



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-02	BOARD MEETING: June 20, 2017	PROJECT NO: 17-001	PROJECT COST: Original:\$18,814,876
FACILITY NAME: Mercy Health Hospital and Medical Center, Inc. Medical Office Building		CITY: Crystal Lake	
TYPE OF PROJECT: Non- Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicants (Mercy Health Corporation and Mercy Health Hospital and Medical Center, Inc.) are proposing to construct a medical office building in Crystal Lake. The medical office building will have forty-two (42) examination rooms, accommodating fifteen (15) physicians. Clinical services at the medical office building will include physical therapy, occupation therapy, and infusion therapy (chemotherapy). The project involves the construction of a 39,922 square foot facility. The total project cost is \$18,814,876. The completion date as stated in the application for permit is November 30, 2020.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Mercy Health Corporation and Mercy Health Hospital and Medical Center, Inc.) are proposing to construct a medical office building in Crystal Lake. The medical office building will have forty-two (42) examination rooms, accommodating fifteen (15) physicians. Clinical services at the medical office building will include physical therapy, occupation therapy, and infusion therapy (chemotherapy). The project involves the construction of a 39,922 square foot facility. The total project cost is \$18,814,876. The completion date as stated in the application for permit is November 30, 2020.
- The application was modified on March 24, 2017 reducing the cost of the MOB from \$23,789,685 to \$18,939,876 or a decrease of \$4,849,809 or approximately 21%.
- The application was modified again on May 12, 2017 changing the financing to all cash financing and reducing the cost by \$125,000 (bond issuance expense) for a total project cost of \$18,814,876. The two (2) modifications were considered Type B Modifications that did not require publication of a Notice of an Opportunity for Public Hearing and Written Comment. [77 IAC 1130.650(a)]

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are before the State Board because the project is “by or on behalf of” a health care facility and the expenditure is in excess of the capital expenditure minimum of \$12,950,881.

PURPOSE OF THE PROJECT:

- The purpose of this project is to address a shortage of primary care physicians and select specialists in McHenry County and take advantage of opportunities for efficiencies by consolidating offices for some of the seventy-eight (78) Mercyhealth W-2 partner physicians working in McHenry County.

PUBLIC HEARING/COMMENT:

- A public hearing was held February 21, 2017 at the City Hall of Crystal Lake, in Crystal Lake, Illinois from 10:45AM – 12:00PM. The Public Hearing Officer was Juan Morado Jr., General Counsel. Also in attendance were Courtney Avery, Administrator, Jeannie Mitchell, Assistant General Counsel and Ms. Marianne Eterno Murphy, who represented the State Board. The Court Reporter was Ms. Melannie L. Humphrey-Sonntag. Total attendance at the public hearing was 101 individuals. Fifty-nine (59) individuals registered in support of the project and thirty-nine (39) individuals provided supporting testimony. Three (3) individuals provided opposing testimony. At the conclusion of this report is the transcript from the public hearing.
- The State Board Staff received numerous support and opposition letters for this project and these letters have been included in the information forwarded to the State Board members. Additionally, the Staff received 3,100 “hard copy” petitions in support of this Project and Project #17-002. Approximately 1,600 additional petitions were submitted electronically.

SUMMARY:

- The State Board Staff reviewed the application for permit, support and opposition testimony provided at the public hearing, supplemental information submitted by the applicants and note the following: The applicants addressed fifteen (15) criteria and have met them all.

STATE BOARD STAFF REPORT
Mercy Health Hospital and Medical Center
Project #17-001

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Mercy Health Corporation and Mercy Health Hospital and Medical Center, Inc.
Facility Name	Mercy Health Hospital and Medical Center Crystal Lake Medical Office Building
Location	SE Corner of State Rte 31 & Three Oaks Road, Crystal Lake, Illinois
Application Received	January 25, 2017
Application Deemed Complete	January 26, 2017
Permit Holder	Mercy Health Hospital and Medical Center, Inc.
Operating Entity	Mercy Health Hospital and Medical Center, Inc.
Owner of the Site	Mercy Health System Corporation
Project Financial Commitment Date	June 20, 2019
Gross Square Footage	39,922 GSF
Project Completion Date	November 30, 2020
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The applicants (Mercy Health Corporation and Mercy Health Hospital and Medical Center, Inc.) are proposing to construct a medical office building in Crystal Lake. The medical office building will have forty-two (42) examination rooms, accommodating fifteen (15) physicians. Clinical services at the medical office building will include physical therapy, occupation therapy, and infusion therapy (chemotherapy). The project involves the construction of a 39,922 square foot facility. The total project cost is \$18,814,876. The completion date as stated in the application for permit is November 30, 2020.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is in conformance with 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 Mercy Health Corporation and Mercy Health Hospital and Medical Center, Inc. Mercy Health Corporation is a not-for-profit entity that serves as the parent corporation and supports the operations of the health system. Mercy Health Corporation consists of the following affiliated entities:

- Mercy Health System Corporation, which operates a two hundred forty (240) bed hospital in Janesville, Wisconsin, and approximately forty-three (43) physician clinics in southern Wisconsin and northern Illinois; and a skilled nursing facility that operates as a subacute care unit of the hospital;
- Mercy Walworth Hospital and Medical Center which operates a twenty-five (25)-bed hospital facility in Walworth County, Wisconsin;
- Mercy Harvard Hospital, Inc. operates a hospital with 18 acute and 45 long-term care beds located in Harvard, Illinois; and Mercy Harvard Hospital also has a controlled affiliate, Harvard Memorial Hospital Foundation, whose purpose is to support the programs of Mercy Harvard Hospital.
- Rockford Memorial Hospital provides inpatient, outpatient, and emergency care services to residents of Rockford, Illinois and the surrounding communities.

