



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-10	BOARD MEETING: March 14, 2017	PROJECT NO: 16-057	PROJECT COST: Original: \$17,870,536
FACILITY NAME: Mercy Hospital and Medical Center		CITY: Chicago	
TYPE OF PROJECT: Non-Substantive			HSA: VI

PROJECT DESCRIPTION: The applicants (Trinity Healthcare Corporation, Mercy Health System of Chicago, and Mercy Hospital and Medical Center) are proposing a major modernization/relocation project, affecting the General Intensive Care Unit (ICU), the Cardiovascular Intensive Care Unit (ICU), and the Acute Mental Illness (AMI) services. The project cost is \$17,870,536, and the expected completion date is December 31, 2019.

Board Staff notes the Hospital Profile data presented in the application and report references corrections made to the 2014-2015 AHQ Profiles that were approved by the State Board at today's meeting. Those corrections included changes in the medical surgical beds and the utilization of the NIUC Unit.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants propose to relocate, modernize, and downsize its inpatient AMI unit (reduce 10 beds), relocate, modernize, and expand its general ICU unit (add 5 beds), and downsize its existing cardiovascular ICU unit (reduce 5 beds). The total cost of the project is \$17,870,536 and the expected completion date is December 31, 2019.
- The overall bed count for the ICU services will not change, but instead be a bed realignment involving 5 specialty ICU beds, moving to general ICU service. The reduction of 10 AMI beds will decrease the overall bed capacity at Mercy Hospital and Medical Center from 464 beds to 454 beds.
- The modernizations/relocations are as follows:
 - General ICU from 1st floor to 4th floor, increase 5 beds (14 to 19 beds).
 - AMI service from 4th floor to 6th floor, decrease 10 beds (39 to 29 beds).
 - Cardiovascular ICU will not move, decrease 5 beds (16 to 11 beds)

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes to substantially change the scope and functional operation of a health care facility and is in excess of the capital expenditure of \$12,797,313 as defined by Illinois Health Facilities Planning Act (20 ILCS 3960(3)).

PUBLIC HEARING/COMMENTS:

- There was no public hearing requested. No letters of opposition were received. Letters of support were received from the following:
 - Danny K. Davis, Congressman
 - Toni Preckwinkle, President Board of Commissioners of Cook County
 - Julia Morita, MD Commissioner, City of Chicago Department of Public Health
 - Dennis Hong, MD Director of Critical Care Services Mercy Hospital and Medical Center
 - Mark Studrud, President and CEO, Lutheran Social Services of Illinois
 - Bernice Mills-Thomas, Near North Health Service Corporation
 - Charles Holland, President and CEO St. Bernard Hospital and Health Center
 - Margie Johnson, Executive Director Beloved Community Family Wellness Center
 - Donna Thompson, Chief Executive Officer ACCESS Community Health Network
 - Tim Egan, President/CEO, Roseland Community Hospital
 - Elaine Shemroske, BSN, RN, Director of Behavioral Health Mercy Hospital and Medical Center

SUMMARY:

- The applicants are proposing this modernization to address life safety code violations as cited by the Illinois Department of Public Health and to meet current standard of care.
- The current location of the fourteen (14) bed Intensive Care Unit on the 1st floor has resulted in CMS violations. If it is not relocated, there is a limited possibility of resolving the regulatory and life-safety issues cited. The relocation of the fourteen (14) bed unit to the 4th floor, currently occupied by the inpatient AMI service, meets all evaluative criteria for Intensive Care Services. The 6th floor will be modernized to accommodate the displaced and downsized AMI unit.
- The extent of the modernization of categories of bed services relies on the historical utilization of the bed services and not the calculated need or excess of beds in the planning area or the utilization of other existing providers. The four (4) year historical Average Daily Census (“ADC”) for both categories of service (ICU and AMI) does not justify the thirty (30) ICU and twenty-nine (29) AMI beds being requested
- The applicants addressed a total of thirteen (13) criteria and failed to meet the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
77 IAC 1110.530(e)(4) – Modernization of Intensive Care Beds	The four (4) year historical average daily census (“ADC”) is sixteen (16) which will justify twenty-seven (27) AMI Beds at the target occupancy of sixty percent (60%) and not thirty (30) beds being requested.
77 IAC 1110.730 (e) (4) –Modernization of Acute Mental Illness Beds	The four (4) year historical average daily census (“ADC”) is sixteen (16) which will justify nineteen (19) AMI Beds at the target occupancy of eighty-five percent (85%) and not the twenty-nine being requested.

STATE BOARD STAFF REPORT
Project #16-057
Mercy Hospital and Medical Center, Chicago

APPLICATION SUMMARY/CHRONOLOGY	
Applicant	Trinity Health Corporation Mercy Health System of Chicago Mercy Hospital and Medical Center
Facility Name	Mercy Hospital and Medical Center
Location	2525 South Michigan Avenue, Chicago, Illinois
Operating Entity/Licensee	Mercy Hospital and Medical Center
Owner of the Facility	Mercy Health System of Chicago
GSF	42,977 GSF
Application Received	December 28, 2016
Application Deemed Complete	December 29, 2016
Financial Commitment Date	March 14, 2019
Can Applicant Request Another Deferral?	Yes
Has review been extended?	No

I. Proposed Project

The applicants propose to modernize and relocate its Intensive Care (ICU), and Acute Mental Illness (AMI) services on the campus of Mercy Hospital and Medical Center, Chicago. The proposed project will result in the redistribution of 5 ICU beds, and the discontinuation of 10 AMI beds. The project involves the modernization of 37,500 GSF of space, and the total cost of the project is \$17,870,536. The completion date provided by the applicants is December 31, 2019.

