

Daniel J. Lawler  
Partner  
(312) 214-4861  
daniel.lawler@btlaw.com

www.btlaw.com

November 10, 2017

**VIA EMAIL and OVERNIGHT DELIVERY**

Courtney R. Avery  
Administrator  
Illinois Health Facilities and Services  
Review Board  
525 West Jefferson Street  
2nd Floor  
Springfield, IL 62761

**RECEIVED**  
NOV 13 2017  
HEALTH FACILITIES &  
SERVICES REVIEW BOARD

**Re: SwedishAmerican Hospital, Project #17-019: Project Modification**

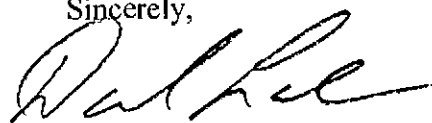
Dear Ms. Avery:

In response to the matters raised in the Board's Staff Report and by the Review Board in connection with the Intent-to-Deny on the above Project #17-019, the applicant SwedishAmerican Hospital is submitting the attached Modification of the project consisting of the following components:

1. Reduction of the facility's inpatient Pediatric Unit from 28 beds to 10 beds.
2. Reduction of the number of additional Post Acute Care Unit (PACU) rooms from two to zero.
3. Reduction of the overall project costs by \$2.2 million.
4. Reduction of the project's contingency costs by \$1.4 million to conform to the state standard.
5. A reduction of overall square footage to reflect reduction of the Pediatric Unit and Phase I PACU. A check for the modification fee is also attached.

The sections of the permit application affected by the above modifications have been revised and are attached.

Sincerely,



Daniel J. Lawler

DJL/dp

Enclosure

cc: Mr. Michael Constantino (via email)  
Ms. Jedediah Cantrell

**SwedishAmerican Hospital, Rockford, Project #17-019**  
**Table of Contents for Project Modification**

<b>Application Page</b>	<b>Description</b>	<b>Page</b>
4	Narrative	001
5	Project Cost and Sources of Funds	002
8	Facility Bed Capacity and Utilization	003
<b>Attachment No.</b>	<b>Description</b>	
7	Itemization of Project Costs	004
9	Project Cost Space Requirements	005
14	Size of Project	006
15	Project Service Utilization	007
19	Pediatrics	009
31	Clinical Service Area Other Than Category of Service	011
37	Economic Feasibility	014

**2. Narrative Description**

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

This project received an Intent-to-Deny on September 26, 2017. In response to the matters raised in the Board's Staff Report and by the Review Board in issuing an Intent-to-Deny, the applicants are submitting this Modification of the project consisting of the following components:

1. Reduction of the facility's inpatient Pediatric Unit from the existing 28 beds to 10 beds.
2. Reduction of the number of additional Phase I Post Acute Care Unit (PACU) rooms from two to zero.
3. Reduction of the overall project costs by \$2.2 million (from \$128,228,014 to \$126,035,461).
4. Reduction of the project's contingency costs by about \$1.4 million to \$12,101,000 which now conforms to the state standard.
5. Reduction of overall square footage to reflect reduction of the Pediatric Unit and Phase I PACU.

**Project Costs and Sources of Funds**

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

<b>Project Costs and Sources of Funds</b>			
<b>USE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Preplanning Costs	\$75,000	\$15,000	\$90,000
Site Survey and Soil Investigation	-	-	-
Site Preparation	-	-	-
Off Site Work	-	-	-
New Construction Contracts	\$35,184,274	\$14,851,828	\$50,036,102
Modernization Contracts	\$24,709,590	-	\$24,709,590
Contingencies	\$9,412,779	\$2,688,221	\$12,101,000
Architectural/Engineering Fees	\$4,837,013	\$1,097,191	\$5,934,203
Consulting and Other Fees	\$250,000	-	\$250,000
Movable or Other Equipment (not in construction contracts)	\$18,697,225	\$5,047,077	\$23,744,302
Bond Issuance Expense (project related)	\$931,659	\$236,993	\$1,168,652
Net Interest Expense During Construction (project related)	\$6,378,949	\$1,622,663	\$8,001,612
Fair Market Value of Leased Space or Equipment	-	-	-
Other Costs To Be Capitalized	-	-	-
Acquisition of Building or Other Property (excluding land)	-	-	-
<b>TOTAL USES OF FUNDS</b>	<b>\$100,476,489</b>	<b>\$25,558,972</b>	<b>\$126,035,461</b>
<b>SOURCE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Cash and Securities	\$5,378,949	\$1,622,663	\$7,001,612
Pledges	-	-	-
Gifts and Bequests	\$1,000,000	-	\$1,000,000
Bond Issues (project related)	\$94,097,539	\$23,936,309	\$118,033,848
Mortgages	-	-	-
Leases (fair market value)	-	-	-
Governmental Appropriations	-	-	-
Grants	-	-	-
Other Funds and Sources	-	-	-
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$100,476,489</b>	<b>\$25,558,972</b>	<b>\$126,035,461</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

