



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-05	BOARD MEETING: December 10, 2019	PROJECT NO: 19-042	PROJECT COST: Original: \$17,232,236
FACILITY NAME: HSHS St. John's Hospital		CITY: Springfield	
TYPE OF PROJECT: Non-Substantive			HSA: III

PROJECT DESCRIPTION: The Applicants (Hospital Sisters Services, Inc., Hospital Sisters Health System, and St. John's Hospital of the Hospital Sisters of the Third Order of St. Francis) propose to renovate and modernize its 56-Bed Intensive Care (ICU) Service, and increase the bed complement from 56 to 64 beds. In addition, the Applicants propose to increase its Medical/Surgical (MED/SURG bed complement from 200 beds to 232 beds. The cost of the project is \$17,232,236 and the anticipated completion date is July 31, 2023.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Hospital Sisters Services, Inc., Hospital Sisters Health System, and St. John's Hospital of the Hospital Sisters of the Third Order of St. Francis) propose to renovate, modernize, and expand its Intensive Care (ICU) service. The expansion will entail the addition of 8 additional ICU beds to the 56-bed complement, resulting in 64 adult ICU beds on floors 3 and 4 of the hospital.
- The project also proposes to add 32 more Medical/Surgical beds to the existing 200-bed units, for a total of 232 med/surg beds located on floors 3 and 4.
- The proposed project will enhance the Applicants ability to provide the highest quality of care to its patients in greatest need and improve operational efficiencies for its clinical staff. The cost of the project is **\$17,232,236** and the anticipated completion date is July 31, 2023.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

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

PURPOSE OF THE PROJECT:

- The Applicant stated: *"This project will greatly enhance St. John's Hospital's ability to provide the highest quality care to its most vulnerable patients and support continued growth. Over the last six years, St. John's ICU volumes have increased 26%, due in part to St. John's CONNECT program, a care coordination program through which a call center is used to efficiently facilitate the transfer of acutely ill patients to an appropriate higher level of care. The renovation and expansion of the ICU is necessary to provide adequate resources to accommodate the recent increased capacity as well as to support future growth initiatives. Medical/Surgical volumes have also seen a large growth in volume as a result of the CONNECT program. CY19 has already produced a peak census of 218 patients in this category of service. Since 1941, the ICU and Medical/Surgical floors at St. John's Hospital have served patients in Central Illinois and have aimed to provide high quality care. St. John's hospital must add ICU and Medical/Surgical rooms to have the capacity to support anticipated growth through the CONNECT program and strengthened physician partnerships in the region. Expanding the existing facilities to help accommodate the increased demand for services is also vital to the future success of the two programs. In order to provide patients and their families with a modernized environment that better meets today's standard-of-care and ensure that St. John's meets the needs for care in the region; the units will require expansions as well as extensive renovations and refreshes."*

PUBLIC HEARING/COMMENT:

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

SUMMARY

- For the modernization of a category of service the Applicant must document that the facility is deteriorated or functionally obsolete and need to be replaced or modernized. When considering the modernization of a category of service the State Board reviews narratives submitted by the Applicant documenting obsolescence, information provided by the Department of Public Health regarding life safety concerns and conditions of participation and plans of correction. The State Board also considers whether the existing category of service meets current standards of care in the industry. No consideration of other Planning Area hospitals' utilization or Planning Area bed need, or excess is considered.

- As part of the State Board's review, the historical growth of the category of service is considered when justifying the number of beds being modernized (77 ILAC 1110.120 (b) – Projected Utilization). The Applicants report an average 7% historical growth in Med/Surg utilization/patient days between the years 2015 and 2018. This combined with a longer average length of stay (4.762 to 4.971 days), and implementation of the CONNECT program, lends to the accuracy of the projected annual occupancy of 90%, with the additional 32 beds. The Applicants report an historical growth of 2% of ICU services, based on realized growth since utilizing the CONNECT program, an increased aging population in the service area, and a 10.2% increase in the overall admissions to St. John's Hospital, Springfield. The Applicants also operate one of two Level I Trauma Centers in the region, which calls for the immediate availability of ICU beds during an emergency or pandemic event.
- The Applicant is financially viable as evidenced by the "A" bond rating, assigned on April 19, 2018.

