



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-08	BOARD MEETING: June 4, 2019	PROJECT NO: 19-012	PROJECT COST: Original: \$27,499,460
FACILITY NAME: Lurie Children's Primary Care and Outpatient Services		CITY: Skokie	
TYPE OF PROJECT: Non-Substantive			HSA: VIII

PROJECT DESCRIPTION: The Applicants (Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago) are proposing to establish a children's outpatient care center/Medical Office Building (MOB) in 31,860 GSF of modernized/converted space, located at 3722 West Touhy Avenue, Skokie. Project cost: \$27,499,460. The completion date as stated in the application for permit is July 1, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago) are proposing to establish a children's outpatient care center (MOB), in 31,860 GSF of modernized space, located at 3722 Touhy Avenue, Skokie, at a cost of \$27,499,460. The completion date as stated in the application for permit is July 1, 2021.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes a capital expenditure in excess of \$13,477,931 and is "by or on behalf of a health care facility" as defined at 20 ILCS 3960/3.

BACKGROUND:

- Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago owns/operates the following healthcare facilities:
 - Ann & Robert H. Lurie Children's Hospital of Chicago, Chicago HSA-06
 - Children's Outpatient Services at Westchester, Westchester HSA-07
 - Children's Outpatient Services at Northbrook, Northbrook HSA-07
 - Almost Home Kids, Chicago* HSA -06
 - Almost Home Kids, Naperville* HSA-07

*Children's Community-Based Health Care Center
- The Applicants propose to establish an outpatient care center that will include Medical Offices, Clinic Space with 23 exam rooms, Imaging Services (X-Ray, Ultrasound), Audiology, Cardiac Rehab, ECG/ECHO services.
- Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago, are the co-applicants for the proposed project, and Ann & Robert H. Lurie Children's Hospital of Chicago will serve as operating entity/licensee. The site owner is 3721 Property Owner, LLC, and the building will be leased by the Applicants.

PURPOSE:

- According to the Applicants, *"The project at 3722 West Touhy on the border between Skokie, Lincolnwood, and Chicago will provide an outpatient care center with physician offices for primary care pediatrics and specialty pediatricians. It will replace an undersized medical office facility in need of major renovation and modernization at 6374 North Lincoln Avenue in the North Park Community of Chicago. That facility currently houses Lurie Children's Primary Care. This pediatric practice group has recently become affiliated with Ann & Robert H. Lurie Children's Hospital of Chicago. Physicians in the group are all primary care pediatricians. In addition to providing a replacement site for primary care visits, the proposed facility at 3722 West Touhy will incorporate offices for specialty physicians from Lurie Children's. At present, Lurie Children's has limited specialty office locations in the area between Clark and Deming outpatient center near the former Children's memorial Hospital location, in Lincoln Park, and the Lurie Children's outpatient center in Northbrook. The project will serve residents of the northern part of the City of Chicago, as well as the suburbs of Evanston, Skokie, Lincolnwood, Morton Grove, and Niles."*

PUBLIC HEARING/COMMENT:

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

SUMMARY:

- The State Board Staff reviewed the application for permit and additional information provided by the Applicants and notes the following.
- The proposed project does not involve the relocation, establishment, or discontinuation of any clinical components. The project is by or on behalf of a health care system, and the project cost (\$27,499,461), is in excess of the FY 2019 Capital Expenditure Minimum Threshold of \$13,477,931.

CONCLUSIONS:

The Applicants addressed a total of fourteen (14) criteria and have met them all.

STATE BOARD STAFF REPORT
#19-012
Lurie Children's Primary Care and Outpatient Services, Skokie

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago
Facility Name	Lurie Children's Primary Care and Outpatient Services
Location	3722 West Touhy Avenue, Skokie
Application Received	March 8, 2019
Application Deemed Complete	March 8, 2019
Review Period Ends	May 7, 2019
Permit Holder	Ann & Robert H. Lurie Children's Hospital of Chicago Ann & Robert H. Lurie Children's Medical Center
Operating Entity	Ann & Robert H. Lurie Children's Hospital of Chicago
Owner of the Site	3721 Property Owner, LLC
Project Financial Commitment Date	June 4, 2021
Departmental Gross Square Footage	31,860 DGSF
Project Completion Date	July 1, 2021
Expedited Review	No
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The Applicants (Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago) are proposing to establish an Outpatient Care Center/Medical Office Building (MOB) at 3722 West Touhy Avenue, Skokie, at a cost of \$27,499,460. The anticipated completion date as stated in the application for permit is July 1, 2021.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1120.

