



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-02	BOARD MEETING: July 27, 2021	PROJECT NO: 21-012	PROJECT COST: Original: \$21,285,032
FACILITY NAME: Silver Cross Hospital and Medical Centers		CITY: New Lenox	
TYPE OF PROJECT: Non-Substantive			HSA: IX

PROJECT DESCRIPTION: The Applicants (Silver Cross Hospital and Medical Centers and Silver Cross Health System) propose to modernize its hospital through the addition of two floors on an existing patient tower and add 24 beds to its Medical/Surgical (Med/Surg) bed complement. The cost of the project is \$21,285,032 and the anticipated completion date is January 31, 2023.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Silver Cross Hospital and Medical Centers and Silver Cross Health System) proposes to modernize and expand its Medical/Surgical bed complement through the construction of a fifth and sixth floor on top of an existing patient care tower. The expansion will entail the addition of 24 medical/surgical beds to the existing 204 bed complement, resulting in a total of 228 med/surg beds. These 24 beds will be divided evenly among the newly constructed 5th and 6th floors. The proposed project will result in 21,984 DGSF (23,250 BGSF), of newly constructed clinical space. The cost of the project is **\$21,285,032** and the anticipated completion date is January 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 \$13,743,450.

PURPOSE OF THE PROJECT:

- According to the Applicants: *“The Applicants seek authority from the Illinois Health Facilities and Services Review Board to add twenty four (24) Medical/Surgical (Med/Surg) beds to address the increasing demand (and need) for Med/Surg beds at Silver Cross Hospital and Medical Centers in New Lenox, Illinois, and the need for Med/Surg beds in Planning Area A-13. Planning Area A-13 is currently showing a need for an additional 81 Med/Surg beds (per the March 2021 inventory update). Silver Cross Hospital has experienced strong growth in Med/Surg admissions and patient days since it opened its new hospital in New Lenox in 2012. The population of A-13, which includes Will and Grundy counties, continues to grow. The population is projected to increase by 7% or 61,409 people from 2020 to 2025. This growth will increase the need for hospital services. Within this population growth, there is an increase in the number of older adults. The age group of 65 and older is projected to grow by 26% or 28,369 people from 2020 to 2025. This age group tends to be high utilizers of healthcare and will increase the demand for complex inpatient hospital services.”*

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

- The proposed project is intended to meet the growing need for Med/Surg beds in HSA-09 and HPA A-13. The Applicants stated Silver Cross Hospital, New Lenox has experienced consistent operational capacity in its Med/Surg service since opening in 2012. The Applicants note the overall acuity of its Med/Surg patient base has increased with new patient volumes realized from cardiac, thoracic, and vascular surgeries. In addition, periods of high occupancy have resulted in severe pressure on the hospital's Emergency Department (ED), as newly admitted patients have been required to wait in the ED for patient beds to open in the appropriate patient care units.
- To add medical surgical beds to an existing hospital the State Board does not consider the calculated bed need or excess in the Hospital Planning Area. The State Board relies on the hospital's historical utilization of the medical surgical beds and whether there is sufficient historical utilization to justify the addition. Whether the addition of the medical surgical beds will result in an unnecessary duplication of service is not considered. To add medical surgical beds in the A-13 Hospital Planning Area the target occupancy is 90%.
- Over the past two years (2019 and 2020) Silver Cross Hospital and Medical Centers medical surgical unit averaged 85.5% occupancy. Average daily census justifies 197 medical surgical

beds at the target occupancy of 90%. $[177.01 \text{ ADC} \div 90\% = 197 \text{ beds}]$ and not the 231 beds being requested.

Executive Summary Table One Silver Cross Hospital and Medical Centers Medical Surgical Information (2019 & 2020)						
Year	Beds	Admissions	Days	ALOS	ADC	Occ.
2020	207	13,701	65,416	4.77	179.22	86.58%
2019	207	14,364	63,803	4.44	174.80	84.45%
Ave	207	14,033	64,610	4.61	177.01	85.51%

- The Applicants is financially viable as evidenced by the “Aa3” bond rating from Moody’s Ratings service (dated July 31, 2020).