**Facility Bed Capacity and Utilization**

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available**. **Include observation days in the patient day totals for each bed service**. Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

<b>FACILITY NAME:</b> SwedishAmerican Hospital			<b>CITY:</b> Rockford, Illinois		
<b>REPORTING PERIOD DATES:</b>		<b>From:</b> July 1, 2015		<b>To:</b> June 30, 2016	
<b>Category of Service</b>	<b>Authorized Beds</b>	<b>Admissions</b>	<b>Patient Days</b>	<b>Bed Changes</b>	<b>Proposed Beds</b>
Medical/Surgical	209	10,342	47,170	-10	199
Obstetrics	34	2,520	4,431	0	34
Pediatrics	28	200	712	-18	10
Intensive Care	30	368	6,048	0	30
Comprehensive Physical Rehabilitation	0	0	0	0	0
Acute/Chronic Mental Illness	32	1,387	8,540	+10	42
Neonatal Intensive Care	10	New*	New*	0	10
General Long Term Care	0	0	0	0	0
Specialized Long Term Care	0	0	0	0	0
Long Term Acute Care	0	0	0	0	0
Other ((identify))	0	0	0	0	0
<b>TOTALS:</b>	<b>343</b>	<b>14,889</b>	<b>67,352</b>	<b>-18</b>	<b>325</b>

\*NOTE: SwedishAmerican Hospital's exemption application for a new 10-bed NICU (E-0019-17) was approved on June 7, 2017. The NICU Service will be set up in the existing facility, then relocated to the new patient tower as part of this project once the tower is completed.

**SwedishAmerican Hospital: Itemization of Project Costs**

Items	Cost	Line Item Total
<b>Pre-Planning</b>		<b>\$90,000</b>
Space Programming	\$30,000	
Pre-Schematic Planning	\$60,000	
<b>New Construction Contracts</b>		<b>\$50,036,102</b>
Women's & Childrens Pavilion	\$43,821,805	
Cath/EP IR Addition	\$6,214,297	
<b>Modernization Contracts</b>		<b>\$24,709,590</b>
Surgery Renovation	\$13,889,772	
Emergency Department Renovation	\$3,761,325	
Nursing Unit Renovations	\$7,058,493	
<b>Contingencies</b>		<b>\$12,101,000</b>
<b>Architect/Engineering Fees</b>		<b>\$5,934,203</b>
Architect/Engineering Basic Services	\$5,747,203	
Specialty Consultant Services	\$187,000	
<b>Consulting and Other Fees</b>		<b>\$250,000</b>
CON Application Fee		
CON Consulting and Legal Fees	\$250,000	
<b>Movable/Other Equipment</b>		<b>\$23,744,302</b>
Clinics 1st Floor	\$2,872,817	
Labor & Delivery/C-Section 2nd Floor	\$4,309,655	
NICU 3rd Floor	\$1,000,000	
Post Partum 4th Floor	\$3,065,683	
Cath/EP IR Addition	\$5,446,387	
Modernization Areas	\$7,049,760	
<b>Bond Issuance Expense</b>		<b>\$1,168,652</b>
<b>Net Interest Expense</b>		<b>\$8,001,612</b>
<b>TOTAL PROJECT COSTS</b>	<b>\$126,035,461</b>	<b>\$126,035,461</b>

