



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: G-06	BOARD MEETING: March 29, 2016	PROJECT NO: 16-005	PROJECT COST: Original: \$114,602,559
FACILITY NAME: Franciscan St. James Health – Olympia Fields		CITY: Olympia Fields	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants are proposing to increase the number of medical surgical beds from one hundred thirty three (133) to one hundred fifty seven (157) or an increase of twenty four (24) medical surgical beds, increase intensive care beds by six (6) beds from twenty five (25) to thirty one (31) beds, establish a twelve (12) bed obstetric category of service and a fourteen (14) bed comprehensive physical rehabilitation category of service. The applicants are also proposing to modernize thirty five (35) departments including the emergency and surgery departments, establish an eighteen (18) observation bed unit adjacent to the emergency department and modernize the imaging department. The total cost of the project is \$114,602,559. The anticipated completion date is October 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants are proposing to increase the number of medical surgical beds from one hundred thirty three (133) to one hundred fifty seven (157) or an increase of twenty four (24) medical surgical beds, increase intensive care beds by six (6) beds from twenty five (25) to thirty one (31) beds, establish a twelve (12) bed obstetric category of service and a fourteen (14) bed comprehensive physical rehabilitation category of service. The applicants are also proposing to modernize thirty five (35) departments (*pages 40-41 of the application for permit*) including the emergency and surgery departments, establish an eighteen (18) observation bed unit adjacent to the emergency department and modernize the imaging department. The total cost of the project is \$114,602,559. The anticipated completion date is October 31, 2018.

STAFF REVIEW:

- The applicants have presented this application as a relocation of services from St. James Hospital - Chicago Heights to St. James Hospital - Olympia Fields. State Board rules require this application to be reviewed as an expansion and modernization of existing services (medical surgical and intensive care) and the modernization of thirty five (35) departments including the existing emergency and surgery departments, recovery rooms and imaging department at the Olympia Fields facility. Modernization of existing services requires the applicants to meet target utilization based upon historical utilization at the Olympia Fields facility. Additionally the applicants are proposing the establishment of categories of service (obstetric and comprehensive physical rehabilitation services) and clinical services other than categories of service C-Section Suite, Labor Delivery Recovery, and Nursery not currently in place at Olympia Fields. For these new services being proposed the applicants relied upon the assumption that between 70-85% of the workload from the proposed discontinuation of the Chicago Heights Hospital would be accommodated at the Olympia Fields Hospital because of the common medical staff at both Chicago Heights and Olympia Fields. Because there is a common medical staff between the two facilities no referral letters were required to be provided. The State Board Staff assumed the referral letters from the common medical staff would be sufficient to justify the services being proposed. This practice (no referral letters) is consistent with other projects relying upon utilization to justify a project with a common medical staff. The discontinuation of the Chicago Heights facility was not taken into consideration in our review of the application before you because that discontinuation has not been approved by the State Board or the Chair.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are proposing the establishment of a category of service and a modernization in excess of the capital expenditure minimum of \$12,797,313

PUBLIC COMMENT:

- A public hearing was held on February 9, 2016 in Chicago Heights, Illinois. The State Board Staff has received a number of support and opposition letters regarding this project.

CONCLUSION:

- The applicants addressed twenty seven (27) criteria and did not meet the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
77 IAC 1110 .234 (a) – Size of the Project	The applicants do not meet the State Board size requirements for obstetric beds, comprehensive physical rehabilitation beds, and Level I and Level II + Nursery.
77 IAC 1110.530 (c) (2) (4) – Planning Area Need - Medical Surgical Beds, Intensive Care Beds Expansion	The applicants relied upon the assumption that eighty percent (80%) of the workload at the Chicago Heights facility will transfer to the Olympia Fields facility once completed to justify the number of beds being requested for medical surgical and intensive care beds. Historical utilization at the Olympia Fields Hospital justifies 117 medical surgical beds and 20 intensive care beds and not the 157 medical surgical beds and 31 intensive care beds being proposed at the State Board’s target occupancy.
77 IAC 1110.530 (c) (1)(2) (3) (5) – Planning Area Need- Obstetric Care Category of Service	There is a calculated excess of seventy four (74) obstetric beds in the A-04 Planning Area. There is no absence of this service in the A-04 Hospital Planning Area. Additionally it does not appear to be any service access issues or restrictive admission policies in the planning area because of the calculated excess beds.
77 IAC 1110.530 (d) - Unnecessary Duplication of Service/ Mal-distribution of Service/Impact on Other Facilities – Obstetric Service Category of Service	There are five (5) facilities within thirty (30) minutes that provide obstetric care services that are currently underutilized. It would appear that there is sufficient capacity in the A-04 Planning Area to provide the necessary obstetric services.
77 IAC 1110.630 (c) (1) (2) (3) (5) – Planning Area Need – Comprehensive Physical Rehabilitation Service	There is a calculated excess of one hundred eighteen (118) comprehensive physical rehabilitation service beds in the A-04 Hospital Planning Area. There is no absence of service in the Hospital Planning Area. There does not appear to be any service access issues or restrictive admission policies in the HSA VII planning area
77 IAC 1110.630 (d) (1)(2)(3) – Unnecessary Duplication of Service/Mal-Distribution of Service/Impact on Other Providers	Neither of the two hospitals within thirty (30) minutes are at the target occupancy of eighty five percent (85%), it would appear an unnecessary duplication of service may result with the establishment of this comprehensive physical rehabilitation service.
77 IAC 1110.3030 (c) (d) - Clinical Services Other than Categories of Service	Based upon historical utilization there is no need for the number of emergency rooms being requested, operating rooms, or ultrasound equipment. There is no need for labor delivery recovery rooms or C-Section Suites because there is no need for obstetric beds in the A-04 Hospital Planning Area.

STATE BOARD STAFF REPORT
Franciscan St. James Health – Olympia Fields
Project #16-005

APPLICATION/SUMMARY/CHRONOLOGY	
Applicants	Franciscan Alliance, Inc. and Affiliates, Inc. Franciscan St. James Health – Olympia Fields
Facility Name	Franciscan St. James Health – Olympia Fields
Location	20201 South Crawford Avenue, Olympia Fields, Illinois
Operating Entity/Licensee	Franciscan St. James Health – Olympia Fields
Owner of the Facility	Franciscan St. James Health – Olympia Fields
Total GSF	257,061
Application Received	January 11, 2016
Application Deemed Complete	January 12, 2016
Review Period Ends	May 11, 2016
Financial Commitment Date	March 29, 2018
Can Applicant Request Another Deferral?	Yes
Has review been extended?	No

I. The Proposed Project

The applicants are proposing to increase the number of medical surgical beds from one hundred thirty three (133) to one hundred fifty seven (157) or an increase of twenty four (24) medical surgical beds, increase intensive care beds by six (6) beds from twenty five (25) to thirty one (31) beds, establish a twelve (12) bed obstetric category of service and a fourteen (14) bed comprehensive physical rehabilitation category of service. The applicants are also proposing to modernize thirty five (35) departments including the emergency and surgery departments, establish an eighteen (18) observation bed unit adjacent to the emergency department and modernize the imaging department. The total cost of the project is \$114,602,559. The anticipated completion date is October 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 appear to be in conformance with the provisions of Part 1120.

III. General Information

Franciscan Alliance, Inc. and Affiliates, Inc. under the sponsorship of the Sisters of St. Francis of Perpetual Adoration, Inc., is an Indiana non-profit, Catholic health care system. Franciscan Alliance, Inc. owns and Franciscan St. James Health operates IDPH-licensed hospitals in Chicago Heights and Olympia Fields, Illinois. Franciscan St. James Health – Olympia Fields is located at 20201 South Crawford Avenue, Olympia Fields,

Illinois in the HSA VII Hospital Service Area and the A-04 Hospital Planning Area. This is a substantive project subject to a Section 1110 and 1120 review. Project Obligation will occur after permit issuance.

