



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET NO: H-06	BOARD MEETING: May 10, 2016	PROJECT NO: 16-010	PROJECT COST: Original: \$28,107,515
FACILITY NAME: OSF St. Mary Medical Center		CITY: Galesburg	
TYPE OF PROJECT: Non-Substantive			HSA: II

PROJECT DESCRIPTION: The applicant (OSF Healthcare System d/b/a St. Mary Hospital) is proposing to modernize and expand key clinical areas on the campus of OSF St. Mary Hospital, Galesburg. The total cost of the project is \$28,107,515. The anticipated completion date is August 15, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicant (OSF Healthcare System d/b/a St. Mary Hospital) is proposing to modernize and expand key clinical service areas at their existing acute care hospital, in Galesburg. The project involves 5,926 GSF of clinical new construction, and 25,212 GSF of modernization. The two-phased project will also include 11,447 GSF of modernized/newly constructed non-clinical space, and the overall project footprint will involve 43,205 GSF of space. The total cost of the project is \$28,107,515. The anticipated completion date is August 15, 2019.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are proposing a modernization/expansion project in excess of the capital expenditure minimum of \$12,797,313

PUBLIC COMMENT:

- A public hearing was offered in regard to this project, but one was not requested. The State Board Staff has received support letters regarding this project from .
 - o State Senator Chuck Weaver
 - o State Representative Donald Moffitt
 - o Mayor of Galesburg
 - o President, Galesburg Chamber of Commerce
 - o Knox County Health Department
 - o Knox County Area Partnership for Economic Development

CONCLUSION:

- The applicants addressed twelve (12) 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 as provided in Section 1110 Appendix B for Post Anesthesia Care Units (PACU I).
77 IAC 1120.140(C): Reasonableness of Project Costs	Modernization and Proportionate Contingencies Costs and the New Construction and Proportionate Contingencies Costs exceed the State Board standards. The applicants stated in part <i>that renovation construction in hospitals is historically more expensive than new construction and that phased construction necessitates increased installation of infection control measures and will necessitate the use of Fire Watch personnel to ensure the safety of occupants in the building during construction. Additionally off hours work will occur on this project which comes at a cost premium.</i> [For a complete discussion of the reason for the standard not being met see pages 131-134 of the Application for Permit]

**STATE BOARD STAFF REPORT
OSF St. Mary Hospital - Galesburg
Project #16-010**

APPLICATION/SUMMARY/CHRONOLOGY	
Applicants	OSF Healthcare System d/b/a St. Mary Medical Center
Facility Name	St. Mary Medical Center
Location	3333 North Seminary Street, Galesburg, Illinois
Operating Entity/Licensee	OSF St. Mary Medical Center
Owner of the Facility	OSF Healthcare System
Total GSF	43,205 GSF
Application Received	February 22, 2016
Application Deemed Complete	February 25, 2016
Review Period Ends	April 26, 2016
Financial Commitment Date	Upon Permit Issuance
Can Applicant Request Another Deferral?	Yes
Has review been extended?	No

I. The Proposed Project

The applicant (OSF Healthcare System d/b/a St. Mary Hospital) is proposing to modernize and expand key clinical service areas at their existing acute care hospital, in Galesburg. The project involves 5,926 GSF of new construction, and 25,212 GSF of modernization. The two-phased project will also include 11,447 GSF of modernized/newly constructed non-clinical space, and the overall project footprint will involve 43,205 GSF of space. The total cost of the project is \$28,107,515. The anticipated completion date is August 15, 2019. Table One outlines the specific areas to be affected.

II. Summary of Findings

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

III. General Information

OSF Healthcare System is a faith-based healthcare system, owned and operated by the Sisters of the Third Order of St. Francis, based in Peoria Illinois. OSF Healthcare System owns and operates 12 hospitals in Illinois. St. Mary Medical Center is an 81-bed acute care hospital, located in Galesburg, Illinois, in the HSA II Hospital Service Area and the C-03 Hospital Planning Area. St. Mary Medical Center has 60 Medical/Surgical, 5 Pediatric, 9 Intensive Care, and 7 Obstetrics/Gynecology beds. 2014 Hospital Profile data for St. Mary Medical Center is attached. This is a non-substantive project subject to a Section 1110 and 1120 review. Project Obligation will occur after permit issuance.

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

HSA II includes Bureau, Fulton, Henderson, Knox, LaSalle, Marshall, McDonough, Peoria, Putnam, Stark, Tazewell, Warren, and Woodford counties. The Hospital C-03 Planning Area includes Henderson, Warren, and Knox Counties. There are currently three (3) acute care hospitals in the C-03 Planning Area. (See Table One).

TABLE ONE Facilities within C-03 Hospital Planning Area ⁽¹⁾		
Facility	City	Total Beds
Galesburg Cottage Hospital	Galesburg	87
OSF Holy Family Medical Center*	Monmouth	23
St. Mary Medical Center	Galesburg	60
1. Information from Inventory of Health Care Facilities and Services and Need Determination 2. *Critical Access Hospital		

Board Staff notes the proposed project will not introduce additional beds to the planning area, but simply expand and modernize existing services identified in Table One.

