



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-04	BOARD MEETING: June 7, 2022	PROJECT NO: 22-009	PROJECT COST: Original: \$644,718,104
FACILITY NAME: Advocate Illinois Masonic Hospital		CITY: Chicago	
TYPE OF PROJECT: Non-Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (Advocate Aurora Health Inc., Advocate Health and Hospitals Corporation, Advocate Health Care Network Advocate North Side Health Network - d/b/a Advocate Illinois Masonic Medical Center) propose to construct a 4-story addition to the Center for Advanced Care building and a 5-story Bed Tower (including the penthouse) on top of the existing and expanded Center for Advanced Care at Advocate Illinois Masonic Medical Center. The anticipated cost of the project is \$644,718,104. The expected completion date is June 30, 2030.

The purpose of the Illinois Health Facilities Planning Act is to establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process. (20 ILCS 3960/2)

The Certificate of Need process required under this Act is designed to restrain rising health care costs by preventing unnecessary construction or modification of health care facilities. The Board must assure that the establishment, construction, or modification of a health care facility or the acquisition of major medical equipment is consistent with the public interest and that the proposed project is consistent with the orderly and economic development or acquisition of those facilities and equipment and is in accord with the standards, criteria, or plans of need adopted and approved by the Board. Board decisions regarding the construction of health care facilities must consider capacity, quality, value, and equity.

Information regarding this Application for Permit can be found at:

<https://www2.illinois.gov/sites/hfsrb/Projects/Pages/Advocate-Illinois-Masonic-Medical-Center.-Chicago---22-009.aspx>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Advocate Aurora Health Inc., Advocate Health and Hospitals Corporation, Advocate Health Care Network, Advocate North Side Health Network - d/b/a Advocate Illinois Masonic Medical Center) propose to construct a 4-story addition to the Center for Advanced Care building and a 5-story Bed Tower (including the penthouse) on top of the existing and expanded Center for Advanced Care at Advocate Illinois Masonic Medical Center. The expected completion date is June 30, 2030. As part of this project the Applicants are decreasing the number of beds at the Hospital. Currently the Hospital is authorized for 397 beds and at the conclusion of this project the Hospital will have 326 authorized beds a decrease of 71 beds. The Table below outlines the current number and proposed number of beds and the 2019 & 2020 ADC as well the number of beds justified based upon that average utilization. Additionally, the projected number of beds based upon the Applicants' growth projections for 2026 these services is provided.

Executive Summary Historical and Projected ADC And Number of Beds Justified						
Category of Service	Proposed Beds	Target Occupancy	ADC Ave. CY 2019 & 2020	Projected CY 2026 ADC	Justified Beds CY 2019- CY 2020	Justified Beds CY 2026
Medical Surgical	187	85%	106	133	125	157
Intensive Care	37	60%	23	25	38	42
Obstetric	24	75%	15	17	20	21
NICU	22	75%	13	15	17	20
Rehabilitation	22	85%	15	16	18	22
Acute Mental Illness	34	85%	21	25	25	29

- The project is expected to cost \$644,718,104 with 332,780 square feet of new construction (187,278 of clinical and 145,502 of non-clinical) and 260,493 square feet of modernization (67,469 of clinical and 193,024 of non-clinical space).
- At the conclusion of this report is construction premiums for this project and the Campus axons.

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 \$14,557,713.

PURPOSE OF THE PROJECT:

- The primary purpose of the project is to provide an updated infrastructure that supports the health services at the hospital. According to the Applicants the project addresses the facility and infrastructure deficiencies and creates patient care designed with contemporary standards.

PUBLIC HEARING/COMMENT:

- There was no request for a public hearing and no opposition letters were received. Several letters of support have been received by the State Board.


SUMMARY

- For the modernization of a category of service the Applicants must document that the facility is deteriorated or functionally obsolete. When considering the modernization of a category of service the State Board reviews narratives submitted by the Applicants 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 occupancy of the category of service is considered when justifying the number of beds/units being modernized/expanded.
- The Applicant is financially viable as evidenced by Audited Financial Statements (application, pg. 258-308), an "Aa3" bond rating from Moody's Ratings service, an AA bond rating from Fitch Ratings Service, and an AA bond rating from Standard & Poor's Rating Service.

CONCLUSIONS:

- For the most part the non-compliance listed below is related to the historical utilization at the hospital.

Criterion	Reasons for Non-Compliance
Criterion 1110.120 (a) – Size of the Project	The Applicants were not able to meet the size requirements for ultrasound, PACU Phase I and Phase II, and comprehensive physical rehabilitation beds.
Criterion 1110.120 (b) – Projected Utilization	The Applicants projected CY 2026 information did not justify the 187 medical surgical beds, 24 obstetric beds, 22 NICU beds, and the 34 Acute Mental Illness Beds at the State Board's target occupancies.
Historical Utilization	
Criterion 1110.200 (d) (4) – Medical Surgical Occupancy, Intensive Care, and Obstetric	The Applicants Average CY 2019 & CY 2020 ADC supports 125 medical surgical beds, and 20 obstetric beds, and not the 187 medical surgical beds, and 24 obstetric beds being proposed. Note: The ADC for intensive care beds supports 38 intensive care beds which is above the 37 ICU beds proposed.
Criterion 1110.205(d)(4) – Occupancy - Physical Rehabilitation	The Applicants Average CY 2019 & CY 2020 census supports 18 beds and not the 22 rehab beds being requested at the State Board's target occupancy of 85%. Applicant's Response: <i>There are times in the year, where patient days increase due to increased Trauma or falls. An internal assessment of mid-day census, which is higher than the reported census at midnight, supported the need for 22 Inpatient Rehabilitation beds to provide for current patient days and the clinical service growth and acuity increases projected.</i>
Criterion 1110.210(d)(4) – Occupancy - Acute Mental Illness	The Applicants Average CY 2019 & CY 2020 census supports 25 Acute Mental Illness Beds and not the 34 AMI beds being requested at the State Board target occupancy of 85%. Applicant's Response: <i>As mid-day census is higher, an internal assessment of patient days at mid-day supported the need for 34 AMI beds to</i>