In conjunction with the modernization of the Olympia Fields hospital the applicants are also proposing the modernization of the Franciscan Express Care located at 211 Dixie Highway in Chicago Heights and the modernization of the medical office building on the Chicago Heights campus. The cost of that modernization is approximately \$8-9 million and is not subject to certificate of need because the cost is under the threshold.

IV. **Health Service Area VII and Hospital Planning Area A-04**

HSA VII includes DuPage and Suburban Cook County. The Hospital A-04 Planning Area includes the City of Chicago Community Areas of West Pullman, Riverdale, Hegewisch, Ashburn, Auburn Gresham, Beverly, Washington Heights, Mount Greenwood, and Morgan Park; Cook County Townships of Lemont, Stickney, Worth, Lyons, Palos, Calumet, Thornton, Bremen, Orland, Rich and Bloom. There are currently nine (9) acute care hospitals in the A-04 Planning Area. (See Table below)

TABLE ONE		
Facilities within A-04 Hospital Planning Area ⁽¹⁾		
Facility	City	Total Beds
Adventist LaGrange Memorial Hospital	LaGrange	196
Advocate Christ Hospital & Medical Center	Oak Lawn	788
Advocate South Suburban Hospital	Hazel Crest	284
Franciscan St. James Health-Chicago Heights ⁽²⁾	Chicago Heights	312
Franciscan St. James Health-Olympia Fields	Olympia Fields	158
Ingalls Memorial Hospital	Harvey	485
Little Company of Mary Hospital	Evergreen Park	298
Metro South Medical Center	Blue Island	314
Palos Community Hospital	Palos Heights	425
1. Information from Inventory of Health Care Facilities and Services and Need Determination 2. Proposed discontinuation (#E-008-16)		

The State Board is projecting **no growth in the population** in the A-04 Hospital planning area for the 5 year period (CY 2013 to CY 2018). Currently there is a calculated **excess** of six hundred thirty nine (639) medical surgical pediatric beds, twenty (20) intensive care beds, and seventy four (74) obstetric beds in the A-04 Hospital Planning Area. There is a calculated **excess** of one hundred eighteen (118) comprehensive physical rehabilitation beds in the HSA VII comprehensive physical rehabilitation planning area. Should the discontinuation of the St. James Hospital- Chicago Heights be approved an **excess** of three hundred ninety nine (399) medical surgical pediatric beds, no need or excess of intensive care beds, an excess of fifty two (52) obstetric beds and an excess of eighty eight (88) comprehensive physical rehabilitation beds will result. If the State Board should approve this project (#16-005) there will be an **excess** of four hundred

twenty three (423) medical surgical pediatric beds, six (6) intensive care beds, sixty four (64) obstetric beds, and one hundred two (102) comprehensive physical rehabilitation beds.

TABLE TWO
Calculated Bed Need or Excess in the A-04 Hospital Planning Area

Services	Current # of Beds	Calculated Bed Need (1) (2)	Current 02/17/2016	Discontinuation If Approved		If Approved	
			Excess Beds	#E-008-16 Chicago Heights	Excess Beds	#16-005 Olympia Fields	Excess Beds
Medical Surgical Pediatric Beds	2,266	1,627	639	-240	399	24	423
Intensive Care Beds	363	343	20	-20	0	6	6
Obstetric Beds	202	128	74	-22	52	12	64
Comprehensive Physical Rehabilitation Beds	493	375	118	-30	88	14	102
				-312		56	
1. Calculated Bed Need Completed by State Board Staff							
2. Source: Updated to Inventory of Hospital Services dated February 17, 2016							

V. Project Costs and Sources of Funds

The applicants are funding this project with cash of \$99,602,559 and a bond issue of \$15,000,000.

TABLE THREE
Project Costs and Sources of Funds

Use of Funds	Reviewable	Non Reviewable	Total
Preplanning Costs	\$1,200,000	\$390,000	\$1,590,000
Site Survey and Soil Investigation	\$18,250	\$6,750	\$25,000
Site Preparation	\$1,200,000	\$600,000	\$1,800,000
Off Site Work	\$2,044,000	\$756,000	\$2,800,000
New Construction Contracts	\$25,217,026	\$12,677,942	\$37,894,968
Modernization Contracts	\$35,896,553	\$7,819,436	\$43,715,989
Contingencies	\$1,818,050	\$1,166,280	\$2,984,330
Architectural/Engineering Fees	\$4,000,000	\$1,590,000	\$5,590,000
Consulting and Other Fees	\$730,000	\$270,000	\$1,000,000
Movable or Other Equipment (not in construction contracts)	\$13,841,710	\$1,560,562	\$15,402,272
Bond Issuance Expense (project related)	\$109,500	\$40,500	\$150,000
Net Interest Expense During Construction (project related)	\$1,204,500	\$445,500	\$1,650,000
Total Uses of Funds	\$87,279,589	\$27,322,970	\$114,602,559
Source of Funds			
Cash and Securities	\$76,329,589	\$23,272,970	\$99,602,559
Bond Issues (project related)	\$10,950,000	\$4,050,000	\$15,000,000
Total Sources of Funds	\$87,279,589	\$27,322,970	\$114,602,559

VI. **Cost Space Chart**

Only the reviewable cost space chart is presented in Table Four below. Both reviewable and non reviewable information can be found at pages 40-41 of the application for permit.

TABLE FOUR ⁽¹⁾							
		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Dept. / Area							
Medical Surgical	\$39,403,579	63,871	89,836		66,185	23,651	
Inpatient PT/OT	\$1,810,474	3,000	7,788	2,581	2,207	3,000	
ICU	\$515,176	21,726	21,061		2,165	18,896	
Obstetrics	\$4,724,897	0	7,952	7,952			
C-Section	\$2,796,668	0	4,087	4,087			
Labor Delivery	\$2,929,142	0	4,760	4,760			
Rehabilitation Unit	\$6,402,898	0	10,760	10,760			
Critical Decision Unit	\$1,604,404	0	7,552		7,552		
Surgery	\$2,090,141	17,071	17,732		8,588	9,144	
Pre-Op Recovery	\$1,059,790	3,800	8,193		4,800	3,393	
Emergency Department	\$12,452,532	19,156	22,122	19,088	3,034		16,122
Imaging	\$2,517,001	16,292	18,966		10,303	8,663	
Pharmacy	\$809,562	2,240	4,265		4,265		
Ancillary Clinical Areas	\$4,564,456	0	12,018	8,637	3,381		
Lab	\$771,292	11,900	11,900		3,500	8,400	
Respiratory Therapy	\$191,351	1,095	1,095		986	109	
Body Holding	\$142,777	1,497	370		370		
EEG	\$292,914	2,746	1,520		1,520		1,127
Preadmission Testing	\$390,062	966	2,028		2,028		2,746
Nursery	\$1,810,474	0	3,056	3,056			
Total Reviewable	\$87,279,590	165,360	257,061	60,921	120,884	75,256	19,995
Total Non-Reviewable	\$27,322,971	109,659	159,716	51,685	64,943	43,108	16,660
TOTAL	\$114,602,561	275,019	416,777	112,606	185,827	118,364	36,655
<ol style="list-style-type: none"> 1. A total of 36,665 DGSF are anticipated to be vacated by various clinical and non-clinical functions as departments relocate. The largest blocks of space to be vacated include: Itemization of this vacated space was provided in additional information receive March 2, 2016. 2. Source: Application for Permit pages 40-41. 							

