



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-09	BOARD MEETING: May 2, 2017	PROJECT NO: 17-008	PROJECT COST: Original:\$32,445,000
FACILITY NAME: OSF Center for Health - Streator		CITY: Streator	
TYPE OF PROJECT: Non Substantive			HSA: II

PROJECT DESCRIPTION: The applicants (Ottawa Regional Hospital and Health Care System d/b/a Saint Elizabeth Medical and OSF Healthcare System) are proposing to establish an ambulatory health center in 63,047 DGSF at a cost of \$32,545,000. The completion date as stated in the application for permit is March 31, 2019.

HSHS St. Mary's Hospital – Streator –Home of OSF Center for Health



EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Ottawa Regional Hospital and Health Care System d/b/a Saint Elizabeth Medical and OSF Healthcare System) are proposing to establish an ambulatory health center in 63,047 DGSF at a cost of \$32,545,000. The completion date as stated in the application for permit is March 31, 2019.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes to establish a health care facility as defined at 20 ILCS 3960/3

BACKGROUND:

- On November 17, 2015, the State Board approved the discontinuation of Hospital Sisters Health System (HSBS) St. Mary's Hospital in Streator (E-017-15). HSBS subsequently donated the discontinued HSBS St. Mary's Hospital property and equipment to OSF Healthcare System. At the time of the donation OSF committed to establishing a Freestanding Emergency Center ("FSEC") at the discontinued HSBS St. Mary's Hospital site. In order to establish an FSEC in Streator, the General Assembly amended the Emergency Medical Services Systems Act (210 ILCS 50/32.5 (a-15)) effective December 4, 2015.
- On February 16, 2016 the State Board approved the establishment of a six (6) station FSEC in Streator. The proposed FSEC is owned and operated by OSF Saint Elizabeth Medical Center located in Ottawa. The FSEC was approved for six (6) emergency department bays and a treatment area for lower acuity patients with space for observation if necessary in a total of 12,476 GSF of space. The FSEC provides 24/7 urgent care services at the site with a physician board certified in emergency medicine on staff at all times. Other services provided on site include ambulatory services such as physician office space, imaging, laboratory services, PT/OT/ST and cardiology diagnostic testing.
- The FSEC is averaging approximately 36 visits per day. For the period August 23, 2016 thru Feb 28, 2017 the total visits were 5,754.

PURPOSE:

- According to the applicants *"The goal is to provide better access to ambulatory care for residents of Streator by modernizing the former hospital building to make it appropriate for the provision of solely outpatient clinical services and physician offices, and to consolidate these services with the freestanding emergency center located there."* The problem to be addressed is the reduction in available services caused by the closure of St. Mary's in Streator.

PUBLIC HEARING/COMMENT:

- No public hearing was requested. No letters of opposition or support were received.

SUMMARY:

- The State Board Staff reviewed the application for permit and additional information provided by the applicants and notes the following.
- The proposed project is the second phase of the commitment that OSF made to the Streator community upon the assumption of the former HSBS St Mary's Hospital. At the time of the discontinuation of St. Mary's Hospital, OSF committed to establish a Free Standing Emergency Center in Streator and an ambulatory care building. The free standing emergency center was approved, licensed and is currently operating. This project proposes to modernize the outpatient services currently in place at the former St. Mary's Hospital in Streator along with the

establishment of physician office space at the former Hospital. Seventy percent (70%) of the space on Floor 1, and all of Floors 2 and 4, will be gutted and rebuilt to accommodate physician offices and to modernize clinical service areas including: imaging (other than CT and MRI), PT/OT/ST, (physical therapy, occupational therapy, speech therapy) nuclear medicine, infusion therapy, labs and cardiac testing. Nothing is being done to Floor 3 at this time. There will be no new services as a result of this modernization.

Reviewer Note: This project is viewed as a modernization of existing clinical services rather than the establishment of clinical services. At the time of the discontinuation of HSHS St Mary's Hospital and the assumption of the plant and equipment by OSF, OSF maintained these clinical outpatient services to provide continuity of care to the community and to compliment the urgent care services it provided at the site until the FSEC was licensed. The FMV of the plant and equipment for these outpatient services did not exceed the capital expenditure threshold (\$12,797,313) at the time of the approval of the FSEC. No certificate of need was required.

CONCLUSIONS:

The applicants addressed a total of fourteen (14) criteria and have met them all.