Criterion	Reasons for Non-Compliance
	<p><i>provide for current patient days and the projected clinical service growth and acuity increases. With more acute presentation requiring private bed placement, the modernized unit will provide for an increased number of private rooms to support the increasing patient acuity outlined in the current patient population and expected in the future.</i></p>
	<p>The Applicants Average CY 2019 & CY 2020 census supports 17 NICU Beds and not the 22 NICU beds being requested. Applicant's Response: <i>The NICU days provided are at midnight and the noon census is 20-25% higher due to the discharge time later in the day to allow the mom and baby the care, testing and education needed prior to discharge. 15 beds at the midnight census translates to 18-22 NICU beds at midday census. The analysis determined that a decrease in number of NICU beds to a 22-bed unit will provide the projected number of NICU beds needed for the future.</i></p>
<p>1110.270 – Clinical Service Areas Other than Categories of Service</p>	<p>The Applicants are proposing 2 C-Section Rooms. Historical utilization justifies 1 C- Section room. Applicant's Response: <i>State Utilization guidelines of 800 procedures per C-Section room, might indicate only 1 room is needed, based on current C-Section volume, the C-Section rooms are frequently used at the same time and one room is needed to be maintained for emergency C-Sections. The c-section rooms are also utilized for the following procedures: cerclage and tubal ligation.</i></p>
<p>1110.270 – Clinical Service Areas Other than Categories of Service</p>	<p>The Applicants are proposing 8 LDR rooms. Historical utilization justifies 5 LDR rooms at the State Board Target of 400 births per room. Applicant's Response: <i>The State Utilization guidelines for LDR rooms of 400 Births/ LDR rooms outline a need for less than the 8 rooms replacing the current 8 rooms. Current operational analysis outlined that there are days and times of day that have a higher LDR utilization, and it was determined that 8 rooms are needed to support current and future deliveries at Advocate Illinois Masonic.</i></p>
<p>1120.140 (c) – Reasonableness of Project Costs</p>	<p>New Construction and Contingency Costs are \$128,574,048 or \$686.54 per GSF. This appears HIGH when compared to the State Board Standard of \$633.71 per GSF. Modernization and Contingency Costs are \$34,565,577 or \$512.24 per GSF. This appears HIGH when compared to the State Board Standard of \$433.60 per GSF.</p>



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STATE BOARD STAFF REPORT
Project #22-009
Advocate Illinois Masonic Medical Center

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	Advocate Aurora Health Inc., Advocate Health and Hospitals Corporation, Advocate Health Care Network Advocate North Side Health Network - d/b/a Advocate Illinois Masonic Medical Center
Facility Name	Advocate Illinois Masonic Medical Center
Location	836 W. Wellington Avenue, Chicago
Permit Holder	Advocate Aurora Health Inc., Advocate Health and Hospitals Corporation, Advocate Health Care Network Advocate North Side Health Network - d/b/a Advocate Illinois Masonic Medical Center
Operating Entity/Licensee	Advocate North Side Health Network - d/b/a Advocate Illinois Masonic Medical Center
Owner of Site	Advocate North Side Health Network - d/b/a Advocate Illinois Masonic Medical Center
Application Received	March 2, 2022
Application Deemed Complete	March 7, 2022
Financial Commitment Date	June 7, 2024
Anticipated Completion Date	June 30, 2030
Review Period Ends	May 6, 2022
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

I. **Project Description**

The Applicants (Advocate Aurora Health Inc., Advocate Health and Hospitals Corporation, Advocate Health Care Network Advocate North Side Health Network - d/b/a Advocate Illinois Masonic Medical Center) propose to construct a 4-story addition to the Center for Advanced Care building and a 5-story Bed Tower (including the penthouse) on top of the existing and expanded Center for Advanced Care at Advocate Illinois Masonic Medical Center. The anticipated cost of the project is \$644,718,104. The expected completion date is June 30, 2030.

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 **not** in conformance with all relevant provisions of 77 ILAC 1120 (Part 1120).

III. General Information

Advocate Health Care Network Advocate North Side Health Network - d/b/a Advocate Illinois Masonic Medical Center is located at 836 W. Wellington Avenue, Chicago, Illinois. The facility is a 397-bed acute care hospital. This project is considered a non-substantive project subject to a Part 1110 and Part 1120 review.

IV. Health Service Area

Advocate Illinois Masonic Medical Center is in the HSA VI Health Service Area and the A-01 Hospital Planning Area. HSA VI Health Service Area includes the City of Chicago. Hospitals in the A-01 Hospital Planning Area are the following:

TABLE ONE	
Hospitals in the HSA VI Service Area	
Hospitals	Beds
Advocate Illinois Masonic Medical Center	397
Ann & Robert Lurie's Children Hospital	364
Chicago Lakeshore Hospital	161
Community First Medical Center	296
Kindred Chicago Central Hospital	95
Kindred Chicago North Hospital	164
Louis A. Weiss Memorial Hospital	236
Northwestern Memorial Hospital	943
Presence Resurrection Medical Center	337
Presence Saint Joseph Hospital	338
Shirley Ryan AbilityLab	262
Shriners Hospital	60
Swedish Hospital	292
Thorek Memorial Hospital	172
Thorek Memorial Hospital-Andersonville	146

V. Market Area

The Applicants state the primary market area defined by the Medical Center is similar to State Board's Planning Area A-01. The Medical Center's service area extends farther north along the Lake to include Avalon Park, and Rogers Park and does not include the O'Hare area or Norwood Park as part of its service area. Attachment 12, Exhibit 2 of the Application for Permit shows a map of the hospital's service area.

TABLE THREE					
Hospital Primary Service Area Demographics					
	2021	2026	2021	Pop	% Pop
			% Of Total	Change	Change
Asian	173,089	193,088	8.90%	19,999	11.55%
American Indian	9,483	9,500	0.50%	17	0.18%
Black	416,116	398,619	21.50%	-17,497	-4.20%
Pacific Islands	887	863	0.00%	-24	-2.71%
White	956,744	946,900	49.40%	-9,844	-1.03%
Other Race	310,623	316,749	16.00%	6,126	1.97%
Multiple Races	69,661	73,273	3.60%	3,612	5.19%
TOTAL	1,936,603	1,938,992	100.00%	2,389	0.12%
Hispanic	665,949	686,695	34.40%	20,746	3.12%

VI. Project Details

1. Expansion of the Center for Advance Care

As stated above, the Applicants will be expanding the Center for Advanced Care. The lower level/ground floor will include a Breast Center with Mammography, Breast Ultrasound and DEXA services that are currently in leased medical office building space. The first floor will be an expansion of the Oncology Outpatient clinic services with dedicated multidisciplinary offices and additional oncology examination and consultation rooms. There is no second floor as the floors must match with the existing hospital. The **third floor** will include expansion of the operating rooms to connect with the existing Center for Advanced Care Building and the main hospital building (Stone Building). This project will include relocation and modernization of the operating rooms, the cardiac catheterization labs and electrophysiology rooms. In addition to the ORs and cath labs, prep and recovery rooms are included to create a comprehensive interventional floor. The fourth floor will provide the required mechanical, plumbing, and electrical equipment for the new CAC building extension.

