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August 30, 2016

SEP 02 2016

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Ms. Courtney Avery
Administrator
Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

RE: Request for Alteration of Permit
Rockford Memorial Hospital-Riverside
Boulevard Campus
Permit 15-039

Dear Ms. Avery:

On November 17, 2015 the Illinois Health Facilities and Services Review Board ("IHFSRB") approved by an 8-0-1 vote the establishment of a 188-bed hospital in Rockford Township. The proposed alteration addressed in this letter and accompanying documents does not expand the scope of services of Rockford Memorial Hospital-Riverside Campus ("RMH-Riverside") in any material way. (The single service proposed to be added through this alteration request is one mammography unit.) Rather, the requested alteration primarily responds to refinements to the square footage and cost requirements identified through the post-CON approval planning process.

The proposed alteration is consistent with the limitations placed on alterations in Section 1130.750, and the primary components of the requested alteration are summarized in the table on the following page.

	Approved	Proposed
Beds		
Medical/Surgical	84	84
Obstetrics	20	20
ICU	26	26
Pediatrics	12	12
NICU	46	52
Cardiac Cath	2	2
Interventional Radiology	3	3
Diagnostic Radiology		
General R & F	3	3
Ultrasound	3	2
Mammography	0	1
CT	2	2
MRI	2	2
Nuclear Medicine	1	1
Operating Rooms	10	10
Recovery Rooms	58	60
Emergency Department	10	10
Convenient Care	6	6
LDRs	4	6
C-Section	2	2
Total DGSP	450,803	472,200
Project Cost (\$M)	\$407.2	\$435.60

Enclosed are revised versions of the following Sections and Attachments:

- Section I, Project Costs and Sources of Funds
- Section VIII, Availability of Funds
- ATTACHMENT 9, Cost Space Requirements
- ATTACHMENT 14, Size of Project (applicable areas)
- ATTACHMENT 15, Project Services Utilization (applicable areas)
- ATTACHMENT 23, Neonatal Intensive Care (NICU)
- ATTACHMENT 34, Ultrasound, Mammography, and Recovery
- ATTACHMENT 39, Reasonableness of Project and Related Costs

Should any additional information be required, or should you have any questions relating to this alteration request, please contact Jack Axel at 847/776-7101 or jacobmaxel@msn.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Javon R. Bea". The signature is fluid and cursive, with the first name "Javon" being more prominent than the last name "Bea".

Javon R. Bea
President and Chief Executive Officer

enclosures

PROJECT COST AND SOURCES OF FUNDS

	Reviewable	Non-Reviewable	Total
Project Cost:			
Preplanning Costs	\$ 3,086,000	\$ 1,367,000	\$ 4,453,000
Site Survey and Soil Investigation	94,400	55,600	150,000
Site Preparation	2,639,534	1,755,988	4,395,522
Off Site Work	4,992,818	3,321,541	8,314,359
New Construction Contracts	125,979,048	83,324,862	209,303,910
Modernization Contracts			
Contingencies	6,298,952	3,787,108	10,086,060
Architectural/Engineering Fees	6,220,000	3,670,000	9,890,000
Consulting and Other Fees	5,964,000	3,976,000	9,940,000
Movable and Other Equipment (not in construction contracts)	95,403,126	23,596,874	119,000,000
Bond Issuance Expense (project related)	2,507,244	1,671,496	4,178,740
Net Interest Expense During Construction Period	31,967,158	21,266,597	53,233,755
Fair Market Value of Leased Space or Equipment			
Other Costs to be Capitalized	1,320,000	880,000	2,200,000
Acquisition of Building or Other Property			
TOTAL USES OF FUNDS	\$ 286,472,280	\$ 148,673,066	\$ 435,145,346
Sources of Funds:			
Cash and Securities	\$ 10,050,000	\$ 4,950,000	\$ 15,000,000
Pledges			
Gifts and Bequests			
Bond Issues (project related)	\$ 276,422,280	\$ 143,723,066	\$ 420,145,346
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$ 286,472,280	\$ 148,673,066	\$ 435,145,346

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

VIII. - 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 from the following sources, as applicable: Indicate the dollar amount to be provided from the following sources:

_ \$15,000,000 _	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
	1)	the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
	2)	interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
_ \$420,145,346 _	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:
	1)	For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
	2)	For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
	3)	For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
	4)	For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
	5)	For any option to lease, a copy of the option, including all terms and conditions.
_____	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$435,145,346	TOTAL FUNDS AVAILABLE	

