



# STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> <b>H-07</b>	<b>BOARD MEETING:</b> September 17, 2019	<b>PROJECT NO:</b> 19-029	<b>PROJECT COST:</b>  Original: \$21,393,943
<b>FACILITY NAME:</b> Blessing Hospital ASTC		<b>CITY:</b> Quincy	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA:</b> III

**DESCRIPTION:** The Applicant (Blessing Hospital) proposes to discontinue a multi-specialty ASTC located at 1118 Hampshire, Quincy, Illinois and establish a multi-specialty ASTC to be located on the Blessing Hospital campus and connected to the hospital by a walkway. The total cost of the project is \$21,393,943 and the expected completion date January 31, 2022.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The Applicant (Blessing Hospital) proposes to discontinue a multi-specialty ASTC located at 1118 Hampshire, Quincy, Illinois and establish a multi-specialty ASTC to be located on the Blessing Hospital campus and connected to the hospital by a walkway. The total cost of the project is \$21,393,943 and the expected completion date January 31, 2022.
- The surgical procedures to be performed at the ASTC are: Cardiovascular, Colon and Rectal Surgery, Dermatology, General, Gastroenterology, Neurological, Obstetrics/Gyn, Ophthalmology, Oral/Maxillofacial, Orthopedic, Otolaryngology, Plastic, Podiatry, Thoracic, and Urology.
- **Staff Note:** There will be no change in the number of operating and procedure rooms. The proposed relocated ASTC will have three operating rooms and three procedure rooms. There is approximately 806 GSF of shell space<sup>1</sup> as part of the proposed new ASTC and should the State Board approve this project the Applicant will need return to the Board for approval of the build out of this shell space.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- The Applicant proposes to discontinue and establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).
- One of the objectives of the Health Facilities Planning Act is *“to assess the financial burden to patients caused by unnecessary health care construction and modification. Evidence-based assessments, projections and decisions will be applied regarding **capacity, quality, value and equity** in the delivery of health care services in Illinois. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.”* [20 ILCS 3960/2]

### **BACKGROUND**

- In August of 2000 the State Board approved the Quincy Medical Group (Permit #00-052) to establish a multi-specialty ASTC (The Surgery Center of Quincy) with three operating rooms and a three-room gastroenterology suite at a cost of approximately \$5.8 million in Quincy, Illinois which is located on the third floor of a 3-story medical office building owned by the Quincy Medical Group.
- In August of 2006 the Chairman of the State Board approved the sale of The Surgery Center of Quincy to Blessing Hospital (Exemption #E-072-06) for approximately \$13.0 million to be operated as a department of the hospital. The Hospital leased the space from the Quincy Medical Group and the Quincy Medical Group managed the ASTC through a management agreement.
- Since 2006 Blessing Hospital has operated this licensed ASTC as a Hospital Outpatient Department which is allowed by Medicare (CMS) and the Department of Public Health.
- In April of 2019 the State Board approved Quincy Medical Group to establish an 8-room multi-specialty ASTC in Quincy at a cost of approximately \$19.5 million (Permit #18-042).

### **PURPOSE:**

The Applicant stated the purpose of this project *“the reason for discontinuation is to relocate the current ASTC from leased space owned by Quincy Medical Group to property that is owned by Blessing Hospital on its campus. Relocating the ASTC from leased space to a building owned by Blessing Hospital will save \$1.4 million annually in operating costs and result in a more cost-*

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<sup>1</sup> Shell space" is space constructed to meet future needs; it is space enclosed by an exterior building shell, but otherwise unfinished inside. The construction of shell space at the same time another facility is constructed, while adding to overall immediate construction costs, often can lower total expenditures over the long term. [Source:

*efficient long-term operation of the ASTC. To have an ASTC owned by Blessing Hospital in the Quincy Medical Group building will cause confusion for patients on where they need to present for a procedure. Additionally, the Applicant believes the existing location will compromise Blessing's ability to compete and generate revenue to support safety net services.”*

**PUBLIC HEARING/COMMENT:**

- A public hearing was conducted on August 19, 2019 at the Quincy City Hall, Council Chambers from 10:00am to 2:00pm in Quincy, Illinois. Sixteen individuals provided oral testimony. Six individuals spoke in support of the project and ten individuals provided oral testimony but took no position on the proposed project. Letters of support were provided in the Application for Permit and have been submitted to the State Board. No letters of opposition have been received by the State Board. Blessing Hospital also conducted three public forums in the Quincy Community and a forum for the Chamber of Commerce members.

**SUMMARY:**

- The Applicant has addressed a total of 23 criteria and have not met the following:

Criterion	Reasons for Non-Compliance
77 ILAC 1110.120 (a) – Size of the Project	The number of recovery stations requested (28 stations) exceed the State Board Standard (24 stations) by 4 rooms. (See page 14 of this report)

**STATE BOARD STAFF REPORT**  
**Project 19-029**  
**Blessing Hospital ASTC**

<b>APPLICATION/CHRONOLOGY/SUMMARY</b>	
Applicant	Blessing Hospital
Facility Name	Blessing Hospital ASTC
Location	Campus of Blessing Hospital, Quincy, Illinois
Permit Holder	Blessing Hospital
Operating Entity	Blessing Hospital
Owner of Site	Blessing Hospital
Total GSF	35,756 GSF
Application Received	June 28, 2019
Application Deemed Complete	July 8, 2019
Review Period Ends	October 26, 2019
Financial Commitment Date	September 17, 2019
Project Completion Date	January 31, 2022
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes
Expedited Review?	Yes

**I. Project Description**

The Applicant (Blessing Hospital) proposes to discontinue a multi-specialty ASTC located at 1118 Hampshire, Quincy, Illinois and establish a multi-specialty ASTC to be located on the Blessing Hospital campus and connected to the hospital by a walkway. The total cost of the project is \$21,393,943 and the expected completion date January 31, 2022.