Financial commitment will occur after permit issuance. The proposed project is a non-substantive project subject to a Part 1110 and Part 1120 review. It is considered non-substantive because the project does not meet the requirements of a substantive project which include no more than the following:

- *Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*
- *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
- *Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]*

IV. Project Details

The Medical Office Building will be comprised of two (2) levels located above the main level of the Hospital. It will include Outpatient Clinics, Infusion Center, and Physical and Occupational Therapy. Hospital Patient/Public amenities such as retail Pharmacy, Gift Shop, Chapel and Dining Services are organized around a two (2) story Atrium space directly connecting both Hospital and MOB Services.

V. Project Costs and Sources of Funds

The applicants are funding this project with cash in the amount of \$18,814,876. Estimated start-up costs and operating deficit is \$12,692,684.

The applicants reduced the cost of this project from the original total cost of \$23,789,685 to \$18,814,876 or \$4,974,809 approximately 21% of the original project costs. Most of cost reduction was in the new construction line item. There is a reduction of \$4,862,269, to a reduced construction cost of \$9,442,731. The new construction savings were achieved by modifying the air handling system and equipment, expanded spatial zones for heating/cooling system, and using the plenum (space between ceiling and floor above) for air return, replacing the ducted return system. Additional savings were due to structural modifications to the foundation system. The table below outlines the original submittal, modification and the differences. [Additional Information was provided by the applicants, and saved in the project file]

TABLE ONE
Projects Costs and Sources of Funds

	Original			Modified			2nd Modification			Difference
	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total	Total
Preplanning Costs	\$0	\$0	\$0	\$30,000	\$45,000	\$75,000	\$30,000	\$45,000	\$75,000	\$75,000
Site Preparation	\$150,000	\$803,000	\$953,000	\$70,000	\$883,000	\$953,000	\$70,000	\$883,000	\$953,000	\$0
Off Site Work	\$8,000	\$54,500	\$62,500	\$8,000	\$54,500	\$62,500	\$8,000	\$54,500	\$62,500	\$0
New Construction Contracts	\$3,025,000	\$11,280,000	\$14,305,000	\$1,635,185	\$7,807,546	\$9,442,731	\$1,635,185	\$7,807,546	\$9,442,731	(\$4,862,269)
Contingencies	\$145,000	\$573,000	\$718,000	\$162,840	\$780,000	\$942,840	\$162,840	\$780,000	\$942,840	\$224,840
Architectural and Engineering Fees	\$405,000	\$1,345,000	\$1,750,000	\$171,820	\$1,290,800	\$1,462,620	\$171,820	\$1,290,800	\$1,462,620	(\$287,380)
Consulting and Other Fees	\$88,000	\$262,000	\$350,000	\$88,000	\$262,000	\$350,000	\$88,000	\$262,000	\$350,000	\$0
Movable Equipment	\$890,122	\$2,248,563	\$3,138,685	\$890,122	\$2,248,563	\$3,138,685	\$890,122	\$2,248,563	\$3,138,685	\$0
Bond Issuance Expense	\$45,000	\$80,000	\$125,000	\$45,000	\$80,000	\$125,000	\$0	\$0	\$0	(\$125,000)
FMV of Leased Space or Equipment										
IT/Low Voltage	\$285,000	\$840,000	\$1,125,000	\$285,000	\$840,000	\$1,125,000	\$285,000	\$840,000	\$1,125,000	\$0
Furniture Artwork	\$300,000	\$900,000	\$1,200,000	\$300,000	\$900,000	\$1,200,000	\$300,000	\$900,000	\$1,200,000	\$0
Moving	\$14,000	\$48,500	\$62,500	\$14,000	\$48,500	\$62,500	\$14,000	\$48,500	\$62,500	\$0
Total Project Costs	\$5,355,122	\$18,434,563	\$23,789,685	\$3,699,967	\$15,239,909	\$18,939,876	\$3,654,967	\$15,159,909	\$18,814,876	(\$4,974,809)
Sources of Funds										
Cash	\$3,231,074	\$11,092,737	\$14,323,811	\$2,219,980	\$9,143,945	\$11,363,925	\$3,654,967	\$15,159,909	\$18,814,876	\$4,491,0654
Bond Issue	\$2,124,048	\$7,341,826	\$9,465,874	\$1,479,987	\$6,095,964	\$7,575,951	\$0	\$0	\$0	(\$9,465,874)
Total Sources of Funds	\$5,355,122	\$18,434,563	\$23,789,685	\$3,699,967	\$15,239,909	\$18,939,876	\$3,654,967	\$15,159,909	\$18,814,876	(\$4,974,809)

VI. Cost Space Requirements

The applicants are proposing a total of 39,922 GSF of space for the medical office building. This is an increase of 3,600 GSF of space or 9.9% increase from the original proposed application.

The State Board requires spaces to be included in the applicant's determination of square footage to include all functional areas minimally required by the Hospital Licensing Act, applicable federal certification, and any additional spaces required by the applicant's operational program.

TABLE TWO						
Cost Space Requirements						
Reviewable	Original		Modification		Difference	
	Proposed	New Construction	Proposed	New Construction	Proposed	New Construction
PT/OT	3,406	3,406	3,406	3,406	0	0
Infusion Therapy	3,379	3,379	3,379	3,379	0	0
Sub Total	6,785	6,785	6,785	6,785	0	0
Non Reviewable						
Exam Room, Offices	23,369	23,369	26,529	26,529	3,160	3,160
Support	6,168	6,168	6,608	6,608	440	440
Sub Total	29,537	29,537	33,137	33,137	3,600	3,600
Total	36,322	36,322	39,922	39,922	3,600	3,600

VII. Background of the Applicants

A) Criterion 1110.3030 (b) (1) (3) - Background of Applicant

An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the applicants must provide

- A) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;
- B) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
- C) An attestation that the applicants have has been no *adverse action*¹ taken against the any facility owned or operated by applicants.

