



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-08	BOARD MEETING: January 9, 2018	PROJECT NO: 17-050	PROJECT COST:
FACILITY NAME: OSF St. Joseph Medical Center Medical Office Building		CITY: Bloomington	Original: \$24,979,949 Modified \$25,269,949
TYPE OF PROJECT: Non-Substantive			HSA: IV

PROJECT DESCRIPTION: The Applicant (OSF Healthcare System) proposes to establish a medical office building in 52,704 GSF of space at a cost of \$25,269,949. The anticipated completion date is December 31, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicant (OSF Healthcare System) proposes to establish a medical office building in 52,704 GSF of space at a cost of \$25,269,949. The anticipated completion date is December 31, 2019.
- The Applicant modified the project on December 14, 2017 that increased the cost of the project from \$24,979,949 to \$25,269,949 or \$290,000. This modification is considered a Type B Modification. Type B modifications are all modifications that are not defined as Type A Modifications
- Type A modifications consist of any of the following:
 - 1) A change in the number of beds proposed in the project.
 - 2) A change in the project site to a new location within the planning area. A change in site to a location outside the planning area originally identified in the application is not considered a modification. It voids the application.
 - 3) A change in the cost of the project exceeding 10% of the original estimated project cost.
 - 4) A change in the total gross square footage (GSF) of the project exceeding 10% of the original GSF.
 - 5) An increase in the categories of service to be provided.
 - 6) A change in the person who is the applicant, including the addition of one or more co-applicants to the application.
 - 7) Any modification to a project, including modifications specified in subsections (a)(1) through (a)(6), that, by itself, would require a certificate of need (CON) permit or exemption. (77 ILAC 1130.650 (a))

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.

PURPOSE OF THE PROJECT:

- According to the Applicant *“currently, primary care and cardiology offices and cardiology services are located in five different buildings. This project proposes consolidating into one building for better access and efficiency. It is also intended to facilitate recruitment of additional primary care physicians and cardiologists*

PUBLIC HEARING/COMMENT:

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

SUMMARY:

- The Applicant is proposing to consolidate services from five other sites in a single location on the OSF St. Joseph Medical Center campus. The Applicant believes the proposed project will better serve their existing patients through improved operational efficiencies and modern innovations in practice design. 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. It appears that the Applicant has demonstrated a need for the proposed project and that the services proposed are appropriate. It does appear the proposed project will enhance operational efficiencies and patient access by integrating and co-locating these services in the proposed medical office building.

- The Applicant has failed to successfully address the reasonableness of project costs for architectural and engineering fees.

Criteria	Reasons for Non-Compliance
Criterion 77 ILAC 1120.140 (c) Reasonableness of Project Costs	The Applicant exceeds the State Board's Standard for A & E Fees by 1.56% or \$98,014.

STATE BOARD STAFF REPORT
#17-050
OSF St. Joseph Medical Center

APPLICATION SUMMARY/CHRONOLOGY	
Applicant	OSF Healthcare System
Facility Name	OSF St. Joseph Medical Center
Location	2200 East Washington, Bloomington, Illinois
Application Received	October 6, 2017
Application Deemed Complete	October 12, 2017
Review Period Ends	December 11, 2017
Permit Holder	OSF Healthcare System
Operating Entity	OSF Healthcare System d/b/a OSF St. Joseph Medical Center
Owner of the Site	OSF Healthcare System
Project Financial Commitment Date	December 31, 2019
Gross Square Footage	52,704
Project Completion Date	December 31, 2019
Expedited Review	No
Can Applicant Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The Applicant (OSF Healthcare System d/b/a OSF St. Joseph Medical Center and OSF Healthcare System) propose to establish a medical office building in 52,704 GSF of space at a cost of \$25,269,949. The anticipated completion date is December 31, 2019.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project **not** in conformance with the provisions of Part 1120.

III. General Information

The Applicant is OSF Healthcare System. OSF Healthcare System is an Illinois not-for-profit corporation incorporated in 1880 as The Sisters of the Third Order of St. Francis. OSF Healthcare System d/b/a OSF St Joseph Medical Center is a 149-bed acute care hospital in Bloomington, Illinois.

The project is a non-substantive project subject to a 60-day review. Non-Substantive projects are **all** projects not considered substantive or emergency projects. Substantive projects shall include no more than the following:

1. *Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*
2. *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*

3. *Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]*

Emergency Projects are 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)]

OSF Healthcare System currently owns and operates the following acute care hospitals.