V. **Project Costs and Sources of Funds**

The applicants are funding this project with cash/securities totaling \$5,000,000, gifts and bequests amounting to \$150,000 and a bond issue of \$22,957,515.

TABLE TWO Project Costs and Sources of Funds			
Use of Funds	Clinical	Non-Clinical	Total
Preplanning Costs	\$214,746	\$85,236	\$300,000
Site Preparation	\$21,883	\$8,684	\$30,567
New Construction Contracts	\$2,827,335	\$3,836,634	\$6,663,969
Modernization Contracts	\$8,908,221	\$1,728,848	\$10,637,069
Contingencies	\$1,613,099	\$640,208	\$2,253,307
Architectural/Engineering Fees	\$851,921	\$338,079	\$1,190,000
Consulting and Other Fees	\$89,488	\$35,512	\$125,000
Movable or Other Equipment (not in construction contracts)	\$4,000,000	\$594,710	\$4,594,710
Bond Issuance Expense (project related)	\$296,556	\$116,337	\$412,893
Net Interest Expense During Construction (project related)	\$1,364,654	\$535,346	\$1,900,000
Total Uses of Funds	\$20,187,921	\$7,919,594	\$28,107,515
Source of Funds			
Cash and Securities	\$3,590,000	\$1,410,000	\$5,000,000
Gifts & Bequests	\$107,700	\$42,300	\$150,000
Bond Issues (project related)	\$16,483,495	\$6,474,020	\$22,957,515
Total Sources of Funds	\$20,181,195	\$7,926,320	\$28,107,515
<i>Source: Application for Permit page 33</i>			

VI. **Cost Space Chart**

Table Three contains the cost/spatial allocations for the proposed project. This information can also be found on page 59 of the application for permit.

TABLE THREE					
Summary of New and Modernized Space					
Level	Department	New Construction DGSF	Modernization DGSF	As Is	Total DGSF
Clinical					
1st	Laboratory	2,736	2,266	0	5,002
1st	Ctr. for Outpatient Services	0	2,456	0	2,456
	Pain Management	0	0	620	620
2nd	Surgical Operating Rooms	3,190	8,419	0	11,609
2nd	Surgical Procedure Rooms	0	1,914	0	1,914
2nd	Phase I PACU/Recovery	0	1,802	0	1,802
2nd	Phase II PACU/Recovery	0	8,355	0	8,355
Total Clinical		5,926	25,212	620	31,758
Non-Clinical					
3rd	Mechanical/Penthouse	7,666	3,781	0	11,447
Total Non-Clinical		7,666	3,781	0	11,447
TOTAL		13,592	28,993	620	43,205
<i>Source: Application for Permit page 36</i>					

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

The applicants stated the following:

“OSF St. Mary Medical Center is proposing a new construction and modernization project designed to improve the healthcare and well being of the market area population served. The proposed project will provide facilities that better meet the needs of the increasing proportion of outpatients in surgery, procedure rooms, and recovery areas, will enhance the delivery of outpatient care in the Center for Outpatient Services, and will modernize the clinical laboratory to meet all accreditation requirements. OSF St. Mary Medical Center was established in 1909, and moved to its current site in 1974. Since the relocation to this Seminary Street site, only modest facility modernization has occurred. Consequently, several key areas are no longer contemporary and challenge the staff’s ability to provide high-quality, cost-effective health care. In summary, the proposed project has been designed to provide patients more convenient access, more appropriately-sized accommodations during their stay at the hospital, and greater privacy. Overall, the spaces have been designed for more efficient work flow for staff and physicians. These improvements will address the deficiencies of the current departments and provide an environment that supports the delivery of quality and safe patient care.” [See Application for Permit page 65-78]

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

OSF Healthcare System is a faith-based healthcare system, owned and operated by the Sisters of the Third Order of St. Francis, based in Peoria Illinois. OSF Healthcare System owns and operates hospitals 12 hospitals in Illinois and Michigan. They are:

- Children’s Hospital of Illinois, Peoria
- OSF Holy Family Medical Center, Monmouth
- OSF Saint Anthony’s Medical Center, Rockford
- OSF Saint Anthony’s Health Center, Alton
- OSF Saint Elizabeth Medical Center, Ottawa
- OSF St. Francis Medical Center, Peoria
- OSF St. James-John W. Albrecht Medical Center, Pontiac
- OSF Saint Luke Medical Center, Kewanee
- OSF Saint Paul Medical Center, Mendota
- OSF Saint Joseph Medical Center, Bloomington
- OSF Saint Mary Medical Center, Galesburg
- OSF Saint Francis Hospital & Medical Group, Escanaba, Michigan

OSF Healthcare System is also affiliated with the following Illinois hospitals:

- Illinois Valley Hospital, Peru
- St. Margaret’s Hospital, Spring Valley
- Perry Memorial Hospital, Princeton
- Rochelle Community Hospital, Rochelle
- Carthage Memorial Hospital, Carthage

The applicants attest that there have been no adverse actions taken against any facility owned or operated by OSF Healthcare System, by any regulatory agency which would affect its ability to operate as a licensed entity during the three years prior to the filing of this application. OSF Healthcare System also authorizes the Health Facilities and Services Review Board to access information in order to verify any documentation or information submitted in response to the requirements of this subsection, or to obtain any documentation or information which the State Board or the Department of Public Health find pertinent to this subsection.[See Application for Permit page 60-64]

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

Due to the classification of the application (non-substantial), a Safety Net Impact Statement was not required for this application. However, the applicants did supply a Safety Net Impact Statement. It states:

“OSF Healthcare System, as a system provides quality care to over three million people annually. In addition, OSF Healthcare’s hospitals provide essential community services and programs to patients with financial barriers to healthcare, special needs, or other limitations. In 2014, the Medical Center served 21,214 Medicaid and 3,171 charity care patients. Charity care cost was \$2,687,295. The project will enhance access to essential services-surgery, endoscopy, laboratory, cardiology, infusion, and pain management to all residents of the community.”

Safety Net and Charity Care information for both applicants are listed below.

TABLE SIX ⁽¹⁾			
St. Mary Medical Center			
Safety Net Information per PA 96-0031			
	FY 2012	FY 2013	FY 2014
Net Patient Revenue	\$82,062,243	\$84,738,575	\$86,161,803
CHARITY CARE			
Charity (# of patients)	2012	2013	2014
Inpatient	440	293	165
Outpatient	6,820	6,579	3,006
Total	7,260	6,872	3,171
Charity (cost In dollars)			
Inpatient	\$1,561,737	\$1,429,504	\$639,592
Outpatient	\$3,397,376	\$3,546,834	\$2,047,701
Total	\$4,959,113	\$4,976,338	\$2,687,293
Charity Care % of Net Revenue	6.04%	5.87%	3.12%
MEDICAID			
Medicaid (# of patients)	2012	2013	2014
Inpatient	556	418	737
Outpatient	14,001	15,228	20,477
Total	14,567	15,646	21,214
Medicaid (revenue)			

TABLE SIX ⁽¹⁾			
St. Mary Medical Center			
Safety Net Information per PA 96-0031			
Inpatient	\$3,011,115	\$3,542,195	\$4,483,866
Outpatient	\$5,460,743	\$5,031,023	\$8,053,671
Total	\$8,471,858	\$8,573,218	\$12,537,537
Medicaid as of % of Net Revenue	10.32%	10.12%	14.55%
1. Information provided by the Applicants			

TABLE SEVEN ⁽¹⁾			
OSF Healthcare System			
Safety Net Information per PA 96-0031			
	FY 2012	FY 2013	FY 2014
Net Patient Revenue	\$1,745,075,000	\$1,823,570,000	\$1,800,620,959
CHARITY CARE			
Charity (# of patients)	2012	2013	2014
Inpatient	4,373	3,912	1,830
Outpatient	50,575	57,497	26,011
Total	54,948	61,409	27,841
Charity (cost In dollars)			
Inpatient	\$29,729,121	\$35,055,905	\$20,185,121
Outpatient	\$27,923,208	\$31,817,535	\$21,290,035
Total	\$57,652,329	\$66,873,440	\$41,475,556
Charity Care % of Net Revenue	3.30%	3.67%	2.30%
MEDICAID			
Medicaid (# of patients)	2012	2013	2014
Inpatient	11,413	9,189	8,532
Outpatient	199,181	206,694	212,999
Total	210,594	215,883	221,531
Medicaid (revenue)			
Inpatient	\$155,838,991	\$170,076,068	\$173,873,247
Outpatient	\$46,794,083	\$59,119,131	\$71,874,943
Total	\$202,633,074	\$229,195,199	\$245,748,190
Medicaid as of % of Net Revenue	11.61%	12.57%	13.65%
1. Information provided by the Applicants			

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

The applicants considered the following 5 alternatives:

1. Project of Greater Scope/Cost

The applicants considered five variations of project with a greater scope, with corresponding costs (application, p. 80). Each option was rejected based on the increased cost, projected impact on existing services/operational disruptions, or the resulting

functional separation of departments. Each option in this alternative involved new construction, but it appeared to be on a larger scale.

2. Project of Lesser Scope/Cost

The applicants identified three project variations (with corresponding costs) that resulted in decreased size or cost (application, p. 81). Each was rejected due to inadequate spatial configurations, sub-optimal departmental layouts/locations, and in one case, excessive costs. While the emphasis behind this option was to develop on a lesser scale, it was apparent that critical services would have suffered greatly

3. Pursuit of a Joint Venture/Utilize Other HealthCare Resources

The applicants did not evaluate this alternative, due to the expansion project being on the campus of St. Mary, Galesburg, and the absence of other healthcare providers, equipped to serve in the capacity that the applicants currently function. The applicants' mission was to modernize/expand essential services already in place at St. Mary Galesburg, and the pursuit of this option would result in fragmented, operationally inefficient services.