II. Summary of Findings

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

III. General Information

The applicants are Trinity Health Corporation, Mercy Health System of Chicago, and Mercy Hospital and Medical Center. The Medical Center is located at 2525 South Michigan Avenue, Chicago, Illinois. Mercy Hospital and Medical Center is the operating entity/licensee and the owner of the real property. The project is a non-substantive project subject to a 77 IAC 1110 and 77 IAC 1120 review. Project obligation will occur after permit issuance.

Mercy Hospital and Medical Center is an Illinois not-for profit corporation. The Medical Center was Chicago's first chartered hospital, and has become integral in providing care to Chicago's south central residents, since 1852. **Mercy Health System**

serves the Chicago community through a vast network of auxiliary care centers, the MercyWORKS occupational health program, two vocational career academies, and the Mercy Foundation, which is the philanthropic side of the hospital. Trinity Health Corporation is one of the largest multi-institutional Catholic healthcare delivery systems in the nation. Trinity Health serves 22 states with 92 hospitals, and 120 continuing care locations. Trinity Health's mission is to serve the poor and underserved in its communities, and focuses on the provision of health care to our country's aged population. Table One contains the profile for Mercy Hospital and Medical Center, taken from the IDPH 2015 Hospital Profile.

Service	Beds	Occupancy	State standard	Standard Met?
Medical Surgical Beds	289	37.3%	88%	No
Pediatric Beds ⁽¹⁾	37	2.8%	75%	No
ICU Beds*	30	52.5%	60%	No
Obstetrics Beds	30	50.9%	78%	No
Neonatal ⁽²⁾	15	74.7%	75%	No
Acute Mental Illness	39	35.8%	85%	No
Rehabilitation	24	51.8%	85%	No
Total Beds/Avg. Occupancy	464	43.6%		

*ICU beds not identified for specific service
 1. In September 2016 the Chair approve the discontinuation of the thirty-seven (37) bed pediatric category of service (E-031-16).
 2. In June 2016 the applicants relinquished their exemption to establish a fifteen (15) bed NICU category of service (E-23-13).

The Medical Center is located in the A-03 Hospital Planning Area. The following hospitals are located in the A-03 Hospital Planning Area. There are 234 AMI beds in HPA-03, with an average occupational capacity of 33.7%. There are 242 ICU beds in the planning area, with an average occupational capacity of 6.5%. Board Staff notes the proposed project will not introduce additional beds to the planning area, but simply modernize and reallocate existing beds across specific services within ICU. The AMI bed complement will be reduced by 10 beds. Table Two below lists the hospitals in the A-03 hospital planning area and their total number of their AMI and intensive care beds and utilization for CY 2015.

	City	Total Beds	Acute Mental Illness (AMI)		Intensive Care (ICU)	
			Beds	Utilization	Beds	Utilization
Name of Facility						
Advocate Trinity Hospital	Chicago	205	0	N/A	24	36.7%
Holy Cross Hospital	Chicago	298	24	0.0%	20	102.4%
Jackson Park Hospital	Chicago	256	144	35.3%	86	34.5%
University of Chicago Medical Center	Chicago	617	0	N/A	126	67.3%
Provident Hospital of Cook County	Chicago	108	0	N/A	6	0.0%
Roseland Community Hospital	Chicago	134	30	11.6%	10	77.4%

TABLE TWO						
Hospitals within the A-03 Hospital Planning Area ⁽¹⁾						
	City	Total Beds	Acute Mental Illness (AMI)		Intensive Care (ICU)	
South Shore Hospital, Corp.	Chicago	137	15	0.0%	8	74.0%
St. Bernard Hospital	Chicago	210	40	79.5%	10	49.2%
Total Beds/Average Utilization		1,965	253	42.1%	290	63%
LaRabida Children's Hospital ⁽²⁾	Chicago	49				
1. Information taken from CY 2015 Hospital Profile. Information provided by the hospitals						
2. Hospital has pediatric beds only.						

IV. Project Costs and Sources of Funds

The applicant is funding this project in its entirety with cash and securities amounting to \$17,870,536.