2. New Bed Tower

A new bed tower will be built on top of the expanded and current Center for Advanced Care. This will include the relocation of Inpatient Medical/Surgical and Intensive Care Beds from the Main Hospital Bed Tower (Stone building) and Postpartum and NICU beds from a 1908 building. The modernization of these Inpatient units will be designed to

provide Inpatient rooms that meet current standards of care and provide all single occupancy private rooms. The fifth floor **of the new bed tower will** Include LDR, C-Section, triage, and Postpartum Rooms with the NICU beds to create an Obstetric/NICU floor. The number of post-partum beds will be reduced from 44 to 24. The number of NICU beds will be reduced from 34 to 22. The sixth floor of the **new bed** tower will include 19 Medical/Surgical and 37 Intensive Care beds. **The seventh and eighth floors of the new bed tower** will include Medical/Surgical beds, with 56 beds on each floor. Two medical surgical units totaling 56 M/S beds will remain in the Classic (Stone) building and will be modernized.

3. Modernization of Main Hospital

Modernization of the first and third floor of the Main hospital (Stone Building) will include renovation and expansion of the existing cardiology services and current operating rooms. The current first floor will include expansion of Cardiac non-invasive (diagnostic testing). This will increase the Cardiology/ Heart Institute Outpatient services to include additional infusion, exam space, and clinics such as heart failure, structural heart, valve, chest pain and other cardiovascular clinics. The project expands the surgical interventional platform and includes modernization of the ORs and the surgical areas to create a coordinated platform for all surgical services including Cardiac Cath, and EP. The third floor will connect the current Center for Advanced Care, the Center for Advanced Care expansion, and the existing Stone building to create one floor.

Demolition of outdated buildings 4, 5 and 6 will be included at the end of the project, as these buildings will no longer be appropriate for patient care areas and these units are relocated to the newly constructed buildings. The facility and functional assessments determined that these buildings no longer are within contemporary planning standards and are not candidates for continued facility investment. The Applicants' planned phasing can be found at pages 110-111 of the Application for Permit.

The Applicants stated they are committed to spending 35% of construction cost with diversity, equity, and inclusion focused companies. The project will be done in phases and the phase outline can be found at pages 110-111 of the Application for Permit.

VII. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of \$303,313,017 and a bond issue in the amount of \$341,405,087. Itemization of these costs listed in the Table below can be found at pages 78-79 of the Application for Permit.

TABLE THREE				
Uses and Sources of Funds				
	Reviewable	Non-Reviewable	Total	% Of Total
Use of Funds				
Preplanning	\$2,255,000	\$3,965,000	\$6,220,000	0.96%
Site Survey and Soil Investigation	\$0	\$525,000	\$525,000	0.08%
Site Prep	\$2,250,000	\$12,687,303	\$14,937,303	2.32%

TABLE THREE				
Uses and Sources of Funds				
	Reviewable	Non-Reviewable	Total	% Of Total
Off-site Work	\$0	\$3,750,000	\$3,750,000	0.58%
New Construction Contracts	\$119,181,114	\$121,330,627	\$240,511,741	37.30%
Modernization Contracts	\$32,040,400	\$69,119,653	\$101,160,053	15.69%
Contingencies	\$11,918,111	\$19,590,326	\$31,508,437	4.89%
A & E Fees	\$12,746,516	\$12,251,110	\$24,997,626	3.88%
Consulting	\$5,999,674	\$4,908,824	\$10,908,498	1.69%
Movable Equipment	\$62,568,685	\$2,728,600	\$65,297,285	10.13%
Bond Issuance Expense	\$2,336,691	\$1,930,873	\$4,267,564	0.66%
Net Interest Expense	\$63,833,724	\$52,747,598	\$116,581,322	18.08%
Other Costs to Capitalized	\$11,677,376	\$12,375,900	\$24,053,276	3.73%
Total	\$326,807,290	\$317,910,814	\$644,718,104	100.00%
Sources of Funds				
Cash			\$303,313,017	
Bond Issue			\$341,405,087	
Total			\$644,718,104	

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

A) Criterion 1110.110 - Background of the Applicant

The Applicants have provided the necessary documentation as required by the State Board. The Applicants appear to be fit, willing and able, and *have the qualifications, background, and character to adequately provide a proper standard of health care service for the community.* Information on the Background of the Applicants can be found at pages 83-99 of the Application for Permit.

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

The Applicants stated the following:

The primary purpose of the project is to provide updated infrastructure that supports the health services to improve the healthcare and wellbeing of the population in the service area. The proposed project will provide enhanced patient, physician, and team member satisfaction. The improvements in the physical space will include private and updated inpatient rooms that are designed for coordinated services. The units will be designed with the appropriate number of beds by category of service and the space designed to reflect the changes in case mix acuity and infection control needs. The larger, state of the art operating rooms will accommodate the increasing technology and equipment required to care for complex surgical procedures, while standardization of all rooms ensures continual familiarity and intuitive functions for the healthcare team. Reduction in variability in room configuration and supply placement supports optimum function and performance. The

rooms will be sized and configured to meet the Advocate and current industry standards. Information on the purpose of the project can be found at pages 100-113 of the Application for Permit.

C) **Criterion 1110.110 (c) Safety Net Impact**

A Safety Net Impact Statement was provided along with Charity Care information. This information can be found at pages 243 – 252 of the Application for Permit. The table below documents the number of patients by payor source for the Medical Center.

TABLE FOUR Number of Patients (Inpatient & Outpatient) by Payor Source							
Year	Medicare	Medicaid	Other Public	Insurance	Private Pay	Charity	Total
2015	43,751	44,712	0	99,980	2,990	3,588	197,036
2016	45,703	41,740	0	102,746	2,991	3,571	198,767
2017	50,492	40,391	0	110,103	4,741	1,546	209,290
2018	58,675	41,151	0	122,043	5,009	1,815	230,711
2019	64,716	40,416	0	124,636	5,083	2,098	238,968
2020	77,303	34,698	0	111,242	3,373	2,373	231,009
Ave	56,773	40,518	0	111,792	4,031	2,499	217,630
% Of total	26.09%	18.62%	0.00%	51.37%	1.85%	1.15%	100.00%

D) **Criterion 1110.110 (d) – Alternatives to the Proposed Project**

The Applicants considered five alternatives to the proposed project.

