



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-04	BOARD MEETING: November 14, 2017	PROJECT NO: 17-030	PROJECT COST: Original: \$23,833,311
FACILITY NAME: SwedishAmerican Hospital Northeast Medical Clinic		CITY: Rockford	
TYPE OF PROJECT: Non Substantive			HSA: I

PROJECT DESCRIPTION: The applicants (University of Wisconsin Hospitals & Clinics Authority, SwedishAmerican Health System Corporation, and SwedishAmerican Hospital) are proposing a medical clinics building located at the Northeast of Intersection of N. Bell School Road and Spring Brook Road, Rockford, Illinois. The proposed cost of the project is \$23,833,311 and the expected completion date, as stated in the application for permit, is October 1, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (University of Wisconsin Hospitals & Clinics Authority, SwedishAmerican Health System Corporation, and SwedishAmerican Hospital) are proposing a medical clinics building located at the Northeast of Intersection of N. Bell School Road and Spring Brook Road, Rockford, Illinois. The proposed cost of the project is \$23,833,311 and the expected completion date, as stated in the application for permit, is October 1, 2018.
- The intent of the applicants with the proposed project is to consolidate services from four (4) existing sites at one location adjacent to SwedishAmerican Regional Cancer Center.
- Clinical services in the Medical Clinics Building will consist of general x-ray (2 units), ultrasound (2 units) and a specimen collection laboratory area. The building will have 89 examination rooms, accommodating thirty (30) physicians/advanced practice providers. The new clinic will feature OB/GYN, pediatrics, family practice, internal medicine and endocrinology services.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are proposing a project by or on behalf of a health care facility and in excess of the capital expenditure minimum of \$13,171,046.

PUBLIC HEARING/COMMENT:

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

SUMMARY

- It appears that the applicants have demonstrated a need for the proposed project and that the services proposed are appropriate. The applicants have provided documentation that the current space for the four (4) existing locations are at capacity and that the existing locations cannot accommodate needed expansion for growing outpatient care. It does appear the proposed project will enhance operational efficiencies and patient access by integrating and co-locating these services in the proposed medical clinics building.

Criteria	Reasons for Non-Compliance
77 IAC 1120.140 (c) Reasonableness of Project Costs	The applicants have exceeded the State Standard for site survey, soil investigation and site preparation costs by \$54,228.

STATE BOARD STAFF REPORT
Project #17-030
SwedishAmerican Hospital Northeast Medical Clinic

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	University of Wisconsin Hospitals & Clinics Authority, SwedishAmerican Health System Corporation, and SwedishAmerican Hospital
Facility Name	SwedishAmerican Hospital
Location	Northeast of Intersection of N. Bell School Road & Spring Brook Road, Rockford, Illinois
Application Received	August 3, 2017
Application Deemed Complete	August 4, 2017
Permit Holder	SwedishAmerican Hospital
Operating Entity/Licensee	SwedishAmerican Hospital
Owner of the Site	SwedishAmerican Hospital
Project Financial Commitment Date	November 14, 2019
Gross Square Footage	67,675/GSF
Project Completion Date	October 1, 2018
Review Period Ends	October 3, 2017
Can Applicant Request a Deferral?	Yes

I. The Proposed Project

The applicants (University of Wisconsin Hospitals & Clinics Authority, SwedishAmerican Health System Corporation, and SwedishAmerican Hospital) are proposing a medical clinics building located at the Northeast of Intersection of N. Bell School Road and Spring Brook Road, Rockford, Illinois. The proposed cost of the project is \$23,833,311 and the expected completion date, as stated in the application for permit, is October 1, 2018.

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 **not** in conformance with the provisions of Part 1120.