TABLE THREE			
Project Costs and Sources of Funds			
	Reviewable	Non Reviewable	Total
Site Preparation	\$0	\$825,000	\$825,000
Modernization Contracts	\$8,794,041	\$2,931,347	\$11,725,388
Contingencies	\$1,331,301	\$443,767	\$1,775,068
Architectural and Engineering Fees	\$375,000	\$125,000	\$500,000
Consulting and Other Fees	\$180,000	\$60,000	\$240,000
Movable or Other Equipment	\$1,829,850	\$609,950	\$2,439,800
Net Interest Expense During Construction	\$281,637	\$83,642	\$365,280
Total Uses of Funds	\$12,791,829	\$5,078,706	\$17,870,536
Sources of Funds	Reviewable	Non Reviewable	Total
Cash and Securities	\$12,791,829	\$5,078,706	\$17,870,536
Total Sources of Funds	\$12,791,829	\$5,078,706	\$17,870,536
<i>Source: Page 6 of the Application for Permit</i>			

V. Cost Space Chart

The applicant is proposing to modernize 37,500 GSF of space, repurpose 5,477 GSF of existing space, and vacate 7,828 GSF of space, resulting in a project consisting of 42,977 GSF of both clinical (reviewable) and non-clinical (non-reviewable) space. The vacated space is on the first floor, which will be vacated by the Intensive Care Unit.

TABLE FOUR						
Cost Space Requirements ⁽¹⁾						
Department	Cost	Existing	Proposed	Modernized Space	As Is	Vacated Space
Reviewable						
Intensive Care Unit (ICU)	\$5,903,188	12,164	17,391	13,005	4,386	7,778
Behavioral Health (AMI)	\$6,888,641	14,370	15,176	15,176	0	0
Total Reviewable	\$12,791,829	26,534	32,567	28,181	4,386	7,778

TABLE FOUR						
Cost Space Requirements ⁽¹⁾						
Department	Cost	Existing	Proposed	Modernized Space	As Is	Vacated Space
Non Reviewable						
Acupuncture Suite	\$272,492	500	500	500	0	0
On Call Rooms	\$782,597	1,310	1,436	1,436	0	0
Hospital Support	\$42,509	128	78	78	0	50
Staff Facilities	\$673,055	0	1,235	1,235	0	0
Education Room	\$294,291	0	540	540	0	0
Public Lobbies	\$1,166,266	0	2,140	2,140	0	0
Facility Support	\$246,878	0	453	453	0	0
Storage 6 th Floor	\$1,537,400	0	2,821	2,821	0	0
Building Support/Elevators	\$63,218	1,207	1,207	116	1,091	0
Total Non Reviewable	\$5,078,706	3,145	10,410	9,319	1,091	50
Total	\$17,870,535	29,679	42,977	37,500	5,477	7,828
<i>Source: Application for Permit page 43</i>						

VI. Background of the Applicant

A) Criterion 1110.530(b)(1) - (3) – Background of the Applicant

The applicants provided letters attesting to the absence of any adverse actions being taken against them by the federal government or any Illinois agency in regard to any facility under their ownership. The applicants also authorized the State Board and IDPH to access any documents or information to verify information submitted with the application. The applicants provided a letter from the Historic Preservation Agency stating that the property is in compliance with Section 4 of the Historic Preservation Act (20 ILCS 3420/1) (*see Application for Permit page 40*) Attestation was provided that the site of the project is judged an "Area of Minimal Flood Hazard". FEMA documentation was provided as required. (*See Application for Permit pages 38-39*) Additionally the Medical Center is in Good Standing with the State of Illinois as evidenced by the Certificate of Good Standing provided at *pages 30-32 of the Application for Permit*. Evidence of JACHO accreditation and IDPH licensure was provided as required. (*See Application for Permit pages 50-52*)

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

VII. Purpose of the Project, Safety Net Impact, Alternatives

A) Criterion 1110.230(a) – Purpose of the Project

To demonstrate compliance with this criterion, the applicants must document that the project will provide health services that

1. improves the care or well-being of the market area population to be served;
2. identifies the issues or problems that the project is proposing to address or solve; and
3. defines the planning area or market area.

Per the applicant:

“Mercy Hospital and Medical Center consists of the main hospital building at 2525 South Michigan Avenue as well as outpatient clinics at 11 satellite locations. The core hospital building was constructed in 1965 and serves as one of the areas safety net hospitals, providing inpatient and outpatient services to the urban community...Mercy is committed to continuing its current mission in its core service area. The strategic focus of Mercy’s Community Benefit Ministry is to use the strengths and capacities of Mercy Hospital and Medical Center to improve the health of the populations it serves, especially the poor and vulnerable, and to assure that all persons receive equitable, safe, and effective care. Repair and replacement priorities have focused on inpatient care and, due to the age of the facility – 50 years old – compliance with regulatory requirements....The multi-phase project relocates the ICU to the patient tower 4th floor as follows:”

Phase I: Floor 6 East: Upgrade patient rooms and support areas in the 6th floor patient tower east corridor, and secure the area (5,000GSF)

Phase II: Floor 4 East: Relocate Behavioral Health to 6th floor patient tower, renovate 4th floor east wing (21,000 GSF)

(Application for Permit, p. 56)

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

To demonstrate compliance with this criterion, the applicants are asked to document:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

A Safety Net Impact Statement was provided as required at *pages 222-223 of the Application for Permit* and addressed all of the requirements of the State Board.

