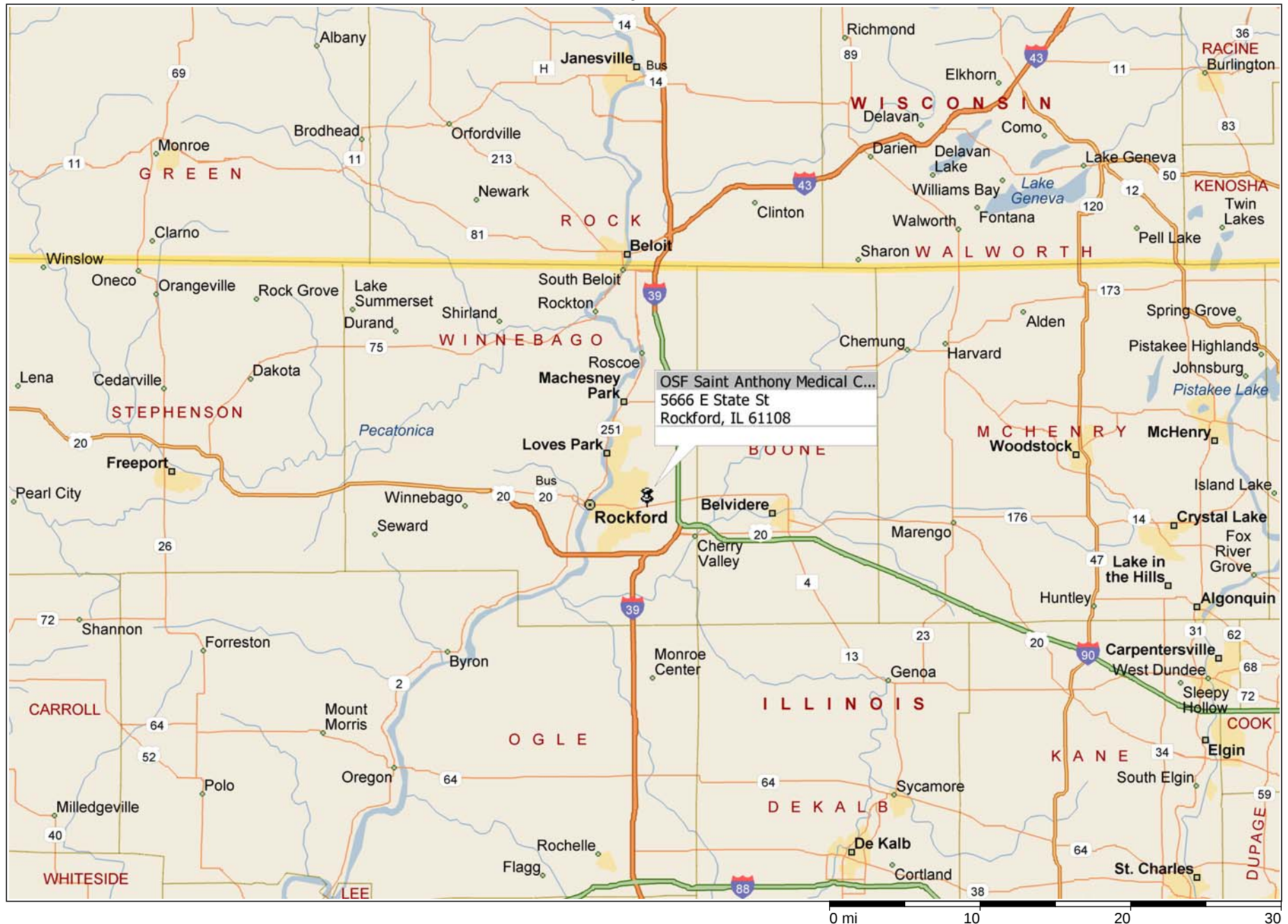
THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECT DIRECT OPERATING COSTS (77 IAC 1120.140 (d))

E) Criterion 1120.140 (e) – Projected Capital Costs

The projected capital costs are \$246 per equivalent patient day two years after reaching target utilization. This appears reasonable when compared to previously approved projects.

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

15-021 OSF Saint Anthony Medical Center - Rockford



<u>Ownership, Management and General Information</u>				<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Paula A. Carynski			White	89.0%	Hispanic or Latino:	4.5%
ADMINSTRATOR PHONE	815-395-5343			Black	5.3%	Not Hispanic or Latino:	95.2%
OWNERSHIP:	OSF Healthcare System			American Indian	0.1%	Unknown:	0.3%
OPERATOR:	OSF Healthcare System			Asian	0.7%		
MANAGEMENT:	Church-Related			Hawaiian/ Pacific	0.0%	IDPH Number:	2253
CERTIFICATION:				Unknown	4.9%	HPA	B-01
FACILITY DESIGNATION:	General Hospital					HSA	1
ADDRESS	5666 East State Street	CITY:	Rockford	COUNTY:	Winnebago 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	190	179	104	7,909	37,890	5,480	5.5	118.8	62.5	66.4
0-14 Years				0	0					
15-44 Years				831	3,622					
45-64 Years				2,255	11,048					
65-74 Years				1,894	9,114					
75 Years +				2,929	14,106					
Pediatric	13	9	1	63	143	211	5.6	1.0	7.5	10.8
Intensive Care	38	36	27	2,707	9,805	77	3.7	27.1	71.2	75.2
Direct Admission				2,260	7,912					
Transfers				447	1,893					
Obstetric/Gynecology	13	11	6	541	1,291	4	2.4	3.5	27.3	32.3
Maternity				417	982					
Clean Gynecology				124	309					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
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	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	254			10,773	49,129	5,772	5.1	150.4	59.2	

