



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-07	BOARD MEETING: December 4, 2018	PROJECT NO: 18-030	PROJECT COST: Original: \$15,800,000
FACILITY NAME: Gottlieb Memorial Hospital		CITY: Melrose Park	
TYPE OF PROJECT: Non-Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Trinity Health Corporation, Loyola University Health System, and Gottlieb Memorial Hospital) propose a major modernization of the Emergency Department (ED) on the campus of Gottlieb Memorial Hospital at a cost of \$15,800,000. The expected completion date is March 31, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Trinity Health Corporation, Loyola University Health System, and Gottlieb Memorial Hospital) propose a major modernization of the Emergency Department on the campus of Gottlieb Memorial Hospital, Melrose Park, at a cost of \$15,800,000. There is no change in the number of treatment rooms or services at the hospital. The expected completion date is March 31, 2021.

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 \$13,477,931.

PURPOSE OF THE PROJECT:

- The purpose of the proposed project is to better serve an increasing ED population with better patient care, patient safety, and patient satisfaction.

PUBLIC HEARING/COMMENT:

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

CONCLUSIONS:

- State Board Staff reviewed the application for permit and note that the Applicants met each review criteria.

STATE BOARD STAFF REPORT
Gottlieb Memorial Hospital
Project #18-030

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Trinity Health Corporation Loyola University Health System Gottlieb Memorial Hospital
Facility Name	Gottlieb Memorial Hospital
Location	701 West North Avenue, Melrose Park 60160
Permit Holder	Trinity Health Corporation Loyola University Health System Gottlieb Memorial Hospital
Operating Entity	Gottlieb Memorial Hospital
Owner of Site	Gottlieb Memorial Hospital
Total GSF	24,250 GSF (8,215 clinical)
Application Received	August 23, 2018
Application Deemed Complete	September 4, 2018
Review Period Ends	November 3, 2018
Financial Commitment Date	December 4, 2020
Project Completion Date	March 31, 2021
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants (Trinity Health Corporation, Loyola University Health System, and Gottlieb Memorial Hospital) propose a major modernization of the Emergency Department on the campus of Gottlieb Memorial Hospital, Melrose Park, at a cost of \$15,800,000. There is no change in the number of beds or services at the hospital being proposed. The expected completion date is March 31, 2021.

II. Summary of Findings

- A.** State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B.** State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicants are Trinity Health Corporation is an Indiana-based non-profit corporation, licensed to conduct business in Illinois in March 2011. Loyola University Health System is a non-profit subsidiary of Trinity Health, is Illinois-based, and was incorporated in March 1984. Gottlieb Memorial Hospital is a non-profit, 247-bed acute care hospital, located at 701 West North Avenue, Melrose Park. The hospital currently has 17 Emergency Department (ED) stations.

The proposed project is a non-substantive project subject to a Part 1110 and Part 1120 review. Financial commitment will occur after permit issuance.

IV. Health Service Area

Gottlieb Memorial Hospital, Melrose Park, is located in Health Service Area VII and the A-06 Hospital Planning Area. HSA VII includes Suburban Cook and DuPage County. The A-04 Hospital Planning Area includes the Cook County townships of River Forest, Oak Park, Cicero, Berwyn, Riverside, Proviso, Leyden and Norwood Park. There are six hospitals in the A-06 Hospital Planning Area

Hospital Facility	City	Beds
Gottlieb Memorial Hospital	Melrose Park	247
Loyola University Medical Center	Maywood	547
MacNeal hospital	Berwyn	374
Rush Oak Park Hospital	Oak Park	237
West Suburban Medical Center	Oak Park	234
Westlake Hospital	Melrose Park	230

V. Project Detail

The Applicants are proposing the modernization of its Emergency Department (ED) in an effort to meet increased demand for services, and provide a “consumer-focused” alternative to retail healthcare. Through the proposed project, the Applicants anticipate an improved patient experience through increased efficiency, reduced wait times, and increased flexibility to better serve its patient base during high-volume periods. The Applicants propose the modernization of existing space in order to establish a new ED, while the old ED remains operational. Once all necessary licensure inspection are completed, the Applicants will then transfer operations to the new ED unit. No new additional treatment rooms will be introduced and the hospital room count will remain at 17 ED treatment rooms.

VI. Project Uses and Sources of Funds

The Applicants are funding this project in its entirety with cash/securities in the amount of \$15,800,000.