TABLE FIVE				
Safety Net Impact Information				
		2013	2014	2015
Net Patient Revenue		\$232,199,015	\$232,939,000	\$244,087,374
CHARITY				
Charity (# of patients)		2013	2014	2015
	Inpatient	39	24	9
	Outpatient	2,348	1,222	1,406
Total		2,387	1,246	1,415
Charity (cost in dollars)				
	Inpatient	\$2,307,687	\$2,899,512	\$1,141,376
	Outpatient	\$2,209,380	\$2,175,376	\$1,386,431
Total		\$4,517,167	\$5,074,888	\$2,527,807
% of Charity Care to Net Revenue]		1.9%	2.1%	1.0%
MEDICAID				
Medicaid (# of patients)		2013	2014	2015
	Inpatient	4,623	6,080	6,440

TABLE FIVE				
Safety Net Impact Information				
		2013	2014	2015
Net Patient Revenue		\$232,199,015	\$232,939,000	\$244,087,374
	Outpatient	101,091	148,048	159,314
Total		105,704	154,128	165,754
Medicaid (revenue)				
	Inpatient	\$58,421,225	\$61,917,548	\$69,803,854
	Outpatient	\$10,369,704	\$10,024,713	\$16,592,065
Total		\$68,790,929	\$71,942,261	\$86,395,919
% of Medicaid to Net Revenue		29.6%	30.8%	35.3%

Source: Page 222-223 of the Application for Permit.

C) Criterion 1110.230 (c) – Alternatives to the Project

To demonstrate compliance with this criterion, the applicants must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The alternatives considered by the applicant are presented below in their entirety because the State Board Staff considered the analysis important to the understanding of the project size and scope of the proposed project. The alternatives considered by the applicant were provided by department. *(See Application for Permit page 311-317)*

I. Modernize the General ICU in Place

The applicants considered the option of reconstructing the ICU in its current location. However, it realized that an expansion in place would encroach on the Surgery department, the entire ICU would have to cease operation in that location, and the expansion would encroach on the buried diesel fuel tank required to run the hospital’s generators. The applicants rejected this alternative, based on the mentioned issues. No cost was identified with this alternative.

II. Relocate and Modernize ICU to the 2nd Floor South/West

The applicants reviewed the option of moving the general ICU from the 1st to the 2nd floor, but rejected the alternative, due to the need to relocate the main kitchen and the Administration wing, which would take 3.5 years, and cost approximately \$36,538,680.

III. Relocate and Modernize Behavioral Health and ICU (Option Chosen)

The applicants found this alternative to be most feasible, based on the ability to address two of their main priorities (ICU and Behavioral Health). The movement of these units proved to be the least costly, best use of existing building space, and most cost effective. Cost identified with this alternative: \$17,870,536.

VIII. Size of the Project, Projected Utilization, Assurances

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

To demonstrate compliance with this criterion, the applicants must document that the proposed surgical rooms and recovery stations meet the State Board GSF Standard’s in Section 1110.Appendix B.

The applicant is proposing 32,567/dgsf of reviewable space for this project. The applicants are in compliance with all of the State Board Standards. (See Table Six below). (See Application for Permit page 58 for discussion of the size of the project and the space program)

TABLE SIX Size of the Project					
Departments	Beds/Rooms/ Stations	Proposed GSF	State Standard		Met Standard?
			Beds/Rooms/ Stations	Total	
Intensive Care (ICU)	30 Beds	17,391/dgsf	600-685 dgsf/bed	20,550/dgsf	Yes
Behavioral Health (AMI)	29 Beds	15,176/dgsf	440-560 dgsf/bed	16,240/dgsf	Yes
Total		32,567 GSF			

B) Criterion 1110.234(b) –Projected Utilization

To demonstrate compliance with this criterion, the applicants must document that the proposed surgical rooms will be at target utilization by the second year after project completion. Section 1110.Appendix B

1. Intensive Care Unit (ICU)

The applicants are proposing to modernize/relocate a 30-bed Intensive Care Unit, with specific categorizations for General and Cardiovascular ICU. Currently, Mercy Hospital and Medical center has 14 General ICU and 16 Cardiovascular ICU beds. Upon project completion, the facility will have 19 General ICU, and 11 Cardiovascular ICU beds. Essentially, this portion of the project is a modernization, reallocation and relocation of beds within the ICU service. The historical and projected utilization data are broken down in reference to each specialized service, and listed below.

TABLE SEVEN ICU Utilization, Mercy Hospital and Medical Center						
General ICU	2013	2014	2015	2016 (Annualized)	2020	2021
Beds	14	14	14	14	19	19
Patient Days*	4,253	4,088	4,170	4,266	4,500	4,500
ADC	11.65	11.20	11.42	11.69	12.32	12.32
Occupancy	83%	80%	82%	83%	65%	65%
CVICU	2013	2014	2015	2016 (Annualized)	2020	2021
Beds	16	16	16	16	11	11
Patient Days*	1,583	1,657	1,569	1,464	2,070	2,070

ADC	4.34	4.54	4.30	4.01	5.67	5.67
Occupancy	27%	28%	27%	25%	52%	52%
ICUs Combined	2013	2014	2015	2016 (Annualized)	2020	2021
Beds	30	30	30	30	30	30
Patient Days*	5,836	5,745	5,739	5,730	6,570	6,570
ADC	15.99	15.73	15.72	15.69	18.00	18.00
Occupancy	53%	52%	52%	52%	60%	60%
*ICU Patient days does not include admissions and transfers State Occupancy Target for ICU beds: 60%						

2. Behavioral Health (AMI) Unit

The applicants are proposing to modernize, relocate, and downsize their existing Behavioral Health (AMI), service. Upon project completion, the AMI unit will contain 29 inpatient beds. The projected utilization data is listed below.

