



DOCKET NO: H-08	BOARD MEETING: August 25, 2015	PROJECT NO: 15-026	PROJECT COST: Original: \$17,810,634
FACILITY NAME: Vista Medical Center East		CITY: Waukegan	
TYPE OF PROJECT: Non-Substantive			HSA: VIII

DESCRIPTION: The applicants (Community Health System, Inc., and Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center East) propose to modernize its patient care areas to accommodate the transition to a hospital containing all private rooms. The anticipated cost of the project is \$17,810,634. The anticipated completion date is December 31, 2017.

Board Staff notes the applicants submitted a letter serving as notification of a bed change at Vista Medical Center East. The letter, dated May 28, 2015, notified the Board of the following bed reassignment. This bed reassignment is not reflected on the CY 2013 Hospital Profile, which is attached to this State Board Staff Report. This change (reassignment) was submitted under the lesser of 10% or 20 bed rule (20 ILCS 3960/5 (c)). The State Board Staff also notes the applicants discontinued 98 Medical-Surgical beds and 10 pediatric beds on April 25, 2013.

Vista Medical Center East, Waukegan			
Bed Change Request, May 28, 2015			
Service	Current Beds	Proposed Beds	Difference
Medical/Surgical	151	165	14
Pediatric	25	11	(14)
Intensive Care	23	23	0
Obstetric/Gynecology	29	29	0
Total	228	228	0

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants propose to modernize its current hospital building, located at 1324 North Sheridan Road, Waukegan. The proposed project is classified as non-substantive, and involves the conversion of its 165 medical/surgical and 11 pediatric beds to all private rooms. The anticipated cost of the project is \$17,810,634. The anticipated completion date is December 31, 2017.

WHY THE PROJECT IS BEFORE THE BOARD:

The applicants are before the State Board because the project exceeds the Capital Expenditure Minimum of \$12,797,313.

PURPOSE OF THE PROJECT:

- According to the applicants, the purpose of the project is to improve the health care and well being of the market area population by transitioning its entire bed complement to private rooms. These proposed modernizations will ensure patient privacy, lower the chance of cross-patient infections, and enhance the provision of care at Vista Medical Center East.

PUBLIC COMMENT:

- A public hearing was offered in regard to the proposed project. However, none was requested. Thirteen letters of support were received for the proposed project. The project file contains letters from:
 - Barbara J. Martin, President/CEO Vista Health System
 - Dr. Mariusz Milejczyk M.D.
 - Dr. Michael F. Scheer M.D.
 - Dr. Fahd Jajeh M.D.
 - Dr. Aaron Siegel, M.D.
 - Dr. Rashmikant S. Patel M.D.
 - Dr. Gopal Bhalala M.D.
 - Savannah Ponders, R.N. Patient Care Mgr. Vista Medical Center East
 - Noemi Sevilla, R.N. Patient Care Mgr. Vista Medical Center East
 - Michele Newby, R.N. Oncology Nurse Navigator, Vista Health System
 - Ahmad Farshtchi
 - Henry Bogdala
 - Dr. Joseph Boerman, Pastor, Immanuel Church, Gurnee

NEED FOR THE PROJECT:

- The applicants are proposing to modernize 65,110 GSF of existing space, which includes 6,621 GSF of non-clinical space, which will be used for administrative offices. The modernization will occur on floors two through four, with minor cosmetic improvement occurring on the fifth floor. All modernization work performed will result in the facility transferring to all private patient rooms. The applicants note the 11 bed Pediatrics unit will be modernized to ADA standards and be located in a separate and secure area. The applicants cite the need for the modern provision of healthcare as the main impetus for the proposed project.

FINDINGS:

- The applicants addressed a total of 18 criteria and did not meet the following

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1110.530 (e) Modernization - Medical Surgical Pediatric Beds	Average historical utilization will justify 116 medical surgical beds and 5 pediatric beds at the target occupancy of 85% and 65% respectively and not the 165 medical surgical beds and 11 pediatric beds being requested.

STATE BOARD STAFF REPORT
Vista Medical Center East, Waukegan
PROJECT #15-026

Applicants	Community Health Systems, Inc. Waukegan Illinois Hospital Company, LLC
Facility Name	Vista Medical Center East
Location	1324 N. Sheridan Road, Waukegan
Permit Holder	Waukegan Illinois Hospital Company, LLC
Operating Entity	Waukegan Illinois Hospital Company, LLC
Site Owner	Waukegan Illinois Hospital Company, LLC
Total Facility GSF	69,493 GSF
Project Type	Non-substantive
Application Received	June 5, 2015
Application Deemed Complete	June 8, 2015
Review Period Ends	August 7, 2015
Obligation Date	August 25, 2017
Project Completion Date	December 31, 2017
Can Applicants Request Another Deferral?	Yes

I. The Proposed Project

The applicants propose to modernize existing space on floors two through five, to accommodate the transition to an all private bed facility. The cost of the project is \$17,810,634. The anticipated completion date is December 31, 2017.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is **not** in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1120.