III. General Information - Background

Swedish American Hospital is a nonprofit acute care hospital. SwedishAmerican Hospital Association was incorporated in 1911 in the State of Illinois and provides inpatient, outpatient and emergency care services to residents of Rockford, Illinois and surrounding communities. SwedishAmerican Hospital is one of two (2) facilities owned by SwedishAmerican Health System. SwedishAmerican Health System is an Illinois-based non-profit organization which is a subsidiary of University of Wisconsin Hospitals and Clinics Authority. The hospital is located at 1401 East State Street, Rockford, Illinois.

SwedishAmerican Hospital is located in Health Service Area I and Hospital Planning Area B-01. Health Service Area I includes the Illinois Counties of Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside and Winnebago counties.

The B-01 Hospital Planning Area includes Boone and Winnebago Counties; DeKalb County Townships of Franklin, Kingston, and Genoa; Ogle County Townships of Monroe, White Rock, Lynnvillle, Scott, Marion, Byron, Rockvale, Leaf River, and Mount Morris.

There are fourteen (14) hospitals in the HSA I Service Area. There are six (6) hospitals in the B-01 Hospital Planning Area:

TABLE ONE Hospitals in the B-01 Hospital Planning Area				
Facility	City	Beds (2)	Type of Hospital (1)	Miles (3)
SwedishAmerican Hospital	Rockford	209	General	0
Saint Anthony Medical Center	Rockford	254	General	3.7
Rockford Memorial Hospital [#]	Rockford	94	General	3
VanMatre Rehabilitation Hospital	Rockford	61	Rehabilitation	4.4
Rockford Memorial Riverside [*]	Rockford	194	General	8.2
SwedishAmerican Hospital	Belvidere	34	General	14
[#] 15-038: Hospital discontinued 153 M/S beds, 28 ICU beds, 35 OB beds, 35 Pediatric Beds, and 52 NICU beds. 70 M/S Beds, 4 ICU beds, and 20 AMI beds remain at Rockton Avenue. [*] 15-039: Establish 194-bed Hospital Information taken from 2015 Hospital Profiles Miles from MapQuest				

The table below outlines the payor mix for SwedishAmerican Hospital for CY 2016.

TABLE TWO SwedishAmerican Hospital (1) FY 2016				
Payor Source	# of Patients	Percentage	Revenue	Percentage
Medicare	87,170	34.35%	\$111,691,308	27.83%
Medicaid	66,857	26.35%	\$74,719,973	18.62%
Other Public	2767	1.09%	\$6,810,070	1.70%
Private Insurance	78,475	30.93%	\$190,884,972	47.56%
Private Pay	18,488	7.29%	\$17,241,095	4.30%
Total	253,757	100.00%	\$401,347,418	100.00%
Charity Care Expense	3,663	1.44%	\$2,486,713	0.62%
Source: 2016 Annual Hospital Survey 1. Includes both inpatient and outpatient.				

IV. Project Details

This project is for a four-story medical clinic building adjacent to SwedishAmerican Hospital's existing Regional Cancer Center (Permit #12-013) at 3535 N. Bell School Road in Rockford. The intended address for the facility is 3333 N. Bell School Road. The project size is 67,675/gsf and the project cost is \$23,833,311.

The first floor of the facility will include centralized services, such as registration, laboratory, X-ray, a conference center, employee lounge/lunchroom, employee lockers and a receiving area for supplies. The remaining three (3) floors will house the primary and specialty care medical practices and the space related to clinical operations, including exam rooms, waiting areas, medical stations and physician office space. Clinical services will consist of general x-ray (2 units), ultrasound (2 units) and a specimen collection laboratory area. The MOB will have 89 examination rooms, accommodating 30 physicians/advanced practice providers. The new clinic will feature OB/GYN, pediatrics, family practice, internal medicine and endocrinology services.

V. Project Uses and Sources of Funds

The applicants are funding this project with cash of \$23,833,311. Approximately 6.6% of the costs of this project is reviewable the remaining 93.4% of the cost is non-reviewable.

