



STATE OF ILLINOIS

## HEALTH FACILITIES AND SERVICES REVIEW BOARD

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|                                                                            |                                             |                              |                                                    |
|----------------------------------------------------------------------------|---------------------------------------------|------------------------------|----------------------------------------------------|
| <b>DOCKET NO:</b>                                                          | <b>BOARD MEETING:</b><br>September 26, 2017 | <b>PROJECT NO:</b><br>17-020 | <b>PROJECT COST:</b><br><br>Original: \$26,523,362 |
| <b>FACILITY NAME:</b><br>AMITA Health Bartlett Medical Clinics<br>Building |                                             | <b>CITY:</b><br>Barlett      |                                                    |
| <b>TYPE OF PROJECT:</b> Non-Substantive                                    |                                             |                              | <b>HSA:</b> VII                                    |

**PROJECT DESCRIPTION:** The applicants (Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, Alexian Brothers Health System, and Ascension Health) are proposing to develop a medical clinic located at 1014 West Steams Road in Bartlett, Illinois in 65,613 of leased space. The cost of the project is \$26,523,362 and the completion date as stated in the application is January 31, 2019.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The applicants (Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, Alexian Brothers Health System, and Ascension Health) are proposing to develop a medical clinic located at 1014 West Steams Road in Bartlett, Illinois in 65,613 GSF of leased space. The cost of the project is \$26,523,362 and the completion date as stated in the application is January 31, 2019.
- The medical clinic will include physicians' offices, an immediate care center, limited imaging services, a specimen collection area, and assorted public and support areas. It is anticipated that 16-18 physicians will initially be in offices in the medical clinic building, representing the following specialties: family medicine, occupational medicine, internal medicine, surgery, cardiology and gastroenterology.

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

- The proposed project is by or on behalf of a health care facility and the cost of the project is in excess of the capital expenditure minimum of \$13,171,046.
- **Staff Note:** The capital expenditure minimum was increased by 1.7% on July 1, 2017.

| Capital Expenditure Minimum |              |              |           |
|-----------------------------|--------------|--------------|-----------|
|                             | 7/1/2016     | 7/1/2017     | Increase  |
| Hospitals                   | \$12,950,881 | \$13,171,046 | \$220,165 |
| Long Term Care              | \$7,320,061  | \$7,444,502  | \$124,441 |
| Other                       | \$3,378,491  | \$3,435,925  | \$57,434  |
| Source for increase RSMEANS |              |              |           |

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

- According to the applicants *“The primary purpose of the proposed project is to improve accessibility to physicians' services in general, and AMITA Health physicians in particular, for residents of the communities and neighborhoods in close proximity to the proposed medical clinics building ("MCB"). Bartlett has traditionally been a community served by AMITA Health's St. Alexius Medical Center ("SAMC"), approximately 8 miles away, for both inpatient and outpatient hospital-based services*

### **PUBLIC HEARING/COMMENT:**

- There was no request for a public hearing and no letters of support or opposition were received by State Board Staff.

### **CONCLUSIONS:**

- State Board Staff reviewed the application for permit and supplemental material submitted and note that the applicants has met all of the requirements of the State Board

**STATE BOARD STAFF REPORT**  
**Project #17-20**  
**AMITA Health Bartlett Medical Clinics Building**

| <b>APPLICATION CHRONOLOGY</b>                    |                                                                                                                     |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| Applicants(s)                                    | AMITA Health Bartlett Medical Clinics Building                                                                      |
| Facility Name                                    | Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, Alexian Brothers Health System, Ascension Health |
| Location                                         | 1041 West Stearns Road, Bartlett, Illinois                                                                          |
| Permit Holder                                    | AMITA Health                                                                                                        |
| Operating Entity/Licensee                        | AMITA Health                                                                                                        |
| Owner of Site                                    | Cole MT Bartlett IL, LLC                                                                                            |
| Gross Square Feet                                | 65,613 GSF                                                                                                          |
| Application Received                             | May 2, 2017                                                                                                         |
| Application Deemed Complete                      | May 4, 2017                                                                                                         |
| Financial Commitment Date                        | January 31, 2019                                                                                                    |
| Anticipated Completion Date                      | January 31, 2019                                                                                                    |
| Review Period Ends                               | July 3, 2017                                                                                                        |
| Review Period Extended by the State Board Staff? | No                                                                                                                  |
| Can the applicants request a deferral?           | Yes                                                                                                                 |

**I. Project Description**

The applicants (Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, Alexian Brothers Health System and Ascension Health) are proposing to develop a medical clinic located at 1014 West Stearns Road in Bartlett, Illinois in 65,310 of leased space. The cost of the project is \$26,523,362 and the completion date as stated in the application is January 31, 2019.

**II. Summary of Findings**

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

**III. General Information**

The applicants are Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, and Alexian Brothers Health System and Ascension Health.

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is the sole corporate member and parent organization of Ascension Health, a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 24 states and the District of Columbia.