CONCLUSIONS:

- The Applicants addressed a total of 18 criteria and have not met the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.120(a) – Size of Project	The Applicants exceeded the State Board size standards for Medical/Surgical beds by 3,542 GSF (147.6 GSF per bed). An explanation of these differences is provided on page 12 of this report.
Criterion 1110.120(b) – Project Services Utilization	The Applicants provided insufficient historical and projected utilization data to justify the addition of 24 Med/Surg beds. See Page 12 of this report.
Criterion 1110.200 (b)(4) – Service Demand – Expansion of a Category of Service	The occupancy target for a Hospital to add medical surgical beds to a bed complement of 200+ beds is 90%. The two-year average daily census will justify 197 M/S beds at 90% target occupancy and not the 224 beds being requested. $[177.01 \text{ ADC} \div 90\% = 197 \text{ Beds Justified}]$ See page 13-14 pf this report.

STATE BOARD STAFF REPORT
Project #21-012
Silver Cross Hospital, New Lenox

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	Silver Cross Hospital and Medical Centers Silver Cross Health System
Facility Name	Silver Cross Hospital
Location	1900 Silver Cross Boulevard, New Lenox, Illinois
Permit Holder	Silver Cross Health System
Operating Entity/Licensee	Silver Cross Hospital and Medical Centers
Owner of Site	Silver Cross Hospital and Medical Centers
Gross Square Feet	21,984 DGSF/23,250 BGSF
Application Received	April 12, 2021
Application Deemed Complete	April 12, 2021
Financial Commitment Date	July 27, 2022
Anticipated Completion Date	January 31, 2023
Review Period Ends	August 10, 2021
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

I. Project Description

The Applicants (Silver Cross Hospital and Medical Centers and Silver Cross Health System) propose to expand its Medical/Surgical (Med/Surg) Department, by constructing two additional floors on top of the existing patient tower, resulting in 24 additional Med/Surg beds to the existing bed complement. The cost of the project is \$21,285,032. The anticipated completion date is January 31, 2023.

II. Summary of Findings

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

III. General Information

The Applicant facility, Silver Cross Hospital and Medical Center, New Lenox. is a 324-bed, general acute care hospital. The Hospital provides inpatient, outpatient, and emergency care services for residents of Joliet/New Lenox, and Will and Grundy Counties. Silver Cross Health System is an integrated health care system providing health care services, including inpatient acute and non-acute care primary and specialty physician services, and various outpatient services. Silver Cross Health System operates one inpatient acute care hospital, and several outpatient care and urgent care clinics in the

Joliet/New Lenox service areas. Below is a summary of the 2015 thru 2019 IDPH hospital profile for Silver Cross Hospital.

TABLE ONE
2015-2019 Annual Profile Information
Silver Cross Hospital and Medical Centers, New Lenox

Beds/Occupancy	2015	2016	2017	2018	2019
Med/Surg	185/86.8%	185/92.3%	191/88.5%	205/82.3%	207/84.4%
Pediatric	8/28.1%	8/30.6%	8/27.8%	8/32.3%	8/32.5%
ICU	28/65.8%	28/73.5%	28/77.5%	28/73.8%	30/77.8%
OB/GYN	30/67.9%	30/72.2%	30/67.5%	30/66.4%	30/69.7%
Neonatal>	0/0%	0/0%	0/0%	0/0%	24/0%
Acute Mental Illness*	20/80.3%	20/83.7%	20/82.8%	0/0%	0/0%
Rehabilitation	25/82.8%	25/89%	25/86.2%	25/86.3%	25/88.3%
TOTAL	296/80.6%	296/86%	302/83.2%	296/83.9%	324/75.9%
Admissions	20,361	21,393	20,078	20,397	20,423
Inpatient Days	78,521	83,325	80,005	79,183	78,914
Avg. Daily Census	238.4	254.4	251.4	248.2	246.1

Payor Mix

Medicare	46.4%	45.4%	48.9%	48.2%	50.1%
Medicaid	8.0%	13.2%	12.3%	11.7%	11.1%
Other Public	0.8%	0.5%	0.2%	0.1%	0.1%
Private Insurance	35%	35%	34.7%	35.2%	34%
Private Pay	1.6%	1.6%	1.1%	1.1%	1.0%
Charity Care	5.0%	4.4%	2.7%	3.7%	3.7%

<Inpatient Data only

*Discontinued per #17-009, and freestanding 100-bed AMI hospital established

> Exemption E-039-19: 24-bed neonatal unit established

The project is a substantive project subject to a Part 1110 and Part 1120 review. 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

Silver Cross Hospital and Medical Centers is in the HSA IX Health Service Area and the A-13 Hospital Planning Area. The HSA IX Health Service Area includes the Illinois Counties of Grundy, Kankakee, Kendall, and Will counties. The A-13 Hospital Planning Area includes Grundy and Will counties.