1. Alternative One - Construction of a replacement hospital - \$950 million
2. Alternative Two - Propose a Project of greater scope and cost – \$703.01 million
3. Alternative Three - Pursue a joint venture or similar arrangement with one or more providers – \$57.9 million
4. Alternative Four - Utilize other health care resources that are available to serve all.
5. Alternative Five - Propose a Project of lesser scope and cost
 - CAC only - \$186 million
 - Bed Tower only - \$566.4 Million

The above alternatives were rejected as too costly or would not meet the goals of the organization. According to the Applicants the proposed project was selected as it would allow the organization to replace outdated infrastructure and create space for Inpatient, Surgical and outpatient services. According to the Applicants the project will enhance safety, quality of care and provide the necessary facility infrastructure to support the future of the hospital providing the safest, most flexible environment continuing access for patients in the Advocate Illinois Masonic Medical Center service area [See Application for Permit pages 114-119].

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

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

The Applicants were not able to meet the size requirements for ultrasound, PACU Phase I and Phase II, and comprehensive physical rehabilitation beds. [See page 121 of the Application for Permit].

B) Criterion 1110.120 (b) – Projected Utilization

The Applicants have not met the projected utilization standard for medical surgical, obstetric, NICU, and Acute Mental Illness beds. [Application for Permit pages 123-126].

TABLE FIVE							
Projected Number of Beds based upon 2026 Projected Patient Days							
Category of Service	Proposed Beds	2019	2020	2026	State Standard	Projected Beds	Met Requirements
		Patient Days			Target Occ.	Target Occupancy	
Medical Surgical	187	39,915	37,740	48,486	85.00%	157.00	No
Intensive Care	37	6,984	9,495	9,054	60.00%	42.00	Yes
Obstetric	24	5,852	4,849	5,852	78.00%	21.00	No
NICU	22	5,348	4,157	5,348	75.00%	20.00	No
Rehabilitation	22	5,314	5,771	5,986	85.00%	22.00	Yes
Acute Mental Illness	34	7,707	7,807	8,764	85.00%	29.00	No

X. Bed Modernization

This section of this report addresses the following modernization requirements.

Medical Surgical, Intensive Care, Obstetric Beds

- Criterion 1110.200 (d) (1) (2) (3) – Deteriorated Facilities
- Criterion 1110.200 (d) (4) – Occupancy
- Criterion 1110.200 (f) – Performance Requirements

Comprehensive Physical Rehabilitation Beds

- Criterion 1110.205 (d) (1) (2) (3) – Deteriorated Facilities
- Criterion 1110.205 (d) (4) – Occupancy
- Criterion 1110.205 (f) – Performance Requirements

Acute Mental Illness Beds

- Criterion 1110.210 (d) (1) (2) (3) – Deteriorated Facilities
- Criterion 1110.210 (d) (4) – Occupancy
- Criterion 1110.210 (f) – Performance Requirements

Neonatal Beds

- Criterion 1110.215 (d) (1) (2) (3) – Deteriorated Facilities
- Criterion 1110.215 (d) (4) – Occupancy
- Criterion 1110.215 (f) – Performance Requirements

A) Deteriorated Facilities

If the project involves modernization of a category of hospital bed service, the applicant shall document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:

- A) High cost of maintenance.**
- B) Non-compliance with licensing or life safety codes.**
- C) Changes in standards of care (e.g., private versus multiple bedrooms).**
- D) Additional space for diagnostic or therapeutic purpose.**

As documented throughout the Application for Permit the Hospital needs updating. According to the Applicants the origin of the Hospital dates to 1897 with the formation of Union Hospital, which became Illinois Masonic Medical Center in 1921. In November 2000, the Hospital became a member of Advocate Health Care. Advocate merged with Aurora Health Care in Wisconsin in 2018. Advocate Illinois Masonic Medical Center is now part of Advocate Aurora Health. A 2011 facility assessment evaluated existing hospital infrastructure to determine appropriateness for continued investment of each of the buildings on the campus. This assessment determined that several buildings 4, 5 and 6 were at the end of their useful life and they were no longer appropriate for continued investment. Key building deficiencies include the mechanical, heating, electric, and plumbing systems that are over 70+ years old and require complete replacement. According to the Applicants the project addresses the facility and infrastructure deficiencies and creates patient care designed with contemporary standards.

B) Occupancy

Projects involving the replacement or modernization of a category of service or hospital shall meet or exceed the occupancy standards for the categories of service, as specified in 77 Ill. Adm. Code 1100. In assessing the number of beds justified for this criteria Staff relied upon the Average Daily Census for CY2019 and CY2020.

TABLE SIX Historical and Projected ADC And Number of Beds Justified						
Category of Service	Proposed Beds	Target Occupancy	ADC Ave. CY 2019 & CY 2020	CY 2026 ADC	Justified Beds CY 2019- 2020	Justified Beds CY 2026
Medical Surgical	187	85%	106	133	125	157
Intensive Care	37	60%	23	25	38	42
Obstetric	24	75%	15	17	20	21
NICU	22	75%	13	15	17	20
Rehabilitation	22	85%	15	16	18	22
Acute Mental Illness	34	85%	21	25	25	29

1. Medical Surgical Beds

The Applicants are proposing 187 medical surgical beds at the hospital reducing the current number of medical surgical beds from 225 medical surgical beds by 38 beds. The project will include 3 floors with medical surgical units in the new bed tower. The sixth floor will include 19 private medical surgical beds and 37 private ICU beds. The seventh and eighth floors will include only medical surgical beds with 56 private beds on each floor. Medical surgical beds will also be modernized and remain on two floors in the existing Stone building. A 44-semi-private bed unit will be located on the seventh floor and a 12-bed unit will be located on the ninth floor in this existing building.

In 2021, 88% of the Medical Surgical patients resided in the Hospital's service area and 96% within Cook County. The Applicants estimate that inpatient discharges are projected to decline by 1% over the next 5 years, inpatient days are projected to increase by 5% over the next 5 years, 9% over the next 10 years. The Applicants are estimating a compound annual growth in medical surgical patient days of .5% which will equate to 48,846 medical surgical patient days by 2025 or an ADC of 134 patients. This number of patients justifies 149 beds at target occupancy.

However, average CY 2019 & CY2020 census justifies 125 medical surgical beds at the target occupancy of 85%.