**II. Summary of Findings**

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

**III. General Information**

Blessing Hospital is the Applicant, the licensee and the owner of the site. Blessing Hospital located in Quincy, Illinois, is a not-for-profit 327-bed acute care hospital. The Hospital provides inpatient, outpatient and emergency care services for residents of western Illinois, northeastern Missouri, and southern Iowa. The Hospital was incorporated in Illinois in 1875. Blessing Hospital ASTC is not a separate legal entity but a division of the hospital.

#### IV. **Health Service Area**

The proposed ASTC will be in the HSA III Health Service Area. HSA III includes the counties of Adams, Brown, Calhoun, Cass, Christian, Greene, Hancock, Jersey, Logan, Macoupin, Mason, Menard, Montgomery, Morgan, Pike, Sangamon, Schuyler, and Scott. The Geographic Service Area is a 21-mile radius. The 21-mile radius includes the following counties in whole or in part: Adams, Hancock and Pike Counties in Illinois and two counties in Missouri-Lewis and Marion.

There is one hospital and two ASTCs in the 21-mile radius with 18 operating rooms and 6 procedure rooms.

<b>TABLE ONE</b>		
<b>Facilities in the 21-mile GSA</b>		
Facility	Operating Rooms	Procedure Rooms
Blessing Hospital	10	0
Blessing Hospital ASTC	3	3
Quincy Medical Group ASTC <sup>(1)</sup>	5	3
Total	18	6

1. Approved as Permit #18-042 not yet operational.

#### III. **Project Details**

The Applicant proposes to discontinue the ASTC currently located in leased space owned by Quincy Medical Group and relocate to the Blessing Hospital campus approximately 2 minutes from the current site. The proposed ASTC will be in a 2-story 36,000 GSF building of newly constructed space connected to the Hospital on the second floor by a covered walkway to the Hospital's operating suites. The ASTC will have three operating rooms and three procedure rooms. The three procedure rooms will be located on the first floor along with prep and recovery stations, mechanical and electrical, administrative space, staff lounge, and reception area. The second floor will contain three operating rooms along with prep and recovery stations, sterile supply space, staff lockers, medical director and anesthesia's offices and approximately 800 GSF of shell space. The relocated ASTC will be operated as an ASTC and not as a Hospital Outpatient Department.<sup>2</sup> No new capacity is being added to this geographical service area.

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<sup>2</sup> The primary difference between hospital outpatient departments (HOPDs) and ASCs is that hospitals offer inpatient services and overnight observation on site. This is convenient in the event of surgical complications, as patients don't have to wait for an emergency transport service. There are differences between hospital and ASC reimbursements. The first difference is the rate. ASCs are reimbursed at roughly 60 percent of the rate of hospitals for a similar procedure, which was a primary motivating factor for hospitals in acquiring off-campus ASCs. The second major difference is the reimbursement methodology. Procedures performed at hospitals and ASCs are classified under different coding groups. ASCs utilize complex arrangements of "groupers" and percent billed, while hospitals employ a combination of per diem, case rates, revenue codes, as well as some CPT codes — more traditional, straightforward billing and coding techniques. [Source; Becker ASC Review]

#### IV. Project Uses and Sources of Funds

The Applicant is funding this project with cash in the amount of \$11,393,943 and the proceeds from a bond issue of \$10 million.

<b>TABLE TWO</b>				
<b>Project Costs and Sources of Funds</b>				
Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total
Preplanning	\$29,360	\$34,640	\$64,000	0.30%
Site Survey Soil Prep	\$16,056	\$18,944	\$35,000	0.16%
Site Preparation	\$387,265	\$456,913	\$844,178	3.96%
HVAC	\$0	\$3,105,380	\$3,105,380	14.56%
New Construction Contract	\$6,195,754	\$7,310,031	\$13,505,785	63.31%
Contingencies	\$619,575	\$815,421	\$1,434,996	6.73%
A/E Fees	\$496,156	\$746,281	\$1,242,437	5.82%
Consulting and Other Fees	\$98,860	\$116,640	\$215,500	1.01%
Movable and Other Equipment	\$250,000	\$0	\$250,000	1.17%
Bond Insurance Expense	\$46,317	\$70,350	\$116,667	0.55%
Interest Expense During Construction	\$107,190	\$162,810	\$270,000	1.27%
Other Costs to be Capitalized	\$114,687	\$135,313	\$250,000	1.17%
Total Uses of Funds	\$8,249,784	\$13,084,159	\$21,333,943	100.00%
Source of Funds				
Cash & Securities			\$11,333,943	53.13%
Bond Issues			\$10,000,000	46.87%
Total Sources of Funds			\$21,333,943	100.00%

## **V. Discontinuation**

### **A) Criterion 1110.290 – Discontinuation**

*These criteria pertain to the discontinuation of categories of service and health care facilities.*

*a) Information Requirements – Review Criterion*

*The applicant shall provide at least the following information:*

- 1) Identification of the categories of service and the number of beds, if any, that are to be discontinued;*
- 2) Identification of all other clinical services that are to be discontinued;*
- 3) The anticipated date of discontinuation for each identified service or for the entire facility;*
- 4) The anticipated use of the physical plant and equipment after discontinuation occurs;*
- 5) The anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be retained;*
- 6) For applications involving discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or the Illinois Department of Public Health (IDPH) (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation and that the required information will be submitted no later than 60 days following the date of discontinuation.*

*b) Reasons for Discontinuation – Review Criterion*

*The applicant shall document that the discontinuation is justified by providing data that verifies that one or more of the following factors (and other factors, as applicable) exist with respect to each service being discontinued:*

- 1) Insufficient volume or demand for the service;*
- 2) Lack of sufficient staff to adequately provide the service;*
- 3) The facility or the service is not economically feasible, and continuation impairs the facility's financial viability;*
- 4) The facility or the service is not in compliance with licensing or certification standards.*

*c) Impact on Access – Review Criterion*

*The applicant shall document whether the discontinuation of each service or of the entire facility will have an adverse impact upon access to care for residents of the facility's market area. The facility's market area, for purposes of this Section, is the established radii outlined in 77 Ill. Adm. Code 1100.510(d). Factors that indicate an adverse impact upon access to service for the population of the facility's market area include, but are not limited to, the following:*