There are 5 hospitals in Hospital Planning Area A-13 (4 general, 1 rehabilitation). They are: Adventist Bolingbrook Hospital, Bolingbrook. Morris Hospital and Health Care Center, Morris, Presence Saint Joseph Medical Center, Joliet, Silver Cross Hospital and Medical Centers, New Lenox, and Riverside Medical Center, Kankakee.

V. Project Details

This Application for Permit calls for the construction of two upper levels (5th and 6th floor) to an existing patient tower, and an elevator penthouse on the roof, to accommodate the 24-bed expansion of the existing 204-bed Med/Surg unit. The proposed new construction will be located above the recently established Neonatal Intensive Care Unit (NICU), located on the hospital's third floor. Approximately 21,984 DGSF of clinical space will be added to accommodate the 24 Med/Surg beds. The elevator penthouse will be established on the roof of the newly constructed sixth floor. The project does not involve the construction of a freestanding building.

The proposed project involves:

- 1) 21,984 GSF (19,382 GSF clinical, 2,602 GSF non-clinical), of space to be added via new construction, with 948 of the non-clinical space purposed for the elevator penthouse.
- 2) Floors five and six will each contain 10,518 DGSF (9,691 GSF clinical and 827 GSF non-clinical), and house 12 Med/Surg beds each.

VI. Project Uses and Sources of Funds

The Applicants are funding this project in its entirety with cash/securities in the amount of \$21,285,032. The Applicants supplied Audited Financial Statements (application, pg. 104), as well as proof of an A3 Bond Rating from Moody's Investor Service dated July 2020 (Application, p. 148).

TABLE TWO				
Project Costs and Sources of Funds				
	Reviewable	Non-Reviewable	Total	% of Total
New Construction Contracts	\$12,350,199	\$1,684,801	\$14,035,000	65.9%
Contingencies	\$1,234,580	\$168,420	\$1,403,000	6.6%
A & E Fees	\$871,158	\$118,842	\$990,000	4.6%
Consulting and Other Fees	\$352,863	\$48,137	\$401,000	1.9%
Movable and Other Equipment	\$4,240,032	\$216,000	\$4,456,032	21%
Total	\$19,048,832	\$2,236,200	\$21,285,032	100.00%
Cash & Securities	\$19,048,832	\$2,236,200	\$21,285,032	100.00%
Total	\$19,048,832	\$2,236,200	\$21,285,032	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 Applicants 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, through the provision of signatures on the certification pages. [Application for Permit page 57-58]
2. The Applicants have provided licensure and Joint Commission (JCHAO) accreditation for Silver Cross Hospital as required, [Application for Permit page 55-56]

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)

3. A Certificate of Good Standing for Silver Cross Hospital and Medical Centers has been provided as required (Application pg. 29).
4. A Certificate of Good Standing for Silver Cross Health System has been provided as required (Application pg. 30).
5. The site is owned by Silver Cross Hospital and Medical Centers. Attestation of ownership can be found on page 32 of the Application for Permit.
6. The Applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.* [Application for Permit page 36-41]
7. 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 page 42]

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: *“Planning Area A-13 is currently showing a need for an additional 81 Med/Surg beds (per the March 2021 inventory update). Silver Cross Hospital has experienced strong growth in Med/Surg admissions and patient days since it opened its new hospital in New Lenox in 2012. The population of A-13, which includes Will and Grundy counties, continues to grow. The population is projected to increase by 7% or 61,409 people from 2020 to 2025. This growth will increase the need for hospital services. Within this population growth, there is an increase in the number of older adults. The age group of 65 and older is projected to grow by 26% or 28,369 people from 2020 to 2025. This age group tends to be high utilizers of healthcare and will increase the demand for complex inpatient hospital services.”*

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 (application pgs. 157-182), is required per statute (see Table Three). Charity Care information was also provided as required.