VII. **Purpose of Project, Background of the Applicants, Safety Net Impact, Alternatives to the Project**

The applicants stated the following:

“This Certificate of Need application addresses the renovation, expansion, and construction necessary at Franciscan St. James Health-Olympia Fields to accommodate many of the patients that have traditionally relied upon Franciscan St. James Health-Chicago Heights for their hospital services. The purpose of this project, together with the outpatient center referenced in this application's Narrative Description is to ensure that inpatient and outpatient services remain easily accessible to Franciscan St. James Health-Chicago Heights' traditional patient base, following the proposed discontinuation of Franciscan St. James Health-Chicago Heights. The health care and well-being of the communities traditionally served by Franciscan St. James Health-Chicago Heights will be improved in two substantial ways. First, the outpatient center will include a 24 hour-a-day urgent care center to increase accessibility to many of the services currently provided in Franciscan St. James Health-Chicago Heights' Emergency Department. In addition, primary care physicians and selected specialists will be recruited by Franciscan Alliance, Inc., with those physicians to be housed in the outpatient center building and in a medical office building on the Franciscan St. James Health-Chicago Heights campus, also improving accessibility to the most commonly-needed services. Second, Franciscan St. James Health-Chicago Heights' physical plant dates back 105 years, compared to Franciscan St. James Health-Olympia Fields' physical plant, the oldest portions of which are only 35 years old. As a result, services will be provided in a much more contemporary setting and transfers will be minimized (cardiology and cardiovascular services have been consolidated at Franciscan St. James Health-Olympia Fields) as a result of this project.

The proposed modernization of Franciscan St. James Health-Olympia Fields as presented in this application addresses the inability of Franciscan St. James Health to continue to operate two, largely redundant hospitals 4lh miles apart, and the fiscal impracticality of modernizing Franciscan St. James Health-Chicago Heights. Primarily as a result of operating two nearby hospitals providing largely redundant services, an operating loss of \$66.5M was experienced between 2011 and 2014. Losses of this magnitude, exacerbated by reimbursement-driven requirements to reduce operating costs, and coupled with the capital costs associated with the improvements needed to Franciscan St. James Health-Chicago Heights' physical plant, render the financial viability of the two-hospital model unsustainable.”

The table below outlines the losses for the past four (4) years at Franciscan St. James Chicago Heights and Olympia Fields and the transfers (to) and from Franciscan Health.

<p style="text-align: center;">TABLE FIVE Operating Loss Transfer to and from Franciscan Health Franciscan St. James Health Chicago Heights and Olympia Fields</p>					
	2011	2012	2013	2014	Total
Net Operating Revenue	\$318,966,733	\$303,535,525	\$281,160,440	\$283,731,823	\$1,187,394,521
Operating Expenses	\$327,614,159	\$350,979,745	\$294,958,708	\$280,363,604	\$1,253,916,216
Operating Income	-\$8,647,426	-\$47,444,220	-\$13,798,268	\$3,368,219	-\$66,521,695
Transfers from (to) Franciscan Alliance	\$1,270,409	\$33,168,847	\$53,226,161	(\$6,516,503)	\$81,148,914
<i>Source: Supplemental Information Provided by the Applicants received March 2, 2016.</i>					

B) Criterion 1110.530 (b) (1) (3) – Background of the Applicants

Franciscan Alliance, Inc. owns and operates the following licensed health care facilities:

- Franciscan St. Anthony Health-Crown Point; Crown Point, Indiana
- Franciscan St. Anthony Health-Michigan City; Michigan City, Indiana
- Franciscan St. Elizabeth Health-Lafayette Central; Lafayette, Indiana
- Franciscan St. Elizabeth Health-Lafayette East; Lafayette, Indiana
- Franciscan St. Elizabeth Health-Crawfordsville; Crawfordsville, Indiana
- Franciscan St. Francis Health-Carmel; Carmel, Indiana
- Franciscan St. Francis Health-Indianapolis; Indianapolis, Indiana
- Franciscan St. Francis Health-Mooresville; Mooresville, Indiana
- ***Franciscan St. James Health-Chicago Heights; Chicago Heights, Illinois-Proposed Discontinued March 29, 2016 (#E-008-16)***
- ***Franciscan St. James Health-Olympia Fields; Olympia Fields, Illinois***
- Franciscan St. Margaret Health-Dyer; Dyer, Indiana
- Franciscan St. Margaret Health-Hammond; Hammond, Indiana
- Franciscan Healthcare-Munster; Munster, Indiana

Per the applicants *“Franciscan St James Health has not had any adverse actions against any Illinois health care facility owned or operated by it during the three (3) year period prior to the filing of this application. Franciscan St James Health authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1130.220.b.3 or to obtain any documentation or information which the State Board or Agency finds pertinent to this CON/COE application. “*

C) Criterion 1110.230 (b) – Safety Net Impact Statement

The applicants stated the following in an amended Safety Net Impact Statement received March 2, 2016 by the Board Staff.

“Franciscan St. James Health is one of the largest providers of safety net services in the southern suburbs. In 2014 in excess of \$19M (cost) in charity care was provided through the two hospitals, representing a 150% increase over 2012. Similarly, \$27.7M in Medicaid services was provided in 2014, representing a 130% increase over 2012. Care to the financially-disadvantaged segments of the community are provided consistent

with a 100 year history of doing so, and remaining true to the mission of "Continuing Christ's ministry in the Franciscan tradition," reflecting values of respect for life, compassionate concern, and joyful service. The project addressed through this Certificate of Need application is limited to the modernization of Franciscan St James Health-Olympia Fields. Primary components of the project that improve the provision of safety net services include the addition of Medical/Surgical and ICU beds, the establishment of obstetrics and comprehensive physical rehabilitation programs, and the expansion of the hospital's Emergency Department. As such, the project will have a positive impact on the communities served by the hospital. Franciscan St. James Health-Olympia Fields is a member of Franciscan Alliance, Inc., a 14-hospital system. Historically, Franciscan Alliance has subsidized its two Illinois hospitals. It is anticipated that following the consolidation of inpatient services currently provided at Franciscan St. James Health-Olympia Fields and Franciscan St. James Health-Chicago Heights, the level at which Franciscan Alliance, Inc. has had to subsidize the hospital(s) will be reduced. Individual hospitals within Franciscan Alliance, Inc. do not subsidize one another. The proposed project addressed through this Certificate of Need application does not involve the discontinuation of any safety net services. Every three years, Franciscan St. James Health, in cooperation with other community resources, leads a community needs assessment that provides a framework for community-based health care programming. Franciscan St. James is currently working under a needs assessment conducted in late 2012/early 2013, and which identified three areas of focus: diabetes health and awareness, cardiovascular disease awareness and education, and access to care. Addressing these issues, during 2014:

- Approximately 580 individuals with previously undiagnosed diabetes were identified and referred to the St. James Diabetes Center or to another provider for education, nutritional counseling, and follow-up care.*
- A process for identifying patients suffering from Chronic Obstructive Pulmonary Disease (COPD) or Chronic Heart Failure (CHF), and at risk of being readmitted was developed. A multi-disciplinary team was established to develop plans of care and discharge plans and to transition patients to appropriate treatment settings.*
- The Franciscan Primary Care Clinic was established to provide post-discharge care and immediate follow-up visits to patients without a primary care provider. This clinic, which provides services at a reduced cost, is designed to serve as a bridge between hospitalization and the establishment of a relationship with a primary care provider. Approximately 3,400 patients benefited from this program last year. In addition, Franciscan St. James developed a program to link area residents needing transportation to health care services with providers, and also developed a program to transport area residents to its hospitals, without any cost to the patient. Of a more general nature, Franciscan St. James is a sponsor of and participant in numerous community-based health fairs throughout the region, and provides direct monetary support to 45-50 not-for-profit agencies and groups annually. Those groups and agencies provide improved education, housing, social support, and health care services to the communities in the south suburbs."*

TABLE SIX ⁽¹⁾			
St. James Health Olympia Fields			
Safety Net Information per PA 96-0031			
Net Patient Revenue	\$122,258,944	\$140,776,942	\$150,706,977
CHARITY CARE			
Charity (# of patients)	2012	2013	2014
Inpatient	1,410	460	750
Outpatient	8,313	3,753	6,596
Total	9,723	4,213	7,346
Charity (cost In dollars)			
Inpatient	\$1,442,502	\$2,227,569	\$4,143,455
Outpatient	\$1,818,028	\$3,129,296	\$4,484,477
Total	\$3,260,530	\$5,356,865	\$8,627,932
Charity Care % of Net Revenue	2.67%	3.81%	5.72%
MEDICAID			
Medicaid (# of patients)			
Inpatient	336	363	443
Outpatient	12,102	7,249	10,361
Total	12,438	7,612	10,804
Medicaid (revenue)			
Inpatient	\$1,797,593	\$5,847,275	\$5,143,947
Outpatient	\$1,865,585	\$3,544,492	\$10,752,113
Total	\$3,663,178	\$9,391,767	\$15,896,060
Medicaid as of % of Net Revenue	3.00%	6.67%	10.55%
<i>1. Information amended March 2, 2016 in Additional Information provided by the Applicants</i>			

D) Criterion 1110.230 (c) – Alternatives to the Proposed Project

The applicants stated the following:

1. Discontinuation of St. James Chicago Heights and the Modernization of St. James Olympia Fields

This alternative includes the hospital-related components of the proposed project, but does not include the expanding of the Chicago Heights freestanding outpatient center. Had this alternative been selected, the capital cost would be reduced by the estimated capital cost associated with the expanding of the freestanding outpatient center (approximately \$7M); and overall operating costs would be reduced by \$1.75-\$2.0M per year, as a result of not adding staff to the freestanding outpatient center. Access to outpatient services, primarily for Chicago Heights area residents, would be diminished. The approximate capital costs is \$114 million.