CONCLUSIONS:

- The Applicants addressed a total of 16 criteria and have met them all.

STATE BOARD STAFF REPORT
Project #19-042
HSHS St. John's Hospital

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	Hospital Sisters Services, Inc., Hospital Sisters Health System, St. John's Hospital of the Hospital Sisters of the Third Order of St. Francis
Facility Name	HSHS St. John's Hospital
Location	800 East Carpenter, Springfield, Illinois
Permit Holder	Hospital Sisters Health System
Operating Entity/Licensee	HSHS St. John's Hospital
Owner of Site	St John's Hospital of the Hospital Sisters of the Third Order of St. Francis
Gross Square Feet	244,283/ GSF
Application Received	September 12, 2019
Application Deemed Complete	September 13, 2019
Financial Commitment Date	December 10, 2021
Anticipated Completion Date	July 31, 2023
Review Period Ends	January 11, 2020
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

I. Project Description

The Applicants (Hospital Sisters Services, Inc., Hospital Sisters Health System, and St. John's Hospital of the Hospital Sisters of the Third Order of St. Francis) proposes to modernize/expand its Intensive Care (ICU) Unit, to include the addition of 8 ICU beds. The Applicants also propose to modernize/expand its Medical Surgical (Med/Surg) bed complement through the addition of 32 beds. The cost of the project is \$17,232,236. The anticipated completion date is July 31, 2023.

II. Summary of Findings

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

III. General Information

The Applicant facility, HSHS St. John's Hospital, Springfield, is a 398-bed, church-related acute care hospital. The Hospital provides inpatient, outpatient and emergency care services for residents of central Illinois and is a learning hospital for medical students and interns from SIU School of Medicine. The hospital is also one of the regions two

Level I Trauma centers. The project is a non-substantive project subject to a Part 1110 and Part 1120 review. Non-substantive projects are all projects not considered substantive. Substantive projects are

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

IV. Health Service Area

St. John's Hospital is in the HSA III Health Service Area and the E-01 Hospital Planning Area. The HSA III Health Service Area includes the Illinois Counties of Adams, Brown, Calhoun, Cass, Christian, Greene, Hancock, Jersey, Logan, Menard, Mason, Menard, Montgomery, Morgan, Pike, Sangamon, Schuyler, and Scott. The E-01 Hospital Planning Area includes Logan, Menard, Mason, Sangamon, Christian, Cass Counties, and the Brown County townships of Littleton, Oakland, Buena Vista, Rushville, Browning, Hickory, Woodstock, Bainbridge, and Frederick. St. John's Hospital is in Sangamon County.

There are 19 hospitals in Health Service Area III. Twelve of the hospitals are critical access hospitals. There are seven hospitals in the E-05 Hospital Planning Area: Abraham Lincoln Hospital*, Lincoln, Mason District Hospital*, Havana, Memorial Medical Center, Springfield, Pana Community Hospital*, Pana, Taylorville Memorial Hospital*, Taylorville, and St. John's Hospital, Springfield (*Denotes critical access hospitals).