TABLE ONE
Project Costs And Sources Of Funds

	Reviewable	Non-reviewable	Total	% of Total
Preplanning Costs	\$43,381	\$106,619	\$150,000	.95%
Site Survey and Soil Investigation	\$12,291	\$30,209	\$42,500	.35%
Site Preparation	\$28,921	\$71,079	\$100,000	.70%
Modernization Contracts	\$3,102,705	\$7,625,515	\$10,728,220	67.9%
Contingencies	\$310,270	\$762,552	\$1,072,822	6.7%
Architectural/Engineering Fees	\$202,736	\$498,264	\$701,000	4.4%
Consulting and Other Fees	\$294,548	\$723,910	\$1,018,458	6.4%
Movable or Other Equipment	\$1,000,000	\$987,000	\$1,987,000	12.6%
TOTAL COST	\$4,994,853	\$10,805,147	\$15,800,000	100.00%
Cash and Securities	\$4,994,853	\$10,805,147	\$15,800,000	100.00%
TOTAL SOURCES			\$15,800,000	100.00%

VII. Background of the Applicant, Purpose of Project, Safety Net Impact Statement, and Alternatives – Information Requirements

A) Criterion 1110.110(a)(1) & (3) – Background of the Applicants

An Applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the Applicants 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 Applicants have has been no *adverse action*¹ taken against the any facility owned or operated by Applicants or a certified listing of any adverse action taken.**

1. Loyola University Health System is an Illinois not-for-profit corporation, and is the sole corporate member of Gottlieb Memorial Hospital. The Applicants have attested

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)

that there has been no adverse action taken against any of the facilities owned or operated by Loyola University Health System and the facilities owned by it during the three (3) years prior to filing the application. [Application for Permit page 53-60]

2. The Applicants have authorized the Illinois Health Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection the Applicants' certificate of need to modernize Gottlieb Memorial Hospital. The authorization includes, but is 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. [Application for Permit pages 56-60]
3. The site is owned by Loyola University Health System d/b/a Gottlieb Memorial Hospital and evidence of this can be found at page 30 of the Application for Permit
4. The Applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.*
5. The location of Gottlieb Memorial Hospital 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).*

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

To demonstrate compliance with this criterion the Applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area.

The Applicants stated:

"The Applicants desire to renovate and modernize the Emergency Department at Gottlieb Memorial Hospital in Melrose Park. This proposed renovation will improve patient experience and quality, provide a consumer-focused alternative to "retail" healthcare, increase efficiency and reduce wait times, and increase flexibility to quickly scale up for peak periods of demand. The Emergency Department is a community based emergency department serving nearly 27,000 patients on an annual basis and has seen increased patient demand for services. More specifically, in fiscal year 2016, the Emergency Department had 23,732 patient visits. In fiscal year 2017, the Emergency Department has 26,477 patient visits, which represents a year over year increase of nearly 12%. Quite frankly, the Emergency Department has been experiencing increased demand for the past decade. For example, in calendar year 2010, the Emergency Department had 4,176 ambulance runs. In Calendar year 2017, the number of ambulance runs had increased by 58% to 6,850 runs. The Emergency Department is a Level II Adult Trauma Center and is currently Emergency Department approved for Pediatrics certified (EDAP). The Emergency Department has 17 treatment rooms, a phlebotomy room, a family

counseling room, a waiting room, a security area, a registration area, a break room, 1 negative pressure room, an EMS documentation room, a physician area for Emergency Department physicians, a nursing station, an EMS radio area, and Emergency Department administration offices. 40% of the patients that present to the Emergency Department have a behavioral health disorder (suicidal ideation, drug dependency, intoxication, etc.). On average, the Emergency Department has 400 hours of psychiatric holding time per month.”

C) Criterion 1110.110 (c) – Safety Net Impact Statement

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.

The modernization of an existing hospital is considered a non-substantive project and a Safety Net Impact Statement is not required. However, the Applicants did address the Charity Care criterion and that information can be found at pages 111-112 of the Application for Permit.