III. General Information

The applicants are Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center East and Community Health System, Inc. As of December 31, Community Health System, Inc. owned or leased 197 hospitals comprised of 193 general acute care hospitals and four stand-alone rehabilitation or psychiatric hospitals across 28 states, with an aggregate of 30,137 licensed beds. Community Health system controls nine hospitals in Illinois. The nine hospitals are Vista Medical Center – East, Vista Medical Center-West, Union Hospital, Anna, MetroSouth Medical Center, Blue Island, Galesburg Cottage Hospital, Galesburg, Gateway Regional Hospital, Granite City, Heartland Regional Hospital, Marion, Crossroads Community Hospital, Mt Vernon, Red Bud Regional Hospital, Red Bud, Vista Medical Center East is located in Health Service Area VIII and Health Planning Area A-09. The operating entity is Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center-East and the owner of the site is Waukegan Illinois Hospital Company, LLC. Obligation will occur after permit issuance.

This is a non substantive project subject to both 1110 and 1120 review. Obligation of the project will occur after permit issuance. **At the conclusion of this report is the 2013 Hospital Profile for Vista Medical Center East.**

IV. **A-09 Planning Area – Lake County**

The A-09 Planning Area is comprised of Lake County and includes 5 additional acute care hospitals: Advocate Condell Medical Center, Libertyville, Advocate Good Shepherd Hospital, Barrington, Highland Park Hospital, Highland Park, Midwestern Regional Medical Center, Zion Northwestern Lake Forest Hospital Lake Forest. Over the past five years the number of medical surgical patient days has decreased approximately 2.2% and pediatric patient days by about 40% in this planning area.

TABLE ONE					
A-09 Planning Area Utilization for Medical Surgical and Pediatric Beds CY 2009-2013 ⁽¹⁾					
	2009	2010	2011	2012	2013
M/S Beds	819	819	812	812	715
Patient Days	183,633	182,518	186,992	183,451	179,530
M/S Occupancy	60.76%	61.06%	63.09%	61.90%	68.79%
Pediatric Beds	81	81	81	81	55
Patient Days	5,223	4,090	4,305	4,200	3,120
Pediatric Occupancy	17.67%	13.83%	14.56%	14.21%	15.54%
1. Information from Annual Hospital Profiles					

The Illinois Department of Public Health is projecting an increase in the overall population in this planning area (Lake County) of less than 1% annually and an increase in the over 65 population of approximately 4.8% annually by 2020.

TABLE TWO					
Population projection Lake County ⁽¹⁾					
Year	2015	2020	Increase	% Increase	Annual Increase
Total Population	732,633	764,397	31,764	4.3%	0.87%
65 and over	92,529	115,019	22,490	24.3%	4.86%
1. Data taken from IDPH Population Projections 2014 Edition					

V. The Proposed Project – Details

The applicants are proposing to modernize its patient care areas (floors, 2, 3, 4, and 5), to accommodate a transformation to an all private room facility. This includes:

- Major modernization of patient care rooms on floors 2, 3, and 4. This includes new restroom fixtures, room lighting, headwalls, and utilities.
- New Family Lounges, Storage/Supply rooms, and common areas on floors 2, 3, and 4.
- New nurse stations, corridor space/common areas, and public toilets on floors 2, 3, and 4.
- Upgrading of wall surfaces (painting) of the existing rooms on the 5th floor.

The proposed project involves the modernization of 58,489 GSF of clinical space (patient care areas), and 6,621 GSF of non-clinical space (administrative). The proposed project will result in a total modernization of 65,110 GSF of space.

VI. Project Costs and Sources of Funds

The applicant is proposing to fund the project in its entirety with cash and securities. The project costs have both clinical and non-clinical components (See Table Three).