**ATTACHMENT 7  
(Modified 11/9/17)**

### Project Cost Space Requirements

Department	Project Cost	Gross Square Feet		Amount of Proposed total GSF that Is:			
		Existing	Proposed	New Construction	Remodeled	As Is	Vacated Space
Reviewable/Clinical							
Pediatric Clinics	\$11,511,832	-	25,750	25,750		-	0
LDR	\$14,205,602	18,302	21,330	21,330		-	0
C-section	\$4,341,463	Inc. in LDR	5,400	5,400		-	0
Post Partum	\$13,538,511	15,265	21,330	21,330		-	0
NICU/SCN	\$10,865,709	2,539	21,330	21,330		-	0
Pediatric inpatient	\$3,020,785	10,250	9,135		9,135	5,335	0
Invasive Cath/Angiography	\$8,389,301	17,257	12,000	12,000		-	0
PACU	\$3,011,318	4,400	3,690		3,690	-	0
Surgery	\$6,224,641	26,647	12,859		12,859	12,000	0
Prep/Recovery	\$1,755,130	9,242	3,600		3,600	-	0
Central Sterile Processing	\$7,760,104	9,091	14,800		14,800	-	0
Emergency	\$6,919,885	24,220	17,175		17,175	16,000	0
Acute Mental Illness	\$2,000,000	25,748	5,250		5,250	25,748	0
Inpatient Mental Illness	\$10,648,010	-	27,960		27,960	-	0
Other Non-Reviewable*	\$12,672,906		18,025	18,025			
<b>Total Clinical</b>	<b>\$116,865,197</b>	<b>162,961</b>	<b>219,634</b>	<b>125,165</b>	<b>94,469</b>	<b>59,083</b>	

\*Other Non Renewable includes building entrance, lobby, public circulation, conference center and mechanical & electrical space.

**ATTACHMENT 9  
(Modified 11/9/17)**

### Size of Project

Department/ Service	# of Key Rooms	Proposed DGSF	Proposed DGSF/Room	State Standard DGSF		DGSF Difference/ Room	Met Standard?
Pediatric Clinics	24	13,200	550	800		-250	Yes
LDR	14	16,165	1,155	1,120	1,600	0	Yes
C-Section	2	4,045	2,023	2,075		-25	Yes
Post-Partum	20	12,750	638	500	660	0	Yes
Pediatric Inpatient	10	9,135	914	500	660	254	No
Cath/Angiography	5	12,000	2,400	1,800		600	No
PACU Phase I	14	4,053	290	180/Station		83	No
Surgery	6	12,859	2,143	2,750		-607	Yes
Emergency	18	17,175	954	900/Treatment Station		54	No
Surgical Prep/Rcc Phase II	6	2,100	350	400/Station		-50	Yes
Cath/IR Prep/Rcc Phase II	14	4,372	312	400/Station		-88	Yes
Medical/Surgical	32	22,000	688	500	660	28	No
Level II+ Nursery	14	9,394	276 OB/Bed	160/OB		116	No
NICU	10	6,710	671	434	550	121	No

The above table reflects the changes in project square footage based on the reduction of the Pediatric Unit from 28 beds to 10 beds and the reduction of Phase I PACU from 16 to 14. The size of the Pediatric Unit no longer meets the state standard because this is an existing unit in existing space and the reduction in beds from 28 to 10 resulted in a significant increase in the department's square feet per bed.

**ATTACHMENT 14  
(Modified 11/9/17)**



**Criterion 1110.234: Project Services Utilization**

*Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. A narrative of the rationale that supports the projections must be provided.*

This modified Attachment 15 addresses the utilization of the Pediatric Unit, which is being reduced from 28 beds to 10 beds by the project modification. All other services subject to this Criterion remain the same as addressed in the original application and prior submissions relating to the original project.