TABLE ONE		
Hospitals owned by OSF Healthcare System in Illinois		
Hospital	City	Number of Beds ⁽¹⁾
OSF St. Francis Medical Center	Peoria	609
OSF St. Anthony Medical Center	Rockford	254
OSF St. James - John W. Albrecht Medical Center	Pontiac	42
OSF St. Joseph Medical Center	Bloomington	149
OSF St. Mary Medical Center	Galesburg	81
OSF Holy Family Medical Center (CAH)	Monmouth	23
OSF Saint Luke Medical Center (CAH)	Kewanee	25
OSF Saint Anthony Health Center ⁽²⁾	Alton	170
Ottawa Regional Hospital & Healthcare Center d/b/a St Elizabeth Hospital	Ottawa	97
OSF St. Paul Medical Center (CAH)	Mendota	25
<ol style="list-style-type: none"> 1. Number of beds as of 12/31/2017 2. OSF St. Anthony Health Center discontinued 5 pediatric beds and 28 comprehensive physical rehab beds 6/15/2017, now has 170 beds. 3. CAH = Critical Access Hospital 		

IV. Health Service Area

OSF St. Joseph Medical Center is located in the HSA IV Service Area and the D-02 Health Planning Area. HSA IV includes the Illinois Counties of Champaign, Clark, Coles, Cumberland, DeWitt, Douglas, Edgar, Ford, Iroquois, Livingston, Macon, McLean, Moultrie, Piatt, Shelby, and Vermilion. D-02 Health Planning Area includes Livingston and McLean Counties; Ford County Townships of Rogers, Mona, Pella and Brenton. The State Board is estimating a 1.7% annual increase in the population in the D-02 Hospital Planning Area for the period 2015 to 2020.

V. Project Details

The Applicant proposes a 3-story medical office building on the campus of the hospital. The State Board does not have a need methodology for medical office buildings. The State Board determines if an Applicant has demonstrated a need for the project and that the services are appropriate for it to provide. The physicians who will have offices in the building will be mostly primary care and cardiac specialists. In addition to the medical office space, the building will dedicate space to out-patient cardiac services including nuclear medicine, stress testing, echocardiography, vascular ultrasound, infusion and cardiac rehabilitation. In addition, there will be an on-site occupational health service, and general radiology. The first floor will contain occupational health, prompt care, imaging and mechanical space. Located on the second floor will be cardiac rehab, the cardiology clinic, and non-invasive cardiology. The third floor will contain a lab, a primary care clinic, and mechanical space. Physician offices will be located in the cardiology and prompt care clinic.

VI. Uses and Sources of Funds

The Applicant is funding this project with bond proceeds in the amount of \$25,269,949.

TABLE TWO
Uses and Sources of Funds

Use of Funds	Reviewable	Non reviewable	Total	% of Total
Preplanning Costs	\$0	\$9,000	\$9,000	0.04%
Site Survey and Soil Investigation		\$4,000	\$4,000	0.02%
New Construction Contracts	\$5,726,667	\$11,453,333	\$17,180,000	67.99%
Contingencies	\$569,856	\$734,856	\$1,304,712	5.16%
Architectural/Engineering Fees	\$596,069	\$596,069	\$1,192,138	4.72%
Consulting and Other Fees	\$50,000	\$50,000	\$100,000	0.40%
Movable or Other Equipment	\$2,093,100	\$1,600,000	\$3,693,100	14.61%
Bond Issuance Expense (project related)	\$127,000	\$127,000	\$254,000	1.01%
Net Interest Expense During Construction	\$626,500	\$626,500	\$1,253,000	4.96%
Other Costs To Be Capitalized		\$280,000	\$280,000	1.11%
Use of Funds	\$9,789,191	\$15,480,758	\$25,269,949	100.00%
Source Of Funds	Reviewable	Non reviewable	Total	% of Total
Bond Issues (project related)			\$25,269,949	100.00%
Source Of Funds			\$25,269,949	100.00%

VII. Background of the Applicant

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

To demonstrate compliance with this criterion the Applicant must provide

- A) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;
- B) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;
- C) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
- D) An attestation that the Applicant has has been no *adverse action*¹ taken against the any facility owned or operated by Applicant.

- 1. The Applicant have provide the necessary attestation that no adverse action has been taken against any facility owned or operated by the Applicant and authorization allowing the State Board and IDPH access to all information to verify information in the application for permit. [Application for Permit page 39]
- 2. The Applicant provided IDPH licenses, JCAHO accreditation and certificate of good standing as required. [Application for Permit page 28 and pages 40-51].
- 3. The site is owned by OSF Healthcare System and evidence of this can be found at page 26 by an attestation made by the Kevin Schoepfle, CEO of OSF Healthcare System
- 4. The Applicant 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 ESRD 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).

