



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

<b>DOCKET NO:</b> N/A	<b>BOARD MEETING:</b> N/A	<b>PROJECT NO:</b> 21-015	<b>PROJECT COST:</b>  Original: \$38,825,000
<b>FACILITY NAME:</b> Northwestern Medicine Winfield Town Center Medical Office Building		<b>CITY:</b> Winfield	
<b>TYPE OF PROJECT:</b> Non-Substantive			<b>HSA:</b> VI

**PROJECT DESCRIPTION:** The Applicant (Northwestern Memorial Healthcare) is proposing to establish a Medical Office Building (MOB), located on the southeast corner of Jewell Road and Church Street, in Winfield. Project cost: \$38,825,000. The completion date as stated in the application for permit is August 30, 2023.

## EXECUTIVE SUMMARY

### **PROJECT DESCRIPTION:**

- The Applicant (Northwestern Memorial Healthcare) is proposing to construct a Medical Office Building (MOB), in approximately 52,048 GSF of newly constructed space, located on the southeast corner of Jewell Road and Church Street, in Winfield, at a cost of \$38,825,000. The completion date as stated in the application for permit is August 30, 2023.
- The proposed MOB will be located approximately one block south from the Northwestern Medicine Central DuPage Hospital campus, and will help alleviate excessive utilization at its physician's offices located on the hospital campus.
- Once completed, the MOB will contain 34,488 GSF of office space, providing office/clinic space for 22 to 34 physicians. No new clinical services will be introduced as part of this project.

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

- The project is before the State Board because the project proposes the establish a medical office building by or on behalf of a medical care provider.

### **BACKGROUND:**

- Northwestern Memorial Healthcare owns/operates the following healthcare facilities:

○ Northwestern Memorial Hospital, 894 beds	HSA-06
○ Northwestern Lake Forest Hospital, 114 beds	HSA-08
○ Central DuPage Hospital, 392 beds	HSA-07
○ Delnor Community Hospital, 159 beds	HSA-08
○ Marianjoy Rehabilitation Hospital, 127 beds	HSA-07
○ Kishwaukee Community Hospital, 98 beds	HSA-01
○ Valley West Community Hospital, 25 beds*	HSA-01
○ Northern Illinois Medical Center McHenry, 166 beds	HSA-08
○ Northern Illinois Medical Center Huntley, 128 beds	HSA-08
○ Memorial Medical Center Woodstock, 56 beds	HSA-08
○ Palos Community Hospital, 425 beds	HSA-07
○ Grayslake Freestanding Emergency Center	HSA-08
○ Grayslake ASTC, multi-specialty	HSA-08
○ Grayslake Endoscopy Center, single specialty	HSA-08
○ Cadence Ambulatory Surgery Center, limited specialty	HSA-07
○ The Midland Surgical Center, multi-specialty^	HSA-01
○ Illinois Proton Center	HSA-07
○ Palos Health Surgery Center, multi-specialty	HSA-07

\*Critical Access Facility  
^Partial ownership by Applicant
- The project footprint will contain 52,048 GSF of space, with 38,488 GSF allocated for physician office space, and 12,882 designated for retail services. There will be no space established for services applicable to State utilization standards.

### **PURPOSE:**

- According to the Applicants, *"The purpose of this project is to provide physician practice space for Northwestern Medicine Regional Medical Group (RMG). It will improve access to NM care and preventative services by providing a convenient care delivery location close to NM Central DuPage Hospital (NM CDH). RMG has experienced significant growth in the past two decades, increasing from 100 physicians in 2010 to 534 physicians today (432% increase). Space is needed to accommodate this increase in physicians. The proposed project will improve access to RMG's high-quality healthcare services in a convenient location for patients and care givers."*

**PUBLIC HEARING/COMMENT:**

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

**SUMMARY:**

- The State Board Staff reviewed the Application for Permit and additional information provided by the Applicants and have met all the requirements of the State Board.

## STATE BOARD STAFF REPORT

#21-015

### Northwestern Medicine Winfield Town Center Medical Office Building

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Northwestern Memorial Healthcare
Facility Name	Northwestern Medicine Winfield Town Center Medical Office Building
Location	Southeast corner of Jewell Road and Church Street, Winfield
Application Received	April 30, 2021
Application Deemed Complete	May 3, 2021
Review Period Ends	July 2, 2021
Permit Holder	Northwestern Memorial Healthcare
Operating Entity	Northwestern Memorial Healthcare
Owner of the Site	Northwestern Memorial Healthcare
Project Financial Commitment Date	July 27, 2022
Departmental Gross Square Footage	52,048 DGSF
Project Completion Date	August 30, 2023
Expedited Review	No
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

#### **I. The Proposed Project**

The Applicant (Northwestern Memorial Healthcare) is proposing to establish a Medical Office Building (MOB) in Winfield, at a cost of \$38,825,000. The anticipated completion date as stated in the application for permit is August 30, 2023.