**UTILIZATION OF SERVICES WITH PART 1100 STATE STANDARDS**

	DEPT/SERVICE	HISTORICAL UTILIZATION (2015-2016)	PROJECTED UTILIZATION (2023)	STATE STANDARD	MEET STANDARD?
		28-bed Unit	10-bed Unit		
Year 1	Pediatric	7.5%	60%		
Year 2	Pediatric	6.4%	65%	65%	YES

SwedishAmerican is reducing its inpatient Pediatric Unit from 28-beds to 10-beds. A 10-bed unit is necessary to accommodate historical peak census which the Hospital Profiles show as 10 beds in 2016 and 9 beds in 2015. SwedishAmerican cannot reduce the size of its Pediatric Unit any further while still accommodating historical peak census. Moreover, though historical *average* daily census has been low, SwedishAmerican anticipates meeting the state standard by the second year of operation as a result of the following factors: (1) the reduction in bed capacity by nearly 65% (from 28 beds to 10 beds); (2) pediatric subspecialist physician recruitment; (3) the addition of the Neonatal Intensive Care Unit (NICU) approved by the Review Board in June 2017; (4) the dedication of acute mental illness beds to pediatric patients that will result in additional patient days in the pediatric unit; and (5) market changes that show greater numbers of pediatric referrals to SwedishAmerican.

As a result of the UW Health relationship, seven pediatric subspecialty clinics have been established in Rockford at SwedishAmerican. With these services provided locally, hospital admissions have occurred. Now that these physicians are practicing in Rockford, SwedishAmerican will no longer need to refer these patients elsewhere. Additionally, with the transition from an outsourced pediatric hospitalist service to an employment model, the 350+ transfers will now be admitted to pediatrics at SwedishAmerican. The average length of stay for pediatric patients for the last two years, as reflected in the Hospital Profiles, has averaged 3.6 days. This would translate to an additional 1,260 patient days.

SwedishAmerican anticipates at least another 500 patient days as a result of (a) the establishment of its new NICU unit, (b) the transition of added pediatric cases that were not previously done at SwedishAmerican including spine, orthopedics, hematology for the sickle cell population, and (c) the expanded child/adolescent programs proposed by this project as children needing medical stabilization prior to the admission to the psychiatric unit will be

**ATTACHMENT 15  
(Modified 11/9/17)**

admitted to the pediatric unit. When these additional expected patient days are added to existing historical patient days, the total exceeds the 2,373 patient days needed to meet the state standard 65% for a 10-bed unit.

**ATTACHMENT 15**  
**(Modified 11/9/17)**

**Criterion 1110.530: Medical/Surgical; Pediatrics; OB**

This modified Attachment 19 addresses the Pediatric Unit which is being reduced from 28 beds to 10 beds by the project modification. All other services subject to this Criterion remain the same as addressed in the original application and prior submissions relating to the original project.