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

¹ “Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations.” (77 IAC 1130.140)

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

These 3 criteria are for informational purposes only.

A) Criterion 1110.230 (a) - Purpose of the Project

To demonstrate compliance with this criterion the Applicant must document

1. That the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
5. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

According to the Applicant “currently, primary care and cardiology offices and cardiology services are located in five different buildings. This project proposes consolidating into one building for better access and efficiency. It is also intended to facilitate recruitment of additional primary care physicians and cardiologists.” The market area is that of the hospital, including the greater Bloomington and surrounding areas. For the 12 months ending June 2017 the Applicant provided the number of outpatient visits at the hospital by zip code and city. Approximately 90% of the visits came from these communities

TABLE THREE
Number of Outpatient Visits at the Hospital

City	Zip Code	# of Patients	# of Cases
Bloomington	61701	9,518	28,702
Normal	61761	9,225	25,373
Bloomington	61704	9,389	24,220
Bloomington	61705	3,192	7,967
Clinton	61727	1,884	4,619
Heyworth	61745	1,309	3,499
Leroy	61752	953	3,705
El Paso	61738	789	1,843
Hudson	91748	688	1,841
Pontiac	61764	830	1,512
Lexington	61753	572	1,383
Danvers	61732	504	1,323
Downs	61736	473	1,169
Gridley	61744	397	1,016
Colfax	61728	349	982
Towanda	61776	359	967
Carlock	61725	345	925
Fairbury	91739	442	924

TABLE THREE
Number of Outpatient Visits at the Hospital

City	Zip Code	# of Patients	# of Cases
McLean	61754	302	824
Atlanta	61723	323	815
Chenoa	61726	378	808
Minonk	61760	332	720
Minier	61759	247	606
Wapella	61777	253	597
Stanford	61774	222	586
Saybrook	61770	191	578
Farmer City	61842	205	540
Sub Total (app.90%)		43,671	118,044
Total		48,189	128,375

Source: Application for Permit pages 58-71

The Applicant believe the project will enhance patient care by making accessing primary care and specialists, particularly cardiologists, easier as they will be in one location, as will cardiology services such as vascular ultrasound, cardiac imaging and rehab. A goal is to provide for user friendly and easily accessible primary care and specialty services. An ancillary goal is to provide for an enhanced physician office experience to facilitate physician recruitment. The time frame for achieving the goal(s) is 12/31/2019, the completion date for the project.

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

To demonstrate compliance with this criterion the Applicant must document

- The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
- The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
- How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

This is a non-substantive project and a Safety Net Impact Statement is only required for substantive projects. Charity Care information was provided as required.

TABLE FOUR
Charity Care Information

OSF Healthcare System	2014	2015	2016
Net Patient Revenue	\$1,800,620,959	\$1,917,020,581	\$1,970,497,456
Amount of Charity Care (charges)	\$221,417,876	\$123,694,713	\$121,815,596
Cost of Charity Care	\$45,062,165	\$24,351,000	\$25,170,596
Cost of Charity Care/Net Patient Revenue	2.50%	1.27%	1.28%

TABLE FIVE Charity Care Information			
OSF St. Joseph Medical Center	2014	2015	2016
Net Patient Revenue	\$168,935,383	\$171,978,175	\$165,465,847
Amount of Charity Care (charges)	\$8,385,285	\$10,085,027	\$11,828,268
Cost of Charity Care	\$3,252,157	\$1,737,650	\$1,993,063
Cost of Charity Care/Net Patient Revenue	1.93%	1.01%	1.20%

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

To demonstrate compliance with this criterion the Applicant must identify all of the alternatives considered to the proposed project.

The Applicant provided the following information:

1. “One option considered was building a smaller building, at less cost, to house only primary care physicians. This would leave the three separate areas currently providing outpatient cardiology services as is. This approach while appealing from a cost standpoint left cardiac care fragmented and inefficient. The potential estimated cost was ten to twelve million dollars (\$10,000,000.00 - \$12,000,000.00).
2. A second option was to modernize the existing buildings/locations, as they are older buildings. This option was not seriously considered as it did not address the fragmentation of care issue. The cost was loosely estimated to be approximately twelve million dollars due to the need for five separate construction sites.
3. A joint venture would not be appropriate for this modernization project and was not considered.
4. Utilizing other health care providers is not an alternative, as it would do nothing to alleviate the problem of fragmented care at the five sites where the physicians and services are currently located.”