TABLE THREE			
Silver Cross Hospital			
Medicaid/Charity Care Information			
Fiscal Year	2018	2019	2020
Net Patient Revenue	\$378,810,000	\$401,798,000	\$394,504,000
Amount of Charity Care (charges)	\$28,492,000	\$26,316,000	\$24,296,000
Cost of Charity Care	\$7,612,000	\$7,606,000	\$7,605,000
% if Charity Care to Net Revenue	2%	1.9%	1.9%
Charity Care (#of Patients)			
Inpatient Charity Care	1,770	1,644	1,575
Outpatient Charity Care	4,947	4,455	4,034
Total Charity Care Patients	6,717	6,099	5,609
Charity Care (Cost)			
Inpatient Charity Care	\$3,425,000	\$3,347,000	\$3,582,000
Outpatient Charity Care	\$4,187,000	\$4,259,000	\$4,023,000
Total Charity Care Cost	\$7,612,000	7,606,000	\$7,605,000
Medicaid (# of Patients)			
Inpatient Medicaid	2,401	2,339	2,192
Outpatient Medicaid	27,224	26,296	22,621
Total Medicaid Patients	29,625	28,635	24,813
Medicaid (Cost)			
Inpatient Medicaid Revenues	\$19,711,000	\$20,220,000	\$24,145,000
Outpatient Medicaid Revenues	\$25,230,000	\$23,796,000	\$22,469,000
Total Net Medicaid Revenues	\$44,941,000	\$44,016,000	\$46,614,000

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 Applicants considered three alternatives to the option chosen as this project. They are:

1) Do Nothing

The Applicants report steady historical growth in utilization since opening in 2012 (See Table One), and the option of doing nothing would only exacerbate an already significant problem with the availability of Med/Surg beds. In addition, the introduction of open-heart surgery, thoracic, and vascular surgeries have also resulted in a significant increase in the need for additional Med./Surg beds. The Applicants rejected this alternative, based on the imminent need for additional beds and patient care areas.

2) Build One Floor on the Structural Heart Addition

The Applicants considered building one 12-bed Med/Surg unit on a 5th floor addition above the structural heart unit, with the option of adding another 12-bed Med/Surg unit (6th floor) later. The Applicants rejected this alternative due to the requirement for two separate building contracts, closure of the newly built 5th floor to accommodate the construction of the 6th floor, and an estimated price of \$25.8 million dollars, which exceeds the cost of the option chosen by \$4.5 million dollars.

3) Build on Top of Existing (Main Hospital)

This alternative would involve the construction of a 7th floor on top of the main structure, resulting in two patient care wings with 18 beds each. The Applicants rejected this alternative due to the need to close operations on the lower floors during construction, and an estimated project cost of \$36,000,000.

4) Build Two New Levels on Existing Patient Tower Adding 24 Med/Surg Beds

The Applicants chose this option as most feasible due to the ability to add two new levels and the mentioned Med/Surg beds with minimal disruption to existing services in the lower levels of the tower. The Applicants also cited the cost of this option (\$21.3 million dollars), as a motivating factor to pursue this option.

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 to establish two identically sized patient care units, housing 12 beds each, in newly constructed space at Silver Cross Hospital, New Lenox. The proposed project will 21,984 DGSF (23,250 BGSF) to the spatial

configuration of Silver Cross Hospital and add a 5th and 6th floor to its existing patient care tower. Table Four shows the spatial allocation for the project, delineating between clinical and non-clinical components. The Applicant has exceeded the State standard for a 12-bed Med/Surg unit and attributes the overage to their plan to have all private rooms at the hospital with sufficient space to store supplies and medical equipment for the Med/Surg unit. The Applicants have not met the requirements of this criterion.

TABLE FOUR
Size of Project
Silver Cross Hospital

Dept./Service (# of beds)	Proposed GSF	State Standard	Difference /Excess	Met Standard?
Clinical				
Med/Surg Unit (12) 5th floor	9,691	7,920 660 dgsf/bed	1,771 dgsf	No
Med/Surg Unit (12) 6th floor	9,691	7,920 660 dgsf/bed	1,771 dgsf	No
Total Clinical	19,382	15,840	3,542 dgsf	No
Non-Clinical				
5th Floor non-clinical	827	N/A		N/A
6th Floor non-clinical	827	N/A		N/A
Elevator Penthouse	948	N/A		N/A
Total Non-Clinical	2,602			
TOTAL	21,984			

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.

