



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-09	BOARD MEETING: January 9, 2018	PROJECT NO: 17-051	PROJECT COST: Original: \$14,151,018
FACILITY NAME: OSF HealthCare System d/b/a OSF Saint Anthony's Health Center		CITY: Alton	
TYPE OF PROJECT: Non-Substantive			HSA: XI

PROJECT DESCRIPTION: The Applicant (OSF Healthcare System) proposes to construct a cancer center in 16,992 GSF of space at a cost of \$14,151,018. The anticipated completion date is June 30, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicant (OSF Healthcare System) proposes to construct a cancer center in 16,992 GSF of space at a cost of \$14,151,018. The anticipated completion date is June 30, 2019.
- **State Board Staff Notes** that Saint Clare's Hospital is located in Alton, Illinois and is considered a provider based facility owned by OSF Healthcare System. Saint Clare's Hospital is licensed by IDPH under the OSF Saint Anthony Health Center license. A provider based facility means a provider of health care services that is either created or acquired by the main provider for the purpose of furnishing health care services of a different type from those of the main provider under the ownership and administrative and financial control of the main provider. [CMS State Operations Manual]

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 *"cancer treatment services are scattered throughout the Hospital and some are off site from the main hospital campus. This project proposes consolidating them into one building for better access and efficiency."*

PUBLIC HEARING/COMMENT:

- There was no request for a public hearing and no letters of opposition were received by State Board Staff. Letters of support comments are at the end of this report.

SUMMARY:

- The Applicant proposes to move their cancer treatment center from their Saint Clare's Hospital campus in Alton Illinois to their Saint Anthony Health Center campus in the same city. The cancer treatment center will consist of a new linear accelerator and vault, a CT unit, 16 infusion therapy stations, a laboratory, and a pharmacy. The existing linear accelerator has outlived its useful life and is in need of replacement (useful life approximately 7 years). The Applicant believes the new cancer treatment center will better serve their existing patients. 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 cancer treatment center.
- The Applicant has failed to successfully address the reasonableness of project costs for new construction and contingencies.

Criteria	Reasons for Non-Compliance
Criterion 77 ILAC 1120.140 (c) Reasonableness of Project Costs	The Applicant exceeds the State Board's Standard for new construction and contingency costs by \$799, 973.

STATE BOARD STAFF REPORT
#17-051
OSF Saint Anthony's Health Center

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	OSF Healthcare System
Facility Name	OSF Saint Anthony's Health Center
Location	2200 East Washington, Bloomington 61701
Application Received	October 6, 2017
Application Deemed Complete	October 12, 2017
Review Period Ends	December 11, 2017
Permit Holder	OSF Healthcare System
Operating Entity/Licensee	OSF Healthcare System d/b/a OSF Saint Anthony's Health Center
Owner of the Site	OSF Healthcare System
Project Financial Commitment Date	June 30, 2019
Gross Square Footage	16,992
Project Completion Date	June 30, 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) proposes to construct a cancer center in 16,992 GSF of space at a cost of \$14,151,018. The anticipated completion date is June 30, 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 Saint Anthony Health Center is a 170-bed acute care hospital in Alton, 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 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)]

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
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 Saint Anthony Health Center is located in the HSA XI Service Area and the F-01 Health Planning Area. HSA XI includes the Illinois Counties of HSA XI – Illinois Counties of Clinton, Madison, Monroe, and St. Clair. F-01 Health Planning Area includes Madison and St. Clair Counties; Monroe County Precincts 2, 3, 4, 5, 7, 10, 11, 14, 16, 17, 18, 19, 21, and 22; Clinton County Townships of Sugar Creek, Looking Glass, Germantown, Breese, St. Rose, Wheatfield, Wade, Sante Fe, Lake, Irishtown, Carlyle and Clement. The State Board is estimating a .61% annual increase in the population in the F-01 Hospital Planning Area for the period 2015 to 2020.