VIII. Size of the Project, Projected Utilization and Assurances

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

To demonstrate compliance with this criterion the Applicant must document the size of the proposed facility is in compliance with the State Board Standards published in Part 77 ILAC 1110 Appendix B.

Below are the definitions of reviewable and non reviewable space.

Clinical Service Area [reviewable space] 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.

Non-clinical Service Area [non reviewable space] 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 Applicant is proposing a total of 52,704 GSF of space for the medical office building. Only lobby and support space are considered non-reviewable space. Physician Office space is considered a clinical service however the State Board does not have standards for this service. For the services the State Board has developed standards that Applicant has successfully addressed them all.

TABLE SIX				
Size of Project				
Category	Project DGSF	Unit	State Board Standard	Met Standard?
Vascular Ultrasound (mobile unit)	553 DGSF	2 Units	900 DGSF per unit	Yes
General Radiology	677 DGSF	1 Unit	1,300 DGSF per unit	Yes
Nuclear Medicine	804 DGSF	1 Unit	1,600 DSGF per unit	Yes
Occupational Health	4,824	None	No Standard	
Cardiac Rehab	1,870	None	No Standard	
Outpatient Cardiac Testing and Care	1,673	None	No Standard	
Physician Offices	24,112		No Standard	
Lobby and Support Space	18,191		No Standard	

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

B) Criterion 1110.234 (b) – Projected Utilization

To demonstrate compliance with this criterion the Applicant must document that the proposed facility will be in compliance with the State Board Standards published in Part 77 ILAC 1110 Appendix B two (2) years after project completion.

The Applicant is proposing one general radiology unit and one nuclear medicine unit to be located in the medical office building. The ultrasound units are mobile units and the State Board does not have utilization standards for mobile units. The Applicant has met the requirements of this criterion.

TABLE SEVEN Projected Utilization			
Department	CY16	State Board Standard	Met Standard
General Radiology	3,982	8,000 Procedures	Yes
Nuclear Medicine	1,496	2,000 Visits	Yes
Ultrasound	N/A	3,100 Visits	

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. HFSRB shall periodically evaluate the guidelines to determine if revisions should be made. Any revisions will be promulgated in accordance with the provisions of the Illinois Administrative Procedure Act [5 ILCS 100].

The **Centers for Medicare and Medicaid** describes these three services as follows:

General Radiography (X-rays) is a technique for generating and recording an x-ray pattern for the purpose of providing the user with a static image(s) after termination of the exposure. During a radiographic procedure, an x-ray beam is passed through the body. A portion of the x-ray is absorbed or scattered by the body's internal structure and the remaining x-ray pattern is transmitted to a detector, so that an image may be recorded for later evaluation. The recording of the pattern may occur on film or through electronic means (digital). X-rays are used to diagnose or treat patients by displaying images of the internal structure(s) of the body to assess the presence or absence of disease, foreign objects, and structural damage or anomaly. Some common examples include:

- Verification of correct placement of invasive catheters, tubes, or devices;
- Orthopedic evaluations for fractured or dislocated bones;
- Chest x-ray to identify common conditions, such as congestive heart failure or pneumonia;
- Evaluations of radio-opaque foreign bodies in soft tissues; and
- Mammography.

Ultrasound imaging (sonography) uses high-frequency sound waves to view soft tissues, such as muscles and internal organs. Because ultrasound images are captured in real-time, they can show movement of the body's internal organs as well as blood flowing through blood vessels. This imaging modality has no documented evidence of dangers to the patient or staff administering it, however, caution about the frequency of use has been encouraged, particularly in the imaging of fetuses. Ultrasound imaging is used in many types of examinations and procedures. Some examples include:

- Doppler ultrasound (to visualize blood flow through a blood vessel);
- Echocardiogram (to view the heart);
- Fetal ultrasound (to view the fetus in pregnancy);
- Ultrasound-guided biopsies of suspicious masses;
- Doppler fetal heart rate monitors (to listen to the fetal heart beat); and
- Lithotripsy to break up kidney stones; this procedure uses high energy sound waves (shock waves), but there is minimal risk to the patient and staff from this form of energy. Pre- and post-procedure radiographs are taken of the patient, which confer the same risk as a standard X-ray of that part of the body.