STATE BOARD STAFF REPORT
#17-008
OSF Center for Health – Streator

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Ottawa Regional Hospital and Health Care System d/b/a Saint Elizabeth Medical and OSF Healthcare System
Facility Name	OSF Center for Health - Streator
Location	111 Spring Street, Streator, Illinois
Application Received	February 16, 2017
Application Deemed Complete	February 16, 2017
Review Period Ends	April 16, 2017
Permit Holder	Ottawa Regional Hospital and Health Care System d/b/a Saint Elizabeth Medical
Operating Entity	Ottawa Regional Hospital and Health Care System d/b/a Saint Elizabeth Medical
Owner of the Site	Ottawa Regional Hospital and Health Care Center
Project Financial Commitment Date	May 2, 2019
Departmental Gross Square Footage	63,047 DGSF
Project Completion Date	March 31, 2019
Expedited Review	No
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The applicants (Ottawa Regional Hospital and Health Care System d/b/a Saint Elizabeth Medical and OSF Healthcare System) are proposing to establish an ambulatory health center in 63,047 DGSF at a cost of \$32,545,000. The anticipated completion date as stated in the application for permit is March 31, 2019.

II. Summary of Findings

- A.** The State Board Staff finds the proposed project is in conformance with the provisions of Part 1110.
- B.** The State Board Staff finds the proposed project is in conformance with the provisions of Part 1120.

III. General Information

The applicants are OSF Healthcare System and Ottawa Regional Hospital and Health Care System d/b/a Saint Elizabeth Medical Center. OSF Healthcare System is an Illinois not for profit corporation incorporated in 1880 as The Sisters of the Third Order of St. Francis. Saint Elizabeth Medical Center in Ottawa is a ninety-seven (97) bed acute care hospital located approximately thirty (30) minutes from Streator, Illinois. OSF currently owns and operates the following acute care hospitals.

TABLE ONE		
Hospitals owned by OSF Healthcare System in Illinois		
Hospital	City	Number of Beds ⁽¹⁾
OSF St. Francis Medical Center	Peoria	609
OSF St. Anthony Medical Center	Rockford	254
OSF St. James - John W. Albrecht Medical Center	Pontiac	42
OSF St. Joseph Medical Center	Bloomington	149
OSF St. Mary Medical Center	Galesburg	81
OSF Holy Family Medical Center (CAH)	Monmouth	23
OSF Saint Luke Medical Center (CAH)	Kewanee	25
OSF Saint Anthony Health Center	Alton	203
Ottawa Regional Hospital & Healthcare Center d/b/a St Elizabeth Hospital	Ottawa	97
OSF St. Paul Medical Center (CAH)	Mendota	25
1. Number of beds as of 12/31/2015		
2. CAH = Critical Access Hospital		

The proposed ambulatory health center will be located at 111 Spring Street, Streator in the former HSHS St. Mary's Hospital in the HSA II Health Service Area and the C-02 Hospital Planning Area. HSA II includes the Illinois Counties of Bureau, Fulton, Henderson, Knox, LaSalle, Marshall, McDonough, Peoria, Putnam, Stark, Tazewell, Warren, and Woodford. The C-02 Hospital Planning Area includes LaSalle, Bureau, and Putnam Counties; Stark County Townships of Elmira and Osceola. There are five (5) hospitals in the C-02 Hospital Planning Area

TABLE TWO			
Hospitals within the C-02 Hospital Planning Area			
Hospital	City	Beds ⁽¹⁾	Minutes ⁽³⁾
OSF Saint Elizabeth Medical Center	Ottawa	97	20
St. Margaret's Hospital	Spring Valley	57	37
Illinois Valley Community Hospital	Peru	51	39
OSF St. Paul Medical Center (CAH)	Mendota	25	47
Perry Memorial Hospital (CAH)	Princeton	25	55
1. Number of beds as of 12/31/2015			
2. CAH = Critical Access Hospital			
3. Time Determined by Map Quest			

This is a non-substantive project subject to a Part 1110 and Part 1120 review. Financial commitment will occur after permit issuance. A non-substantive project is all projects not classified as substantive or emergency projects.

Substantive projects shall include no more than the following:

1. *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.*
2. *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
3. *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]*

Emergency Projects means projects that are emergent in nature and must be undertaken immediately to prevent or correct structural deficiencies or hazardous conditions that may harm or injure persons using the facility, as defined at 77 Ill. Adm. Code 1110.40(a). [20 ILCS 3960/12(9)]

IV. Project Details

The applicants (Ottawa Regional Hospital and Health Care System d/b/a Saint Elizabeth Medical and OSF Healthcare System) are proposing to modernize some of the former HSHS St. Mary's Hospital in Streator to develop a 63,047 DGSF ambulatory health center (The OSF Center for Health-Streator or "OSF Streator Center"). Of the total GSF, 56,597 will be modernized, 4,000 will be new construction and 2,450 will be as is. The proposed OSF Streator Center will provide approximately thirty-four (34) offices for primary and specialty care physicians, anticipating general surgery, orthopedics, OB/Gyn, pediatrics, cardiology, urology and podiatry.