TABLE THREE				
Project Costs and Sources of Funds				
Use of Funds	Reviewable	Non Reviewable	Total	% of Total
Site Survey and Soil Investigation	\$1,140	\$17,860	\$19,000	0.08%
Site Preparation	\$104,544	\$1,637,856	\$1,742,400	7.31%
New Construction Contracts	\$961,250	\$15,957,500	\$16,918,750	70.98%
Contingencies	\$67,870	\$1,063,291	\$1,131,161	4.75%
Architectural/Engineering Fees	\$91,920	\$1,440,080	\$1,532,000	6.43%
Consulting and Other Fees	\$6,000	\$94,000	\$100,000	0.42%
Movable or Other Equipment (not in construction)	\$350,000	\$2,040,000	\$2,390,000	10.03%
Total Uses of Funds	\$1,582,724	\$22,250,587	\$23,833,311	100.00%
Cash			\$23,833,311	
Total Sources of Funds			\$23,833,311	

VI. Background of the Applicant

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

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 action¹ 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.**

1. The applicants provided copies of the licenses and JCHAO certification for the two (2) SwedishAmerican Health facilities and the four (4) University of Wisconsin Health facilities within their ownership structure on pages 74-88 of the Application for Permit. SwedishAmerican Hospital and SwedishAmerican Health System corporations are Illinois not-for-profit corporations. The applicants provided Illinois Certificates of Good Standing from SwedishAmerican Health System and SwedishAmerican Hospital (application, pgs 28-29). University of Wisconsin Hospitals and Clinics Authority (UWHCA) was originally operated as a unit of the Board of Regents of the University of Wisconsin System, an agency of the State of Wisconsin and the governing body of UW-Madison. In 1995, UWHCA was created as a public body corporate and politic by legislation in the State of Wisconsin, and UWHCA took over the operation of the existing UW Hospital and Clinics on June 29, 1996. UWI-ICA operates an acute care hospital with over 640 acute care beds, numerous specialty clinics, and ambulatory facilities, and a home health program. [see Application for permit pages 30-36]
2. The applicants attest that no adverse actions have been taken against any facility owned and/or operated by the applicants in the three (3) years preceding filing of this application. Authorization permitting HFSRB and IDPH access to any documents necessary to verify information submitted has been provided at Application for Permit pages 76-77.
3. Evidence of Site Ownership (Certificate of Liability Insurance) was provided at page 40 of the Application for Permit.
4. The applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.*
5. The proposed location of the facility 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).
6. All required reports have been provided to the State Board and the Illinois Department of Public Health as required.

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

¹ 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.

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

These three (3) criteria are informational only. No determination on whether the applicants have successfully addressed 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 applicant stated the following:

“SwedishAmerican Health System, a Division of University of Wisconsin Health, proposes to construct a new Medical Office Building (MOB) on existing property owned by SwedishAmerican on Bell School Road in Rockford. The MOB will have 89 examination rooms, accommodating 30 physicians/advanced practice providers. The majority of these providers will be primary care (family medicine, pediatrics, internal medicine). Ancillary services will include general X-ray, ultra-sound, bone densitometry and lab.

Currently, SwedishAmerican operates eight (8) primary care clinics and twelve (12) specialty care clinics within the city of Rockford. SwedishAmerican proposes to consolidate four (4) of these existing clinics into this new facility to allow for physician growth, improved operational efficiencies and provide innovations in practice design to meet today's patient needs and demands. In addition, it will also enhance coordinated patient care across primary care and specialty areas within a single location. As practices have grown at SwedishAmerican, facilities are at maximum capacity and have aged. These older designed facilities are costly to maintain, not efficient to operate and cannot be adapted to meet new practice innovations to better meet patient needs. A new facility will provide for physician growth and the opportunity to enhance the services offered to patients. This location was chosen as SwedishAmerican owns this land which is located adjacent to SwedishAmerican's Regional Cancer Center, forming a campus environment as well as offering additional ancillary services. The location is also in close proximity to the four clinics that are being consolidated.” [See Application for Permit pages 89-93]

SwedishAmerican's primary service area includes Winnebago, Boone and Ogle Counties. Most of our patients live within this area and all of our clinics are located within these three counties. This project seeks to consolidate several clinic operations within Rockford into a new medical office building located in relatively close proximity to the current locations.

