



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-10	BOARD MEETING: July 24, 2018	PROJECT NO: 18-013	PROJECT COST: Original: \$49,202,441
FACILITY NAME: Blessing Hospital		CITY: Quincy	
TYPE OF PROJECT: Non-Substantive			HSA: III

PROJECT DESCRIPTION: The Applicant (Blessing Hospital) proposes to build out shell space on the fourth floor and add a fifth and sixth floor to house 96 medical surgical beds in the Moorman Pavilion. There is no increase in the existing number of 178 medical surgical beds being proposed. The cost of the project is \$49,202,441 and the anticipated completion date is February 28, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicant (Blessing Hospital) proposes to build out shell space on the fourth floor (approved as part of Permit #11-018) and add a fifth and sixth floor to house 96 medical surgical beds in the bed tower referred to as the Moorman Pavilion. There is no increase in the current 178 authorized medical surgical beds. The cost of the project is **\$49,202,441** and the anticipated completion date is February 28, 2021.
- Should the State Board approve this project, the Applicant will be relocating medical surgical beds from a 1970 tower to the Moorman Pavilion. The vacated space (approximately 49,900 GSF) located in the 1970 tower will then be modernized as part of a second application for permit to be filed at some future date.
- The Moorman Pavilion was approved by the State Board in July 2011 as Permit #11-018 at a cost of \$70,429,642. The Pavilion consists of a ground level and four floors totaling 177,044 square feet. The Pavilion houses mental health for adolescents and adults on the ground level and first floor, while the 2nd and 3rd floor houses medical/surgical beds in private rooms. The 4th floor is shelled space to be built out. Permit #11-018 was completed September 30, 2015 with a cost of \$67,791,116.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the cost of the project exceeds the capital expenditure minimum of \$13,171,046.

PURPOSE OF THE PROJECT:

- The Applicant stated: *“The purpose of the project is to relocate 96 medical surgical beds currently housed in a 50-year old structure to the Moorman Pavilion to meet current health care standards and to provide private rooms to the residents of four west central Illinois counties (Adams, Brown, Hancock and Pike) and three counties in northeast Missouri (Marion, Lewis and Clark)”*
- *“The people of Illinois should have facilities which are modern in accord with all recognized standards of design, construction, operation and which represent the most cost efficient alternative for the provision of quality care.”* [77 ILAC 1100.360 - Modern Facilities]

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

- For the modernization of a category of service the Applicant must document that the facility is deteriorated or functionally obsolete and need to be replaced or modernized. When considering the modernization of a category of service the State Board reviews narratives submitted by the Applicant documenting obsolescence, information provided by the Department of Public Health regarding life safety concerns and conditions of participation and plans of correction. The State Board also considers whether the existing category of service meets current standards of care in the industry. No consideration of other Planning Area hospitals' utilization or Planning Area bed need or excess is considered.
- As part of the State Board's review, the historical growth of the category of service is considered when justifying the number of beds being modernized (77 ILAC 1110.120 (b) – Projected Utilization). Based upon the historical growth of approximately 3% in the number of admissions compounded annually and the growth in the patient days of approximately 2% compounded annually for the period 2012 through 2016 it does appear that the 178 medical surgical beds

currently authorized will be needed by 2022 the second year after project completion. However the historic utilization does not warrant the 178 medical surgical beds currently. At the time of the second Application for Permit is submitted the Applicant has stated that the number of medical surgical beds currently authorized will be reevaluated.

- The Applicant is financially viable as evidenced by the “A” bond rating. However the construction and contingency costs exceed the State Board Standard by \$10.9 million.

CONCLUSIONS:

- The Applicant addressed a total of 16 criteria and have not met the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.200(d) - Category of Service Modernization	The Applicant’s 5-year historical average daily census does not justify the number of medical surgical beds currently authorized. The Applicant’s historical average daily census will support 129 medical surgical beds at the target occupancy and not the 178 currently authorized.
Criterion 1120.140(c) – Reasonableness of Project Cost	The Applicant has exceeded the State Board Standard for New Construction and Contingencies costs by approximately \$10.9 million. [Explanation for the cost difference at pages 18-19 of this report]