(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	49.1%	7.6%	0.6%	36.3%	0.9%	5.4%	
	5289	819	69	3915	95	586	10,773
Outpatients	37.1%	13.3%	0.4%	42.0%	3.5%	3.7%	
	78403	28098	909	88778	7291	7818	211,297
<u>Financial Year Reported:</u>	10/1/2012 to	9/30/2013	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>				
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense
Inpatient Revenue (\$)	38.1%	9.8%	0.5%	51.1%	0.4%	100.0%	
	61,797,151	15,923,465	819,790	82,840,909	641,516	162,022,831	5,943,400
Outpatient Revenue (\$)	22.4%	4.6%	0.8%	67.9%	4.2%	100.0%	
	36,223,244	7,413,296	1,338,226	109,823,134	6,847,022	161,644,922	4,989,626
							Total Charity Care as % of Net Revenue
							3.4%

<u>Birth Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	400		Level I	Level II	Level II+	Kidney:	0
Number of Live Births:	398		Beds	20	3	Heart:	0
Birthing Rooms:	0		Patient Days	850	34	Lung:	0
Labor Rooms:	0		Total Newborn Patient Days		884	Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	0
Labor-Delivery-Recovery Rooms:	5					Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	0		Inpatient Studies		550,784	Total:	0
C-Section Rooms:	0		Outpatient Studies		669,981		
CSections Performed:	145		Studies Performed Under Contract		74,515		

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	425	29	2067	83	2150	4.9	2.9
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	6	6	926	1351	2738	2416	5154	3.0	1.8
Gastroenterology	0	0	0	0	2	0	3	0	3	1.5	0.0
Neurology	0	0	1	1	345	107	1368	209	1577	4.0	2.0
OB/Gynecology	0	0	0	0	103	193	280	443	723	2.7	2.3
Oral/Maxillofacial	0	0	0	0	12	7	34	16	50	2.8	2.3
Ophthalmology	0	0	1	1	3	510	12	584	596	4.0	1.1
Orthopedic	0	0	4	4	1499	1166	4835	2504	7339	3.2	2.1
Otolaryngology	0	0	0	0	52	884	157	1188	1345	3.0	1.3
Plastic Surgery	0	0	0	0	89	336	284	811	1095	3.2	2.4
Podiatry	0	0	0	0	71	96	144	180	324	2.0	1.9
Thoracic	0	0	0	0	37	2	135	4	139	3.6	2.0
Urology	0	0	1	1	142	259	322	396	718	2.3	1.5

Totals	0	0	15	15	3706	4940	12379	8834	21213	3.3	1.8
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SURGICAL RECOVERY STATIONS	Stage 1 Recovery Stations		15	Stage 2 Recovery Stations		19
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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	4	4	750	1356	727	1263	1990	1.0	0.9
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	3	3	23	820	29	1025	1054	1.3	1.3
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	Yes
Level of Trauma Service	Level 1
	Adult
Operating Rooms Dedicated for Trauma Care	Not Answered
Number of Trauma Visits:	0
Patients Admitted from Trauma	599
Emergency Service Type:	478
	Comprehensive
Number of Emergency Room Stations	24
Persons Treated by Emergency Services:	36,799
Patients Admitted from Emergency:	6,550
Total ED Visits (Emergency+Trauma):	37,398

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	211,297
Outpatient Visits at the Hospital/ Campus:	174,299
Outpatient Visits Offsite/off campus	36,998

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	4
Cath Labs used for Angiography procedures	4
Dedicated Diagnostic Catheterization Lab	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	2,566
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	1,788
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	418
EP Catheterizations (15+)	360

Cardiac Surgery Data

Total Cardiac Surgery Cases:	231
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	231
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	77

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

	<u>Owned Contract</u>		<u>Inpatient Outpt</u>		<u>Contract</u>		<u>Owned Contract</u>		
General Radiography/Fluoroscopy	21	0	44,107	18,544	0	Lithotripsy	0	1	27
Nuclear Medicine	2	2	1,217	3,214	0	Linear Accelerator	2	0	9,189
Mammography	0	5	3	14,777	0	Image Guided Rad Therapy			6,321
Ultrasound	10	0	6,276	7,857	0	Intensity Modulated Rad Thrp			4,773
Angiography	4	0				High Dose Brachytherapy	1	0	193
Diagnostic Angiography			1,477	2,442	0	Proton Beam Therapy	0	0	0
Interventional Angiography			2,406	1,327	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	0	1	2	654	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	0	2	23,272	11,470	0				
Magnetic Resonance Imaging	1	2	1,565	5,137	0				