TABLE THREE			
Project Costs and Sources of Funds			
Project Costs			
	Clinical	Non Clinical	Total
Modernization Contracts	\$12,066,430	\$1,340,714	\$13,407,144
Contingencies	\$320,000	\$80,000	\$400,000
Architectural and Engineering Fees	\$674,960	\$92,040	\$767,000
Movable Equipment	\$2,180,635	\$855,855	\$3,036,490
Other Costs to be Capitalized	\$120,000	\$80,000	\$200,000
Total	\$15,362,025	\$2,448,609	\$17,810,634
Project Sources of Funds			
Cash			\$17,810,634
Total			\$17,810,634

VII. Cost Space Requirements

The applicants are proposing both clinical and non clinical portions for this project. Only the clinical portion will be reviewed.

TABLE FOUR Cost Space Requirements ⁽¹⁾							
		Gross Square Feet	Amount of Proposed Total Gross Square Feet That Is:				
Dept./Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical	\$13,682,150	58,885	79,190	0	53,359	25,831	0
Pediatric	1,004,875	2,592	5,130	0	5,130	0	0
Total Clinical	\$14,687,025	61,477	84,320	0	58,489	25,831	0
NON REVIEWABLE							
Administrative	\$3,123,609	7,040	7,588	0	5,934	1,654	0
Total Non-clinical	\$3,123,609	7,040	7,588	0	5,934	1,654	0
TOTAL	\$17,810,634	69,493	92,595	0	65,110	27,485	0
1. Information provided by the Applicants							

VIII. Section 1110.230 - Purpose of Project, Safety Net Impact Statement and Alternatives

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

The applicants stated *“The primary purpose of the project is to address the limited space for medical surgical and pediatric rooms and to expand the space to allow for private rooms, versus almost all semi-private rooms, which is the current situation. Semi-private rooms create problems regarding infection control, patient privacy and patient stress. In addition, the current average room size of 200 GSF is small for a private room, let alone a semi-private room. The modernization will allow for 100% private medical surgical and pediatric rooms that will accommodate modern equipment, including beds and related monitoring machines. This will improve overall patient care and well-being. In addition the pediatric bed area will be a locked and walled off unit and will better align with the distinct unit requirements of IDPH. The modernization will take advantage of existing vacant space which is available on floors 2 through 4 of the hospital due to Vista East reducing its medical surgical and pediatric beds by 108 over the past few years, and due to Abbott Labs vacating space it had leased on the 3rd and 4th floors. Vista East serves a relatively high Medicaid population (25% inpatient and 35% outpatient) and a more modern facility with standard of care private rooms will improve the health and well-being of its overall patient population, regardless of payer mix.”*

The hospitals' market area includes the following communities: Antioch, Grayslake, Gurnee, Lake Villa, North Chicago, Round Lake, Waukegan, and Zion,

The project will enhance patient care, as follows:

- Private rooms reduce patient stress and hospital acquired infections;
- Private rooms allow for patient privacy. Ensuring privacy and dignity to the patient while under medical care has shown to help reduce patient anxiety during their stay and accelerate their recovery. Individual rooms also encourage family members and friends to be actively involved in the care of their loved ones also contributing to a faster recovery and shorter stays;
- The larger rooms/space allow for family visiting capacity and sleep over, which improves patient care and comfort;
- The modernization 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 private and larger rooms will enhance staff's availability to provide modern care. On the delivery of care, physicians, nurses and other clinicians find the private room a safer and more supportive environment in which to provide their services. Statistics show less confusion and fewer mistakes occur when there is only one patient in a room as well as more space in which to work.
- The pediatric rooms will be separated by locked doors and will be better compliant with IDPH concept for a distinct pediatric bed area.

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. Also, Vista East would like to improve the patient and patient family (or friend) experience by making its rooms more accommodating for an inpatient hospital stay. Frequently, sharing a room with another patient is uncomfortable and can limit patients from having visitors and overnight guests. Most of the hospitals in the service area have all private rooms, but Vista does not. Vista East is the safety net provider in the area and to remain competitive in the area and offer the best services to its patients it requires private rooms. The time frame for achieving the goal(s) is December 31, 2017 (the completion date for the modernization project).