SwedishAmerican Hospital is located in Hospital Service Area HSA I and in Planning Area B-0 I. HSA I is the service area comprised of the following counties in northern Illinois: Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside and Winnebago. Planning Area B-01 consists of Boone and Winnebago counties and portions of DeKalb and Ogle counties.

Consolidation of four practices into one facility will provide for much better provider integration and interaction for coordinating care for patients as well as providing operational efficiencies. The new facility will enable physician growth to meet the needs of the demographic population and will introduce a new improved practice design which will provide enhanced patient privacy, easier delivery of ancillary services and provide a more aesthetic and quiet environment.

Providing both primary care and some specialty care in one facility will benefit patients by in not requiring them to drive to two or three locations for services. As an example, a patient with diabetes will now be able to see their primary care physician, their endocrinologist, their podiatrist and meet with their diabetes educator, case manager and social worker all in the same facility, allowing for much better access for the patient and coordination of care with providers.

Patients' demands continue to change, leading healthcare providers to deliver care closer to home and "on patient demand". A new patient care model of on-stage/off-stage examination rooms, patient pre-registration, patient self-check-in and patient self-rooming will assist in meeting today's patient demands for care to enhance their time utilization. In addition, each of SwedishAmerican's primary care facilities are currently at maximum capacity with no room to add new physicians, advanced practice providers, case managers and social workers. This new facility will allow SwedishAmerican to re-allocate providers across the remaining facilities and allow growth for 4-6 providers.

Over the past several years, SwedishAmerican's visit growth has continued to grow. For the four clinics being consolidated, below is the encounter trend and growth projections.

TABLE FOUR		
Projected Visit Growth - Northeast Clinic		
Year	Visits	% Growth
2014	115,718	
2015	115,517	0%
2016	120,011	3.90%
2017 projected	124,421	3.70%
2018 projected	128,632	3.00%
2019 projected	138,232	7.00%

B) Criterion 1110.230(b) – Safety Net Impact Statement/Charity Care Information

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 emergency or substantive.

"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 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]*

TABLE FIVE Charity Care and Medicaid Information SwedishAmerican Hospitals (Rockford/Belvidere) University of Wisconsin Hospitals and Clinics Authority ⁽¹⁾			
Swedish American Hospital-Rockford			
Charity Care	2014	2015	2016
Net Patient Revenue	\$384,030,000	\$405,907,000	\$420,610,000
Amount of Charity Care (Charges)	\$40,891,730	\$21,533,725	\$14,959,155
Cost of Charity Care	\$8,666,418	\$4,077,946	\$2,486,713
Ratio of Charity Care to Net Patient Revenue	2.25%	1.00%	0.59%
Swedish American Medical Center-Belvidere			
Charity Care	2014	2015	2016
Net Patient Revenue	\$13,681,000	\$14,435,000	\$13,992,000
Amount of Charity Care (Charges)	\$2,420,156	\$1,068,069	\$850,050
Cost of Charity Care	\$424,991	\$178,687	\$139,898
Ratio of Charity Care to Net Patient Revenue	3.1%	1.23%	0.99%
University of Wisconsin Hospitals and Clinics Authority			
Charity Care	2014	2015	2016
Net Patient Revenue	\$1,773,816,238	\$1,949,553,501	\$2,120,527,956
Amount of Charity Care (Charges)	\$87,252,117	\$59,772,212	\$56,472,261
Cost of Charity Care	\$35,570,620	\$23,659,531	\$21,222,433
Ratio of Charity Care to Net Patient Revenue	2.0%	1.2%	1.0%

C) Criterion 1110.230 (c) Alternatives to the Proposed Projects

To demonstrate compliance with this criterion the applicants must document all alternative considered by the applicants.