Acute Mental Illness	2013	2014	2015	2016 (Annualized)	2020	2021	2022
Beds	39	39	39	39	29	29	29
Patient Days	5,652	6,707	5,093	5,225	8,468	8,997	9,080
ADC	15	18	14	14	24	25	25
Occupancy	40%	47%	36%	37%	83%	85%	86%
State Occupancy Target for AMI beds: 85% ADC: Average Daily Census							

C) Criterion 1110.234(e) - Assurances

To demonstrate compliance with this criterion, the applicants must provide an attestation that the proposed project will be at target occupancy two years after project completion.

The applicants provided the necessary assurances in the project file for the Application for Permit. See Tables Seven and Eight for the historical and projected utilization being proposed by this project.

The applicants supplied sufficient utilization data for general ICU and cardiovascular ICU service combined. While the historical AMI utilization data is insufficient, it appears as though the applicants predict the projected utilization to meet sufficient projected utilization standards.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN COMFORMANCE WITH THE REQUIREMENTS OF CRITERION SIZE OF THE PROJECT AND PROJECTED UTILIZATION ASSURANCES (77 IAC 1110.234 (a), (b) and (e))

IX. Intensive Care Beds-Modernization

A) Criterion 1110.530(e)(1), (2) and (3) – Deteriorated Facilities

To demonstrate compliance with this criterion, the applicants must document that inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized.

The building housing the existing general ICU service was built in the 1960s, and is functionally obsolete. The current ICU unit on the first floor was cited for five violations in the most recent Center for Medicare and Medicaid Services (CMMS) inspection, which have been proven costly to remediate. The 14-bed unit is operating at capacity, with rooms that are undersized by today's life safety code standards. The nursing stations are inefficient, and support spaces are located in a corridor that faces the main lobby of the Hospital. The application contains correspondence from the Illinois Department of Public Health (Application, pgs. 61-64), and copies of the CMMS reports, identifying said violations (Application, pgs. 65-139).

4. Criterion 1110.530(e)(4) – Occupancy

To demonstrate compliance with this sub-criterion, the applicants must document that the inpatient bed service to be modernized must meet or exceed the occupancy standards for the categories of service as documented in Part 1100.

The applicants are proposing to modernize, relocate, and reallocate beds in its existing ICU units. The two ICU units are remote from one another. General ICU is located on the first floor, while Cardiovascular ICU is located on the 11th floor. The applicants note each service varies greatly under clinical considerations, and are not interchangeable for patient care. Table Seven illustrates historic and projected utilization data for the services, both individually and combined. It is projected that the general ICU service will achieve sufficient occupancy by the second year after project completion, while the Cardiovascular ICU service does not. However, Board staff has calculated projected occupancy for ICU as a combined entity, and a positive finding results for this criterion.

The four (4) year historical average daily census ("ADC") is sixteen (16) which will justify twenty-seven (27) AMI Beds at the target occupancy of sixty percent (60%) [Part 1100.540]. The extent of the modernization is not warranted by the historical ADC.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT CONFORMANCE WITH CRITERION CATEGORY OF SERVICE MODERNIZATION (77 IAC 1110.530(e)(1), (2), (3) and (4))

B) Criterion 1110.530(g) – Performance Requirements

The applicant met the minimum bed capacity for intensive care beds (4 beds) in the Chicago-Naperville-Arlington Heights, Illinois Metropolitan Statistical Area.

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

X. Acute Mental Illness – Review Criteria

A) Criterion 1110.730(e)(1), (2) and (3)– Deteriorated Facilities

To demonstrate compliance with this criterion, the applicants must document that inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized.

The AMI unit is located in the same patient tower as the ICU (1960s construction), and is subject to the same infrastructure (plumbing, electrical, safety) issues that are cited in the ICU criterion. The inpatient AMI unit lacks the necessities of a contemporary AMI unit that includes seclusion space, interview areas, intake rooms, and activity space. While the application does not contain specific CMMS reports, many of the infrastructure citations apply to the 4th floor of the patient tower as well.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION DETERIORATED FACILITIES (77 IAC 1110.730(e))

3. Criterion 1110.730(e)(4) – Occupancy

To demonstrate compliance with this sub-criterion the applicants must document that the inpatient bed service to be modernized must meet or exceed the occupancy standards for the categories of service as documented in Part 1100.