STATE BOARD STAFF REPORT

Project #18-013

Blessing Hospital

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	Blessing Hospital
Facility Name	Blessing Hospital
Location	1005 Broadway, Quincy, Illinois
Permit Holder	Blessing Hospital
Operating Entity/Licensee	Blessing Hospital
Owner of Site	Blessing Hospital
Gross Square Feet	55,617/ GSF
Application Received	April 26, 2018
Application Deemed Complete	April 27, 2018
Financial Commitment Date	July 24, 2020
Anticipated Completion Date	February 28, 2021
Review Period Ends	June 26, 2018
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

I. Project Description

The Applicant (Blessing Hospital) proposes to build out shell space on the fourth floor and add a fifth and sixth floor to house 96 medical surgical beds in the Moorman Pavilion. There is no increase in the 178 medical surgical beds being proposed. The cost of the project is \$49,202,441. The anticipated completion date is February 28, 2022.

II. Summary of Findings

- A. State Board Staff finds the proposed project is not in conformance with all relevant provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project is not in conformance with all relevant provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicant, (Blessing Hospital) located in Quincy, Illinois, is a 307-bed not-for-profit acute care hospital. The Hospital provides inpatient, outpatient and emergency care services for residents of western Illinois, northeastern Missouri, and southern Iowa. The project is a non-substantive project subject to a Part 1110 and Part 1120 review. Non-substantive projects are all projects not considered substantive. Substantive projects are

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]*

IV. Health Service Area

Blessing Hospital is located in the HSA III Health Service Area and the E-05 Hospital Planning Area. The HSA III Health Service Area includes the Illinois Counties of Adams, Brown, Calhoun, Cass, Christian, Greene, Hancock, Jersey, Logan, Macoupin, Mason, Menard, Montgomery, Morgan, Pike, Sangamon, Schuyler, and Scott. The E-05 Hospital Planning Area includes Adams and Hancock Counties; Schuyler County Townships of Birmingham, Brooklyn, Camden, and Huntsville; Brown County Townships of Pea Ridge, Missouri, Lee, Mount Sterling, Buckhorn and Elkhorn. Blessing Hospital is located in Adams County.

There are 19 hospitals in Health Service Area III. Twelve of the hospitals are critical access hospitals. There are two hospitals in the E-05 Hospital Planning Area: Blessing Hospital, Quincy, Illinois and Memorial Hospital, Carthage, Illinois (Critical Access Hospital).

V. Project Details

This Application for Permit is the first of two projects that will address the age of the 1970 patient tower at Blessing Hospital. With infrastructure that dates back approximately 50 years, the patient tower does not meet today's standards and codes. The proposed project will replace 96 medical surgical beds in new space and will allow the Applicant to continue operations and modernize the 1970 tower after the proposed CON has been completed. Following project completion, the authorized medical/surgical bed capacity will not change from the 178 beds, but the hospital will be able to move from 26% private medical/surgical rooms to 85%.

The Applicant states the medical surgical units are functionally obsolete, have structural limitations, are too small for today's equipment and family involvement. According to the Applicant the patient rooms are not currently designed to accommodate negative air flow for infection control. The current units do not have adequate space for storage, meeting areas and lounges are limited, and support areas for staff and physicians are needed. The Applicant propose to build out the Moorman Pavilion's fourth floor and add a fifth, and sixth floor addition on top of the Hospitals most recent patient tower to support the future modernization plans of the 1970 Patient Tower. The 4th floor is shelled space approved as part of Permit #11-018. The Moorman Pavilion Addition (current CON request) will accommodate 96 current Medical Surgical beds once it is completed.

Vacated Space:

Approximately 49,900 GSF will be vacated in the 1970 tower should the State Board approve this project. A second Application for Permit will be submitted (at a later date) to renovate and modernize all current infrastructures within the structural walls of the 1970's building. Recently performed infrared thermal studies have identified moisture infiltration along the structures exterior windows which needs to be addressed. Blessing will return to the Board with a CON to obtain approval prior to the renovation of the 1970 bed tower. Construction sequence is to replace the infrastructure from the top down starting with the 5th and 6th floors. This project will consist of 5 phases, renovating floors 2 through 6. Once completed, Blessing will have changed our standard of care primarily focusing on in-patient facility based private occupancy rooms.

VI. Project Uses and Sources of Funds

The Applicant are funding this project with cash in the amount of \$14,202,441 and a bond issue of \$35,000,000.

