



STATE OF ILLINOIS

## HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

<b>DOCKET NO:</b> H-01	<b>BOARD MEETING:</b> June 20, 2017	<b>PROJECT NO:</b> 17-002	<b>PROJECT COST:</b> Original \$79,515,524
<b>FACILITY NAME:</b> Mercy Health Hospital and Medical Center, Inc.		<b>CITY:</b> Crystal Lake	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA:</b> VIII

**PROJECT DESCRIPTION:** The applicants (Mercy Health Corporation and Mercy Health Hospital and Medical Center, Inc.) are proposing the establishment of a thirteen (13) bed hospital in Crystal Lake, Illinois at a cost of \$79,515,524. The expected completion date as stated in the application is November 30, 2020. In addition, if the proposed project is approved, Mercy Harvard Memorial Hospital in Harvard, Illinois will reduce their medical-surgical beds from fifteen (15) to four (4) and their intensive care beds from three (3) to one (1) bed.

## EXECUTIVE SUMMARY

### **PROJECT DESCRIPTION:**

- The applicants (Mercy Health Corporation and Mercy Health Hospital and Medical Center, Inc.) are proposing the establishment of a thirteen (13) bed hospital in Crystal Lake, Illinois at a cost of \$79,515,524. The expected completion date as stated in the application is November 30, 2020.
- In addition, if the proposed project is approved, Mercy Harvard Memorial Hospital (also owned by Mercy Health Corporation) in Harvard, Illinois will reduce their medical surgical beds from fifteen (15) to four (4) and their intensive care beds from three (3) to one (1) bed. Mercy Harvard Memorial Hospital is in the same A-10 Hospital Planning Area as the proposed project and is a critical access hospital. The applicants consider this a redeployment of acute care beds and not adding to existing excess capacity.
- **Board Staff Note:** Applications for permit are subject to the need figures set forth in the most recent update to the Inventory of Health Care Facilities and Services and Need Determinations as adjusted by HFSRB decisions in effect prior to the date HFSRB takes action on the application. HFSRB action includes the approval, issuance of an intent to deny, or denial of an application. [77 IAC 1130.620(d)(3)]
- The applicants modified this project on March 24, 2017 reducing the cost of the project from \$81,710,315 to \$79,890,524 or by \$1,819,791 or approximately 2.2%.
- On May 12, 2017 the applicants modified the project reducing the cost of the project by \$375,000 by financing the project with cash. The bond issuance cost of \$375,000 was removed from the project costs. Both modifications were considered Type B modifications and did not require the publication of a Notice of an Opportunity for Public Hearing and Written Comment. [77 IAC 1130.650 a)]
- The applicants refer to the proposed acute care hospital as a micro-hospital. The proposed hospital must meet all federal and State of Illinois licensing and regulatory requirements for an acute care hospital. The proposed hospital does not qualify as a critical access hospital and will not be designated as a “necessary provider” by the Illinois Department of Public Health. [Appendix V at the end of this report outlines the minimum requirements for a hospital licensed in the State of Illinois] There are no hospitals in the State of Illinois that are considered micro-hospitals.
- Micro-hospitals that have been established in other states focus on treating low-acuity patients and providing ambulatory and emergency services, leaving more complex surgeries and service lines for the larger hospitals. These micro-hospitals are located in large metro areas and not small rural communities. States that have micro-hospitals are Texas, Colorado, Nevada, and Arizona.
- The applicants are also proposing a medical office building adjacent to and connected to the proposed hospital as Project #17-001.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- The applicants are before the State Board because they are proposing to establish a health care facility as defined by the Act.

### **PURPOSE OF THE PROJECT:**

- Per the applicants *“the purpose of the proposed project is centered on those patients who currently utilize Mercyhealth providers for their outpatient care and over 7,500 Medicaid subscribers that reside in Crystal Lake.” “There is an inability of patients of Mercyhealth physicians to receive care in an optimized manner. Without an acute care hospital, continuity of care is not optimized for patients of Mercyhealth physicians when they are hospitalized within another system. Further, sometimes tests are unnecessarily repeated due to lack of a complete record of previous care provided.”*

**PUBLIC HEARING/COMMENT:**

- A public hearing was held February 21, 2017 at the City Hall of Crystal Lake, in Crystal Lake, Illinois from 1:30pm-3:30pm. The Public Hearing Officer was Juan Morado Jr., General Counsel. Also attending were Courtney Avery, Administrator, Jeannie Mitchell, Assistant General Counsel and Ms. Marianne Eterno Murphy, who represented the State Board. The Court Reporter was Ms. Melanie L. Humphrey-Sonntag.
- One hundred fifty-eight (158) individuals were in attendance. Forty-six individuals (46) spoke in support of the project; twenty-two (22) individuals spoke in opposition. Seventy-nine (79) individuals who registered their appearance were in support of the project and eleven (11) individuals who registered their appearance were in opposition. As an attachment to this report is the public hearing transcripts.
- 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 #17-001. Approximately 1,600 additional petitions were submitted electronically for this project and Project #17-001.

**SUMMARY:**

- The State Board has calculated an excess of forty-three (43) medical surgical beds and three (3) intensive care beds in the A-10 Hospital Planning Area - McHenry County by CY 2018. The applicants have committed they will decrease beds at Mercy Harvard Memorial Hospital (located in the A-10 Hospital Planning Area) should the proposed project be approved to the extent there will be no increase in the number of beds in the A-10 Hospital Planning Area. The table below demonstrates the excess beds in the A-10 Planning Area will not change should the proposed project be approved.

	A-10 Excess Beds (May 5, 2017)	Project #17-002	#17-002 If Project Approved Excess Beds	Mercy Harvard Hospital Decrease	A-10 Excess Beds
Medical Surgical	43	11	54	-11	43
Intensive Care	3	2	5	-2	3

- The Illinois Department of Public Health Population Projections (2014 Edition) is estimating a growth of 1.12% in the total population for the 10-year period [2015 thru 2025] for McHenry County [A-10 Hospital Planning Area] (<https://www.illinois.gov/sites/hfsrb/>)
- It does appear that the proposed hospital will provide services to the A-10 Hospital Planning Area residents. It also appears that demand for the services proposed will be from the population that is currently receiving care at underutilized facilities in the A-10 Hospital Planning Area. Additionally, from the information reviewed by the State Board Staff, there are no service access issues, as access is defined by the State Board, in the forty-five (45) minute service area.
- There are a total of eight acute care hospitals within forty-five (45) minutes of the proposed facility. There are seven (7) acute care hospitals and one (1) Critical Access Hospital (Mercy Harvard Memorial Hospital) within forty-five (45) minutes that offer the same categories of service proposed by this application. There are seven acute care hospitals within thirty (30) minutes of the proposed facility.
- There are four (4) hospitals within the A-10 Hospital Planning Area - McHenry County. One (1) hospital became operational in July of 2016 and no data is available (Centegra Hospital-Huntley – 128 beds). One (1) of the remaining seven (7) hospitals within thirty (30) minutes is at target occupancy for medical surgical beds (Advocate Good Shepherd Hospital) and one (1) hospital for intensive care beds (Centegra Hospital-McHenry). It does appear there is unused capacity in the

thirty (30) minute service area and an unnecessary duplication of services could result should the proposed project be approved.

- The applicants have met all of the State Board Standards regarding the size (GSF) and cost components of this project. However, the State Board Staff have expressed concern with the applicants of the overall cost of this hospital project because the proposed hospital with a bed complement of thirteen (13) beds costs approximately \$80 million. [See Page 40-41 of this report for complete discussion]
- The applicants do note that there are fifty-seven (57) hospitals in the State of Illinois that have an average daily census of ten (10) or less. However, fifty-one (51) of these fifty seven (57) hospitals are critical access hospitals and are considered necessary providers by the State of Illinois. [See Appendix III at the end of this report]

<b>State Board Standards Not Met</b>	
<b>Criteria</b>	<b>Reasons for Non-Compliance</b>
77 IAC 1110.234(b) – Projected Utilization	The applicants were unable to provide documentation that the two (2) bed intensive care unit will be at the target occupancy of sixty percent (60%) within two (2) years after project completion.
77 IAC 1110.530(c)(1), (2), (3) and (5) – Planning Area Need	There is a calculated excess of forty-three (43) M/S beds and three (3) intensive care beds in the A-10 Hospital Planning Area. Additionally there are seven (7) acute care hospitals and one (1) critical access hospital within forty-five (45) minutes of the proposed hospital. One of the eight (8) hospitals was licensed in July of 2016, no data is available. Of the remaining seven (7) hospitals only one (1) hospital is at target occupancy for M/S and ICU beds.
77 IAC 1110.530(d), (1), (2) and (3) – Unnecessary Duplication of Service/Mal-distribution of Service/Impact of Other Providers	It appears that there will be an unnecessary duplication of service with the establishment of this hospital. There are seven (7) hospitals within thirty (30) minutes. One (1) hospital was licensed in July of 2016 and no data is available. Of the remaining six (6) hospitals one (1) hospital is at target occupancy for M/S and ICU beds. Additionally it does appear that the proposed hospital will impact other hospitals in the A-10 Hospital Planning Area.
77 IAC 1110.530(g) – Performance Requirements	For a hospital located in an MSA the number of medical surgical beds must be 100 medical surgical beds and four (4) ICU beds. The proposed hospital if approved will be located in Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area. The applicants are proposing eleven (11) medical surgical beds and two (2) intensive care beds.
77 IAC 1110.530 (h) – Assurances	The applicants provided assurance that the proposed hospital will be at target occupancy for medical surgical beds but not all services in which the State Board has utilization standards as required.
77 IAC 1110.3030 (c) 3) – Clinical Services Other than Categories of Services	It appears that the proposed services will impact other providers in the planning area should the proposed project be approved.

**STATE BOARD STAFF REPORT**  
**Mercy Health Hospital and Medical Center**  
**Project #17-002**

<b>APPLICATION SUMMARY/CHRONOLOGY</b>	
Applicants	Mercy Health Corporation and Mercy Health Hospital and Medical Center, Inc.
Facility Name	Mercy Health Hospital and Medical Center Crystal Lake
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	111,346 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 the establishment of a thirteen (13) bed hospital in Crystal Lake, Illinois at a cost of \$79,515,524. The expected completion date as stated in the application is November 30, 2020. In addition, if the proposed project is approved, Mercy Harvard Memorial Hospital in Harvard, Illinois will reduce their medical surgical beds from fifteen (15) to four (4) and their intensive care beds from three (3) to one (1) bed.

**II. Summary of Findings**

- A. The State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be 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 a number of 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; 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 Lake Geneva, Wisconsin;

- Mercy Harvard Hospital, Inc. operates a hospital with 18 acute and 45 long-term care beds located in Harvard, Illinois; and Mercy Harvard Memorial Hospital also has a controlled affiliate, Harvard Memorial Hospital Foundation, whose purpose is to support the programs of Mercy Harvard Hospital.
- Rockford Memorial Hospital – Rockton provides inpatient, outpatient, and emergency care services to residents of Rockford, Illinois and the surrounding communities.
- Mercy Health Corporation has been approved to establish a second hospital in Rockford as Permit #15-039 – Rockford Memorial Hospital – Riverside [Complete list of affiliated entities can found at 2016 Mercy Health Corporation Audited Financial Statements June 30, 2016 page 123 of the Application for Permit]

Financial commitment will occur after permit issuance. The proposed project is a substantive project subject to a Part 1110 and Part 1120 review.

Substantive projects shall 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. **Health Planning Area**

The proposed hospital will be located in Health Service Area VIII and Hospital Planning Area A-10. Health Service Area VIII includes the Illinois Counties of Kane, Lake, and McHenry. Hospital Planning Area A-10 includes the County of McHenry. The Illinois Department of Public Health Revised Bed Need Determination May 2017 indicates that there is currently a calculated **excess** of forty-three (43) medical surgical beds and three (3) intensive care beds in the A-10 Hospital Planning Area by CY 2018.