TABLE FIVE
Historical Utilization for Medical/Surgical Beds, Silver Cross Hospital

Calendar Year	Number of Beds	Occupancy Rate	State Standard	Met State Standard?
2016	185	92.3%	85%	Yes
2017	191	88.5%	85%	Yes
2018	205	82.3%	88%	No
2019	207	84.4%	88%	No
2020	207	86.3%	88%	No

TABLE SIX

Projected Utilization for Medical/Surgical Beds, Silver Cross Hospital (Simple Model*)

Calendar Year	Number of Beds	Target Occupancy Rate	State Standard	Met State Standard?
2021	204^	85%	88%	No
2022	204	85%	88%	No
2023	204	85%	88%	No

*Simple Model assumes a 2.61% average daily census growth rate if 24 additional beds are added

^3 beds removed from Med/Surg and transferred to Rehabilitation service

TABLE SEVEN

Projected Utilization for Medical/Surgical Beds, Silver Cross Hospital (Advanced Model*)

Calendar Year	Number of Beds	Target Occupancy Rate	State Standard	Met State Standard?
2021	204	85%	88%	No
2022	204	85%	88%	No
2023	204	85%	88%	No

*Advanced Model assumes a 2.61% average daily census growth rate if 24 additional beds are added

The Applicants provided historical and projected utilization data (Tables 5, 6, and 7) that shows their utilization of Med/Surg beds has surpassed the State standard in the past (2016, 2017), and has the capacity to surpass this standard in the future. The Applicants employed a combination of utilization models to justify bed need based on utilization. However, each model fails to produce data that ascertains that projected utilization will meet or exceed the State Board standard. The Applicants note, and Board Staff confirms that there is need for 81 additional Med/Surg beds in Planning Area A-13. However, based on projected growth rates for FY 2022 and FY 2023, a negative finding results for this criterion.

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

A) Planning Area Need

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.**

C) Applicants proposing to expand an existing category of service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility)

The Applicants propose to introduce 24 additional Med/Surg beds to its existing 204 Med/Surg bed complement by building two 12-bed Med/Surg units on floors five and six of an existing patient care tower at Silver Cross Hospital. Floors five and six will be newly constructed, with all new support/service lines extending to these floors. The Applicants note that Silver Cross Hospital has initiated new clinical service lines (Open Heart surgery, Thoracic, and Vascular surgery), resulting in an increased need for Med/Surg beds. Historical data (see Table Five), shows historical utilization that exceeded the State Board standard, and the Applicants supplied projected utilization data that confirms the potential exists to surpass the same projected utilization standards. There is a current need for 81 additional Med/Surg beds in Planning area A-13. The Applicants supplied a listing containing 33 zip codes that comprise the hospital's total service area (application, p. 79), and notes that 26 of the zip codes reside in the A-13 Planning Area (Will and Grundy Counties). It is further noted that in 2020, 88.5% of Silver Cross Hospital's Med/Surg inpatient admissions originated from patients residing in the Silver Cross Hospital service area. The Applicants also supplied a referral letter from Dr. Christopher Udovich, M.D., Vice President and Chief Medical Officer at Silver Cross Hospital, attesting to the potential to increase the average daily census (ADC) to between 200 and 220 patients per day, (88-96.5% occupancy), with the availability of 24 additional Med/Surg beds (application, p. 85). Despite the insufficient historic and projected utilization data, the Applicants appear to have justified their need for additional beds through the introduction of additional surgical specialties, projected population growth in the service area, and existing need for 81 additional Med/Surg beds in the planning area. A positive finding results for this criterion.

B) Criterion 1110.200 (b)(4) – Service Demand – Expansion of a 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

- i) An average annual occupancy rate that has equaled or exceeded occupancy standards for the category of service, as specified in 77 Ill. Adm. Code 1100, for each of the latest 2 years.
- ii) If patients have been referred to other facilities in order to receive the subject services, the applicant shall provide documentation of the referrals, including: patient origin by zip code; name and specialty of referring physician; and name and location of the recipient hospital, for each of the latest 2 years.