2. Limit the Project to the Discontinuation of St. James Chicago Heights

This alternative could be accomplished without the filing of a Certificate of Need, and could be accomplished without any community or regulatory agency input. Compared to

the proposed project, the capital costs to be incurred by Franciscan Alliance, Inc. would be less than \$5M, and operating costs would be minimal (limited to utilities required to maintain the building). Accessibility, however, would be significantly reduced. FSJ-OF has the capacity to increase its Medical/Surgical average daily census by approximately 25 patients a day, and its ICU average daily census by approximately 4 patients a day, without any expansion. Incremental inpatients now admitted to FSJ-CH would either experience delayed admissions or require admission to another hospital. Because the Franciscan St. James Hospitals operate with a common medical staff, the applicants are confident that, to the extent beds are available at FSJOF, those beds would be fully utilized. Obstetrics services and comprehensive physical rehabilitation services are not provided at FSJ-OF (and are proposed to be established through the project addressed in this application), and therefore, access to those services through Franciscan St. James Health would be eliminated. Last, access to 24 hour-a-day urgent care services and increased access to outpatient services through the increasing of capacity at FSJ-OF and the expanding of Franciscan Alliance's Chicago Heights outpatient center would be eliminated if this alternative were selected. The approximate capital costs are \$4-5 Million.

3. Renovate St. James Chicago Heights and Continue to Operate as a Hospital.

This alternative was dismissed for a variety of reasons, including the impracticality of renovating a facility that is over 100 years old, the disruption to on-going hospital operations that would result, and the service redundancies that can no longer be financially tolerated. An evaluation of the facility and a conceptual estimate of the cost associated with renovation revealed that, primarily due to the age of the facility, many "systems" issues simply could not be resolved, and that shortcomings that could be addressed would cost \$60-70M, with the result continuing to be a 100 year old building. The operating costs associated with this alternative exceed that of the proposed project by \$35-40M per year. Because of the manner in which patient care units and ancillary services, ranging from the kitchen to the surgical suite are distributed throughout the facility, the sub-alternative of renovating and continuing to use a portion of the hospital was immediately dismissed. In addition, this alternative would not allow the proposed discontinuation of 248 beds. Access to services would not be impacted with this alternative. However, the fact that FSJ-OF is located only ten minutes from the FSJ-CR campus, and the reality that many Illinois residents, including many in the metropolitan Chicago area, live more than ten minutes from the nearest hospital, suggests that access to inpatient services will not be significantly diminished. In addition, Health Planning Area A-04 is grossly over-bedded in terms of acute care beds, with the most recent IDPH calculations identifying an excess of 639 Medical/Surgical/Pediatrics beds, 74 obstetrics beds, and 20 ICU beds. The approximate capital costs would be \$60-\$70 million.

4. Replace St. James Chicago Heights

This alternative, which would not involve the modernization of St. James Olympia Fields or the expanding of the freestanding outpatient center, was dismissed because unnecessary duplication (impact on access, as discussed above) would not be eliminated,

and because of the cost. The same issues associated with area over-bedding discussed with Alternative 3 would apply to this alternative. The capital cost associated with the construction of a 140-145 bed hospital on the existing site would approximate \$275M. Operating costs would exceed those of the proposed project by approximately \$35M per year. Impact on access to services would be identical to those discussed in association with Alternative 3. The approximate capital costs would be \$275 million.

VIII. Size of Project, Projected Utilization, Assurances

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

The applicants do not meet the State Board Size requirements as provided in Section 1110 Appendix B for obstetric beds, comprehensive physical rehabilitation beds, and Level I and Level II + Nursery. *Information on the size of the project can be found at pages 52-54 of the Application for Permit as well as an explanation of the overages.*

TABLE SEVEN Size of the Project						
Department	Number of Beds Units Rooms	Proposed GSF	State Standard		Difference	Met Requirements
			Room/Unit	Total		
Medical/Surgical Unit	157	89,836	660 dgsf/bed	103,620	-13,784	Yes
Obstetrics Unit	12	7,952	660 dgsf/bed	7,920	32	No
ICU	31	21,061	685 dgsf/bed	21,235	-174	Yes
Comprehensive Rehab.	14	10,760	660 dgsf/bed	9,240	1,520	No
Level I & Level II+ Nursery	12	3,056	160 dgsf	1,920	1,136	No
Labor & Delivery	3	4,760	1,600 dgsf/room	4,800	-40	Yes
C-Section Suite	2	4,087	2,075 dgsf/room	4,150	-63	Yes
Imaging		18,966		23,600	-4,634	Yes
General Radiology	5		1,300 dgsf/unit	6,500		
CT	3		1,800 dgsf/unit	5,400		
MRI	3		1,800 dgsf/unit	5,400		
Ultrasound	7		900 dgsf/unit	2,100		
Emergency Department	32	22,122		28,800	-6,678	Yes
Surgery	9	17,732		24,750	-7,018	Yes
Recovery		8,193		12,420	-4,227	Yes
Phase 1	9		180 dgsf/station	1,620		
Phase 2	27		400 dgsf/station	10,800		
<i>Source: Application for permit page 52</i>						

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 IAC 1110.234 (a))

B) Criterion 1110.234 (b) – Projected Utilization

The applicants have provided the projected utilization for all services proposed to be modernized or added in which the State Board has standards documented at Section 1110 Appendix B.

TABLE EIGHT								
Projected Utilization								
Projected Utilization St. James Hospital Olympia Fields								
Second Year After Project Completion								
Department	Beds Rooms Units Proposed	State Standard ⁽¹⁾	Historical ⁽²⁾		Average ⁽³⁾	Projected Utilization ⁽⁴⁾	Compounded Annual Increase ⁽⁵⁾	Met Standard
			2,013	2014	2013-2014	2020		
Medical/Surgical Unit	157	80.00%	34,629	33,104	33,867	50,334	6.17%	Yes
ICU	31	60.00%	4,332	4,398	4,365	6,731	6.38%	Yes
Obstetrics Unit	12	75.00%	0	0	0	3,015	NA	Yes
Comprehensive Rehab.	14	85.00%	0	0	0	4,154	NA	Yes
Operating Room - General	7	1,500 Hours	5,372	3,660	4,516	9,807	11.72%	Yes
Operating Room - Open Heart	1	1,500 Hours	85	105	95	1,198	43.63%	Yes
Operating Room - Urology	1	1,500 Hours	669	669	669	669	NA	Yes
Emergency Department	32	2,000 Visits	35,264	35,264	35,264	64,031	NA	Yes
LDR's	3	400 Births	0	0	0	835	NA	Yes
C- Section	2	800 Procedures	0	0	0	835	NA	Yes
General Radiology	5	8,000 Procedures	36,674	35,175	35,925	55,966	6.54%	Yes
CT	3	7,000 Visits	14,251	14,972	14,612	22,151	6.12%	Yes
MRI	3	2,500 Procedure	5,096	5,342	5,219	6,688	3.61%	Yes
Ultrasound	7	3,100 Visits	7,676	11,598	9,637	19,308	10.44%	Yes
1. State Standard found at Section 1110. Appendix B 2. Historical Information taken from 2013-2014 Annual Hospital Survey 3. Average is the average CY 2013 and CY 2014 historical information reported by the applicants for 2013-2014 Annual Hospital Survey 4. Projected Utilization provided by the applicants at page 55 of the application for permit. 5. Compounded Annual Increase is the increase from the average of CY 2013 and CY 2014 historical data and the 2020 projected information provided by the applicants at page 55 of the application for permit. 6. NA – Not Applicable because there was no historical information for these services								

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

C) Criterion 1110.234 (e) – Assurances

The applicants have provided assurance that the proposed medical surgical intensive care and comprehensive physical rehabilitation services will meet or exceed target utilization as the result of the proposed project.