TABLE ONE				
Project Costs and Sources of Funds				
USE OF FUNDS	Reviewable	Non Reviewable	Total	% of Total
Site Survey and Soil Investigation		\$22,000	\$22,000	0.04%
Site Preparation		\$1,887,923	\$1,887,923	3.84%
New Construction Contracts	\$32,602,935	\$3,670,670	\$36,273,605	73.72%
Contingencies	\$1,535,280	\$278,400	\$1,813,680	3.69%
Architectural/Engineering Fees	\$1,599,874	\$290,113	\$1,889,987	3.84%
Consulting and Other Fees	\$691,775	\$30,819	\$722,594	1.47%
Movable or Other Equipment (not in construction contracts)	\$3,892,652	0	\$3,892,651	7.91%
Bond Issuance Expense (project related)	\$520,200	\$79,800	\$600,000	1.22%
Net Interest Expense During Construction (project related)	\$1,820,700	\$279,300	\$2,100,000	4.27%
TOTAL USES OF FUNDS	\$42,663,416	\$6,539,025	\$49,202,441	100.00%
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total	% of Total
Cash and Securities	\$12,314,931	\$1,887,510	\$14,202,440.85	28.87%
Bond Issues (project related)	\$30,348,485	\$4,651,515	\$35,000,000.00	71.13%
TOTAL SOURCES OF FUNDS	\$42,663,416	\$6,539,025	\$49,202,440.85	100.00%

VII. Background of the Applicants, Purpose of the Project, Safety Net Impact, Alternatives

A) Criterion 1110.110 - Background of the Applicant

To address this criterion the Applicant must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions¹ have been taken against any applicant's facility by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board or a certified listing of adverse action taken against any applicant's facility; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

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 54]
2. The Applicant has provided licensure for Blessing Hospital as required. [Application for Permit page 55]
3. Certificate of Good Standing for Blessing Hospital has been provided as required. Blessing Hospital is in good standing with the State of Illinois. An Illinois Certificate of Good Standing is evidence that an Illinois business franchise (i.e. Illinois Corporation, LLC or LP) is in existence, is authorized to transact business in the state of Illinois, and complies with all state of Illinois business requirements and therefore is in "Good Standing" in the State of Illinois. [Application for Permit page 36]
4. The site is owned by Blessing Hospital. Documentation of the ownership of the site can be found at pages 29-35 of the Application for Permit.
5. 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.* [Application for Permit page 40-43]
6. The proposed location of the facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State*

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)

owned and non-State owned historic resources (20 ILCS 3420/1). [Application for Permit pages 45-49]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANT (77 ILAC 1110.1430(b) (1) & (3))

B) Criterion 1110.110(b) – Purpose of the Project

To demonstrate compliance with this criterion the Applicant must document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other area, per the applicant's definition. The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project.

The purpose of the project is to relocate 96 medical surgical beds currently housed in a 50-year old structure to the Moorman Pavilion to meet current health care standards and to provide private rooms to the residents of four west central Illinois counties (Adams, Brown, Hancock and Pike) and three counties in northeast Missouri (Marion, Lewis and Clark). A complete narrative of the purpose of the project is provided at pages 57-59.

C) Criterion 1110.110 (c) Safety Net Impact

All health care facilities, with the exception of skilled and intermediate long term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

This is a non-substantive project. A non-substantive project does not require a Safety Net Impact Statement. Charity Care information was provided as required.

TABLE TWO			
Charity Care Blessing Hospital			
Fiscal Year	2017	2016	2015
Net Patient Revenue (before bad debts)	376,193,843	335,903,204	327,091,198
Amount of Charity Care (charges)	26,810,029	25,583,113	25,536,630
Cost of Charity Care	6,158,264	6,454,619	6,389,265
% if Charity Care to Net Revenue	1.64%	1.92%	1.95%

D) Criterion 1110.110 (d) - Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicant must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The Applicant considered the following alternatives:

1. Do Nothing
2. Build-Out Shell Space in Moorman Pavilion and modernize the 1970 Tower

Do Nothing:

This option was rejected because it would not allow for the future renovation of the 1970 building, nor would it provide for an increase in the number of private rooms. The age of the current construction is 50+ years old and to do nothing will not address future needs. It is imperative the number of private rooms be increased because private rooms have become the standard for privacy, infection control, flexibility and patient satisfaction. No cost would be involved in this option, but doing nothing would have a negative impact on our ability to serve our patients and provide a current working environment for our staff and the students who train here.