When a **Diagnostic nuclear medicine study** is performed, a patient inhales, swallows, or is injected with a small amount of a radiopharmaceutical that accumulates in a specific organ or area of the body. A radiopharmaceutical is a drug that contains a radioactive component. The energy emitted by the radioactive material is detected by a device, processed and measured by a computer, and then displayed as an image on a screen or on film that is then interpreted by a radiologist specially trained in nuclear medicine or another type of physician with specialized training as a nuclear medicine physician. The image(s) provide details on both the structure and function of organs and tissues. Nuclear medicine diagnostic imaging scans are commonly performed to:

- Visualize heart blood flow and function, e.g., a cardiac stress test or myocardial perfusion scan; this is the most frequent use of nuclear medicine diagnostic imaging.
- Diagnose blood clots in the lungs (pulmonary emboli) with a ventilation/perfusion (V/Q) scan;
- Identify areas of infection, inflammation, or cancer metastases with a bone scan;
- Localize lymph nodes prior to surgery;
- Determine gastrointestinal tract muscle function by measuring time for swallowing and emptying;
- Determine the functioning and perfusion of many other organs, including the thyroid gland, kidneys, brain, and gall bladder. [Source:<https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals>]

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

C) Criterion 1110.234 (e) – Assurance

To demonstrate compliance with this criterion the Applicant must document that the proposed facility will be in compliance with the State Board Standards published in Part 77 ILAC 1110 Appendix B two (2) years after project completion.

Because the Applicant are establishing no more than one unit for each service in which the State Board has utilization standards the assurance does not need to be provided.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH ASSURANCE CRITERION (77 ILAC 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

OSF SJMC proposes modernization of its existing primary care and cardiology medical office buildings by constructing a new building and relocating existing services to one site. The only service for which the Illinois Health Facilities and Services Review Board has standards that will be in the buildings is imaging. There will be one nuclear medicine machine, one general radiology machine(s) and two mobile vascular ultrasound machine(s).

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

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 Applicant 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 D-02 Hospital Planning Area. The Applicant has stated that the medical office buildings primary service area is the same as the OSF St. Joseph Medical Center. The State Board is estimating an annual growth in the population in the D-02 Hospital Planning Area of 1.7% annually.

The Applicant is proposing to consolidate services from five other sites in a single location on the OSF St. Joseph Medical Center campus. The Applicant believes the proposed project will better serve their existing patients through improved operational efficiencies and modern innovations in practice design. 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. It appears that the Applicant has demonstrated a need for the proposed project and that the services proposed are appropriate. It does appear the proposed project will enhance operational efficiencies and patient access by integrating and co-locating these services in the proposed medical office building. [Application for Permit page 77]

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))

X. Financial Viability

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. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process." (20 ILCS 3960)

A) Criterion 1120.20 – Availability of Funds

To demonstrate compliance with this criterion the Applicant must document that the resources are available to fund the project.

The Applicant is funding this project with bond proceeds in the amount of \$25,269,949. The bonds are for 30 years and at 4.5% interest. *“Moody's Investors Service assigns an “A2” to OSF Healthcare System's \$114 million of proposed Series 2016 fixed rate bonds to be issued by the Illinois Finance Authority. The bonds are expected to mature in 2039. The “A2” on approximately \$950 million of outstanding debt is affirmed. The outlook is stable.”* A bond rating is a grade given to a bond that indicates its credit quality. Private independent rating services provide these evaluations (at a cost to OSF Healthcare System) of OSF Healthcare System ability to pay a bond's principal and interest. Bond ratings are expressed as letters ranging from "AAA," which is the highest grade, to "C" or "D" ("junk"), which is the lowest grade. Moody's Investors Service considers the Series 2016 fixed rate bonds investment grade. [Application for Permit pages 78-86]

TABLE EIGHT
OSF Healthcare System and Subsidiaries
Years ended September 30, 2016, 2015, 2014 and 2013
(in thousands)

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

Source: OSF Audited Financial Statements

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

B) Criterion 1120.130 - Financial Viability

To demonstrate compliance with this criterion the Applicant must document that they have a Bond Rating of “A” or better, they meet the State Board’s financial ratio standards for the past three (3) fiscal years or the project will be funded from internal resources.

The Applicant is funding this project with bond proceeds in the amount of \$25,269,949. The Applicant provided evidence of an “A” or better bond rating therefore qualifying for the financial viability waiver².

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

XI. Economic Feasibility

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

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

To demonstrate compliance with these criteria the Applicant must document that leasing of the space is reasonable. The State Board considers the leasing of space as debt financing.