**Board Staff Note:** Applications for permit are subject to the **need figures** set forth in the most recent update to the Inventory of Health Care Facilities and Services and Need Determinations as adjusted by HFSRB decisions in effect prior to the date HFSRB takes action on the application. HFSRB action includes the approval, issuance of an intent to deny, or denial of an application. [77 IAC 1130.620(d)(3)]

The Illinois Department of Public Health Population Projections (2014 Edition) is projecting a growth of 1.12% in the total population for the 10-year period [2015 thru 2025] for McHenry County [A-10 Hospital Planning Area]. (<https://www.illinois.gov/sites/hfsrb/>)

There are seven (7) acute care hospitals and one (1) Critical Access Hospital (Mercy Harvard Memorial Hospital) within forty-five (45) minutes that offer the same categories of service proposed by this application. There are four (4) hospitals within the A-10 Hospital Planning Area, McHenry County that provide the services being proposed by this project.

**TABLE ONE**  
**Hospitals within forty-five minutes of the proposed project**

Facility	City	Health Planning Area	Miles	Adjusted Minutes (1)	Med-Surg.	Utilization (2)	ICU	Utilization
Centegra Hospital - Woodstock	Woodstock	A-10	5.68	12.7	60	59.70%	12	52.10%
Advocate Good Shepherd Hospital	Barrington	A-09	6.2	12.7	113	90.30%	32	35.30%
Centegra Hospital - McHenry	McHenry	A-10	7.15	17.3	116	62.40%	18	63.40%
Centegra Hospital – Huntley <sup>(3)</sup>	Huntley	A-10	9.5	19.55	100	NA	8	NA
Presence Saint Joseph Hospital	Elgin	A-11	16.1	25.3	99	57.50%	15	46.40%
Advocate Sherman Hospital	Elgin	A-11	13.3	27.6	189	71.40%	30	54.80%
St. Alexius Medical Center	Hoffman Estates	A-07	16.1	27.6	212	74.60%	35	47.30%
Mercy Harvard Memorial Hospital	Harvard	A-10	22.2	42.55	15	30.90%	3	3.20%

1. Minutes from Map Quest and adjusted per 1100.510 (d)

2. Utilization from 2015 Hospital Profiles.

3. Centegra Hospital - Huntley licensed July 2016 No data available

## V. Project Details

The applicants are proposing to construct a new 13-bed acute care hospital in Crystal Lake. The proposed hospital will be located on a 16-acre plot of land located on the east side of State Route 31 between Three Oaks Road and Raymond Road. The proposed facility will contain eleven (11) medical surgical beds and two (2) intensive care beds, imaging services, an emergency department, a surgery suite, laboratory and pharmacy services. Should this project be approved, Mercy Harvard Memorial Hospital will reduce their medical surgical beds from fifteen (15) to four (4) and their intensive care beds from three (3) to one (1) bed.

The two (2) story hospital will include the emergency department, imaging center, laboratory, and surgery department on the larger main level. A smaller upper level of the hospital will include the thirteen (13) bed inpatient units, sleep center and administrative offices. Materials Management, inpatient pharmacy, staff and facility support services will be located on the Hospital Lower Level.

The MOB (Project #17-001) will comprise 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.

Below is the projected payor mix for the proposed hospital.



<b>TABLE TWO</b>			
<b>Projected Payor Mix</b>			
<b>Payor</b>	<b>Inpatient</b>	<b>Outpatient</b>	<b>Total</b>
Medicare	67.90%	69.10%	68.90%
Medicaid	11.00%	8.80%	9.10%
Blue Cross	12.30%	13.30%	13.10%
Managed Care/Commercial	7.40%	7.70%	7.60%
Other	0.90%	0.70%	0.80%
Self Pay	0.50%	0.40%	0.40%
Source: Attachment 41 of the Application for Permit			

## **VI. Project Costs and Sources of Funds**

The applicants are funding this project with cash in the amount of \$79,515,524. The estimated start-up and operating deficit is expected to be \$31,327,037. The table below outlines the project costs and sources of funds for the original submittal and the first and second modifications of the costs and the total difference. Itemization of these cost components can be found in Appendix I at the end of this report.

TABLE THREE										
Project Costs and Sources of Funds										
	Original <sup>(1)</sup>			1 <sup>st</sup> Modification <sup>(2)</sup>			2nd Modification <sup>(3)</sup>			Difference <sup>(4)</sup>
Uses of Funds	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total	Total
Preplanning Costs	\$300,000	\$200,000	\$500,000	\$300,000	\$200,000	\$500,000	\$300,000	\$200,000	\$500,000	\$0
Site Preparation	\$400,000	\$1,500,000	\$1,900,000	\$800,000	\$1,500,000	\$2,300,000	\$800,000	\$1,500,000	\$2,300,000	\$400,000
Off Site Work	\$70,000	\$80,000	\$150,000	\$70,000	\$80,000	\$150,000	\$70,000	\$80,000	\$150,000	\$0
New Construction Contracts	\$19,100,000	\$18,585,500	\$37,685,500	\$18,321,567	\$17,213,000	\$35,534,567	\$18,321,567	\$17,213,000	\$35,534,567	(\$2,150,933)
Contingencies	\$1,906,000	\$1,747,000	\$3,653,000	\$1,774,142	\$1,710,000	\$3,484,142	\$1,774,142	\$1,710,000	\$3,484,142	(\$168,858)
Architectural and Engineering Fees	\$1,500,000	\$1,500,000	\$3,000,000	\$1,500,000	\$1,500,000	\$3,000,000	\$1,500,000	\$1,500,000	\$3,000,000	\$0
Consulting and Other Fees	\$350,000	\$350,000	\$700,000	\$450,000	\$350,000	\$800,000	\$450,000	\$350,000	\$800,000	\$100,000
Movable Equipment	\$22,475,647	\$5,908,668	\$28,384,315	\$22,475,647	\$5,908,668	\$28,384,315	\$22,475,647	\$5,908,668	\$28,384,315	\$0
Bond Issuance Expense	\$175,000	\$200,000	\$375,000	\$175,000	\$200,000	\$375,000	\$0	\$0	\$0	(\$375,000)
Other Costs to Capitalized										
IT/low voltage	\$1,800,000	\$1,575,000	\$3,375,000	\$1,800,000	\$1,575,000	\$3,375,000	\$1,800,000	\$1,575,000	\$3,375,000	\$0
Furniture Artwork	\$950,000	\$850,000	\$1,800,000	\$950,000	\$850,000	\$1,800,000	\$950,000	\$850,000	\$1,800,000	\$0
Moving	\$98,000	\$89,500	\$187,500	\$98,000	\$89,500	\$187,500	\$98,000	\$89,500	\$187,500	\$0
Total Uses of Funds	\$49,124,647	\$32,585,668	\$81,710,315	\$48,714,356	\$31,176,168	\$79,890,524	\$48,539,356	\$30,976,168	\$79,515,524	(\$2,194,791)
Sources of Funds										
Cash	\$29,544,788	\$19,631,400	\$49,176,188	\$29,228,614	\$18,705,700	\$47,934,314	\$48,539,752	\$30,976,168	\$79,515,524	(\$2,194,791)
Bond Issuance	\$19,579,859	\$12,954,268	\$32,534,127	\$19,485,742	\$12,470,468	\$31,956,210	\$0	\$0	\$0	
Total Sources of Funds	\$49,124,647	\$32,585,668	\$81,710,315	\$48,714,356	\$31,176,168	\$79,890,524	\$48,539,752	\$30,976,168	\$79,515,524	(\$2,194,791)
1. Original Application deemed complete January 26, 2017 2. First modification received March 24, 2017 3. Second modification received May 12, 2017 4. Difference Original Submittal – (1 <sup>st</sup> modification +2 <sup>nd</sup> modification)										

## VII. Cost Space Requirements

The applicants are proposing 111,346 GSF of space for the proposed new hospital. 43,198 GSF or thirty-nine percent (39%) will be reviewable (clinical space) and 68,148 sixty-one percent (61%) is non reviewable space (non-clinical).

<b>TABLE FOUR</b>				
<b>Cost Space Requirements</b>				
<b>Department</b>	<b>Original</b>	<b>Revised</b>	<b>Difference</b>	<b>Proposed</b>
	<b>Construction Costs</b>	<b>Construction Costs</b>		
Medical Surgical	\$3,171,208	\$3,062,775	-\$108,433	7,114
Intensive Care Unit	\$804,195	\$534,195	-\$270,000	1,348
Emergency Care	\$2,254,493	\$2,254,493	\$0	5,656
Imaging	\$4,661,277	\$4,661,277	\$0	10,100
Lab	\$1,014,868	\$1,014,868	\$0	2,223
Pharmacy Inpatient	\$743,270	\$543,270	-\$200,000	1,538
Sleep Center	\$359,000	\$159,000	-\$200,000	675
Surgery Center	\$6,091,689	\$6,091,689	\$0	14,544
<b>Total Reviewable</b>	<b>\$19,100,000</b>	<b>\$18,321,567</b>	<b>-\$778,433</b>	<b>43,198</b>
Administration	\$2,755,999	\$2,255,999	-\$500,000	9,318
Admitting/Registration	\$639,550	\$639,550	\$0	2,010
Main Lobby/Recept/Public Restrooms	\$4,020,824	\$3,320,124	-\$700,700	8,535
Retail Pharmacy	\$491,820	\$320,020	-\$171,800	1,000
Dietary Services	\$2,052,033	\$2,052,033	\$0	6,573
Media Records	\$155,930	\$155,930	\$0	782
Laundry Linen	\$192,694	\$192,694	\$0	1,029
Materials Management	\$794,718	\$794,718	\$0	4,144
Staff Support	\$1,513,199	\$1,513,199	\$0	5,529
Ambulance Garage	\$633,511	\$633,511	\$2,000	2,029
Communication/Information Services	\$379,352	\$379,352	\$0	1,964
Engineering Services	\$525,570	\$525,570	\$0	2,743
Environmental Services	\$395,095	\$395,095	\$0	2,035
Security/Fire	\$75,774	\$75,774	\$0	377
Storage	\$1,275,852	\$1,275,852	\$0	6,677
Mechanical/Equipment Space	\$2,683,579	\$2,683,579	\$0	13,403
<b>Total Non Reviewable</b>	<b>\$18,585,500</b>	<b>\$17,215,000</b>	<b>-\$1,370,500</b>	<b>68,148</b>
<b>Total</b>	<b>\$37,685,500</b>	<b>\$35,534,567</b>	<b>-\$2,150,933</b>	<b>111,346</b>

Source: Revised page 45 of the Application for Permit submitted March 24, 2017

## VIII. Background of the Applicants

### A) Criterion 1110.530(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) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;

- C) **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.**
- D) **An attestation that the applicants have has been no *adverse action*<sup>1</sup> taken against the any facility owned or operated by applicants.**
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 58]
  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 58-60]
  3. The site is owned by Mercy Health System Corporation and evidence of this can be found at page 31-32 of the application for permit. Mercy Health System Corporation is an affiliate of Mercy Health Corporation.
  4. The applicants provided evidence that they were in compliance with Executive Order #2006-05 that 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 36-39]
  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 40-41]
  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 Commission<sup>2</sup>. 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*

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<sup>1</sup> <sup>1</sup> “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)

<sup>2</sup> 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]

*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]*

## **IX. Purpose of the Project, Safety Net Impact Statement, 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 improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition. [See Application for Permit pages 61-75 for a complete discussion]**

The applicants are proposing to establish a thirteen (13) bed hospital in Crystal Lake, IL. If approved, the proposed project will have eleven (11) medical/surgical beds and two (2) intensive care beds. The project is designed using the micro hospital model. According to the applicants, micro hospitals are smaller hospitals placed in close proximity to their patient populations to provide more immediate acute and emergency care when time matters.