¹ "Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations." (77 IAC 1130.140)

1. The applicants attested that there has been no adverse action taken against any facility owned or operated by Mercy Crystal Lake Hospital and Medical Center, Inc. or Mercy Health Corporation during the three years prior to filing the application. [Application for Permit page 55]
2. The applicants authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connections with the Applicant's application for a Certificate of Need to build a hospital and attached medical office building in Crystal Lake, Illinois. The authorization includes, but is not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit pages 56-57]
3. The site is owned by Mercy Health System Corporation and evidence of this can be found at page 27-29 of the application for permit.
4. The applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires all *requires all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.* [Application for Permit pages 33-36]
5. The proposed location of the hospital is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State owned historic resources* (20 ILCS 3420/1). [Application for Permit pages 37-38]
6. The applicants own two (2) hospitals in Illinois; Rockford Memorial Hospital and Mercy Harvard Hospital. Both hospitals are currently licensed by the Illinois Department of Public Health and accredited by the Joint Commission². The applicants do note *that The Joint Commission letter dated March 21, 2014 currently shows an accreditation expiration date of January 11, 2017. Mercyhealth has been in communication with The Joint Commission regarding this issue and has been informed that the required survey did not occur due to unforeseen emergency circumstances. However, the Joint Commission has assured Mercyhealth that the survey is scheduled and will take place before the 39 month deadline set forth in The Joint Commissions deeming agreement with CMS.* [Application for Permit pages 46-56]
7. Illinois Certificates of Good Standing for Mercy Crystal Lake Hospital and Medical Center, Inc. and Mercy Health Corporation have been provided. Mercy Crystal Lake Hospital and Medical Center, Inc., an Illinois not-for-profit corporation, will be the operating entity of the proposed medical office building. As the person with final control over Mercy Crystal Lake Hospital and Medical Center, Inc., Mercy Health Corporation, an Illinois not-for-profit corporation, is named as a co-applicant on this certificate of need application. [Application for Permit page 24-36]

² The Joint Commission is an independent, not-for-profit organization that accredits and certifies more than 20,000 health care organizations and programs in the United States. Joint Commission accreditation and certification is recognized nationwide as a symbol of quality that reflects an organization's commitment to meeting certain performance standards. [Source: Joint Commission]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANTS (77 IAC 1110.3030(b)(1) - (3))

VIII. Purpose of the Project, Safety Net Impact Statement, Alternatives to the Project

These three (3) criteria are for informational purposes only. No decision is made whether the applicants have successfully addressed these criteria.

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

To demonstrate compliance with this criterion the applicants must identify the issues or problems that the project is proposing to address or solve; how the project will address or improve the problems identified, as well as the population's health status and well-being; provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.

The applicants provided the following information:

“The location of the proposed MOB is centrally accessible to the planning area, adjacent to a new hospital proposed by separate CON application (Project #17-002). Locating the MOB adjacent to the proposed new hospital is convenient for emergency care as specialists will be available in an adjacent building. Additionally, adjacency to the hospital allows for easy access to diagnostic imaging for outpatients visiting the MOB. Finally, there are efficiencies in space and administrative services. The planning/market area for this Project is approximately a 30-minute drive time radius from the proposed project site in Crystal Lake, IL. Approximately 82% of the population to be served by the proposed MOB resides in the planning area.

The purpose of this project is to

- (1) address a shortage of primary care physicians and select specialists in McHenry County;*
- (2) take advantage of opportunities for efficiencies by consolidating offices for some of the 78 Mercyhealth W-2 partner physicians working in McHenry County.*

1. *According to physician manpower ratios from Thomson Reuters, McHenry County has a deficit of physicians as of 2016. This includes a significant shortage in family medicine and internal medicine physicians, as well as a shortage in specialty care (including a 4.1 FTE in gastroenterology, 11.4 FTE in general surgery and 9.1 FTE in hematology/oncology).*

2. *McHenry County has a high ratio of residents to primary care physicians, performing poorer than the state average. The American Medical Association predicts that the current physician shortage in the U.S. will worsen over the next several years. Without an adequate physician supply, McHenry County residents must seek care from physicians in other locations. In fact, only 35% of health care received by McHenry County residents is provided in McHenry County. There is a need in McHenry County for additional oncology services.*

3. *Analysis of EPIC³ data for patients in the office practices of MercyHealth physicians shows that there are approximately 1,200 patients with cancer. Mercyhealth lacks an oncologist in the area, and does not offer chemotherapy services.*

³ **Epic Systems Corporation, or Epic,** is a privately held healthcare software company. According to the company, hospitals that use its software hold medical records of 54% of patients in the United States and 2.5% of patients worldwide. Epic's market focus is large healthcare organizations and academic medical centers. The company offers an integrated suite of healthcare software centered on a Caché database provided by InterSystems. Epic's applications support functions related to patient care, including registration and scheduling; clinical systems for doctors, nurses, emergency personnel, and other care providers; systems for lab technologists, pharmacists, and radiologists; and billing systems for insurers

4. *Mercyhealth currently employs 20 W-2 partner physicians that work in four clinics in Crystal Lake and one clinic in Lake in the Hills, in some capacity. Mercyhealth leases various office buildings around McHenry County for these physicians to provide services. By doing so, Mercyhealth is unable to take advantage of efficiencies of operating a single MOB (e.g., shared reception, waiting room, records, storage and support staff areas).*

5. *Mercyhealth believes that the shortage of specialty physicians is one of the primary reasons that residents of McHenry County are leaving the county in order to seek medical care. Leveraging its full integration model and W -2 Physician Partnership model, Mercyhealth intends to address this access problem by engaging in a physician recruitment strategy for McHenry County that is anticipated to include a general surgeon, a hematologist/oncologist, a gastroenterologist, a pain management physician, and primary care physicians. This is part of the rationale for the proposed MOB adjoining the hospital facility in the Project, along with re-locating current Mercyhealth physicians practicing in Crystal Lake from five separate clinic sites to a unified multi-specialty location.*

The proposed MOB will have offices for 15 physicians and 42 exam rooms, allowing for the consolidation of five small office sites, ranging in size from two to nine physicians. In total, 20 physicians are currently office in these practices. They generated 44,594 visits in FY 2015 and 42,905 visits in FY 2016. These physician practices will all be established in the proposed MOB.