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

All health care facilities, with the exception of skilled and intermediate long-term care facilities licensed under the Nursing Home Act [210 ILCS 45], shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

Board Staff notes the proposed project is classified as non-substantive, and no Safety Net Impact Statement is required. The applicant did supply its Charity Care data for the years 2012, 2013, and 2014 (See Table Five)

TABLE FIVE Safety Net Information per PA 96-0031 ⁽¹⁾			
	Year 2012	Year 2013	Year 2014
Net Patient Revenue	\$172,569,088	\$188,338,416	\$201,870,767
CHARITY CARE			
Amount of Charity Care (Charges)	\$24,101,943	\$34,808,188	\$14,744,618
Cost of Charity Care	\$4,796,286	\$6,698,746	\$2,127,445
Ratio of Charity Care to Net Patient Revenue (Based on Costs)	2.7%	3.5%	1.0%
Charity (# of Patients)	2012	2013	2014
Inpatient	472	507	114
Outpatient	663	922	400
Total	1,135	1,429	514
Charity Care (cost in dollars)	2012	2013	2014
Inpatient	\$3,698,982	\$5,209,168	\$1,757,793
Outpatient	\$1,097,304	\$1,489,578	\$369,652
Total	\$4,796,286	\$6,698,746	\$2,127,445
MEDICAID			
Medicaid (# of Patients)	2011	2012	2013
Inpatient	2,709	2,712	3,690
Outpatient	42,119	42,678	48,976
Total	44,828	45,390	52,666
Medicaid (Revenue)	2011	2012	2013
Inpatient	\$27,137,605	\$39,990,633	\$38,446,587
Outpatient	\$6,867,744	\$6,300,754	\$6,656,892
Total	\$34,005,349	\$46,291,387	\$45,103,479
1. Information provided by the Applicants			

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

The applicants considered four alternatives to the proposed project.

1. Do Nothing

The applicants deemed this alternative unacceptable, due to the limitations currently identified with semi-private rooms. The risk of infection, compromised patient security, and substandard overall patient satisfaction are basic indicators to reject the said alternative. Cost of identified alternative: \$0.

2. Modernize the Existing Hospital. (chosen alternative)

The applicants note this option retains the current private/inpatient bed mix, and improves overall customer service and satisfaction. Estimated cost of this alternative: \$17,810,634.

3. Build New Hospital or Bed Tower

The applicants determined this option of expanding its facility on the present campus to be infeasible, based on the limited space. This option was not priced, because of the overall infeasibility.

4. Build More Floors for Expansion

The applicants initially considered the option of expansion through building floors on top of existing buildings, but rejected this based on structural infeasibility, and the availability of space within the existing footprint of Vista Medical Center East. The applicants identified no costs with this alternative.

IX. Section 1110.234 - Project Scope and Size, Utilization

A) Criterion 1110.234 (a) - Size of Project

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

The applicant has documented that the modernized space will be located on floors 2 through 5, on the campus of Vista Medical Center East. It is noted that floors 2, 3, and 4 will undergo full modernization, while the 5th floor modernization will consist of paint and wall finishing. The applicants also propose to modernize 8,275 GSF of administrative space, which is classified as non-clinical. The applicants are in compliance with this criterion.

TABLE SIX				
Size of the Project ⁽¹⁾				
Service Area	Proposed GSF	State Standard		Difference
Medical/Surgical	79,190 GSF (479 DGSF/bed)	500-660 DGSF/Room	108,900 GSF (660 x 165)	(181 GSF/Bed)
Pediatrics	5,130 GSF (466 DGSF/Bed)	500-660 DGSF/Room	7,260 GSF (660x11)	(194 GSF/Bed)
Administrative	8,275 GSF	N/A	N/A	N/A
1. Information provided by the Applicants				

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

B) Criterion 1110.234 (b) - Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B.

Table Seven identifies the two clinical services in the proposed project with utilization standards. The applicants attribute the increased projected utilization of its Pediatrics beds, due to the planned reduction of pediatric beds from 25 to 11. The applicants also cite projected population growth in Lake County, and a steady increase in the historical utilization of medical/surgical beds for the increased projected utilization of its medical/surgical complement.

The State Board Staff notes that the compounded annual growth in medical surgical patient days over the past 5 years (2010-2014) has been 1.87%. The applicants are projecting a 4.92% compounded annual growth in medical surgical patient days over the next five years (2015-2019). If the State Board accepts this projection the applicants will have met the requirements of the requirements of this criterion.

TABLE SEVEN Projected Service Utilization ⁽¹⁾					
Department/Service	Historical Utilization	Projected Utilization 2019	State Standard	Number Proposed	Standard Met?
	CY 2014				
Medical/Surgical	66.4%	85%+	85%	165	Yes
Pediatrics	13.8%	65%+	65%	11	Yes
1. Information provided by the Applicants					

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

C) Criterion 1110.234(e) – Assurances

The applicants stated *“I, Barbara J. Martin, CEO at Vista East do hereby attest to my good faith belief that by the end of 2019 the modernized medical surgical med category of service will reach target utilization of 85% and the pediatric beds will meet target occupancy of 65%.”* The applicants supplied notarized attestation on page 85 of the application that satisfies the Assurances criterion.