Build-Out Shell Space in the Moorman Pavilion and modernize the 1970 Tower

This option was rejected because the demand for health care services in the community would not be able to be supported during the modernization of the 1970 structure. This option contains several construction challenges from a Mechanical, Electrical, Plumbing, and Fire Protection perspective. With having major construction occurring on the same floor, the noise disruptions along with temporary infrastructure outages would be a challenge throughout the entire project. It would not be reasonable to close a unit and defer patients for a construction period, nor would it be a financially sound alternative. The narrow floor plate, close/irregular column spacing of the outdated 1970 patient tower are not suitable for modern medical surgical units. To modernize, an entire floor would need to be gutted to increase the space requirements for a modern private room. The most cost effective and least patient disruptive is to take out of service two floors at a time. Not only has the medical surgical census been increasing annually for the last few years, 37 times Blessing has had to divert patients in the current 2018 year. The cost for this alternative would be approximately \$86 million and take seven years to complete.

VIII. Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.120 (a) - Size of Project

To demonstrate compliance with this criterion the Applicant must document that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B, or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

The Applicant is proposing 96 medical surgical beds in 55,617 DGSF of space. The State Board Standard is 500-660 DGSF per bed or 63,360 DGSF. The Applicant has met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SIZE OF PROJECT (77 ILAC 1110.120(a))

B) Criterion 1110.120 (b) - Project Services Utilization

To demonstrate compliance with this criterion the Applicant must document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. If the applicant does not meet the utilization standards in Appendix B, or if service areas do not have utilization standards in 77 Ill. Adm. Code 1100, the applicant shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source.

The Applicant stated the following:

“Blessing Hospital has seen an increase in days of 8% and 6% for 2016 and 2017. 2018 is running 8% ahead of the 49,692 projection. The 2018 year to date has seen a 13.9% in Medical/Surgical days over the same period in 2017. Thus with the addition of new physicians and services to the market, helping to keep patients close to home, Blessing believes they will continue to see an increase through 2020 when the volume is conservatively projected to flatten. 160 of the 178 Medical/Surgical beds will be in newer construction at the end of the project; 18 Medical/Surgical beds will remain in the 1970 bed tower. If the projected targets are not met, then when Blessing returns with the CON to renovate the 1970 tower, the continued need for the 18 beds can be readdressed prior to renovation. Blessing believes based on market share the 2022 projection of days is attainable. If you annualized 2018 based on year to date, Blessing would end the calendar year with approximately 60,000 patient days. The 20 beds added by the 10% rule were needed due to the organization's patient days in 2017 exceeding the 85% availability. Blessing Health System continues to recruit physician specialists to our community.”

The State Board's Staff review of the historical information submitted for the five year period 2012-2016 shows a compounded annual growth in the number of admissions of approximately 3% and the number of days of approximately 2% at the hospital for medical surgical service. If that growth continues by the second year after project completion (2022) the Applicant will be at the target occupancy of approximately 85%. The Applicant has stated that if the 18 medical surgical beds still remaining in the old tower are not needed the total number of medical surgical beds will be reevaluated at the time of the submittal of the CON to renovate the 1970 tower.

TABLE THREE Historical Growth 2012 -2016							
Year ⁽¹⁾	2012	2013	2014	2015	2016	5-year % Increase	CAGR ⁽⁵⁾
Beds	158	158	158	158	158		
Admissions	7,663	7,456	7,675	7,921	8,691	13.42%	2.96%
Days	39,088	38,897	39,823	38,649	42,430	8.55%	1.97%
ALOS	5.1	5.2	5.2	4.9	4.9		
ADC	107.1	106.6	109.1	105.9	115.9		
Occupancy %	67.80%	67.40%	69.10%	67.00%	73.40%		

TABLE THREE (continued) Projected Growth 2012 -2016						
Year ⁽²⁾	2017	2018	2019	2020	2021	2022
Beds ⁽³⁾	178	178	178	178	178	178
Beds ⁽⁴⁾	160	160	160	160	160	160
Admissions	8,948	9,213	9,486	9,767	10,056	10,353
Days	45,055	49,692	50,671	51,669	52,687	53,725
ALOS	5.04	5.39	5.34	5.29	5.24	5.19
ADC	123.44	136.14	138.82	141.56	144.35	147.19
Occupancy %	69.35%	76.48%	77.99%	79.53%	81.09%	82.69%
Occupancy %	77.15%	85.09%	86.77%	88.47%	90.22%	91.99%