III. General Information

The Applicants are Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago. Ann & Robert H. Lurie Children's Hospital is an Illinois not for profit corporation incorporated in 1894. Ann & Robert H. Lurie Children's Hospital is a 336-bed not-for-profit bed children's specialty hospital located at 225 East Chicago Avenue, Chicago, Illinois. Lurie Children's Hospital currently owns and operates four other pediatric healthcare facilities identified in page two of this report.

The proposed medical office building will be located at 3722 West Touhy Avenue, Skokie. The proposed pediatric outpatient care center will be in the HSA VII Health Service Area and the A-08 Hospital Planning Area. HSA VII includes suburban Cook and DuPage counties in Illinois. The A-08 Hospital Planning Area includes the Cook County townships of Northfield, New Trier, Niles, Evanston, and the Chicago communities of Rogers Park and West Ridge. There are four (4) hospitals in the A-08 Hospital Planning Area

TABLE ONE		
Hospitals within the A-09 Hospital Planning Area		
Hospital	City	Beds ⁽¹⁾
Evanston Hospital	Evanston	354
Glenbrook Hospital	Glenview	173
Presence St. Francis Hospital	Evanston	215
Skokie Hospital	Skokie	123

1) Source: 2017 Annual Hospital Questionnaire 2017

This is a non-substantive project subject to a Part 1110 and Part 1120 review. Financial commitment will occur after permit issuance. A non-substantive project is all projects not classified as substantive or emergency projects.

IV. Project Details

The Applicants (Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago) are proposing to establish a pediatric outpatient care center/medical office building in 31,860 GSF of modernized/repurposed space, in Skokie. The facility will be located at 3722 West Touhy Avenue, and will include medical offices for primary care pediatricians, pediatric specialty physicians, clinic space (23 exam rooms), Imaging Services (X-Ray, Ultrasound), cardiac rehab, audiology, and ECG/ECHO services. The proposed project will replace an outdated, undersized medical care facility, located at 6374 North Lincoln Avenue, in the North Park community of Chicago. The proposed site will also consolidate offices of pediatric specialty care physicians currently located in the area between the Clark and Deming outpatient center, near the former Children's Memorial Hospital, in Lincoln Park.

The proposed outpatient care center will consist of 3,509 GSF of clinical space, with the remaining 28,351 GSF designated as being non-clinical..

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash/securities of \$15,074,060, and the fair market value of leases totaling \$12,425,400. Based on these financing instruments, the project is internally funded.

TABLE TWO
Project Costs and Sources of Funds

Project Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total
New Construction Contracts	\$919,218	\$7,426,828	\$8,346,046	30.30%
Contingencies	\$87,216	\$705,658	\$792,874	2.90%
Architectural & Engineering Fees	\$68,200	\$551,800	\$620,000	2.30%
Consulting and Other Fees	\$97,454	\$788,489	\$885,943	3.30%
Movable or Other Equipment	\$1,965,720	\$806,960	\$2,772,680	10%
Other Costs to Be Capitalized	\$182,217	\$1,474,300	\$1,656,517	6%
Fair Market Value Leased Space	\$1,366,794	\$11,058,606	\$12,425,400	45.20%
Total Uses of Funds	\$4,686,819	\$22,812,642	\$27,499,460	100.00%
Project Sources of Funds	Reviewable	Non-Reviewable	Total	% of Total
Cash/Securities	\$2,659,119	\$12,504,941	\$15,074,060	54.80%
Leases (Fair Market Value)	\$2,117,700	\$10,307,700	\$12,425,400	45.20%
Total Sources of Funds	\$4,686,819	\$22,812,641	\$27,499,460	100.00%

VI. Costs Space Requirements

The Applicants are proposing 68,030 GSF for the Outpatient Care Center. The entirety of this spatial configuration will consist of newly-constructed space. Board Staff notes that 11,505 GSF (17%), of the 68,030 GSF will be classified as clinical.