- 1) The service will no longer exist within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the applicant facility;*
- 2) Discontinuation of the service will result in creating or increasing a shortage of beds or services, as calculated in the Inventory of Health Care Facilities, which is described in 77 Ill. Adm. Code 1100.70 and found on HFSRB's website;*
- 3) Facilities or a shortage of other categories of service at determined by the provisions of 77 Ill. Adm. Code 1100 or other Sections of this Part.*
- d) The applicant shall provide copies of notification letters sent to other resources or health care facilities that provide the same services as those proposed for discontinuation and that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d). The notification letter must include at least the anticipated date of discontinuation of the service and the total number of patients that received care or the number of treatments provided (as applicable) during the latest 24 month period.*

The Applicant proposes to discontinue a multi-specialty ASTC located in lease space in Quincy, Illinois and will relocate the ASTC approximately 2-minutes from the current site to the campus of Blessing Hospital. The discontinuation will occur upon the opening the proposed ASTC on the Hospital campus. All equipment will be relocated to the proposed new facility and the medical records will remain with Blessing Hospital.

The reason for discontinuation is to relocate the current ASTC from leased space to property that is owned by Blessing Hospital on its campus. The current ASTC's operating rooms are not large enough to address the case requirements of all specialists who need to practice in the ASTC. There is no space to expand in the current operating rooms to meet this need. Also, relocating the ASTC from leased space to a building owned by Blessing Hospital will save approximately \$1.4 million annually in operating costs and result in a more cost-efficient long-term operation of the ASTC.

The Applicant believes the project will improve access to care. The proposed ASTC service is not changing, only the location. Blessing Hospital ASTC is in leased space today, owned by a competing provider. It is in the middle of a medical office building. The new location will provide direct access to the Blessing Hospital's surgery center in case of emergency. Parking will be located immediately outside the building. The ASTC will be a free standing ASTC and will be reimbursed at ASTC rates.

The Applicant has met the requirements of this criterion.

## **VI. Section 1110.110 - Background of the Applicant, Purpose of Project, Safety Net Impact Statement, and Alternatives**

### **A) Criterion 1110.110 (a) – Background of the Applicant**

*To demonstrate compliance with this criterion the applicant must document the qualifications, background, character and financial resources to adequately provide a proper service for the community and also demonstrate that the project promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of facilities or service.*

The Applicant has attested that no adverse action<sup>3</sup> has been taken against Blessing Hospital or facilities owned by Blessing Hospital for the past three years before the filing of the Application for Permit. Blessing Hospital is in Good Standing with the State of Illinois<sup>4</sup> and has provided copies of licensure and accreditation for both the Hospital and ASTC. The site of the ASTC is in compliance with the Illinois Executive Order #2006-5, "Construction Activities in Special Flood Hazard Area" and with the Illinois State Agency Historic Resources Preservation Act.

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<sup>3</sup> Adverse Action" means a disciplinary action taken by IDPH, Center for Medicare and Medicaid Services, 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.

<sup>4</sup> A certificate of good standing issued by a proper authority in a jurisdiction to verify that a corporation actually exists, has paid all its statutory dues, has met all filing requirements and, therefore, is authorized to transact business in that state. Also called certificate of authorization or certificate of existence



**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 has identified several issues which they believe will be resolved with approval of this Application for Permit. In summary the problems that have been identified center around the current Blessing ASTC located inside a Quincy Medical Group medical office building in leased space. To have an ASTC owned by Blessing Hospital in the Quincy Medical Group building will cause confusion for patients on where they need to present for a procedure. Additionally, the Applicant believes the existing location will compromise Blessing's ability to compete and generate revenue to support safety net services.

*The Applicant believes “the proposed project will provide health services that improve the health care and well-being of the market area by offering choice to patients and physicians who want their ASTC procedures close to the hospital. The purpose of this project is to increase accessibility to high quality free standing ASTC services on the hospital campus and attached to the hospital by an enclosed walkway. This offers both patients and physicians an option of procedures in a free standing ASTC but located on the hospital campus close to the OR suites which will not require ambulance transport if an emergency occurs. As more and more procedures move to outpatient that have been hospital based, there is increased risk. This location of this ASTC will help bridge the patient safety concerns of patients risks.”*

The proposed market area is the same market area served currently. Approximately 68% of the Blessing ASTC patients in 2018 resided in 28 zip codes within the 21-mile GSA.

**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]*

*The Applicant stated in part:*

*“Blessing Hospital is the primary supporter of Safety Net Services in Adams County. Blessing Hospital revenue made from all of its services is part of the ability for Blessing to provide safety net services. The proposed project plays an important part in being able to provide such services. Blessing Hospital is a not for profit, 327 bed, full service acute care hospital in Quincy, Illinois. Blessing has served the community for more than 140 years. Blessing Health System, of which Blessing Hospital is an affiliate, is the largest employer in Adams County with more than 3400 employees. Blessing Hospital is the only hospital in Adams County and is the only full-service acute care hospital within 100 miles in every direction. Blessing Hospital is a true community hospital with a community board; its facilities and income are devoted to the Quincy region and dedicated to its stated*

*mission to improve the health care of the communities we serve.” A complete explanation of the Applicant’s Safety Net Services as well as the Community Benefit Report can be found at pages 224-233 of the Application for Permit.*

The Applicant believes the payor mix will be similar to the existing ASTC.

<b>TABLE THREE</b>		
<b>Expected Payor Mix</b>		
Payor	Blessing ASTC	2017 State of Illinois ASTCs <sup>(1)</sup>
	Payor Mix	Payor Mix
Blessing Program	0.40%	NA
Commercial	41.40%	55.2%
Medicaid	9.80%	4.2 %
Medicare	46.30%	35.8%
Other	1.40%	1.0%
Self-Pay	0.50%	3.4%
1. Source 2017 State of Illinois Summary 145 ASTC		

#### **D) Criterion 1110.110(c) – 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 Applicant looked at two alternatives to the proposed project: a joint venture with Quincy Medical Group and continuing to lease the space for the Blessing ASTC from a building owned by Quincy Medical Group.