The applicants considered the following alternatives:

- 1) **Continue to operate medical practices at diverse locations:** This alternative was rejected because by it does not allow for expansion of existing medical practices and the enhancement of patient services. The existing clinic facilities located within the Rockford area are at capacity, do not allow for improved operational efficiency and are physically not conducive to an enhanced patient experience through service innovations and updated workflows.
- 2) **Build a smaller facility or lease an existing building:** While this option provides for needed growth, it does not result in improved operational efficiency or provide for an enhanced patient service experience through service innovations and updated workflows.

VIII. Size of the Project, Projected Utilization, Assurance

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

To demonstrate compliance with this criterion the applicants must document that the size of the reviewable space is within the requirements of Part 1110 Appendix B.

The proposed medical clinics building will be 67,675 square feet, 4,662/dgsf will be for reviewable (clinical) space. The radiology and lab areas will be located on the ground floor. An ultra-sound area will be on the second floor within an OB/GYN clinic. See Appendix I of this report.

TABLE SIX Size of the Project					
	Units	State Standard		Proposed GSF	Met Standard?
	Units	Per Unit	Total		
Radiology (x-ray)	2	1,300 dgsf	2,600 dgsf	1,450 dgsf	Yes
Ultra-Sound	2	900 dgsf	1,800 dgsf	817 dgsf	Yes
Lab w/draw stations	1	None		2,395 dgsf	NA
Exam Rooms	87	800 dgsf	69,600 dgsf	63,013	Yes

The State Board defines a clinical service area (reviewable area) and non-clinical service area (non reviewable area) as follows.

Clinical Service Area (reviewable) means a department or service that is directly *related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility* [20 ILCS 3960/3]. A clinical service area's physical space shall include those components required under the facility's licensure

or Medicare or Medicaid Certification, and as outlined by documentation from the facility as to the physical space required for appropriate clinical practice. [77 IAC 1130.140]

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

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

B) Criterion 1110.234 (b) - Projected Utilization

To demonstrate compliance with this criterion the applicants must document that the proposed services will be at target occupancy within two years after project completion.

The applicants stated the following:

"Projected utilization is based upon procedures currently being performed for physicians at existing clinics that will be utilizing the proposed facility and factoring in both physician recruitment and practice growth. During fiscal year 2016 (July 2015 to June 2016), the number of patient encounters within our primary care practices grew by 4.9% over the previous fiscal year and the number of patient encounters within our specialty care practices grew by 16.8% over the previous fiscal year. All of our clinic facilities in the greater Rockford area are being utilized at maximum capacity. Maximum capacity is measured based on a ratio of exam rooms per medical practice. Our medical practice model is for each physician practice to operate out of three (3) exam rooms and each advanced practitioner (Advanced Nurse Practitioner or Physician Assistant) to operate out of two (2) exam rooms. Based on this staffing ratio, additional practices added within the market will result in overutilization of exam rooms resulting in less efficient operations and negatively impacted patient care in terms of wait times. In addition, our patient demand continues to grow. Current physicians relocating to this facility include 21 physicians and 4 advanced practice providers. In addition, the building is being planned to accommodate an additional 4-6 providers which are currently being recruited to meet projected growth in our patient demand for service. In total, the building is designed to include 89 exam rooms."

TABLE SEVEN Projected Utilization					
Units		State Standard		Projected Utilization	Met Standard?
		Unit	Total		
Radiology (x-ray)	2	6,500 procedures	13,000	8,000 procedures	Yes
Ultra-Sound	2	3,100 visits	6,200	8,000 proceduaires	Yes
All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100.					

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

C) Criterion 1110.234 (e) – Assurance

To demonstrate compliance with this criterion the applicants must document that they will be at target occupancy within two years after project completion.

The applicants provided the necessary attestation at page 98 of the application for permit.