In February of 2016, the Illinois HFSRB approved the applicants' application for a freestanding emergency center ("FSEC") in Streator, also within the former St. Mary's Hospital building. The FSEC began operation in August of 2016. As part of the application for a CON permit for the FSEC, the applicants informed HFSRB that it would be operating imaging, laboratory services, PT/OT/ST, nuclear medicine, infusion therapy and cardiac testing at the old hospital site along with the FSEC. This did not require a CON permit because there were no categories of service and/the cost did not exceed the capital expenditure threshold.

The freestanding emergency center is located in the former St Mary's Hospital emergency department. The FSEC is licensed separately by IDPH. The FSEC is located on the first floor of the former hospital.

The applicants plan to modernize some of the former hospital space for the OSF Streator Center, resulting in a capital expenditure of \$32,545,000. Seventy percent (70%) of the space on floor 1, and all of floors 2 and 4, will be gutted and rebuilt to accommodate physician offices and to modernize the areas where the previously mentioned clinical service areas ("CSAs") other than categories of service are located. The following CSAs other than categories of services that are currently in operation at the site will be modernized: imaging (other than CT and MRI), PT/OT/ST, nuclear medicine, infusion therapy, labs and cardiac testing. There will be no new services as a result of the modernization.

V. Project Uses and Sources of Funds

The applicants are funding this project with cash of \$2,200,000 and a bond issue in the amount of \$30,345,000.

TABLE THREE ⁽¹⁾
Project Costs and Sources of Funds

Use of Funds	Reviewable	Non Reviewable	Total	% of Total
Preplanning Costs	\$26,052	\$40,748	\$66,800	0.21%
Site Survey and Soil Investigation	\$0	\$18,100	\$18,100	0.06%
Site Preparation	\$0	\$150,000	\$150,000	0.46%
Off Site Work	\$0	\$0	\$0	0.00%
New Construction Contracts	\$0	\$4,000,000	\$4,000,000	12.29%
Modernization Contracts	\$6,554,886	\$10,252,514	\$16,807,400	51.64%
Contingencies	\$500,000	\$1,000,000	\$1,500,000	4.61%
Architectural and Engineering Fees	\$646,503	\$1,011,197	\$1,657,700	5.09%
Consulting and Other Fees	\$175,500	\$274,500	\$450,000	1.38%
Movable or Other Equipment	\$1,326,000	\$2,074,000	\$3,400,000	10.45%
Bond Issuance	\$242,500	\$242,500	\$485,000	1.49%
Net Interest During Construction	\$280,000	\$280,000	\$560,000	1.72%
FMV of Leased Space	\$0	\$3,450,000	\$3,450,000	10.60%
Total Uses of Funds	\$9,751,441	\$22,793,559	\$32,545,000	100.00%

Sources of Funds	Reviewable	Non Reviewable	Total	% of Total
Cash	\$0	\$2,200,000	\$2,200,000	6.76%
Bond Issues	\$9,751,441	\$20,593,559	\$30,345,000	93.24%
Total Sources of Funds	\$9,751,441	\$22,793,559	\$32,545,000	100.00%

1. This table was revised March 1, 2017 by email to reflect the change in the FMV of Equipment from Non-clinical to clinical a change of \$2,000,000. This change did not affect the overall cost of the project.

VI. Costs Space Requirements

The applicants are proposing 63,047 GSF for the ambulatory health building. Approximately ninety (90%) will be modernization and approximately 6% will be new construction with the remainder as is.

Approximately forty-two (42%) of the total departmental gross square feet (DGSF) is reviewable by the State Board Staff and the remainder of the space is non reviewable.

TABLE FOUR ⁽¹⁾							
Cost Space Requirements							
Reviewable	Cost	Exist	Proposed	New Const	Mod	As Is	Vacated
Imaging	\$5,710,497	9,220	9,220	0	9,220		
Lab	\$1,064,857	2,646	2,646	0	2,646		
PT/OT	\$3,752,669	9,325	9,325	0	9,325		
Cardiac Dx	\$603,660	1,500	1,500	0	1,500		
Infusion Therapy	\$619,758	1,540	1,540	0	1,540		
CT/MRI	\$0	2,450	2,450	0	0	2,450	
Total Reviewable	\$11,751,441	26,681	26,681	0	24,231	2,450	
Non Reviewable							
Medical Offices	\$11,922,763	0	22,224	0	22,224		
Lobby/Public Places	\$6,693,852	6,670	10,670	4,000	6,670		
Community Education	\$1,628,319	0	2,597	0	2,597		
Café	\$548,625	0	875	0	875		
Total Non Reviewable	\$22,793,559	6,670	36,366	4,000	32,366		
Total	\$32,545,000	33,351	63,047	4,000	56,597	2,450	
1. This table was revised March 1, 2017 by email to reflect the change of the FMV of Equipment from Non-clinical to clinical a change of \$2,000,000. This \$2,000,000 change increased the medical office cost. This change did not affect the overall cost of the project.							