TABLE TWO				
Charity Care Information				
Gottlieb Memorial Hospital				
	2014	2015	2016	2017
Total Net Patient Revenue	\$124,893,323	\$114,448,200	\$118,281,186	\$126,094,287
Amount of Charity Care (Charges)	\$13,772,342	\$11,449,397	\$89,574	\$5,071,456
Cost of Charity Care	\$3,008,912	\$2,401,821	\$19,885	\$1,038,059
Cost of Charity Care/Total Net Ratio	2.41%	2.1%	.02%	.82%
Loyola University Medical Center				
	2014	2015	2016	2017
Total Net Patient Revenue	\$1,095,327,560	\$1,104,584,892	\$1,130,275,215	\$1,145,582,319
Amount of Charity Care (Charges)	\$52,204,912	\$49,544,508	\$21,031,815	\$30,561,525
Cost of Charity Care	\$16,275,351	\$13,638,188	\$5,825,581	\$9,496,022
Cost of Charity Care/Total Net Ratio	1.49%	1.23%	0.52%	0.74%
Loyola University Health System				
	2014	2015	2016	2017
Total Net Patient Revenue	\$1,220,220,883	\$1,219,033,092	\$1,248,556,401	\$1,271,676,606
Amount of Charity Care (Charges)	\$65,977,254	\$60,993,905	\$21,121,389	\$35,632,981
Cost of Charity Care	\$19,284,263	\$16,040,009	\$5,845,466	\$9,496,022
Cost of Charity Care/Total Net Ratio	1.58%	1.32%	0.47%	0.75%
Mercy Hospital & Medical Center				
	2014	2015	2016	2017
Total Net Patient Revenue	\$232,867,649	\$242,361,279	\$242,945,106	\$234,662,000
Amount of Charity Care (Charges)	\$13,582,519	\$8,252,600	\$12,446,719	\$12,499,199
Cost of Charity Care	\$5,067,120	\$2,771,486	\$4,430,706	\$4,408,423
Cost of Charity Care/Total Net Ratio	2.00%	1.05%	1.6%	1.88%
MacNeal Hospital				
	2014	2015	2016	
Total Net Patient Revenue	\$242,087,011	\$251,666,712	\$263,660,730	
Cost of Charity Care	\$2,960,888	\$2,266,840	\$2,684,648	
Cost of Charity Care/Total Net Ratio	1.22%	.90%	1.02%	

Criterion 1110.110 (d) – Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicants 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 Applicants stated:

The current Emergency Department layout at Gottlieb Memorial Hospital is suboptimal for patient throughput. Patients with non-emergent conditions are sent back and forth to the waiting area. Psychiatric patients currently remain in treatment bays awaiting transfer. The nursing station is not designed to host working Emergency Department clinical staff, Emergency Department ancillary staff, printers. EMS radios, patient supplies, and patient food. Multiple Emergency Department rooms are separated with only a curtain. The current driveway and Emergency Department parking area is shared between patients, visitors, ambulances, and supply trucks. The ambulance bay does not have sufficient spaces for the ambulance traffic. There are delays and scenarios where supply trucks have to back up in this area with the multiple different entities utilizing the same space. Medicare comprises the vast majority (70%) of Gottlieb's patient population. yet the current design is not geriatric-centric. [Application for Permit page 72]

The Applicant considered three alternatives to the proposed project:

1. Do Nothing/Maintain Status Quo

The Applicants considered this option, but it was ultimately rejected due to the increased utilization over the past decade. This increase in utilization is expected to increase in the near future, and the Applicants desire to be prepared for this increase with an updated facility, containing the most recent technology and ideas for better care for the ER patient. This alternative had no associated costs.

2. Update the Facility with a “Cosmetic Refresh”

The Applicants considered the option of a cosmetic refresh, which would include the installation of non-stick floors, new paint for walls, and new furniture and artwork for the waiting areas. While this alternative would have been less costly, it would not have addressed the core issues for renovation, which were facility layout, modern technology, and better design more conducive to patient flow. The Applicants did not identify a projected cost of this alternative.

3. Modernize the Emergency Department (option chosen)

The option to modernize the existing department was decidedly seen as most feasible, based on the need for an Emergency Department that has a better patient flow, is better equipped for the variety of emergency patients presenting to the Emergency department, and the desire for increased patient satisfaction at Gottlieb Memorial Hospital. Cost of this option: \$15,800,000.

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 Applicants must document that the physical space proposed for the project is necessary and appropriate.