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Cost Space Requirements

Dept./Area Reviewable	Cost	Gross Square Feet		Amount of Proposed Total Square Feet		
		Existing	Proposed	New Const.	That is:	
					Modernized	As Is Vacated Space
M/S Units	\$ 47,267,926		55,440	55,440		
ICU-Adult	\$ 13,750,669		11,898	11,898		
PICU	\$ 6,302,390		5,448	5,448		
OB/Gyn Unit	\$ 18,620,698		13,200	13,200		
Pediatrics Unit	\$ 6,302,390		7,920	7,920		
Cardiac Cath	\$ 4,297,084		3,546	3,546		
LDRs/OB Triage	\$ 8,594,168		8,173	8,173		
C-Section Suite	\$ 3,724,140		3,085	3,085		
Newborn Nursery	\$ 859,417		1,132	1,132		
OB triage	\$ 3,151,195		2,914	2,914		
NICU (LIII)	\$ 37,241,396		29,366	29,366		
Surgery/Operating Rooms	\$ 40,106,119		26,727	26,727		
PACU/Shared Recovery	\$ 17,188,337		20,517	20,517		
Emergency	\$ 9,453,585		8,886	8,886		
Convenient Care	\$ 2,291,778		4,700	4,700		
Inpatient Dialysis	\$ 1,432,361		1,463	1,463		
Imaging	\$ 16,901,865		14,233	14,233		
Interventional Radiol.	\$ 8,307,696		5,318	5,318		
Endo/Broncho	\$ 5,729,446		4,248	4,248		
Resp. Therapy	\$ 1,432,361		2,628	2,628		
PT/OT	\$ 5,729,446		6,063	6,063		
Lab	\$ 9,453,585		8,812	8,812		
Morgue	\$ 859,417		812	812		
Pharmacy	\$ 6,588,862		7,108	7,108		
Ancillary Services Support	\$ 5,156,501		4,388	4,388		
Inpatient Unit Support	\$ 5,729,446		5,535	5,535		
	\$ 286,472,280		263,560	263,560		

Cost Space Requirements

Dept./Area	Cost	Gross Square Feet		Amount of Proposed Total Square Feet			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Non-Reviewable							
Ambulance Garage	\$ 1,980,694		3,372	3,372			
Lobby/Public Areas	\$ 10,327,904		13,698	13,698			
Education	\$ 1,839,216		3,085	3,085			
Bio Med Engineering	\$ 2,405,128		3,444	3,444			
Sterile Processing	\$ 5,234,691		8,941	8,941			
Hosp/Environ. Services	\$ 2,405,128		4,063	4,063			
Admitting	\$ 707,391		1,183	1,183			
Administrative-Misc.	\$ 2,441,792		2,964	2,964			
Food Service/Cafeteria	\$ 10,044,948		17,104	17,104			
On-call Rooms	\$ 848,869		1,430	1,430			
Maint./Materials Mgt.	\$ 6,083,560		10,384	10,384			
Staff Areas	\$ 9,337,557		15,348	15,348			
Retail	\$ 4,527,300		5,896	5,896			
Medical Staff	\$ 1,131,825		1,939	1,939			
Case Mgt/Social Serv.	\$ 1,131,825		1,840	1,840			
General Circulation	\$ 61,967,424		81,881	81,881			
Mechanicals	\$ 18,675,114		32,017	32,017			
DGSF>>>BGSF	\$ 7,582,700						
	\$ 148,673,066		208,589	208,589			
Project Total	\$ 435,145,346		472,149	472,149			

SIZE OF PROJECT

The applicants have undertaken a detailed space planning process, which involved numerous hospital personnel, physicians, and experienced health care architects. Function/department-specific space allocations are provided in ATTACHMENTS 9 and 39C.