1. 2012-2016 Information from Hospital Profiles published by the State Board.
2. 2017-2022 admissions and days based upon CAGR from 2012 – 2016
3. Authorized beds approved by the State Board
4. The number of Blessing Hospital beds in new construction.
5. CAGR – compounded annual growth rate

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH PROJECTED UTILIZATION (77 ILAC 1110.120 (b))

C) Criterion 1110.120 (e) - Assurances

To demonstrate compliance with this criterion the Applicant must document that the representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

In additional information provided, the Applicant attested that at the end of the second year of operation after project completion Blessing Hospital will achieve and maintain target occupancy for the medical surgical category of service.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE ASSURANCES (77 ILAC 1110.120(e))

IX. Medical/Surgical, Obstetric, Pediatric and Intensive Care

A) Criterion 1110.200 (d) - Category of Service Modernization

If the project involves modernization of a category of hospital bed service, the Applicant must document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:

- A) High cost of maintenance;
 - B) Non-compliance with licensing or life safety codes;
 - C) Changes in standards of care (e.g., private versus multiple bedrooms); or
 - D) Additional space for diagnostic or therapeutic purposes.
- 4) Projects involving the replacement or modernization of a category of service or hospital shall meet or exceed the occupancy standards for the categories of service, as specified in 77 Ill. Adm. Code 1100.

The medical surgical units located in the 1970 tower are functionally obsolete and need to be modernized due to mechanical infrastructure and are not ideal for the number of beds they currently accommodate. The existing medical surgical nursing units have structural limitations, patient rooms need to be designed to accommodate negative air-flow for infection control, and the semi-private rooms are too small for today's equipment and family involvement. The medical surgical beds located in the 1970 bed tower do not meet the current standards of care. [See Application for Permit pages 84-85]

4) Based upon the 5-year average daily census (ADC) the Applicant can justify 129 beds at the target occupancy of 85%. [109 ADC ÷ 85% = 129 medical surgical beds].

TABLE FOUR						
5-Year Average Medical Surgical Category of Service						
Year	2012	2013	2014	2015	2016	5-Year Average
Beds	158	158	158	158	158	
Admissions	7,663	7,456	7,675	7,921	8,691	7,881
Days	39,088	38,897	39,823	38,649	42,430	39,777
ALOS	5.1	5.2	5.2	4.9	4.9	5
ADC	107.1	106.6	109.1	105.9	115.9	109
Occupancy %	67.80%	67.40%	69.10%	67.00%	73.40%	68.94%

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION CATEGORY OF SERVICE MODERNIZATION (77 ILAC 1110.200 (d))

B) Criterion 1110.200 (f) - Performance Requirements – Bed Capacity Minimum

1) Medical-Surgical

The minimum bed capacity for a new medical-surgical category of service within a Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau, is 100 beds.

Blessing Hospital is not located in an MSA and the Applicant is modernizing an existing medical surgical service and not proposing a new medical-surgical category of service. The Applicant has successfully addressed this criterion.

Note: Blessing Hospital is located in the Quincy-Hannibal, Missouri Micropolitan Statistical Area. *The micropolitan area designation was created in 2003. A micropolitan area is a geographic entity used for statistical purposes based on counties and county equivalents. Micropolitan cities do not have the economic or political importance of large cities, but are nevertheless significant centers of population and production, drawing workers and shoppers from a wide local area. Because the designation is based on the core urban cluster's population and not on that of the whole area, some micropolitan areas are actually larger than some metropolitan areas. There are 536 micropolitan areas in the United States. (Source: US Census Bureau)*

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PERFORMANCE REQUIREMENTS (77 ILAC 1110.200 (f))

X. Financial Viability

A) Criterion 1120.120 – Availability of Funds

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

The Applicant is funding this project with cash in the amount of \$14,202,440.85 and a bond issue of \$35,000,000. Blessing Hospital has an “A” bond rating from S&P Global Ratings. Based upon the “A” or better bond rating and the review of the audited financial statements it appears that the Applicant has sufficient resources to fund this project. [Source: Application for Permit pages 76-83 and 2017 Audited Financial Statements]