According to the applicants, the proposed project is centered on those patients who currently utilize Mercyhealth providers for their outpatient care and over 7,500 Medicaid subscribers that reside in Crystal Lake.

The applicants identified the planning/market area for this project as a 30-minute drive time radius from the proposed project site in Crystal Lake, IL. It is anticipated that 70% of the 780 patients admitted at the proposed hospital will originate from within this planning/market area and will be primarily current patients of Mercyhealth.

The applicants believe the proposed project will address three (3) main problems in this thirty-minute (30) service area.

#### **1. Access**

The applicants identified five access issues that they view will be addressed by the proposed project.

1. The insufficient access to care for the indigent population in the market area.
2. The inadequate health services to the growing geriatric population.
3. The shortage of primary care physicians and select specialists in McHenry County.
4. The lack of continuum of care for patients of Mercyhealth physicians in Crystal Lake and the immediate surrounding communities.
5. The lack of population health management services in Crystal Lake, despite a demonstrated high incidence of chronic disease.

## **2. Care coordination, enhance efficiencies and cost reduction**

The applicants believe there is significant opportunity with the establishment of this hospital for improvement in care coordination and efficiencies and reduced costs for the residents of McHenry County.

## **3. Distribution of health care resources in McHenry County**

According to the applicants the population in Harvard is not growing. Average daily census at Mercy Harvard Memorial Hospital has been approximately four (4) patients a day for the past five (5) years while being authorized for a total of eighteen (18) beds, (15 med/surg and 3 ICU). According to the applicants many of these beds remain unused through much of the year. There are no authorized beds in Crystal Lake, Algonquin, Lake in the Hills, Cary, and Fox River Grove, although the greatest of the population in McHenry County is located in the Crystal Lake area.

Appendix II at the end of this report is the anticipated patient origin of the proposed hospital. Also included are the number of patients in the physicians' office practices and an estimate of the admissions to the new hospital.

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

To demonstrate compliance with this criteria all health care facilities, with the exception of skilled and intermediate long-term care facilities licensed under the Nursing Home Act [210 ILCS 45], shall 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]

The applicants provided the following information:

*Mercy Health Corporation (Mercyhealth) is a provider of safety net services in the communities it serves. Mercyhealth's ability to provide safety net services will be expanded through the proposed Project. As examples to this expanded ability to provide safety net services, and among the pragmatic offerings that Mercyhealth has already committed to through this and the accompanying applications, are:*

- *To maintain medical/surgical and intensive care services and skilled nursing services at Mercy Harvard Hospital;*
- *To continue to operate a fully-staffing Emergency Department at Mercy Harvard Hospital;*
- *To continue to operate with compliant and liberal financial assistance policies, both at Mercy Harvard Memorial Hospital and the proposed Crystal Lake hospital; and*
- *To maintain its commitment to caring for the uninsured and Medicaid recipients, both at Mercy Harvard Memorial Hospital and the proposed Crystal Lake hospital.*

*By their very nature, critical access hospitals, such as Mercy Harvard Memorial Hospital, face unique challenges. Since they are sole site for services in their community, they often provide additional services not otherwise accessible to community residents. Rural residents are highly dependent on critical access hospitals, sometimes as the sole source of local care. Further, the*

older age mix of patients combined with the greater poverty levels in rural communities make rural hospitals highly dependent on public programs.

*In 2015, Mercyhealth's charity care as a percentage of net revenue was 9.06% for Mercy Harvard Memorial Hospital. In addition, Mercyhealth is very active in McHenry County. Throughout the year, Mercyhealth provides hundreds of free health screenings, and host dozens of community education classes, physician presentations and health and wellness events. Mercyhealth has strong relationships with area senior centers, and maintains long-standing partnerships with over 200 not-for-profit organizations. Mercyhealth will continue to expand services such as these and host activities at the proposed facility to meet the needs of Crystal Lake and the surrounding communities. Such activities may include Family Fun Nights, Children's Health and Safety Fair, reduced cost physicals and free screenings.*

*Because Mercyhealth's commitment to continue to operate medical/surgical and intensive care services at Mercy Harvard Memorial Hospital, the proposed project will not adversely impact access to safety net services. Rather, through the development of the proposed Crystal Lake hospital, overall access will be improved (Application, p.167).*

<b>TABLE FIVE</b>			
<b>Safety Net Information - Mercy Harvard Memorial Hospital, Inc.</b>			
<b>CHARITY CARE</b>			
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
<b>Charity Care % /Net Revenue</b>	<b>0.70%</b>	<b>0.24%</b>	<b>0.19%</b>
<b>MEDICAID</b>			
Medicaid (# of patients)			
Inpatient	21	29	51
Outpatient	4,052	4,260	4,020
Total	4,073	4,289	4,071
Medicaid (revenue)			
Inpatient	\$471,174	\$275,953	\$436,511
Outpatient	\$1,017,490	\$1,581,004	\$1,490,502
Total	\$1,488,664	\$1,856,957	\$1,927,013
<b>% Medicaid/Net Revenue</b>	<b>6.93%</b>	<b>7.79%</b>	<b>9.06%</b>

<b>TABLE FIVE (continued)</b>			
<b>Safety Net Information - Rockford Memorial Hospital</b>			
<b>CHARITY CARE</b>			
Net Revenue	\$314,090,683	\$323,042,795	\$348,114,112
Charity (# of patients)	2013	2014	2015
Inpatient	973	955	353
Outpatient	4,013	5,686	1,660
Total	4,986	6,641	2,013
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
<b>Charity Care /Net Revenue</b>	<b>3.43%</b>	<b>1.48%</b>	<b>0.53%</b>
<b>MEDICAID</b>			
Medicaid (# of patients)			
Inpatient	3,130	3,986	4,093
Outpatient	26,658	37,749	41,257
Total	29,788	41,735	45,350
Medicaid (revenue)			
Inpatient	\$52,797,975	\$63,083,993	\$61,385,905
Outpatient	\$11,050,751	\$20,629,507	\$7,690,969
Total	\$63,848,726	\$83,713,500	\$69,076,874
<b>Medicaid Revenue /Net Revenue</b>	<b>20.3%</b>	<b>25.9%</b>	<b>19.8%</b>



### **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 applicants considered four (4) alternatives to the proposed project.

1. Construct a larger one hundred (100) bed hospital with an attached medical office building.
  2. Expand Mercy Harvard Memorial Hospital and add an attached medical office building.
  3. Construct the hospital in Crystal Lake but maintain all beds at Mercy Harvard Hospital.
  4. Construct an ASTC and a medical office building in Crystal Lake w/o the acute care hospital.
- 
1. The first alternative would cost approximately \$210 million and does not include the cost of the medical office building. It was to construct a larger 100-bed facility. This alternative was rejected by the applicant because the planning area does not support a need for one hundred bed (100) hospital.
  2. The second alternative would cost approximately \$127 million and does not include the cost of the medical office building. It was to expand Mercy Harvard Hospital. This alternative was rejected because the applicant felt it would be ineffective at addressing the need for beds in the Crystal Lake area and the area immediately surrounding Mercy Harvard Hospital is well served by a reduced number of beds at the existing hospital.
  3. The third alternative would cost approximately \$81 million and does not include the cost of the medical office building. It was to construct the 13-bed hospital at Crystal Lake, while maintaining all beds at Mercy Harvard Hospital. This option would address the needs of Crystal Lake, but the applicant felt it would not be the most efficient solution. The proposed project enhances efficiency by redistributing beds to where they are most needed, while maintaining the right number of beds to support the average daily census at Mercy Harvard Hospital.
  4. The fourth alternative considered would cost approximately \$52 million and does include the medical office building. It is to construct an ASTC in Crystal Lake. This option was rejected because it did not address the need for acute care beds to serve patients of Mercyhealth physicians in central McHenry County. [Application for Permit page 76]

## **X. Size of the Project, Project Utilization, Assurances**

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

To demonstrate compliance with this criterion the applicants must document that the physical space proposed for the project is necessary and appropriate. The proposed square footage (SF) cannot deviate from the SF range indicated in Part 1110.Appendix B, or exceed the SF standard in Part 1110 Appendix B if the standard is a single number, unless SF can be justified by documenting, as described in subsection (a)(2).

For hospitals, area determinations for departments and clinical service areas are to be made in departmental gross square feet (DGSF). Spaces to be included in the applicant's determination of square footage shall 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. (Part 1110 Appendix B)

The project is proposing the construction of a micro-hospital on vacant land in Crystal Lake. Total square footage of the project is 111,346 sq. ft. Of the total 111,346 sq. ft., 43,198 DGSF is reviewable (i.e. clinical) and 68,148 DGSF is non-reviewable (i.e. non-clinical). As can be seen by the table below the applicants are in compliance with all of the gross footage requirements for services in which the State Board has standards.

<b>TABLE SIX</b>						
<b>Size of the Project</b>						
<b>Department/Service</b>	<b>Bed/Unit/Rooms/ Stations</b>	<b>State Board Standard</b>		<b>Project DGSF</b>	<b>Difference DGSF</b>	
		<b>Bed/Unit/Room/Station</b>	<b>Total DGSF</b>			
Medical Surgical Beds	11	500-600 DGSF/bed	7,260	7,114	-146	Yes
Intensive Care beds	2	600-685 DGSF/bed	1,370	1,348	-22	Yes
<b>Diagnostic Imaging</b>						
General Radiography	3		3,500	3,386	-114	Yes
X-ray	1	1,300/DGSF/Unit				
fluoroscopy	1	1,300/DGSF/Unit				
DEXA bone densitometry	1	900/DGSF/Unit				
CT	1	1,800/DGSF/Unit	1,800	1,735	-65	Yes
Nuclear Medicine	1	1,600/DGSF/Unit	1,600	1,516	-84	Yes
Ultrasound	1	900/DGSF/Unit	900	879	-21	Yes
Mammography	1	900/DGSF/Unit	900	827	-73	Yes
Emergency Department	7	900/DGSF/Station	6,300	5,656	-644	Yes
<b>Surgery</b>						
Operating Rooms	2	2,750/DGSF/OR	5,500	5,432	-68	Yes
Procedure Rooms	2	1,100/DGSF/Procedure Room	2,200	2,184	-16	Yes
Post-Anesthesia Phase I	4	180/DGSF/Station	720	714	-6	Yes
Post-Anesthesia Phase II	18	400/DGSF/Station	7,200	6,211	-989	Yes
<b>Cardiac Imaging</b>				1,757		
ECHO			No Standard			
Stress Testing			No Standard			
<b>MRI ( Mobile Service)</b>		No Standard				
<b>Laboratory</b>		No Standard		2,223		
<b>Pharmacy (Inpatient)</b>		No Standard		1,538		
<b>Sleep Center</b>		No Standard		675		

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS 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, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Part 1110 Appendix B. The number of years projected shall not exceed the number of historical years documented. If the applicant does not meet the utilization standards in Appendix B, or if 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:

As can be seen from the table below the applicants have met all of the State Board's utilization standards in Part 1110 Appendix B except for the two (2) intensive care beds being proposed.