V. Project Details

This Application for Permit calls for the modernization, expansion, and centralization of the hospital's Intensive Care (ICU), services, and the expansion of its Medical/Surgical (Med/Surg), bed capacity. St. John's ICU units are currently distributed between the 2nd, 3rd, and 4th floors at the hospital in Springfield, totaling 56 beds. The Applicants propose to discontinue the ICU unit of the 2nd floor (ICU Module D), relocate it to the 4th floor, where the modernization of modules B and C will occur. The modernization project also involves the modernization of ICU module A on the 4th floor, to include updating to the interior and finishes in the existing unit. These modernizations will result in 24 adult ICU beds on the 3rd floor, and 30 adult ICU beds on the 4th floor. The remaining 10 ICU beds will be located on 5th floor of the Women's and Children's Center. The Medical/Surgical modernization/expansion involves the addition of 32 Med/Surg beds, increasing the Med/Surg beds count from 200 to 230. Of this 32-bed increase, 24 of these beds will be added to the 4th floor Med/Surg unit, and the remaining 8 Med/Surg beds will be added to the 3rd floor Med/Surg unit. The bed counts on the remaining Med/Surg floors (5th, 6th, 7th, 8th, 9th,

and 11th will remain unchanged. The project encompasses 44,283 GSF of modernized space, with 18,458 GSF classified as clinical. The Applicants note that much of the “room space” will simply involve the reactivation of rooms used as “staging space” during previous modernization/relocation projects. New support spaces are included in the spatial allocations for this project.

Vacated Space:

The Applicants also propose to vacate space on the 3rd floor to accommodate a rooftop garden for patients and visitors.

VI. Project Uses and Sources of Funds

The Applicant are funding this project in its entirety with cash/securities in the amount of \$17,232,236.

TABLE ONE
Project Costs and Sources of Funds

USE OF FUNDS	Reviewable	Non-Reviewable	Total	% of Total
Preplanning Costs	\$14,300	\$7,700	\$22,000	.16%
Modernization Contracts	\$8,009,329	\$4,312,715	\$12,322,044	71.5%
Contingencies	\$942,500	\$507,500	\$1,450,000	8.4%
Architectural/Engineering Fees	\$587,690	\$316,449	\$904,139	5.2%
Consulting and Other Fees	\$178,135	\$95,919	\$274,054	1.6%
Movable or Other Equipment (not in construction contracts)	\$1,455,999	\$784,000	\$2,239,999	13%
Other Costs to be Capitalized	\$13,000	\$7,000	\$20,000	.14%
TOTAL USES OF FUNDS	\$11,200,953	\$6,031,283	\$17,232,236	100.00%
SOURCE OF FUNDS	Reviewable	Non-Reviewable	Total	% of Total
Cash and Securities	\$11,200,953	\$6,031,283	\$17,232,236	100%
TOTAL SOURCES OF FUNDS	\$11,200,953	\$6,031,283	\$17,232,236	100.00%

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

A) Criterion 1110.110 - Background of the Applicant

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

1. The Applicant provided the necessary attestation that no adverse action has been taken against any facility owned or operated by the Applicant and authorization allowing the State Board and IDPH access to all information to verify information in the application for permit. [Application for Permit page 73]
2. The Applicant has provided licensure for HSHS St. John's Hospital as required, a list of facilities under the ownership of Hospital Sisters Health System (HSHS), and Joint Commission (JCAO) certification. [Application for Permit page 70-71]
3. Certificate of Good Standing for St. John's Hospital of the Hospital Sisters of the Third Order of St. Francis has been provided as required. The Applicant is in good standing with the State of Illinois. An Illinois Certificate of Good Standing is evidence that an Illinois business franchise (i.e. Illinois Corporation, LLC or LP) is in existence, is authorized to transact business in the state of Illinois and complies with all state of Illinois business requirements and therefore is in "Good Standing" in the State of Illinois. [Application for Permit pages 33-35]
4. The site is owned by Blessing Hospital. Documentation of the ownership of the site can be found at pages 36-47 of the Application for Permit.
5. The Applicant provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.* [Application for Permit page 50-51]
6. The proposed location of the facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State owned historic resources* (20 ILCS 3420/1). [Application for Permit pages 52-61]

¹ "Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations." (77 IAC 1130.140)