VII. Background of the Applicants

A) Criterion 1110.3030(b)(1) to (3) – Background of the Applicants

To demonstrate compliance with this criterion, the applicants must provide

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
 2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
 3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but 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. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
 4. "Adverse Action" means 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.
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1. The applicants provided a copy of the licenses and certification of all health care facilities owned or operated by the applicants at pages 33a-33k of the application for permit.
 2. No adverse actions have been taken against any facility owned and/or operated by the applicants. [Application for Permit page 33]
 3. Authorization permitting HFSRB and DPH access to any documents necessary to verify information submitted has been provided at Application for Permit page 33.
 4. OSF Healthcare System, A Domestic Corporation, Incorporated under the Laws of This State On January 02, 1880, is in Good Standing as a Domestic Corporation in the State of Illinois.
 5. Ottawa Regional Hospital & Healthcare Center, Incorporated under the Laws of This State On December 07, 1964, is in Good Standing as a Domestic Corporation in the State of Illinois.
 6. Evidence of Site Ownership was provided at pages 24-24c of the Application for Permit.
 7. The applicants are in compliance with Executive Order #2006-05 and the Illinois Historic Preservation Agency.
 8. All required reports have been provided to the State Board as required.

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

VII. Purpose Of The Project, Safety Net Impact Statement, Alternatives To The Project

These three (3) criteria are informational only. No determination on whether the applicants have met the requirements of the three (3) criteria is being made by the State Board Staff.

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.

The project will provide health services that improve the health of the market area population to be served by offering physician (primary care and specialists) offices for preventive and focused care to the community of Streator. The offices will be located in the former St. Mary's Hospital building in modernized space.

Currently located in the building and fully operational are lab, physical therapy, occupational therapy, and speech therapy, cardiac testing, infusion therapy services (e.g. blood transfusion, hydration, injections, vaccines, IV medication, etc.), nuclear medicine (one camera) and imaging services. The areas where these services are located will be changed and some (lab, physical therapy, occupational therapy, speech therapy, imaging other than CT and MRI areas, nuclear medicine and cardiac testing) will be modernized to better accommodate an ambulatory care setting versus the former acute care hospital setting.

OSF continued to operate the services to provide continuity of care to the community and to compliment the urgent care services it provided at the site until the free standing emergency center (FSEC) was licensed. These services, particularly imaging and infusion services, compliment the FSEC. The consolidation of physician offices, outpatient clinical services and the FSEC in one location will make it very convenient and cost effective for residents to access them. Without these services residents would have to travel to OSF St. Elizabeth's Ottawa, approximately 30 minutes away, for similar services.

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

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.*

This project is considered a non substantive project. Non substantive project are not required to submit a safety net impact statement, only projects that are deemed substantive projects. Non substantive projects are all projects that are not classified as either substantive or emergency.

Substantive projects shall include no more than the following:

- a. *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.*
- b. *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
- c. *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]*

The applicants provided charity care information for the St. Elizabeth Medical Center and OSF Healthcare System.

TABLE FIVE
Charity Care Information

	St. Elizabeth Medical Center			OFS Healthcare System		
Net Revenue	\$63,540,771	\$64,037,594	\$71,727,912	\$1,823,570,000	\$1,800,620,959	\$1,917,020,581
Amount of Charity Care	\$7,600,592	\$6,133,211	\$3,837,719	\$353,591,840	\$221,417,876	\$123,694,713
Cost of Charity Care	\$2,758,255	\$1,832,603	\$1,038,475	\$74,049,916	\$450,621,650	\$24,351,000
% of Charity Care to Net Revenue	4.34%	2.86%	1.45%	4.06%	25.03%	1.27%

C) Criterion 1110.230(c) - Alternatives to the Proposed Project

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

The applicants considered two (2) alternatives to the proposed project.

Alternative 1

The applicants considered offering extending services at Saint Elizabeth' Medical Center in Ottawa, IL. According to the applicants there is no room within existing Saint Elizabeth buildings to expand to the extent necessary, so a new building would be required at an approximate cost of \$30,000,000. In addition, land cost might be required. This alternative was rejected because it would not improve access to care in Streator and some of the services such as imaging (MRI) serve the FEC, and so this alternative had very little appeal. It was rejected.