On February 1, 2015, Ascension Health and Adventist Health System entered into a joint operating agreement, which provides for an integrated health delivery system in Illinois, known as AMITA Health (AMITA). AMITA includes three (3) hospitals of Alexian Brothers Health System (Alexian) a subsidiary of Ascension Health, and four (4) hospitals of Adventist Midwest Health (Adventist), a subsidiary of Adventist Health System. The creation of AMITA Health did not result in a change in the licensees of the hospitals of Alexian and Adventist. Both parties share the cash flows generated by AMITA based on an agreed upon split. This joint operating agreement was approved by the State Board in December of 2014. [See Appendix III]

| Illinois Hospitals                          |                   |
|---------------------------------------------|-------------------|
| Hospital                                    | City              |
| Adventist Bolingbrook Hospital              | Bolingbrook       |
| Adventist Glen Oaks Hospital                | Glendale          |
| Adventist Hinsdale Hospital                 | Hinsdale          |
| Adventist La Grange Memorial Hospital       | LaGrange          |
| Alexian Brothers Behavioral Health Hospital | Hoffman Estates   |
| St. Alexius Medical Center                  | Hoffman Estates   |
| Alexian Brothers Medical Center             | Elk Grove Village |

Financial commitment will occur after permit approval. This project is a non-substantive project subject to a Part 1110 and Part 1120. A non-substantive classification includes all projects that are not classified substantive or emergency. "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)]

Substantive Projects means types of projects that are defined in the Act and classified as substantive. *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 Service Area

The proposed medical clinic building will be located in the HSA VII Service Area that includes Suburban Cook and DuPage County. Additionally the proposed facility will be located in the A-11 Hospital Planning Area that includes the Cook County Townships of Barrington and Hanover; Kane County Townships of Hampshire, Rutland, Dundee, Burlington, Plato, Elgin, Virgil, Campton and St. Charles.

#### V. Project Details

The applicants (Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, Alexian Brothers Health System, Ascension Health) are proposing to develop a medical clinic located at 1014 West Stearns Road in Bartlett, Illinois in 65,310 of leased space. The cost of the project is \$26,523,362 and the completion date as stated in the application is January 31, 2019.

The medical clinic will be located in a former grocery store that will be renovated and modernized to include physicians' offices, an immediate care center, limited imaging services, a specimen collection area, and assorted public and support areas. It is anticipated that 6-18 physicians will initially have offices in the medical clinic representing the following specialties: family medicine, occupational medicine, internal medicine, surgery, cardiology and gastroenterology.

#### VI. Uses and Sources of Funds

The applicants are funding this project with cash in the amount of \$18,600,592 and a lease with a fair market value of the \$7,922,770. At the end of this report is the itemization of project costs (Appendix I).

| TABLE ONE<br>Uses and Sources of Funds                      |             |                |              |                  |
|-------------------------------------------------------------|-------------|----------------|--------------|------------------|
| Uses of Funds                                               | Reviewable  | Non-Reviewable | Total        | % of Total Costs |
| Preplanning Costs                                           | \$32,951    | \$220,165      | \$253,116    | 0.95%            |
| Site Preparation                                            | \$50,000    | \$150,000      | \$200,000    | 0.75%            |
| Modernization Contracts                                     | \$2,383,260 | \$7,810,785    | \$10,194,045 | 38.43%           |
| Contingencies                                               | \$145,860   | \$510,270      | \$656,130    | 2.47%            |
| Architectural/Engineering Fees                              | \$177,038   | \$582,474      | \$759,512    | 2.86%            |
| Consulting and Other Fees                                   | \$350,000   | \$150,000      | \$500,000    | 1.89%            |
| Movable and Other Equipment (not in construction contracts) | \$4,913,897 | \$1,123,892    | \$6,037,789  | 22.76%           |
| Fair Market Value of Leased Space or Equipment              | \$1,552,863 | \$6,369,907    | \$7,922,770  | 29.87%           |
| Total Uses of Funds                                         | \$9,605,869 | \$16,917,493   | \$26,523,362 | 100.00%          |
| Sources of Funds:                                           |             |                |              |                  |
| Cash and Securities                                         | \$8,053,006 | \$10,547,586   | \$18,600,592 | 70.13%           |
| Leases (fair market value)                                  | \$1,552,863 | \$6,369,907    | \$7,922,770  | 29.87%           |
| Total Sources of Funds                                      | \$9,605,869 | \$16,917,493   | \$26,523,362 | 100.00%          |

## VII. Cost Space Requirements

The reviewable portion of the project comprises approximately thirty-five (35%) of the total costs and approximately twenty percent (20%) of the total gross square footage. The non-reviewable portion of the project is approximately sixty-five (65%) of the costs and eighty-percent (80%) of the gross square footage. Physician office space comprises approximately sixty-three percent (63%) of the gross square footage and approximately fifty-three percent (53%) of the cost of the project.

### **The Statute defines non-clinical service area (“non-reviewable”) as an area**

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

**TABLE TWO**  
**Cost Space Requirements**

| Department Area         | Cost         | % of Total Cost | Gross Square Footage | % of Total GSF |
|-------------------------|--------------|-----------------|----------------------|----------------|
| <b>Reviewable</b>       |              |                 |                      |                |
| Imaging                 | \$4,469,028  | 16.84%          | 4,800                | 7.32%          |
| Lab/Specimen Collection | \$651,733    | 2.46%           | 1,122                | 1.71%          |
| Immediate Care          | \$2,420,723  | 9.12%           | 3,500                | 5.33%          |
| PT/OT                   | \$1,768,990  | 6.67%           | 3,464                | 5.28%          |
| Total Reviewable        | \$9,310,474  | 35.09%          | 12,886               | 19.64%         |
| <b>Non-Reviewable</b>   |              |                 |                      |                |
| Physicians' Offices     | \$13,949,687 | 52.58%          | 40,970               | 62.44%         |
| Ancillary Support       | \$688,873    | 2.60%           | 1,917                | 2.92%          |
| Public & Administrative | \$2,583,275  | 9.74%           | 9,840                | 15.00%         |
| Total Non Reviewable    | \$17,221,835 | 64.91%          | 52,727               | 80.36%         |
| Total                   | \$26,532,309 | 100.00%         | 65,613               | 100.00%        |