<b>TABLE SEVEN</b>						
<b>Projected Utilization</b>						
Department/Service		State Standard		Year	Year	Met Standard
	Bed/Unit/Rooms	State Board Standard		2021	2022	
Medical Surgical Beds	11	80%	80%	3,640 Days/91%	3,640 Days/91%	Yes
Intensive Care beds	2	60%	60%	126 Days/17%	126 Days/17%	No
<b>Diagnostic Imaging</b>						
<b>General Radiography</b>						
X-ray/Fluoroscopy	2	8,000 Proc	16,000 Proc	10,269 Proc	10,269 Proc	Yes
DEXA bone densitometry	1	6,500 Proc	6,500 Proc	891 Proc	891 Proc	Yes
CT	1	7,000 Visits	7,000 Visits	3,828 Visits	3828 Visits	Yes
MRI ( Mobile Service)	1	2,500 Proc	2,500 Proc	1,747 Proc	1,747 Proc	Yes
Nuclear Medicine	1	2,000 Visits	2,000 Visits	523 Visits	523 Visits	Yes
Ultrasound	1	3,100 Visits	3,100 Visits	3,128 Visits	3,128 Visits	Yes
Mammography	1	5,000 Visits	5,000 Visits	5,526 Visits	5,526 Visits	Yes
<b>Cardiac Testing</b>						
ECHO		No Standard		4,636	4,636	
Stress Testing		No Standard		187	187	
<b>Emergency Department</b>	7	2,000 Visits	2,000 Visits	16,868	16,868	Yes
<b>Surgery</b>						
Operating Rooms	2	1,500 Hours	3,000 Hours	1,639	1,639	Yes
Procedure Rooms	2	1,500 Hours	3,000 Hours	1,635	1,635	Yes
Post-Anesthesia Phase I	4			No Standard		
Post-Anesthesia Phase II	18					
Laboratory		No Standard		126,200	126,200	
Pharmacy (Inpatient)		No Standard		97,632	97,632	
Sleep Center		No Standard		321	321	

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT 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.

Javon Bea President/CEO Mercy Crystal Lake Hospital and Medical Center, Inc. and Mercy Health Corporation stated

*“This letter is being written for inclusion in Mercy Crystal Lake Hospital and Medical Center, Inc. and Mercy Health Corporation's Certificate of Need applications addressing the establishment of a new hospital and medical office building located on property (sic) in Crystal Lake on the Southeast Corner of IL 31 and Three Oaks Road. Please be advised that it is my expectation and understanding that by the second year following the project's completion, the medical/surgical category of service addressed in the filed Certificate of Need application will be operating at the IHFSRB's target utilization rate, and that it will, at minimum, maintain this level of utilization thereafter.”*

The applicants provided an attestation that applied to medical surgical beds only. However the rule requires the applicants to attest that *“the applicant will meet or exceed the utilization standards specified in Part 1110. Appendix B.”*

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.234(e))**

**XI. Medical/Surgical and Intensive Care**

**A) Criterion 1110.530(c)(1), (2), (3) and (5) - Planning Area Need**

To demonstrate compliance with this criterion the applicants must document that the number of beds to be established is necessary to service the planning area's population based upon the following:

**1) 77 IAC 1110.530(c)(1) - 77 Ill. Adm. Code 1100 (formula calculation)**

The number of beds to be established for each category of service is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

As of May 2017, the State Board has calculated an excess of forty-three (43) medical surgical beds and three (3) intensive care beds in the A-10 Hospital Planning Area - McHenry County. Should this project be approved, the calculated excess of medical surgical and intensive care beds in the A-10 Hospital Planning Area will not change because the applicants are proposing to discontinue eleven (11) medical surgical and two (2) intensive care beds at Mercy Harvard Memorial Hospital.

## A) Medical Surgical Beds

The applicants are proposing eleven (11) medical surgical beds. The applicants are projecting 3,640 patient days for the eleven (11) bed medical/surgical unit in year 2022, two (2) years after project completion.

The medical staff at the proposed hospital will include approximately fifty-five (55) physicians, eighteen (18) primary care physicians, twenty-three (23) surgeons/specialists, four (4) hospitalists, three (3) anesthesiologists, one (1) radiologist, and six (6) emergency physicians.

The applicants' methodology for the determination of medical/surgical bed patient days/utilization incorporates admissions by internal medicine, family practice physicians, surgeons, and observation patients.

### Estimate of Patient Days

According to the applicants, actual data was not available on patients affiliated with Mercyhealth physicians who are cared for at Crystal Lake area hospitals. That is because Mercyhealth information systems do not track these patients; patient billing is done by the hospitalist and/or hospital where the patient is admitted and by the billing physician, often a non-Mercyhealth physician. Physician referral letters were provided that stated the expected number of patients that the physicians would refer to the proposed hospital but those referrals were based upon the methodology provided below.

The hospitalization rate was estimated based upon the historical experience at Mercy Walworth Hospital and Medical Center a twenty-five (25) bed critical access hospital in Lake Geneva, Wisconsin. The admission rate of patients at Mercy Walworth Hospital and Medical Center indicates that there are 32.4 medical inpatient admissions for every 1,000 patients in a primary care physician patient panel<sup>3</sup>, a rate of 0.0324 admissions for every patient in a physician's practice.

The applicants estimated the projected utilization based on the sizes of patient panels for sixteen (16) primary care Mercyhealth physician's office practices in McHenry County. There are a total of 28,440 patients in the sixteen (16) office practices. Based on a hospitalization rate of 32.4 admissions per 1,000 patients in physician panels an estimated 921 medical/surgical admissions were estimated to be associated with the 28,440 panel members. It is projected that 80% of these 921 patients (737 patients), will constitute the admissions to the eleven (11) bed medical/surgical unit at the proposed new hospital, supplemented by a small number of surgical admissions. The Average Length of Stay is 3.36 days, based on a mix of comparable medical discharges at Rockford Memorial Hospital. [See Appendix II at the end of this report]

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<sup>3</sup> A patient panel is the number of unique *patients* under the care of a specific provider responsible for acute care for all the **patients** on its **panel**.

### **Surgical Admissions**

The applicants are estimating forty-three (43) inpatient surgical admissions based on the admissions by two (2) orthopedic surgeons in 2016 to Mercy Harvard Memorial Hospital. The applicants stated that they are planning on recruiting a general surgeon, which will lead to increased surgical admissions in future years. The applicants are estimating an Average Length of Stay of 2.67 days, based on a comparable mix of orthopedic surgeries at Rockford Memorial Hospital, a total of 115 surgical patient days are anticipated in year 2022.

### **Observation Cases**

The applicants are estimating the number of observation days based on the average number of observation days at Rockford Memorial Hospital per patient for inpatients and outpatients projected at the proposed hospital. The applicants are projecting 1,045 observations days and the average length of stay for these patients is estimated at 1.06 days, resulting in an estimate of 982 observation patients.

Medical Surgical Patient Days	
Medical Days	2,480
Surgical Days	115
Observation Days	1,045
Total Days	3,640
Average Daily Census	10 patients

### **B) Intensive Care Beds**

The State Board Utilization Standard for Intensive Care Beds is sixty percent (60%) no matter the number of beds. The applicants are proposing two (2) intensive care beds at the proposed hospital. Again the applicants are relying on the experience at Mercy Walworth Hospital and Medical Center to estimate the number of patient days.

According to the applicants, Mercy Walworth Hospital and Medical Center, medical patients spend on average 0.17 patient days in the hospital's intensive care unit. For every 100 medical/surgical patients, there are seventeen (17) separate ICU days.

The applicants applied this ratio to the projected 737 patients in the eleven (11) bed medical/surgical unit at the proposed hospital. This would yield 126 ICU patient days.

$$[0.17 \times 737 = 126 \text{ patient days}]$$

Two (2) ICU beds are being requested. Based on the experience at Mercy Walworth Hospital and Medical Center, it is anticipated that the need for two (2) ICU rooms to be occupied at the same time will occur between twenty-five (25) and thirty (30) times per year at the proposed Crystal Lake facility. To provide service for these patients needing ICU care, a second room is planned by the applicants.

**2) 77 IAC 1110.530 c) 2) - Service to Planning Area Residents**

**To document compliance with this sub-criterion the applicants must document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located.**

The population to be served is patients of the primary care physicians (internal medicine and family practice) as well as a small number of surgeons who are employed by or affiliated with Mercyhealth in McHenry County. As outlined in Table Five above, there are approximately 791,469 residents within 30 minutes of the proposed hospital. The sixteen primary care physicians have 28,440 patients in their patient panels. Of that number, 19,901 residents reside within thirty minutes or approximately 70%.

**3) 77 IAC 1110.530 c) 3) - Service Demand – Establishment of Bed Category of Service**

**To document compliance with this sub-criterion the applicants must document that number of beds proposed for each category of service at the new hospital is warranted based upon the projected physician referrals.**

The applicants believe an estimated 737 medical admissions and 43 surgical admissions will need to be accommodated in the eleven (11) bed medical/surgical service. Sixteen (16) primary care physicians and two orthopedic surgeons have signed letters committing to refer a total of 780 patients during the first year (2021) after project completion in 2020, and annually thereafter. Admissions projections for the two (2) orthopedic surgeons are based on their documented case load of actual admissions.

<b>TABLE EIGHT</b>			
<b>Estimated Admission by Physician</b>			
	<b>Panel Size</b>	<b>Current Admissions</b>	<b>Estimated Admissions at New Hospital</b>
<b>Primary Care Physician</b>			
<b>Family Practice</b>			
Kim Albright, MD	996	32	26
Graziella Bistriceanu, MD	1,706	55	44
Roshi Gulati, MD	1,310	42	34
Syed Hassan, MD	1,915	62	50
Nathan Kakish, MD	2,258	73	59
Heiini Kang, MD	908	29	24
Mabria Loqman, MD	2,423	79	63
Shahariar Hossion Saikh, MD	2,471	80	64
Krishanthi Seneviratne, MD	2,436	79	63
Emily Shen, MD	3,102	101	80
<b>Sub Total</b>	<b>19,525</b>	<b>632</b>	<b>507</b>
<b>Internal Medicine</b>			
Steven Campau, MD	1,559	51	40
Joseph Foiitik, MD	1,096	36	28
Monica Gavran, MD	1,460	47	38
Velislava Lozeva, MD	1,154	37	30
Camelia Marian, MD	2,394	78	62
Bibiano Ronquillo, MD	1,252	41	32
<b>Subtotal</b>	<b>8,915</b>	<b>290</b>	<b>230</b>
<b>Surgeons</b>			
Paul DeHaan, MD		89	36
Dana Tarandy, MD		133	7
<b>Total</b>		<b>1,144</b>	<b>780</b>

**5) 77 IAC 1110.530(c)(5) - Service Accessibility**

To demonstrate compliance with this sub-criterion the applicants must document that the number of beds being established for each category of service is necessary to improve access for planning area residents. The applicants must document that at least one of the following factors exists in the planning area (i.e. A-10 Hospital Planning Area – McHenry County):

- i) The absence of the proposed service within the planning area;

There are four (4) acute care hospitals in the A-10 Hospital Planning Area (Centegra Hospital – Woodstock, Centegra Hospital – McHenry, Centegra Hospital – Huntley, and Mercy Harvard Hospital. All four (4) hospitals provide the services proposed by this application.

- ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;



The State Board Staff could find no evidence of access limitations due to payor status in the A-10 Hospital Planning Area.

**iii) Restrictive admission policies of existing providers;**

No evidence was provided by the applicants that would demonstrate that there were restrictive admission policies at existing providers within the A-10 Hospital Planning Area.

**iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;**

No evidence was provided that would demonstrate that the area population and existing care system indicate medical care problems.