The purpose of the consolidation of practices is to achieve operational efficiencies and enhance coordination of care delivery. There will be economies of scale due to shared facility space (reception and waiting, records, storage, staff support areas), enhanced collaboration by having multiple specialties under one roof, and, due to adjacency to the hospital, easy access for patients to lab testing, radiology, and pharmacy.

In addition, additional practitioners in primary care, general surgery, gastroenterology, pain management and oncology are being recruited. These are expected to add 40,000 patient visits, in addition to approximately 43,000 visits to current primary care physicians in year 2022, two years after project completion. A projected 83,000 total annual visits are planned for Year 2022. The project plans for 42 exam rooms, consistent with the State standard of 2,000 visits per exam room.

The project includes physical therapy and occupational therapy. It also includes an infusion therapy program to accommodate patients of Mercyhealth physicians who have cancer and would benefit from chemotherapy. Ten treatment stations are planned to be located in the proposed MOB.

6. *Mercyhealth has identified the following goals and measures:*

- *Design and implement a physician recruitment plan to reduce the shortage of primary care physicians, general surgeons, gastroenterologists, pain management physicians and hematologists/oncologists in McHenry County.*
- *Open the new MOB for service by November 30, 2020.*
- *Accommodate 83,000 physician office visits by 2022, two years after project completion.*
- *Provide 6,000 chemotherapy treatment sessions per year for patients of Mercy health physicians.*
- *Provide 6,000 outpatient PT/OT visits for patients of Mercyhealth physicians in 2022.”*
[Application for Permit pages 58-64]

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

To demonstrate compliance with this criterion the applicants must *provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation.* [20 ILCS 3960/5.4]

This project is considered a **non-substantive project** because it does not meet the definition of a substantive project. Non substantive projects are not required to file a safety net impact statement.

The applicants did provide charity care information that is required for all applications for the two (2) hospitals the applicants operate in Illinois. See table below.

TABLE THREE			
Mercy Harvard Hospital, Inc.			
CHARITY CARE			
Net Revenue	\$21,494,146	\$23,836,167	\$21,272,307
Charity (# of patients)	2013	2014	2015
Inpatient	8	7	3
Outpatient	34	32	10
Total	42	39	13
Charity (cost in dollars)			
Inpatient	\$73,060	\$31,838	\$20,523
Outpatient	\$77,859	\$26,138	\$20,267
Total	\$150,919	\$57,976	\$40,790
% Charity/Net Revenue	0.70%	0.24%	0.19%
Rockford Memorial Hospital			
CHARITY CARE			
Net Revenue	\$314,090,683	\$323,042,795	\$348,114,112
Charity (# of patients)	2013	2014	2015
Inpatient	973	955	353
Outpatient	4013	5686	1660
Total	4986	6641	2013
Charity (cost in dollars)			
Inpatient	\$7,462,976	\$2,456,931	\$954,060
Outpatient	\$3,307,849	\$2,323,023	\$893,858
Total	\$10,770,825	\$4,779,954	\$1,847,918
% Charity/Net Revenue	3.43%	1.48%	0.53%

C) Criterion 1110.230 (c) – Alternatives to the Proposed 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 applicants are proposing the construction of a 39,922 square foot medical office building functionally and programmatically connected to the proposed new hospital in Crystal Lake. The medical office building will have offices for fifteen (15) physicians, mostly specialists, and forty-two (42) exam rooms. Also included is a ten (10) station infusion therapy program and PT/OT space.

The applicants considered the following alternatives:

- 1. Construct a larger Medical Office Building, with offices for fifty (50) physicians.** One option considered was a project to construct a much larger Medical Office Building in Crystal Lake with office space for fifty (50) physicians. This option would be considerably more expensive, as the Medical Office Building itself would need to be substantially larger. The total project cost for this option is \$67 million.
- 2. Construct a Medical Office Building with an Ambulatory Surgical Treatment Center.** Another option considered was constructing an Ambulatory Surgical Treatment Center and Medical Office Building in Crystal Lake with acute care beds. This option is not needed because surgeries will be accommodated in the proposed adjacent hospital. The total project cost for this option is \$69 million.
- 3. Construct the Medical Office Building in another location.** Consideration was given to constructing the Medical Office Building in another location. The proposed location is property currently owned by a subsidiary of Mercy Health Corporation. The location is centrally accessible to the planning area, adjacent to the proposed new hospital. Locating the Medical Office Building adjacent to the proposed new hospital is convenient for emergency care as specialists will be available in an adjacent building. Additionally, adjacency to the hospital allows for easy access to diagnostic imaging for outpatients visiting the Medical Office Building. The total project cost for this option is \$35 million.

IX. Size of the Project, Projected Utilization and Assurances

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

To demonstrate compliance with this criterion the applicants must document that the proposed gross square footage for the proposed services that the State Board has gross square footage standards have met the requirements of Part 1110 Appendix B.

The applicants are proposing 39,922 GSF of space to house physical therapy, occupational therapy, infusion therapy, physician offices, exam rooms and support areas. The State Board does not have gross square footage standards for any of the services proposed to be located in the medical office building. The applicants have complied with this criterion.

The Statute defines "Non-clinical Service Area" *an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; newsstands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers.* [20 ILCS 3960/3]

A physician office and/or physician exam room is not included in the definition of non-clinical service area. The Board Staff considers physician offices and/or physician exam rooms as clinical space but non-reviewable because the State Board does not have gross square footage or utilization standards. The table below outlines the departmental gross square footage for the functional areas of the medical office building.