## VIII. Background of the Applicants

### A) Criterion 1110.3030(b)(1) to (3) - Background of the Applicants<sup>1</sup>

To demonstrate compliance with this criterion, the applicants must document the following:

- A) A listing of all health care facilities currently owned and/or operated by the applicants in Illinois 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) A certified listing from the applicants of any adverse action taken against any facility owned and/or operated by the applicants during the three years prior to the filing of the application;
  - D) A certified listing of each applicant, corporate officer or director, LLC member, partner and owner of at least 5% of the proposed facility, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to;
  - E) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted.
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- 1. Alexian Brothers-AHS-Midwest Region Health Co., and Alexian Brothers Health System, are domestic not-for profit corporations and in good standing in the State of Illinois. Ascension Health is a not-for profit corporation incorporated in the State of Missouri and is a foreign corporation in good standing in the State of Illinois.
  - 2. A non-binding letter of intent to lease the property at 1041 West Stearns Road, Bartlett, Illinois for the medical clinics building was provided as evidence of site control. The initial lease term is for ten (10) years and the lease will be \$11.50 per gross square feet escalated by 10% every five (5) years. A tenant allowance of \$28.50 of rental gross square feet is to fund hard and soft costs. [Application for Permit pages 30-37]
  - 3. The proposed location of the medical clinics building is in compliance with Executive Order #2006-05. *Executive Order #2006-05 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 28-29]
  - 4. The proposed location of the medical clinics building 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).
  - 5. AMITA Health has not had any adverse actions against any facility owned and operated by the applicants during the three (3) year period prior to the filing of this application, and AMITA Health authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or Agency finds pertinent to this application.

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<sup>1</sup> 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. [77 IAC 1130.140]

**IX. Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project**

**Reviewer Note:**

The three (3) criteria below are informational only and the State Board Staff does not reach a conclusion on whether the applicants have successfully met the criterion.

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

To demonstrate compliance with this criterion, the applicants must address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project.

**The applicants stated the following:**

*“The primary purpose of the proposed project is to improve accessibility to physicians' services in general, and AMITA Health physicians in particular, for residents of the communities and neighborhoods in close proximity to the proposed medical clinics building ("MCB"). Bartlett has traditionally been a community served by AMITA Health's St. Alexius Medical Center ("SAMC"), approximately 8 miles away, for both inpatient and outpatient hospital-based services. With the increased reliance on outpatient care, physicians are moving from offices traditionally developed in close proximity to hospitals, to locations that provide great access to patients. This project responds to that trend. And, as a result, the well-being of the communities surrounding the proposed MCB will be improved as accessibility to physicians' offices is improved. In addition, and not unique to AMITA Health, as health systems develop larger system-directed medical groups, there is a desire to improve access to the medical group's physicians through the de-centralizing of offices and practices. The market area for this project consists of Bartlett and the surrounding communities bordered by Irving Park Road on the north, Bloomingdale Road on the east, North Avenue on the south, and the Fox River on the west. The success of this project will be measurable during the first year to two years following the opening of the MCB by a reduced reliance on physicians officed on the SAMC campus by residents of the geographic area described above, without a reduction in the use of SAMC for hospital-based outpatient services as well as inpatient services. The space to be used for the proposed MCB will be delivered to the applicants in "white box" fashion by the owners, requiring a full build-out by the applicants.”*  
[Application for Permit page 49-50]

**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.

The proposed project is considered a non-substantive project. The applicants provided charity care information as required for non-substantive projects. (See Appendix II for Charity Care Information)

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

To determine if a proposed project is the best alternative, in terms of cost, efficiency, or effectiveness the applicants must provide documentation of the following:

- A) Proposing a project of greater or lesser scope and cost;
- B) Pursuing a joint venture;
- C) Utilizing other health care resources;
- D) Other



The applicants did not consider any other alternatives to the proposed project.

The applicants stated;

*Due to the limited nature of the proposed project and the applicant's need to improve access to AMITA Health physicians for residents of Bartlett and the surrounding communities, aside from the selection of an alternative site, other alternatives were not considered. Had a different site in the area been selected, the capital cost associated with the alternative project would likely be either higher or lower than that of the proposed project, the quality of care provided would be identical to that of the proposed project, and access and associated operating costs would have been similar to those associated with the proposed project. [Application for Permit page 51]*

### **Size of the Project, Projected Utilization, Assurances**

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

**To demonstrate compliance with this criterion, the applicants must document that the proposed gross square footage does not exceed the State Board Standards in Part 1110 Appendix B.**

The applicants are proposing one (1) general radiology unit, one (1) CT unit, one (1) MRI unit one (1) mammography unit, and one (1) ultrasound unit in 6,530 GSF of space. The applicants have met all of the State Board standards for all services proposed. The criterion has been met.