These two alternatives were rejected because an agreement on an ASTC joint venture with Quincy Medical Group could not be reached prior to the approval of the Quincy Medical Group ASTC located in the Quincy Mall (Permit #18-042). Secondly the leasing of the ASTC in a building owned by Quincy Medical Group and the management of the ASTC by Quincy Medical Group no longer made economic or competitive sense upon the approval of the Quincy Medical Group ASTC.

**1. Joint Venture at the current location or location on the hospital campus with Quincy Medical Group.**

*In February 2019, Blessing offered QMG physicians a joint venture in Blessing's existing ASTC that included 40% physician ownership and shared governance. QMG rejected the offer via a press release two days later. See, attached letter from Blessing to QMG dated February 11, 2019 and Herald Whig article. "OMG Rejects Compromise Surgery Center Plan from Blessing," dated February 13, 2019. Among QMG's objections to a joint venture with Blessing was that the physicians were only offered a "minority" interest in Blessing's*

*ASTC, that QMG itself was not offered direct ownership, and that the space in the existing ASTC (which QMG owned) was not adequate for continued use as an ASTC.*

*Blessing again reached out to QMG in April 2019 to address every concern QMG had raised to the first joint venture proposal. Blessing offered QMG a direct 50% ownership in the Blessing ASTC with equal representation on the ASTC's board. QMG rejected that joint venture proposal as well. Throughout the time period that Blessing had proposed the above joint ventures, QMG was pursuing its own competing ASTC with an application before the Review Board, Project #18-042. Throughout that proceeding, QMG aggressively promoted competition between QMG and Blessing, rather than collaboration and that competing ASTCs would provide greater benefit to the Quincy community than collaboration between QMG and Blessing:*

- a) QMG was allowed to include in its applicant's presentation to the Board a representative from the Tri-State Health Care Purchasing Coalition, who had stated to the Board during the public comment period that "our coalition adamantly opposes a collaborative surgery center, as this will defeat any opportunity for competition, which we desperately need as a community." See attached Transcript of Review Board Meeting of April 30, 2019 ("April Tr.") at 62-4, and 98-11.*
- b) QMG's Chief Clinical Officer told the Review Board: "Competition works. Sometimes collaboration is good. But in the case of providing health care services, competition has been shown to improve care and lower costs for our patients." April Tr. at 71-12.*
- c) QMG's Chief Executive Officer testified that, "We believe that competition and choice is good" and "competition and choice is sorely needed and will benefit patients in the community" and "Quincy needs this competition and choice. Quincy will benefit from this. Our patients need competition and choice." • April Tr. at 89-5, and 118-1.*
- d) QMG's urging of the Review Board to promote competition between QMG and Blessing over collaboration prevailed, and the Board approved QMG's application for a competing ASTC on April 30, 2019.*

## **2. Remain in the QMG Medical Office Building and extend the lease beyond the current agreement for another 5 years**

*A. The current ASTC is now in space leased at QMG, which is located in the middle of their main office building. The public will be confused as to the Blessing location for ASTC services when it is located at QMG and QMG has an ASTC at the mall.*

*B. Financially, rather than paying \$1.57 million in annual payments to QMG as<sup>5</sup> Blessing is today, it is a better investment to relocate the ASTC to new construction*

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<sup>5</sup> The \$1,570,000 annual payment amount was calculated using the management fees payable to QMG, plus the lease base rent, plus operating lease expenses (minus the portion of operating expenses that would continue with Blessing's ASTC) payable to QMG if Blessing did not have its own ASTC when the current lease expires in 2023. Blessing has terminated its management arrangement with QMG as of October 31, 2019. Blessing is paying \$604,000 base rent today plus \$242,668 annually for other expenses QMG incurs and passes through to Blessing such as gardening fees, certain taxes and maintenance fees on an aging ASTC. QMG's lease with Blessing calls for two inflation adjustments. By the time the lease would need to be renewed in 2023, these adjustments will raise the annual lease rate almost \$195,000 compared to the current base rate. These fees would be better used to pay for a new ASTC on the Blessing campus with larger operating rooms to perform a wider range of approved services in Blessing's ASTC. Blessing estimated in its CON application that an ongoing lease with QMG covering an additional 20-years would cost an estimated \$30,141,383. This amount was calculated using the renewal rate at 2023 and amortizing that amount over a 20-year payment schedule with the time value of money at 2.8% which is Blessing's estimated 20-year cost of capital. If Blessing removed carry over operating expense costs

*on land owned by the hospital and on the hospital campus and manage the center. Had Blessing relocated the center to the Blessing campus in 2006 when it was initially purchased from QMG. The construction costs would have been fully paid (all the leased costs paid in the last 13 years). Blessing would not be in this position of their ASTC now being in the QMG building while QMG builds a competing center and Blessing now needing a CON to relocate the ASTC purchased from them.*

*C. The current lease will expire, so at the end of this term, it will be not be renewed. Blessing has an option to renew for 5 years, but that would not be a good investment since at the end of that 5 years Blessing would need to relocate the center. The hospital would have paid millions more in lease costs which are now planned to go the proposed project. and still need to address relocating the ASTC.*

*If Blessing took the second five-year option and continued to lease through the October 2028 which is the full period allowed, Blessing would spend \$9,995,000 over the period ending October 31, 2028. If QMG expanded the lease option beyond the current contract offering to lease over a 20-year period the expenditure would be estimated to cost \$30,141,383.*

*The two financial options above only address the lease costs and not the management costs contracted with QMG since 2006. This option was ruled out because it creates unnecessary financial and planning risks for the future of the current ASTC license.*

### **3. Relocate the Blessing ASTC from the Quincy Medical Group office building to the Blessing campus and attach to the hospital operating room area by covered walkway.**