2. Intensive Care Beds

The Hospital is a Level I Trauma Center. The Hospital currently has 33 CON authorized ICU beds. The Applicants are proposing to add 4 ICU beds for a total of 37 ICU beds at

project completion. In 2021, 84% of the Intensive Care patients resided in the Hospital's service area and 94% within Cook County. The Applicants are projecting 9,054 patient days or an ADC of 25 patients by 2026. The Applicant can justify 42 ICU beds at the target occupancy of 60%. Average CY 2019 & CY2020 ADC of 23 patients will justify 38 ICU Beds at target occupancy. Based on the growth in the 65 and older population and acuity increases the Applicants believe that the additional ICU beds will be needed within the next 5 years. Accordingly, the design of the ICU unit adjacent to the medical surgical unit in the new bed tower provides for flexibility to have patients appropriately stay in the ICU unit and then moved to a medical surgical step-down unit during their inpatient stay.

3. Obstetric Beds

The Hospital has 44 authorized obstetric beds. Based on the declining birth rate at the Hospital, locally and nationally, the proposed project will decrease the number of OB beds by 20 beds to develop a 24-bed unit at the project completion. In 2021, 92% of the Obstetric patients resided in the Hospital's service area and 97% within Cook County. The modernized Obstetric unit will include 8 LDR rooms, 2 C-Section rooms, 6 triage rooms and 24 postpartum rooms in addition to the support and staff space required for a contemporary unit on one floor of the new Bed Tower. The Average CY 2019 & CY 2020 ADC of 15 patients justifies 20 obstetric beds at the target occupancy of 75%.

4. Neonatal Intensive Care Beds

The Hospital's Neonatal Intensive Care Unit has a level III designation. The Hospital currently has 34 authorized NICU beds. Based on the declining birth rate at the Hospital the proposed project will decrease the number of NICU beds by 12 from 34 NICU beds to a 22-bed unit at project completion. In 2021, 89% of the NICU patients resided in the Hospital's service area and 99% within Cook County. The NICU beds will be relocated in the new bed tower co-located on one floor with all Obstetric services. The Applicants are projecting no growth in NICU patient days from 2020 days of 4,157 patient days or ADC of 12 patients which justifies 16 beds at the target occupancy of 75%. Average CY2019 & CY 2020 census of 15 justifies 17 NICU beds at the target occupancy of 75%.

5. Comprehensive Physical Rehabilitation Beds

The proposed project will relocate 22 beds in the Comprehensive Physical Rehabilitation service from the current outdated hospital building to the Stone Building (vacated by a medical surgical unit). There will be no change in the number of rehabilitation beds. The 22-bed unit will be all private rooms in the Stone Building. The Applicants are estimating 5,986 patient days or an ADC of 17 patients by 2026. This census will justify 20 rehab beds. Average CY 2019 and CY 2020 census of 15 patients justifies 18 beds at the target occupancy 85%.

6. Acute Mental Illness Beds

The proposed project will relocate the Acute Mental Illness service from the current outdated hospital building to the Stone Building (vacated by the medical surgical unit). The modernization proposes 34 private and semi-private AMI beds in 28 rooms decreasing the number of CON authorized beds by 5 AMI beds. The Applicants are projecting 8,764 patient days or ADC of 24 which justifies 29 AMI beds at the target occupancy of 85%.

Average CY 2019 and CY2020 census of 21 patients will justify 25 beds at the target occupancy of 85%.

C) Performance Requirements

The State Board requires that beds located within a Metropolitan Statistical Area be at a minimum size.

- The minimum unit size for a medical surgical care unit within an MSA is 100 beds
- The minimum unit size for an obstetric care unit within an MSA is 20 beds.
- The minimum unit size for an intensive care unit is 4 beds.
- There is no minimum size for a NICU Unit.
- The minimum hospital unit size for comprehensive physical rehabilitation is 16 beds.
- The minimum unit size for an AMI unit within an MSA is 20 beds.

The Applicants are proposing 187 medical surgical beds, 24 obstetric beds, 37 intensive care beds, 22 rehabilitation beds, 34 Acute Mental Illness beds and 22 NICU beds. The Applicants have successfully addressed the performance requirements.

XI. Cardiac Catheterization

A) Criterion 1110.225 (a) – Peer Review

According to the Applicants the Cardiovascular Services Peer Review Committee is a representative physician group that meets regularly for case review as outlined by Advocate Illinois Masonic Medical Center's bylaws. Membership includes cardiologists, internists, interventional radiologists, and electrophysiologists.

Cases are referred for *review* based on (but not limited to) patient safety reporting, guideline non-compliance, CMS Quality Measures non-compliance {including any other department defined indicator, National Cardiovascular Data Registry (NCDR) definition, external referral (Quality Improvement Organization), patient/family concerns, site leadership concerns, and/or nurse/physician referral. Case review information is electronically stored and becomes part of the hospital's focused and ongoing Physician Practice Evaluation reporting for physician privileges. This group also regularly reviews data to identify troublesome trends needing more intense evaluation.

B) Criterion 1110.225 (d) – Modernization of Cardiac Catheterization

An applicant with a proposed project for the modernization of existing equipment that provides cardiac catheterization services shall document that the minimum utilization standards (as outlined in 77 Ill. Adm. Code 1100.620) are met. Part 1110 Appendix B states 1,500 visits per year for additional units.

The proposed project will include relocation of the Cardiac Catheterization and EP services to be located adjacent to the newly created Operating Rooms to create a surgical procedure floor on the third floor of the new bed tower and CAC expansion. The project will include 4 cardiac catheterization rooms located in the new building,

replacing the 3 existing rooms in the main hospital. The rooms will be used for cardiac cath, EP and invasive peripheral endovascular procedures. According to the Applicants there has been a significant growth at Advocate Illinois Masonic Medical Center. The projections for the Hospital's service area show a 14% increase in cardiology procedures performed in the Cardiac Cath/EP labs. Additional cardiology physicians had been added to the staff between 2018-2019 to address and provide additional access for patients.

The Hospital performed 3,173 cardiac catheterizations in 2020. This number would justify the three cardiac cath labs at the Hospital. Based on the criteria of having 1,500 procedures to support additional rooms, the projected volume with 14% projected growth in the service area, supports the need for 2 Cath rooms and 2 EP rooms in the relocated Cardiac Catheterization suite in the future. Four Cardiac Cath/EP rooms will be needed to support the current and projected growth for these Cardiovascular procedural services. The Applicants have met the State Board requirements for the modernization of cardiac catheterization.