Category of Service	# Existing Beds	# Proposed Beds
Pediatrics	28	10

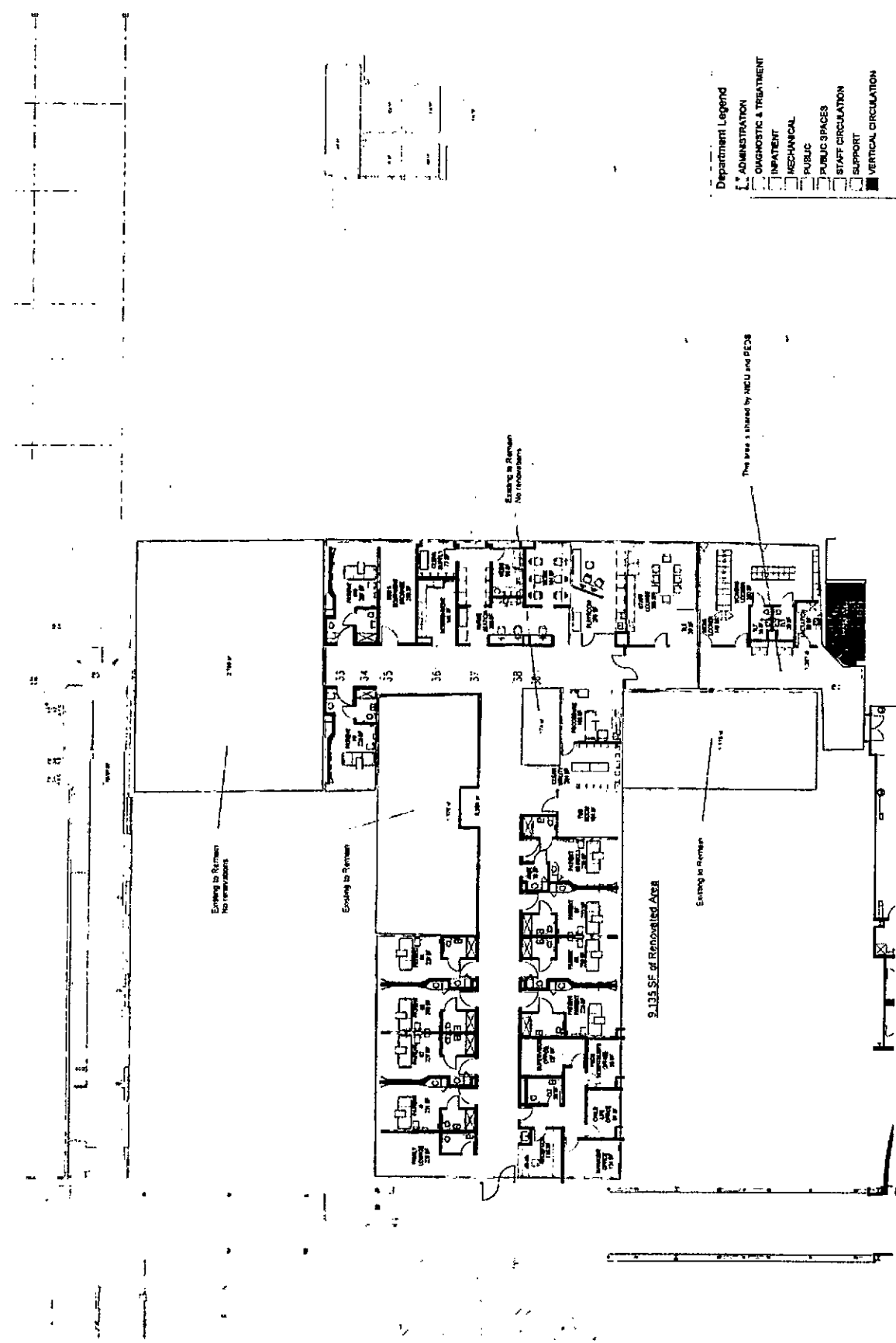
Under Section 1110.530, the modernization of existing services must address the following criteria:

- (b)(1) & (3): Background of the Applicant
- (e)(1)-(3): Deteriorated Facilities
- (e)(4): Occupancy
- (g): Performance Requirements

The above criterion are addressed in the original application materials. The proposed Pediatric Unit, as modified, satisfies the Performance Requirements. The project reduces pediatric beds from 28 to 10, and this meets the required minimum of 4 beds.

A floor plan reflecting the modified Pediatric Unit is attached.

**ATTACHMENT 19  
(Modified 11/9/17)**



**CANNONDESIGN**

10/17/2017

Facility Master Plan Implementation Project



SCALE 3/16" = 1'