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

IX. Medical Surgical Intensive Care and Obstetric Beds

A) Criterion 1110.530 (c) (2) (4) - Planning Area Need Expansion/Modernization

1. Medical Surgical and Intensive Care Beds Expansion/ Modernization

It appears that the applicants will provide service to the A-04 Hospital Planning Area residents as required by 77 IAC 1110.530 (c) (2) with the proposed expansion of the medical surgical and intensive care units. This conclusion is based upon information provided at pages 63-67 of the *Application for Permit which documents the patient origin by zip code*.

The rule requires the applicants to justify the number of beds to be added based upon the experienced high occupancy and to meet the projected demand for service. The applicants relied upon the assumption that there will be additional workload as a result of the discontinuation of the Chicago Heights facility. Based upon that discontinuation the applicants believe there will be an increase in demand on a compounded annual basis of 6.17% in medical surgical patient days and 6.38% compounded annual growth in intensive care patient days for the period CY 2014 to CY 2020. The projected growth assumes that 85% of the Chicago Heights medical surgical patient days, 80% of the Chicago Heights patient days intensive will

Additionally there are five (5) facilities within 30 minutes (adjusted) with medical surgical and intensive care beds, none of the facilities meets the State Board Standard for medical surgical beds of eighty-five percent (85%) for a bed complement of 100-199 beds and ninety percent (90%) for a bed complement over two hundred (200) beds. Only one hospital meets the State Board target utilization of sixty percent (60 %) for intensive care beds. See Table Five below.

TABLE NINE						
Utilization of Hospitals within Thirty (30) minutes						
Facility	Category of Service					
	Medical Surgical/ Intensive Care Beds					
	City	Time	M/S	Util.	ICU	Util.
Franciscan St. James Health-Chicago Heights	Chicago Heights	9	230	31.20%	20	38.70%
Advocate South Suburban Hospital	Hazel Crest	10	197	56.80%	20	75.90%
Ingalls Memorial Hospital	Harvey	17	298	38.90%	25	43.50%
Metro South Medical Center	Blue Island	20	242	28.50%	28	33.70%
Palos Community Hospital	Palos Heights	26	306	70.70%	36	41.80%

Historical utilization at the Olympia Fields Hospital does not justify the number of medical surgical or intensive care beds being proposed to be added. Based upon the two years of historical data the applicants can justify one hundred seventeen (117) medical surgical beds and twenty (20) intensive care beds.

The applicants are proposing to increase the number of medical surgical beds from one hundred thirty three (133) to one hundred fifty seven (157) an increase of twenty four (24) medical surgical beds and an increase in intensive care beds from twenty five (25) beds to thirty one (31) beds. There is calculated excess six hundred thirty nine (639) and 20 intensive care beds in the A-04 planning area.

TABLE TEN						
Historical Utilization of St. James Olympia Fields						
Department	Beds Rooms Units Proposed	State Standard	Historical		Average	Number of Rooms Justified At Target Occupancy
			2,013	2014	2013-2014	
Medical/Surgical Unit	157	80.00%	34,629	33,104	33,867	117
ICU	31	60.00%	4,332	4,398	4,365	20
<i>Source: Information provided by the applicants in the Annual 2013-2014 Annual Hospital Survey</i>						

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1110.530 (c) (2) (4))

2. Obstetric Beds

The applicants are proposing to add a twelve (12) bed obstetric category of service at the Olympia Fields facility. There is a calculated excess of seventy four (74) obstetric beds in the A-04 Hospital Planning Area. There are eight (8) facilities in the A-04 Hospital planning area that currently have obstetric services. Of those eight (8) facilities five (5) facilities are within thirty minutes (adjusted) of Olympia Fields. The State Board target occupancy is 75% for facilities with a bed capacity of 11-25 beds; and 78% for facilities with a bed capacity of 26 or more beds. As can be seen by the Table below none of the existing facilities within thirty (30) minutes in the A-04 Hospital planning area are at the State Board's target occupancy. The applicants believe that the proposed obstetric category of service's workload will come from the discontinued Chicago Heights facility. With the five (5) underutilized facilities in the A-04 planning area and a calculated excess of obstetric beds in the A-04 planning area it does not appear the establishment of a new service is necessary.

TABLE ELEVEN Facilities within thirty (30) minutes				
Facility	City	Adjusted Time	OB Beds	2014 Utilization
Franciscan St. James Health-Chicago Heights (1)	Chicago Heights	9	22	58.20%
Advocate South Suburban Hospital	Hazel Crest	10	16	50.60%
Ingalls Memorial Hospital	Harvey	17	21	50.60%
Metro South Medical Center	Blue Island	20	30	50.70%
Palos Community Hospital	Palos Heights	26	28	28.70%
1. Proposed to be discontinued (#E-008-16)				

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (OBSTETRIC BEDS) (77 IAC 1110.530 (c) (1) (2) (3) (5))

B) Criterion 1110.530 (d) (1) (2) (3) – Unnecessary Duplication of Service/Mal-distribution of Service and Impact on Other Facilities

As can be seen from the table above there are five facilities within thirty (30) minutes operating at less than the State Board’s target occupancy for obstetric beds. The ratio of obstetric beds in the planning area to the planning area population is one (1) bed per every 982 females (15-44) compared to the State of Illinois ratio of one (1) bed for every 1,368 females (15-44). Because of the underutilization of existing services in the A-04 Planning Area it does appear that a unnecessary duplication of service would occur with the establishment of this service.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE/ MAL-DISTRIBUTION/IMPACT ON OTHER FACILITIES (OBSTETRIC BEDS) (77 IAC 1110.530 (c) (1) (2) (3) (5))

C) Criterion 1110.530 (f) – Staffing

The applicants stated the following:

“Management of the facility believes that upon the completion of the proposed project, normal attrition that will occur during the project, and the associated discontinuation of Chicago Heights virtually all Chicago Heights personnel assigned to the Medical/Surgical units, the Obstetrics unit, and the ICU will be offered comparable positions at Olympia Fields. As a result, difficulties in staffing these units at Olympia Fields are not anticipated. Should any positions on the proposed unit go unfilled by existing employees, normal means of recruitment, including advertising in newspapers and professional journals will be used to attract highly-qualified personnel.” (See Application for Permit page 68)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING (77 IAC 1110.530 (f))

D) Criterion 1110.530 (g) – Performance Requirements

The applicants are in compliance with the number of beds for medical surgical, intensive care and obstetric care beds in the Chicago-Naperville-Arlington Heights MSA. The performance requirement is one hundred (100) M/S beds, four (4) intensive care beds and four (4) obstetric care beds in a Metropolitan Statistical Area.

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

E) Criterion 1110.530 (h) – Assurances

The applicants provided assurance that medical surgical, intensive care, and obstetric care beds will be at target occupancy by the second year after project completion.