C) Criterion 1110.225(e) - Support Services

D) Criterion 1110.225(f) - Laboratory Location

E) Criterion 1110.225(g) - Staffing

F) Criterion 1110.225(h) - Continuity of Care

G) Criterion 1110.225(i) - Multi-institutional Variance

The Hospital has a cardiac cath program and support services and staffing is in place. The Location of the cardiac cath labs will be adjacent to one another. The Hospital has an open-heart program so no transfer agreement is necessary. The Applicants have met the requirements of this criterion [Application for permit pages 173-181].

XII. Clinical Services Other than Categories of Service

TABLE SEVEN
Historical and Projected Rooms Units

Service	Proposed Number of Rooms/Units	State Standard	2019 & 2020 Ave. Utilization	# Of Rooms/Units Justified	Projected Utilization	# Of Rooms/Units Justified
Surgical Class C	20 Rooms	1,500 hours per room	25,371	17	34,940	24
Cardiac Cath	4 Rooms	1,500 visits per lab	4,358	3	5,068	4
Mammography	4 Units	5,000 visits per unit	13,249	3	15,337	4
Mammography (stereotatic biopsy)	1 Unit	5,000 visits per unit	264	1	847	1
Breast Ultrasound	3 Unit	3,100 visits per unit	6,596	3	10,545	4
Breast Ultrasound (stereotatic biopsy)	1 Unit	3,100 visits per unit	596	1	1,459	1
DEXA	1 Unit	6,500 procedures per unit	2,402	1	5,463	1
Stereotactic means involving, being, utilizing, or used in a surgical technique for precisely directing the tip of a delicate instrument (such as a needle) or beam of radiation in three planes using coordinates provided by medical imaging to reach a specific locus in the body. [Source Webster]						

1. Surgical Services

The Applicants state the proposed project will create a comprehensive interventional floor that address deficiencies in the current Operating Rooms in the 50-year-old surgery suite. The current surgical suite in the main hospital was built in 1970 and no longer meets the needs for a modern department. The project will include 11 replacement ORs to be in the new Center for Advanced Care modernized building and the bed tower. These will replace 10 ORs and the 1 cysto procedure room currently located in the Stone hospital building. The 6 ORs that were included in the CAC project, completed in 2012, will not need to be modernized in this project. The two ORs used exclusively for eye procedures will also not be included in the project and will remain in their currently location on the fifth floor of the hospital. Upon completion of the project, the number of ORs including the eye surgical suites, would increase from 18 to 20 ORs. The four-year average surgical hours (2017-2020) justifies the number of operating rooms being requested by the Applicants.

2. Recovery/ Operating Suite

The Applicants are proposing increasing the number of Phase I recovery stations from 15 to 17 stations and increasing the number of Phase II recovery stations from 28 to 38 stations. The State Board Standard is 4 recovery stations per operating room. The Applicants can justify the number of recovery stations for the proposed 20 surgery rooms.

3. Recovery/Cardiac Cath

The Applicants are proposing increasing the number of Phase I recovery stations for cardiac cath from 3 to 4 Phase I recovery stations and increasing the number of Phase II recovery stations from 7 to 12 Phase II recovery stations for the four cardiac cath labs. The State Board Standard is 4 recovery stations per room. The Applicants have justified the number of recovery stations for the cardiac cath labs.

4. Labor/Delivery/Recovery/C-Section

The modernized Obstetric unit will include 8 Labor Delivery Recovery rooms and 2 C-Section rooms in addition to the 6 triage rooms and 24 Postpartum rooms on one floor of the new Bed Tower. There is one isolation room and one room that includes a hoist lift that will be utilized to meet the changing needs of the maternal patient population. The project will address modernization of the aging facility with room deficiencies and services and create a contiguous floor for improved care coordination.

The State Board's utilization standard is 400 births per LDR room. The Applicants have averaged 1,882 births for the period 2017 to 2020 which justifies 5 LDR rooms at the target utilization of 400 births per room. The Applicants state that there are days and times of day that have a higher LDR utilization, and it was determined that 8 rooms are needed to support current and future deliveries at the Hospital.

The State Board's Utilization standard is 800 procedures per C-Section room. The Applicants C-Section utilization justifies 1 room. The Applicants state there is a need

for two C-Section rooms as one room is needed to be maintained for emergency C-Sections.

5. Outpatient Oncology/Infusion/Breast Mammography/Breast Ultrasound

The Creticos Cancer Center established in 1990, currently provides Outpatient Cancer services in the Center for Advanced Care. From 2017 to 2021, infusion visits have increased by 47% and the outpatient oncology clinic visits by 34%. The Applicants are proposing 27 exam rooms and 22 infusion rooms, 5 mammography units and 4 ultrasound units and 1 DEXA unit. The State Board does not have a standard for exam rooms or infusion rooms.

The State Board Standard for **mammography units** is 5,000 visits per unit. The Applicants historical utilization justifies 3 mammography units. In the fourth quarter of 2021 almost 4,000 screening and diagnostic mammograms were performed. The Applicants state based on the fourth quarter volume using the state standard of 5,000 visits per unit/year, the 4 rooms will be needed to support the current and future mammography services at the Cancer Center with one additional room dedicated to performing the mammography stereotactic biopsy procedures.

The Hospital currently provides Breast Ultrasound services in the hospital's Medical Office Building attached to the hospital. The new Breast Center located in the lower level of the Center of Advanced Care expansion will include the relocation of the 4 existing **Breast Ultrasound units** to be co-located with the other Breast Center services. The Applicants are proposing 4 ultrasound units at the Hospital. The Applicants 4 ultrasound units at the State Board's target occupancy of 3,100 visits per year per unit.

The Applicants are proposing one DEXA unit in the Cancer Center. The State Board does not have a standard for this service.

6. Outpatient Heart Center

The Outpatient Heart Center has been providing outpatient cardiovascular services on the first floor of the hospital's Stone Pavilion building. This center includes comprehensive outpatient services for cardiovascular patients such as multispecialty clinics, infusions, and diagnostic testing. The Outpatient center expansion will also provide space to develop additional programs for chest pain and Afib patients and a valve clinic expansion. The Applicants are proposing 14 exam rooms and 6 infusion rooms at the Outpatient Heart Center. The State Board does not have a modernization standard for this service.