**v) For purposes of this subsection (c) (5) only, all services within the 45-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.**

As identified in Table below there is one (1) hospital that is at target occupancy for medical surgical beds (Advocate Good Shepherd Hospital) and one hospital at target occupancy for intensive care beds (Centegra Hospital-McHenry) in the forty-five (45) minute service area. Target occupancy for medical surgical beds is eighty percent (80%) and sixty percent (60%) for intensive care beds. [77 IAC 1100.560

The applicants argue *“that there is an inability of patients of Mercy health physicians to receive care in an optimized manner. Without an acute care hospital, continuity of care is not optimized for patients of Mercyhealth physicians when they are hospitalized within another system. Further, sometimes tests are unnecessarily repeated due to lack of a complete record of previous care provided. The proposed hospital will be a part of a fully integrated health care delivery system. The construction of the proposed hospital allows Mercyhealth to provide care utilizing its full integration model, which is based on the Mayo Clinic model, where hospital and physician offices are part of the same organizational entity. Patients will have all the benefits of a multi-specialty clinic, as well as access to diagnostic services, emergency services, surgery suites and other hospital-based services. As part of the integrated health care system, Mercyhealth patients will receive care across the continuum of care. In addition, such integrated services also greatly benefit emergency room patients that require attention by a pediatrician, cardiologist, ear nose and throat specialist, orthopedic surgeon or other specialists who are present on-site in the clinic or on call at the time the patient is seen in the emergency room.”* [Application for Permit page 102]

## **Summary**

There is an excess of forty-three (43) medical surgical and three (3) intensive care beds in the A-10 Hospital Planning Area. The applicants' have given their commitment that it is their intent to discontinue eleven (11) medical surgical beds and two (2) intensive care beds at Mercy Harvard Memorial Hospital should this project be approved, the State Board staff evaluates applications for permit based upon the current calculated need or excess of beds at the time of Board Review. Should the State Board approve the proposed hospital project there will be no change in the number of beds in the A-10 Hospital Planning Area.

From the information reviewed, it does appear the applicants will be providing care to the residents of the planning area. It also appears that demand for the services proposed will be from the population that is currently receiving care at underutilized facilities in the A-10 Hospital Planning Area.

The Board Staff found no evidence of service access issues in the A-10 Hospital Planning Area and there appears to be sufficient capacity at hospitals currently operating in the A-10 Hospital Planning Area to accommodate the workload in the forty-five (45) minute service area. Based upon the information reviewed by the State Board Staff the applicants have not met this criterion.

**TABLE NINE**  
**Hospitals within forty-five minutes of the proposed project**

Facility	City	Health Planning Area	Miles	Adjusted Minutes (1)	Med- Surg.	Utilization (2)	ICU	Utilization
Centegra Hospital - Woodstock	Woodstock	A-10	5.68	12.7	60	59.70%	12	52.10%
Advocate Good Shepherd Hospital	Barrington	A-09	6.2	12.7	113	90.30%	32	35.30%
Centegra Hospital - McHenry	McHenry	A-10	7.15	17.3	116	62.40%	18	63.40%
Centegra Hospital – Huntley <sup>(3)</sup>	Huntley	A-10	9.5	19.55	100	NA	8	NA
Presence Saint Joseph Hospital	Elgin	A-11	16.1	25.3	99	57.50%	15	46.40%
Advocate Sherman Hospital	Elgin	A-11	13.3	27.6	189	71.40%	30	54.80%
St. Alexius Medical Center	Hoffman Estates	A-07	16.1	27.6	212	74.60%	35	47.30%
Mercy Harvard Memorial Hospital	Harvard	A-10	22.2	42.55	15	30.90%	3	3.20%

1. Minutes from Map Quest and adjusted per 1100.510 (d)

2. Utilization from 2015 Hospital Profiles.

3. Centegra Hospital - Huntley licensed July 2016, No data available

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

### **B) Criterion 1110.530(d)(1), (2) and (3) - Unnecessary Duplication, Mal-distribution Impact on Other Providers**

To demonstrate compliance with this criterion the applicants must document that

- 1) the project will not result in an unnecessary duplication.
- 2) the project will not result in mal-distribution of services.
- 3) within 24 months after project completion, the proposed project:
  - A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

**B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.**

**1. 77 IAC 1110.530(d)(1) - Unnecessary Duplication**

**To demonstrate compliance with this sub-criterion the applicants must document that the proposed project will not result in an unnecessary duplication of service.**

As can be seen from the table above there are six (6) hospitals within thirty (30) minutes of the proposed hospital. Only one (1) hospital is at target occupancy of eighty percent (80%) for medical surgical beds and one (1) hospital is at target occupancy for intensive care beds. Based upon this information it appears there is unused capacity at these facilities, and an unnecessary duplication of service could result with the establishment of this hospital.

**2. 77 IAC 1110.530(d)(2) – Mal-Distribution**

**To demonstrate compliance with this sub-criterion the applicants must document that the proposed project will not result in a surplus of beds in the thirty-minute service area.**

A mal-distribution is defined as the comparison of the ratio of beds to population in the planning area to the ratio of beds to population in the State of Illinois. The ratio in the planning area must exceed one and one-half times the State average to denote a mal-distribution or surplus of beds.

The State of Illinois has one (1) medical surgical bed for every 593 residents. The A-10 Hospital Planning Area has one (1) medical surgical bed for every 1,123 residents in McHenry County. The State of Illinois has one (1) intensive care bed for every 3,766 residents. The A-10 Hospital Planning Area has one (1) intensive care beds for every 7,968 residents. There does not appear to be a surplus of beds, as defined by the State Board in this planning area.

TABLE TEN				
Beds per population				
Medical Surgical/Intensive Care Beds				
	Medical Surgical		Intensive Care	
	State Of Illinois	A-10 Hospital Planning Area McHenry County	State Of Illinois	A-10 Hospital Planning Area McHenry County
Population (Est.) 2015	12,978,800	326,691	12,978,800	326,691
Beds	21,876	291	3,446	41
Ratio	1/593	1/1,123	1/3,766	1/7,968

**3. 77 IAC 1110.530(d)(3) - Impact on Other Providers**

**To demonstrate compliance with this sub-criterion the applicants must document that the proposed project**

- A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and**
- B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards**

The applicants argue *“that the proposed project will allow patients of Mercyhealth physicians to receive local inpatient care within the Mercyhealth system. While they are receiving inpatient care at area hospitals, there is a lack of continuity of care that results in less than efficient care, duplicated testing, and lack of communication with patient's primary care physicians. A projected annual total of 780 cases (737 inpatient medical and 43 inpatient surgery cases) would be shifted to the proposed new hospital. This is an average diversion of 156 patients from each of the five hospitals in the planning area. As a result, while there is an impact, it is minimal.”*

From the information reviewed by the State Board Staff the hospitals in the A-10 Hospital Planning Area have sufficient unused capacity to care for the proposed patient workload. The applicants have not met the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE, MAL-DISTRIBUTION OF SERVICE AND IMPACT ON OTHER PROVIDERS (77 IAC 1110.530(d)(1), (2) and (3))**

**C) Criterion 1110.530 f) - Staffing Availability**

To demonstrate compliance with this criterion the applicants must document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

The applicants provided the following narrative:

*“The staffing levels at the proposed Crystal Lake hospital and attached medical office building will meet, and in most cases exceed, all applicable licensure standards and Joint Commission staffing requirements. Specifically, Mercyhealth plans to hire 150 FTEs to staff the new hospital. Mercyhealth currently employs approximately 8,000 staff and 600 W -2 partner physicians to support its facilities in Illinois and Wisconsin. Mercyhealth uses a continuous staffing plan in order to fill new positions or replace individuals who have left employment. Open positions are quickly and efficiently filled through the use of newspaper advertising, trade magazine web sites, job fairs, colleges and technical training schools. Mercyhealth's experience in Illinois has shown that there are ample interested applicants for every job. Mercy will employ this proven process to fully staff the new facility. The staffing process will begin with the recruitment of physicians (e.g., primary care, general surgery, hematology/oncology, gastroenterology, hospitalists, emergency medicine, and anesthesiology) immediately upon approval of the project due to the long planning timeline necessary for physician employment. For other staff positions, recruitment will begin one year prior to opening. All staff positions will be filled one month prior to opening so that Mercyhealth's comprehensive training program can be completed and trial operation can begin prior to opening. In addition to the approach described above, it is anticipated that, as multispecialty clinics are relocated to the proposed medical office building, staff currently employed for those clinics will similarly relocate. [Application for Permit page 108]*

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

**D) Criterion 1110.530(g) - Performance Requirements**

To demonstrate compliance with this criterion the applicants must document that the proposed medical surgical and intensive care units meet the following minimum requirement if located in a Metropolitan Statistical Area (MSA)

**1) Medical-Surgical**

The minimum bed capacity for a new medical-surgical category of service within a Metropolitan Statistical Area (MSA) is 100 beds.

**2) Intensive Care**

The minimum unit size for an intensive care unit is 4 beds.

The proposed hospital, if approved, will be located in the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area. A **metropolitan statistical area (MSA)** is a geographical region with a relatively high population density at its core and close economic ties throughout the area. The Chicago Metropolitan Statistical Area (MSA) was originally designated by the United States Census Bureau in 1950. It comprised the Illinois counties of Cook, DuPage, Kane, Lake and Will, along with Lake County in Indiana. As surrounding counties saw an increase in their population densities and the number of their residents employed within Cook County, they met Census criteria to be added to the MSA. The Chicago MSA, now defined as the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area, is the third largest MSA by population in the United States. The 2015 census estimate for the MSA was 9,427,676, a decline from 9,729,825 in the 2010 census. [<https://www.census.gov>]

The applicants are proposing an eleven (11) bed medical surgical unit and a two (2) bed intensive care unit. The applicants have not met the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION PERFORMANCE REQUIREMENTS (77 IAC 1110.530(g))**

**E) Criterion 1110.530(h) - Assurances**

To demonstrate compliance with this criterion the applicants' representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

Javon Bea President/CEO Mercy Crystal Lake Hospital and Medical Center, Inc. and Mercy Health Corporation stated

*"This letter is being written for inclusion in Mercy Crystal Lake Hospital and Medical Center, Inc. and Mercy Health Corporation's Certificate of Need applications addressing the establishment of a new hospital and medical office building located on property (sic) in Crystal Lake on the Southeast Corner of IL 31 and Three Oaks Road. Please be advised that it is my expectation and understanding that by the second year following the project's completion, the medical/surgical category of service addressed in the filed Certificate of Need application will be operating at the IHFSRB's target utilization rate, and that it will, at minimum, maintain this level of utilization thereafter."*

The applicants provided an attestation that applied to medical surgical beds only. However, the rule requires the applicants to attest that “*the applicant will meet or exceed the utilization standards specified in Part 1110.Appendix B.*”

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.530 g))**

**XII. Clinical Services Other than Categories of Services**

**A) Criterion 1110.3030(a) - Introduction**

These criteria are applicable to Clinical Service Areas (CSAs) that are not "Categories of Service", but for which utilization standards are listed in Part 1110.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

**B) Criterion 1110.3030(b)(1) – (3) - Background of Applicant**

This criterion has been successfully addressed earlier in this report. [See 77 IAC 1110.530(b)(1) – (3)]

**C) Criterion 1110.3030(c)(1) Need Determination – Establishment**

To demonstrate compliance with this criterion the applicants must describe how the need for the proposed establishment was determined by documenting the following:

**1) Service to the Planning Area Residents**

This criterion has been successfully addressed earlier in this report. (77 IAC 1110.530(c)(2))

**2) Service Demand**

**a) Diagnostic Imaging**

The applicants propose to provide standard radiology services with eight (8) units or key rooms. These will include one (1) general X-ray unit, one (1) fluoroscopy unit, one (1) ultrasound unit, one (1) mammography unit, one (1) MRI mobile unit, one (1) CT scanner and a one (1) bone density unit. Cardiac testing will include one (1) echo unit.

All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100.

The applicants assume that the imaging volume

- (1) Will be generated by transferring patients testing at three (3) Mercyhealth clinics to the proposed new hospital;
- (2) By capturing an estimated seventy percent (70%) of the outpatient imaging volumes sent to other locations by Mercyhealth physicians;
- (3) From inpatients at the proposed hospital; and
- (4) From emergency department patients at the proposed new hospital.

The assumptions used by the applicants for inpatients and the emergency department patients are based upon historical incidence of tests at Rockford Memorial Hospital. Based upon Rockford Memorial Hospital's experience in general three (3) out of four (4) patients receive imaging tests of one kind or another.

The following table summarizes the expected diagnostic imaging volume at the proposed new hospital.