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

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

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

The Applicants stated: *“This project will greatly enhance St. John’s Hospital’s ability to provide the highest quality care to its most vulnerable patients and support continued growth. Over the last six years, St. John’s ICU volumes have increased 26%, due in part to St. John’s CONNECT program, a care coordination program through which a call center is used to efficiently facilitate the transfer of acutely ill patients to an appropriate higher level of care. The renovation and expansion of the ICU is necessary to provide adequate resources to accommodate the recent increased capacity as well as to support future growth initiatives. Medical/Surgical volumes have also seen a large growth in volume as a result of the CONNECT program. CY19 has already produced a peak census of 218 patients in this category of service. Since 1941, the ICU and Medical/Surgical floors at St. John’s Hospital have served patients in Central Illinois and have aimed to provide high quality care. St. John’s hospital must add ICU and Medical/Surgical rooms to have the capacity to support anticipated growth through the CONNECT program and strengthened physician partnerships in the region. Expanding the existing facilities to help accommodate the increased demand for services is also vital to the future success of the two programs. In order to provide patients and their families with a modernized environment that better meets today’s standard-of-care and ensure that St. John’s meets the needs for care in the region; the units will require expansions as well as extensive renovations and refreshes.”*

C) Criterion 1110.110 (c) Safety Net Impact

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

This is a substantive project and a Safety Net Impact Statement was provided as required. Charity Care information was also provided as required.

TABLE TWO HSHS St. John's Hospital			
Fiscal Year	2016	2017	2018
Net Patient Revenue (before bad debts)	\$461,466,000	\$475,001,000	\$504,568,621
Amount of Charity Care (charges)	\$19,068,688	\$15,135,769	\$15,121,718
Cost of Charity Care	\$5,110,483	\$3,841,757	\$3,735,064
% if Charity Care to Net Revenue	1.1%	.8%	.74%

TABLE TWO HSHS St. John's Hospital Charity (self-pay) and Medicaid Information			
	2016	2017	2018
Net Revenue	\$461,466,000	\$475,001,000	\$504,568,621
CHARITY			
Charity (# of self-pay patients)	6,566	5,172	5,361
Charity (self-pay) Cost	\$5,110,483	\$3,874,757	\$3,735,064
% of Charity Care to Net Rev.	1.1%	.8%	.74%
MEDICAID			
Medicaid (Patients)	61,409	57,064	56,304
Medicaid (Revenue)	\$92,518,269	\$98,285,454	\$96,574,035
% of Medicaid to Net Revenue	20%	20.7%	19.1%
1. Charity Care/Medicaid includes both inpatient and outpatient data.			

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

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

The Applicant considered four alternatives to the ICU portion of the project. They are:

Modernize ICU in its Existing Space:

This option was rejected because it would result in minimal modernization, without addressing issues pertaining room size, in-room bathing/toilet facilities, and inadequate floor to ceiling height. While the cost of this alternative was lower (\$12,000,000), pursuit of this alternative would not have addressed modern size, service, and privacy standards.

Construct a Replacement Bed Tower

The Applicants rejected this alternative, based on cost (\$275,000,000), significant investment realized through previous renovations performed on the existing patient tower, and the loss of the investment due to the need to demolish the existing patient tower and rebuilding on the footprint of the old previous tower.

Construct Replacement Hospital with Expanded ICU Units

This option was rejected because of cost (\$847,000,000), the abandonment of a hospital campus that has undergone extensive renovations, and the abandonment of a location that has been deemed optimal for serving Springfield's most at-need communities. A replacement hospital would more than likely result in having to relocate outside of the Medical District, creating hardship for clinicians, medical students, and staff involved in patient care, teaching, and research.