4. Modernize/Expand Services on St. Mary Campus (Option Chosen)

The alternative of expanding/modernizing services on the St. Mary campus was ultimately chosen, based on the service affected, their correlation to the functions of the existing hospital, and the cost efficiencies realized through one centralized building project. The proposed project will expand/modernize the departments of surgery/recovery, laboratory, and outpatient services, each substantive services to the hospital campus, and necessary to be co-located. The applicants identified a project cost of \$28,107,515, and chose this as their most viable alternative. [See Application for Permit page 79-88]

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 Post Anesthesia Care Units (PACU I), and a negative finding results. The applicants provided the following reasons for the additional space.

- The proposed six (6) station PACU will have five (5) open bays to provide good visibility and easy access by the nursing staff;
- There is an increasing demand for private recovery spaces to care for patients who have a known infection or who are so compromised that they are at greater risk for acquiring an infection;
- A hospital's infection control efforts to manage the risk of a contact infection of MRSA require a larger zone of contact;
- The increase in the complexity of care has resulted in more post surgical imaging (x-ray/fluoroscope) being done in the PACU;
- More patients require infusion pumps, portable physiological monitors, and also are on ventilators when they leave surgery;

- The proposed PACU is being redeveloped in modernized space and there are limiting factors that required additional space;
- A change in the IDPH Hospital Licensing Code in 2011 that allows for visitors in the Phase I recovery area while patients are recovering. [See Application for Permit pages 90-92]

The Board Staff Notes: Prior projects for the modernization of the surgery suite and recovery areas have increased the size of the PACU area beyond the State Board maximum standard of 180/GSF because of the 2011 change in the IDPH Hospital Licensing Code. IDPH's standards are minimum gross square footage standards. The State Board's Standards are maximum gross square footage standards. In other words the minimum standard increased while the maximum standard remained unchanged resulting in the applicants' gross square footage for Phase I PACU meeting the minimum standard but exceeding the State Board's maximum standard.

TABLE EIGHT Size of the Project						
Department	Number of Beds Units Rooms	Proposed GSF	State Standard		Difference	Met Requirements
			Room/Unit	Total		
Surgical Operating Suite	5	11,609	2,750/room	13,750	-2,141	Yes
Surgical Procedure Suite	2	1,914	1,100/room	2,200	-286	Yes
Phase I PACU	6	1,802	180/room	1,080	+722	No
Phase II PACU	21	8,355	400/room	8,400	-45	Yes
Source: Application for permit page 90						

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 NINE Projected Utilization								
Historical Utilization of Surgical Services at St. Mary Hospital, Galesburg								
Department	Rooms Proposed	Historical Utilization (Hours)			State Standard (hours/room)	Rooms Justified		Met Standard
		2013	2014	2015		2014	2015	
Surgical-Operating Room	5	6,922	6,424	1,500	1,500/room	5	5	Yes
Surgical-Procedure Room	2	1,316	1,305	1,688	1,500/room	1	2	Yes
Historical Utilization of Services with No State Guidelines								
Phase I PACU	6	214,837	201,701	206,124	N/A	6	6	N/A
Phase II PACU	21	318,159	310,994	308,482	N/A	21	21	N/A

TABLE NINE Projected Utilization								
Historical Utilization of Surgical Services at St. Mary Hospital, Galesburg								
Department	Rooms Proposed	Historical Utilization (Hours)			State Standard (hours/room)	Rooms Justified		Met Standard
Laboratory	1	491,133	516,062	518,751	N/A	1	1	N/A
Outpatient Services(1)	10	12,223	12,499	14,094	N/A	10	10	N/A
Pain Management	1	905	902	743	N/A	1	1	N/A
1. Outpatient Services consists of: Infusion, EKG, Echocardiogram, Stress Echocardiogram, Holters/TEEs								

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

IX. Criteria 1110.3030 - Clinical Services Other 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 (operating/procedure rooms) the State Board Staff relies upon the historical utilization at the existing facility to justify the rooms being proposed. For the services that do not have established utilization standards, the applicants also provided historical utilization data, proving its need for rooms/space. The mentioned utilization data can be found in Table Nine, and on pages 93-94 of the application.

1. Surgery

The applicants are proposing to decrease the number of surgical suites from 7 to 5, in an effort be compliant with historical utilization standards. Historical utilization justifies five rooms (See Table Nine). The applicants note the current seven surgical suites were modernized over thirty years ago, and lack sufficient space for the equipment and staff required in today's operating suites. The proposed surgical suites measure 2,322 GSF, which is well below the State Standard, but more than double the space of the existing surgical rooms.