TABLE FOUR		
Size of the Project		
Functional Areas	Proposed DGSF	State Standard
Reviewable		
Physical Therapy/Occupational Therapy	3,406	None
Infusion Therapy	3,379	None
Subtotal	6,785	
Non Reviewable		
Offices Exam Rooms	26,529	None
Non Clinical Support	6,608	None
Subtotal	33,137	
Total	39,922	

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 IAC 1110.234(a))

B) Criterion 1110.234(b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must document that the projected utilization for the proposed services for which the State Board has utilization standards has met the requirements of Part 1110.Appendix B. If the service areas do not have utilization standards in 77 Ill. Adm. Code 1100, the applicant shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source, that minimally include the following:

- 1) Clinical encounter times for anticipated procedures in key rooms (for example, procedure room, examination room, imaging room);
- 2) Preparation and clean-up times, as appropriate;
- 3) Operational availability (days/year and hours/day, for example 250 days/year and 8 hours/day); and
- 4) Other operational factors.

Infusion Therapy

The applicants are proposing ten (10) infusion therapy stations in the medical office building. The applicants are anticipating operating the infusion therapy service six (6) days a week fifty-two (52) weeks per year for a total of 312 days with an anticipated volume of 18.4 patients per day or 5,741 patients per year. Each session is four (4) hours or 22,964 hours per year or 73.6 hours per day. (73.6 hours a day/eight (8) hours per day)/10 stations = 92% utilization.

Office Space/Clinical Exam Rooms

The applicants are proposing office space for fifteen (15) physicians and forty-two (42) exam rooms. The applicants are proposing to consolidate five (5) office sites into the proposed medical office building.

The applicants believe the consolidation of practices will achieve operational efficiencies and enhance coordination of care delivery. There will be economies of scale due to shared facility space (reception and waiting, records, storage, staff support areas), enhanced collaboration by having multiple specialties under one roof, and, due to adjacency to the hospital, easy access for patients to lab testing, radiology, and pharmacy. Additional practitioners in primary care, general surgery, gastroenterology, pain management and oncology are being recruited. These are expected to provide an additional 40,000 visits in year 2022, two years after project completion. A projected 83,000 total annual visits are planned for Year 2022.

TABLE FIVE		
List of Clinics to be Consolidated		
Clinics	2015 Visits	2016 Visits
Mercy Crystal Lake Center South	12,732	14,966
Mercy Crystal Lake Center East	11,629	13,062
Mercy Crystal Lake OB/GYN	6,014	6,712
Mercy Northwest Women's Group	2,275	2,298
Mercy Crystal Lake Chiropractic and Rehab Ctr.	3,657	3,504
Mercy Crystal Lake West ⁽¹⁾	8,287	2,363
Total	44,594	42,905

1. Mercy Crystal Lake West closed in 2016.

The State Board does not have utilization standards for the services to be provided in the medical office building. The applicants have provided methodologies to justify the services proposed in the medical office building as required.

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

C) Criterion 1110.234(e) – Assurances

To demonstrate compliance with this criterion the applicant must submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Part 1110 Appendix B.

The State Board does not have utilization standards in Part 1110 Appendix B for the services proposed by this project.

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

X. Clinical Services Other Than Categories of Service

A) Criterion 1110.3030 - Introduction

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 utilization standards are listed in Appendix B, including:

- A) Surgery
- B) Emergency Services and/or Trauma
- C) Ambulatory Care Services (organized as a service)
- D) Diagnostic and Interventional Radiology/Imaging (by modality)
- E) Therapeutic Radiology
- F) Laboratory
- G) Pharmacy
- H) Occupational Therapy/Physical Therapy
- I) Major Medical Equipment

The applicant shall also comply with requirements of the review criterion in Section 1110.234(a) (Size of Project – Review Criteria), as well as all other applicable requirements in this Part and 77 Ill. Adm. Code 1100 and 1130.

B) Criterion 1110.3030 - Background of Applicant

This criterion was addressed earlier in this report.

C) Criterion 1110.3030(c)(1), (2), (3) and (4) - Need Determination

To demonstrate compliance with this criterion the applicants must document how the need for the proposed establishment was determined.

1) Service to the Planning Area Residents

To demonstrate compliance with this sub-criterion the applicants must document that the primary purpose of the proposed project is to provide care to the residents of the planning area in which the proposed service will be physically located; or if the applicants' service area includes a primary and secondary service area that expands beyond the planning area boundaries, the applicant shall document that the primary purpose of the project is to provide care to residents of the service area.

The utilization of outpatient services (clinic services, physical therapy and occupational therapy and infusion therapy) is related to the practices of physicians who will be located in the medical office building. The residential distribution of these patients is more concentrated than for inpatient admissions. The planning area is defined as thirty (30) zip codes within a thirty (30) minute travel time from the site of the proposed hospital and medical office building. For patients of physicians in the medical office building, and for

PT/OT and infusion therapy patients, the Planning Area is the source of eighty-two percent (82%) of outpatient visits.

The medical office building will consolidate four clinics now in Crystal Lake and one in nearby Lake in the Hills that accommodated 42,905 office visits in 2016. Additional primary care physicians and specialists in gastroenterology, general surgery, oncology, pain management will be recruited based on the needs analysis.

The methodology for determining a service area for these patients utilizes data from patient panels of three (3) primary care physicians (all Family Practice). These physicians currently practice at one (1) of the five (5) clinics to be consolidated into the medical office building. Dr. Mabria Loqman, Dr. Krishanthi Senevirante and Dr. Emily Shen have practices with collective patient volumes of approximately 8,000 individuals. Analysis of the distribution of their patient panels by zip code of residence is shown on the table below. 6,505 or eighty-two percent (82%) of their patients reside in this thirty (30) minute Planning Area. The applicants stated the office practice information of the other physicians in the five (5) offices being consolidated is comparable to the patient origin data for these three (3) physicians.

Based upon the methodology provided and the attestation made by the applicants, it appears that approximately eighty percent (80%) of the patients will come from within the planning area. See Table below.