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**TABLE THREE**  
**Size of Project**

| Department/Services | Proposed<br>Gross<br>Square<br>Feet | State<br>Board<br>Standard<br>(GSF) |
|---------------------|-------------------------------------|-------------------------------------|
| General Radiology   | 1,230                               | 1,300                               |
| CT                  | 1,800                               | 1,800                               |
| MRI                 | 1,800                               | 1,800                               |
| Mammography         | 850                                 | 900                                 |
| Ultrasound          | 850                                 | 900                                 |
| Total               | 6,530                               | 6,700                               |

**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 applicants 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 applicants shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source**

The proposed project includes nine clinical services. Those services are general radiology, CT, MRI, ultrasound, mammography, PT/OT, immediate care centers, physician offices, and a laboratory/specimen collection area.

The State Board does not have utilization standards for laboratories, Immediate Care Centers or physician offices. The applicants' estimate that 1,100 specimens will be collected during the first year following the medical clinic's opening (2019), and that approximately 2,000 specimens will be collected during the following year. 400 patient sessions of PT/OT are projected during the facility's first year of operation, and 800 patient sessions are projected during the second year. In addition, 1,950 visits to the Immediate Care Center are projected during the first year following the project's completion, and 3,900 visits are projected during the second year. The utilization projections provided above are based on the applicant's experience with the operating of similar facilities.

| <b>TABLE FOUR</b>            |                         |       |                  |
|------------------------------|-------------------------|-------|------------------|
| <b>Projected Utilization</b> |                         |       |                  |
|                              | State Board<br>Standard |       |                  |
| Year                         | 2019                    | 2020  |                  |
| General Radiology            | 1,575                   | 3,150 | 8,000 procedures |
| CT                           | 359                     | 700   | 7,000 visits     |
| MRI                          | 350                     | 700   | 2,500 procedures |
| Mammography                  | 1,000                   | 2,000 | 5,000 visits     |
| Ultrasound                   | 1,034                   | 2,068 | 3,100 visits     |

**Reviewer Note:** All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit. The applicants are projecting less than the State Board Standard per unit; however, that is sufficient to justify the one unit based upon the language in Part 1110 Appendix B.

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

**C) Criterion 1110.234(e) - Assurances**

To demonstrate compliance with this criterion, the applicants must attest that the proposed clinical services will be at target occupancy as specified in Part 1110 Appendix B two years after project completion.

The applicants did not provide assurance that the proposed project will be at target occupancy with two (2) years after project completion. As noted above, all Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit. The applicants are projecting less than the State Board Standard for all units. Based upon the language in Part 1110 Appendix B those projections are sufficient to justify the number of units for the clinical services being proposed. The State Board Staff is relying upon the language in Part 1110 Appendix B for the assurance. The applicants have successfully addressed this criterion.

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

**X. Clinical Services Other than Categories of Service**

**A) Criterion 1110.3030(a) – Clinical Service Other than Categories of Service - Informational –**

These criteria are applicable only to those projects or components of projects (including major medical equipment); concerning Clinical Service Areas (CSAs) that are not Categories of Service, but for which utilization standards are listed in Appendix B.

**B) Criterion 1110.3030(c) - Need Determination – Establishment**

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

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

To demonstrate compliance with this sub-criterion, the applicants must document that the primary purpose of the proposed project is to provide care to the residents of the planning area in which the proposed service will be physically located.

The proposed medical clinic building will be located in the HSA VII Service Area and the A-11 Hospital Planning Area. The A-11 Hospital Planning Area includes Cook County Townships of Barrington and Hanover; Kane County Townships of Hampshire, Rutland, Dundee, Burlington, Plato, Elgin, Virgil, Campton and St. Charles. Bartlett is located in Hanover Township one of twenty-nine (29) townships in Cook County. Below are the zip codes and population within approximately thirty (30) minutes of the proposed medical clinic.