2. Surgical Procedure Rooms

The applicants are proposing to establish two dedicated surgical procedure rooms in 1,914 GSF of space, equaling 957 GSF per room. These two rooms will be dedicated to endoscopic procedures, which are becoming increasingly prevalent in modern medicine. Previously, the hospital dedicated their 7th surgical suite for endoscopic procedures. This resulted in inadequate conditions for instrument cleaning and ventilation. Additionally, the volume of endoscopic patients resulted in an over-crowded procedure suite. The proposed procedure rooms will contain adequate space for equipment storage/cleaning, and contain updated mechanical, electrical, and plumbing systems, compliant with

modern health care standards. Historical utilization will justify the two (2) procedure rooms being requested.

3. PACU Phase I Recovery

The applicants propose to establish 6 Phase I PACU Recovery Suites, adjacent to the newly-remodeled surgical/procedure area. The current Phase I Recovery stations are located in an area that will be occupied by the renovated surgical/procedural suites. The applicants propose to reduce the number of Recovery stations from 10 to 6 to meet the State standard, and the reduction of surgical suites. The existing recovery stations contain mechanical, electrical, and plumbing deficiencies that will be corrected as a result of this project. The existing recovery bays are approximately 169 GSF in space, and have not been updated since the 1990s. There is no space for equipment required for post-anesthesia care, no room, for relatives, and no privacy. The modernized recovery suites will meet all current health care codes, and correct the earlier mentioned deficiencies. Current State Board rules allow for a ratio of 4 stations per operating /procedure room.

4. PACU Phase II Recovery

The applicants note the existing Phase II Recovery Suites are located in two separate areas, and have the same deficiencies (space, electrical, plumbing, mechanical), that are evident in the Phase I Recovery area. The renovated Phase II area will contain 2 less recovery/prep stations (23 to 21), and the size of each Phase II station will increase to be more compliant with the State standard from 254 GSF to 398 GSF/station. The State standard is 400 DGSF/station.

The applicants are proposing five (5) surgery rooms and two (2) procedure rooms for a total of seven (7) rooms and a total of twenty eight Phase I PACU and Phased PACU II.

5. Laboratory

The current Laboratory section has not been renovated in 25 years. Spatial limitations have presented issues with the applicants efforts to upgrade equipment and establish an efficient workflow. The applicants cite two recent visits from accrediting agencies, in which deficiencies were cited. The deficiencies were due to spatial, mechanical, plumbing, and electrical deficiencies. The proposed renovations of the Laboratory will occur in its existing space, and will actually reduce the overall size of the unit from 5,206 DGSF to 5,002 DGSF. However the overall configuration of laboratory space will allow for better placement of equipment, and an overall enhanced workflow. The applicants note the reconfiguration will address the earlier mentioned deficiencies.

6. Outpatient Services

The Center for Outpatient Services (COPS) at St. Mary Hospital, Galesburg, contains two departments that primarily serve outpatients. They are: Infusion and Cardiology. The

COPS department at St. Mary is currently located on a vacant patient unit. It is in space that experiences the same inadequacies/deficiencies as others in this report, and will be better utilized by the renovated Surgery/Procedure/Recovery departments. The proposed COPS will be moved from the second to first floor of St. Mary Hospital, will be more accessible to the outside parking areas, and be adjacent to the renovated Laboratory area. The allotted space for the renovated COPS is approximately 2,456 GSF. The State Board has no spatial standard for these services.

7. Pain Management

The Pain Management unit is located in the same vacated patient unit that houses the Center for Outpatient Services (COPS), and has experienced all the previously mentioned issues that accompany space used on the second floor of the main hospital. The applicants note Pain Management is best located in close proximity to the Surgery Department, and the applicants propose to accomplish this in 620 DGSF alongside the modernized Surgery Unit. The applicants report that the Pain Management facilities and equipment are not deteriorated, but simply need to be located in close proximity to Surgery/Recovery, to better serve the doctors, anesthesiologists, and their patients. [See Application for Permit pages 95-117]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS 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 and securities amounting to \$5,000,000, Gifts and Bequests totaling \$150,000, and a project-related Bond Issuance amounting to \$22,957,515. The applicants have provided bond rating letters from the following services (application, pgs. 224-245):

- *Standard & Poor's: A/Positive, December, 2015*
- *Moody's Investor Service: A2/Stable, August 2015*
- *FitchRatings Service: A/Stable, September 2015*

The applicants also provided consolidated financial statements for OSF Healthcare System, and its subsidiaries [See Application, pgs 150-222]

TABLE TEN Audited Financial Information Years ended September 30, 2014 and 2013 (In thousands)			
OSF Healthcare Systems and Subsidiaries			OSF St Mary's
	2014	2013	2014
Cash	\$280,090	\$264,949	\$975
Current Assets	\$747,709	\$707,194	\$17,634
Total Assets	\$2,923,235	\$2,694,673	\$156,123