<b>TABLE ELEVEN<sup>5</sup></b>							
<b>Expected diagnostic procedures/visits at the proposed hospital</b>							
		State Board Standards	Transfer from Mercy Clinics	70% of Outpatients	Inpatient	Emergency	Total
<b>General Radiography</b>							
X-ray	1	8,000	2,786	701	988	5,794	10,269
Fluoroscopy	1	procedures					
DEXA bone densitometry	1	6,500	196	957	429	2,246	3,828
CT	1	procedures					
		7,000 visits					
MRI ( Mobile Service)	1	2,500	155	1,252	112	228	1,747
		procedures					
Nuclear Medicine	1	2,000 visits	304	115	35	69	523
Ultra-sound	1	3,100 visits	0	1,831	163	1,134	3,128

<sup>5</sup> **ECHO** - An echocardiogram, often referred to as a cardiac echo or simply an echo, is a sonogram of the heart. (It is not abbreviated as ECG, because that is an abbreviation for an electrocardiogram.) Echocardiography uses standard two-dimensional, three-dimensional, and Doppler ultrasound to create images of the heart.

**X-Ray** - a quick, painless test that produces images of the structures inside your body particularly your bones. X-ray beams pass through your body, and they are absorbed in different amounts depending on the density of the material they pass through.

**Fluoroscopy** is a type of medical imaging that shows a continuous X-ray image on a monitor, much like an X-ray movie. During a fluoroscopy procedure, an X-ray beam is passed through the body

**DEXA bone densitometry** - Bone density scanning, also called dual-energy x-ray absorptiometry (DEXA) or bone densitometry, is an enhanced form of x-ray technology that is used to measure bone loss. DEXA is today's established standard for measuring bone mineral density (BMD).

**Magnetic resonance imaging (MRI)** is a technique that uses a magnetic field and radio waves to create detailed images of the organs and tissues within your body. Most MRI machines are large, tube-shaped magnets. When you lie inside an MRI machine, the magnetic field temporarily realigns hydrogen atoms in your body.

**Nuclear medicine** is the medical specialty that involves the use of radioactive isotopes in the diagnosis and treatment of disease.

**Diagnostic ultrasound**, also called sonography or diagnostic medical sonography, is an imaging method that uses high-frequency sound waves to produce images of structures within your body.

**Mammography** a technique using X-rays to diagnose and locate tumors of the breasts.

**Stress Testing** -An exercise stress test usually involves walking on a treadmill or riding a stationary bike while your heart rhythm, blood pressure and breathing are monitored. Your doctor may recommend an exercise stress test if he or she suspects you have coronary artery disease or an irregular heart rhythm (arrhythmia). [Information from <https://www.fda.gov/>]

TABLE ELEVEN <sup>5</sup>									
Expected diagnostic procedures/visits at the proposed hospital									
Mammography	1	5,000 visits		5,526					5,526
Cardiac Testing									0
ECHO	2	NA	567	112	869	3,223	52		4,823
Stress Testing		NA							0
Total			4,008	11,385	2,596	12,694	52		30,735

## b) Emergency Department

The emergency department is planned for six (6) treatment stations and one (1) trauma room, for a total of seven (7). According to the applicants the emergency room will primarily serve patients residing in the following planning area communities.

- Crystal Lake
- Algonquin
- Cary
- Lake in the Hills
- Fox River Grove

The applicants are assuming that approximately seventy-five percent (75%) of the visits will come from these five (5) communities. The remainder will come from fourteen (14) communities within a thirty (30) minute travel time of the proposed hospital site. Using IHA Comp Data 2015<sup>6</sup> in total there were 155,496 ER visits in 2015 from these nineteen communities, including 10,964 from Crystal Lake, 4,656 from Algonquin, 4,585 from Cary, 4,513 from Lake in the Hills, and 1,212 from Fox River Grove.

The new ER will serve 50% of the ER visits in Crystal Lake and Cary, 45% of the ER visits in Algonquin and Lake in the Hills, and 40% of the ER visits in Fox River Grove. These percentages reflect declining use of the ER with travel distance. For example, only twenty percent (20%) of the ER visits by Wauconda and Island Lake residents will be at the new facility, eight percent (8%) of the Carpentersville residents, and for all other communities, only between 1 and 5% of their emergency patients will be at the new facility.

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<sup>6</sup> **COMPdata Informatics** is the leader in innovative healthcare information solutions for Illinois hospitals. It is the most comprehensive source of information and data that are vital for market share and utilization comparisons, physician analysis, charge comparisons, and quality improvement. COMPdata Informatics provides timely data and information, extensive report generation and data analysis tools, and mapping and graphics capabilities for local-area community health care analysis



TABLE TWELVE Estimate of ER Visits/Cases							
City	Minutes	Miles	Discharge Data	% of Total	1% Less	Est. % to Proposed Hospital	# of Cases to Proposed Hospital
Crystal Lake, IL	0	0	11,075	7.10%	10,964	50.00%	5,482
Cary, IL	10	5	4,631	3.00%	4,585	50.00%	2,293
Lake In The Hills, IL	11	5.2	4,559	2.90%	4,513	45.00%	2,031
Algonquin, IL	12	7.3	4,703	3.00%	4,656	45.00%	2,095
McHenry, IL	14	6.81	15,021	9.70%	14,871	5.00%	744
Fox River Grove, IL	15	7.1	1,224	0.80%	1,212	40.00%	485
Island Lake, IL	16	8.4	1,806	1.20%	1,788	20.00%	358
Woodstock, IL	18	9.2	9,204	5.90%	9,112	3.00%	273
Dundee, IL	18	10.8	3,004	1.90%	2,974	5.00%	149
Wauconda, IL	20	11.1	2,797	1.80%	2,769	20.00%	554
Carpentersville, IL	21	10.2	10,257	6.00%	10,154	8.00%	812
Huntley, IL	21	12.1	5,030	3.20%	4,980	3.00%	149
Union, IL	21	13.9	288	0.20%	285	1.00%	3
Wonder Lake, IL	22	12.8	3,478	2.20%	3,443	1.00%	34
Gilberts, IL	22	12.3	1,349	0.90%	1,336	1.00%	13
Barrington, IL	24	12.4	5,087	33.00%	5,036	2.00%	101
Marengo, IL	24	16.2	2,475	1.60%	2,450	5.00%	123
Lake Zurich, IL	27	13.7	3,790	2.40%	3,752	4.00%	150
Elgin, IL	30	16.4	37,306	24.00%	36,933	2.00%	739
Other			28,412	18.27%	28,128	1.00%	281
Total			155,496				16,868

As shown in the chart, the number of patients from the communities of Crystal Lake, Algonquin, Cary, Lake in the Hills and Fox River Grove is estimated to be 12,385. This is 73.4% of the total projected ER volume of 16,868 patients, close to the planned 75% from the closest five communities in the Planning Area.

The State Board Standard is 2,000 visits per station annually or a total of 14,000 visits per year for the proposed seven (7) stations. The applicants are estimating approximately 16,800 visits per year based upon the methodology outlined in the table above. If the visits materialize, the applicants have met the utilization requirements of the State Board for this service.

The applicants stated *“it is expected that the Emergency Department will be recognized by IDPH as one that provides comprehensive emergency treatment. In addition to the licensed emergency department physician and necessary ancillary services, the department will have physician specialists representing disciplines beyond the basics of medicine, surgery, pediatrics, etc. Additional specialists available include, but are not limited to, the specialties of cardiology, orthopedics, dermatology, ophthalmology, ENT, and gastroenterology.”*

**Comprehensive Emergency Treatment Services requires:**

- A) At least one licensed physician shall be in the emergency department at all times.
- B) Physician specialists who represent the major specialties and sub-specialties, such as plastic surgery, dermatology and ophthalmology, shall be available within minutes.
- C) Ancillary services, including laboratory and x-ray, shall be staffed at all times. The pharmacy shall be staffed or on call at all times.

**Basic Emergency Treatment Services requires:**

- A) At least one licensed physician shall be in the emergency department at all times.
- B) Physician specialists who represent the specialties of medicine, surgery, pediatrics and obstetrics shall be available within minutes.
- C) Ancillary services, including laboratory, x-ray and pharmacy, shall be staffed or on call at all times. [77 IAC 250.710]

**c) Surgery Rooms**

The proposed hospital will include two (2) operating rooms (ORs) and two (2) special procedure rooms for endoscopy and pain procedures. The two (2) ORs will accommodate inpatient and outpatient surgical cases. Historic data for FY 2016 and anticipated volume support more than half the utilization of the two (2) operating rooms and the two (2) procedure rooms.

**1. Inpatient Surgery**

Forty-three (43) inpatient surgical cases were performed by two (2) Mercyhealth affiliated surgeons in Year 2016. Average surgery and clean-up time for these patients was 2.35 hours, based on experience at Mercy Harvard Memorial Hospital for the same types of cases.

**2. Outpatient surgery**

Three thousand four hundred fifty-five (3,455) outpatient surgical cases were done by nineteen (19) Mercyhealth affiliated surgeons at other area facilities. These nineteen (19) physicians have committed to perform seven hundred seventy-five (775) outpatient surgical cases at the proposed hospital. An additional fifty-three (53) cases are associated with practices that are being assumed by three (3) of the surgeons on this list. The applicants are estimating approximately eight hundred twenty-eight (828) total outpatient surgical cases at the proposed facility.

### **3. Procedures Rooms**

The two (2) special procedures rooms will accommodate GI endoscopy and pain management cases. These include primarily outpatient cases and a small number of inpatient cases.

#### **a. Inpatient GI procedures**

Based on the experience at Rockford Memorial Hospital, 0.074 percent of medical inpatients require a GI procedure. Applying this factor to the projected 737 medical cases results in 59 procedures on inpatients at the proposed new hospital.

Time per procedure is approximately 41 minutes  
[59 cases x 41 minutes = 2,419 minutes, or 40 hours]

#### **b. Outpatient GI procedures**

Mercyhealth physicians performed outpatient procedures on 613 patients last year. There were 1.24 procedures per patient, resulting in a total of 762 procedures. Adding thirty-three (33) procedures done in area outpatient emergency rooms to the 762 procedures results in a total projection of 795 outpatient procedures.

Time per outpatient procedure is 51.6 minutes  
[795 cases 51.6 minutes = 41,010 minutes or 685 hours]

The applicants will also be providing a GI physician already within the Mercy system, who would rotate on a regular basis to the new facility in Crystal Lake. The applicants are estimating approximately 962 GI cases within one (1) year after project completion.

962 cases @ .9 hours = 866 hours

The applicants are projecting this number of cases (962 cases) based upon the number of patients of Mercy physicians over the age of fifty (50) that live in McHenry County or 9,487 patients. The applicants are estimating 80% of these 9,487 patients will receive screening or 7,590 patients. Approximately sixty-three percent (63%) of these patients have undergone colorectal cancer screening according to Mercy's records or 5,966 patients. The difference (7,590-5,966 =1,624 patients) will receive cancer screening. According to the applicants 94% of these patients (1,527 patients) who obtain colorectal screening do so by colonoscopy. The applicants assume that 63% of the patients (962 patients) will have a colonoscopy for screening. At 0.9 hours per case, these 962 cases yields 866 hours.

In summary, the applicants can justify the two (2) operating rooms and two (2) procedure rooms. The table below summarizes the expected workload for the two (2) surgery rooms and two (2) special procedure rooms.