TABLE FIVE		
Blessing Hospital		
Audited Financial Statements		
September 30th		
	2017	2016
Cash	\$55,716,216	\$46,821,266
Current Assets	\$286,346,311	\$254,260,936
Total Assets	\$538,031,179	\$486,638,723
Current Liabilities	\$77,045,535	\$67,231,696
Total Liabilities	\$233,771,653	\$231,960,489
Net Assets	\$304,259,526	\$254,678,234
Net Patient Service Revenue	\$376,193,843	\$335,902,204
Total Revenue	\$381,482,790	\$343,835,425
Total Expenses	\$310,092,982	\$295,963,301
Operating Income	\$71,389,808	\$47,872,124

TABLE FIVE
Blessing Hospital
Audited Financial Statements
September 30th

	2017	2016
Investment Income	\$2,853,181	\$2,389,421
Excess of Revenues over Expenses	\$74,242,989	\$50,261,545

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS 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 an “A” or better bond rating or provide 3 years of historical financial ratios as required by the State Board.

The Applicant has documented an “A” or better bond rating. Based upon this bond rating the Applicant appears to be financially viable.

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

XI. Economic Feasibility

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

To demonstrate compliance with this criterion the Applicant must document an “A” or better bond rating or attest to the following

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The Applicant is funding this project with cash in the amount of \$14,202,440.85 and a bond issue of \$35,000,000. The Applicant provided evidence of an “A” or better bond rating. By providing evidence of an “A” or better bond rating the Applicant has successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS (77 ILAC 1120.140(a))

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

To demonstrate compliance with this criterion the Applicant must document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment is less costly than constructing a new facility or purchasing new equipment.

The Applicant is funding this project with cash in the amount of \$14,202,440.85 and a bond issue of \$35,000,000. The bonds are for 30 years at an approximate interest rate of 4%. The Applicant provided evidence of an “A” or better bond rating. The Applicant stated that the financing *will not be at the lowest net cost available due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term, financing costs and other factors*. The Applicant has met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION TERMS OF DEBT FINANCING (77 ILAC 1120.140 (b))

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

To demonstrate compliance with this criterion the Applicant must document that the estimated project costs are reasonable and shall document compliance

The reviewable space for this project is 55,617 GSF. The Applicant has exceeded the State Board standard by approximately \$10.9 million. [See Explanation for the cost difference at the end of this report]

TABLE SIX
Reasonableness of Project Costs

Use of Funds	Project Costs		State Board Standard		Difference	Met Standard?
	Total		Total		Total	
New Construction Contracts & Contingencies ⁽¹⁾	\$34,138,215	\$613.81 per GSF	\$23,253,468	\$418.11 per GSF	-\$10,884,748	No
Contingencies ⁽²⁾	\$1,535,280	4.71%	\$3,413,822	10.00%	\$1,878,541	Yes
Architectural/Engineering Fees ⁽³⁾	\$1,599,874	4.69%	\$2,754,954	8.07%	\$1,155,080	Yes
Consulting and Other Fees	\$691,775					
Movable or Other Equipment (not in construction contracts)	\$3,892,652					
Bond Issuance Expense (project related)	\$520,200					
Net Interest Expense During Construction (project related)	\$1,820,700					
			No State Board Standard			

1. RS Means Standard for New Construction Contracts and Contingencies in Quincy, Illinois is \$405.83 per GSF inflated to the midpoint of construction of 2020 is \$418.11 per GSF.
2. Contingencies are 10% of new construction of \$32,602,935.
3. Architectural and Engineering Fees is 8.07% of New Construction and Contingencies.

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

Note: The State Board has not developed standards for the two criteria listed below. If the Applicant submits the requested information the Applicant has met the requirements of criteria.

D) Criterion 1120.140(d) – Projected Direct Operating Costs

To document compliance with this criterion the Applicant must document the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) 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.

The direct annual operating costs for the full fiscal year at target utilization but no more than two years after project completion is \$412.59 per equivalent patient day.

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

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

To document compliance with this criterion the Applicant must document the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The total annual capital costs for the first full year at target utilization is \$28.47 per equivalent patient day.