Alternative 2

The applicants considered building a new building in Streator to provide outpatient services, and relocate the FEC with an approximate cost of \$35-40,000,000. This option was explored, but the newer of the hospital buildings is in good shape and the FEC is already there, licensed and operational. This alternative was rejected because the most efficient option is to modernize the former hospital building to accommodate physician office space, and to modernize space for existing CSAs other than categories of service already offered by OSF at the current location.

VIII. Size of the Project, Projected Utilization and Assurances

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

To demonstrate compliance with this criterion the applicants must document that the size of the project is in conformance with standards published in Part 1110 Appendix B.

The applicants are proposing to modernize the existing services listed below. All of the services in which the State Board has size standards are in compliance with Part 1110 Appendix B.

TABLE SIX				
Size of the Project				
Service	State Standard			Total DGSF
	Units	Per Unit	Total	
Imaging				9,220
General Radiology	2	1,300 DGSF per unit	2,600	
CT ⁽²⁾	1	1,800 DGSF per unit	1,800	
MRI ⁽²⁾	1	1,800 DGSF per unit	1,800	
Mammography	1	900 DGSF per unit	900	
Nuclear Medicine	1	1,600 DGSF per unit	1,600	
Ultrasound ⁽¹⁾	2	900 DGSF per unit	1,800	
			10,500	
Lab				2,646
PT/OT/ST				9,325
Cardiac DX		No Standard		1,500
Infusion Area				1,540

1. The two (2) ultrasound units are mobile units.
2. CT and MRI will be serving both the FSEC and the ambulatory health center.

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

B) Criterion 1110.234(b) –Projected Utilization

To demonstrate compliance with this criterion, the applicants must document that the projected utilization of the services in which the State Board has established utilization standards will be in conformance with the standards published in Part 1110 Appendix B.

The applicants have offered ambulatory care at the former St. Mary's hospital site since January of 2016. Historical utilization is based upon the 2016 data. The projections are based on increased utilization due to the FSEC and physician offices, and according to the applicants a different utilization and patient usage after the OSF Streator Center is open.

TABLE SEVEN Projected Information Two (2) Years After Project Completion ⁽¹⁾					
Equipment	Units	Standard per Unit	Historical	Projected	Met Standard
General Radiology	2	8,000 Procedures/Unit	7,174	10,000	Yes
CT	1	7,000 Visits/Unit	2,761	3,000	Yes
MRI	1	2,500 Procedures/Unit	996	1,250	Yes
Ultrasound ⁽²⁾	2	3,100 Visits/Unit	1,853	3,000	No
Mammography	1	5,000 Visits/Unit	4,760	5,000	Yes
Nuclear Medicine	1	2,000 Visits/Unit	797	1,500	Yes

1. All diagnostic and treatment utilization numbers are the minimums per unit for establishing more than one unit.
2. The two (2) ultrasound units are mobile units.

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

C) Criterion 1110.234(e) - Assurances

To demonstrate compliance 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 Appendix B.

The applicants provided the necessary assurance as required in supplemental information.

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

IX. Clinical Services Other than Categories of Service

A) Criterion 1110.3030(d)(1) - Service Modernization

To demonstrate compliance with this criterion, the applicants must document that the proposed modernization meets one of the following”

- 1. Deteriorated Equipment of Facilities**
- 2. Necessary Expansion**

The proposed clinical services are being modernized to better accommodate an ambulatory care setting versus the former acute care hospital setting. The applicants stated that it is expected that the primary market area for the clinical services proposed by this project will come seven (7) zip code areas. This is based upon the general markets served at the former St. Mary's Hospital emergency department.

TABLE EIGHT			
Primary Market Area Zip Codes, City County and Population			
Zip Code	City	County	Population
60470	Ransom	La Salle	396
61319	Cornell	Livingston	1,020
61325	Grand Ridge	La Salle	791
61350	Ottawa	La Salle	25,171
61364	Streator	La Salle	19,500
61369	Toluca	Marshall	726
61377	Wenona	Marshall	744

The applicants believe there will be sufficient service demand (i.e. workload) for the clinical services being proposed to be modernized by this project based upon the one (1) year of operational experience. From the State Board Staff's review of the one (1) year historical data, it would appear that the applicants can justify the number of units being requested to be modernized. For the two services (general radiology, and ultrasound) in which the applicants have proposed two (2) units, it appears reasonable to the State Board Staff maintaining two (2) units for these services provides assurance that these services will be maintained for the residents of the community should a unit be in need of repair and the use of this equipment by the FSEC.