<b>TABLE THIRTEEN</b>							
<b>Expected Surgery Cases and Estimated Hours</b>							
<b>Physician</b>	<b>Specialty</b>	<b>2016 Outpatient Surgeries</b>	<b>Referral to Proposed Hospital</b>	<b>Case Time</b>	<b>Total Hours</b>	<b>State Average Case Time 2015</b>	<b>Total Hours</b>
Jason Cundiff, MD	Otorhinolaryngology	496	166	1.5	249	1.5	249
David Goodman, MD	Otorhinolaryngology	335	129	1.5	193.5	1.5	193.5
Gary Livingston, MD	Otorhinolaryngology	398	118	1.5	177	1.5	177
Yasmin Hussain, MD	Gastroenterology	332	2	0.9	1.8	0.8	1.6
Richard Cook, MD	OB/GYN	38	5	1.7	8.5	1.7	8.5
Julie Favia, MD	OB/GYN	111	32	1.7	54.4	1.7	54.4
Richard Persino, MD	OB/GYN	105	32	1.7	54.4	1.7	54.4
Mary Riggs, MD	OB/GYN	38	10	1.7	17	1.7	17
Stacey Syrcle, MD	OB/GYN	57	30	1.7	51	1.7	51
Breanna Walker, MD	OB/GYN	46	24	1.7	40.8	1.7	40.8
Randy Wittman, MD	OB/GYN	132	38	1.7	64.6	1.7	64.6
Ricca Zaino, MD	OB/GYN	44	10	1.7	17	1.7	17
Jeffrey Kershaw, MD	Ophthalmology	312	42	1.1	46.2	1.1	46.2
Jung Rhee, MD	Ophthalmology	277	30	1.1	33	1.1	33
Paul DeHaan, MD	Orthopedics	85	67	1.9	127.3	1.9	127.3
Marko Krpan, MD	Orthopedics	246	0	1.9	0	1.9	0
Dana Tarandy, MD	Orthopedics	289	34	1.9	64.6	1.9	64.6
Mykola Lisowsky, MD	Podiatry	99	3	1.9	5.7	1.7	5.1
Jakob Thorud, MD	Podiatry	20	3	1.9	5.7	1.7	5.1
Total		3,460.00	775	1.9	1,472.5	1.6	1,210.10
Assumption of pts in closing/relocating			53	1.6	84.8	1.6	84.8
Total OP Surgery 19 Surgeons			828		1,557.30		1,294.90
Inpatient Surgery			43	1.9	81.70		
<b>Total Hours Surgery Rooms</b>					<b>1,639</b>		
Inpatient Procedures			59	.9	53.		
Outpatient Procedures			795	.9	716		
GI Physician			962	.9	866		
<b>Total Procedure Hours</b>					<b>1,635</b>		

**d) Laboratory, Sleep Lab, and Pharmacy**

The State Board does not have utilization standards for these services. The applicants did provide a methodology as required at pages 91-93 of the application for permit. The estimate of the workload for these services was based on the applicants experience at Rockford Memorial Hospital and Mercy Harvard Memorial Hospital.

### 3) Impact of the Proposed Project on Other Area Providers

To demonstrate compliance with this 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.

As documented above it appears that the proposed services will have an impact on other providers in the service areas. [See 77 IAC 1110.530 (d) (1), (2) and (3) above].

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION CLINICAL SERVICES OTHER THAN CATEGORIES OF SERVICE (77 IAC 1110.3030 c))**

### **XIII. 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.*

*Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process. [20 ILCS 3960/3]*

#### **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 \$79,515,524. The estimated start-up and operating deficit is expected to be \$31,327,037.

**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 conclusion of this report is an explanation of the ratings specified by the rating agencies.

<b>TABLE FOURTEEN</b> <b>Mercy Health Corporation</b> <b>Year Ended June 30,</b> <b>(in thousands)</b> <b>(audited)</b>	
	<b>2016</b>
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

It appears the applicants have sufficient resources 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)**

#### **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 153-158 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)**

#### **XIV. 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 is being used to finance the project. The applicants have successfully addressed this criterion.

**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 State Board standards as documented below.

<b>TABLE FIFTEEN</b>					
<b>Reasonableness of Project Costs</b>					
<b>Uses of Funds</b>	<b>Reviewable</b>	<b>State Board Standard</b>		<b>Project</b>	<b>Met</b>
	<b>Costs</b>	<b>%/GSF</b>	<b>Total</b>		<b>Standard</b>
Preplanning Costs	\$300,000	1.80%	\$766,284.41	0.70%	Yes
Site Preparation	\$800,000	5.00%	\$1,004,785.45	3.98%	Yes
New Construction Contracts and Contingencies	\$20,095,709	\$467.09/GSF	\$19,589,861.02	\$467.09	Yes
Contingencies	\$1,774,142	10.00%	\$1,832,156.70	9.68%	Yes
Architectural and Engineering Fees	\$1,500,000	8.48%	\$1,704,116.12	7.46%	Yes
Off Site Work	\$70,000				
Consulting and Other Fees	\$450,000				
Movable Equipment	\$22,475,647				
Other Costs to Capitalized					
IT/low voltage	\$1,800,000				
Furniture Artwork	\$950,000				
Moving	\$98,000				
			Not Applicable		
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. 5. See Part 1120 Appendix A for complete discussion.					

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).

<b>TABLE SIXTEEN</b>					
<b>RS Means 2017 Hospital New Construction and Contingency</b>					
<b>Cost per GSF for McHenry County Inflated by 3% annually</b>					
2017	2018	2019	2020	2021	2022
\$440.27	\$453.48	\$467.09	\$481.10	\$495.53	\$510.40

## **Overall Cost of the Project**

**Board Staff Note:** While the applicants are in compliance with the State Board Standard for construction cost *per GSF* the State Board Staff expressed concern with the overall cost of the project. The cost *per bed* is approximately \$6.1 million for this project [ $\$79,515,524/13 \text{ beds} = \$6,116,579$ ]. The applicants responded to the State Board Staff's concern with the following response:

*“Such a simplistic measure shows that the cost per bed of the current Mercy Project (Project 17-002, with modified total project cost of \$79,515,524) is about \$6.1 million per bed. The project Mercy proposed in 2010 (Project 10-089, with modified total project cost of \$115,114,525 was about \$1.6 million per bed.*

*Such a metric is misleading and not accurate, since it does not take into account that the project includes other components than acute care beds. The numerator in the fraction of total project cost per bed includes not just the cost of acute care beds, but also the costs of surgery, the emergency room, diagnostic imaging, lab, pharmacy, and other support functions. The denominator of the fraction (13 acute care beds for the current project) is just the bed component of the project. Misuse of such a measure is intended to make the project appear excessively expensive and out of line. **Formal State review standards that have been used over the decades do not include such a metric as a review criterion.***

*There are two responses that demonstrate that the costs of the proposed project are appropriate.*

*First, the most important and compelling statement about the reasonableness of the current project cost is that the clinical cost per sq ft of \$465.20 is consistent with (slightly below) the State standard of \$467.09 per sq ft (R S Means Index for year 2015, inflated by 3% annually to the midpoint of project construction). Clinical cost is inclusive of beds, surgery, the emergency department, lab, diagnostic imaging, pharmacy and the sleep center. The project meets the State standard for new construction, when all clinical cost components are taken into consideration. This is the most significant measure relied on by the State to assess reasonableness of project cost, instead of a simplistic measure that divides total project cost by number of beds. The current proposed project meets this standard.*

*Second, a more accurate measure than dividing total project cost by the number of acute care beds is to measure the construction plus contingency cost per bed for the medical/surgical unit. This allows an informative comparison of Project 17-002 to Project 10-089 proposed 7 years ago. As shown on the following table, the cost per med/surg bed for the 11 bed med/surg unit in the current project is \$304,990. The cost per bed for 56 bed med/surg unit in Project 10-089 was \$209,573.”*

***Comparison of Project Construction Costs per bed and Total Clinical Costs per sq ft  
Mercy projects 17-002 (current) and 10-089***

	<b><i>Project 17-002 (modified)</i></b>		<b><i>Project 10-089 (modified)</i></b>	
	<i>M/S (11)</i>	<i>ICU (2)</i>	<i>M/S (56)</i>	<i>ICU (4)</i>
<i>Sq ft</i>	7,114	1,348	32,412	2,385
<i>Constr cost/sq ft</i>	\$430.52	\$396.29	\$320	\$434
<i>Contingency/sq ft</i>	\$41.07	\$41.07	\$42.09	\$42.09
<i>Constr + Contingency</i>	\$3,354,891	\$589,561	\$11,736,061	\$1,135,475
<i>Cost per bed</i>	\$304,990	\$294,781	\$209,573	\$283,869
	<i>Total Clinical</i>		<i>Total Clinical</i>	
<i>Total clinical cost/sq ft</i>	\$465.20		\$374.26	
<i>State standard</i>	\$467.09		\$396.67	



### **The State Board Staff Notes:**

Cost containment is one of the central tenants of the Illinois Health Facilities Planning Act. In order to address that requirement the State Board Staff performs analytical reviews (a comparison of a submitted application to similar applications) for all projects submitted. For example, for this project the Board Staff compared this project to other new hospital projects. If similar projects have material differences the Board Staff expresses concern with the applicants and asks the reason for it.

The cost per bed is an industry norm that is commonly used in the industry to estimate the total cost of a hospital project. While the ratio of the total cost per bed is not a State Board Standard, it is useful for the Board Staff to determine if costs are in line with what the Board Staff has seen for previously submitted projects of the same type.

**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 the Total Direct Operating Costs is \$31,327,037 for the proposed hospital for the first year after project completion. The Equivalent Patient Days are 13,326 and the Direct Cost per Equivalent Patient Days is \$1,153. [ $\$31,327,037 / 13,326 = \$1,153$ ]

**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 are estimating \$295.56 capital costs per equivalent patient day of 13,326.

**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))**

**Appendix I**  
**Explanation of the Project Costs**

<b>Preplanning Costs - \$500,000</b>	
Site assessment	\$25,000
Property surveys	\$27,000
legal counsel	\$30,000
Environmental impact	\$33,000
Site assessment including access planning and traffic evaluation	\$56,000
Initial functional programming and space planning	\$125,000
Evaluation of alternatives	\$7,500
Preliminary cost estimating	\$125,000
Financial feasibility assessments	\$24,000
Other, miscellaneous	\$47,500
<b>Site Preparation - \$1,900,000</b>	
Soil borings	\$50,000
Site excavation and grading	\$150,000
Drainage and retention	\$130,000
Roadway construction	\$900,000
Erosion barriers construction	\$170,000
Landscaping	\$350,000
Utility connections	\$150,000
<b>Off-site work - \$150,000</b>	
Concrete pad for MRI mobile unit	\$45,000
Parking lot surfacing	\$105,000
<b>New construction contracts - \$37,685,500</b>	
Construction activities included are all core and shell costs, general requirements, general conditions, subguard, general liability insurance and contractors overhead, profit and fee.	
Foundations	\$3,900,000
Floor and roof structure	\$6,625,000
Exterior walls, cladding	\$6,960,000
Interior partitions, doors and glazing	\$1,650,000
Floor, wall and ceiling finishes	\$577,000
Functional equipment	\$156,625
Stairs and vertical transport	\$3,553,000
Plumbing systems	\$2,102,000
Heating, venting, air conditioning	\$6,525,000
Electric lighting, power and communication	\$5,365,000
Fire protection systems	\$271,875
<b>Consulting and Other Fees - \$700,000</b>	
CON application fee and CON legal/consultant	\$185,000
Legal	\$35,000
Medical equipment planning	\$120,000
Food services planning	\$80,000
Security systems planning	\$110,000
Signage/graphics design	\$140,000

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**Appendix I**  
**Explanation of the Project Costs**  
**(continued)**

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**Movable and Medical Equipment - \$28,384,315**

Med/Surg and ICU beds	\$3,039,236
Surgery	\$11,475,215
Emergency	\$2,131,080
Imaging	\$6,757,383
Lab	\$1,643,323
Inpatient Pharmacy	\$554,502
Retail pharmacy	\$32,083
Hospital staff support	\$28,375
Facilities	\$1,646,522
Public spaces - lobby / admitting	\$205,196
Sleep center	\$104,908
Administrative functions	\$166,492
Project management and commissioning	\$30,000

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**Appendix II**  
**Anticipated Patient Origin**