*This alternative was selected for the following reasons:*

*A. The timing is perfect in that the proposed project allows for planning and building the new ASTC to be ready for occupancy close/prior to the time the current lease expires.*

*B. The proposed new location will connect the hospital surgical area thus offering a choice for physicians and patients who choose to have a procedure closer to the hospital.*

*C. The investment will be in a fully owned community asset rather than paying \$1.57 million a year to QMG which is 40% owned by Unity Point. It will position Blessing Hospital to compete in the ASTC environment and thus reduce the impact of the QMG Surgery Center to help mitigate the lost revenue and jobs.*

*D. It will open up space Blessing vacates. when the lease expires, at QMG for them to recruit more physicians to the community and save them investing in other locations.*

*E. It will reduce the future risk for the Blessing's ASTC if it is on hospital property rather than in the QMG building. if QMG or Unity Point ever made a decision to change QMG's ownership. Blessing would not be dependent on a new or different owner arrangement. The proposed project will relocate all the staff and equipment to the new location.*

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from this calculation the payments would be \$26,767,000 which far outweigh the \$21.4 million cost of Blessing's new ASTC. (Source: Additional Information submitted 08/23/2019)

*F. It will provide a contemporary ASTC meeting the needs for today's procedures as the shift to more outpatient procedures occurs. For all these reasons. Blessing has chosen the third option and are before the Board asking for permission to relocate the center to the Blessing Hospital campus.*

## **VII. Project Scope and Size, Utilization and Assurance**

### **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 a total of 35,756 GSF (“Gross Square Feet”)<sup>6</sup> of space. Of that 16,403 GSF is reviewable space. The Applicant has met the gross square footage requirements of Appendix B in Part 1110. However, Appendix B states that an Applicant can have a maximum of 4 recovery stations per operating/procedure room. The Applicants are proposing a total of 28 recovery stations and not the 24 recovery stations as required by rule.

The Applicants have not met the requirements of this criterion.

<b>TABLE FOUR</b>						
<b>Size of the Propose ASTC</b>						
Reviewable	Rooms	GSF	State Standard		Difference	Met Standard
			GSF Per Room	Total GSF		
Surgery	3	6,224	2,750	8,250	-2,026	Yes
Procedure	3	1,076	2,200	6,600	-5,524	Yes
Recovery		9,103	No Standard			
Phase 1	6	939				
Phase 2	22	8,164				
Total Reviewable		16,403				
Non-Reviewable						
Public/Admin/Bldg.		18,547				
Shelled Space		806				
Non-Reviewable		19,353				
Total		35,756				

<sup>6</sup> Gross square feet, also called gross area, refers to the total square footage of a building. The [gross square footage](#) of a building includes elevator shafts, vertical penetrations, equipment areas, ductwork shafts, and stairwells, as well as the usable square footage – the areas occupied by or available to tenants. It is determined by measuring from the [outside faces of the exterior walls](#), not accounting for cornices, pilasters or buttresses that extend beyond the wall faces.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH SIZE OF PROJECT (77 ILAC 1110.120 (a))**

**B) Criterion 1110.120 (b) – Projected 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. All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100. [Part 1110 Appendix B]*

The current ASTC has 3 operating rooms and 3 procedure rooms. The proposed new facility will have the same number of operating and procedure rooms. The proposed facility will be relocated 2 minutes from the existing ASTC. The historic utilization justifies the three operating rooms and three procedure rooms being requested at the State Board's standard of 1,500 hours per operating/procedure rooms.

Blessing Hospital is projecting a growth in the number of cases at the ASTC in operating room cases of 2.76% and 2.2% increase in procedure room cases over the next five years. The Applicant's projection is less than the historic growth and will justify the number of rooms being requested.

The Applicants have met the requirements of this criterion.

**TABLE FIVE  
Historical Utilization**

	<b>Historical Utilization and Cases</b>					
	<b>Hours</b>					
Year	2014	2015	2016	2017	2018	Ave. Growth
Operating Rooms Hours	3,666	3,752	4,472	4,810	4,644	6.67%
Minutes per Case	47.8	46.7	52.4	52.9	53.1	50.6
Procedure Room Hours	2,231	2,350	2,501	2,567	2,493	2.94%
Minutes per Case	30.1	28.1	28.3	29.4	30.2	29.2
Total Hours	5,897	6,102	6,973	7,377	7,137	5.26%
	<b>Cases</b>					
Operating Room Cases	4,602	4,824	5,124	5,452	5,250	3.52%
Procedure Room Cases	4,452	5,022	5,299	5,231	4,958	2.84%
Total	9,054	9,846	10,423	10,683	10,208	3.19%

TABLE SIX					
Projected Number of Cases at the ASTC					
Year	2019	2020	2021	2022	2023
Operating Room Cases	5,395	5,544	5,698	5,856	6,018
Procedure Room Cases	5,066	5,176	5,289	5,404	5,522
Total	10,461	10,720	10,987	11,260	11,540

**C) Criterion 1110.120 (d) – Unfinished Shell Space**

*If the project includes unfinished space (i.e., shell space) that is to meet an anticipated future demand for service, the applicant shall document that the amount of shell space proposed for each department or clinical service area is justified, and that the space will be consistent with the standards of Appendix B as stated in subsections (a) and (b). The applicant shall provide the following information:*

- 1) *The total gross square footage of the proposed shell space;*
- 2) *The anticipated use of the shell space, specifying the proposed SF to be allocated to each department, area or function;*
- 3) *Evidence that the shell space is being constructed due to:*
  - A) *Requirements of governmental or certification agencies; or*
  - B) *Experienced increases in the historical occupancy or utilization of those departments, areas or functions proposed to occupy the shell space. The applicant shall provide the historical utilization for the department, area or function for the latest 5-year period for which data are available, and, based upon the average annual percentage increase for that period, project the future utilization of the department, area or function through the anticipated date when the shell space will be placed into operation.*

Blessing Hospital is proposing 806 GSF of shell space as part of the construction of the new ASTC. The shelled space would be intended for a future operating room and support space. The shell space is non-clinical and would require Blessing to file an application and return to the Board to obtain a permit prior to occupancy. The Applicant states “CMS has recently added several cardiology codes now covered in an ASTC location. Blessing wants to wait, prior to investing in finishing out a room or adding expensive Cath equipment to a second location, to verify the safety of such procedures in an ASTC. However, the organization wants to be prepared to expand if such procedures are required to be provided in a free standing ASTC. Thus, planning for such capacity needs to be built into the new center. Blessing is creating a covered walkway to address easy access to the hospital OR in case of emergency for any number of procedures being moved to ASTCs.”