| <b>Zip Codes within Thirty (30) Minutes</b> |                   |               |                   |
|---------------------------------------------|-------------------|---------------|-------------------|
| <b>ZIP</b>                                  | <b>City</b>       | <b>County</b> | <b>Population</b> |
| 60103                                       | Bartlett          | DuPage        | 42,655.00         |
| 60184                                       | Wayne             | DuPage        | 1,902.00          |
| 60120                                       | Elgin             | Kane          | 52,165.00         |
| 60133                                       | Hanover Park      | Cook          | 39,828.00         |
| 60107                                       | Streamwood        | Cook          | 40,920.00         |
| 60174                                       | Saint Charles     | Kane          | 32,235.00         |
| 60185                                       | West Chicago      | DuPage        | 37,120.00         |
| 60177                                       | South Elgin       | Kane          | 23,854.00         |
| 60172                                       | Roselle           | DuPage        | 25,299.00         |
| 60188                                       | Carol Stream      | DuPage        | 44,541.00         |
| 60108                                       | Bloomington       | DuPage        | 22,765.00         |
| 60193                                       | Schaumburg        | Cook          | 40,223.00         |
| 60194                                       | Schaumburg        | Cook          | 20,646.00         |
| 60169                                       | Hoffman Estates   | Cook          | 35,623.00         |
| 60123                                       | Elgin             | Kane          | 48,487.00         |
| 60192                                       | Hoffman Estates   | Cook          | 16,643.00         |
| 60190                                       | Winfield          | DuPage        | 11,621.00         |
| 60157                                       | Medinah           | DuPage        | 2,359.00          |
| 60139                                       | Glendale Heights  | DuPage        | 35,487.00         |
| 60195                                       | Schaumburg        | Cook          | 5,136.00          |
| 60189                                       | Wheaton           | DuPage        | 31,328.00         |
| 60187                                       | Wheaton           | DuPage        | 28,185.00         |
| 60143                                       | Itasca            | DuPage        | 10,712.00         |
| 60134                                       | Geneva            | Kane          | 31,451.00         |
| 60173                                       | Schaumburg        | Cook          | 13,467.00         |
| 60175                                       | Saint Charles     | Kane          | 25,573.00         |
| 60118                                       | Dundee            | Kane          | 16,733.00         |
| 60555                                       | Warrenville       | DuPage        | 14,103.00         |
| 60101                                       | Addison           | DuPage        | 40,341.00         |
| 60137                                       | Glen Ellyn        | DuPage        | 39,304.00         |
| 60007                                       | Elk Grove Village | Cook          | 34,717.00         |
| 60067                                       | Palatine          | Cook          | 40,931.00         |
| 60110                                       | Carpentersville   | Kane          | 41,032.00         |
| 60124                                       | Elgin             | Kane          | 23,861.00         |
| 60510                                       | Batavia           | Kane          | 29,215.00         |
| 60008                                       | Rolling Meadows   | Cook          | 23,490.00         |
| 60191                                       | Wood Dale         | DuPage        | 14,962.00         |
| 60148                                       | Lombard           | DuPage        | 53,353.00         |
| 60539                                       | Mooseheart        | Kane          | 191               |
| 60563                                       | Naperville        | DuPage        | 36,970.00         |
| 60005                                       | Arlington Heights | Cook          | 30,891.00         |
| 60010                                       | Barrington        | Lake          | 46,760.00         |
| 60136                                       | Gilberts          | Kane          | 8,166.00          |
| 60074                                       | Palatine          | Cook          | 40,683.00         |
| 60502                                       | Aurora            | DuPage        | 22,765.00         |
| 60106                                       | Bensenville       | DuPage        | 21,033.00         |
| 60102                                       | Algonquin         | McHenry       | 33,773.00         |

| ZIP   | City              | County | Population   |
|-------|-------------------|--------|--------------|
| 60181 | Villa Park        | DuPage | 30,203.00    |
| 60542 | North Aurora      | Kane   | 18,844.00    |
| 60532 | Lisle             | DuPage | 28,490.00    |
| 60515 | Downers Grove     | DuPage | 29,071.00    |
| 60540 | Naperville        | DuPage | 42,779.00    |
| 60126 | Elmhurst          | DuPage | 47,102.00    |
| 60004 | Arlington Heights | Cook   | 52,632.00    |
|       |                   |        | 1,582,620.00 |

## 2) Service Demand

**To demonstrate compliance with this sub-criterion, the applicants must document demand for the proposed services, the applicants must document referrals from an inpatient base, physician referrals, historical referrals to other providers, or population incidence.**

The demand for the medical clinic is based upon the applicants' need to provide access to residents of the A-11 Hospital Planning Area who need access to the physicians planning to occupy the proposed medical clinic.

**Reviewer Note:** The State Board does not provide specific review criteria for a medical clinic operated or controlled by a health care facility. Therefore, the State Board Staff reviews the arguments and data provided by the applicant. Based upon these arguments provided by the applicants it appears there is demand for the medical clinic building.

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

**To demonstrate compliance with this sub-criterion, the applicants shall document that, within 24 months after project completion, the proposed project will not impact other providers in the planning area.**

From the information reviewed by State Board Staff it does not appear based upon the type of project being proposed, the medical clinic will have an impact on other providers in the planning area.

## 4) Utilization

**To demonstrate compliance with this sub-criterion, the applicants proposing to establish services in which the State Board has established utilization standards as documented in Part 1110 Appendix B shall meet or exceed the standard as specified in Appendix B.**

The State Board does not have utilization standards for laboratories or Immediate Care Centers, and the applicants' estimate that 1,100 specimens will be collected during the first year following the medical clinic's opening (2019), and that approximately 2,000 specimens will be collected during the following year. 400 patient sessions of PT/OT are projected during the facility's first year of operation, and 800 patient sessions are projected during the second year. In addition, 1,950 visits to the Immediate Care Center are projected during the first year following the project's completion, and 3,900 visits are projected during the second year. The utilization projections provided above are based on the applicant's experience with the operating of similar facilities.

The applicants can justify the number of units being proposed for general radiology, CT, mammography, MRI and ultrasound as outlined above at Criterion 1110.234 (b).