Zip Code	City	Travel Time From Proposed Hospital	2015 Population	Patients in office practice of sixteen (16) Physicians in McHenry County	Estimate of Admissions based upon 32.4 per thousand
60098	Woodstock	14.95	32,354	6,063	196.4
60014	Crystal Lake	0	48,868	3,253	105.4
60050	McHenry	8.05	31,809	2,614	84.69
60013	Cary	2.3	26,242	1,340	43.42
60102	Algonquin	3.45	32,813	1,264	40.95
60156	Lake in the Hills	4.6	28,900	1,199	38.85
60142	Huntley	16.1	27,080	821	26.6
60051	McHenry	10.35	24,769	812	26.31
60012	Crystal Lake	0	10,960	677	21.93
60110	Carpentersville	8.05	39,334	302	9.78
60042	Island Lake	17.25	8,603	232	7.52
60010	Barrington	16.1	44,331	186	6.03
60021	Fox River Grove	10.35	5,455	180	5.83
60180	Union	25.3	1,582	137	4.44
60020	Fox Lake	25.3	9,875	126	4.08
60084	Waconda	16.1	15,695	109	3.53
60041	Ingleside	24.15	9,192	87	2.82
60072	Ringwood	24.15	910	86	2.79
60047	Lake Zurich	19.55	42,330	83	2.69
60073	Round Lake	21.85	61,118	58	1.88
60123	Elgin	21.85	48,890	52	1.68
60136	Gilberts	21.85	7,338	45	1.46
60067	Palatine	25.3	37,899	43	1.39
60039	Crystal Lake	0	19,447	37	1.2
60120	Elgin	24.15	50,564	23	0.75
60074	Palatine	25.3	39,757	23	0.75
60060	Mundelein	25.3	38,138	17	0.55
60124	Elgin	20.7	20,912	14	0.45
60097	Wonder Lake	24.15	10,623	11	0.36
60118	Dundee	8.05	15,681	7	0.23
			791,469	19,901	644.76
All Other Zip Codes				8,539	276.7
<b>Total</b>				<b>28,440</b>	<b>921.5</b>

1. Source Page 73 of the Application for Permit

**Appendix III**  
**Hospitals in Illinois with Med/Surg ADC of ten (10) or less and Utilization**

<b>Hospital Name</b>	<b>CON Approved M/S Beds</b>	<b>Avg. Daily M/S Census</b>	<b>2015 Utilization</b>
Abraham Lincoln Hospital	22	9.2	41.82%
Advocate Eureka Hospital	25	1.6	6.40%
Carlinville Area Hospital Association	25	3.9	15.60%
Clay County Hospital	18	9.4	52.22%
Community Memorial Hospital	43	2	4.65%
Crawford Memorial Hospital	21	9.5	45.24%
Dr. John Warner Hospital	21	2.1	10.00%
Fairfield Memorial Hospital	21	9.3	44.29%
Fayette County Hospital	23	9.1	39.57%
Ferrell Hospital	25	6.6	26.40%
Franklin Hospital	16	3.8	23.75%
Genesis Medical Center Aledo	22	2.2	10.00%
Gibson Community Hospital	17	6.6	38.82%
Greenville Regional Hospital	26	6.6	25.38%
Hamilton Memorial Hospital	25	5.6	22.40%
Hammond Henry Hospital	16	8.1	50.63%
Hardin County General Hospital	25	6.5	26.00%
Hillsboro Area Hospital	25	3.9	15.60%
Hoopeston Community Memorial Hospital	24	4.6	19.17%
Hopedale Hospital	20	3.1	15.50%
Illini Community Hospital	19	3.8	20.00%
Iroquois Memorial Hospital	15	7	46.67%
Jersey Community Hospital	61	8.2	13.44%
Kirby Medical Center	16	1.9	11.88%
Lawrence County Memorial Hospital	25	6.7	26.80%
Marshall Browning Hospital	25	5.3	21.20%
Mason District Hospital	25	2	8.00%
Massac Memorial Hospital	25	9.6	38.40%
Memorial Hospital - Chester	23	5.6	24.35%
Memorial Hospital - Carthage	15	3.1	20.67%
Mendota Community Hospital d/b/a OSF Saint	21	5.6	26.67%
Mercy Harvard Memorial Hospital	15	4.6	30.67%
Midwest Medical Center	25	1.2	4.80%
Morrison Community Hospital	25	8.1	32.40%
OSF Holy Family Medical Center	23	2.7	11.74%
OSF Saint James John W. Albrecht Medical Cent	33	8.4	25.45%
OSF Saint Luke Medical Center	22	4.3	19.55%

**Appendix III**  
**Hospitals in Illinois with Med/Surg ADC of ten (10) or less and Utilization**

<b>Hospital Name</b>	<b>CON Approved M/S Beds</b>	<b>Avg. Daily M/S Census</b>	<b>2015 Utilization</b>
Pana Community Hospital	22	2.6	11.82%
Paris Community Hospital	25	4.8	19.20%
Perry Memorial Hospital	22	7.3	33.18%
Pinckneyville Community Hospital	17	4.6	27.06%
Presence Holy Family Hospital	49	6.1	12.45%
Provident Hospital of Cook County	79	8.9	11.27%
Red Bud Regional Hospital	25	6	24.00%
Rochelle Community Hospital	12	6.8	56.67%
Salem Township Hospital	22	5.1	23.18%
Sarah D. Culbertson Memorial Hospital	22	2.3	10.45%
Shelby Memorial Hospital	30	4.9	16.33%
Sparta Community Hospital	25	5.8	23.20%
St. Joseph Memorial Hospital	25	5.3	21.20%
SwedishAmerican Medical Center - Belvidere	34	0.1	0.29%
Taylorville Memorial Hospital	21	9.5	45.24%
Thomas H. Boyd Memorial Hospital	25	1.6	6.40%
UnityPoint Health - Trinity Moline	20	2.3	11.50%
Valley West Hospital	15	6.8	45.33%
Wabash General Hospital District	25	7.3	29.20%
Washington County Hospital	22	0.7	3.18%
Source: 2015 Hospital Profiles from HFSRB website Shaded hospitals are not considered critical access hospitals.			

Appendix IV Explanation of Credit Ratings			
<u>Moody's</u>	<u>Standard &amp; 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. The Obligor Is Currently Highly-Vulnerable To Nonpayment. May Be Used Where A Bankruptcy Petition Has Been Filed.
	C	C	
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. <sup>[3]</sup>
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

Appendix IV			
Explanation of Credit Ratings			
			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.



**Appendix V**  
**Hospital Licensing Minimum Requirements**

Governing Board (written Constitution and bylaws) Section 250.210

Board hires an Administrator

Medical Staff (written bylaws & Rules/ Regulations) Section 250.310

Medical Staff committees: P&T, IC, UR, QA, MR

Medical Staff Credentials Committee and Process

Human Resource Department with Director Section 250.410

Employee Health Program Section 250.240

**Required Departments:**

Laboratory – basic service must be available 24hrs a day 7 days a week, may contract the off hours and pathology and blood bank Section 250.510

Radiology- basic service must be available 24 hrs a day 7 days a week, may contract for extensive services Section 250.610

Emergency service- standby at minimum

Rehabilitation services- must have at least basic service and can be contracted Section 250.820 and 250.830 (if basic then needs to follow Section 860 and 870 for nursing training and Medical direction)

Nursing Service has to have a Director of Nursing who is fulltime  
Section 250.910 Nursing personnel 24/7

Process and area for sterilization and processing of supplies (note may have some instruments which are not OR specific) Section 250.1090

Surgical services an **optional** Section 1210

Medical Records Department Section 250.1510

Dietary Department needs at minimum a director preferably a registered dietitian Section 250.1610 Staff on service at minimum 12 hours a day

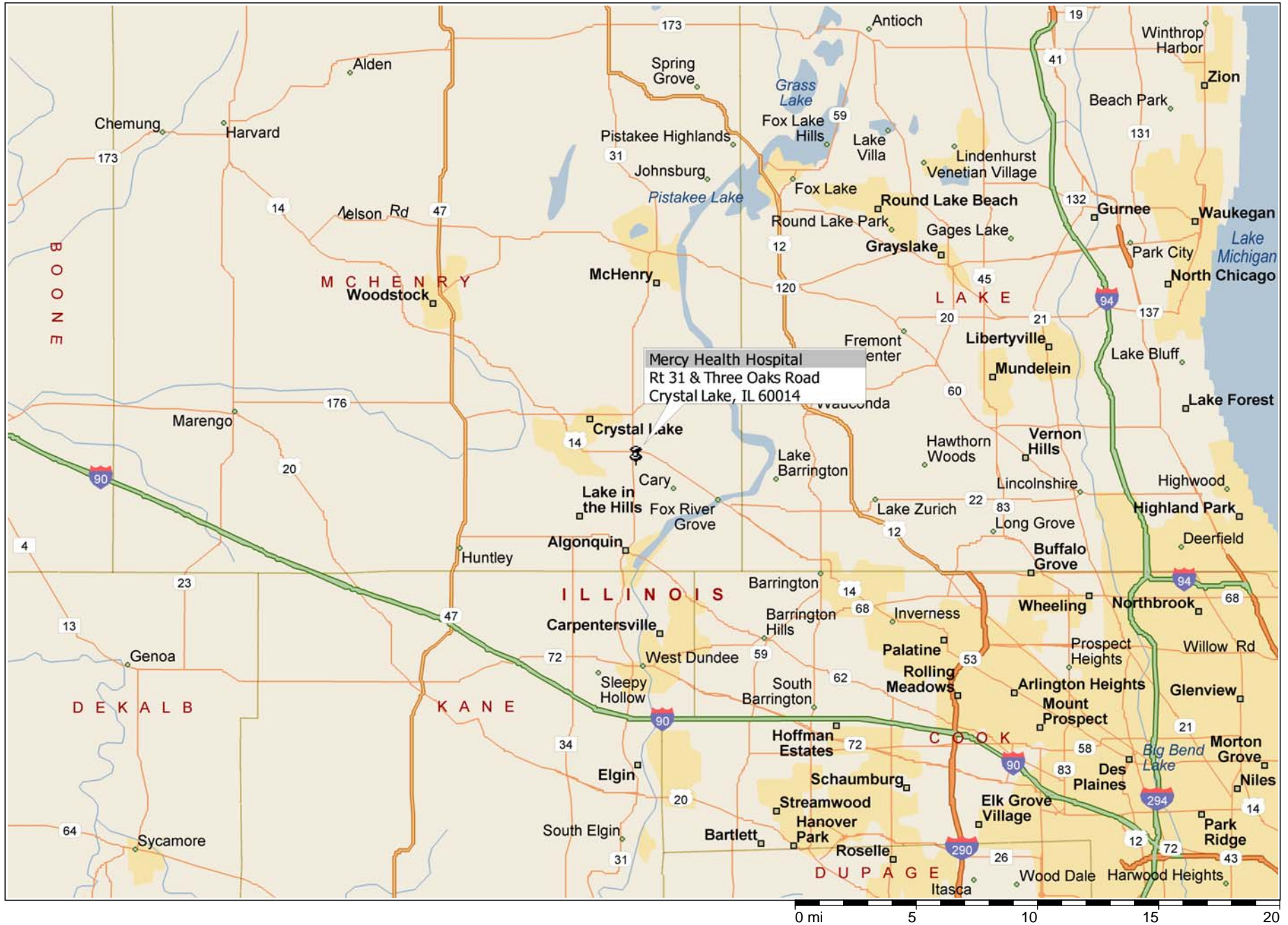
Housekeeping department under the direction of a competent supervisor Section 250.1710

Laundry Service can be contracted Section 250.1740

Pharmacy Department under the direction of a registered pharmacist Section 250.2110

Social Services may be contracted Section 250.260

## 17-002 Mercy Health Hospital - Crystal Lake



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