V. Project Details

The Applicant proposes to move their cancer treatment center from their Saint Clare's Hospital campus in Alton, Illinois to their Saint Anthony Health Center campus in the same city. The Applicant propose a 16,922 gross square foot cancer treatment center on its Saint Anthony Health Center campus, which will be physically attached to the Hospital building at the ground level. The cancer treatment center will offer medical oncology physician office space/exam rooms, infusion therapy, radiation oncology (new linear accelerator), CT, lab, pharmacy and education/class rooms all dedicated to cancer care and treatment. No new services are being added. The services and equipment dedicated to cancer care currently will be relocated from an area off the Hospital's campus to a modern building in a more efficient location i.e., next to/attached to the Hospital itself. Further, the current linear accelerator, CT and infusion therapy chairs will be updated to state of the art. No decision has been made by the Applicant on the use of the vacated space at its Saint Clare's campus. The old linear accelerator will be scraped and sold for parts.

VI. Uses and Sources of Funds

The Applicant is funding this project with bond proceeds in the amount of \$14,151,018.

TABLE TWO
Uses and Sources of Funds

Uses of Funds	Reviewable	Non Reviewable	Total	% of Total
Site Survey and Soil Investigation	\$3,650	\$3,650	\$7,300	0.05%
New Construction Contracts	\$4,138,110	\$3,494,000	\$7,632,110	53.93%
Contingencies	\$325,804	\$325,804	\$651,608	4.60%
Architectural/Engineering Fees	\$256,500	\$256,500	\$513,000	3.63%
Consulting and Other Fees	\$160,000	\$160,000	\$320,000	2.26%
Movable or Other Equipment (not in construction contracts)	\$3,650,000	\$610,000	\$4,260,000	30.10%
Bond Issuance Expense (project related)	\$68,500	\$68,500	\$137,000	0.97%
Net Interest Expense During Construction (project related)	\$315,000	\$315,000	\$630,000	4.45%
Total Uses Of Funds	\$8,917,564	\$5,233,454	\$14,151,018	100.00%
Source Of Funds	Reviewable	Non Reviewable	Total	% of Total
Bond Issues (project related)	\$8,917,564	\$5,233,454	\$14,151,018	100.00%
Total Sources of Funds	\$8,917,564	\$5,233,454	\$14,151,018	100.00%

VII. Background of the Applicants

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 applicants.

1. The Applicant provided 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 44]
2. The Applicant provided IDPH licenses, JCAHO accreditation and certificate of good standings as required. [Application for Permit page 28 and pages 45-55].

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)

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 Schoeplein, 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))

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.

The Applicant stated “that currently, cancer treatment services are scattered throughout the Hospital, and some are off site from the main hospital campus. This project proposes consolidating them into one building for better access and efficiency. The proposed building will be connected at the ground level to the main campus Hospital building. The space in the new building will allow for updated equipment and expansion of the infusion therapy treatment area. There will be a dedicated lab and pharmacy in the CTC to serve oncology patients more readily and quickly. There will also be education and classroom space for use in comprehensive cancer care services. The comprehensive treatment center will provide better access to quality cancer care in a more efficient setting for both providers and patients. Locating all of the cancer treatment services in one area on the Hospital's campus will facilitate coordination of care which should improve outcomes and lower health care costs.” [Application for Permit page 56]

The market area for this service is the same as the Hospital's market area. Over 90% of the outpatient visits came from the zip code areas identified in Table Three below. The issues to be addressed relate to the desire to consolidate cancer treatment services in a new, modern building located on the Hospital's campus. This will address access, efficiency and coordination of care issues with the existing situation. It will also address the problem of outdated equipment and lack of space to expend infusion therapy services.