TABLE TEN Audited Financial Information Years ended September 30, 2014 and 2013 (In thousands)			
OSF Healthcare Systems and Subsidiaries			OSF St Mary's
Current Liabilities	\$360,938	\$313,511	\$10,751
LTD	\$907,682	\$881,390	\$0
Total Liabilities	\$1,928,954	\$1,676,003	\$10,925
Net Patient Revenue	\$2,065,269	\$2,005,184	\$92,792
Total Revenues	\$2,096,826	\$1,998,700	\$87,891
Depreciation and Amort	\$95,517	\$91,448	\$3,587
Interest	\$36,185	\$35,726	\$0
Total Expenses	\$2,032,546	\$2,004,367	\$73,103
Net Income	\$121,890	\$66,149	\$20,755

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

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 224-245 of the Application for Permit*.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)

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 224-245 of the application for permit and audited financial statements for OSF Healthcare System and its subsidiaries, attesting to their ability to fund the cash portion of the project. Page 121 of the application contains a letter from H. Curt Lipe, Treasurer, OSF St. Mary Foundation, committing \$150,000 of its cash resources to fund the gifts and bequests portion of the project. The applicants have met the requirements of this criterion.

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

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

Only clinical costs are reviewed as part of this criterion.

Preplanning Cost – These costs are \$214,764 and are 1.2% of the new construction, modernization contingencies and new equipment costs. This appears reasonable when compared to the State Board Standard of 1.8%.

Site Preparation – These costs are \$21,883 or .16% of new construction, modernization and contingencies. This appears reasonable when compared to State Board Standard of 5%.

New Construction and Proportionate Contingency Costs – These costs are \$3,108,661 or \$524.58 per GSF (\$3,108,661/5,926 GSF = \$524.58). This appears **HIGH** when compared to the State Board Standard of \$393.37. The applicants exceed the State Board Standard by \$777,551 or \$131.21.

Modernization and Proportionate Contingency Costs – These costs are \$9,994,289 or \$396.41 per GSF (\$9,994,289/25,212 GSF = \$396.41). These costs appear **HIGH** when compared to the State Board Standard of \$275.36. The applicants exceed the standard by \$121.05 per GSF or a total of \$3,051,913.

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.

Proportionate Architectural and Engineering Fees/New Construction – These costs are \$195,821 or 6% of new construction and proportionate contingencies costs. This appears reasonable when compared to the State Board Standard of 6.42% to 9.64%.

Proportionate Architectural and Engineering Fees/Modernization – These costs are \$620,100 or 6.1% of modernization and proportionate contingencies costs. This appears reasonable when compared to the State Board Standard of 5.87% to 8.81%.

Consulting and Other Fees – These costs are \$89,488. The State Board does not have standards for these costs.

Moveable or Other Equipment – These costs are \$4,000,000. The State Board does not have standards for these costs.

Bond Issuance Expense – These costs are \$296,556. The State Board does not have a standard for these costs.

Net Interest Expense During Construction – These costs are \$1,364,654. The State Board does not have a standard for these costs.

The applicants provided letters of construction impediments from the architect and the engineer that stated the reason for the costs exceeding the State Board Standard for both modernization and new construction. The reasons are as follows:

- Renovation construction in hospitals is historically more expensive than new construction.
- Phased construction on this project drives the General Conditions cost from the general contractor higher.
- Phased construction on this project necessitates increased installation of infection control

measures. Phased construction on this project will necessitate the use of Fire Watch personnel to ensure the safety of occupants in the building during construction.

- In order be least disruptive to ongoing operations of the hospital, off hours work will occur on this project. Off hours work comes at a cost premium from the contractors.
- Cantilevered structure is required where the new addition meets the existing building in order to not overload or undermine footings and foundations of the existing hospital.
- Steel beams used in the new addition will be specified to a low depth but higher weight than typical for the needed spans in order to decrease the overall structural depth allowing for the matching of floor to floor heights new to old yet still allowing as much interstitial space above ceilings needed to install infrastructure compliant with current building codes.
- Fireproofing must be added to the underside of existing floor slabs uncovered during renovation in order to upgrade them to current code. This is being done in accordance with prior agreements between St Mary's and IDPH.
- Renovated areas will require floor leveling throughout in order to provide a proper underlayment for new flooring materials. This is typical in hospital renovations.
- Due to the vintage of the original hospital building, it is expected that areas to be renovated included clay tile partitions and terrazzo flooring that need to be removed. This is very expensive.
- Construction costs on this project include the modification of site and building drainage in and around the existing building as well as the new addition.

It appears that the reported Modernization and Proportionate Contingencies Costs and the New Construction and Proportionate Contingencies Costs exceed the State standard, and a negative finding results for this criterion.