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

Comprehensive Physical Rehabilitation Beds

A) Criterion 1110.630 (c) (1) (2) (3) (5) – Planning Area Need

There are currently twelve (12) hospitals in the HSA VII Comprehensive Physical Rehabilitation Service Area that provide this service (see Table Twelve below). There is a calculated excess of one hundred eighteen (118) comprehensive physical rehabilitation beds in the HSA VII Comprehensive Physical Rehabilitation Planning Area. There are two (2) facilities within thirty (30) minutes adjusted that do not meet the State Board's target occupancy of eighty five percent (85%) for comprehensive physical rehabilitation beds. There was no indication of service access limitations or restrictive admission policies at other providers within the HSA VII Comprehensive Physical Rehabilitation Planning Area. Based upon the above it does not appear additional beds are warranted in this planning area.

TABLE TWELVE			
Hospitals within the HSA VII Comprehensive Physical Rehabilitation Service Area			
Hospitals	City	Beds	2014 Utilization
Adventist LaGrange Memorial Hospital ⁽¹⁾	LaGrange	16	0.00%
Advocate Christ Hospital & Medical Center	Oak Lawn	37	88.40%
Alexian Brothers Medical Center	Elk Grove Village	76	81.60%
Evanston Hospital Evanston	Evanston	22	73.20%
Franciscan St. James Health-Chicago Heights	Chicago Heights	30	36.20%

TABLE TWELVE			
Hospitals within the HSA VII Comprehensive Physical Rehabilitation Service Area			
Hospitals	City	Beds	2014 Utilization
Ingalls Memorial Hospital	Harvey	46	47.20%
Loyola University Medical Center	Maywood	32	62.50%
Lutheran General Hospital - Advocate	Park Ridge	45	76.40%
MacNeal Hospital ⁽²⁾	Berwyn	12	0.00
Marianjoy Rehabilitation Center	Wheaton	100	86.20%
Northwest Community Hospital ⁽³⁾	Arlington Heights	17	0.00%
Rush Oak Park Hospital	Oak Park	36	8.60%
Westlake Hospital ⁽⁴⁾	Melrose Park	28	25.80%
Total		497	
1. Approved to establish sixteen (16) bed category of service as Permit #13-073. 2. Approved to establish (12) twelve bed category of service as Permit #14-066 3. Approved to establish seventeen (17) bed category of service as Permit # 14-021 4. Approved to discontinue twelve (12) beds as part of Permit #14-066 <i>Source: Inventory of Health Care Facilities and Services and Need Determinations</i>			

The applicants are proposing to establish a fourteen (14) bed Comprehensive Physical Rehabilitation category of service. Instead the applicants believe the workload will come from the discontinued Chicago Heights facility. The applicants are relying upon the historical utilization at Franciscan St. James Health-Chicago Heights' rehabilitation unit to justify the establishment of this category of service. It is assumed that Chicago Heights entire caseload will be accommodated at Olympia Fields facility. The applicants stated that the vast majority of Olympia Fields patients in need of comprehensive physical rehabilitation services have been referred or transferred to Chicago Heights.

TABLE THIRTEEN				
Category of Service				
Facility	City	Adjusted Time	Rehab. Beds	Util.
Franciscan St. James Health-Chicago Heights ⁽¹⁾	Chicago Heights	9	30	36.2%
Ingalls Memorial Hospital	Harvey	17	46	47.2%
1. Proposed discontinuation (#E-008-16)				

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION COMPREHENSIVE PHYSICAL REHABILITATION PLANNING AREA NEED (77 IAC 1110.630 (c) (1) (2) (3) (5))

B) Criterion 1110.630 (d) (1) (2) (3) – Unnecessary Duplication of Service, Maldistribution of Service/Impact on Other Facilities

There are two facilities in the HSA VII Comprehensive Physical Rehabilitation Planning Area within thirty (30) minutes of the proposed service that provide comprehensive

physical rehabilitation inpatient care. As can be seen from the Table above neither of the two facilities is at the State Board's target occupancy of eighty five percent (85%). The State of Illinois ratio of comprehensive physical rehabilitation beds to the State of Illinois population is one (1) bed to every 7,532 individuals. The ratio of beds in the thirty (30) minute service area is one (1) bed for every 10,705 individuals. A mal-distribution or a surplus of beds is not evident in this service area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE MALDISTRIBUTION OF SERVICE IMPACT ON OTHER PROVIDERS COMPREHENSIVE PHYSICAL REHABILITATION SERVICES (77 IAC 1110.630 (d) (1) (2) (3))

C) Criterion 1110.530 (f) – Staffing

The applicants stated the following:

“All relevant clinical and professional staffing for the proposed comprehensive physical rehabilitation unit will be provided. As discussed elsewhere in this document, Franciscan Alliance, Inc. will discontinue Franciscan St. James Health-Chicago Heights, including its rehabilitation unit. It is anticipated that all, or nearly all staff of the Chicago Heights rehabilitation unit will be offered comparable positions on the proposed rehabilitation unit; and it is further anticipated that all, or nearly all of the Chicago Heights unit's staff will accept positions at Olympia Fields. Should any positions on the proposed unit go unfilled by existing employees, normal means of recruitment, including advertising in newspapers and professional journals will be used to attract highly-qualified personnel.”

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION COMPREHENSIVE PHYSICAL REHABILITATION STAFFING (77 IAC 1110.630 (f))

D) Criterion 1110.530 (g) – Performance Requirements

The applicants stated the following:

The proposed project involves the establishment of fourteen (14) bed comprehensive physical rehabilitation unit. The performance requirement is sixteen (16) beds. According to the applicants *“A fourteen (14) bed unit is being proposed to be absolutely consistent with the historical utilization of the service at Franciscan St. James Health-Chicago Heights, which will be discontinued.”*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION COMPREHENSIVE PHYSICAL REHABILITATION PERFORMANCE REQUIREMENTS (77 IAC 1110.630 (g))

E) Criterion 1110.530 (h) – Assurances

The applicants provided assurance that comprehensive physical rehabilitation service will be at target occupancy by the second year after project completion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION COMPREHENSIVE PHYSICAL REHABILITATION PERFORMANCE REQUIREMENTS (77 IAC 1110.630 (g))

X. Clinical Services Others than Categories of Service

These criteria are applicable only to those projects or components of projects (including major medical equipment), concerning Clinical Service Areas (CSAs) that are not "Categories of Service", but for which the State Board has utilization standards. For those services below that are being modernized (emergency department, operating rooms, general radiology, CT, MRI, and Ultrasound) the State Board Staff relies upon the historical utilization at the existing facility to justify the beds/unit/rooms being proposed. For the new services being proposed (LDR's and C-Section Rooms) the applicants are assuming that anywhere from 70-85% of the current workload at the Chicago Heights facility will be accommodated at Olympia Fields hospital. The State Board does not have a standard for the critical decision unit (i.e. observation beds) being proposed by the applicants. (See Application for Permit pages 79-83)

TABLE FOURTEEN Historical Utilization St. James Hospital Olympia Fields						
Department	Beds Rooms Units	State Standard	Historical ⁽¹⁾		Average	Number of Rooms Justified Based Upon Average Utilization
			2,013	2014	2013-2014	
Emergency Department	32	2,000 Visits	35,264	35,264	35,264	18
Critical Decision Unit	18	NA	NA	NA	NA	NA
Operating Room - General	7	1,500 Hours	5,372	3,660	4,516	4
Operating Room - Open Heart	1	1,500 Hours	85	105	95	1
Operating Room - Urology	1	1,500 Hours	669	669	669	1
LDR's	3	400 Births	0	0	0	NA
C- Section	2	800 Procedures	0	0	0	NA
General Radiology	5	8,000 Procedures	36,674	35,175	35,925	5
CT	3	7,000 Visits	14,251	14,972	14,612	3
MRI	3	2,500 Procedure	5,096	5,342	5,219	3
Ultrasound	7	3,100 Visits	7,676	11,598	9,637	4
<i>Source: Application for Permit pages 79-83</i> 1. Historical Utilization from 2013- 2014 Olympia Fields Hospital Annual Survey NA: Not Applicable - The State Board does not have a standard for the proposed service						

1. Emergency Department

The applicants are proposing to increase the number of emergency department stations from twenty two (22) stations to thirty two (32) stations. Historical utilization justifies eighteen (18) stations and not the thirty two (32) being proposed. The applicants believe that seventy percent (70%) of the averaged emergency department visits at Chicago Heights will utilize the Olympia Field's emergency department going forward. This projection is based on the applicants' discussions with EMS personnel.