The space planned for this project, consistent with the proposed alteration, is believed by the applicants to be reasonable, necessary, and not excessive. The project includes fifteen functional areas/departments having IHFSRB-adopted space standards. As noted in the table below, those standards have been met for each area.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Medical/Surgical Units	55,440	55,440	-	YES
Pediatric Unit	7,920	7,920	-	YES
Obstetrics Unit	13,200	13,200	-	YES
Newborn Nursery	1,132	3,520	(2,388)	YES
LDRs	8,173	9,600	(1,427)	YES
C-Section Suite	3,085	4,150	(1,065)	YES
Adult ICU	11,898	12,330	(432)	YES
Pediatric ICU/PICU	5,448	5,480	(32)	YES
Neonatal Intensive Care	29,366	29,536	(170)	YES
Imaging	14,233	15,400	(1,167)	YES
Emergency Dept.	8,886	9,000	(114)	YES
Cardiac Catheterization	3,546	3,600	(54)	YES
Interventional Radiology	5,318	5,400	(82)	YES
Surgical Suite	26,727	27,500	(773)	YES
PACU/Shared Recovery	20,517	21,800	(1,283)	YES

The building to be addressed in this application will consist of eight levels, with a general distribution of services as follows:

- Lower Level: food service, mechanical, central sterile, lab
- 1st Floor: lobby, retail, ED, and imaging
- 2nd Floor: surgical services, ancillary services
- 3rd Floor: NICU, PICU, and pediatrics
- 4th Floor: women's services
- 5th Floor: ICU and Medical/surgical
- 6th Floor: Medical/Surgical
- 7th Floor: mechanical

PROJECT SERVICES UTILIZATION

Consistent with the proposed alteration, utilization of the following clinical services having IDPH-adopted utilization targets are anticipated to either increase or decrease from the levels provided in CON application 15-039, and subsequently approved by the IHFSRB:

- NICU patient days
- Ultrasound procedures
- LDR/OB Triage
- Mammography procedures

The required table below identifies historical utilization at Rockford Memorial Hospital-Rockton Avenue Campus ("RMH-Rockton Avenue") and projected utilization at Rockford Memorial Hospital-Riverside Boulevard Campus ("RMH-Riverside"). The projected utilization for each service identified above is discussed in ATTACHMENTS 23 and 34. Please refer to CON application 15-039 for discussions of the projected utilization of those services not addressed through the proposed alteration. The historical utilization of mammography is identified as being "not applicable" because the single unit currently located at RMH-Rockton Avenue is used virtually exclusively for pre-procedural imaging. One mammography unit will be located at RMH-Riverside, providing both routine mammography services and pre-procedural imaging.

Dept./ Service	2014	PROJECTED		STATE STANDARD	MET STANDARD?
	Historical	UTILIZATION*			
	Utilization*	UTILIZATION*			
	(Patient Days)	(patient days)			
	(TREATMENTS)	YEAR 1	YEAR 2		
NICU (days)	11,956	15,200	15,200	14,235	YES
LDR/Triage	1,514	2,720	2,720	2,001	YES
Ultrasound	10,227	3,000	3,200	3,001	YES
Mammography	N/A	3,500	4,000	N/A	N/A

NEONATAL INTENSIVE CARE

Rockford Memorial Hospital-Riverside Campus ("RMH-Riverside") was, through Permit 15-039, approved to establish and operate a 46-station Neonatal Intensive Care Unit ("NICU"). Mercy Health Corporation currently operates the only NICU in a 15-county area at Rockford Memorial Hospital-Rockton Avenue Campus ("RMH-Rockton Avenue"). The RMH-Rockton Avenue NICU will be "discontinued" upon the opening of RMH-Riverside. RMH-Rockton Avenue is designated by the Illinois Department of Public Health as the area's regional perinatal center, and that designation is anticipated to be transferred to RMH-Riverside upon its opening.

Please refer to CON application 15-039 for a discussion of the justification of the approved 46 stations. The proposed alteration seeks approval to operate 52, rather than 46 NICU stations at RMH-Riverside, and the requested alteration is in direct response to already-realized increases in NICU utilization at RMH-Rockton Avenue. Specifically, the average daily census ("ADC") of the RMH-Rockton Avenue NICU increased by 11.4% from 2014 (the base year for utilization projections contained in CON application 15-039) to 2015, from 32.8 babies to 36.5 babies. Similarly, during the first 241 days of 2016 (January 1-August 28) the ADC has increased by an additional 9.5% over 2015, to an ADC of 40.0 babies. In total, utilization of the NICU has increased 22% since 2014, the base year used in the CON application to support the 46 proposed/approved NICU stations. This increase in utilization realized since 2014 both necessitates more NICU stations than originally approved, and supports the 52 stations requested through this alteration, based on the IDPH's 75% occupancy targets for NICUs. ($40 \div .75 = 53.3$)

In addition, utilization of the NICU is anticipated to increase, as a result of the ease of access for Mercy Health's Janesville, Wisconsin area patients, that will be realized once the

NICU is relocated to the RMH-Riverside location. The RMH-Riverside site is located at the intersection of I-90 and East Riverside Boulevard, with I-90 providing a direct route from the Janesville area, and I-90 having an exit ramp at East Riverside Boulevard.