TABLE THREE			
Hospital Outpatient Utilization 12 Months Ending June 2017			
City	Zip Code	Number	Cases
Alton	62002	5,366	17,656
Godfrey	62035	2,762	8,313
East Alton	62024	1,540	4,961
Wood River	62095	1,571	4,930
Bethalto	62010	1,249	3,644
Brighton	62012	958	2,801
Jerseyville	62052	818	2,486
Cottage Hills	62018	588	1,999
Bunker Hill	62014	345	1,102
Granite City	62040	367	1,085
Edwardsville	62025	355	879
South Roxana	62087	254	833
Grafton	62037	215	724
Moro	62067	239	617
Roxana	62084	220	607
Hartford	62048	186	604
Dow	62022	142	428
Shipman	62685	129	407
Total		17,304	54,076
Source: Application for Permit page 59-63			

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 Saint Anthony's Health Center	2014	2015	2016
Net Patient Revenue	\$55,524,113	\$71,846,989	\$72,856,853
Amount of Charity Care (charges)	\$9,696,400	\$9,045,839	\$5,302,094
Cost of Charity Care	\$2,074,060	\$2,045,264	\$1,063,070
Cost of Charity Care/Net Patient Revenue	3.74%	2.85%	1.46%

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:

“The only alternative considered, other than doing nothing, was constructing the building and consolidating services without updating equipment. While this alternative would cost approximately \$3.8M less, it was rejected. The current equipment (CT, Linear Accelerator and infusion chairs) is nearing the end of its useful life and requires replacement.

Another option considered was leaving cancer treatment services at the St. Clare's campus. This was rejected because the services would be isolated from Saint Anthony's and remain fragmented. The cost of this alternative was not specifically priced out, but was determined to be significantly less than the current alternative; unless a new building was constructed on the St. Clare's campus then the cost would be similar.

A joint venture would not be appropriate for this modernization project and was not considered. Utilizing other health care providers is not an alternative, as it would do nothing to alleviate the problem of fragmented care in the current situation.”

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 16,992 GSF of space for the cancer treatment center. Support space will consist of physician offices, administrative space, education and family rooms, chapel and circulation. The Applicant has met the requirements of Part 1110 Appendix B.

TABLE SIX
Size of the Project

Department	Unit/Rooms	GSF	State Standard	Difference	Met Standard
Linear Accelerator	1	2,301	2,400 DGSF	>99	Yes
CT	1	563	1,800 DGSF	>1,237	Yes
Infusion Therapy	16 Rooms	2,601	None	No Standard	N/A
Lab	1	703	None	No Standard	N/A
Pharmacy	1	570	None	No Standard	N/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 CT unit and one linear accelerator to be located in the new space. The Applicant has met the requirements of this criterion.

TABLE SEVEN Projected Utilization			
Department	CY16	State Board Standard	Met Standard
CT	141	7,000 treatments	Yes
Linear Accelerator	2,956	7,500 treatments	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. 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].

A computerized tomography (CT) scan combines a series of X-ray images taken from different angles and uses computer processing to create cross-sectional images, or slices, of the bones, blood vessels and soft tissues inside your body. CT scan images provide more detailed information than plain X-rays.

A linear accelerator customizes high energy x-rays or electrons to conform to a tumor's shape and destroy cancer cells while sparing surrounding normal tissue. A linear accelerator (LINAC) is the device most commonly used for external beam radiation treatments for patients with cancer. The linear accelerator is used to treat all parts/organs of the body. It delivers high-energy x-rays or electrons to the region of the patient's tumor. These treatments can be designed in such a way that they destroy the cancer cells while sparing the surrounding normal tissue. Patients receiving radiation therapy typically require 15 minutes of treatment per day, five days per week, for five to six weeks. [Information from Mayo Clinic]

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

The only areas that are reviewable are cancer treatment areas housing a linear accelerator and CT machine. The equipment (one each) is currently at the end of its respective useful life and needs to be replaced. Even if this project is not done, the equipment would be replaced under the capital expenditure threshold. However, the ideal time to do so is in coordination with the construction cancer treatment center.

The historical volume of 2,956 procedures for the linear accelerator and 141 visits for the CT machine justify one piece of equipment each for the care of cancer patients...

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 F-01 Hospital Planning Area. The Applicant has stated that the cancer treatment center's primary service area is the same as the OSF Saint Anthony's Health Center. The State Board is estimating an annual growth in the population in the F-01 Hospital Planning Area of .61% annually.

The Applicant propose to move the cancer treatment services from their Saint Clare campus in Alton to the Saint Anthony Health Center campus also in Alton and construct a new cancer center to house a linear accelerator, a CT unit, 16 infusion therapy stations, a laboratory and a pharmacy.