TABLE THREE
Cost/Space Requirements for Construction

Reviewable/Clinical	Cost	Proposed	New Construction	% of Total
Imaging	\$197,518			
X-Ray		580	580	
Ultrasound		174	174	
Audiology	\$334,261	1,276	1,276	
Cardiac Rehab	\$113,953	435	435	
ECG/ECHO	\$273,486	1,044	1,044	
Total Clinical	\$919,218	3,509	3,509	11.1%
Total Non-Clinical	\$7,426,828	28,351	28,351	88.9%
GRAND TOTAL	\$8,346,046	31,860	31,860	100%

VII. Background of the Applicants

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

To demonstrate compliance with this criterion, the Applicants must provide

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or

certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.

4. "Adverse Action" means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations.
1. The Applicants provided a listing with license and certification data of all health care facilities owned or operated by the Applicants at pages 56-59 of the application for permit.
2. No adverse actions have been taken against any facility owned and/or operated by the Applicants. [Application for Permit page 60]
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify information submitted has been provided at Application for Permit page 60.
4. Ann & Robert H. Lurie Children's Hospital of Chicago, A Domestic Corporation, Incorporated under the Laws of This State on March 27, 1894, is in Good Standing as a Domestic Not-for-Profit Corporation in the State of Illinois.
5. Children's Hospital of Chicago Medical Center, Incorporated under the Laws of This State on December 13, 1984, is in Good Standing as a Domestic Corporation in the State of Illinois.
6. Evidence of Site Ownership was provided at page 33-34 of the Application for Permit.
7. The Applicants are in compliance with Executive Order #2006-05 and the Illinois Historic Preservation Agency.
8. All required reports have been provided to the State Board as required.

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

These three (3) criteria are informational only. No determination on whether the Applicants have met the requirements of the three (3) criteria is being made by the State Board Staff.

A) 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, or other, per the applicant's definition.

"The project at 3722 West Touhy on the border between Skokie, Lincolnwood, and Chicago will provide an outpatient care center with physician offices for primary care pediatrics and specialty pediatricians. It will replace an undersized medical office facility in need of major renovation and modernization at 6374 North Lincoln Avenue in the North Park Community of Chicago. That facility currently houses Lurie Children's Primary Care. This pediatric practice group has recently become affiliated with Ann & Robert H. Lurie Children's Hospital of Chicago. Physicians in the group are all primary care pediatricians. In addition to providing a replacement site for primary care visits, the proposed facility at 3722 West Touhy will incorporate offices for specialty physicians from Lurie Children's. At present, Lurie Children's has limited specialty office locations in the area between Clark and Deming outpatient center near the former Children's memorial Hospital location, in Lincoln Park, and the Lurie Children's outpatient center in Northbrook. The project will serve residents of the northern part of the City of Chicago, as well as the suburbs of Evanston, Skokie, Lincolnwood, Morton Grove, and Niles."

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

All health care facilities, except for skilled and intermediate long-term care facilities licensed under the Nursing Home Act [210 ILCS 45], shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). *Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation.*

This project is considered a non-substantive project. Non-substantive projects are not required to submit a safety net impact statement, only projects that are deemed substantive projects. Non-substantive projects are all projects that are not classified as either substantive or emergency.

Substantive projects shall include no more than the following:

- a. *Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*
- b. *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
- c. *Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]*

The Applicants provided charity care information for Lurie Children’s Hospital.

TABLE FOUR			
Charity Care Information			
Ann & Robert H. Lurie Children’s Hospital			
	2016	2017	2018
Net Patient Revenue	\$679,403,160	\$739,394,793	\$817,011,710
Amount of Charity Care	\$3,545,301	\$5,834,547	\$6,233,424
Cost of Charity Care	\$1,044,091	\$1,653,230	\$1,740,074
% of Charity Care to Net Revenue	.521%	.789%	.762%

C) 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 considered six (6) alternatives to the proposed project.

Alternative 1: Modernize the Current Facility at 6374 N. Lincoln Avenue

The Applicants note that this alternative would not accommodate the projected expansion of the practice. Patient volume in the last three years was capped due to facility limitations,

and the inability to expand. Furthermore, parking at 6374 North Lincoln is inadequate, and would only become worse, should this option be pursued. Because of these limitations, this option was rejected. Cost of this alternative: \$10-\$20 million dollars.

Alternative 2: Construct a New Building in the Area of the Proposed Project

While designing and constructing a new building would allow Lurie Children's Hospital the opportunity to meet program requirements, there were few options for viable building sites in the area. Additionally, the Applicants determined that prices to purchase land in this area combined with costs of new construction would drive up project costs to an estimated \$35-\$40 million dollars, with no advantage from a location/access perspective. It is because of these excessive costs, the Applicants rejected this alternative.