The Applicant is funding this project with bond proceeds in the amount of \$25,269,949. The Applicant has provided documentation of an “A” or better bond rating therefore it would appear the financing arrangement is reasonable. The Applicant attested that the selected form of debt financing will be at the lowest cost available, or if not it will be more advantageous due to other terms, such as pre-payment privileges, lack of security interest, time of the loan or other reasons.

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

² The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.
- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or
HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.
- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

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 by the meeting the State Board Standards in Part 1120 Appendix A.

As shown in the table below the Applicant has not met the A/E standard of 7.9%.

TABLE NINE				
Reasonableness Of Project Costs				
	State Standard			
	Project Costs	Cost/GSF/%	Total	Project Cost
New Construction Contracts and Contingencies	\$6,296,523	\$232.75/GSF	\$8,032,901	\$182.44/GSF
Contingencies	\$569,856	10.00%	\$572,667	9.95%
Architectural/Engineering Fees	\$596,069	7.91%	\$498,055	9.47%
Consulting and Other Fees	\$50,000			
Movable or Other Equipment	\$2,093,100		No standard	
Bond Issuance Expense (project related)	\$127,000			
Net Interest Expense During Construction	\$626,500			

The Applicant provided an itemization of the project costs:

Preplanning	Roadway and entrance planning	\$4,000
Soil	Soil bearings	\$9,000
A&E Fees	Design work and planning	\$1,192,138
	Furniture	\$650,000
Equipment	IT Equipment	\$600,000
	Equipment (clinical)	\$2,093,100
Consulting	CON Fees	\$100,000
Other Costs to be Capitalized	Art Work, Landscape, Signage	\$175,000

Source: Pages 35-37 Application for Permit

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

D) Criterion 1120.140 (d) – Projected Operating Costs

To demonstrate compliance with this criterion the Applicant must document that the projected direct annual operating costs for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

Based upon the nature of the proposed project this criterion is not reviewable by State Board Staff.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 ILAC 1120.140 (D))

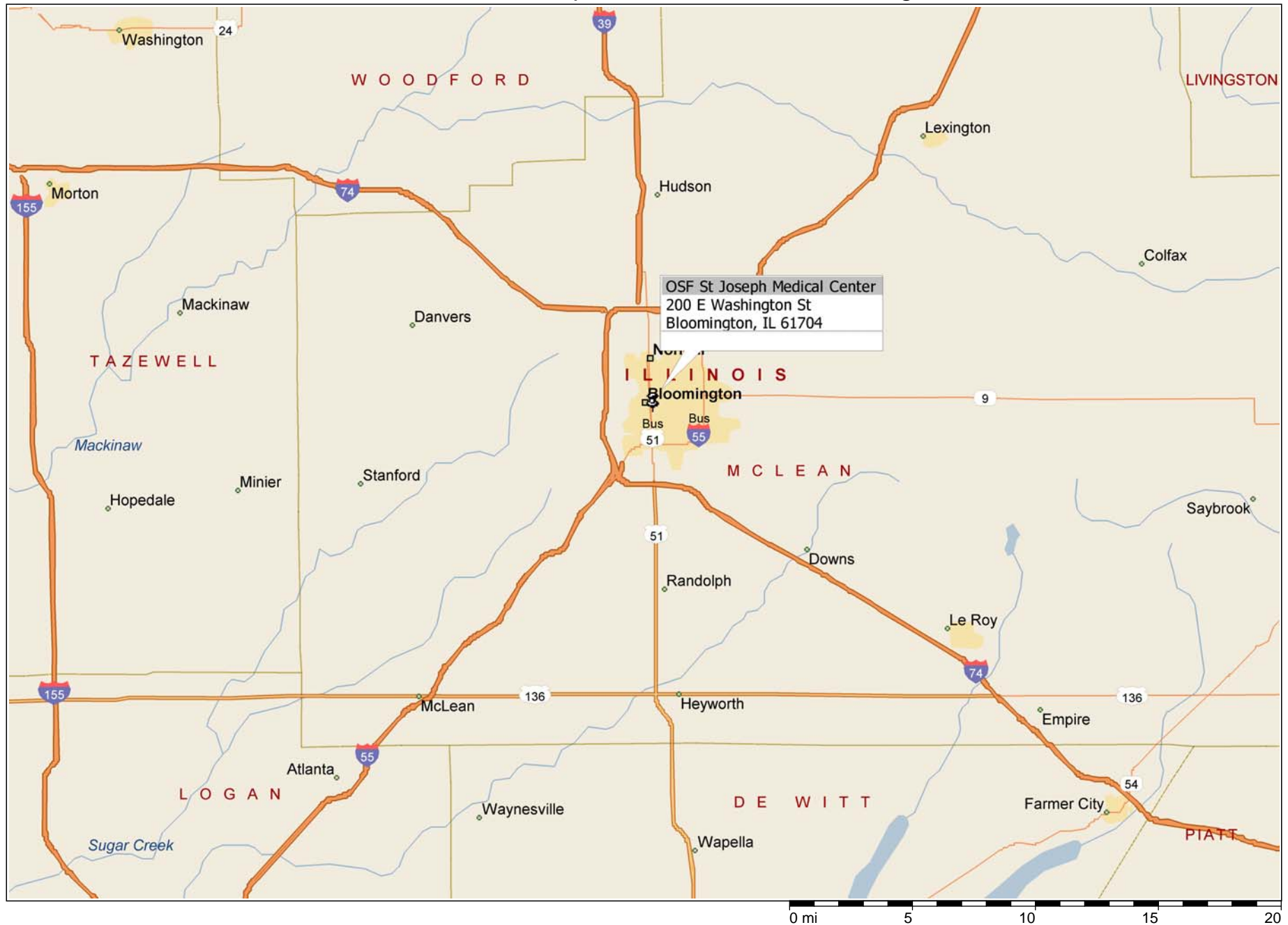
E) Criterion 1120.140 (e) – Total Effect of the Project on Capital Costs