**D) Criterion 1110.120 (e) – Assurances**

- 1) *The applicant 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.*
- 2) *For shell space, the applicant shall submit the following:*
  - A) *Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at that time or the categories of service involved;*
  - B) *The anticipated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and*

C) *The estimated date when the shell space will be completed and placed into operation.*

The Applicant provided the necessary attestation at page 107A and 205 of the Application for Permit



## VIII. Non-Hospital Based Ambulatory Surgical Treatment Center Services

### A) Criterion 1110.235 (b) (2) (A) (B) - Geographic Service Area Need

*The applicant shall document that the ASTC services and the number of surgical/treatment rooms to be established, added or expanded are necessary to serve the planning area's population, based on the following:*

- A) *77 Ill. Adm. Code 1100 (Formula Calculation)*  
*As stated in 77 Ill. Adm. Code 1100, no formula need determination for the number of ASTCs and the number of surgical/treatment rooms in a geographic service area has been established. Need shall be established pursuant to the applicable review criteria of this Part.*

There is no need formula for ASTCs or the number of surgical/treatment rooms in a GSA.

- B) *Service to Geographic Service Area Residents*  
*The applicant shall document that the primary purpose of the project will be to provide necessary health care to the residents of the geographic service area (GSA) in which the proposed project will be physically located.*  
i) *The applicant shall provide a list of zip code areas (in total or in part) that comprise the GSA. The GSA is the area consisting of all zip code areas that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site.*  
ii) *The applicant shall provide patient origin information by zip code for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the GSA. Patient origin information shall be based upon the patient's legal residence (other than a health care facility) for the last 6 months immediately prior to admission.*

Approximately 68% of the Blessing ASTCs patients in 2018 resided in 28 zip codes within the 21-mile GSA.

### B) Criterion 1110. 235 (3) - Service Demand – Establishment of an ASTC Facility or Additional ASTC Service

*The applicant shall document that the proposed project is necessary to accommodate the service demand experienced annually by the applicant, over the latest 2-year period, as evidenced by historical and projected referrals. The applicant shall document the information required by subsection (c)(3) and either subsection (c)(3)(B) or (C):*

This project proposes to relocate an existing ASTC to a new location 2-minutes from the existing site. Historical utilization justifies the three operating and three procedure rooms being requested. The Applicants are projecting a growth in operating room cases of 2.76% over the next five years and procedure rooms cases of 2.2% over this same period. There is demand for this ASTC.

### **C) Criterion 1110.235 (5) - Treatment Room Need Assessment**

- A) *The applicant shall document that the proposed number of surgical/treatment rooms for each ASTC service is necessary to service the projected patient volume. The number of rooms shall be justified based upon an annual minimum utilization of 1,500 hours of use per room, as established in 77 Ill. Adm. Code 1100.*
- B) *For each ASTC service, the applicant shall provide the number of patient treatments/sessions, the average time (including setup and cleanup time) per patient treatment/session, and the methodology used to establish the average time per patient treatment/session (e.g., experienced historical caseload data, industry norms or special studies).*

Historic Utilization justifies the three operating rooms and three procedure rooms at documented above. The number of rooms requested are supported by the historic utilization at the ASTC Facility.

The Applicant stated the following:

*“Blessing Hospital has 10 hospital combined inpatient and outpatient ORs supporting hospital in and outpatient surgery. They also own a 6 room ASTC, which is being proposed to be relocated. The proposed ASTC will include 3 ORs and 3 procedure rooms, the same as Blessing Hospital has operated since 2006 and are not excessive and are necessary to accommodate the projected caseload. The 2017 volumes at the current outpatient surgery locations owned by Blessing were used to project the cases and hours of usage for the operating rooms, as displayed in the table on the next page. Per the utilization standard of 1500 hours per room, the 3 ORs and 3 procedure rooms in the project are needed.”*

### **D) Criterion 1110.235 (6) - Service Accessibility**

*The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The applicant shall document that at least one of the following conditions exists in the GSA:*

- A) *There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;*
- B) *The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100;*
- C) *The ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies;*
- D) *The proposed project is a cooperative venture sponsored by 2 or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:*
  - i) *The existing hospital is currently providing outpatient services to the population of the subject GSA;*
  - ii) *The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100;*
  - iii) *The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms are*

- operating at or above the utilization rate specified in 77 Ill. Adm. Code 1100 for a period of at least 12 consecutive months; and*
- iv) *The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.*

- A) There is one licensed ASTC in the 21-mile GSA – Blessing ASTC
- B) Blessing ASTC is at target occupancy and the Blessing Hospital's 10 operating rooms reported 11,270 hours in 2017. This number of hours justifies 8 operating rooms.
- C) All services proposed by the Applicant are available in the 21-mile GSA.
- D) Blessing ASTC is a division of Blessing Hospital.