As shown in the Table below the Applicants propose to modernize its existing 17-station Emergency Department, with no increase in space, or the number of stations. The Applicants have outlined the clinical spatial configurations, and have successfully addressed all of the State Board gross square footage standards as outlined in Part 1110 Appendix B. [Application for Permit page 74]

TABLE THREE Project Size						
	Proposed Rooms	Proposed Total GSF	State Board Standard GSF		Difference State Standard-Proposed GSF	Met Standard?
			Per Room	Total		
Emergency Department	17	8,215	900	15,300	-7,085	Yes
TOTAL CLINICAL		8,215				
NON CLINICAL						
Clinical Support		5,630	N/A	N/A		
Office Relocations		810	N/A	N/A		
Public Circulation		4,200	N/A	N/A		
Mechanical/Electrical		200	N/A	N/A		
Canopy		3,575	N/A	N/A		
Unassigned		5,775	N/A	N/A		
TOTAL NON-CLINICAL		20,190	N/A	N/A		
TOTAL	17	28,405				

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

B) Criterion 1110.120(b) - Project Services Utilization

To demonstrate compliance with this criterion the Applicants must document that the proposed number of stations will be at target occupancy within 2-years after project completion.

Given a modest, steady 4% increase in utilization, the Applicants are projecting that the proposed Emergency services will be at target occupancy within two years after project completion. The Applicants historical utilization will justify an increasing need for more

stations, culminating in the 17 proposed ER rooms being requested. [See remainder of this report for detailed discussion of the justification of these rooms]

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

C. Criterion 1110.120 (e) – Assurances

To demonstrate compliance with this criterion the Applicants must attest that by the second year after project completion the proposed facility will be at target occupancy.

The Applicants provided the necessary attestation at page 80 of the Application for Permit.

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

IX. Clinical Service Areas Other Than Categories of Service

A) Criterion 1110.270(a) - Service Modernization

To demonstrate compliance with this criterion the Applicants must document that the proposed project meets one of the following:

- 1) Deteriorated Equipment or Facilities
The proposed project will result in the replacement of equipment or facilities that have deteriorated and need replacement. Documentation shall consist of, but is not limited to: historical utilization data, downtime or time spent out of service due to operational failures, upkeep and annual maintenance costs, and licensure or fire code deficiency citations involving the proposed project.
- 2) Necessary Expansion
The proposed project is necessary to provide expansion for diagnostic treatment, ancillary training or other support services to meet the requirements of patient service demand. Documentation shall consist of, but is not limited to: historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project.
- 3) Utilization
 - A) Major Medical Equipment
Proposed projects for the acquisition of major medical equipment shall document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition.
 - B) Service or Facility
Projects involving the modernization of a service or facility shall meet or exceed the utilization standards for the service, as specified in Appendix B. The number of key rooms being modernized shall not exceed the number justified by historical utilization rates for each of the latest 2 years, unless additional key rooms can be justified per subsection (c)(2) (Necessary Expansion).

The Applicants propose to modernize their 17-room Emergency Department (ED), in an effort to improve patient safety, satisfaction, and employee workflow at Gottlieb Memorial Hospital, Melrose Park. The existing ED was constructed in 1961, and is outdated.

Inefficient patient flow patterns and use of space has resulted in the need to modernize. The proposed project will improve the overall patient experience, provide a consumer-focused alternative to “retail” healthcare, increase efficiency, decrease wait times, and provide for flexibility to accommodate for peak periods of utilization. No new rooms will be established and no new space will be added to the existing Emergency Department.

B) Criterion 1110-270(c)(1) Service Modernization- Deteriorated Facilities

The Applicants state the modernization of the Emergency Department (ED) at Gottlieb Memorial Hospital is “absolutely necessary” for the future of emergency health services. The current facility was established in 1961, and is considered outdated in terms of capacity, functionality, and aesthetics. The proposed project will address these issues, by increasing efficiency, reducing wait times, and increasing flexibility during peak utilization periods. The current complement of 17 ED rooms will remain, and no new space will be introduced.

C) Criterion 1110.270(c)(3) Service Modernization-Utilization

The Applicants note the proposed project will not result in the establishment of additional ED rooms. Over the past decade, ED utilization at Gottlieb Memorial Hospital has steadily increased, and it is expected to increase at an average of 4% annually. This is with the number of service rooms staying stagnant. Table Four AND Table Five illustrate that while historical and some projected volume has been below State standard, the projected volume upon project completion exceeds the State standard. While these data account for overall utilization, it does not take into accounts peak utilization periods.