It appears that the Applicant has demonstrated a need for the proposed project and that the services proposed are appropriate. It does not appear the proposed project will impact other area providers as the Applicant is relocating the cancer treatment center from one

campus to another. As demonstrated at Criterion 77 ILAC1110.234 (b) – Projected Utilization the Applicant will meet the utilization requirements of the State Board.

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 are funding this project with bond proceeds in the amount of \$14,151,018. 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 \$14,151,018. 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

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.

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 \$14,151,018. 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))

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 tables below the Applicant have not met the new construction and contingency standard.

TABLE NINE				
Reasonableness of Project Costs				
	Reviewable	State Board Standard		Project Costs
		%/GSF	Total	
Site Survey and Soil Investigation	\$3,650	5.00%	\$223,196	<1%
New Construction Contracts and Contingencies	\$4,463,914	\$393.38/GSF	\$3,663,941	\$450.26
Contingencies	\$325,804	10.00%	\$413,811	7.87%
Architectural/Engineering Fees	\$256,500	10.35%	\$462,015	5.75%
Consulting and Other Fees	\$160,000			
Movable or Other Equipment	\$3,650,000			
Bond Issuance Expense (project related)	\$68,500		No Standard	
Net Interest Expense During Construction (project related)	\$315,000			

The Applicant provided an itemization of the project costs:

TABLE TEN	
Itemization of Project Costs	
Site Survey/Soil	\$3,500 survey
	\$3,800 soil testing
A&E	\$460,000 design
	\$9,000 IDPH Plan Review
	\$44,000 Commissioning Services
Equipment	\$3,650,000 CT, Linear Accelerator/other Medical
	\$400,000 Furnishings
	\$210,000 IT/phones
Consultants	\$170,000 Financial
	\$100,000 CON
	\$50,000 Management

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))

Appendix I

Support Comments

Robert Schwartz, Chairperson, American Cancer Society Regional Leadership Board - Madison County

“As Chairperson of the American Cancer Society ("ACS") of Madison County Board, I am writing this letter to express my support of the OSF HealthCare Saint Anthony's Cancer Society. Our Board is very involved in providing support for the critical programs that the American Cancer Society provides to cancer patients, survivors and their families. We have two very active Board Members representing OSF HealthCare who provide us tremendous insight on the successes and challenges of treating this terrible disease. The involvement of OSF Saint Anthony plays a critical role in the success of our mission goals. Since the beginning of my involvement on the ACS Board, it is very clear how important it is to provide high quality oncology services in our local Alton/Riverbend community. Local services lessen the burden on patients and families due to less travel for treatments and services, keeping costs down and making it more convenient. The new Cancer Center that will be located on the OSF Saint Anthony's campus brings much needed oncology services in a unified state-of-the-art building with leading technology to make the delivery of high-quality cancer services convenient and accessible for patients here in the Alton/Riverbend community. The need is highlighted by the fact that Madison County has the highest incidence of cancer cases outside of the significantly higher populated Cook County (Chicago) and other collar counties. I have been a resident of the Alton area for over 17 years and have seen firsthand OSF HealthCare's commitment to the health and wellness of the Alton/Riverbend community and Illinois. They have a strong reputation as a leading clinical oncology team in the region. This new Cancer Center will build on this reputation, and will be designed around the needs of the patient - guiding them from detection to survivorship- all in one place. The American Cancer Society Board of Madison County will continue to remain active in supporting the patients, survivors and their family. We value the involvement, insight and good work that OSF HealthCare provides and we support the Certificate of Need application for the Cancer Center.”