Alternative 3: Expand the Current Pediatric Specialty Clinic at Clark and Deming Streets in Chicago

The Applicants note having maintained their presence in the former Children's Memorial Hospital, operating an outpatient center/research building in Lincoln Park. With 150,000 logged visits to this facility in the last year, the Applicants note the facility is operating at full capacity and has no opportunity for expansion due to site limitations. Expansion at Clark/Deming location would result in the displacement of the primary care practice from its patient base in the northern suburbs, further exacerbating accessibility issues. The Clark/Deming location is outside the current project's planning area. The Applicants did not research a cost for this alternative, as the thought of further disrupting accessibility to services in the planning area did not warrant extended research.

Alternative 4: Expand Outpatient Office Space at or Near Lurie Children's Streeterville

The Applicants note having not given serious consideration to this alternative, since there is no space available for expansion in this facility, unless existing functions are relocated. The Applicants further note the cost of renting additional space in this area would cost an additional \$12-\$20 million dollars more than the proposed project. Furthermore, a location in downtown Chicago would not serve the residents of the planning area as well as the location selected for the preferred project.

Alternative 5: Relocate Lurie Children's Primary Care to a Different Building in the Are of the Proposed Touhy Avenue Facility

The Applicants report having considered other buildings in the area, but none presented the options like those available at the Touhy Avenue facility. adaptability from the previous building use to a health care purpose, Accessibility, central location, and on-site parking, and the rental arrangement are a few of the numerous qualities that led the Applicants in making their decision. While other options were more cost-effective, they did not compare to amenities provided at the Touhy Avenue site. Based on these findings, this alternative was rejected. The cost for this alternative ranged from \$5 million less to \$5 million more than the proposed project.

Alternative 6: Relocate Lurie Children's Primary Care to the Touhy Avenue Building, but Limit the Services to Primary Care

The Applicants note this option would have resulted in a more limited-scale project, which would be less expensive and easier to implement. However, the purpose of co-locating pediatric specialists and sub-specialists would be lost and the provision of services to residents in the north Chicago communities and suburbs unfulfilled. While the overall project cost of this alternative would be significantly less, the decreased access to pediatric specialty care was of greater concern to the Applicants. This alternative was rejected.

IX. Size of the Project, Projected Utilization and Assurances

A) Criterion 1110.120 (a) – Size of the Project

To demonstrate compliance with this criterion the Applicants must document that the size of the project is in conformance with standards published in Part 1110 Appendix B.

The Applicants propose to establish a pediatric outpatient care center at 3722 West Touhy Avenue, Skokie, offering the services identified below. Of all of the services listed, only Imaging is considered clinical/reviewable. Table Four identifies both reviewable and non-reviewable services, the current size, and its applicability to the state standard.

TABLE FIVE				
Size of the Project				
Service	Proposed	State Standard	Difference	Met Standard?
Clinical				
X-Ray	580	1,300	(720)	Yes
Ultrasound	174	900	(726)	Yes
Audiology	1,276	N/A	N/A	N/A
Cardiac Rehab	435	N/A	N/A	N/A
ECG/ECHO	1,044	N/A	N/A	N/A
Total Clinical	3,509			
Non-Clinical				
Exam Rooms (25 units)	17,251	25x800=20,000	(2,749)	Yes
Admin/Public Space	11,101	N/A	N/A	N/A
Total Non-Clinical	28,351			
Grand Total	31,860			

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

B) Criterion 1110.120 (b) –Projected Utilization

To demonstrate compliance with this criterion, the Applicants must document that the projected utilization of the services in which the State Board has established utilization standards will be in conformance with the standards published in Part 1110 Appendix B.

The Applicants are proposing to establish a pediatric outpatient care center by modernizing/converting a 1-story building previously used for light industrial purposes. This facility will entail the consolidation of three existing, but separate outpatient care facilities in the service area.