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

IX. Clinical Service Area Other than Categories of Service

A) Criterion 1110.3030 –Information

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

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

Only two services listed here are part of the proposed project [diagnostic and laboratory].

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

This criterion was successfully addressed earlier in this report.

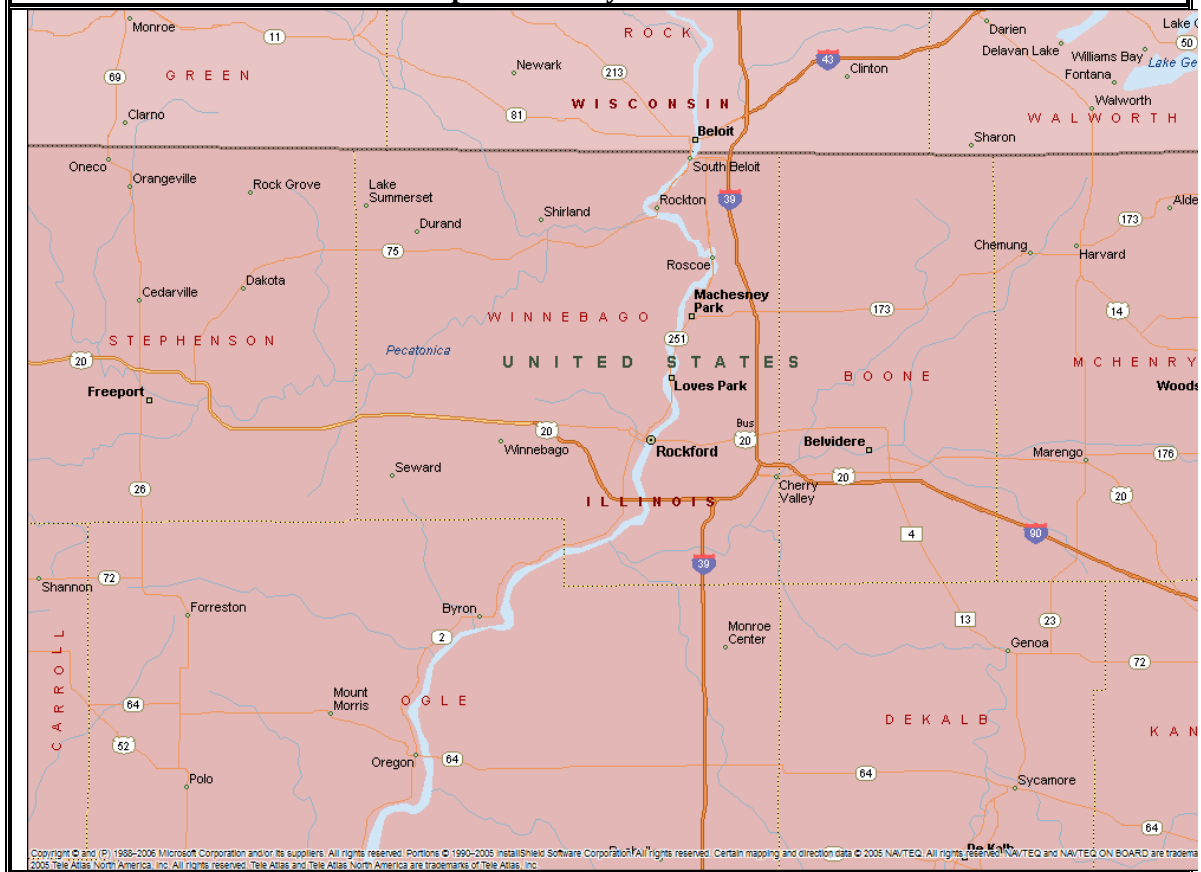
C) Criterion 1110.3030 (c) (1) (2) (3) (4) – Need Determination – Establishment

To demonstrate compliance with this criterion the applicants must document that the proposed services

- 1. Provide service to planning area residents;
- 2. There is demand for the proposed service;
- 3. Will not impact other area providers; and
- 4. Will meet or exceed the State Board target utilization

The proposed project will be located in the B-01 Hospital Planning Area. The applicants have stated that their primary service area includes Winnebago, Boone and Ogle Counties which are located in the B-01 Hospital Planning Area. The Illinois Department of Public Health is projecting the overall growth in the primary service area of less than ½ of 1% over the next ten (10) years [Appendix II] See Map below.