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

X. Section 1110.530 – Medical/Surgical, Obstetrics, Pediatrics

A) Criterion 1110.530 (b) (1) (3) -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.*

The applicants provided the necessary documentation for this criterion on page 66 of the application for permit. The applicant has met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE REQUIREMENTS OF CRITERION BACKGROUND OF APPLICANT (77 IAC 1110.530(b) (1) & (3))

- B) Criterion 1110.530 (e) (1) – Service Modernization/Deteriorated Facilities**
The applicant shall document that the proposed project meets one of the following:
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, due to such factors as, but not limited to:

- A) High cost of maintenance;**
- B) Non-compliance with licensing or life safety codes;**
- C) Changes in standards of care (e.g., private versus multiple bedrooms);**
- D) Additional space for diagnostic or therapeutic purposes.**

The applicants note the need for modernization of the patient care rooms at Vista Medical Center East stems from the fact that the majority of these rooms are semi-private, and are non-compliant with modern health care provisional standards. The rooms in their current state are traditionally undersized for a private room, yet many contain two beds. While the applicants have no IDPH or Joint Commission citations to provide, the obvious issues regarding patient privacy and infection control are prominent factors in their decision to modernize. The applicants cite there are no deteriorated conditions with the rooms in their current state, but note the current room conditions as crowded, with outdated medical equipment/fixtures.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH DETERIORATED FACILITIES CRITERION 77 IAC 1110.530 (e) (1)

- C) Criterion 1110.530(e) (4) – Occupancy**

Projects involving the replacement or modernization of a category of service or hospital shall meet or exceed the occupancy standards for the categories of service, as specified in 77 Ill. Adm. Code 1100.

The applicants note the existence of substandard historical utilization data (See Table 6), for both medical/surgical and pediatrics services for calendar years 2012, 2013, and 2014, as well as substandard utilization data for the first quarter of 2015 (application, p. 68). However, the applicants note the proposed project will eliminate 14 pediatric beds from the bed complement, resulting in a projected increase in pediatric bed utilization that would have the pediatrics unit operating in excess of the 65th percentile. The applicants also cite a 4% annual increase in medical/surgical admissions, and a 6% increase in pediatrics admissions, which by the year 2019, will have these services operating at or above target occupancy. The applicants provided projected utilization data for Vista Medical Center East, as well as IDPH population projections for Lake County and the surrounding service areas.

However, historical utilization will justify 116 medical surgical beds and 5 pediatric beds at the target occupancy of 85 and 65% respectively and not the 165 medical surgical beds and 11 pediatric beds being requested.

TABLE EIGHT			
Number of beds Justified at Target Occupancy ⁽¹⁾			
	2013	2014	Average
Medical Surgical Beds	151	151	165
Patient Days	34,271	36,585	35,428
Average Daily Census	94	101	98
Occupancy	62.25%	66.89%	64.90%
Number of Beds Justified	111	119	116
Pediatric	2013	2014	Average
Patient Days	722	1,256	989
Average Daily Census	2	3	3
Occupancy	18.18%	27.27%	27.2%
Number of Beds Justified	4	5	5
1. Information taken from Annual Hospital Profiles			

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT CONFORMANCE WITH OCCUPANCY CRITERION 77 IAC 1110.530 (e) (4)

D) Criterion 1110.530 (g) – Performance Requirements/Assurances

Medical-Surgical/Pediatric Beds

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

The applicants note Vista Medical Center East, Waukegan, (Lake County) is in a Metropolitan Statistical Area (MSA), and the proposed 165 medical/surgical beds and 11 pediatrics beds affirm compliance with this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH THE PERFORMANCE REQUIREMENTS/ASSURANCES CRITERIA 77 IAC 1110.530 (g)

E) Criterion 1110.530 (h) – Assurances

The applicants stated “*I, Barbara J. Martin, CEO at Vista East do hereby attest to my good faith belief that by the end of 2019 the modernized medical surgical med category of service will reach target utilization of 85% and the pediatric beds will meet target occupancy of 65%.*” The applicants supplied notarized attestation on page 85 of the application that satisfies the Assurances criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN
CONFORMANCE WITH THE ASSURANCES CRITERIA 77 IAC 1110.530 (h)**

XI. FINANCIAL

A) Section 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The applicants are funding this project in its entirety with cash and securities totaling \$17,810,634. The applicants supplied a copy of Form 10-K from the United States Securities and Exchange Commission, attesting to the financial viability of Community Health Systems, Inc. (the applicant). The applicant has met this criterion.