TABLE SIX
Project Utilization

Service	Historic* 2018	Projected* 2023	State *Standard Per unit	Met Standard?
X-Ray (1 unit)	7,845	8,082	8,000	Yes
Ultrasound (1 Unit)	2,257	2,466	3,100	Yes
Audiology (2 Units)	1,422	3,246	N/A	N/A
Cardiac Rehab (1 Unit)	N/A	917	N/A	N/A
ECG/ECHO (4 Units)	1,299	5,518	N/A	N/A
Clinic Exam Rooms (25 units)	35,297	43,840	2,000	Yes
*Visits				

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

X. Clinical Services Other than Categories of Service**A) Criterion 1110.270 (b) – Need Determination-Establishment**

The applicant shall describe how the need for the proposed establishment was determined by documenting the following:

1. Service to Planning Area Residents
2. Service Demand

The proposed services are being consolidated from three existing area facilities to consolidate services and provide better patient care to the pediatric patient population served by Lurie Children's Hospital.

1) Service to Planning Area Residents

The applicants identified a planning area consisting of fourteen zip codes, with a pediatric population of 101,022. The total resident population in this service area is approximately 500,000. It is noted that 79% of the pediatric patient base will be referred from within this service area, with most of these referrals already being patients of Lurie Children's Hospital. The projected referrals exceed the state standard for referrals, which is 50%. The applicants identified a secondary service area

consisting of 4 zip codes, that account for the remaining 22% of patient referrals, and increase the pediatric population to 127,109, and the resident population to 634,196.

2) Service Demand

The historical utilization volume from the three existing facilities (6374 Lincoln Avenue, Clark/Deming Street in Lincoln Park, and Northbrook), account for the projected utilization at the proposed pediatric outpatient care facility after project completion. In addition, 14 pediatric specialty services will be offered at the new center, rotating in and out of their respective locations in the existing facilities. These data, combined with the projected utilization based on increased need (see Table Five), satisfy the requirements for this criterion.

3) Impact of Project on Area Providers

It is noted that most patient referrals identified for this application are currently patients of Ann & Robert H. Lurie Children's Hospital, or one of its outpatient care facilities. The proposed outpatient care center will enhance services for this 18-zip code planning area by consolidating services, and providing outpatient care in a modern facility, centrally located in the service area.

4) Utilization

Table Five illustrates projected utilization for the year 2023, the second year after project completion. It appears that all modalities will be in compliance with state utilization standards.

THE STATE BOARD STAFF FINDS PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE MODERNIZATION (77 IAC 1110.270 (d)(1))

XI. Financial Viability

A) Criterion 1120.120 - Availability of Funds

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with these criteria the Applicants must document sufficient cash to fund the proposed project and that the Applicants are financially viable.

The Applicants are funding this project with cash/securities totaling \$15,074,060, and the fair market value of leases totaling \$12,425,400. The applicant (Ann & Robert H. Lurie Children's Hospital), has supplied Audited Financial Statements and the results shown in Table Six prove the Applicants have sufficient cash to fund the cash portion of the modernization. Additionally, Lurie Children's Hospital has received "AA-" Bond Rating from Standard & Poor's Global Rating Services in a report dated March 29, 2019, and an AA-/Stable rating from Fitch Ratings Service dated May 2, 2017 (application pgs.119-133). Board staff notes both A-Bond Ratings in the application are over 18 months old and are inadmissible. However, the applicants supplied an updated AA-/Stable rating from Standard & Poor's, which is saved in the project file. It appears the Applicants have sufficient funds available to fund this proposed project.

TABLE SEVEN Ann & Robert Lurie Children's Hospital Years ended August, 2018,2017 (in thousands)		
	2018	2017
Cash	\$36,481,145	\$35,642,889
Current Assets	\$274,147,805	\$299,142,167
Total Assets	\$2,830,873,194	\$2,607,931,770
Current Liabilities	\$258,127,532	\$245,846,964
LTD	\$362,205,678	\$352,933,396
Total Liabilities	\$760,304,299	\$723,719,392
Net Patient Revenue	\$953,205,557	\$867,180,758
Total Revenues	\$1,098,164,526	\$999,888,754
Income from Operations	\$68,219,352	\$52,305,609
Net Income	\$109,996,163	\$117,550,510
Source: Children's Hospital of Chicago Audited Financial Statement, Application, pgs. 76-117		

XII. Economic Feasibility

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

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

To demonstrate compliance with this criterion the Applicants must document the terms of the debt financing and attest the financing will be at the lowest cost available to the Applicants.