TABLE EIGHT
Map Of Primary Service Area



The applicants are proposing to consolidate services from four (4) other sites in the Rockford Area in a single location in Rockford. The applicants believe the proposed project will better serve these existing patients through improved operational efficiencies and modern innovations in practice design to meet today's patient needs and demands. In addition, the consolidation will also enhance coordinated patient care across primary and specialty care areas within a single location. It does not appear the proposed project will have an impact on other service providers in the planning area as this is a consolidation of existing services in one location. The applicants are projecting the following visits at the proposed medical office/clinic.

Projected Visit Growth - Northeast Clinic		
Year	Visits	% Growth
2014	115,718	
2015	115,517	0%
2016	120,011	3.90%
2017 projected	124,421	3.70%
2018 projected	128,632	3.00%
2019 projected	138,232	7.00%

It appears that the applicants have demonstrated a need for the proposed project and that the services proposed are appropriate. The applicants have provided documentation that the current space for the four existing locations are at capacity and that the existing locations cannot accommodate needed expansion for growing outpatient care. It does appear the proposed project will enhance operational efficiencies and patient access by integrating and co-locating these services in the proposed medical clinics building.

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

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

X. Financial Viability

A) Criterion 1120.120 – Availability of Funds

To demonstrate compliance with this criterion, the applicants must provide evidence of the availability of funding for the proposed project.

The applicants are funding this project with cash and securities of \$23,833,311. The applicants have provided evidence of an “A” or better bond rating. The applicants (Swedish American Hospital A+ and the University of Wisconsin Hospital & Clinics Authority AA-), supplied proof of their bond ratings from Standard & Poor’s Ratings Service as of February 2017. The applicants have sufficient cash available to fund the propose project.

TABLE NINE			
SwedishAmerican Health System Corporation Audited (In thousands) June 30 th		University of Wisconsin Hospitals and Clinic Authority Audited (In thousands) June 30 th	
	2016		2016
Cash	\$16,524	Cash	\$315,776
Current Assets	\$128,314	Current Assets	\$765,710
PPE	\$326,732	PPE	\$1,160,834
Total Assets	\$716,960	Total Assets	\$3,214,763
Current Liabilities	\$97,603	Current Liabilities	\$543,330
LTD	\$127,784	LTD	\$593,269
Total Net Assets	\$460,894	Total Net Assets	\$2,050,546
Net Patient Revenue	\$459,694	Net Patient Revenue	\$2,750,033
Total Revenue	\$494,108	Total Revenue	\$2,860,878
Expenses	\$490,146	Expenses	\$2,629,771
Operating Income	\$3,962	Operating Income	\$48,806
Non Operating Income	\$5,688	Non Operating Income	-\$2,374
Revenue in Excess	\$9,650	Revenue in Excess	\$46,432

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS 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 they are in compliance with the financial ratios as published in Part 1120 Appendix A for the prior three (3) years and the first year after project completion or provide proof of an “A” or better Bond Rating.

The applicants (University of Wisconsin Hospital and Clinics and Swedish American Hospital) have provided proof of sufficient Bond Ratings from Standard & Poor’s Ratings service, satisfying the requirements of this criterion.

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

XI. Economic Feasibility

A) Criterion 1120.140(a) - Reasonableness of Debt Financing

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

The applicants are funding this project with cash and securities of \$23,833,311. No debt financing will be incurred as part of this project.

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

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

To demonstrate compliance with this criterion, the applicant must document that the project costs are reasonable.