There are and will be two (2) general radiology machines, one (1) mammography machine, two (2) mobile ultrasounds and one (1) nuclear medicine camera. This equipment exists currently at the site and is not being expanded. The lab and imaging services currently support the FSEC also and will continue to do so. The lab and PT/OT/ST will be utilized based on historical utilization of the old hospital and current utilization. Below is the historical information from January 4, 2016 through December 31, 2016, when OSF began treating patients at the former HSHS St. Mary's Hospital.

TABLE NINE				
Historical Utilization (1-04-2016 -12-31-2016)				
Service	Number of Units	01-04-2016 – 12- 31-2016		Met Standard
General Radiology	2 Unit	7,174 procedures	8,000 procedures	Yes
Ultra Sound ⁽¹⁾	2 Units	1,853 procedures	3,100 procedures	Yes
Mammography	1 Unit	4,760 visits	5,000 visits	Yes
MRI	1 Unit	996 procedures	2,500 procedures	Yes
CT	1 Unit	2,761 visits	7,000 visits	Yes
Nuclear Medicine	1 Unit (camera)	797 visits	2,000 visits	Yes
Lab	1 room	18,319 lab draws	No standard	Yes
PT/OT/SP		24,275 visits	No standard	Yes
Infusion Therapy		2,042 procedures	No standard	Yes

1. The two (2) ultrasound units are mobile units. The State Board standard is based upon a fixed ultrasound unit.
2. PT/OT/SP = Physical Therapy, Occupational Therapy, and Speech Therapy

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CLINICAL SERVICES OTHER THAN CATEGORIES OF SERVICE - MODERNIZATION (77 IAC 1110.3030(d)(1))

X. Financial Viability

A) Criterion 1120.120 - Availability of Funds

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with these criteria the applicants must document sufficient cash to fund the proposed project and that the applicants are financially viable.

The applicants are funding this project with cash of \$2.2 million and a bond issue in the amount of \$30,345,000. As shown in the Table below the applicants have sufficient cash to fund the cash portion of the modernization. Additionally OSF Healthcare System has received “A2” from Moody’s Rating Services on \$114 million of proposed Series 2016 fixed rate bonds to be issued by the Illinois Finance Authority. The bonds are expected to mature in 2039. It appears the applicants have sufficient funds available to fund this modernization project. [Note Moody’s Rating Methodology at the end of this report]

The applicants have qualified for the financial viability waiver because all of the project’s capital expenditures are completely funded through internal resources (cash, securities or received pledges), and the applicants provided evidence of an “A” or better bond rating.

TABLE TEN				
OSF Healthcare System and Subsidiaries				
Years ended September 30, 2016, 2015, 2014 and 2013				
(in thousands)				
	2016	2015	2014	2013
Cash	157,568	368,762	\$280,090	\$264,949
Current Assets	766,208	930,750	\$747,709	\$707,194
Total Assets	3,488,225	3,346,423	\$2,923,235	\$2,694,673
Current Liabilities	486,664	485,493	\$360,938	\$313,511
LTD	1,177,361	1,175,050	\$907,682	\$881,390
Total Liabilities	2,413,140	2,281,885	\$1,928,954	\$1,676,003
Net Patient Revenue	2,412,462	2,294,956	\$2,065,269	\$2,005,184
Total Revenues	2,422,880	2,312,232	\$2,096,826	\$1,998,700
Income from Operations	56,634	103,676	\$63,917	-\$5,998
Net Income	99,151	53,776	\$121,890	\$66,149
Source: OSF Audited Financial Statements				

XI. Economic Feasibility

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

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

To demonstrate compliance with this criterion the applicants must document the terms of the debt financing and attest the financing will be at the lowest cost available to the applicants.

The applicants are funding this project with cash of \$2.2 million and a bond issue in the amount of \$30,345,000. The bond coupon rate is expected to be 4.75% or less. The bonds are expected to mature in 2039. The applicants have attested that the selected form of debt financing will be at the lowest cost available, or if not it will be more advantageous due to other terms, such as pre-payment privileges, term of the loan or other reasons. [Application for Permit page 53]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA 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 demonstrate compliance with this criterion the applicants must document that the project costs are reasonable.

1. Preplanning Costs are 1.80% of the modernization, contingencies and movable equipment costs.
2. Modernization and Contingencies Costs are 70% of the new construction and contingency cost per RS Means for 2017 (\$295.61) inflated by 3% to the midpoint of construction.
3. Contingencies costs are 10-15% of modernization costs. Contingency costs for projects (or for components of projects) are based upon a percentage of new construction or modernization costs and are based upon the status of a project's architectural contract documents. This project is in the schematic drawing phase which allows for a 10% contingency.
4. Architectural and Engineering Fees are a percentage of modernization and contingency costs. A&E fees for hospitals can be found in the Centralized Fee Negotiation Professional Services Handbook at the State of Illinois Capital Development Board.