The Applicants are funding this project with cash/securities totaling \$15,074,061, and the fair market value of leases totaling \$12,425,400. The Applicant (Ann & Robert H. Lurie Children's Hospital), has supplied Audited Financial Statements and the results shown in Table Six prove the Applicants have sufficient cash to fund the cash portion of the modernization. Additionally, Lurie Children's Hospital has received "AA-" Bond Rating from Standard & Poor's Global Rating Services in a report dated March 29, 2019, and an AA-/Stable rating from Fitch Ratings Service dated May 2, 2017 (application pgs.119-133). Board staff notes both A-Bond Ratings in the application are over 18 months old, and are inadmissible. However, the applicants supplied an updated AA-/Stable rating from Standard & Poor's, which is saved in the project file. It appears the Applicants have sufficient funds available to fund this proposed project. These criteria prove their financial viability and satisfy the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1120.140(a) and (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 new construction is 11,505 GSF. The Applicants have met the State Board Standards for the following criteria, and a positive finding result.

Modernization and Contingencies – These costs total \$1,006,434 or \$286.81 GSF. ($\$1,006,434/3,509=\286.81). This appears reasonable when compared to the State Board Standard of \$300.52/GSF [modernization2020 mid-point of construction].

Contingencies – These costs total \$87,216 and are 9.5% of modernization costs. This appears reasonable when compared to the State Board Standard of 10%-15%.

Architectural and Engineering Fees – These costs total \$68,200 and are 6.8% of modernization and contingencies. These costs appear reasonable when compared to the State Board Standard of 6.90% -10.36%.

Consulting and Other Fees – These costs are \$97,454. The State Board does not have a standard for these costs.

Movable Equipment – These costs total \$1,965,720 and are not reviewable by the State Board (hospital).

Fair Market Value of Leased Space or Equipment – These costs total \$1,366,794. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs total \$182,217. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(c))

D) Criterion 1120.140(d) – Direct Operating Costs

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

The Applicants are currently an operating entity. These criteria do not apply, because there are no applicable utilization criteria associated with this project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA DIRECT OPERATING COSTS AND EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140(d) and (e))

<u>Ownership, Management and General Information</u>			<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	PATRICK MAGOON		White	40.6%	Hispanic or Latino:	31.7%
ADMINISTRATOR PHONE	312-227-4350		Black	17.4%	Not Hispanic or Latino:	63.5%
OWNERSHIP:	Ann & Robert H. Lurie Children's Hospital of Chicago		American Indian	0.0%	Unknown:	4.7%
OPERATOR:	Ann & Robert H. Lurie Children's Hospital of Chicago		Asian	5.4%		
MANAGEMENT:	Not for Profit Corporation		Hawaiian/ Pacific	0.1%	IDPH Number:	5843
CERTIFICATION:			Unknown	36.5%	HPA	A-01
FACILITY DESIGNATION:	Children's Speciality Care Hospital				HSA	6
ADDRESS	225 E. Chicago Avenue	CITY: Chicago	COUNTY:	Suburban Cook (Chicago)		

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	Authorized CON Beds 12/31/2017	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	0	0	0	0	0	0	0.0	0.0	0.0	0.0
0-14 Years				0	0					
15-44 Years				0	0					
45-64 Years				0	0					
65-74 Years				0	0					
75 Years +				0	0					
Pediatric	124	124	124	5,696	30,282	3,154	5.9	91.6	73.9	73.9
Intensive Care	136	92	92	4,355	27,836	1,320	6.7	79.9	58.7	86.8
Direct Admission				3,719	22,878					
Transfers				636	4,958					
Obstetric/Gynecology	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Maternity				0	0					
Clean Gynecology				0	0					
Neonatal	64	60	60	817	20,016	5	24.5	54.9	85.7	91.4
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds			0	0	0		0.0	0.0		
Total AMI	12			562	3,539	0	6.3	9.7	80.8	
Adolescent AMI		12	12	562	3,539	0	6.3	9.7		80.8
Adult AMI		0	0	0	0	0	0.0	0.0		0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	10					2353				
Facility Utilization	336			10,794	81,673	6,832	8.2	242.5	72.2	

(Includes ICU Direct Admissions Only)

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	0.6%	49.0%	0.6%	45.9%	1.1%	2.7%	
	68	5292	66	4958	115	295	10,794
Outpatients	0.2%	45.8%	0.4%	49.8%	3.1%	0.7%	
	1354	281155	2516	305952	18921	4422	614,320