The costs considered for this criterion are clinical/reviewable costs only. No non-clinical costs were considered. The total clinical costs of \$1,582,724 are approximately 6.6% of the total project costs.

TABLE TEN Reasonableness of Project Costs					
Use of Funds	Reviewable	State Board Standard		Project	Met Standard?
		%/gsf	Total		
Site Survey Soil Investigation and Site Preparation	\$105,684	5%	\$51,456.00	10.29%	No
New Construction Contracts and Contingencies ⁽¹⁾	\$1,029,120	\$252.49/gsf	\$1,177,108.38	\$220.75/gsf	Yes
Contingencies	\$67,870	10%	\$96,125.00	6.59%	Yes
Architectural/Engineering Fees	\$91,920	11.69%	\$120,304.13	8.93%	Yes
Consulting and Other Fees	\$6,000				
Movable or Other Equipment (not in construction contract)	\$350,000		Not Applicable		
1. RS Means new construction cost for Medical Clinics Building is \$252.49 for CY 2017. 2. The State Board does not have standards for consulting and other fees and movable or other equipment not in construction contract.					

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(c))

Reviewer Note: For the remaining two (2) criteria the State Board does not have standards. The applicant is required to provide the information and if the information is provided the two (2) criteria have been addressed. Additionally, the instruction to the application requires that if the applicant believes a criterion is not applicable to a project, the applicant may state the criterion not applicable and provide an explanation for it.

D) Criterion 1120.140(d) – Projected Operating Cost

To demonstrate compliance with this criterion, the applicant must document the projected operating costs per equivalent patient day. For this project the applicant has provided the direct operating cost per treatment.

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

To demonstrate compliance with this criterion, the applicant must document the effect the project will have on capital costs per treatment for this project. The State Board defines capital costs as depreciation, amortization and interest.

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))

Appendix I Cost Space Requirement			
Reviewable	Construction Cost and Contingencies	Proposed GSF	New Construction
Radiology (X Ray)	\$362,500	1,450	1,450
Ultrasound	\$204,250	817	817
Lab Draw Stations	\$598,750	2,395	2,395
Total	\$1,165 500	4652	4,662
Non Reviewable			
Provider Work Space/Offices	\$3,008,750	12035	12035
Administrative Conference Room	\$1,068,250	4265	4265
Exam Patient Space	\$3,734,500	1493,1	14938
Staff Support Space	\$1,025,000	4100	4100
Public Areas	\$4,403,750	17815	17615
Stairs Elevators	\$785,000	3140	3140
Building Support Space	\$1,730,000	6920	6920
Total	\$15,753,250	63013	63013
Project Total	\$16,918,750	67,675	67,675

Appendix II Compounded Annual Growth in Primary Service Area				
	2015	2020	2025	Compounded Annual Growth 2015-2025
0-4	25,744	25,843	26,238	0.19%
5-9	28,113	26,653	26,741	-0.49%
10-14	28,345	28,237	26,865	-0.52%
15-19	28,141	27,516	27,634	-0.18%
20-24	25,267	26,584	26,272	0.40%
25-29	23,567	25,987	27,320	1.59%
30-34	24,694	23,731	26,231	0.62%
35-39	24,916	24,837	23,940	-0.39%
40-44	26,041	24,720	24,740	-0.50%
45-49	26,993	25,624	24,425	-0.95%
50-54	29,666	26,599	25,337	-1.46%
55-59	28,499	28,858	25,970	-0.89%
60-64	25,064	27,389	27,835	1.11%
65-69	20,581	23,484	25,770	2.52%
70-74	14,947	18,546	21,259	4.22%
75-79	10,376	12,808	15,938	5.36%
80-84	60,680	64,162	69,058	1.38%
85+	7,916	8,312	8,879	1.22%
	459,549	469,889	480,452	0.45%

17-030 SwedishAmerican Hospital NE Medical Clinic - Rockford