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

Explanation of the Cost in Excess of the State Board Standard

The medical surgical space for the original building project completed in 2015 at \$488 per square foot. Given inflation of 15% (5% per year) to get us to 2018 data, our cost would be comparable to \$561 per square foot. Based upon our past project historical cost data, below are some key components of the Moorman Pavilion 456 Expansion Project that have been identified as major cost differences between the two projects:

1. Labor cost premium and in-efficiencies working in and above an existing inpatient care environment.
2. Demolition of existing roof and exterior skin for all structural tie-in. Construction also requires temporary roofing to be installed during particular phases of the project to protect the existing inpatient space below.
3. Vertical material handling premium cost and contractor logistics due to working on an existing vertical structure. Price includes all contractor premium cost for material logistics and protective equipment required to protect structures and occupied spaces below.
4. Premium cost for specialized structural concrete shoring system. To reinforce our existing structure, we are required to structurally reinforce our 4th shell space until to support the construction loading above and protect the new concrete until it reaches structural strength. This design limits the impact to your patient serving floors below.
5. Rework and tie in of all Mechanical, Electrical, Plumbing, Fire Protection, and Pneumatic Tube systems supporting our existing occupied inpatient area below construction. Current pricing considers temporary support systems to maintain infrastructure for occupied spaces being affected. Pricing also considers the replacement of all demolished finishes in area's which have to be accessed for infrastructure tie-in locations.
6. All patient rooms will contain a patient lift track system along with motorized lift car to improve patient care. Adding a motorized lift car to all patient rooms is an identified improvement from the previous Moorman Pavilion project.
7. Construct an illuminated screen wall at the top of the building structure to conceal all infrastructure which requires to be located on top of the structure. Equipment is required to be installed on the roof due to adding onto our existing structure.
8. Construction costs to cover the uncertainties of the steel market prior to the project being bid out for construction.

9. Construction pricing provided has been based on schematic design of the project. Contractor pricing contains internal uncertainties based on the phase of the contract drawings. Current budgetary pricing has been established from selected contractors and has not yet been competitively bid out.

10. Upgrade to our cable and low voltage to support our backbone of the facility.

Project	Project Cost	Cost Per SF
2015 Moorman Pavilion (2 nd and 3 rd Floor Medical Surgical Space Only)	\$18,094,845.45	\$488.02
RS Means New Construction Contracts and Contingencies	\$23,253,468	\$418.11
2018 Moorman Pavilion 4,5, & 6 Expansion	\$34,138,215.33	\$613.81

Source: Submitted by the Applicants 2018.6.26

<u>Ownership, Management and General Information</u>				<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Maureen Kahn			White	94.3%	Hispanic or Latino:	0.6%
ADMINISTRATOR PHONE:	217-223-8400			Black	4.2%	Not Hispanic or Latino:	99.2%
OWNERSHIP:	Blessing Hospital			American Indian	0.2%	Unknown:	0.1%
OPERATOR:	Blessing Hospital			Asian	0.2%		
MANAGEMENT:	Not for Profit Corporation (Not Church-R			Hawaiian/ Pacific	0.0%	IDPH Number:	0141
CERTIFICATION:	(Not Answered)			Unknown	1.1%	HPA	E-05
FACILITY DESIGNATION:	General Hospital					HSA	3
ADDRESS	Broadway @ 11th Street	CITY: Quincy	COUNTY: Adams 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	158	158	130	8,691	35,137	7,293	4.9	115.9	73.4	73.4
0-14 Years				0	0					
15-44 Years				1,146	3,697					
45-64 Years				2,530	9,629					
65-74 Years				1,895	8,236					
75 Years +				3,120	13,575					
Pediatric	20	18	8	282	556	742	4.6	3.5	17.7	19.7
Intensive Care	25	25	21	1,679	4,833	130	3.0	13.6	54.2	54.2
Direct Admission				1,404	3,822					
Transfers - Not included in Facility Admissions				275	1,011					
Obstetric/Gynecology	25	22	18	1,210	2,618	112	2.3	7.5	29.8	33.9
Maternity				1,167	2,531					
Clean Gynecology				43	87					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	20	20	20	561	5,422	0	9.7	14.8	74.1	74.1
Swing Beds			0	0	0		0.0	0.0		
Total AMI	41			1,999	11,052	0	5.5	30.2	73.7	
Adolescent AMI		15	15	433	3,057	0	7.1	8.4		55.7
Adult AMI		26	26	1,566	7,995	0	5.1	21.8		84.0
Rehabilitation	18	18	18	347	4,742	0	13.7	13.0	72.0	72.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	307			14,494	64,360	8,277	5.0	198.5	64.6	