James V. Piephoff stated:

“As the Radiation Oncologist at OSF HealthCare Saint Anthony's Health Center, Cancer Center of Excellence, I am grateful for the opportunity to provide comment in support of this project. I have been a part of OSF Saint Anthony's family since 2004 and am proud to serve the residents of the Riverbend community with high quality cancer care. This project will create a comprehensive, integrated set of services for cancer patients in one location. Often cancer patients must travel to various locations, offices, and facilities in order to receive all of their treatments, check-ups and tests. Currently, the OSF Cancer Center in Alton is located on the Saint Clare's campus, a mile and a half from the main campus of OSF Saint Anthony's. Patients may have to travel back and forth for various specialties and diagnostics. While this is common in cancer treatments centers throughout the United States, it is not ideal for the patient. The fragmentation of cancer services creates anxiety and confusion for patients. As a physician helping people fight cancer, I want my patients to use ALL of their energy for getting better, not in navigating the health care system. We have made strides in easing the way of our patients at OSF, and the new cancer center will significantly impact the lives of our cancer patients for this reason. Furthermore, having the cancer center connected to the main hospital building will allow the numerous professionals involved in the care of our patients to collaborate much more closely and effectively. We will be able to conduct face to face conferences and coordinated patient visits, thus resulting in more coordinated and personalized care for the patients. In addition, the location of the new cancer center will facilitate immediate access to emergency services in the unlikely event they are necessary. Finally, as the technology in cancer treatment continues to advance, the new cancer center will provide the latest in technology and position our services for continued advancements in cancer treatment.

Appendix I

Support Comments

The 2017 Cancer in Illinois report produced by Illinois Department of Public Health tells us that every day in Illinois 183 people are diagnosed with cancer, and 67 people die from cancer. Those statistics astound me and remind me why I have devoted my life to this service. In 2018, it is projected Madison County will have one of the highest number of new cancer diagnoses, at 1,655, of all Illinois Counties. It is the second highest when excluding Cook and Collar Counties, which have significantly higher populations. This further shows the need for high quality cancer services in our region.”

A detailed map of Alton, Illinois, and its surrounding areas. The map shows the Mississippi River flowing through the region. Key locations include Jerseyville to the north, Springfield to the east, and St. Louis to the south. Major highways such as I-55 and I-70 are clearly marked. The OSF St. Anthony Health Center is highlighted with a callout box at 1 St Anthony Way in Alton. Other notable features include Pere Marquette State Park and Lewis and Clark State Memorial Park. The map also displays various smaller towns and villages, as well as the state boundaries of Illinois, Missouri, and Kentucky.

Copyright © and (P) 1988–2006 Microsoft Corporation and/or its suppliers. All rights reserved. <http://www.microsoft.com/mappoint/>
Portions © 1990–2005 InstallShield Software Corporation. All rights reserved. Certain mapping and direction data © 2005 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2005 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc.

<u>Ownership, Management and General Information</u>			<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Ajay Pathak		White	88.2%	Hispanic or Latino:	1.2%
ADMINISTRATOR PHONE:	618-474-4690		Black	10.5%	Not Hispanic or Latino:	98.2%
OWNERSHIP:	OSF Healthcare System		American Indian	0.1%	Unknown:	0.6%
OPERATOR:	OSF Healthcare System		Asian	0.4%		
MANAGEMENT:	Church-Related		Hawaiian/ Pacific	0.1%	IDPH Number:	5942
CERTIFICATION:	(Not Answered)		Unknown	0.8%	HPA	F-01
FACILITY DESIGNATION:	General Hospital				HSA	11
ADDRESS	1 Saint Anthony's Way	CITY: Alton	COUNTY: Madison 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	101	101	42	2,116	8,599	1,363	4.7	27.2	26.9	26.9
0-14 Years				0	0					
15-44 Years				257	862					
45-64 Years				753	2,867					
65-74 Years				402	1,718					
75 Years +				704	3,152					
Pediatric	5	5	1	0	0	2	0.0	0.0	0.1	0.1
Intensive Care	19	19	8	452	1,176	42	2.7	3.3	17.5	17.5
Direct Admission				382	939					
Transfers - Not included in Facility Admissions				70	237					
Obstetric/Gynecology	20	20	7	318	701	8	2.2	1.9	9.7	9.7
Maternity				314	691					
Clean Gynecology				4	10					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	30	30	20	280	5,141	0	18.4	14.0	46.8	46.8
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	28	28	12	165	2,374	0	14.4	6.5	23.2	23.2
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	203			3,261	17,991	1,415	6.0	53.0	26.1	