TABLE EIGHT		
Community Health Systems and Subsidiaries		
Years ended December 31		
(in millions)⁽¹⁾		
	2014	2013
Cash	\$509	\$373
Current Assets	\$5,566	\$3,747
PPE	\$10,169	\$7,051
Total Assets	\$27,421	\$17,117
Current Liabilities	\$3,589	\$2,458
Long term Debt	\$16,681	\$9,286
Operating Revenues	\$21,561	\$14,853
Expenses	\$17,259	\$11,890
Net Income	\$203	\$217
1. Information from Form 10-K		

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

B) Section 1120.130 - Financial Viability

The applicant is NOT required to submit financial viability ratios if the applicants have an “A” or better bond rating or is funding the project from internal sources.

The applicants are funding this project in its entirety with cash and securities totaling \$17,810,634. The applicants supplied a copy of Form 10-K from the United States Securities and Exchange Commission, attesting to the financial viability of Community Health Systems, Inc. (the applicant). The funding for this project is internally generated, and this criterion is inapplicable.

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

ECONOMIC FEASIBILITY

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

The applicant shall document the reasonableness of financing arrangements.

No debt financing is being used for this project. The applicants are funding this project in its entirety with cash and securities totaling \$17,810,634. The applicants supplied a copy of Form 10-K from the United States Securities and Exchange Commission, attesting to the financial viability of Community Health Systems, Inc. (the applicant). The applicant has met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS (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.

No debt financing is being used for this project. The applicants are funding this project in its entirety with cash and securities totaling \$17,810,634. The applicants supplied a copy of Form 10-K from the United States Securities and Exchange Commission, attesting to the financial viability of Community Health Systems, Inc. (the applicant). The applicant has met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION TERMS OF DEBT FINANCING (77 IAC 1120.120(b))

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

The applicant shall document that the estimated project costs are reasonable.

Modernization and Contingencies – These costs are \$12,386,430 or \$211.77 per GSF (\$12,386,430/58,489= \$211.77). This appears **reasonable** compared to the State standard of \$328.12/GSF.

Contingencies-Modernization – These costs are \$320,000 or 2.6% of modernization costs. This appears reasonable when compared to the State Board Standard of 10% - 15%.

Architectural and Engineering Fees-Modernization – These costs are \$674,960 and are 5.4% of modernization and contingencies costs. This appears reasonable when compared to the State Board Standard of 6.11% - 9.17%.

Movable or Other Equipment – These costs are \$2,180,635. The State Board does not have a standard for these costs. These costs include

IT - \$1,100,000 ¹
Furniture - \$370,000
Signage - \$60,000
Medical Equipment - \$1,505,635
1. Includes both clinical and non-clinical costs

Other Costs to be Capitalized – These costs are \$120,000. The State Board does not have a standard for these costs.

Artwork - \$55,855 ¹
Miscellaneous - \$144,145
1. Includes both clinical and non-clinical costs

It appears the applicants met all Board standards applicable to this criterion. A positive finding results for this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT AND RELATED 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.

Annual projected operating costs per patient day for this project (projected 2019) are \$8,087.00. 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 PROJECTED OPERATING COSTS (77 IAC 1120.140 (d))