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION CLINICAL SERVICES OTHER THAN CATEGORIES OF SERVICE (77 IAC 1110.3030(c) (1), (2), (3) and (4))**

## **XI. Financial Viability**

### **The Purpose of the Act**

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

### **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 of \$18,600,592 and an operating lease with a fair market value of \$7,922,770. From the documents submitted it appears that applicants have sufficient resources to fund the project.

| <b>TABLE FIVE</b>                                |              |              |
|--------------------------------------------------|--------------|--------------|
| <b>Ascension Health Alliance d/b/a Ascension</b> |              |              |
| <b>Financial Statements</b>                      |              |              |
| <b>As of June 30,</b>                            |              |              |
| <b>(In thousands)</b>                            |              |              |
| <b>Audited</b>                                   |              |              |
|                                                  | <b>2016</b>  | <b>2015</b>  |
| Cash                                             | \$696,237    | \$688,228    |
| Current Assets                                   | \$5,393,180  | \$5,027,684  |
| PPE                                              | \$9,020,005  | \$8,273,930  |
| Total Assets                                     | \$32,469,177 | \$30,844,890 |
| Current Liabilities                              | \$5,394,205  | \$4,739,152  |
| LTD                                              | \$5,427,616  | \$5,010,084  |
| Net Assets                                       | \$18,593,040 | \$18,932,662 |
| Net Patient Service Revenue                      | \$21,301,133 | \$19,857,725 |
| Total Revenue                                    | \$21,898,334 | \$20,538,803 |
| Operating Expenses                               | \$20,900,965 | \$19,693,096 |
| Income From Operations                           | \$753,203    | \$696,548    |
| Revenues in excess of expenses                   | \$461,384    | \$562,596    |

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

**B) Criterion 1120.130- Financial Viability**

**To demonstrate compliance with this criterion, the applicants must document that the applicants is financially viable by providing evidence of an “A” or better bond rating or meeting all of the financial ratio standards published by the State Board at Part 1120 Appendix A.**

The applicants have provided evidence of an “A” or better bond rating from Moody’s Investor Service. With the submittal of the evidence of the “A” or better bond rating, the applicants have qualified for the financial viability waiver that allows the applicants to forgo financial viability ratios. Based upon the information received from the applicants the applicants are considered financially viable.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)**

**XII. Economic Feasibility**

**A) Criterion 1120.140(a) - Reasonableness of the Financing**

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

**To demonstrate compliance with these criteria, the applicants must document that the financing is reasonable.**

The applicants are funding this project with cash in the amount of \$18,600,592 and an operating lease<sup>2</sup> with a fair market value of \$7,922,770. The State Board considers leasing debt financing. The applicants have provided a non-binding letter of intent to lease 65,310 GSF of space for an initial term of ten (10) years at \$11.50 per GSF. The applicants are allowed a tenant improvement allowance of \$28.50 per rental GSF for hard<sup>3</sup> and soft costs.

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

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<sup>2</sup> An operating lease represents a rental agreement for an asset from lessor under the terms that GAAP does not require to record as a capital lease. The typical assets that are rented under operating leases include real estate, aircraft and various equipment with long useful life spans. Operating leases allow U.S. firms to keep billions of assets and liabilities from recording on their balance sheets. To meet operating lease classification, companies must perform tests consisting of four criteria that determine whether rental contracts must be booked as operating or capital leases.

<sup>3</sup> Hard costs, often referred to as “brick-and-mortar costs”, involve the actual physical construction of a development. These could include grading, excavation of a site, the materials used, landscaping, and carpentry. Soft costs are less physically obvious and are fees that aren’t directly related to labor and building materials. Typical soft costs include architecture and engineering fees. Permits and taxes also fall into this category.



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

To demonstrate compliance with this criterion, the applicants must document that the cost for the project are reasonable and are in compliance with the State Board Standards published in Part 1120 Appendix A.

New construction and contingency costs are taken from RS Means Construction Data<sup>4</sup> for CY 2017 and inflated by 3% to the midpoint of construction which is 2018. Modernization is seventy percent (70%) of new construction and contingency.

| Year             | 2017     | 2018     | 2019     |
|------------------|----------|----------|----------|
| New Construction | \$250.04 | \$257.54 | \$265.27 |
| Modernization    | \$175.02 | \$180.27 | \$185.68 |

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.

| Status of Project  | New Construction | Modernization |
|--------------------|------------------|---------------|
| Contract Documents | Components       | Components    |
| Schematics         | 10%              | 10-15%        |
| Preliminary        | 7%               | 7-10%         |
| Final              | 3-5%             | 5-7%          |

Source: Table taken from Part 1120 Appendix A

A&E fees for outpatient clinical service facilities can be found in the Centralized Fee Negotiation Professional Services and Fees Handbook.  
<https://www.illinois.gov/cdb/business/library/Pages/default.aspx>

**TABLE SIX**  
**Reasonableness of the Project Costs**

| Uses of Funds                                               | Reviewable  | State Board Standard |                | Project  | Met Standard |
|-------------------------------------------------------------|-------------|----------------------|----------------|----------|--------------|
| Preplanning Costs                                           | \$32,951    | 1.80%                | \$45,524       | 1.30%    | Yes          |
| Site Preparation                                            | \$50,000    | 5.00%                | \$126,456      | 1.98%    | Yes          |
| Modernization Contracts and Contingencies                   | \$2,529,120 | \$2,322,959          | \$180.27       | \$173.39 | No           |
| Contingencies                                               | \$145,860   | 15.00%               | \$357,489      | 5.77%    | Yes          |
| Architectural/Engineering Fees                              | \$177,038   | 9.98%                | \$252,406      | 7.00%    | Yes          |
|                                                             |             |                      |                |          |              |
| Consulting and Other Fees                                   | \$350,000   |                      |                |          |              |
| Movable and Other Equipment (not in construction contracts) | \$4,913,897 |                      | Not Applicable |          |              |
| Fair Market Value of Leased Space or Equipment              | \$1,552,863 |                      |                |          |              |
| Total Uses of Funds                                         | \$9,751,729 |                      |                |          |              |

<sup>4</sup> RSMeans is the world's leading provider of construction cost data, software, and services for all phases of the construction lifecycle. RSMeans data from Gordian provides accurate and up-to-date cost information to help owners, developers, architects, engineers, contractors and others carefully and precisely project and control the cost of both new building construction and renovation projects. <https://www.rsmeans.com/info/contact/about-us.aspx>

The applicants do not meet the modernization and contingency costs exceed the State Board Standard.