#### **II. Summary of Findings**

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

#### **III. General Information**

The Applicant is Northwestern Memorial Healthcare (NMH). Northwestern Memorial Healthcare is a general Illinois domestic corporation incorporated in 1981. NMH is a parent corporation, having ownership/management interest in 18 health care facilities located throughout metropolitan Chicago and Northern Illinois. The proposed Medical Office Building (MOB) will be in Winfield on the southeast corner of Jewell Road and Church Street, approximately 1 block south of the Northwestern Medicine Central DuPage Hospital campus, in Winfield. The MOB will contain physician office space for 22 to 34

Northwest Medical Group (NMG) physicians. The A-05 Hospital Planning Area includes the entirety of DuPage County. There are eight (8) hospitals in the A-05 Hospital Planning Area

**TABLE ONE**  
**Hospitals in the A-05 Hospital Planning Area**

Hospitals	City	Beds (1)
Adventist Glen Oaks Hospital	Glendale Heights	143
Adventist Hinsdale Hospital	Hinsdale	261
Advocate Good Samaritan Hospital	Downers Grove	284
NM Central DuPage Hospital	Winfield	392
Edward Hospital	Naperville	371
Elmhurst Memorial Hospital	Elmhurst	258
Linden Oaks Hospital^	Naperville	108
Marianjoy Rehabilitation Hospital*	Wheaton	127

1. Information from 2019 Hospital Profiles
2. \*Rehabilitation Hospital
3. ^Psychiatric Hospital

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

#### **IV. Project Details**

The Applicant (Northwestern Memorial Healthcare) is proposing to establish a medical office building (MOB) in 52,048 GSF of newly constructed space in Winfield. The facility will be located on the southeast corner of Jewell Road and Church Street, approximately one block south of the Northwest Medicine Central DuPage Hospital. The MOB will include physician office space for 22 to 34 physicians as well as space for retail services. No new clinical services will be established and no services applicable to State Board utilization/size standards will be introduced. The proposed project will improve access to NM care and preventive services by providing convenient delivery of care at a location close to its patient base. The project will also alleviate some of the patient volume from the Northwestern Medicine Central DuPage Hospital campus.

#### **V. Project Uses and Sources of Funds**

The Applicants are funding this project in its entirety with cash/securities totaling \$38,825,000. The Applicants supplied proof of A-Bond ratings from Standard & Poor's Ratings Service (March 2020), and Moody's Investors Service (October 2020).

**TABLE TWO**  
**Project Costs and Sources of Funds**

<b>Project Uses</b>	<b>Reviewable</b>	<b>Non-Reviewable</b>	<b>Total</b>	<b>% of Total</b>
Preplanning Costs	\$0	\$50,000	\$50,000	0.2%
Site Survey/Soil Investigation	\$0	\$115,000	\$115,000	0.4%
Site Preparation	\$0	\$1,045,000	\$1,045,000	2.6%
New Construction Contracts	\$0	\$21,150,000	\$21,150,000	54.5%
Contingencies	\$0	\$2,115,000	\$2,115,000	5%
Architectural & Engineering Fees	\$0	\$1,375,000	\$1,375,000	3.5%
Consulting and Other Fees	\$0	\$2,400,000	\$2,400,000	6.4%
Movable or Other Equipment	\$0	\$8,500,000	\$8,500,000	22%
Other Costs to Be Capitalized	\$0	\$2,075,000	\$2,075,000	5.4%
Total Uses of Funds	\$0	\$38,825,000	\$38,825,000	100.00%
<b>Project Sources of Funds</b>	<b>Reviewable</b>	<b>Non-Reviewable</b>	<b>Total</b>	<b>% of Total</b>
Cash/Securities	\$0	\$38,825,000	\$38,825,000	100%
Total Sources of Funds	\$0	\$38,825,000	\$38,825,000	100.00%

## **VI. Costs Space Requirements**

The Applicants are proposing 52,048 GSF for the Medical Office Building (MOB), and the entirety of this configuration will consist of newly constructed space. Board Staff notes there are no clinical services planned for this facility, and the entirety of the buildings space will be classified as non-clinical.