To demonstrate compliance with this criterion the Applicant must provide the total projected annual capital costs for the first full fiscal year at target utilization but no more than two years following project completion. Capital costs are defined as depreciation, amortization and interest expense.

Based upon the nature of the proposed project this criterion is not reviewable by State Board Staff.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE
WITH CRITERION TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS
(77 ILAC 1120.140 (e))**

17-050 OSF St Joseph Medical Center - Bloomington



<u>Ownership, Management and General Information</u>			<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	John Zell		White	90.2%	Hispanic or Latino:	2.5%
ADMINSTRATOR PHONE:	309-665-5770		Black	5.9%	Not Hispanic or Latino:	97.1%
OWNERSHIP:	OSF Healthcare System		American Indian	0.1%	Unknown:	0.4%
OPERATOR:	OSF Healthcare System		Asian	1.0%		
MANAGEMENT:	Church-Related		Hawaiian/ Pacific	0.1%	IDPH Number:	2535
CERTIFICATION:	(Not Answered)		Unknown	2.7%	HPA	D-02
FACILITY DESIGNATION:	General Hospital				HSA	4
ADDRESS	2200 East Washington	CITY: Bloomington	COUNTY:	McLean County		

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	Authorized CON Beds 12/31/2016	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Bed Occupancy Rate %
Medical/Surgical	95	95	87	5,085	20,697	2,433	4.5	63.2	66.5	66.5
0-14 Years				0	0					
15-44 Years				606	1,911					
45-64 Years				1,712	6,881					
65-74 Years				1,081	4,638					
75 Years +				1,686	7,267					
Pediatric	16	16	1	9	14	8	2.4	0.1	0.4	0.4
Intensive Care	14	14	14	641	1,666	0	2.6	4.6	32.5	32.5
Direct Admission				471	1,229					
Transfers - Not included in Facility Admissions				170	437					
Obstetric/Gynecology	12	12	11	782	1,724	9	2.2	4.7	39.5	39.5
Maternity				781	1,713					
Clean Gynecology				1	11					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	12	12	9	225	1,932	0	8.6	5.3	44.0	44.0
Swing Beds			0	0	0		0.0	0.0		
Total AMI	0			0	0	0	0.0	0.0	0.0	
Adolescent AMI		0	0	0	0	0	0.0	0.0		0.0
Adult AMI		0	0	0	0	0	0.0	0.0		0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	149			6,572	26,033	2,450	4.3	77.8	52.2	

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	55.3%	11.8%	0.4%	30.8%	0.7%	1.1%	
	3634	773	24	2027	43	71	6,572
Outpatients	39.5%	20.4%	0.5%	36.7%	1.8%	1.1%	
	65103	33547	804	60345	2956	1891	164,646