TABLE ELEVEN					
Reasonableness of Project Costs					
Uses of Funds	Reviewable	State Board Standard		Project Costs	Met Standard?
Preplanning Costs	\$26,052	1.80%	\$159,856	0.29%	Yes
Modernization Contracts and Contingencies	\$7,054,886	\$313.61/GSF	\$7,599,084	\$291.15	Yes
Contingencies	\$500,000	10-15%	\$983,233	7.63%	Yes
Architectural and Engineering Fees	\$646,503	6.22-9.34%	\$658,927	9.16%	Yes
Consulting and Other Fees	\$175,500				
Movable or Other Equipment	\$1,326,000				
Bond Issuance	\$242,500			Not Applicable	
Net Interest During Construction	\$280,000				
FMV of Equipment	\$2,000,000				

TABLE TWELVE	
Itemization of the Uses of Funds	
Moveable Equipment:	
CT Scanner	\$2,000,000
IT Equipment:	\$1,000,000
Furnishings, Artwork, Misc.:	\$400,000
Other Costs to be Capitalized:	
South Parking Lot (new)	\$800,000
North Parking Lot (revised)	\$630,000
Pre-Planning:	
Programming	\$17,500
Alternate Site Facility Assessment	\$9,500
MEPFP Assessment of Existing Facility	\$39,800
Consulting Fees:	
CON Consultants	\$125,000
Commissioning	\$215,000
OSF Project Management Fees	\$110,000

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

D) Criterion 1120.140(d) – Direct Operating Costs

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

The applicants are required to provide the direct operating costs per equivalent patient day and the capital costs per equivalent patient day. The direct operating costs per equivalent patient day and the total effect of the project on capital costs are not applicable, due to the nature (i.e. MOB - outpatient clinical services) of the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA DIRECT OPERATING COSTS AND EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140(d) and (e))

Moody's Rating Methodology

1. **Aaa** - Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
2. **Aa** - Obligations rated Aa are judged to be of high quality and are subject to very low credit risk. Obligations rated A are judged to be upper-medium grade and are subject to low credit risk. Baa Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
3. **Ba** - Obligations rated Ba are judged to be speculative and are subject to substantial credit risk. B Obligations rated
4. **B** - are considered speculative and are subject to high credit risk.
5. **Caa** - Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.
6. **Ca** - Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
7. **C** - Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.
[<https://www.moodys.com/Pages/rr003006001.aspx>]

<u>Ownership, Management and General Information</u>			<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Kenneth P Beutke	White	93.1%	Hispanic or Latino:	3.1%	
ADMINISTRATOR PHONE	(815) 431-5456	Black	3.1%	Not Hispanic or Latino:	66.6%	
OWNERSHIP:	Ottawa Regional Hospital & Healthcare Center d/b/a	American Indian	0.2%	Unknown:	30.2%	
OPERATOR:	Ottawa Regional Hospital & Healthcare Center d/b/a	Asian	0.3%			
MANAGEMENT:	Church-Related	Hawaiian/ Pacific	0.1%	IDPH Number:	5520	
CERTIFICATION:	(Not Answered)	Unknown	3.2%	HPA	C-02	
FACILITY DESIGNATION:	General Hospital			HSA	2	
ADDRESS	1100 East Norris Drive	CITY: Ottawa	COUNTY: LaSalle County			

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	Authorized CON Beds 12/31/2015	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Bed Occupancy Rate %
Medical/Surgical	54	54	36	1,752	5,037	1,200	3.6	17.1	31.6	31.6
0-14 Years				45	79					
15-44 Years				188	449					
45-64 Years				517	1,380					
65-74 Years				281	851					
75 Years +				721	2,278					
Pediatric	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Intensive Care	5	5	5	475	926	37	2.0	2.6	52.8	52.8
Direct Admission				370	703					
Transfers				105	223					
Obstetric/Gynecology	12	12	11	491	1,226	93	2.7	3.6	30.1	30.1
Maternity				491	1,226					
Clean Gynecology				0	0					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds			0	0	0		0.0	0.0		
Acute Mental Illness	26	26	22	1,159	5,645	0	4.9	15.5	59.5	59.5
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	97			3,772	12,834	1,330	3.8	38.8	40.0	

(Includes ICU Direct Admissions Only)

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	46.3%	31.3%	0.5%	20.0%	0.9%	1.0%	
	1747	1181	20	753	34	38	3,773
Outpatients	43.0%	24.5%	0.3%	30.1%	1.6%	0.5%	
	40527	23103	277	28396	1508	441	94,252