2. Critical Decisions Unit (CDU) (observation beds)

The applicants are proposing a Critical Decisions Unit adjacent to the emergency department for non-obstetrics patients that have occupied inpatient beds at Olympia Fields and Chicago Heights for observation purposes. According to the applicants the following assumptions were made:

- 70% of Chicago Heights patients would utilize the service at Olympia Fields
- the number of traditional Olympia Fields patients would remain constant
- the average length of stay for CDU patients will be 14 hours
- an 85% occupancy target would be appropriate for this service

Based upon the assumption the applicants identified a need for eighteen (18) CDU stations. The State Board does not have utilization standards for this service.

3. Operating Rooms

The applicants are proposing a total of nine (9) operating rooms. One (1) operating room will be designated and reserved for open heart surgery, and one (1) will be used for urological procedures. The remaining seven (7) operating rooms will be designated as general operating rooms, and used for all other surgical specialties. The applicants are projecting eighty percent (80%) of the average surgical hours for CY 2013 and CY 2014 that were utilized at Chicago Heights will be accommodated at Olympia Fields. According to the applicants this projection was based upon discussions with appropriate personnel at the hospitals. Historical utilization will justify four (4) rooms and not the seven (7) rooms being requested.

4. Open Heart Surgery Room

The applicants are proposing one (1) operating room designated to open heart surgery. Average utilization for the period 2013-2014 is ninety five (95) surgeries per year. While this average number of surgeries would justify the one (1) operating room it is well below the number of surgeries (200 procedures per year) in which the State Board believes an existing open heart surgery program should be operating.

5. Operating Room Urology

The applicants are proposing one (1) operating room for urological procedures. The average number of procedures (669) for the period CY 2013-CY 2014 warrants one (1) surgery room.

6. Pre-Op & Recovery

Fourteen (14) pre-op, nine (9) phase I recovery and twenty seven (27) phase II recovery stations will be located contiguous to the surgical suite. The State Board does not have a

standard for pre-op stations. The State Board Standard is four (4) recovery stations per operating room or a total of thirty six (36) recovery stations. The applicants are proposing a total of nine (9) operating rooms therefore thirty six (36) recovery rooms are justified.

7. Imaging

According to the applicants no changes are being made to mammography, nuclear medicine and diagnostic angiography at the Olympia Fields Hospital.

8. General Radiography and Fluoroscopy

The applicants are proposing five (5) units for this service. The two year average utilization at Olympia Fields will justify the five (5) units being proposed by the applicants

9. CT – Computer Tomography

The applicants are proposing three (3) units for this service with one of the units being a PET/CT unit. The two year average utilization at Olympia Fields will justify the three (3) units being proposed by the applicants.

10. MRI – Magnetic Resonance Imaging

The applicants are proposing three (3) units for this service. The two year average utilization at Olympia Fields will justify the three (3) units being proposed by the applicants

11. Ultrasound

The applicants are proposing seven (7) units for this service. The two year average utilization at Olympia Fields will justify four (4) units and not the seven (7) being requested.

12. Labor Delivery Recovery and C -Section Rooms

The applicants are proposing three (3) new labor delivery recovery rooms and three C-Section Suites for the obstetric service being proposing by the applicants. The applicants are basing these rooms upon the anticipated caseload at Chicago Heights being accommodated by the proposed new service at Olympia Fields. Because there is no calculated need for any new obstetric services in the A-04 planning area it does not appear these rooms would be necessary.

Historical utilization does not justify the number of emergency rooms being requested, the number of operating rooms being requested or the ultrasound equipment. It also appears that the open heart surgery program is underutilized and is operating below the

standards established by the Board. There is no need for OB rooms in this planning area therefore it does not appear to be a need for labor delivery recovery and C- Section Suite.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH CRITERION CLINICAL SERVICES OTHER THAN CATEGORIES OF SERVICE (77 IAC 1110.3030 (c) (d))

XI. FINANCIAL VIABILITY

A) Criterion 1120.120 – Availability of Funds

The applicants are funding this project with cash of \$99,602,559 and a bond issue of \$15,000,000. The applicants have provided evidence of a bond rating of “A” or better at *pages 85-92 of the application for permit.*

TABLE FIFTEEN Franciscan Alliance Inc. and Affiliates Audited Financial December 31, 2014 and 2013 <i>(in thousands)</i>		
	2014	2013
Cash	\$55,757	\$42,371
Current Assets	\$624,451	\$689,817
PPE	\$1,557,201	\$1,587,214
Total Assets	\$4,590,081	\$4,314,335
Current Liabilities	\$406,909	\$361,234
LTD	\$1,077,544	\$1,097,229
Total Liabilities	\$2,129,088	\$1,801,096
Patient Service Revenue	\$2,425,309	\$2,321,297
Total Revenue	\$2,718,259	\$2,608,549
Operating Expenses	\$2,502,530	\$2,571,862
Operating Income	\$215,729	\$36,687
Excess of Revenue over Expenses	\$251,706	\$244,039
<i>Source: Application for Permit pages 93-131</i>		

B) Criterion 1120.130 – Financial Viability

Financial Viability ratios are not required because the applicants have provided evidence of an “A” or better bond rating at *pages 85-92 of the Application for Permit.*

XII. ECONOMIC FEASIBILITY

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

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

The applicants have provided evidence of an “A” or better bond rating at *pages 85-92 of the application for permit and a statement from Arnold Kimmel, CEO “stating that the*

conditions of debt proposed to partially finance the proposed modernization program at Franciscan St. James Health Olympia Fields are reasonable. As of the filing of the required Certificate of Need applications, it is anticipated that approximately \$15,000,000 of the project's cost will be funded through a bond issuance, with the remainder of the project's cost to be funded through the use of cash and readily available securities. It is the applicants' opinion that the combination of debt and equity financing identified in the CON application represents the lowest net cost reasonably available to Franciscan Alliance, Inc. at this time, and the most advantageous funding scenario available.”

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

Only clinical costs are reviewed as part of this criterion. The itemization of each cost includes both clinical and non-clinical costs.

Preplanning Cost – These costs are \$1,200,000 and are 1.56% of the new construction, modernization contingencies and new equipment costs. This appears reasonable when compared to the State Board Standard of 1.8% or \$1,381,920. These costs include the following:

Evaluation of alternatives	\$400,000
Financial Feasibility Study	\$200,000
Cost estimating	\$450,000
Equipment Planning	\$200,000
Facility Assessment	\$90,000
Miscellaneous	<u>\$250,000</u>
Total	\$1,590,000

Site Survey Soil Investigation and Site Preparation – These costs are \$ \$1,218,250 or 1.94% of new construction, modernization and contingencies. This appears reasonable when compared to State Board Standard of 5% or \$3,146,581. These costs include the following:

Soil Investigation	\$15,000
Surveys	\$10,000
Ambulance and OB drop off	\$700,000
Exterior signage/lighting	\$400,000
Landscaping	\$80,000
Site demo and parking prep	\$520,000
Miscellaneous	<u>\$100,000</u>
Total	\$1,825,000

Off Site Costs – These costs are \$2,044,000. The State Board does not have a standard for these costs. These costs include the following:

Parking/Walk Way/Roadway paving	\$2,300,000
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Crawford Expansion	\$300,000
Miscellaneous	<u>\$200,000</u>
Total	\$2,800,000

New Construction and Contingency Costs – These costs are \$25,944,246 or \$425.76 per GSF. This appears reasonable when compared to the State Board Standard of \$524.03.

Modernization and Contingency Costs – These costs are \$36,987,383 or \$305.17 per GSF. These costs appear reasonable when compared to the State Board Standard of \$354.45.

Contingencies Costs – These costs are \$1,818,050 or 2.97% of new construction and modernization costs. This appears reasonable when compared to the State Board Standard of 10-15% or \$9,167,037.