**TABLE THREE**  
**Cost/Space Requirements for Construction**

<b>Non-Reviewable/Non-Clinical</b>	<b>Cost</b>	<b>Proposed</b>	<b>New Construction</b>	<b>% of Total</b>
Physician Office Space	\$12,000,000	34,488	34,488	69.7%
Retail Space	\$6,075,000	12,882	12,882	29%
Lobby/Common Areas	\$1,075,000	2,605	2,605	.7%
MEP Systems	\$2,000,000	2,073	2,073	.6%
<b>Total Non-Reviewable</b>	<b>\$21,150,000</b>	<b>52,048</b>	<b>52,048</b>	<b>100.00%</b>
<b>Other Costs Associated w/Project</b>	<b>\$17,675,000</b>			
<b>GRAND TOTAL</b>	<b>\$38,825,000</b>	<b>52,048</b>	<b>52,048</b>	<b>100%</b>

## **VII. Background of the Applicants**

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

#### **To demonstrate compliance with this criterion, the Applicants must provide**

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
4. "Adverse Action" means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations.

1. The Applicants provided a listing with license and certification data of all health care facilities owned or operated by the Applicants at page 39 of the application for permit.
2. The Applicants signatures on the Certification Page attests that no adverse actions have been taken against any facility owned and/or operated by the Applicants.
3. The signatures on the Certification page serve as authorization permitting HFSRB and DPH access to any documents necessary to verify information submitted as part of the Application for Permit.
4. Northwestern Memorial Healthcare, A Domestic Corporation, Incorporated under the Laws of This State On November 1981, is in Good Standing as a General Not-for-Profit Domestic Corporation in the State of Illinois. (Application, pg. 24).
5. Evidence of Site Ownership was provided at pages 25-28 of the Application for Permit.
6. The Applicants are in compliance with Executive Order #2005-5 and the designation of special floor hazard areas.
7. The Applicants are in compliance with Executive Order #2006-05 and the Illinois Historic Preservation Agency.
8. All required reports have been provided to the State Board as required.

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

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

### **A) Criterion 1110.110 (b) – Purpose of the Project**

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

*“The purpose of this project is to provide physician practice space for Northwestern Medicine Regional Medical Group (RMG). It will improve access to NM care and preventative services by providing a convenient care delivery location close to NM Central DuPage Hospital (NM CDH). RMG has experienced significant growth in the past two decades, increasing from 100 physicians in 2010 to 534 physicians today (432% increase). Space is needed to accommodate this increase in physicians. The proposed project will improve access to RMG’s high-quality healthcare services in a convenient location for patients and care givers.”*

### **Criterion 1110.110 (c) – Safety Net Impact Statement**

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

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

*Substantive projects shall include no more than the following:*

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



The Applicants provided charity care information for Northwestern Memorial Healthcare, as required.

<b>TABLE FOUR</b>			
<b>Charity Care Information</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Net Patient Revenue</b>	\$4,877,615,420	\$5,665,736,442	\$5,570,736,744
<b>Amount of Charity Care (Charges)</b>	\$321,715,102	\$354,450,428	\$411,965,498
<b>Cost of Charity Care</b>	\$65,929,276	\$68,334,946	\$89,728,349
<b>Ratio of Charity Care Cost to Net Patient Revenue</b>	1.35%	1.2%	1.6%
Application p. 53			

**B) Criterion 1110.110 (d) - Alternatives to the Proposed Project**

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

The Applicant considered one (1) alternative to the proposed project.

**Alternative 1: Build or Lease Medical Office Building in a Different Location**

The Applicant reports having planned an expansion for medical offices as early as 2016-2018 and was provided an opportunity to purchase land for the proposed project at that time. The design for a 52,000 GSF building was deemed suitable for the space purchased, due to its proximity to the main hospital campus, and due the fact that no suitable space exists in Winfield and the surrounding communities. While the Applicants report similar project costs to establish a building in a different location, the proximity of the site chosen made the alternative of building at the corner of Jewell Road and Church Street the best alternative.

