

Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

by FedEX

September 15, 2015

Mr. Michael Constantino
Supervisor, Project Review
Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

RE: Project 15-038
Rockford Memorial Hospital

Dear Mike:

Please accept this letter as a follow-up to our recent technical assistance conversations relating to the above-referenced project.

Re-use of space on the N. Rockton Avenue Campus and Re-location of Services

The following functions relocated from the Rockford Clinic Building (to be re-purposed for use by community groups and agencies):

- physicians' offices to relocate to hospital building, multiple locations and Rockford Medical Building
- finance to hospital building, ground level
- convenient care center to hospital building, 1st floor
- billing to hospital building, 3rd floor
- medical records storage to off-site location
- wound care to hospital building, 1st floor

Functions currently in Main Hospital Building:

- pharmacy, laboratory, central sterile supply, respiratory therapy and cancer center to retain ground level locations
- administration to remain on 1st floor, with space reduction
- admitting, outpatient registration, imaging, surgery/recovery, and ED to retain 1st floor locations
- NICU to be vacated on 2nd floor
- obstetrics units (A-2 & C-2) and L & D on 2nd floor to become administrative
- AMI unit (E-2) and D-2 Med/Surg unit to remain on 2nd floor
- A-3, D-3 and B-4 Med/Surg units to retain 3rd and 4th floor locations
- Peds units (B-3 & C-3) to become administrative
- E-3 Med/Surg unit to become administrative
- A-4, C-4, and E-4 Med/Surg units to become administrative

The following functions will be relocated from the Ingersol Building (to be vacated):

- Financial services, foundation office, education offices, hospitalists offices, pastoral care, on-call rooms, and risk management will relocate to vacated units in hospital building
- radiology school will relocate to Rockton Valley College
- NICU parent rooms will be eliminated

The following functions will be relocated from the North Office Building (to be vacated):

- Pediatric outpatient services will relocate to Riverside campus
- financial services and marketing to vacated units in hospital building
- volunteers to hospital building

The following functions will be relocated from Rockford Medical Building:

- administrative offices to relocate to hospital building
- corporate office to relocate to an off-site location

Clarification of Rockford Memorial Hospital's Number of Operating Rooms

Rockford Memorial Hospital's surgical suite consists of fourteen operating rooms. Upon the completion of the proposed projects, four of those operating rooms will remain in the existing suite, and ten will be re-located to the East Riverside Boulevard hospital building.

ATTACHMENT 9

Enclosed is a revised copy of this ATTACHMENT, addressing questions you raised during our technical assistance discussions.

ATTACHMENT 39D and 39E

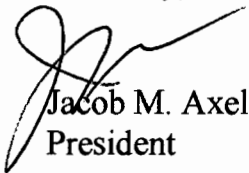
Enclosed is a revised copy of this ATTACHMENT, provided to correct a typographical error on the originally-filed document.

Re-Use of Rockford Clinic Building

Attached is a letter, confirming that MercyRockford Health System will seek a CON Permit for the capitalized expenditures associated with the anticipated re-use of the Rockford Clinic Building, should those expenditures exceed the HFSRB's capital expenditure threshold.

Thank you for the opportunity to provide this information. Should you have any other questions, please do not hesitate to contact me.

Sincerely,



Jacob M. Axel
President

enclosures

cc J. Evans

Cost Space Requirements

Dept./Area	Cost	Gross Square Feet		Amount of Proposed Total Square Feet			
		Existing	Proposed	That is:			
				New Const.	Modernized	As Is	Vacated Space
Reviewable							
Med/Surg	\$ 1,799,396	75,166	44,016		44,016		
Observation	\$ 224,924		5,637		5,637		
Surgery	\$ 1,237,085	21,670	21,670		5,500	16,170	
PACU/Prep/Recovery		7,995	7,995			7,995	
Obstetrics		22,883					
Acute Mental Illness		10,731	10,731			10,731	
Convenient Care Ctr.	\$ 393,618	3,560	5,012		5,012		
PT/OT	\$ 56,231	1,430	2,604		2,604		
Emergency Department	\$ 1,349,547	20,012	15,000		15,000		
Imaging		23,774	23,774			23,774	
Lab		16,217	14,873			14,873	
Resp. Therapy		3,480	3,480			3,480	
Sleep lab		4,835					
Labor & Delivery		13,318					
Oncology/Rad. Onc		11,600	11,600			11,600	
ICU-Adult	\$ 449,849	9,800	5,586		5,586		
PICU		3,520					
Pediatrics Unit		16,040					
Cardiac Cath		4,893					4,893
Endoscopy		7,901					7,901
NICU (LIII)		13,817					13,817
Inpatient Dialysis		1,699					
Pharmacy		7,031	7,031			7,031	
Wound Care	\$ 112,462	3,591	1,535		1,535		
Total	\$ 5,623,112	304,963	180,544		84,890	95,654	26,611