**ATTACHMENT 19**  
**(Modified 11/9/17)**

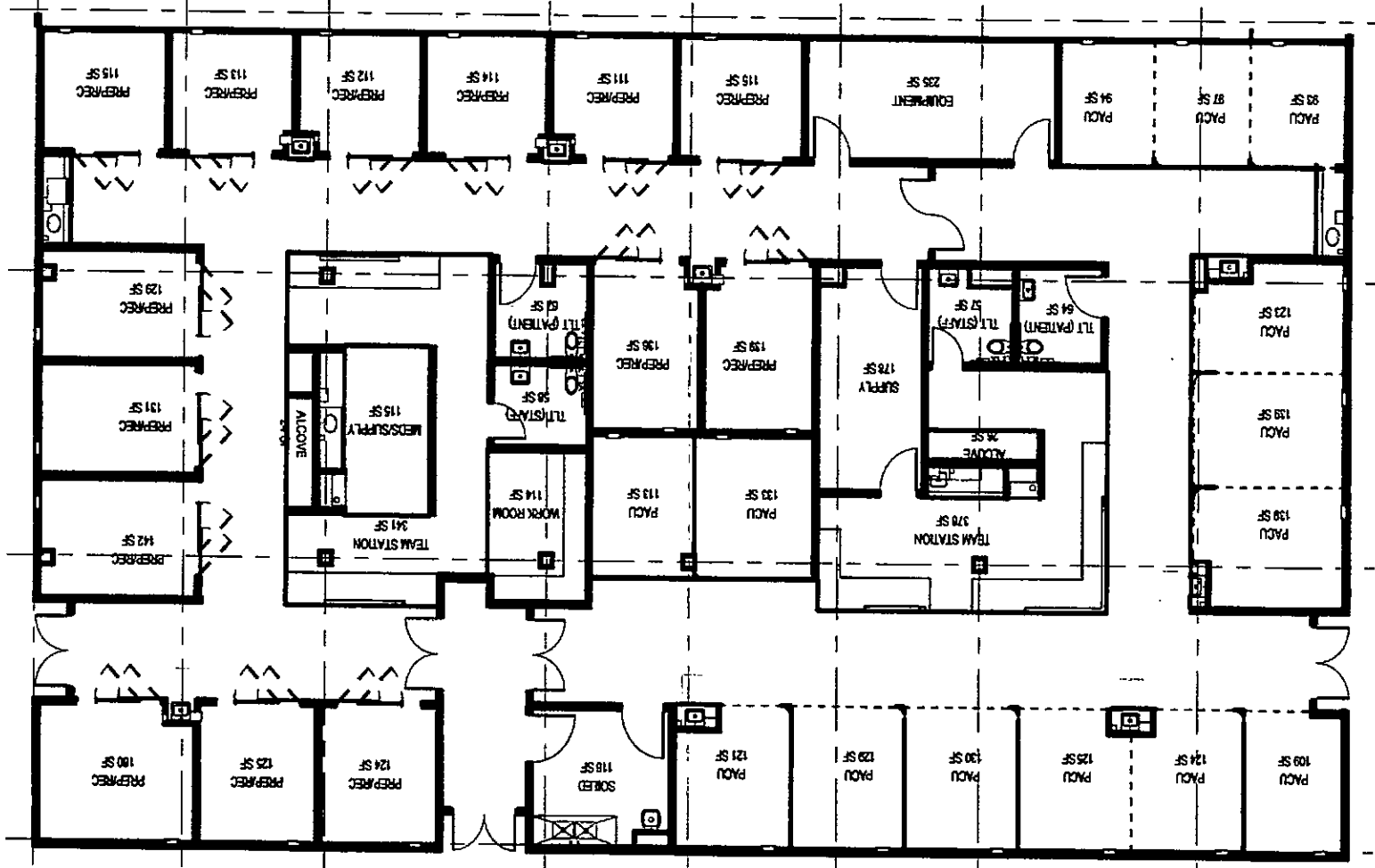
**Criterion 1110.3030: Clinical Service Area Other than Category of Service**

This modified Attachment 31 addresses the Phase I PACU rooms. The original project proposed two additional rooms while the modification proposes no additional rooms. All other services subject to this Criterion remain the same as addressed in the original application and prior submissions relating to the original project.