Project as Proposed

The Applicants deemed this alternative as most feasible, based on the current tower and its modernization to date, the cost savings realized through modernization as compared to discontinuation/replacement, and the maintained presence in the Springfield Medical District. While modernization has been ongoing in the patient tower for several years, the Applicants are confident that the proposed will be one of the final phases to a comprehensive rehabilitation of the patient tower at St. John's Hospital. Cost of this alternative: \$17,232,236

The Applicants also considered alternatives in light of the Medical/Surgical modernization/expansion project. They are:

Do Nothing/Maintain Status Quo

The pursuit of this alternative would involve maintaining the hospital's 200-bed Med/Surg bed complement, and not repurpose rooms previously inactivated to facilitate past modernization projects in the patient tower. The pursuit of this option was deemed infeasible, because of the encountered need for additional Med/Surg beds, and rising admissions for said services. While the option lists no costs, the realized loss of care in the region presents a more compelling picture in determining this option infeasible.

Modernize Existing Space for 32 Additional Beds/Project as Proposed

The Applicants deemed this option as most feasible, based on the presence of existing, un-modernized space, the need for additional Med/Surg beds at HSHS St. John's Hospital, and the need to modernize/reactivate patient care spaces, previously used as transitional space during other modernization projects in the patient tower. With an estimated cost of \$17,232,236, this option proved to be the most prudent use of resources already available to the Applicants.

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

A) Criterion 1110.120 (a) - Size of Project

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

The Applicants are proposing the modernization of 18,458 DGSF of space to contain 28 ICU beds, amounting to 659 GSF per bed. The Applicants also propose to modernize 19,560 DGSF of space containing 32 beds, which amounts to 612 GSF per bed (See Table Three). The Applicant has met the requirements of this criterion.

TABLE THREE				
Size of Project				
HSHS St. John's Hospital				
Dept./Service	Proposed GSF	State Standard	Actual Size Per Unit	Met Standard?
Clinical				
ICU Rooms (28 Beds)	18,458	600-685 dgsf/bed	659 dgsf/bed	Yes
Med/Surg (32 Beds)	19,560	500-660 dgsf/bed	612 dgsf/bed	Yes
Total Clinical	38,018			
Non-Clinical				
Floor Area Converted to Roof	6,265	N/A	N/A	N/A
Total Non-Clinical	6,265			
TOTAL	44,283			

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

B) Criterion 1110.120 (b) - Project Services Utilization

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

The Applicants note that from January through August 2019, the Medical/Surgical bed units at St. John's Hospital reported to have an average daily census of 189 and a peak census of 218 patients. While this does not meet the required average daily census of 209 to justify 32 additional Med/Surg beds and meet the State standard, it does provide reference for a projected upturn in utilization for this service. In addition, the Applicants note the average length of stay increased from 4.762 days to 4.971 days, and significant growth in regional transfers of patients to HSHS St. John's Hospital for Med/Surg care. These combined changes are responsible for a continued 7% historical growth in Med/Surg utilization, which suggests a projected need for the requested 32 additional beds, and achievement of the targeted utilization of 90% by the second year after project completion.

The historical utilization data for ICU services at HSHS St. John's shows the Applicants have met the State standard (60%) for ICU utilization, and note a 2% projected growth rate, based on alignment with community physicians to improve care coordination efforts, significant growth in the aging population, in the immediate service area, and a 10.2% increase in ICU admissions from Cy 2016 to CY 2018. While the State standard is not met for utilization using the average daily census data, the Applicants cite a sufficient level of patient acuity as need for the additional ICU beds. In addition, St. John's Hospital has an operational affiliation with SIU School of Medicine to train its physicians, as well as partnerships with are nursing schools in an effort for these students to receive adequate clinical experience. Lastly, the Applicants operate one of two Level I trauma centers in the region, and the additional ICU beds are deemed necessary to meet the emergent needs of mass casualty or pandemic crises, should they occur.

TABLE FOUR Project Utilization HSHS St. John's Hospital				
	Dept/Service	Projected Utilization (Patient Days)	State Standard	Met Standard?
FY 2018	Med/Surg	60,179	90%	No
FY 2019	Med/Surg	68,985	90%	No
FY 2018	ICU	13,996	60%	Yes
FY 2019	ICU	14,276	60%	Yes

While the Applicants failed to provide sufficient historical utilization data, it appears the projected increase in utilization will result in sufficient utilization data, resulting in a positive finding for this criterion.