TABLE SIX
Distribution of Physician Patient Panels By Zip Code

Zip Code	City	Loqman	Senevirante	Shen	Total
Inside Planning Area					
60014	Crystal Lake	439	708	689	1,836
60098	Woodstock	580	213	401	1,194
60050	McHenry	173	253	356	782
60013	Cary	101	294	219	614
60156	Lake in the Hills	86	153	185	424
60012	Crystal Lake	67	108	135	310
60097	Wonder Lake	81	72	139	292
60051	McHenry	38	59	99	196
60102	Algonquin	27	76	83	186
60142	Huntley	44	71	66	181
60042	Island Lake	17	33	42	92
60110	Carpentersville	23	17	23	63
60021	Fox River Grove	11	29	12	52
60014	Village of Lakewood	12	10	15	37
60180	Union	21	2	6	29
60039	Crystal Lake	4	9	11	24
60013	Oakwood Hills	4	7	13	24
60084	Waconda	2	12	10	24
60010	Barrington	8	3	11	22
60010	Lake Barrington	5	6	9	20
60118	Dundee	0	5	10	15
60073	Round Lake	3	7	5	15
60123	Elgin	4	2	7	13
60012	Prairie Grove	3	3	6	12
60120	Elgin	3	1	7	11
60072	Ringwood	2	3	5	10
60041	Ingleside	4	2	3	9
60067	Palatine	0	1	6	7
60074	Palatine	3	0	3	6
60136	Gilberts		1	4	5
60047	Lake Zurich	0	0	0	0
60124	Elgin	0	0	0	0
60020	Fox Lake	0	0	0	0
60060	Mundelein	0	0	0	0
Sub Total		1,765	2,160	2,580	6,505

TABLE SIX
Distribution of Physician Patient Panels By Zip Code
(continued)

Zip Code	City	Loqman	Senevirante	Shen	Total
Outside Planning Area					
60033	Harvard	249	32	87.0	368
60152	Marengo	106	24	68	198
60051	Johnsburg	23	30	43	96
60051	LakeMoor	18	21	28	67
60081	Spring Grove	12	13	33	58
60034	Hebron	37	5	13	55
60071	Richmond	7	15	28	50
61012	Capron	22	6	10	38
Not Provided	Chicago	12	2	17	31
53181	Twin Lakes	6	2	15	23
60020	Fox Lake	3	4	13	20
60140	Hampshire	4	11	3	18
60140	Pingree Grove	4	4	9	17
61008	Belvidere	5	2	6	13
60050	McCullom Lake	3	2	8	13
Not Provided	Rockford	7	2	4	13
53128	Genoa City	8	0	2	10
53147	Lake Geneva	6	1	3	10
61063	Poplar Grove	4	2	2	8
50098	Bull Valley	2	0	4	6
50050	Bull Valley	3	0	3	6
60045	Lake Villa	1	0	5	6
60002	Antioch	4	0	1	5
60195	Schaumburg	3	2	0	5
Sub Total		549	180	405	1,134
All Others		89	81	100	270
Total		2,403	2,421	3,085	7,909

2) Service Demand

To demonstrate need for the proposed CSA services, the applicant shall document one or more of the indicators presented in subsections (c)(2)(A) through (D). For any projections, the number of years projected shall not exceed the number of historical years documented. Any projections and/or trend analyses shall not exceed 10 years.

A) Referrals from Inpatient Base

For CSAs that will serve as a support or adjunct service to existing inpatient services, the applicant shall document a minimum two-year historical and two-year projected number of inpatients requiring the subject CSA.

B) Physician Referrals

For CSAs that require physician referrals to create and maintain a patient base volume, the applicant shall document patient origin information for the referrals. The applicant shall submit original signed and notarized referral letters, containing certification by the physicians that the representations contained in the letters are true and correct.

C) Historical Referrals to Other Providers

If, during the latest 12-month period, patients have been sent to other area providers for the proposed CSA services, due to the absence of those services at the applicant facility, the applicant shall submit verification of those referrals, specifying: the service needed; patient origin by zip code; recipient facility; date of referral; and physician certification that the representations contained in the verifications are true and correct.

D) Population Incidence

The applicant shall submit documentation of incidence of service based upon IDPH statistics or category of service statistics.

Physical Therapy/Occupational Therapy

Physical Therapy/Occupational Therapy visits are based on an anticipated 6,000 outpatient PT/OT visits on an expected 750 patients affiliated with Mercyhealth physicians, who receive on average eight (8) visits each. This results in a total of 6,000 visits to the four (4) room therapy center in the proposed medical office building. The State Board does not have a standard for PT/OT visits. The use of historical data of physicians currently employed by the Mercyhealth to estimate the number of visits to the four (4) room therapy center appears reasonable.

Infusion Therapy

The applicants are proposing ten (10) infusion therapy stations in the medical office building. The applicants are anticipating operating the infusion therapy service six (6) days a week fifty-two (52) weeks per year for a total of 312 days with an anticipated volume of 18.4 patients per day or 5,741 patients per year. Each session is four (4) hours or 22,964 hours per year or 73.6 hours per day. (73.6 hours a day/eight (8) hours per day)/10 stations = 92% utilization. The State Board does not have utilization standards for infusion therapy

Physician Exam Rooms

The applicants are proposing office space for fifteen (15) physicians and forty-two (42) exam rooms. The applicants are proposing to consolidate five (5) office sites into the proposed medical office building.

The applicants believe the consolidation of practices will achieve operational efficiencies and enhance coordination of care delivery. There will be economies of scale due to shared facility space (reception and waiting, records, storage, staff support areas), enhanced collaboration by having multiple specialties under one roof, and, due to adjacency to the hospital, easy access for patients to lab testing, radiology, and pharmacy. Additional practitioners in primary care, general surgery, gastroenterology, pain management and oncology are being recruited. These additional physicians are expected to provide an additional 40,000 visits in year 2022, two years after project completion. A projected 83,000 total annual visits are planned for Year 2022.