Table Eight contains historical and projected utilization data for the AMI unit at Mercy Hospital and Medical Center. While historical utilization data shows substandard utilization, the projected utilization appears to meet the minimum utilization standard. This is due in part to the reduction of AMI beds, combined with a steady increase in admissions since 2015 (See Table Eight). The applicants acknowledge being one of 4 hospitals in the planning area that provide AMI services, and is working with area hospitals (Loyola University, Gottlieb Medical Center), to establish transfer agreements for AMI services. It is based on these factors that the applicants are confident to achieve the projected utilization described in Table Eight.

The four (4) year historical average daily census (“ADC”) is sixteen (16) which will justify nineteen (19) AMI Beds at the target occupancy of eighty-five percent (85%). [Part 1100.560] The extent of the modernization is not warranted by the historical ADC.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH THE OCCUPANCY CRITERION (77 IAC 1110.730(e)(4))

B) Criterion 1110.730(g) – Performance Requirements

The applicants met the minimum bed capacity for AMI beds (20 beds) in the Chicago-Naperville-Arlington Heights, Illinois Metropolitan Statistical Area, through the establishment of a 29-bed AMI unit.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PERFORMANCE REQUIREMENTS (77 IAC 1110.730(g))

XI. FINANCIAL VIABILITY

A) Criterion 1120.120 - Availability of Funds

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with these criteria the applicants must document that funds are available and the applicants have an “A” or better bond rating.

a) Cash and Securities

The applicants are funding the project in its entirety with cash and securities totaling \$17,870,536. The applicants supplied Audited Financial Statements from 2015/2016 (Application, pgs. 150-208), as well as proof of an Aa3 Bond Rating from Moody’s Investor’s Service, dated December 2015 (Application, pgs. 209-216). Based on the information provided, the applicants met the requirements of this criterion.

TABLE NINE		
Audited Financial Statements Trinity Health		
Years Ended June 30, 2015 and 2016		
Audited		
(in thousands)		
	2015	2016
Cash	\$843,210	\$1,044,683
Current Assets	\$7,826,812	\$8,197,917
Total Assets	\$21,775,319	\$23,378,871
Current Liabilities	\$4,138,177	\$4,502,282
Long Term Debt	\$4,382,456	\$5,132,377
Net Patient Service Revenue	\$12,843,346	\$14,718,528
Depreciation Expense	\$835,213	\$740,321
Interest Expense	\$163,050	\$195,829
Total Operating Expense	\$13,868,110	\$16,187,710
Operating Income	\$457,692	\$46,379
Excess of Revenues over Expenses	\$636,794	\$41,343

Source: Application for Permit Audited Financial Statement (pgs. 150-208)

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA AVAILABILITY OF FUNDS AND FINANCIAL VIABILITY (77 IAC 1120.120 and 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 are funding the project in its entirety with cash and securities totaling \$17,870,536. These criteria are inapplicable for this project.

STATE BOARD STAFF FINDS THE CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING ARE INAPPLICABLE TO THIS PROJECT(77 IAC 1120.140(a) and (b))

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

Only the reviewable/clinical costs are being reviewed below. The itemization of these costs includes the total costs submitted for this project.

Modernization and Contingency is \$10,125,342 or \$310.90 GSF. This appears reasonable when compared to the State Board Standard of \$317.42 per GSF, using 2018 as the mid-point of construction.

Contingency Costs are \$1,331,301. These costs are 15.0% of the modernization costs of \$8,794,041. This appears reasonable when compared to the State Board Standard of 10% to 15%.

Architectural and Engineering Fees are \$375,000. These costs are 3.7% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 5.87%-8.81%

Consulting and Other Fees are \$180,000. The State Board does not have a standard for these costs.

Movable or Other Equipment not in Construction Contracts are \$1,829,850. The State Board does not have a standard for these costs.

Net Interest Expenses during Construction is \$281,637. The State Board does not have a standard for these costs.

The applicants are in excess of the State standard for Contingency costs and a negative finding results for this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(c))

Reviewer Note:

The criteria below do not have State Board Standards. The applicants successfully addressed these two criteria when the direct cost per procedure and the capital cost per procedure were provided.