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

C) Criterion 1110.120 (e) - Assurances

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

In additional information provided, the Applicant attested that at the end of the second year of operation after project completion, the ICU and Med/Surg units at St. John's Hospital will achieve and maintain target occupancy. (Application, p. 101).

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

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

A) Criterion 1110.200 (b)(2) – Planning Area Need-Service to Planning Area Residents

b) Planning Area Need – Review Criterion

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

2) Service to Planning Area Residents

- A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.**
- B) Applicants proposing to add beds to an existing category of service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.**

The Applicants identified its service area that includes 116 zip codes from areas surrounding HSHS St. John's Hospital, and admissions data from 205 zip codes in the immediate and expanded service areas which show that of the 10,522 patients admitted for Med/Surg services, approximately 7,701 (73.2%), were from the immediate service area. The Applicants also supplied admissions data for its ICU service that shows within the same 205 zip codes, 6,101 patients were admitted for ICU services, with 71.6% of these admissions being from within the immediate service area (Application, pgs. 89-97).

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH PLANNING AREA NEED-SERVICE TO PLANNING AREA RESIDENTS CRITERION (77 ILAC 1110.200 (b)(2))

B) Criterion 1110.200 (b)(4) – Planning Area Need-Service Demand-Expansion

b) Planning Area Need – Review Criterion

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

- 4) Service Demand – Expansion of Existing Category of Service**
The number of beds to be added for each category of service is necessary to reduce the facility's experienced high occupancy and to meet a projected demand for

service. The applicant shall document subsection (b)(4)(A) and either subsection (b)(4)(B) or (C):

- A) Historical Service Demand
- B) Projected Referrals
- C) Projected Service Demand – Based on Rapid Population Growth:

The Applicants supplied AHQ patient days for CY 2017 and CY2018, for the Med/Surg and ICU units (See Table Five). The data contained in Table Five supports the findings in earlier criteria that shows sufficient utilization for the ICU service, but not Med/Surg.

TABLE FIVE		
Historical Utilization		
HSHS St. John's Hospital		
Service	CY 2017	CY 2018
Med/Surg		
AHQ Patient Days	55,597	60,179
Utilization	65.7%	71.1%
ICU		
AHQ Patient Days	11,546	13,996
Utilization	56.5%	68.5%
State Standards:		
• Med/Surg: 90% • ICU: 60%		

While these historical data do not attest to adequate historical utilization of Medical/Surgical beds/units to warrant expansion, it is evident that there is an increase in the utilization that suggests a growing need for these beds, which will meet the State standard by the second year after project completion. The Applicants also supplied information that dispels any suggestions of Maldistribution, based on these increased utilization data, and the fact that the ratio of beds to the population is below one and one-half times the State average.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH PLANNING AREA NEED-SERVICE DEMAND/EXPANSION CRITERION (77 ILAC 1110.200 (b) (4))

C) Criterion 1110.200 (d)(1)(2)(3) – Category of Service Modernization-Deteriorated Facilities

The Applicants note that while the physical condition of the ICU and Med/Surg units are up to building codes and standards, these rooms are also antiquated, particularly when it comes to size and amenities. The ICU rooms are much smaller and allow little room for the addition of medical equipment or family members. Lavatory and bathing facilities are out in the middle of patient rooms, leaving little to no privacy, there is inadequate storage, and the rooms in general are in needs of modernization. In addition, the Applicants note the outdated nurses' stations, and a lack of visitor lounges. The Applicants note that all these deficiencies are indicative of an outdated patient care unit, one that does not facilitate the healing process for patients, families, and clinicians. It is anticipated that the proposed project will address all these

deficiencies and promote the healing environment that is built into all other modernized patient care areas.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CATEGORY OF SERVICE MODERNIZATION (77 ILAC 1110.200 (d))

D) Criterion 1110.200(e) – Staffing Availability

Staffing Availability – Review Criterion

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing a narrative explanation of how the proposed staffing will be achieved.