The Applicant stated the following:

*"There are no other IDPH licensed ASTCs within the identified GSA of the proposed project other than the proposed ASTC to be relocated. The proposed ASTC services being established are necessary to improve access for residents of the GSA. Blessing Hospital operates an existing hospital providing outpatient surgery to the GSA and the proposed ASTC to be relocated is owned by the hospital.*

*The current ASTC received State approval in 2000 when Quincy Medical Group established the Surgery Center. In 2006, Blessing purchased the Surgery Center, left it at the QMG Medical Office building and it has remained the only ASTC in the community. QMG received approval to open a second ASTC in April 2019. The proposed application is only a request to relocate the ASTC from the QMG building to the Blessing Hospital campus. The current ASTC rooms are not large enough for orthopedic surgeons to perform all their surgeries. Orthopedics is one of the services with the most significant outmigration, thus in order to be able to serve the people of the region and reduce outmigration, the current location will not allow this to happen. The ASTC has no ability to expand in its current footprint as QMG is out of space. The center is located on the third floor in construction designed for procedures and technology of 20 years ago. There is no way to update or enlarge the center to meet today's needs based on the current square footage. Blessing Hospital filed for ASTC freestanding status and received a response March 19, 2019. Blessing has been working since that date to assess the gaps needed to obtain freestanding ASTC accreditation, which is required prior to changing to ASTC reimbursement. The Blessing ASTC has been accredited as a hospital department under Joint Commission for years and most recently under DNV. Now the hospital has to meet the requirements for ASTC non-hospital- based status, which will occur yet in 2019. The proposed ASTC is the only ASTC in the GSA owned by a hospital. The proposal project does not have restricted admission policies."*

The Applicant has met one of the four criteria as required of this criterion

**E) Criterion 1110.235 (7) - Unnecessary Duplication/Maldistribution**

- A) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information for the proposed GSA zip code areas identified in subsection (c)(2)(B)(i):*
- i) the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and*
  - ii) the names and locations of all existing or approved health care facilities located within the GSA that provide the ASTC services that are proposed by the project.*
- B) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the GSA has an excess supply of facilities and ASTC services characterized by such factors as, but not limited to:*
- i) a ratio of surgical/treatment rooms to population that exceeds one and one-half times the State average;*
  - ii) historical utilization (for the latest 12-month period prior to submission of the application) for existing surgical/treatment rooms for the ASTC services proposed by the project that are below the utilization standard specified in 77 Ill. Adm. Code 1100; or*
  - iii) insufficient population to provide the volume or caseload necessary to utilize the surgical/treatment rooms proposed by the project at or above utilization standards specified in 77 Ill. Adm. Code 1100.*
- C) The applicant shall document that, within 24 months after project completion, the proposed project:*
- i) will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and*
  - ii) will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.*

The population of the 28 zip codes that lie in whole or in part within the 21-mile radius is 91,401. Blessing Hospital with 10 operating room and Blessing ASTC with 6 operating rooms are within the 21-mile GSA. Quincy Medical Group ASTC was approved in April of 2019 with a total of 8 operating rooms/procedure rooms. The total existing and approved operating/procedure rooms is 24 rooms in this GSA.

The ratio of operating/procedure rooms to population:

- $91,401 \text{ residents} / 1,000 \text{ population} = 91.4 \text{ residents per thousand population}$
- $24 \text{ rooms} / 91.4 \text{ residents per } 1,000 \text{ population} = .2614 \text{ rooms per thousand population}$

The State of Illinois population is 12,978,800 residents and 2,778 operating/procedure rooms (hospital and ASTC) in the State of Illinois resulting in .2140 rooms per thousand.

- $12,978,800 \text{ residents} / 1,000 \text{ population} = 12,978 \text{ residents per thousand}$
- $2,778 \text{ rooms} / 12,978 \text{ residents per thousand} = .2140 \text{ rooms per thousand population}$

To result in a maldistribution of service in this 21-mile GSA the ratio of population to rooms in the 21-mile GSA must be 1.5 times the State of Illinois ratio. There is no maldistribution of service in this 21-mile GSA.

The Applicants stated *“the 21-mile radius represents only 66.94% of the outpatient surgeries. Blessing serves a much larger region than 21 miles reflected in the GSA, a third of the cases came from outside the GSA. This project proposes to relocate the existing 6 ORs, not add to the total and for this reason the proposed project.”*

The Applicant has met the requirements of this criterion.

**F) Criterion 1110.235 (8) - Staffing**

*A) Staffing Availability*

*The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that the staffing requirements of licensure and The Joint Commission or other nationally recognized accrediting bodies can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.*

*B) Medical Director*

*It is recommended that the procedures to be performed for each ASTC service are under the direction of a physician who is board certified or board eligible by the appropriate professional standards organization or entity that credentials or certifies the health care worker for competency in that category of service.*

The Applicant stated the following:

*“Blessing Hospital will use the same staff as providing services at the current ASTC today. Blessing will manage the center and a Medical Director will remain the same as the time of the relocation. Blessing does not envision any unusual difficulties in staffing the proposed ASTC with qualified nurses, technicians, and other support personnel as they are already on staff and working in the current ASTC that is proposed to be relocated. Upon opening the proposed ASTC, the patient load of the ASTC at 1118 Hampshire will be transition to the proposed location.”*

The Applicant has met the requirements of this criterion.

**G) Criterion 1110.235 (9) - Charge Commitment**

*In order to meet the objectives of the Act, which are to improve the financial ability of the public to obtain necessary health services; and to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public; and cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process [20 ILCS 3960/2], the applicant shall submit the following:*

- A) a statement of all charges, except for any professional fee (physician charge); and*
- B) a commitment that these charges will not increase, at a minimum, for the first 2 years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).*

Maureen Kahn, CEO of Blessing Hospital that the charges will not increase for a minimum of two years.

**H) Criterion 1110.235 (10) - Assurances**

A) *The applicant shall attest that a peer review program exists or will be implemented that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated.*

B) *The applicant shall document that, in the second year of operation after the project completion date, the annual utilization of the surgical/treatment rooms will meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians) and the provision of new procedures that would increase utilization.*

Maureen Kahn, CEO of Blessing Hospital stated the following:

*"I hereby certify and attest the current peer review program in use at the time of the move will continue to be used to evaluate patient outcomes for consistency with quality standards established by professional organizations, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated. I also affirm that the ASTC will meet or exceed the utilization standards specified in 77 Ill Administrative Code 1100. Documentation submitted with this permit application and QMG's commitment from CON 18-042 not to have an impact on Blessing's volume supports this statement, based on historic growth, and the fact Blessing will aggressively recruit surgeons to the community to increase the number of surgeries performed in an ASTC that are out migrating today."*

The Applicant provided the necessary assurances as required at page 203 of the Application for Permit.