The occupancy target for a Hospital to add medical surgical beds to a bed complement of 200+ beds is 90%². Below is the two most recent years [2019-2020] of historical data for the hospital. The two-year average daily census will justify 197 M/S beds at 90% target occupancy and not the 224 beds being requested. [177.01 ADC ÷ 90% = 197 Beds Justified]. To achieve the target occupancy for a medical surgical complement of 231 beds the ADC would have to 208 patients per day or a 17.5% increase from the prior to year average of 177 patients.

² See 77 ILAC 1100.520 and Inventory of Health Care Facilities and Services and Need Determinations page A-20.

TABLE SEVEN Silver Cross Hospital and Medical Centers Medical Surgical Information						
Year	Beds	Admissions	Days	ALOS	ADC	Occ.
2020	207	13,701	65,416	4.77	179.22	86.58%
2019	207	14,364	63,803	4.44	174.80	84.45%
Ave	207	14,033	64,610	4.61	177.01	85.51%

C) 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 having existing clinical/non-clinical staffing resources to accommodate the introduction of 24 additional Med/Surg beds and notes the potential to recruit additional staff using its existing recruitment/staff selection resources, if needed.

**D) Criterion 1110.200 (f) - Performance Requirements – Bed Capacity Minimum
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.

Silver Cross Hospital currently operates 204 Medical Surgical beds, which exceeds the 100 Med/Surg bed minimum requirement

E) Criterion 1110.2000 (g) - 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.

The Applicants supplied a letter from Ruth Colby, President & CEO, Silver Cross Hospital, attesting that at the end of the second year of operation after project completion, the Med/Surg units at Silver Cross Hospital Medical Centers will achieve and maintain target occupancy. (Application, p. 77).

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 Applicants are funding the proposed project in its entirety with cash and securities in the amount of \$21,285,032. Silver Cross Hospital and Medical Centers has an “A3” bond rating from Moody’s Investors Service dated July 2020. The Applicants also supplied Audited Financial Statements from FY 2019/2020 (Application, pgs. 104-146). Based upon the “A” or better bond rating and the review of the audited financial statements it appears that the Applicant has enough resources to fund this project.

TABLE EIGHT		
Silver Cross Hospital and Medical Centers		
Audited Financial Statements		
September 30, 2019/2020		
	2019	2020
Cash	\$27,441	\$32,422
Current Assets	\$119,989	\$192,091
Total Assets	\$842,749	\$953,829
Current Liabilities	\$119,473	\$191,832
Total Liabilities	\$543,473	\$603,156
Net Assets	\$299,276	\$350,673
Net Patient Service Revenue	\$409,606	\$405,663
Total Revenue	\$418,432	\$442,082
Total Expenses	\$399,481	\$416,910
Operating Income	\$29,270	\$49,881
Investment Income	\$294,773	\$398,444
Excess of Revenues over Expenses	\$29,790	\$49,881

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 the cash and equivalents must be retained in the balance sheet asset accounts 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 the proposed project in its entirety with cash/securities in the amount of \$21,285,032. 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.

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 did not supply attestation that financing for the proposed project will be at the lowest net cost available, due to its origins of finance (Cash/Securities). The Applicants have met the requirements of this criterion.

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 19,382 GSF designated as new construction. The Applicants appear to have met the State Board standards established for this criterion.

New Construction Costs are \$12,350,199 or \$637.20 per GSF ($\$12,350,199/19,382 = \637.20). This appears reasonable when compared to the State Board Standard of \$676.52 per GSF (2022 construction mid-point).

Contingency Costs/New Construction are \$1,234,580 or 9.9% of new construction costs (\$12,350,199). This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Costs/New Construction are \$871,158 and are 6.4% of the new construction and contingency costs (\$13,584,779). This appears reasonable when compared to the State Board Standard of the 5.76% - 8.66%.

Consulting and Other Fees are \$352,863. The State Board does not have a standard for these costs.

Movable and Other Equipment are \$4,240,032. The State Board does not have a standard for these costs when applied to hospitals.

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 submitted the information listed below.

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

The Applicants are estimating \$471.44 in direct operating costs per equivalent patient day. The State Board does not have a standard for these costs.

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

The Applicants are estimating no (\$0.00) capital costs per patient day. The State Board does not have a standard for these costs.