TABLE FOUR
Historical Utilization (Information from Annual Hospital Profiles)

	2013	2014	2015	2016	2017	Ave	CAGR
Rooms/Stations	13	17	17	17	17		
Visits	24,955	26,602	26,656	26,685	26,789	26,337	1.79%

TABLE FIVE
Projected ED Utilization Gottlieb Memorial Hospital

Year	ED Visits	Annual Growth	Stations	Stations Needed per Utilization Standard	Met State Standard?
2018*	27,536	4%	17	14	No
2019*	28,638	4%	17	15	No
2020*	29,783	4%	17	15	No
2021*	30,974	4%	17	16	No
2022*	32,213	4%	17	17	Yes

*Projected Data

2020: Projected year of project completion/new ED operational

The Applicants note the station complement will remain at 17 rooms, and an imminent need for modernized space, designed to serve its patient base more efficiently, has proven the need for this modernization. While the Applicants are not at the State Board’s Target

utilization of 2,000 visits per station, no additional capacity is being added and a positive finding can be made.

STATE BOARD STAFF FINDS THE PROPOSE PROJECT IN CONFORMANCE WITH CRITERION CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE (77 ILAC 1110.270(a), (c)(1) & (3))

XI. Financial Viability

A) Criterion 1120.120 – Availability of Funds

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

The Applicants are funding this project in its entirety with cash in the amount of \$15,800,000 which is reported as being furnished by the Gottlieb Foundation. The Applicants (Trinity Health Corporation) have an AA- bond rating from FitchRatings service. Table Four contains data taken from the Audited Financial Statements located on page 95 of the application.

TABLE SIX		
Trinity Health Corporation and Subsidiaries		
(in thousands)		
December 31st		
(audited)		
	2017	2016
Cash	\$1,008,197	\$1,044,683
Current Assets	\$8,141,733	\$8,197,917
Total Assets	\$24,739,083	\$23,378,871
Current Liabilities	\$4,491,239	\$4,502,282
LTD	\$5,269,862	\$5,132,377
Total Liabilities	\$12,753,656	\$13,131,658
Total Revenue	\$17,627,845	\$16,339,047
Expenses	\$17,361,706	\$16,187,710
Operating Income	(\$18,115)	\$46,379
Revenues in Excess of Expenses	\$1,336,823	\$89,803

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 Applicants 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 proposed project will be funded in its entirety with cash in the amount of \$15,800,000. The Applicants have qualified for the financial waiver. To qualify for the financial waiver an applicant must document one of the following:

- 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.

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

XII. Economic Feasibility

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

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

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

The Applicants are funding this project in its entirety with cash in the amount of \$15,800,000. The Applicants attested that the funding will originate from the Gottlieb Foundation, making the above mentioned criteria inapplicable.

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 Applicants must document that the project costs are reasonable by the meeting the State Board Standards in Part 1120 Appendix A.

Only Clinical Costs are reviewed in this criterion. The clinical gross square footage for modernization is 8,215 GSF. The Applicants have met the State Board Standards for the following criteria, and a positive finding results.

Pre Planning Costs – These costs total \$43,381, which is .9% of modernization, contingencies, and equipment costs of \$4,412,975. This appears reasonable compared to the State standard of 1.8%.

Site Survey/Site Preparation – These costs total \$41,212, which is 1.2% of the modernization and contingencies costs (\$3,412,975). This appears reasonable compared to the State standard of 5%.

Modernization and Contingencies – These costs total \$3,412,975 or \$415.45 GSF. (\$3,412,975/8,215=\$415.45). This appears reasonable when compared to the State Board Standard of \$494.35/GSF [2020 mid-point of construction].

Contingencies – These costs total \$310,270 and are 9.9% of modernization costs. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural and Engineering Fees – These costs total \$202,736 and are 5.9% of modernization and contingencies. These costs appear reasonable when compared to the State Board Standard of 6.54% - 9.82%.

Consulting and Other Fees – These costs are \$294,548. The State Board does not have a standard for these costs.

Movable Equipment – These costs total \$1,000,000 and are not reviewable by the State Board (hospital).

STATE BOARD STAFF FINDS THE PROPOSED PROJECT 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 Applicants must document that the projected direct annual operating costs PER EQUIVALENT PATIENT DAY 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 Applicant is projecting \$179 operating costs per equivalent patient visit by 2022 for proposed modernization of Gottlieb Memorial Hospital's Emergency Department. The State Board does not have a standard for this criterion.

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 Applicants must provide the total projected annual capital costs PER EQUIVALENT PATIENT DAY 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.

The Applicant provide the capital costs of \$0 per equivalent patient visit by 2022 for proposed modernization of Gottlieb Memorial Hospital's Emergency Department. The State Board does not have a standard for this criterion.

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

18-030 Gottlieb Memorial Hospital - Melrose Park