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

D) Criterion 1120.140 (d) – Direct Operating Costs

The direct operating cost per equivalent patient day for the hospital is \$1,961.00. 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 137.*

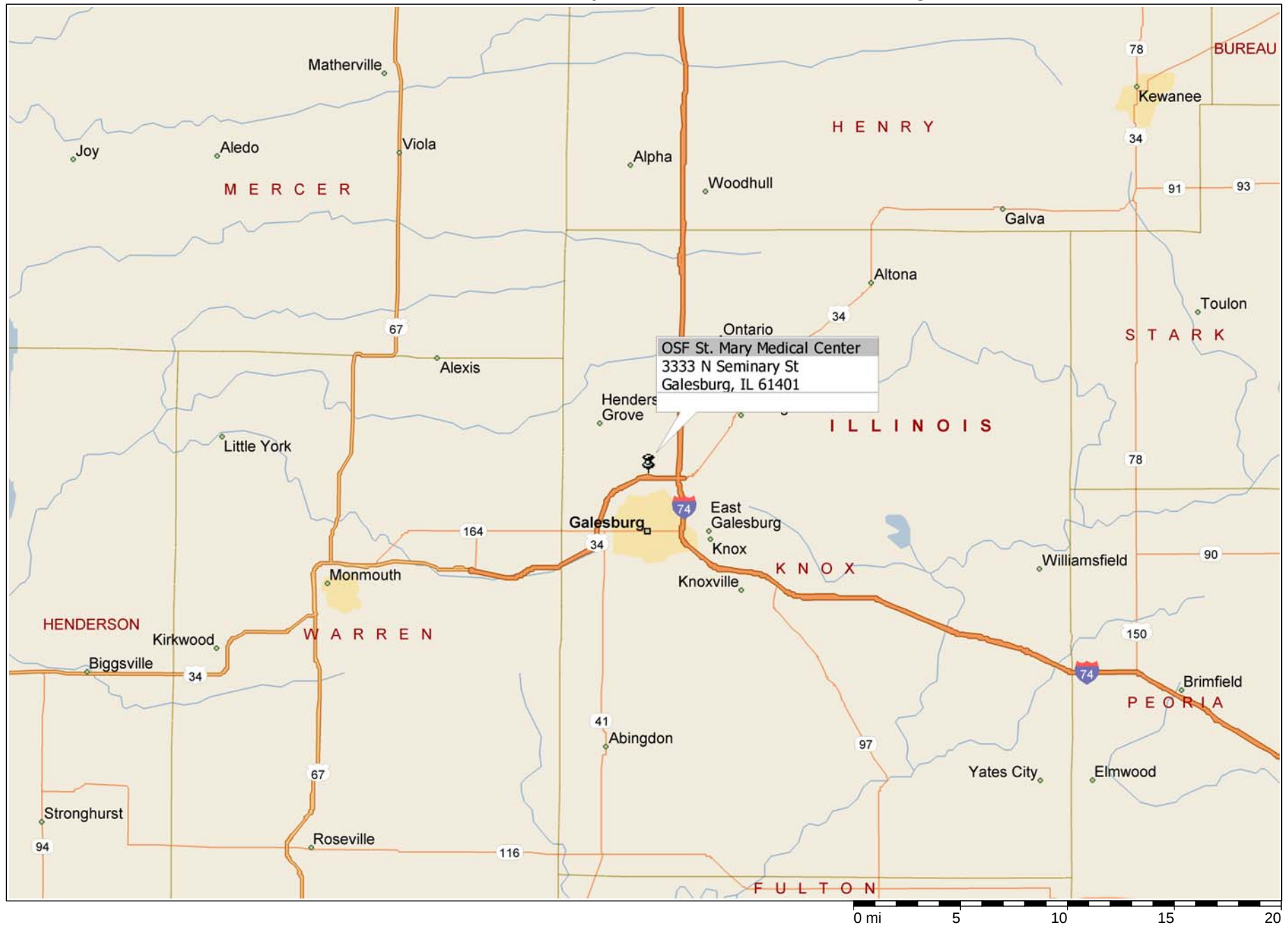
THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION DIRECT OPERATING COSTS (77 IAC 1120.140 (d))

E) Criterion 1120.140 (e) – Projected Capital Costs

The projected capital cost per equivalent patient day is \$126.48. 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 138.*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION PROJECTED CAPITAL COSTS (77 IAC 1120.140 (e))

16-010 OSF St. Mary Medical Center - Galesburg



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<u>Ownership, Management and General Information</u>		<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Roxanna Crosser	White	92.0%	Hispanic or Latino:	2.7%
ADMINSTRATOR PHONE	309-344-3161 ext 1177	Black	5.7%	Not Hispanic or Latino:	97.3%
OWNERSHIP:	OSF Healthcare System	American Indian	0.1%	Unknown:	0.0%
OPERATOR:	OSF Healthcare System	Asian	0.4%		
MANAGEMENT:	Church-Related	Hawaiian/ Pacific	0.0%	IDPH Number:	2675
CERTIFICATION:	None	Unknown	1.7%	HPA	C-03
FACILITY DESIGNATION:				HSA	2
ADDRESS	3333 North Seminary St	CITY:	Galesburg	COUNTY:	Knox County