TABLE SEVEN		
Visits at MOB to be Consolidated		
Clinics	2015 Visits	2016 Visits
Mercy Crystal Lake Center South	12,732	14,966
Mercy Crystal Lake Center East	11,629	13,062
Mercy Crystal Lake OB/GYN	6,014	6,712
Mercy Northwest Women's Group	2,275	2,298
Mercy Crystal Lake Chiropractic and Rehab Ctr.	3,657	3,504
Mercy Crystal Lake West ⁽¹⁾	8,287	2,363
Total	44,594	42,905
1. Mercy Crystal Lake West closed in 2016.		

The State Board does not have utilization standards for physician offices and exam rooms.

Summary:

The State Board does not have utilization standards for the services proposed to be located in the proposed MOB. The applicants provided methodologies used to estimate the number of rooms/stations being proposed in the MOB as required. The applicants have met the requirements of this criterion.

3) Impact of the Proposed Project on Other Area Providers

To document compliance with this sub-criterion the applicants must document that, within 24 months after project completion, the proposed project will not:

- A) Lower the utilization of other area providers below the utilization standards specified in Appendix B
- B) Lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the utilization standards.

The applicants stated *“The scale of operations at the proposed office building is modest. As a result, the impact on other service providers or clinics due to a shift in service is minimal.”*

4) Utilization

Projects involving the establishment of CSAs shall meet or exceed the utilization standards for the services, as specified in Appendix B. If no utilization standards exist in Appendix B, the applicant shall document its anticipated utilization in terms of incidence of disease or conditions, or historical population use rates.

As documented above the applicants provided its anticipated utilization for the services to be provided in the medical office building.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION NEED DETERMINATION (77 IAC 1110.3030(c)(1), (2), (3) and (4))

XI. Financial Viability

*The Illinois Health Facility Planning Act states that the Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial **resources to adequately provide a proper service for the community**; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. [20 ILCS 3960/2]*

Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process. [20 ILCS 3960/2]

A) Criterion 1120.120 - Availability of Funds

To demonstrate compliance with this criterion the applicants must document that funds are available to fund the project.

The applicants are funding this project with cash in the amount of \$18,814,876.

The applicants have provided the following:

- **Moody's Investors Service** assigns an A3 to MercyRockford Health System's Series 2016 bonds to be issued through the Illinois Finance Authority. Concurrently Moody's confirms the A3 issuer rating on MercyRockford Health System and downgrades the legacy entity Mercy Alliance, Inc WI to A3 from A2. The rating outlook is stable
- **Fitch Ratings, Inc** issued A- ratings on
 - Illinois Finance Authority (IL) (Mercy Health Corporation Revenue bonds series 2016
 - Wisconsin Health and Educational Facilities Authority WI, Mercy Alliance, Inc Revenue bonds series 2010A Wisconsin Health & Educational Facilities Authority WI, Mercy Alliance, Inc. Revenue bonds series 2012

At the end of this report is an explanation of the grades issued by the rating agencies.

TABLE EIGHT	
Mercy Health Corporation	
Year Ended June 30,	
(in thousands)	
(audited)	
	2016
Cash	\$119,609
Current Assets	\$347,522
PPE	\$445,498
Total Assets	\$1,781,174
Current Liabilities	\$159,612
LTD	\$722,495
Total Liabilities	\$1,049,840
Patient Service Revenue	\$931,306
Total Revenue	\$1,041,960
Total Expenses	\$989,524
Non-operating Income/Expense	-\$5,288
Excess of Revenues over Expenses	\$47,148

The applicants have sufficient cash to fund this project.

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

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with this criterion the applicants must document they are in compliant with the State Board Standards for the financial ratios for three years prior to the filing of the application for permit and the second year after project completion. If evidence of an A or better bond rating is provided the criterion has been successfully addressed.

The applicants provided evidence of an “A” or better bond rating at pages 110-115 of the application for permit. The applicants have successfully addressed this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT 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

To demonstrate compliance with these criteria the applicants must document that they have an ‘A’ or better bond rating and the debt will be at the lowest net cost available to the applicants.

The applicants are funding this project with cash. No debt financing is being used.

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

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

To demonstrated compliance with this criterion the applicants must document that the costs are reasonable and in compliance with Part 1120.Appendix A.

The applicants are in compliance with all of the State Board standards for this medical office building. Itemization of these costs can be found at the end of this report.

TABLE NINE
Reasonableness of Project Costs

	Project Costs		State Standard		Met State Standard?
	Dollar	%/GSF	%/GSF	Dollar	
Preplanning Costs ⁽¹⁾	\$30,000	1.05%	1.80%	\$35,296.29	Yes
Site Preparation ⁽²⁾	\$70,000	3.57%	5.00%	\$98,043.25	Yes
New Construction Contracts and Contingencies	\$1,798,025	\$265/GSF	\$293/GSF	\$1,986,037.35	Yes
Contingencies ⁽³⁾	\$162,840	9.96%	10.00%	\$163,518.50	Yes
Architectural and Engineering Fees ⁽⁴⁾	\$171,820	9.56%	11.06%	\$198,861.57	Yes
Movable Equipment	\$890,122				
Off Site Work	\$8,000				
Consulting and Other Fees	\$88,000				
FMV of Leased Space or Equipment				Not Applicable	
IT/Low Voltage	\$285,000				
Furniture Artwork	\$300,000				
Moving	\$14,000				

1. Preplanning Costs are 1.8% of new construction, contingencies and movable equipment.
2. Site Preparation is 5% of new construction and contingencies.
3. Contingencies are 10% of new construction costs.
4. Architectural and Engineering Fees Standard is taken from Illinois Capital Development Board Handbook.

The table below outlines the **2017 RS Means New Construction and Contingency** costs for McHenry County inflated by 3% to the second year after project completion (2022).

TABLE TEN					
RS Means 2017 MOB New Construction and Contingency Cost per GSF for McHenry County Inflated by 3%					
2017	2018	2019	2020	2021	2022
\$252.49	\$260.07	\$267.87	\$275.91	\$284.18	\$292.71

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

D) Criterion 1120.140(d) - Projected Direct Operating Costs

To demonstrate compliance with this criterion the applicants must document the projected operating costs per equivalent patient day for the first year when the project achieves target occupancy but no later than two (2) years after project completion.