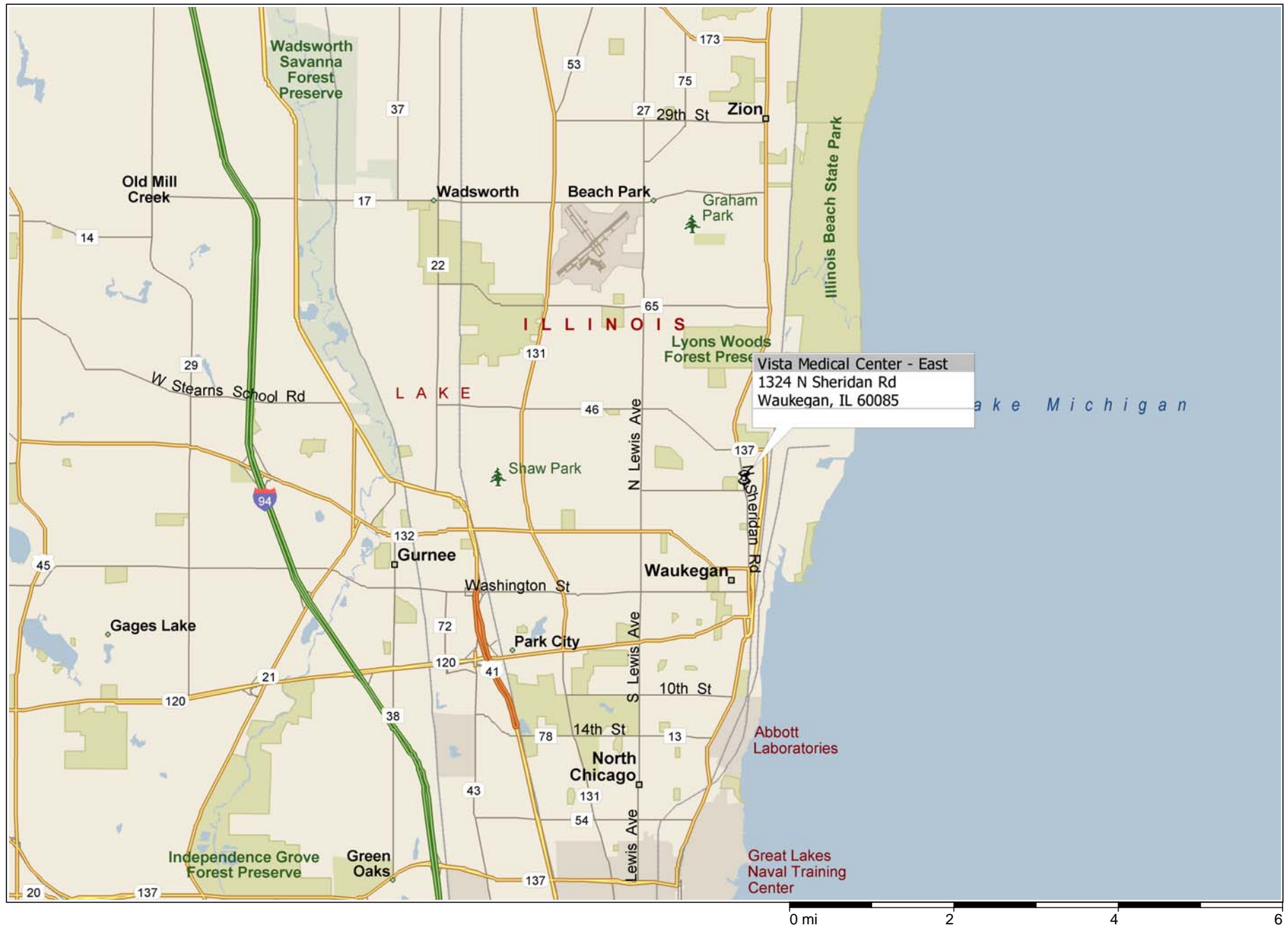
E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The total effect on capital costs are \$144.00 per equivalent patient day. 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 TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140 (e))

#15-026 Vista Medical Center - East



<u>Ownership, Management and General Information</u>			<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Barb Martin		White	68.6%	Hispanic or Latino:	21.9%
ADMINSTRATOR PHONE	847-360-4001		Black	27.8%	Not Hispanic or Latino:	78.1%
OWNERSHIP:	Community Health Systems		American Indian	0.1%	Unknown:	0.0%
OPERATOR:	Community Health Systems		Asian	1.6%		
MANAGEMENT:	For Profit Corporation		Hawaiian/ Pacific	0.0%	IDPH Number:	5397
CERTIFICATION:			Unknown	1.8%	HPA	A-09
FACILITY DESIGNATION:	General Hospital				HSA	8
ADDRESS	1324 North Sheridan Road	CITY: Waukegan	COUNTY:	Lake 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	151	130	106	8,187	32,240	2,031	4.2	93.9	62.2	72.2
0-14 Years				0	0					
15-44 Years				1,821	5,475					
45-64 Years				2,860	11,205					
65-74 Years				1,338	5,718					
75 Years +				2,168	9,842					
Pediatric	25	10	8	395	722	0	1.8	2.0	7.9	19.8
Intensive Care	23	23	23	1,221	5,571	0	4.6	15.3	66.4	66.4
Direct Admission				980	4,471					
Transfers				241	1,100					
Obstetric/Gynecology	29	27	17	1,358	3,213	84	2.4	9.0	31.1	33.5
Maternity				1,357	3,211					
Clean Gynecology				1	2					
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	228			10,920	41,746	2,115	4.0	120.2	52.7	

(Includes ICU Direct Admissions Only)