<u>Financial Year Reported:</u>	10/1/2015 to	9/30/2016	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>					<u>Charity Care Expense</u>	<u>Total Charity Care Expense</u>
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals			
Inpatient Revenue (\$)	36.6%	13.7%	1.9%	46.2%	1.5%	100.0%			2,376,078
	26,499,853	9,949,760	1,390,835	33,491,782	1,093,930	72,426,160	1,140,518		
Outpatient Revenue (\$)	14.3%	8.2%	1.3%	73.1%	3.0%	100.0%			Total Charity Care as % of Net Revenue
	12,537,089	7,205,103	1,157,306	64,037,763	2,621,824	87,559,085	1,235,560		1.5%

<u>Birthing Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	777		Level I	Level II	Level II+	Kidney:	
Number of Live Births:	772		Beds	15	15	0	Heart:
Birthing Rooms:	0		Patient Days	1,407	204	0	Lung:
Labor Rooms:	0		Total Newborn Patient Days			1,611	Heart/Lung:
Delivery Rooms:	0						Pancreas:
Labor-Delivery-Recovery Rooms:	3						Liver:
Labor-Delivery-Recovery-Postpartum Rooms:	12		<u>Laboratory Studies</u>				Total:
C-Section Rooms:	2		Inpatient Studies			220,329	
CSections Performed:	225		Outpatient Studies			507,741	
			Studies Performed Under Contract			9,465	

Surgery and Operating Room Utilization

<u>Surgical Specialty</u>	<u>Operating Rooms</u>				<u>Surgical Cases</u>		<u>Surgical Hours</u>			<u>Hours per Case</u>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	298	67	1126	142	1268	3.8	2.1
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	6	6	377	499	915	836	1751	2.4	1.7
Gastroenterology	0	0	0	0	56	12	68	10	78	1.2	0.8
Neurology	0	0	0	0	172	259	909	921	1830	5.3	3.6
OB/Gynecology	2	0	0	2	285	148	600	304	904	2.1	2.1
Oral/Maxillofacial	0	0	0	0	3	3	5	12	17	1.7	4.0
Ophthalmology	0	0	0	0	0	5	0	5	5	0.0	1.0
Orthopedic	0	0	0	0	606	151	1596	305	1901	2.6	2.0
Otolaryngology	0	0	0	0	6	56	7	64	71	1.2	1.1
Plastic Surgery	0	0	0	0	24	187	48	372	420	2.0	2.0
Podiatry	0	0	0	0	77	33	109	69	178	1.4	2.1
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	0	0	184	575	300	760	1060	1.6	1.3
Totals	2	0	6	8	2088	1995	5683	3800	9483	2.7	1.9

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

12

Stage 2 Recovery Stations

15

Dedicated and Non-Dedicated Procedure Room Utilization

<u>Procedure Type</u>	<u>Procedure Rooms</u>				<u>Surgical Cases</u>		<u>Surgical Hours</u>			<u>Hours per Case</u>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	0	0	0	0	0	0	0	0.0	0.0
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	1	0	1	0	1957	0	625	625	0.0	0.3
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
Multipurpose Non-Dedicated Rooms											
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Emergency/Trauma Care

Certified Trauma Center	Yes
Level of Trauma Service	Level 1
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	99
Patients Admitted from Trauma	52
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	20
Persons Treated by Emergency Services:	29,180
Patients Admitted from Emergency:	3,497
Total ED Visits (Emergency+Trauma):	29,279

Free-Standing Emergency Center

Beds in Free-Standing Centers	
Patient Visits in Free-Standing Centers	
Hospital Admissions from Free-Standing Center	

Outpatient Service Data

Total Outpatient Visits	164,646
Outpatient Visits at the Hospital/ Campus:	123,399
Outpatient Visits Offsite/off campus	41,247

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	2
Cath Labs used for Angiography procedures	1
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	1,684
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	1,271
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	413
EP Catheterizations (15+)	0

Cardiac Surgery Data

Total Cardiac Surgery Cases:	147
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	147
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	47

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

	<u>Owned Contract</u>		<u>Inpatient</u>	<u>Outpt</u>	<u>Contract</u>		<u>Owned Contract</u>		
General Radiography/Fluoroscopy	16	0	9,995	27,361	0	Lithotripsy	0	1	98
Nuclear Medicine	3	0	337	2,087	0	Linear Accelerator	0	0	0
Mammography	3	0	0	9,175	0	Image Guided Rad Therapy			0
Ultrasound	6	0	1,507	11,139	0	Intensity Modulated Rad Thrpy			0
Angiography	1	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			226	605	0	Proton Beam Therapy	0	0	0
Interventional Angiography			340	403	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	0	0	0	0	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	3	0	3,410	11,427	0				
Magnetic Resonance Imaging	1	1	686	2,352	1,049				