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	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	60	53	53	2,510	8,623	1,637	4.1	28.1	46.8	53.0
0-14 Years				0	0					
15-44 Years				219	621					
45-64 Years				650	2,180					
65-74 Years				560	1,959					
75 Years +				1,081	3,863					
Pediatric	5	5	5	13	24	1	1.9	0.1	1.4	1.4
Intensive Care	9	6	6	509	1,139	1	2.2	3.1	34.7	52.1
Direct Admission				172	632					
Transfers				337	507					
Obstetric/Gynecology	7	7	7	300	381	0	1.3	1.0	14.9	14.9
Maternity				281	345					
Clean Gynecology				19	36					
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	81			2,995	10,167	1,639	3.9	32.3	39.9	

(Includes ICU Direct Admissions Only)

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	58.4%	24.6%	0.7%	7.0%	3.8%	5.5%	
	1749	737	20	210	114	165	2,995
Outpatients	32.9%	21.1%	0.8%	38.0%	4.1%	3.1%	
	31977	20477	741	36834	4018	3006	97,053
<u>Inpatient and Outpatient Net Revenue by Payor Source</u>							
<u>Financial Year Reported:</u>	10/1/2013 to	9/30/2014					
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense
Inpatient Revenue (\$)	53.0%	13.3%	1.5%	26.8%	5.4%	100.0%	
	17,887,085	4,483,866	507,197	9,056,240	1,812,350	33,746,738	639,592
Outpatient Revenue (\$)	17.2%	15.6%	3.0%	59.9%	4.3%	100.0%	
	8,883,830	8,053,671	1,561,627	31,022,850	2,230,935	51,752,913	2,047,701
							Total Charity Care Expense 2,687,293
							Total Charity Care as % of Net Revenue 3.1%

<u>Birth Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	319		Level I	Level II	Level II+	Kidney:	0
Number of Live Births:	317		Beds	10	2	Heart:	0
Birthing Rooms:	0		Patient Days	596	64	Lung:	0
Labor Rooms:	0		Total Newborn Patient Days		660	Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	0
Labor-Delivery-Recovery Rooms:	4					Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	0					Total:	0
C-Section Rooms:	1		Inpatient Studies		108,212		
CSections Performed:	109		Outpatient Studies		187,640		
			Studies Performed Under Contract		72,284		

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	0	0	0	0	0	0	0	0.0	0.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	6	6	405	1178	723	1429	2152	1.8	1.2
Gastroenterology	0	0	0	0	156	1598	96	816	912	0.6	0.5
Neurology	0	0	0	0	0	0	0	0	0	0.0	0.0
OB/Gynecology	0	0	0	0	127	168	178	246	424	1.4	1.5
Oral/Maxillofacial	0	0	0	0	7	21	9	37	46	1.3	1.8
Ophthalmology	0	0	0	0	0	791	0	380	380	0.0	0.5
Orthopedic	0	0	0	0	257	361	549	362	911	2.1	1.0
Otolaryngology	0	0	1	1	0	51	0	46	46	0.0	0.9
Plastic Surgery	0	0	0	0	0	0	0	0	0	0.0	0.0
Podiatry	0	0	0	0	0	0	0	0	0	0.0	0.0
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	0	0	50	316	58	316	374	1.2	1.0
Totals	0	0	7	7	1002	4484	1613	3632	5245	1.6	0.8

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

10

Stage 2 Recovery Stations

6

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	1	1	156	1598	96	816	912	0.6	0.5
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	0	0	0	0	0	0	0	0.0	0.0
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0

Multipurpose Non-Dedicated Rooms

0	0	0	0	0	0	0	0	0	0	0.0	0.0
0	0	0	0	0	0	0	0	0	0	0.0	0.0
0	0	0	0	0	0	0	0	0	0	0.0	0.0

Emergency/Trauma Care

Certified Trauma Center	Yes
Level of Trauma Service	Level 1
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	38
Patients Admitted from Trauma	13
Emergency Service Type:	Basic
Number of Emergency Room Stations	13
Persons Treated by Emergency Services:	20,523
Patients Admitted from Emergency:	2,672
Total ED Visits (Emergency+Trauma):	20,561

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	97,053
Outpatient Visits at the Hospital/ Campus:	97,053
Outpatient Visits Offsite/off campus	0

Cardiac Catheterization Labs

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

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	0
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	0
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	0
EP Catheterizations (15+)	0

Cardiac Surgery Data

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

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

	<u>Owned Contract</u>		<u>Inpatient</u>	<u>Outpt</u>	<u>Contract</u>		<u>Owned Contract</u>		<u>Treatments</u>
General Radiography/Fluoroscopy	8	0	4,528	19,217	0	Lithotripsy	0	1	108
Nuclear Medicine	1	0	69	1,269	0	Linear Accelerator	0	0	0
Mammography	2	0	0	15,269	0	Image Guided Rad Therapy			0
Ultrasound	4	0	570	5,758	0	Intensity Modulated Rad Thrp			0
Angiography	0	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			0	0	0	Proton Beam Therapy	0	0	0
Interventional Angiography			0	0	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	0	1	0	0	234	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	1	0	1,113	6,572	0				
Magnetic Resonance Imaging	1	0	100	2,870	0				