Assurances

The State Board does not require an attestation by the Applicants for the modernization of a category of service and Clinical Services Other than Categories of Service. However, the Applicants attested that by the second year of operation after project completion, the Applicants will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

XIII. Financial Viability

A) Criterion 1120.120 – Availability of Funds

B) Criterion 1120.130 - Financial Viability

The Applicants are funding the proposed project with cash and securities in the amount of \$301,313,017, and project-related bond issues totaling \$341,405,087. Advocate Aurora Health Inc. has an AA bond rating from Fitch Ratings Service an AA bond rating from Standard & Poor's Ratings Service, and an Aa3 bond rating from Moody's Investor Service. The Applicants also supplied Audited Financial Statements from calendar years 2019/2020. 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. (Application for Permit pages 210-235). With the A or better bonds ratings the Applicants have qualified for the financial waiver.

TABLE EIGHT Advocate Aurora Health Inc. Audited Financial Statements December 31st (In thousands)		
Year	2019	2020
Cash	\$449,712	\$959,878
Current Assets	\$2,815,005	\$3,379,077
Total Assets	\$18,933,369	\$21,449,643
Current Liabilities	\$2,708,950	\$3,319,862
Total Liabilities	\$7,234,705	\$9,049,599
Net Patient Service Revenue	\$10,660,969	\$10,216,386
Total Revenue	\$12,805,423	\$13,132,189
Total Expenses	\$12,207,553	\$12,802,867
Operating Income	\$597,670	\$329,322
Investment Income	\$1,053,988	\$598,283
Excess of Revenues over Expenses	\$1,485,949	\$550,032

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 with cash and securities in the amount of \$301,313,017, and project-related bond issues totaling \$341,405,087. 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 supplied attestation that financing for the proposed project will be at the lowest net cost available, due to its origins of finance (Application for Permit p. 239). 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 254,747 GSF. 187,278 GSF is designated as new construction and 67,469 GSF designated as modernized space.

Preplanning Costs are \$2,255,000 or 1.00% of new construction, modernization, contingency, and equipment costs of \$225,708,310. This appears reasonable when compared to the State Board Standard of 5.0%.

Site Preparation are \$2,250,000, or 1.38% of the construction modernization and contingency costs of \$163,139,625. This appears reasonable compared to the State Board Standard of 5.0%.

New Construction and Contingency Costs are \$128,574,048 or \$686.54 per GSF. This appears HIGH when compared to the State Board Standard of \$633.71 per GSF.

Modernization and Contingency Costs are \$34,565,577 or \$512.24 per GSF. This appears HIGH when compared to the State Board Standard of \$433.60 per GSF.

Contingency Costs are \$11,918,111 or 7.88% of new construction and modernization costs. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural and Engineering Costs are \$12,746,516 and are 8.43% of the new construction, modernization, and contingency costs. This appears reasonable when compared to the State Board Standard of the 6.22% - 9.34%.

The State Board does not have standards for the following costs.

Consulting	\$5,999,674
Movable Equipment	\$62,568,685
Bond Issuance Expense	\$2,336,691
Net Interest Expense	\$63,833,724
Other Costs to Capitalized	\$11,677,376

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 \$1,610 in direct operating costs per equivalent patient day. The State Board does not have a standard for these costs.

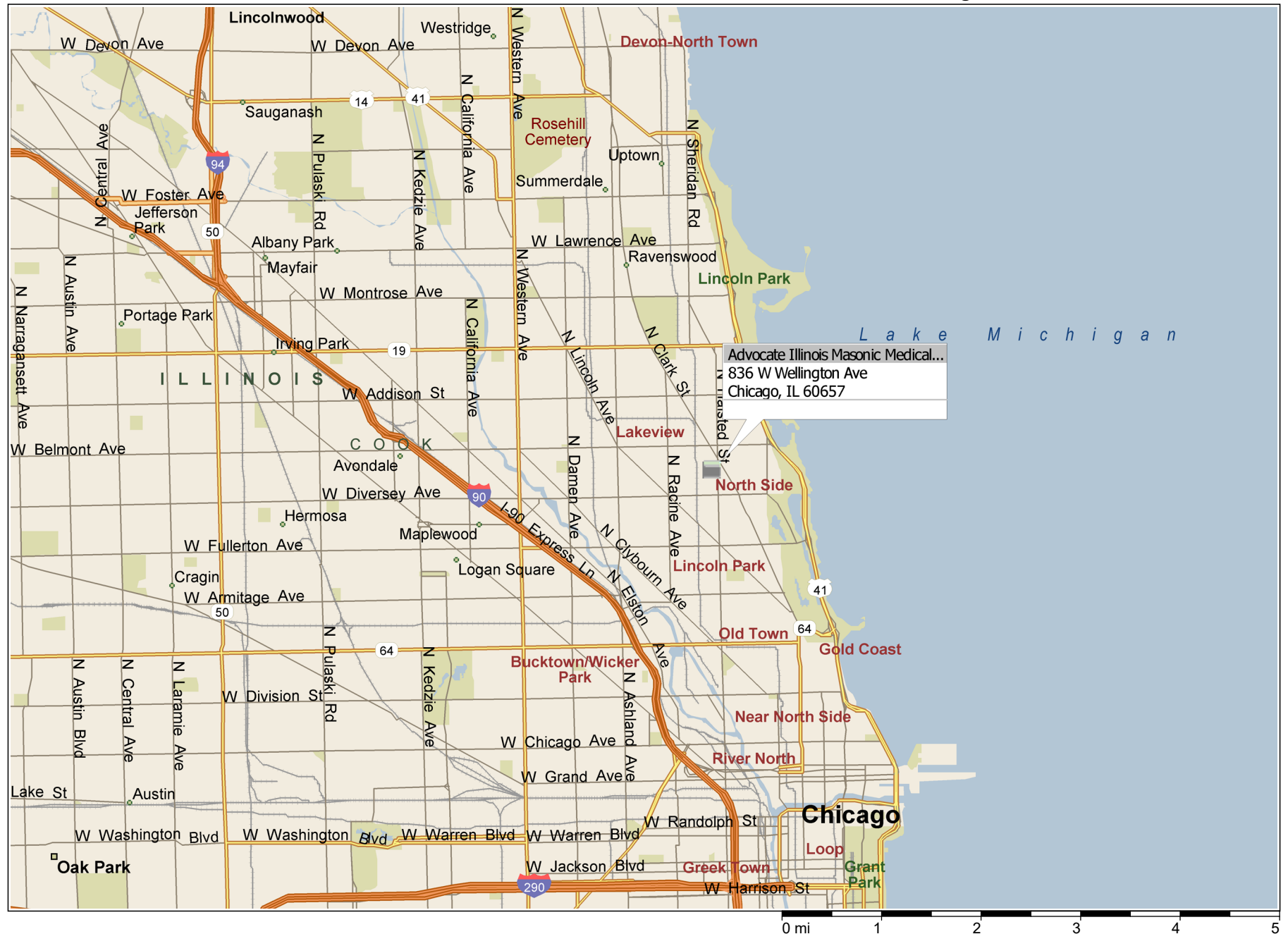
E) Criterion 1120.140(e) – Total Effect of the Project on Capital Costs

The Applicants are estimating \$192.00 in capital costs per equivalent patient day. The State Board does not have a standard for these costs.