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	42.7%	24.8%	1.8%	18.6%	7.5%	4.6%	
	4660	2712	198	2029	814	507	10,920
Outpatients	24.9%	34.8%	1.4%	30.0%	8.1%	0.8%	
	30487	42678	1661	36821	9987	922	122,556
<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 (\$)	31.4%	33.9%	3.3%	18.3%	13.0%	100.0%	
	37,011,708	39,990,633	3,934,963	21,591,359	15,331,952	117,860,615	5,209,168
Outpatient Revenue (\$)	27.1%	8.9%	1.2%	38.1%	24.6%	100.0%	
	19,106,188	6,300,754	880,620	26,829,759	17,360,480	70,477,801	1,489,578
							Total Charity Care as % of Net Revenue
							3.6%

<u>Birth Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	1,255		Level I	Level II	Level II+	Kidney:	0
Number of Live Births:	1,248		Beds	30	6	Heart:	0
Birthing Rooms:	0		Patient Days	2,586	782	Lung:	0
Labor Rooms:	0		Total Newborn Patient Days		3,368	Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	0
Labor-Delivery-Recovery Rooms:	9					Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	15		Inpatient Studies		314,487	Total:	0
C-Section Rooms:	2		Outpatient Studies		178,016		
CSections Performed:	374		Studies Performed Under Contract		0		

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	1	1	88	0	454	0	454	5.2	0.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	8	8	477	828	1011	1405	2416	2.1	1.7
Gastroenterology	0	0	2	2	707	1329	739	1323	2062	1.0	1.0
Neurology	0	0	0	0	39	108	124	305	429	3.2	2.8
OB/Gynecology	0	0	0	0	168	736	224	1210	1434	1.3	1.6
Oral/Maxillofacial	0	0	0	0	12	13	23	31	54	1.9	2.4
Ophthalmology	0	0	0	0	0	82	0	145	145	0.0	1.8
Orthopedic	0	0	0	0	242	568	490	1169	1659	2.0	2.1
Otolaryngology	0	0	0	0	29	218	47	310	357	1.6	1.4
Plastic Surgery	0	0	0	0	4	26	9	52	61	2.3	2.0
Podiatry	0	0	0	0	23	55	39	99	138	1.7	1.8
Thoracic	0	0	0	0	260	159	509	395	904	2.0	2.5
Urology	0	0	1	1	169	218	232	383	615	1.4	1.8

Totals	0	0	12	12	2218	4340	3901	6827	10728	1.8	1.6
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SURGICAL RECOVERY STATIONS	Stage 1 Recovery Stations		15	Stage 2 Recovery Stations		12
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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	0	0	0	0	0	0	0	0.0	0.0
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	1	1	48	157	56	194	250	1.2	1.2
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
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	Adult
Number of Trauma Visits:	1
Patients Admitted from Trauma	0
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	31
Persons Treated by Emergency Services:	44,649
Patients Admitted from Emergency:	6,508
Total ED Visits (Emergency+Trauma):	44,649

Free-Standing Emergency Center

Beds in Free-Standing Centers	7
Patient Visits in Free-Standing Centers	12,259
Hospital Admissions from Free-Standing Center	663

Outpatient Service Data

Total Outpatient Visits	122,556
Outpatient Visits at the Hospital/ Campus:	78,877
Outpatient Visits Offsite/off campus	43,679

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	3
Cath Labs used for Angiography procedures	1
Dedicated Diagnostic Catheterization Lab	1
Dedicated Interventional Catheterization Labs	1
Dedicated EP Catheterization Labs	1

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	1,125
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	740
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	180
EP Catheterizations (15+)	205

Cardiac Surgery Data

Total Cardiac Surgery Cases:	88
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	88
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

Diagnostic/Interventional Equipment

<u>Examinations</u>		<u>Therapeutic Equipment</u>		<u>Therapies/</u>	
<u>Owned</u>	<u>Contract</u>	<u>Owned</u>	<u>Contract</u>	<u>Treatments</u>	

General Radiography/Fluoroscopy	19	0	14,675	30,382	0	Lithotripsy	0	0	0
Nuclear Medicine	8	0	860	963	0	Linear Accelerator	0	0	0
Mammography	6	0	8	9,833	0	Image Guided Rad Therapy			0
Ultrasound	11	0	2,711	12,912	0	Intensity Modulated Rad Thrp			0
Angiography	3	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			0	0	0	Proton Beam Therapy	0	0	0
Interventional Angiography			555	748	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	0	1	0	0	178	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	5	0	5,844	12,898	0				
Magnetic Resonance Imaging	4	0	1,107	3,741	0				