D) Criterion 1120.140(d) - Direct Operating Costs

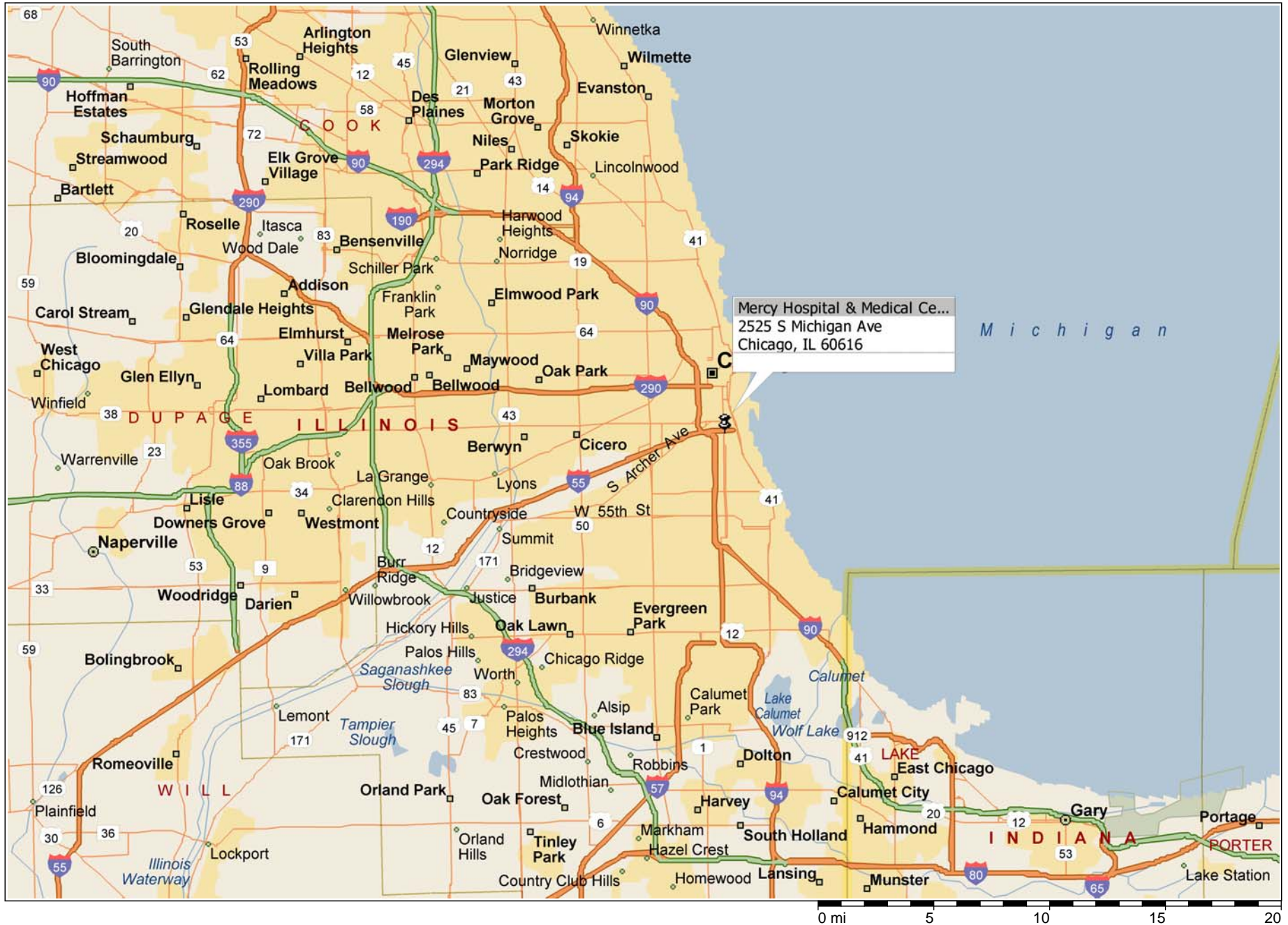
The direct operating costs for the project are \$2,049.00 per patient day. State Board does not have a standard for these costs.

E) Criterion 1120.140(e) - Projected Capital Costs

The projected capital costs related to this project is \$184.00 per patient day. State Board does not have a standard for these costs.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION DIRECT OPERATING COSTS AND PROJECTED CAPITAL COSTS 77 IAC 1120.140(d) and (e))

16-057 Mercy Hospital & Medical Center - Chicago



<u>Ownership, Management and General Information</u>		<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Carol Schneider	White	25.7%	Hispanic or Latino:	1.1%
ADMINISTRATOR PHONE	312-567-2100	Black	63.7%	Not Hispanic or Latino:	96.0%
OWNERSHIP:	Mercy Hospital and Medical Center	American Indian	0.0%	Unknown:	3.0%
OPERATOR:	Mercy Hospital and Medical Center	Asian	6.5%		
MANAGEMENT:	Not for Profit Corporation (Not Church-R	Hawaiian/ Pacific	0.0%	IDPH Number:	1578
CERTIFICATION:	(Not Answered)	Unknown	4.0%	HPA	A-03
FACILITY DESIGNATION:	General Hospital			HSA	6
ADDRESS	2525 South Michigan Avenue	CITY:	Chicago	COUNTY:	Suburban Cook (Chicago)

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	Authorized CON Beds 12/31/2015	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	289	107	107	8,699	35,698	3,627	4.5	107.7	37.3	100.7
0-14 Years				4	6					
15-44 Years				1,341	4,130					
45-64 Years				3,077	11,889					
65-74 Years				1,769	7,803					
75 Years +				2,508	11,870					
Pediatric	37	1	1	161	301	74	2.3	1.0	2.8	102.7
Intensive Care	30	18	18	2,020	5,739	7	2.8	15.7	52.5	87.5
Direct Admission				1,205	2,958					
Transfers				815	2,781					
Obstetric/Gynecology	30	17	17	2,495	5,551	20	2.2	15.3	50.9	89.8
Maternity				2,495	5,551					
Clean Gynecology				0	0					
Neonatal	15	14	14	744	4,089	0	5.5	11.2	74.7	80.0
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	39	18	18	921	5,093	0	5.5	14.0	35.8	77.5
Rehabilitation	24	17	17	422	4,541	0	10.8	12.4	51.8	73.2
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	464			14,647	61,012	3,728	4.4	177.4	38.2	