The Applicants note that HSHS St. John’s Hospital is currently staffing 200 Medical/Surgical beds and 54 ICU beds and is confident in their ability to adequately staff these units after the modernization/expansion projects, in accordance with JCAHO staffing requirements.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CATEGORY OF SERVICE STAFFING AVAILABILITY (77 ILAC 1110.200 (e))

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

1) Medical-Surgical

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

HSHS St. John’s Hospital will have 64 ICU beds which meets the 4-bed requirement for ICU units and this criterion, and 232 Medical/Surgical beds, which exceeds the 100 Med/Surg bed minimum requirement

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

X. Financial Viability

A) Criterion 1120.120 – Availability of Funds

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

The Applicant is funding this project in its entirety with cash in the amount of \$17,232,236. HSHS St. John’s Hospital has an “A” bond rating from S&P Global Ratings. Based upon the “A” or better bond rating and the review of the audited financial statements it appears that the Applicant has sufficient resources to fund this project. [Source: Application for Permit pages 102-109]

TABLE FIVE
HSHS St. John's Hospital
Audited Financial Statements
June 30th

	2019	2018
Cash	\$105,098	\$128,198
Current Assets	\$945,996	\$926,163
Total Assets	\$3,985,494	\$4,056,093
Current Liabilities	\$671,462	\$631,576
Total Liabilities	\$1,641,999	\$1,470,465
Net Assets	\$2,343,495	\$2,585,628
Net Patient Service Revenue	\$2,374,449	\$2,311,607
Total Revenue	\$2,471,926	\$2,411,261
Total Expenses	\$2,748,277	\$2,371,387
Operating Income	\$21,537	\$116,480
Investment Income	\$44,779	\$107,411
Excess of Revenues over Expenses	\$105,098	\$128,198

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 ILAC 1120.120)

B) Criterion 1120.130 - Financial Viability

To demonstrate compliance with this criterion the Applicant must document an “A” or better bond rating or provide 3 years of historical financial ratios as required by the State Board.

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

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

XI. Economic Feasibility

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

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

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

The Applicants are funding this project in its entirety with cash/securities in the amount of \$17,232,236. The Applicants provided evidence of an “A” or better bond rating. By providing evidence of an “A” or better bond rating the Applicants have successfully addressed this criterion.

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

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

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

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

The Applicants are funding the proposed project in its entirety with cash/securities totaling \$17,232,236, and no financing will occur for this project. The Applicant has met the requirements of this criterion.

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

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

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

The reviewable space for this project is 38,018 GSF. The Applicant has met the State Board standards established for this criterion.

Preplanning Costs are \$14,300 or .13% of modernization, contingency, and equipment costs (\$10,407,828). This appears reasonable when compared to the State Board Standard of 5.0%.

Modernization Costs are \$8,009,329 or \$210.67 per GSF. This appears reasonable when compared to the State Board Standard of \$303.33 per GSF (2021 construction mid-point).

Contingencies Costs are \$942,500 or 11.8% of modernization costs (\$8,009,329). This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural and Engineering Costs are \$587,690 and are 6.6% of the modernization and contingency costs (\$8,951,829). This appears reasonable when compared to the State Board Standard of the 6.22% – 9.34%.

Consulting and Other Fees are \$178,135. The State Board does not have a standard for these costs.

Movable and Other Equipment are \$1,455,999. The State Board does not have a standard for these costs when applied to hospitals.

Other Costs to be Capitalized are \$13,000. The State Board does not have a standard for these costs.

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

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

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

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

19-042 HSHS St John's Hospital - Springfield