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

**D) Criterion 1110.140(d) – Direct Operating Costs**

To demonstrate compliance with this criterion, the applicants must document the direct operating cost per equivalent patient day.

**E) Criterion 1110.140(e) – Effect of the Project on Capital Costs**

To demonstrate compliance with this criterion, the applicants must document the effect the project will have on capital costs per equivalent patient day.

The State Board does not provide specific review criteria for a medical clinics building operated or controlled by a health care facility for these two (2) criteria. Based upon the nature of the proposed project these two (2) criteria are not reviewable by State Board Staff.

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

| <b>Appendix I</b>                   |           |                  |
|-------------------------------------|-----------|------------------|
| <b>Itemization of Project Costs</b> |           |                  |
| Pre-Planning Costs                  |           |                  |
| Initial Programming                 | \$75,000  |                  |
| Market Analyses                     | \$75,000  |                  |
| Site Selection                      | \$40,000  |                  |
| Misc./Other                         | \$63,116  |                  |
|                                     |           | <b>\$253,116</b> |
| Site Preparation                    |           |                  |
| Landscaping                         | \$60,000  |                  |
| ADA-related                         | \$50,000  |                  |
| Exterior Signage                    | \$40,000  |                  |
| Misc./Other                         | \$50,000  |                  |
|                                     |           | <b>\$200,000</b> |
| Architectural & Engineering         |           |                  |
| Preliminary Renderings              | \$20,000  |                  |
| Design                              | \$400,000 |                  |
| Regulatory Agency interaction       | \$25,000  |                  |
| Interior Design                     | \$75,000  |                  |
| Project Monitoring                  | \$50,000  |                  |
| Reimbursables                       | \$50,000  |                  |
| Misc./Other                         | \$136,512 |                  |
|                                     |           | <b>\$756,512</b> |
| Consulting & Other Fees             |           |                  |
| Legal                               | \$75,000  |                  |
| Zoning-Related                      | \$20,000  |                  |
| CON-Related                         | \$40,000  |                  |
| Reg Approvals, Other                | \$40,000  |                  |
| Project Management                  | \$100,000 |                  |
| Commissioning                       | \$60,000  |                  |
| Insurance                           | \$70,000  |                  |
| Equipment Planning                  | \$45,000  |                  |
| Misc./Other                         | \$50,000  |                  |
|                                     |           | <b>\$500,000</b> |