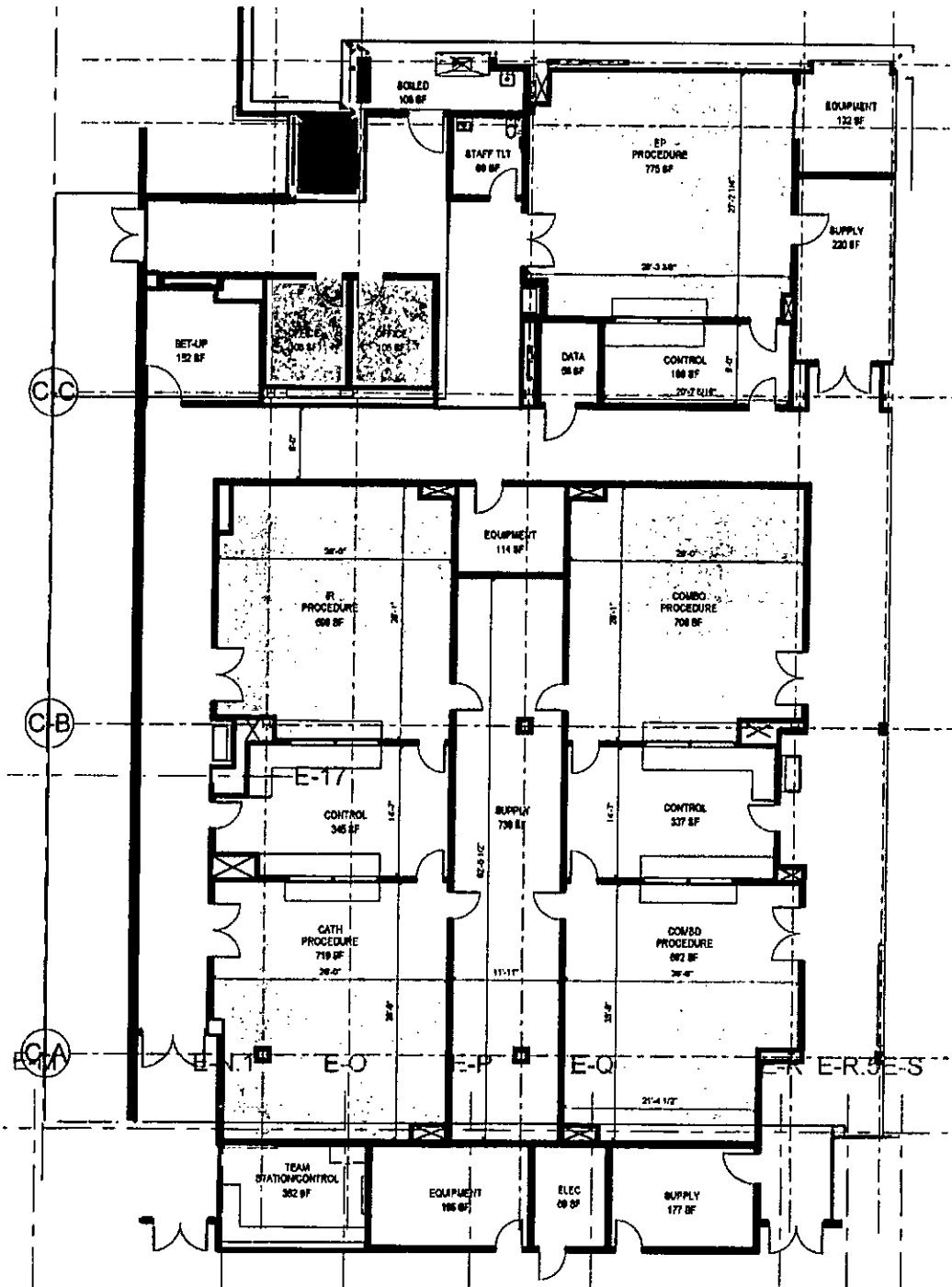
<b>Service</b>	<b># Existing Key Rooms</b>	<b># Proposed Key Rooms</b>
PACU I	14	14

Floor Plans reflecting the modified PACU are attached.

**ATTACHMENT 31  
(Modified 11/9/17)**



ATTACHMENT 31  
(Modified 11/9/17)



ATTACHMENT 31  
(Modified 11/9/17)

**Criterion 1120.140: Economic Feasibility**  
Project Operating Costs and  
Total Effect of the Project on Capital Costs

**Projected Operating Costs:** The projected direct annual operating costs by the second year following project completion is \$1,832 per equivalent patient day.

**Total Effect of the Project on Operating Costs:** The total projected annual capital costs for the first full year at target utilization (which is anticipated to be within two years following project completion) is \$205 per equivalent patient day.

**ATTACHMENT 37**  
**(Modified 11/9/17)**