<u>Financial Year Reported:</u>	10/1/2014 to	9/30/2015	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>				Charity Care Expense	Total Charity Care Expense 1,038,475
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals		
Inpatient Revenue (\$)	49.2%	27.2%	1.2%	22.1%	0.3%	100.0%		
	11,714,954	6,484,553	295,624	5,272,929	62,378	23,830,438	387,507	Total Charity Care as % of Net Revenue
Outpatient Revenue (\$)	20.2%	12.7%	1.5%	63.8%	1.9%	100.0%		
	10,269,024	6,455,329	741,242	32,461,685	982,089	50,909,369	650,969	1.4%

<u>Birthing Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	457		Level I	Level II	Level II+	Kidney:	0
Number of Live Births:	452		Beds	11	3	Heart:	0
Birthing Rooms:	0		Patient Days	890	121	Lung:	0
Labor Rooms:	0		Total Newborn Patient Days			Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	0
Labor-Delivery-Recovery Rooms:	4					Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	0					Total:	0
C-Section Rooms:	1		Inpatient Studies		8,030		
CSections Performed:	91		Outpatient Studies		96,360		
			Studies Performed Under Contract		3,650		

Surgery and Operating Room Utilization

<u>Surgical Specialty</u>	<u>Operating Rooms</u>				<u>Surgical Cases</u>		<u>Surgical Hours</u>			<u>Hours per Case</u>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	0	0	0	0	0	0.0	0.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	3	3	164	362	466	688	1154	2.8	1.9
Gastroenterology	0	0	0	0	6	1	6	2	8	1.0	2.0
Neurology	0	0	0	0	0	0	0	0	0	0.0	0.0
OB/Gynecology	0	0	0	0	39	139	101	196	297	2.6	1.4
Oral/Maxillofacial	0	0	0	0	2	0	3	0	3	1.5	0.0
Ophthalmology	0	0	0	0	0	410	0	286	286	0.0	0.7
Orthopedic	0	0	0	0	89	256	300	650	950	3.4	2.5
Otolaryngology	0	0	0	0	3	221	13	313	326	4.3	1.4
Plastic Surgery	0	0	0	0	0	0	0	0	0	0.0	0.0
Podiatry	0	0	0	0	35	102	64	188	252	1.8	1.8
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	1	1	85	496	110	599	709	1.3	1.2
Totals	0	0	4	4	423	1987	1063	2922	3985	2.5	1.5
<u>SURGICAL RECOVERY STATIONS</u>				Stage 1 Recovery Stations		5	Stage 2 Recovery Stations		8		

Dedicated and Non-Dedicated Procedure Room Utilization

<u>Procedure Type</u>	<u>Procedure Rooms</u>				<u>Surgical Cases</u>		<u>Surgical Hours</u>			<u>Hours per Case</u>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	2	2	96	1267	50	732	782	0.5	0.6
Laser Eye Procedures	0	0	1	1	0	393	0	66	66	0.0	0.2
Pain Management	0	0	2	2	0	473	0	132	132	0.0	0.3
Cystoscopy	0	0	1	1	85	496	69	375	444	0.8	0.8
<u>Multipurpose Non-Dedicated Rooms</u>											
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Emergency/Trauma Care**Cardiac Catheterization Labs**

Certified Trauma Center	No
Level of Trauma Service	Level 1
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	0
Patients Admitted from Trauma	0
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	9
Persons Treated by Emergency Services:	19,561
Patients Admitted from Emergency:	2,520
Total ED Visits (Emergency+Trauma):	19,561
<u>Free-Standing Emergency Center</u>	
Beds in Free-Standing Centers	0
Patient Visits in Free-Standing Centers	0
Hospital Admissions from Free-Standing Center	0
<u>Outpatient Service Data</u>	
Total Outpatient Visits	94,242
Outpatient Visits at the Hospital/ Campus:	87,009
Outpatient Visits Offsite/off campus	7,233

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

Cardiac Catheterization Utilization

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

Cardiac Surgery Data

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

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

	<u>Owned Contract</u>		<u>Inpatient</u>	<u>Outpt</u>	<u>Contract</u>		<u>Owned Contract</u>		
General Radiography/Fluoroscopy	11	0	1,538	19,073	0	Lithotripsy	0	3	0
Nuclear Medicine	1	0	111	890	0	Linear Accelerator	0	0	0
Mammography	2	0	0	3,993	0	Image Guided Rad Therapy			0
Ultrasound	5	0	360	4,527	0	Intensity Modulated Rad Thrp			0
Angiography	0	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			0	0	0	Proton Beam Therapy	0	0	0
Interventional Angiography			0	0	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	0	0	0	0	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	1	0	391	6,513	0				
Magnetic Resonance Imaging	1	0	107	2,101	0				

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