## **Financial Viability and Economic Feasibility**

### **A) Criterion 1120.120 – Availability of Funds**

*Applicants shall document that financial resources will be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources*

Blessing Hospital is funding this project cash in the amount of \$11,393,943 and the proceeds from a bond issue of \$10 million. The Hospital has provided evidence of an “A” bond rating and has provided their most recent audited financial statement. Blessing Hospital has sufficient resources to fund this project.

Blessing Hospital Audited Financial Statement September 30 <sup>th</sup> (in millions)		
	2018	2017
Total Assets	\$572.4	\$538.0
Total Liabilities	\$204.6	\$233.8
Total Net Assets	\$367.7	\$304.3
Total Revenue	\$430.0	\$381.0
Total Expenses	\$348.6	\$309.3
Operating Income	\$81.4	\$74.2

### **B) Criterion 1120.130 – Financial Viability**

*Applicants that are responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.*

Blessing Hospital was not required to submit financial viability ratios because the Hospital has provided evidence of an “A” or better bond rating from S&P Global Ratings. Blessing Hospital has addressed this criterion.

### **A) Criterion 1120.140 (a) -Reasonableness of Financing Arrangements**

*An Applicant must document the reasonableness of financing arrangements.*

Blessing Hospital was not required to address this criterion because the Hospital has provided evidence of an “A” or better bond rating from S&P Global Ratings. Blessing Hospital has addressed this criterion.

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

*Applicants with projects involving debt financing shall 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 are less costly than constructing a new facility or purchasing new equipment.*

Blessing Hospital provided the necessary attestation at pages 222-223 of the Application for Permit. The Applicant has successfully addressed this criterion.

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

*The applicant shall document that the estimated project costs are reasonable.*

By Statute only clinical costs (reviewable costs) are considered in evaluating the reasonableness of project costs. (20 ILCS 3960/3)

Preplanning Costs are \$29,360 or less than 1% of new construction, contingencies and movable equipment costs of \$7,104,056. This appears reasonable when compared to the State Board Standard of 1.8%.

Site Survey, Soil and Site Preparation Costs are \$403,321 which are 5.88% of new construction and contingency cost of \$6,854,056.

New Construction and Contingency Costs are \$6,815,329 or \$415.49 per GSF. This appears reasonable when compared to the State Board Standard of \$427.34 the midpoint of construction.

**Staff Note:** The Standard for ASTC new construction and contingency costs is calculated by taking the base year of CY 2015 and inflating by 3% to the midpoint of construction. For this project the midpoint is CY 2021.

Calendar Year	2015	2016	2017	2018	2019	2020	2021	2022
New Construction & Contingency Costs	\$357.89	\$368.63	\$379.69	\$391.08	\$402.81	\$414.89	\$427.34	\$440.16

Contingency Costs are \$619,575 or 9.09% of new construction costs of \$6,195,754. This appears high when compared to the State Board Standard of 10% for new construction.



Architectural and Engineering Fees are \$496,156 which are 7.28% of new construction and contingency costs of \$6,815,329. This appears high when compared to the State Board Standard of 7.28%.

**Staff Note:** The Standard for ASTC Architectural and Engineering Fees is found at Centralized Fee Negotiation Professional Services and Fees Handbook (available at [www.cdb.state.il.us](http://www.cdb.state.il.us) or by contacting the Capital Development Board, 401 South Spring Street, Springfield, Illinois 62706).

Consulting and Other Fees are \$98,860. The State Board does not have a standard for these costs.

Moveable and Other Equipment not in Construction Contract is \$250,000 or \$41,667 per room. This appears reasonable when compared to the State Board Standard of \$519,570.

**Staff Note:** The Standard for ASTC moveable and other equipment not in construction contracts is calculated by taking the base year of CY 2008 cost standard of \$353,802 per room and inflating by 3% to the midpoint of construction. For this project the midpoint is CY 2021.

CY	2018	2019	2020	2021	2022
Moveable Equipment Room Cost	\$475,480	\$489,745	\$504,437	\$519,570	\$535,157

Bond Insurance Expense is \$46,317. The State Board does not have a standard for these costs.

Interest Expense During Construction is \$107,190. The State Board does not have a standard for these costs.

Other Costs to be Capitalized is \$114,687. The State Board does not have a standard for these costs.

#### **D) Criterion 1120.140 (d) – Direct Operating Costs**

*The applicant shall provide 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 Applicant has provided the direct costs per procedure at the ASTC should this project be approved. The State Board does not have a standard for this cost.

Salaries	\$2,418,299
Benefits	\$725,490
Depreciation	\$390,964
Other Operating	\$5,146,844
Total Operating Costs	\$8,681,596
Outpatient surgical cases+ Procedures	11,945
Direct Cost per surgical care+ procedure	\$726.80

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

*The applicant shall provide 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 Applicant has provided the total effect of the project on capital costs per procedure at the ASTC should this project be approved. The State Board does not have a standard for this cost.

**Projected Capital Costs - FY 2023**

Outpatient surgical cases+ Procedures	
Total Project Cost	\$21,393,943
Useful Life (weighted average)	25
Total Annual Depreciation	\$855,758
Depreciation Cost per total	\$71.64

## A detailed map of Quincy, Illinois, and its surrounding areas. The Mississippi River is a prominent feature, flowing through the center of the map. Major highways are shown in orange, including US-24, US-61, US-110, and I-172. Local streets are shown in grey. A callout box with a white background and a grey border points to a specific location in Quincy, IL, with the text: "Blessing Hospital ASTC", "1005 Broadway St", "Quincy, IL 62301". Other labeled locations include Taylor, West Quincy, Quincy, North Quincy, Bloomfield, Fowler, Burton, Mark, North River, South River, and Maywood. The map also shows the borders of Missouri, Marion, Adams, and Lincoln counties.

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