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	52.3%	21.5%	0.6%	22.3%	1.4%	1.8%	
	7585	3118	88	3238	199	268	14,496
Outpatients	36.5%	23.0%	0.8%	30.7%	1.6%	7.4%	
	67269	42468	1391	56636	3007	13744	184,515

<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 (\$)	46.5%	4.6%	0.5%	48.2%	0.2%	100.0%			6,899,766
	76,795,828	7,606,613	907,137	79,554,980	347,342	165,211,900	3,082,375		
Outpatient Revenue (\$)	18.6%	4.7%	0.5%	75.9%	0.3%	100.0%			Total Charity Care as % of Net Revenue
	30,185,227	7,711,855	773,893	123,428,076	539,166	162,638,217	3,817,391		2.1%

<u>Birthing Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	1,158		Level I	Level II	Level II+	Kidney:	
Number of Live Births:	1,153		Beds	23	2	0	Heart:
Birthing Rooms:	0		Patient Days	1,945	212	0	Lung:
Labor Rooms:	3		Total Newborn Patient Days			2,157	Heart/Lung:
Delivery Rooms:	0						Pancreas:
Labor-Delivery-Recovery Rooms:	5						Liver:
Labor-Delivery-Recovery-Postpartum Rooms:	0		<u>Laboratory Studies</u>				Total:
C-Section Rooms:	2		Inpatient Studies			0	
CSections Performed:	336		Outpatient Studies			0	
			Studies Performed Under Contract			0	

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	222	116	400	160	560	1.8	1.4
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	9	9	742	1148	1236	1302	2538	1.7	1.1
Gastroenterology	0	0	0	0	63	90	43	54	97	0.7	0.6
Neurology	0	0	0	0	221	190	847	469	1316	3.8	2.5
OB/Gynecology	0	0	0	0	66	385	110	624	734	1.7	1.6
Oral/Maxillofacial	0	0	0	0	7	36	6	50	56	0.9	1.4
Ophthalmology	0	0	0	0	2	0	7	0	7	3.5	0.0
Orthopedic	0	0	0	0	639	571	1516	841	2357	2.4	1.5
Otolaryngology	0	0	0	0	21	181	22	137	159	1.0	0.8
Plastic Surgery	0	0	0	0	0	17	0	48	48	0.0	2.8
Podiatry	0	0	0	0	25	25	24	26	50	1.0	1.0
Thoracic	0	0	0	0	29	14	78	21	99	2.7	1.5
Urology	0	0	0	0	209	863	301	795	1096	1.4	0.9
Totals	0	0	9	9	2246	3636	4590	4527	9117	2.0	1.2

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

10

Stage 2 Recovery Stations

15

Dedicated and Non-Dedicated Procedure Room Utilization

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	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	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
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**Cardiac Catheterization Labs**

Certified Trauma Center	No
Level of Trauma Service	Level 1
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	1
Number of Trauma Visits:	240
Patients Admitted from Trauma	110
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	31
Persons Treated by Emergency Services:	45,541
Patients Admitted from Emergency:	12,221
Total ED Visits (Emergency+Trauma):	45,781

Total Cath Labs (Dedicated+Nondedicated labs):	3
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	1

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	3,054
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	1,874
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	890
EP Catheterizations (15+)	290

Cardiac Surgery Data

Total Cardiac Surgery Cases:	108
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	108
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	98

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	184,515
Outpatient Visits at the Hospital/ Campus:	184,515
Outpatient Visits Offsite/off campus	0

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

	Owned Contract		Inpatient	Outpt	Contract		Owned Contract		
General Radiography/Fluoroscopy	24	0	18,799	37,230	0	Lithotripsy	0	1	13
Nuclear Medicine	3	0	422	1,185	0	Linear Accelerator	2	0	8,422
Mammography	4	0	5	8,499	0	Image Guided Rad Therapy			0
Ultrasound	7	0	3,515	7,159	0	Intensity Modulated Rad Thrpy			2,204
Angiography	1	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			18	35	0	Proton Beam Therapy	0	0	0
Interventional Angiography			582	317	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	0	0	0	0	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	2	0	6,590	11,921	0				
Magnetic Resonance Imaging	1	0	1,474	3,743	0				

18-013 Blessing Hospital - Quincy