Cost Space Requirements

		Gross Square Feet		Amount of Proposed Total Square Feet			
				That is:			
				New Const.	Modernized	As Is	Vacated Space
Dept./Area	Cost	Existing	Proposed				
Non-Reviewable							
Physicians' Offices	\$ 1,354,758	64,138	43,400		43,400		
Not-for-Profit Agencies	\$ 1,200,000		207,000		207,000		
Administrative	\$ 917,737	41,363	34,668		34,668		
IT	\$ 698,397	9,759	7,342		7,342		
Education	\$ 43,702	4,316	3,800		3,800		
Med. Records Storage		9,488					
Optical Shop	\$ 30,591	383	400		400		
School of Radiology		2,280					
Hospitalists	\$ 6,000	2,143	1,000		1,000		
Pastoral Care	\$ 15,000	1,019	1,000		1,000		
Guest Rooms-NICU	\$ 35,000	2,956	3,000		3,000		
On-call rooms	\$ 9,000	3,745	1,500		1,500		
LT Nurses travel rooms	\$ 6,000	2,044	1,000		1,000		
Case Management	\$ 10,000	2,120	800		800		
Volunteers	\$ 20,000	1,325	1,500		1,500		
Corporate Offices	\$ 24,000	3,601	3,601		3,601		
Non-Proj Areas, inc. circ.		606,717	472,080			472,080	
To Be Vacated-Unassigned							73,114
	\$ 4,370,188	757,397	782,091		310,011	472,080	
TOTAL PROJECT	\$ 9,993,299	1,062,360	962,635		394,901	567,734	99,725

PROJECTED OPERATING COST and
TOTAL EFFECT of the PROJECT on CAPITAL COSTS

Rockton Avenue Campus
Year 2

Adjusted Patient Days: 16,325

Operating Costs per Adjusted Patient Day:

	M/S	ICU	AMI	Campus
Salaries:	\$ 5,836,844	\$ 1,687,680	\$ 1,550,323	\$ 33,618,567
Benefits:	\$ 2,051,512	\$ 593,180	\$ 544,902	\$ 11,816,130
Medical Supplies:	\$ 401,881	\$ 180,701	\$ 7,023	\$ 11,322,102
	\$ 8,290,237	\$ 2,461,561	\$ 2,102,248	\$ 56,756,799
per Adjusted Patient Day:	\$ 507.83	\$ 150.79	\$ 128.78	\$ 3,476.74

Capital Costs per Adjusted Patient Day:

Interest, Depreciation, and Amortization:	\$ 23,687,283
per Adjusted Patient Day:	\$ 1,451.01



ROCKFORD HEALTH
system

September 15, 2015

Mr. Michael Constantino
Supervisor, Project Review
Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

Re: Project #038, Rockford Memorial Hospital

Dear Mr. Constantino:

This letter is being provided in response to your recent technical assistance conversation with Jack Axel, our Certificate of Need consultant, relating to MercyRockford Health System's intent to make approximately 207,000 square feet on its Rockford campus available to community organizations and agencies. This would follow the completion of the modernization plans outlined in Application for Permit # 15-038. MercyRockford acknowledges that certain capitalized expenditures may be incurred by MercyRockford, or a related entity, in conjunction with the re-purposing of this space. Should these potential capitalized expenses exceed the Health Facilities and Services Review Board's capital expenditure threshold in effect at that time, MercyRockford, or an appropriate related entity, will file an Application for Permit to address those expenditures.

Thank you for the opportunity to address this issue.

Sincerely,

James P. Evans
V.P. & General Counsel

**Rockford Memorial
Hospital**
2400 N. Rockton Ave.
Rockford, IL 61103
(815) 971-5000

**Rockford Health
Physicians**
2300 N. Rockton Ave.
Rockford, IL 61103
(815) 971-2000

**Van Matre HealthSouth
Rehabilitation Hospital**
950 S. Mulford Rd
Rockford, IL 61108
(815) 381-8500

**Visiting Nurses
Association**
4223 E. State St.
Rockford, IL 61108
(815) 971-3550

**Rockford Memorial
Development Foundation**
2400 N. Rockton Ave.
Rockford, IL 61103
(815) 971-4141