(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	39.0%	44.0%	1.1%	15.9%	0.0%	0.1%	
	5712	6440	162	2324	0	9	14,647
Outpatients	22.0%	39.3%	6.5%	31.9%	0.0%	0.3%	
	89136	159314	26551	129234	0	1406	405,641

<u>Financial Year Reported:</u> 7/1/2014 to 6/30/2015								<u>Inpatient and Outpatient Net Revenue by Payor Source</u>		<u>Total Charity Care Expense 2,527,807</u>
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense	<u>Total Charity Care as % of Net Revenue</u>		
Inpatient Revenue (\$)	42.6%	42.5%	1.5%	13.4%	0.0%	100.0%				
	69,921,431	69,803,853	2,527,520	21,988,729	0	164,241,533	1,141,376			
Outpatient Revenue (\$)	23.8%	20.8%	24.5%	30.9%	0.0%	100.0%				
	19,026,852	16,592,065	19,565,726	24,661,198	0	79,845,841	1,386,431		1.0%	

<u>Birthing Data</u>			<u>Newborn Nursery Utilization</u>				<u>Organ Transplantation</u>	
Number of Total Births:	2,395		Level I	Level II	Level II+	Kidney:	0	
Number of Live Births:	2,395	Beds	15	0	15	Heart:	0	
Birthing Rooms:	0	Patient Days	2,820	0	4,089	Lung:	0	
Labor Rooms:	0	Total Newborn Patient Days			6,909	Heart/Lung:	0	
Delivery Rooms:	0					Pancreas:	0	
Labor-Delivery-Recovery Rooms:	9					Liver:	0	
Labor-Delivery-Recovery-Postpartum Rooms:	0					Total:	0	
C-Section Rooms:	2							
CSections Performed:	585							

Laboratory Studies

Inpatient Studies	318,263
Outpatient Studies	399,839
Studies Performed Under Contract	21,995

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	90	11	441	31	472	4.9	2.8
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	2	2	504	495	1391	1309	2700	2.8	2.6
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	1	0	7	0	7	7.0	0.0
OB/Gynecology	0	0	1	1	747	503	1914	972	2886	2.6	1.9
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	0	0	1	349	2	565	567	2.0	1.6
Orthopedic	0	0	2	2	352	650	893	1260	2153	2.5	1.9
Otolaryngology	0	0	0	0	38	162	104	301	405	2.7	1.9
Plastic Surgery	0	0	0	0	2	17	11	38	49	5.5	2.2
Podiatry	0	0	0	0	49	243	84	460	544	1.7	1.9
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	1	1	197	479	338	592	930	1.7	1.2
Totals	0	0	6	6	1981	2909	5185	5528	10713	2.6	1.9

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

13

Stage 2 Recovery Stations

9

Dedicated and Non-Dedicated Procedure Room Utilization

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	4	4	1062	3204	1418	3918	5336	1.3	1.2
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	1	1	3	541	3	465	468	1.0	0.9
Cystoscopy	0	0	1	1	0	0	0	0	0	0.0	0.0

Multipurpose Non-Dedicated Rooms

Minor	0	0	1	1	0	243	0	183	183	0.0	0.8
	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
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	Level 2
	Not Answered
Number of Trauma Visits:	0
Patients Admitted from Trauma	0
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	25
Persons Treated by Emergency Services:	67,432
Patients Admitted from Emergency:	8,320
Total ED Visits (Emergency+Trauma):	67,432

Free-Standing Emergency Center

Beds in Free-Standing Centers	0
Patient Visits in Free-Standing Centers	0
Hospital Admissions from Free-Standing Center	0

Outpatient Service Data

Total Outpatient Visits	405,641
Outpatient Visits at the Hospital/ Campus:	381,813
Outpatient Visits Offsite/off campus	23,828

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	2
Cath Labs used for Angiography procedures	2
Dedicated Diagnostic Catheterization Lab	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	733
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	541
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	192
EP Catheterizations (15+)	0

Cardiac Surgery Data

Total Cardiac Surgery Cases:	32
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	32
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	14

Diagnostic/Interventional Equipment

	Examinations			Therapeutic Equipment			Therapies/ Treatments
	Owned	Contract		Owned	Contract		
General Radiography/Fluoroscopy	4	0	10,756	41,400	0	Lithotripsy	0
Nuclear Medicine	4	0	610	1,996	0	Linear Accelerator	1
Mammography	0	0	0	0	0	Image Guided Rad Therapy	0
Ultrasound	8	0	2,213	20,563	0	Intensity Modulated Rad Thrp	5,127
Angiography	1	0				High Dose Brachytherapy	0
Diagnostic Angiography			1,569	530	0	Proton Beam Therapy	0
Interventional Angiography			0	0	0	Gamma Knife	0
Positron Emission Tomography (PET)	1	0	2	177	0	Cyber knife	0
Computerized Axial Tomography (CAT)	4	0	3,730	15,722	0		
Magnetic Resonance Imaging	0	1	1,376	37,622	0		