Please refer to ATTACHMENT 23 of CON application 15-039 for discussions of all other NICU-related review criteria.

CLINICAL AREAS OTHER THAN CATEGORIES OF SERVICE

Rockford Memorial Hospital-Riverside Boulevard Campus ("RMH-Riverside") will provide a variety of clinical areas that are not identified by IDPH as categories of service, but which have target utilization levels identified in Section 1110, APPENDIX B. CON application 15-039 received a positive finding on Review Criterion 1110.3030, and only the four non-category of service areas having their number of "key rooms" proposed to be changed through the alteration process are addressed in a narrative fashion in this document. Please refer to CON application 15-039 for discussions of all other areas.

The table below identifies both the number of "key rooms" approved through project 15-039, as well as the number being proposed through the alteration process.

	Approved	Proposed
Cardiac Cath	2	2
Interventional Radiology	3	3
Diagnostic Radiology		
General R & F	3	3
Ultrasound	3	2
CT	2	2
MRI	2	2
Nuclear Medicine	1	1
Mammography	0	1
Operating Rooms	10	10
PACU/Recovery Rooms	58	60
Emergency Department	10	10
Convenient Care	6	6
LDRs	4	6
C-Section	2	2

As can be noted in the table on the previous page, the number of "key rooms" of only four of the clinical services having IDPH-adopted utilization targets is being changed: ultrasound, mammography, and recovery rooms.

Ultrasound

The proposed alteration includes the elimination of one previously-approved ultrasound room (and the relocating of that room to the adjacent medical clinics building). Ultrasound is primarily an outpatient diagnostic modality, with approximately 72% of the 10,644 ultrasound examinations performed at Rockford Memorial Hospital-Rockton Avenue Campus ("RMH-Rockton Avenue") in 2015 being performed on outpatients. Outpatient utilization of this modality at RMH-Rockton Avenue is increasing rapidly, with an annual increase of approximately 7.8% since 2012. Outpatient utilization is conservatively anticipated to increase, but at a slower rate, through the second year following the project's completion. Approximately two-thirds on the inpatient examinations and approximately 35% of the outpatient examinations are anticipated to be performed at RMH-Riverside, resulting in approximately 3,200 examinations during the target year.

Mammography

The proposed alteration includes the providing of one mammography unit at RMH-Riverside. The vast majority of Mercy Health's mammography procedures in the Rockford area are provided through units located in various outpatient settings throughout the community, and that will continue to be the case. While the proposed unit will also be used for outpatient screenings/examinations, the primary purpose for locating the unit in the hospital is the performance of pre-procedural imaging.

PACU/Shared Recovery

A total of sixty recovery stations are being proposed through the alteration of CON Permit 15-039, which included 58 stations. Ten Phase I (PACU) stations will be provided to support the 10-OR surgical suite. An addition fifty Phase II stations will be provided as a shared recovery area, in support of the surgical suite, the cardiac catheterization laboratory (two procedure rooms), interventional radiology (three procedure rooms), and endoscopy/bronchoscopy (4 procedure rooms). None of the numbers of "key rooms" being supported by the PACU/Shared Recovery area are proposed to be changed.