Direct Operating Costs are defined as salaries, benefits and supplies for the service.

The applicants noted that the information could not be provided for the MOB project because equivalent patient days cannot be calculated. Equivalent patient days are calculated as follows: inpatient days divided by the percentage of inpatient revenue to total revenue. Since no patient days exist in the MOB, equivalent patient days cannot be calculated.

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

E) Criterion 1120.140(e) – Total Effect of the Project on Capital Costs

To demonstrate compliance with this criterion the applicants must document the projected capital costs per equivalent patient day for the first year when the project achieves target occupancy but no later than two (2) years after project completion.

Capital costs are defined as depreciation, amortization and interest expense.

The applicants noted that the information could not be provided for the MOB project because equivalent patient days cannot be calculated. Equivalent patient days are calculated as follows: inpatient days divided by the percentage of inpatient revenue to total revenue. Since no patient days exist in the MOB, equivalent patient days cannot be calculated.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140(e))

Details of Project Costs

Preplanning Costs - \$75,000

- Property Surveys
- Legal/Bond Counsel
- Environmental Impact
- Site Assessment Including Access Planning and Traffic Evaluation,
- Initial Functional Programming and Space Planning,
- Evaluation of Alternatives
- Preliminary Cost Estimating,
- Financial Feasibility Assessments,
- Other Miscellaneous,

Site Preparation - \$953,000

- Soil Borings
- Site Excavation and Grading
- Drainage and Retention
- Roadway Construction
- Erosion Barriers Construction
- Landscaping
- Utility Connections

Onsite Work \$62,500

- Parking Lot Construction and surfacing

Architectural and Engineering Fees - \$1,462,620

- Site Planning
- Preliminary Design
- Schematic Design
- Design Development
- Bid Document Preparation
- Interface with Public Agencies
- Project Monitoring

Consulting and Other Fees - \$350,000

- Interior Design
- It Planning And Consulting
- Con Application Fee
- Con Legal/Consultant
- Legal
- Medical Equipment Planning
- Security Systems Planning
- Signage/Graphics Design
- Project Management and Commissioning

Movable and Medical Equipment - \$3,138,685

- Infusion therapy - \$624,535
- Outpatient clinic - \$2,113,065
- PT/OT - \$265,587
- Clinic support - \$135,498

Other costs to be capitalized - \$2,387,500

- IT/low voltage
- Furniture and artwork
- Capitalized moving costs

Explanation of Credit Ratings

<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>	<u>Credit Worthiness</u>
Aaa	AAA	AAA	An Obligor Has Extremely Strong Capacity To Meet Its Financial Commitments.
Aa1	AA+	AA+	An Obligor Has Very Strong Capacity To Meet Its Financial Commitments. It Differs From The Highest-Rated Obligors Only To A Small Degree.
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	An Obligor Has Strong Capacity To Meet Its Financial Commitments But Is Somewhat More Susceptible To The Adverse Effects Of Changes In Circumstances And Economic Conditions Than Obligors In Higher-Rated Categories.
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	An Obligor Has Adequate Capacity To Meet Its Financial Commitments. However, Adverse Economic Conditions Or Changing Circumstances Are More Likely To Lead To A Weakened Capacity Of The Obligor To Meet Its Financial Commitments.
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	An Obligor Is Less Vulnerable In The Near Term Than Other Lower-Rated Obligors. However, It Faces Major Ongoing Uncertainties And Exposure To Adverse Business, Financial, Or Economic Conditions Which Could Lead To The Obligor's Inadequate Capacity To Meet Its Financial Commitments.
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	An Obligor Is More Vulnerable Than The Obligors Rated 'BB', But The Obligor Currently Has The Capacity To Meet Its Financial Commitments. Adverse Business, Financial, Or Economic Conditions Will Likely Impair The Obligor's Capacity Or Willingness To Meet Its Financial Commitments.
B2	B	B	
B3	B-	B-	
Caa	CCC	CCC	An Obligor Is Currently Vulnerable, And Is Dependent Upon Favorable Business, Financial, And Economic Conditions To Meet Its Financial Commitments.
Ca	CC	CC	An Obligor Is Currently Highly-Vulnerable.
	C	C	The Obligor Is Currently Highly-Vulnerable To Nonpayment. May Be Used Where A Bankruptcy Petition Has Been Filed.
C	D	D	An Obligor Has Failed To Pay One Or More Of Its Financial Obligations (Rated Or Unrated) When It Became Due.
E, P	Pr	Expected	Preliminary Ratings May Be Assigned To Obligations Pending Receipt Of Final Documentation And Legal Opinions. The Final Rating May Differ From The Preliminary Rating.
WR			Rating Withdrawn For Reasons Including: Debt Maturity, Calls, Puts, Conversions, Etc., Or Business Reasons (E.G. Change In The Size Of A Debt Issue), Or The Issuer Defaults. ^[3]
Unsolicited	Unsolicited		This Rating Was Initiated By The Ratings Agency And Not Requested By The Issuer.
	SD	RD	This Rating Is Assigned When The Agency Believes That The Obligor Has Selectively Defaulted On A Specific Issue Or Class Of Obligations But It Will Continue To Meet Its Payment Obligations On Other Issues Or Classes Of Obligations In A Timely Manner.
NR	NR	NR	No Rating Has Been Requested, Or There Is Insufficient Information On Which To Base A Rating.

A detailed map of the Crystal Lake, Illinois area. The map shows the location of Mercy Health Hospital MOB at the intersection of Rt 31 and Three Oaks Road in Crystal Lake, IL 60014. The map includes surrounding towns such as Woodstock, McHenry, Crystal Lake, Cary, Algonquin, and Huntley. Major roads like I-90 and I-55 are shown. Water bodies like Lake Michigan and several smaller lakes are also depicted. The map is color-coded with yellow for land and blue for water. A red box highlights the location of the hospital.

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