<u>Description of Premiums for AIMMC Project:</u>	<u>Estimated Premium #</u>
Deep foundation system (Premium for phase 2 loads) / High Water table w/ Earth Retention cut off steel walls/ Caissons	\$ 2,100,000
Tight Urban site with no laydown area for building. Green sites generally less expensive because it's easier to build and store materials.	\$ 500,000
Basement construction.	\$ 450,000
Contaminated Soils (Chicago Fill)	\$ 600,000
Structurally reinforce existing building for overbuild. Overbuild logistically more expensive to build. Temporary conditions required.	\$ 2,000,000
New seismic codes adopted (Has an effect on MEP Exterior wall & Structure). Chicago Building Code 2019, original Center for Advanced Care not designed for these current codes.	\$ 1,000,000
Building the project two Phases due to existing SICU.	\$ 3,500,000
Difficult construction next to an elevated rapid train system (CTA).	\$ 1,000,000
Exterior wall construction, to satisfy the architectural integrity of the brand.	\$ 4,500,000
Community construction requirements	\$ 500,000
Tall floor to floor heights at lower levels to match stone building tie-in.	\$ 800,000
Grand extensive Lobby space i.e., Masonic Way etc.	\$ 1,500,000
Large site area/ neighborhood requirements for intense landscape requirements.	\$ 300,000
50% of roof area green to meet city of Chicago requirements.	\$ 900,000
Replace existing CAC Roof systems to match new expansion	\$ 600,000
All low voltage wiring with construction cost.	\$ 9,000,000

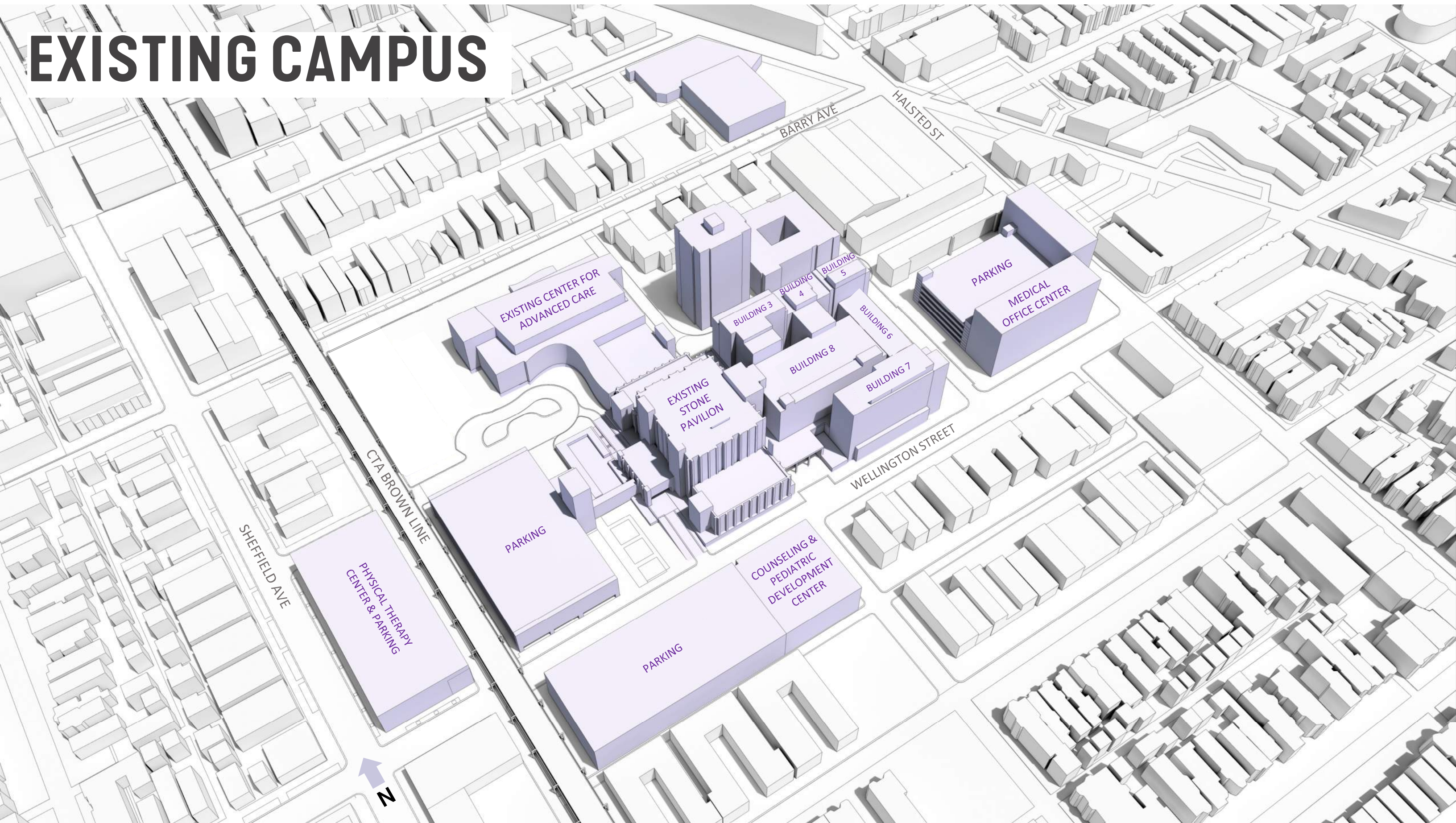
Phase 2 storm retention/ Excessive LF for sanitary and storm runs to tie ins. Cannot use Barry Ave to discharge storm or sewer.	\$ 300,000
New Chicago permit cost w/city construction. At the end of 2012 the City of Chicago CDOT waiver for permits will expired and not be renewed.	\$ 500,000
Total	\$ 48,950,000
Construction within a residential neighborhood requires later starting and earlier stopping times, which in turn can limit the efficiency of the process. A late start of 8:00am is not typical. Most construction trades start at 7am. The noise ordinance prohibits major noise from 8pm to 8am.	\$ 750,000

#22-009 Advocate Illinois Masonic Medical Center - Chicago



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EXISTING CAMPUS



FUTURE STATE