LDRs/OB Triage

The number of LDRs, which will also be used as OB Triage (observation) stations is proposed through the requested alteration to increase from four to six. Additional triage and observation stays are anticipated as a result of Crusader Clinic's alignment with Mercy Health, discussed in the introduction to this document. The combining of these functions is a result of the desire to provide greater flexibility and efficiency, both in terms of staffing and room utilization.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	A		B		C		D		E		F		G	H	Total Costs (G + H)
	Cost/Sq. Ft.		Mod.		DGSF		DGSF		DGSF		New Const. \$ (A x C)	Modernization \$ (B x E)			
	New				New	Circ.	Mod.	Circ.							
Reviewable															
M/S Units	\$	454.81			55,440							\$	25,214,666		\$ 25,214,666
ICU-Adult	\$	509.74			11,898							\$	6,064,887		\$ 6,064,887
PICU	\$	509.74			5,448							\$	2,777,064		\$ 2,777,064
OB/Gyn Unit	\$	454.81			13,200							\$	6,003,492		\$ 6,003,492
Pediatrics Unit	\$	454.81			7,920							\$	3,602,095		\$ 3,602,095
Cardiac Cath	\$	517.59			3,546							\$	1,835,374		\$ 1,835,374
LDRs/OB Triage	\$	454.81			8,173							\$	3,717,162		\$ 3,717,162
C-Section Suite	\$	517.59			3,085							\$	1,596,765		\$ 1,596,765
Newborn Nursery	\$	454.81			1,132							\$	514,845		\$ 514,845
OB triage	\$	454.81			2,914							\$	1,325,316		\$ 1,325,316
NICU (LIII)	\$	509.74			29,366							\$	14,969,025		\$ 14,969,025
Surgery/Operating Rooms	\$	517.59			26,727							\$	13,833,628		\$ 13,833,628
PACU/Shared Recovery	\$	470.51			20,517							\$	9,653,454		\$ 9,653,454
Emergency	\$	470.51			8,886							\$	4,180,952		\$ 4,180,952
Convenient Care	\$	454.81			4,700							\$	2,137,607		\$ 2,137,607
Inpatient Dialysis	\$	415.51			1,463							\$	607,891		\$ 607,891
Imaging	\$	517.59			14,233							\$	7,366,858		\$ 7,366,858
Interventional Radiol.	\$	517.59			5,318							\$	2,752,544		\$ 2,752,544
Endo/Broncho	\$	470.51			4,248							\$	1,998,726		\$ 1,998,726
Resp. Therapy	\$	415.58			2,628							\$	1,092,144		\$ 1,092,144
PT/OT	\$	415.58			6,063							\$	2,519,662		\$ 2,519,662
Lab	\$	470.51			8,812							\$	4,146,134		\$ 4,146,134
Morgue	\$	470.51			812							\$	382,054		\$ 382,054
Pharmacy	\$	407.73			7,108							\$	2,898,145		\$ 2,898,145
Ancillary Services Support	\$	517.59			4,388							\$	2,271,185		\$ 2,271,185
Inpatient Unit Support	\$	454.81			5,535							\$	2,517,373		\$ 2,517,373
					263,560							\$	125,979,048		\$ 125,979,048
contingency @ 5%												\$	6,298,952		\$ 6,298,952
TOTAL	\$	501.89			263,560							\$	132,278,001		\$ 132,278,001

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	A		B		C		D		E		F		G		H		Total	
	Cost/Sq. Ft.		Mod.		New		Circ.		Mod.		Circ.		(A x C)		(B x E)		(G + H)	
Non-Reviewable																		
Ambulance Garage	\$	317.49			3,372								\$	1,070,576			\$	1,070,576
Lobby/Public Areas	\$	407.73			13,698								\$	5,585,086			\$	5,585,086
Education	\$	326.96			3,085								\$	1,008,672			\$	1,008,672
Bldg Med Engineering	\$	317.49			3,444								\$	1,093,436			\$	1,093,436
Sterile Processing	\$	317.49			8,941								\$	2,838,678			\$	2,838,678
Hosp/Environ. Services	\$	317.49			4,063								\$	1,289,962			\$	1,289,962
Admitting	\$	326.96			1,183								\$	386,794			\$	386,794
Administrative-Misc.	\$	326.96			2,964								\$	969,109			\$	969,109
Food Service/Cafeteria	\$	317.49			17,104								\$	5,430,349			\$	5,430,349
On-call Rooms	\$	326.96			1,430								\$	467,553			\$	467,553
Maint/Materials Mgt.	\$	317.49			10,384								\$	3,296,816			\$	3,296,816
Staff Areas	\$	326.96			15,348								\$	5,018,182			\$	5,018,182
Retail	\$	407.73			5,896								\$	2,403,976			\$	2,403,976
Medical Staff	\$	326.96			1,939								\$	633,975			\$	633,975
Case Mgt/Social Serv.	\$	326.96			1,840								\$	601,606			\$	601,606
General Circulation	\$	407.25			81,881								\$	33,356,488			\$	33,356,488
Mechanicals	\$	321.42			32,017								\$	10,290,904			\$	10,290,904
					208,589								\$	75,742,162			\$	75,742,162
contingency @ 5%													\$	3,787,108			\$	3,787,108
													\$	79,529,270			\$	79,529,270
DGSF>>BGSF													\$	7,582,700			\$	7,582,700
Project Total	\$	464.66			472,149								\$	219,389,972			\$	219,389,972