<u>Financial Year Reported:</u>	9/1/2016 to	8/31/2017	<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 (\$)	0.3%	42.7%	1.6%	55.3%	0.1%	100.0%			1,613,894
	1,307,886	193,070,770	7,260,544	250,493,271	501,311	452,633,782	448,389		
Outpatient Revenue (\$)	0.4%	25.0%	1.6%	72.4%	0.7%	100.0%			
	1,010,975	69,003,672	4,391,490	199,872,079	1,948,221	276,226,437	1,165,505		
									Total Charity Care as % of Net Revenue
									0.2%

<u>Birthing Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	0		Level I	Level II	Level II+	Kidney:	20
Number of Live Births:	0	Beds	0	0	0	Heart:	17
Birthing Rooms:	0	Patient Days	0	0	0	Lung:	0
Labor Rooms:	0	Total Newborn Patient Days			0	Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	0
Labor-Delivery-Recovery Rooms:	0					Liver:	21
Labor-Delivery-Recovery-Postpartum Rooms:	0					Total:	58
C-Section Rooms:	0	Inpatient Studies			416,418		
CSections Performed:	0	Outpatient Studies			501,232		
		Studies Performed Under Contract			27,540		

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	3	3	396	90	2568	267	2835	6.5	3.0
Dermatology	0	0	0	0	0	2	0	3	3	0.0	1.5
General	0	0	3	3	1387	2250	4116	3740	7856	3.0	1.7
Gastroenterology	0	0	2	2	228	1293	358	1602	1960	1.6	1.2
Neurology	0	0	3	3	737	294	2853	496	3349	3.9	1.7
OB/Gynecology	0	0	0	0	0	0	0	0	0	0.0	0.0
Oral/Maxillofacial	0	0	0	0	3	503	9	1516	1525	3.0	3.0
Ophthalmology	0	0	1	1	25	620	63	1223	1286	2.5	2.0
Orthopedic	0	0	3	3	343	1068	1844	2500	4344	5.4	2.3
Otolaryngology	0	0	3	3	529	4283	1191	5407	6598	2.3	1.3
Plastic Surgery	0	0	1	1	108	484	461	1325	1786	4.3	2.7
Podiatry	0	0	0	0	0	0	0	0	0	0.0	0.0
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	2	2	136	1508	694	3700	4394	5.1	2.5
Totals	0	0	21	21	3892	12395	14157	21779	35936	3.6	1.8

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

26

Stage 2 Recovery Stations

92

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

Certified Trauma Center	Yes
Level of Trauma Service	Level 1
	Child
Operating Rooms Dedicated for Trauma Care	1
Number of Trauma Visits:	849
Patients Admitted from Trauma	665
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	43
Persons Treated by Emergency Services:	57,242
Patients Admitted from Emergency:	5,641
Total ED Visits (Emergency+Trauma):	58,091

Free-Standing Emergency Center

Beds in Free-Standing Centers	0
Patient Visits in Free-Standing Centers	0
Hospital Admissions from Free-Standing Center	0

Outpatient Service Data

Total Outpatient Visits	614,320
Outpatient Visits at the Hospital/ Campus:	289,412
Outpatient Visits Offsite/off campus	324,908

Cardiac Catheterization Labs

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

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	563
Diagnostic Catheterizations (0-14)	270
Diagnostic Catheterizations (15+)	131
Interventional Catheterizations (0-14):	98
Interventional Catheterization (15+)	16
EP Catheterizations (15+)	48

Cardiac Surgery Data

Total Cardiac Surgery Cases:	266
Pediatric (0 - 14 Years):	237
Adult (15 Years and Older):	29
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

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

	Owned Contract		Inpatient Outpt		Contract		Owned Contract		
General Radiography/Fluoroscopy	33	0	23,166	42,618	0	Lithotripsy	0	0	0
Nuclear Medicine	2	0	62	475	0	Linear Accelerator	0	0	0
Mammography	0	0	0	0	0	Image Guided Rad Therapy			0
Ultrasound	16	0	6,338	16,889	0	Intensity Modulated Rad Thrapy			0
Angiography	3	0				High Dose Brachytherapy	0	0	0
Diagnostic Angiography			0	0	0	Proton Beam Therapy	0	0	0
Interventional Angiography			4,273	2,073	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	1	0	29	210	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	3	0	3,550	2,100	0				
Magnetic Resonance Imaging	4	1	3,330	11,787	1,491				

19-012 Lurie Children's Primary Care Medical Office Building - Skokie