Architectural and Engineering Fees – These costs are \$4,000,000 or 6.55% of new construction and modernization costs. This appears reasonable when compared to the State Board Standard of 4.95 -7.43%. These costs include the following:

Design	\$5,000,000
Document Preparation	\$150,000
Interface with agencies	\$50,000
Project Monitoring	\$100,000
Other	<u>\$290,000</u>
Total	\$5,590,000

Consulting and Other Fees – These costs are \$730,000. The State Board does not have standards for these costs. These costs include the following:

Interior Design	\$150,000
IT Planning and Consulting	\$50,000
CON application fee	\$100,000
Legal	\$50,000
Community Relations	\$100,000
Medical Equipment	
Planning	\$150,000
Commissioning	\$100,000
Re-location related	\$200,000
Other	<u>\$100,000</u>
Total	\$1,000,000

Moveable or Other Equipment – These costs are \$13,841,710. The State Board does not have standards for these costs. Itemization of these costs can be found at pages 38-39 of the application for permit.

Bond Issuance Expense – These costs are \$109,500. The State Board does not have a standard for these costs.

Net Interest Expense During Construction – These costs are \$1,204, 500. The State Board does not have a standard for these costs.

D) Criterion 1120.140 (d) – Direct Operating Costs

The direct operating cost per equivalent patient day for the hospital is \$1,781.25. The State Board does not have standard for these costs. These costs do appear reasonable when compared to previously approved projects. *See Application for Permit page 135.*

E) Criterion 1120.140 (e) – Projected Capital Costs

The projected capital cost per equivalent patient day is \$257.88. The State Board does not have standard for these costs. These costs do appear reasonable when compared to previously approved projects. *See Application for Permit page 135.*

16-005 Franciscan St James Olympia Fields - Olympia Fields



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Ownership, Management and General Information			Patients by Race		Patients by Ethnicity	
ADMINISTRATOR NAME:	Arnold Kimmel		White	47.3%	Hispanic or Latino:	0.6%
ADMINSTRATOR PHONE	708-756-1000		Black	51.8%	Not Hispanic or Latino:	99.0%
OWNERSHIP:	FRANCISCAN ALLIANCE, INC.		American Indian	0.1%	Unknown:	0.4%
OPERATOR:	FRANCISCAN ALLIANCE, INC.		Asian	0.4%		
MANAGEMENT:	Church-Related		Hawaiian/ Pacific	0.0%	IDPH Number:	5074
CERTIFICATION:	None		Unknown	0.4%	HPA	A-04
FACILITY DESIGNATION:	General Hospital				HSA	7
ADDRESS	20201 South Crawford	CITY: Olympia Fields	COUNTY:	Suburban Cook County		

Facility Utilization Data by Category of Service										
Clinical Service	Authorized CON Beds 12/31/2014	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	133	88	81	5,835	26,029	7,075	5.7	90.7	68.2	103.1
0-14 Years				18	46					
15-44 Years				778	2,735					
45-64 Years				1,768	7,543					
65-74 Years				1,280	6,039					
75 Years +				1,991	9,666					
Pediatric	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Intensive Care	25	25	22	1,256	4,393	5	3.5	12.0	48.2	48.2
Direct Admission				835	835					
Transfers				421	3,558					
Obstetric/Gynecology	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Maternity				0	0					
Clean Gynecology				0	0					
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	158			6,670	30,422	7,080	5.6	102.7	65.0	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	47.6%	6.7%	0.3%	33.7%	0.3%	11.4%	
	3138	443	22	2220	17	750	6,590
Outpatients	30.2%	11.1%	0.8%	50.7%	0.1%	7.0%	
	28262	10361	779	47486	94	6596	93,578

Financial Year Reported:	1/1/2014 to	12/31/2014	Inpatient and Outpatient Net Revenue by Payor Source					Charity Care Expense	Total Charity Care Expense
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals			
Inpatient Revenue (\$)	53.2%	7.8%	0.0%	37.9%	1.1%	100.0%			8,627,932
	35,049,045	5,143,947	28,309	24,944,875	715,277	65,881,453	4,143,455		
Outpatient Revenue (\$)	20.1%	12.7%	0.3%	65.0%	1.9%	100.0%			Total Charity Care as % of Net Revenue
	17,061,633	10,752,113	234,934	55,133,586	1,643,258	84,825,524	4,484,477		5.7%

Birthing Data			Newborn Nursery Utilization			Organ Transplantation	
Number of Total Births:	0		Level I	Level II	Level II+	Kidney:	0
Number of Live Births:	0	Beds	0	0	0	Heart:	0
Birthing Rooms:	0	Patient Days	0	0	0	Lung:	0
Labor Rooms:	0	Total Newborn Patient Days			0	Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	0
Labor-Delivery-Recovery Rooms:	0					Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	0					Total:	0
C-Section Rooms:	0						
CSections Performed:	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	2	2	172	54	862	149	1011	5.0	2.8
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	5	5	45	657	80	772	852	1.8	1.2
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	1	1	5	2	7	5.0	2.0
OB/Gynecology	0	0	0	0	6	84	17	78	95	2.8	0.9
Oral/Maxillofacial	0	0	0	0	6	25	6	27	33	1.0	1.1
Ophthalmology	0	0	0	0	1	522	2	521	523	2.0	1.0
Orthopedic	0	0	0	0	13	565	26	815	841	2.0	1.4
Otolaryngology	0	0	0	0	30	98	49	102	151	1.6	1.0
Plastic Surgery	0	0	0	0	0	3	0	5	5	0.0	1.7
Podiatry	0	0	0	0	0	42	0	61	61	0.0	1.5
Thoracic	0	0	0	0	17	2	60	6	66	3.5	3.0
Urology	0	0	0	0	5	5	9	6	15	1.8	1.2
Totals	0	0	7	7	296	2058	1116	2544	3660	3.8	1.2

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

12

Stage 2 Recovery Stations

18

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	3	3	717	4012	475	2159	2634	0.7	0.5
Laser Eye Procedures	0	0	1	1	0	15	0	19	19	0.0	1.3
Pain Management	0	0	1	1	2	451	2	240	242	1.0	0.5
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
<u>Multipurpose Non-Dedicated Rooms</u>											
	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	No
Level of Trauma Service	Level 1
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	0
Patients Admitted from Trauma	0
Emergency Service Type:	Basic
Number of Emergency Room Stations	22
Persons Treated by Emergency Services:	35,264
Patients Admitted from Emergency:	9,697
Total ED Visits (Emergency+Trauma):	35,264

Free-Standing Emergency Center

Beds in Free-Standing Centers
Patient Visits in Free-Standing Centers
Hospital Admissions from Free-Standing Center

Outpatient Service Data

Total Outpatient Visits	86,982
Outpatient Visits at the Hospital/ Campus:	86,982
Outpatient Visits Offsite/off campus	0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	10
Cath Labs used for Angiography procedures	3
Dedicated Diagnostic Catheterization Lab	3
Dedicated Interventional Catheterization Labs	3
Dedicated EP Catheterization Labs	1

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	1,864
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	1,139
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	460
EP Catheterizations (15+)	265

Cardiac Surgery Data

Total Cardiac Surgery Cases:	105
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	105
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	60

Diagnostic/Interventional Equipment**Examinations****Therapeutic Equipment****Therapies/****Owned Contract****Inpatient****Outpt****Contract****Owned Contract****Treatments**

General Radiography/Fluoroscopy	5	0	14,577	20,598	0	Lithotripsy	0	0	0
Nuclear Medicine	4	0	551	2,339	0	Linear Accelerator	2	0	2,214
Mammography	3	0	0	12,642	0	Image Guided Rad Therapy			1,666
Ultrasound	4	0	2,869	8,729	0	Intensity Modulated Rad Thrp			2,106
Angiography	1	0				High Dose Brachytherapy	1	0	41
Diagnostic Angiography			532	627	0	Proton Beam Therapy	0	0	0
Interventional Angiography			106	263	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	0	1	0	0	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	2	0	4,650	10,322	0				
Magnetic Resonance Imaging	2	0	1,074	4,268	0				