**Appendix II**  
**Charity Care Information**

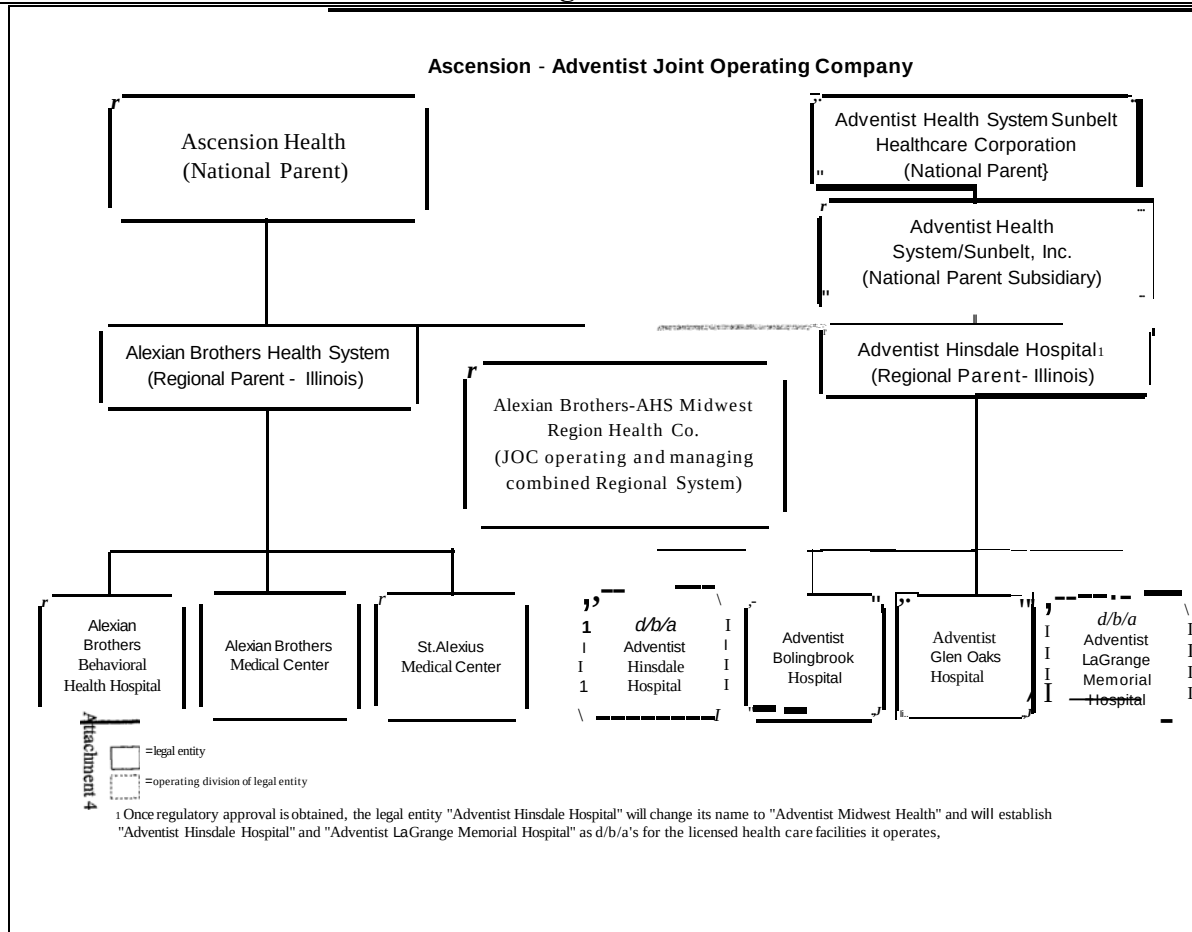
| Adventist Bolingbrook Hospital   |               |               |               | St. Alexius Medical Center       |               |               |               |
|----------------------------------|---------------|---------------|---------------|----------------------------------|---------------|---------------|---------------|
| Year                             | 2014          | 2015          | 2016          | Year                             | 2014          | 2015          | 2016          |
| Net Patient Revenue              | \$122,770,019 | \$127,514,483 | \$139,118,131 | Net Patient Revenue              | \$334,206,800 | \$319,890,000 | \$353,094,000 |
| Charity Care (Charges)           | \$10,804,017  | \$8,285,425   | \$7,158,798   | Charity Care (Charges)           | \$50,669,454  | \$27,143,649  | \$30,717,841  |
| Charity Care                     | \$2,314,070   | \$1,666,539   | \$1,483,641   | Charity Care                     | \$10,551,000  | \$5,444,000   | \$5,569,686   |
| % of Charity Care to Net Revenue | 1.88%         | 1.31%         | 1.07%         | % of Charity Care to Net Revenue | 3.16%         | 1.70%         | 1.58%         |

| Adventist Glen Oaks Hospital     |              |              |              | Alexian Brothers Medical Center  |               |               |               |
|----------------------------------|--------------|--------------|--------------|----------------------------------|---------------|---------------|---------------|
| Year                             | 2014         | 2015         | 2016         | Year                             | 2014          | 2015          | 2016          |
| Net Patient Revenue              | \$87,030,421 | \$86,962,317 | \$91,470,724 | Net Patient Revenue              | \$430,346,881 | \$437,427,000 | \$457,480,000 |
| Charity Care (Charges)           | \$9,382,108  | \$6,807,836  | \$6,786,953  | Charity Care (Charges)           | \$45,145,248  | \$23,820,931  | \$26,603,784  |
| Charity Care                     | \$2,558,867  | \$1,899,807  | \$1,854,074  | Charity Care                     | \$9,480,000   | \$4,657,000   | \$5,166,051   |
| % of Charity Care to Net Revenue | 2.94%        | 2.18%        | 2.03%        | % of Charity Care to Net Revenue | 2.20%         | 1.06%         | 1.13%         |

| Adventist Hinsdale Hospital      |               |               |               | Alexian Brothers Behavioral Health Hospital |              |              |              |
|----------------------------------|---------------|---------------|---------------|---------------------------------------------|--------------|--------------|--------------|
| Year                             | 2014          | 2015          | 2016          | Year                                        | 2014         | 2015         | 2016         |
| Net Patient Revenue              | \$294,213,713 | \$289,729,872 | \$300,654,866 | Net Patient Revenue                         | \$65,513,515 | \$70,510,000 | \$76,916,399 |
| Charity Care (Charges)           | \$6,544,128   | \$6,365,048   | \$6,288,869   | Charity Care (Charges)                      | \$1,021,287  | \$1,977,048  | \$1,804,729  |
| Charity Care                     | \$1,483,318   | \$1,124,380   | \$1,042,632   | Charity Care                                | \$363,750    | \$716,000    | \$646,317    |
| % of Charity Care to Net Revenue | 0.50%         | 0.39%         | 0.35%         | % of Charity Care to Net Revenue            | 0.56%        | 1.02%        | 0.84%        |

| Adventist LaGrange Memorial Hospital |               |               |               |
|--------------------------------------|---------------|---------------|---------------|
| Year                                 | 2014          | 2015          | 2016          |
| Net Patient Revenue                  | \$159,501,217 | \$169,493,466 | \$168,305,071 |
| Charity Care (Charges)               | \$9,083,505   | \$5,867,986   | \$6,375,574   |
| Charity Care                         | \$1,773,951   | \$1,286,807   | \$1,327,600   |
| % of Charity Care to Net Revenue     | 1.11%         | 0.76%         | 0.79%         |

## Appendix III Organization



17-020 – AMITA Medical Clinics Building - Bartlett  
17-021 – AMITA Medical Clinics Building – Woodridge