**IX. Size of the Project, Projected Utilization and Assurances**

**A) Criterion 1110.120 (a) (b) – Size of the Project/Projected Utilization**

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

The Applicant proposes to establish a Medical Office Building in 52,048 GSF of newly-constructed space in Winfield, offering physician office/clinic space, and space for retail services. Of these proposed services, none are designated as clinical/reviewable, with no applicable standards for project size or service utilization. Therefore, this criterion is inapplicable

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS INAPPLICABLE WITH CRITERION SIZE OF THE PROJECT OR PROJECTED UTILIZATION (77 IAC 1110.120 (a)(b))**

**X. Clinical Services Other than Categories of Service**

**A) Criterion 1110.270 (b) – Need Determination-Establishment**

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

- 1. (1110.270(b)(1) Service to Planning Area Residents**
- 2. (1110.270 (b) (2) Service Demand**
- 3. (1110.270 (b)(3) Impact of Proposed Project on Other Area Providers**
- 4. (1110.270(b) (4) Utilization**

The proposed services are being provided by Northwestern Medical Group (NMG) physicians as outpatient services. Therefore, these services listed are not subject to licensure under the Illinois Hospital Licensing Act.

**Physician Office/Clinic Space**

The Applicant proposes to provide physician office space for 22 to 34 physicians, specializing in Allergy, Ophthalmology, and Urology. The additional office space will alleviate overcrowding at occurring at Northwest Central DuPage facilities, and address the spatial need for the 534 physicians practicing at NMH Central DuPage. No clinical services will be provided through the new MOB.

**Retail Services**

The Applicants have allotted 12,882 GSF of space on the first floor for retail services. While no leases have been finalized, the Applicant envisions commercial services, a restaurant, or retail shop occupying this space. No clinical services, or services with State standards will be provided in this space.

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

## **XI. Financial Viability**

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

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

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

The Applicant is funding the project in its entirety with cash/securities totaling \$38,825,000. The applicant (Northwestern Memorial Healthcare), has provided proof of an AA+ Stable Bond Rating from Standard & Poor's Ratings Service (March 2020), and Aa2 Bond Rating from Moody's Investor's Service (October 2020), through Application #21-008. The Applicant supplied Audited Financial Statements and the results shown in Table Seven prove the Applicants have sufficient cash to fund the project in its entirety. The Applicants have successfully addressed this criterion.

<b>TABLE SEVEN</b>		
<b>Northwestern Memorial Healthcare</b>		
<b>Years ended December, 2019, 2020</b>		
	<b>2019</b>	<b>2020</b>
Cash	\$329,646	\$1,336,516
Current Assets	\$1,764,720	\$2,490,475
Total Assets	\$12,528,131	\$14,104,628
Current Liabilities	\$1,636,766	\$2,159,963
LTD	\$51,731,688	\$39,673,876
Total Liabilities	\$4,254,084	\$5,014,310
Net Patient Revenue	\$5,665,736	\$5,570,737
Total Revenues	\$6,052,028	\$6,288,427
Income from Operations	\$283,529	\$293,000
Net Income	\$346,551	\$813,961
Source: Northwestern Healthcare Audited Financial Statements, #21-015 Application File		

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA AVAILABILITY OF FUNDS AND FINANCIAL VIABILITY (77 IAC 1120.130)**

## **XII. Economic Feasibility**

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

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

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

The Applicant is funding the project in its entirety with cash/securities totaling \$38,825,000. The applicant (Northwestern Memorial Healthcare), has provided proof of an AA+ Stable Bond Rating from Standard & Poor's Ratings Service (March 2020), and Aa2 Bond Rating from Moody's Investor's Service (October 2020), (Application

#21-008). The Applicant supplied Audited Financial Statements and the results shown in Table Seven prove the Applicants have sufficient cash to fund the project in its entirety. There is no debt financing with this project, and this criterion is inapplicable.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1120.140(a) and (b))**

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

To demonstrate compliance with this criterion the Applicants must document that the project costs are reasonable by the meeting the State Board Standards in Part 1120 Appendix A.

**D) Criterion 1120.014(c) – Reasonableness of Project Costs**

**E) Criterion 1120.140(d) – Projected Operating Costs**

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

The proposed project seeks to establish a Medical Office Building in 52,048 GSF of space. The project contains no clinical components, nor does it seek to establish services with applicable State standards. Only Clinical Costs are reviewed in this criterion. Based on these assertions, the above-mentioned criteria are inapplicable.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT INAPPLICABLE WITH CRITERIA REASONABLENESS OF PROJECT COSTS, DIRECT OPERATING COSTS AND EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140 (c) (d) and (e))**