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	61.7%	20.4%	0.3%	15.4%	0.8%	1.4%	
	2011	666	10	503	25	46	3,261
Outpatients	39.9%	27.4%	0.5%	29.3%	2.4%	0.4%	
	34237	23500	401	25145	2089	351	85,723

<u>Financial Year Reported:</u>	10/1/2015 to	9/30/2016	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>					Charity Care Expense	Total Charity Care Expense
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals			
Inpatient Revenue (\$)	41.4%	28.3%	0.5%	29.1%	0.6%	100.0%			1,161,505
	11,987,672	8,188,770	145,489	8,428,647	178,278	28,928,856	231,338		Total Charity Care as % of Net Revenue
Outpatient Revenue (\$)	18.6%	20.8%	0.4%	57.8%	2.3%	100.0%			
	8,187,237	9,131,694	187,761	25,389,663	1,031,642	43,927,997	930,167		1.6%

<u>Birthing Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	310		Level I	Level II	Level II+	Kidney:	
Number of Live Births:	310		Beds	20	20	Heart:	
Birthing Rooms:	0		Patient Days	607	33	Lung:	
Labor Rooms:	2		Total Newborn Patient Days		640	Heart/Lung:	
Delivery Rooms:	0					Pancreas:	
Labor-Delivery-Recovery Rooms:	0					Liver:	
Labor-Delivery-Recovery-Postpartum Rooms:	11		Inpatient Studies		119,954	Total:	
C-Section Rooms:	1		Outpatient Studies		207,072		
CSections Performed:	83		Studies Performed Under Contract		17,045		

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	3	0	8	0	8	2.7	0.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	6	6	170	454	405	760	1165	2.4	1.7
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	0	0	0	0	0	0.0	0.0
OB/Gynecology	0	0	1	1	12	82	46	165	211	3.8	2.0
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	0	0	0	50	0	50	50	0.0	1.0
Orthopedic	0	0	0	0	196	570	591	784	1375	3.0	1.4
Otolaryngology	0	0	0	0	7	188	14	326	340	2.0	1.7
Plastic Surgery	0	0	0	0	0	105	0	83	83	0.0	0.8
Podiatry	0	0	0	0	32	104	48	124	172	1.5	1.2
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	1	1	27	93	42	146	188	1.6	1.6
Totals	0	0	8	8	447	1646	1154	2438	3592	2.6	1.5

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

8

Stage 2 Recovery Stations

0

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	3	3	290	2051	253	1808	2061	0.9	0.9
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	0	0	0	0	0	0	0	0.0	0.0
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
<u>Multipurpose Non-Dedicated Rooms</u>											
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Emergency/Trauma Care

Certified Trauma Center	No
Level of Trauma Service	Level 1
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	0
Patients Admitted from Trauma	0
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	17
Persons Treated by Emergency Services:	23,517
Patients Admitted from Emergency:	2,228
Total ED Visits (Emergency+Trauma):	23,517

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	85,723
Outpatient Visits at the Hospital/ Campus:	85,723
Outpatient Visits Offsite/off campus	0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	1
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:	311
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	191
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	75
EP Catheterizations (15+)	45

Cardiac Surgery Data

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

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

	<u>Owned Contract</u>		<u>Inpatient</u>	<u>Outpt</u>	<u>Contract</u>		<u>Owned Contract</u>		
General Radiography/Fluoroscopy	9	2	2,657	20,682	0	Lithotripsy	0	1	29
Nuclear Medicine	2	0	145	979	0	Linear Accelerator	1	0	3,057
Mammography	2	0	0	4,652	0	Image Guided Rad Therapy			191
Ultrasound	4	0	663	3,961	0	Intensity Modulated Rad Thrpy			440
Angiography	1	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			65	195	0	Proton Beam Therapy	0	0	0
Interventional Angiography			6	34	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	0	1	0	0	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	1	0	682	7,549	0				
Magnetic Resonance Imaging	1	0	264	1,869	0				