



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-03 | BOARD MEETING: July 19, 2022 | PROJECT NO: 22-016 | PROJECT COST: |
| FACILITY NAME: OSF St. Francis Medical Center Cancer Center | | CITY: Peoria | Original: \$13,231,250 |
| TYPE OF PROJECT: Non-substantive | | | HSA: II |

PROJECT DESCRIPTION: The Applicant (OSF Healthcare System d/b/a OSF Saint Francis Medical Center) proposes to modernize by building out shell space established through a previous project (#19-057), to house physician office space in the OSF Comprehensive Cancer Center, located on the campus of OSF Saint Francis Medical Center, located at 530 Northeast Glen Oak Avenue, Peoria, Illinois. The expected completion date is June 30, 2024, and the estimated project cost is \$13,231,250.

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.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicant (OSF Healthcare System d/b/a OSF Saint Francis Medical Center) proposes to build out shell space located on the third level of the Comprehensive Cancer Center, on the campus of its acute care hospital located at 530 Northeast Glen Oak Avenue, Peoria. The project costs are \$13,231,250, and the expected completion date is June 30, 2024.
- On February 25, 2020, the State Board approved the establishment of a Comprehensive Cancer Center in the amount of approximately \$237 million (Permit #19-057). The project is financially committed with OSF Saint Francis Medical Center signing a construction contract with POINTCORE Construction and expended other capital costs. With the signing of the contract approximately 78 % of the approved project costs have been financially committed for this project. See end of this report for the current update.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes to build out shell space approved at part of Permit #19-057.

PURPOSE OF THE PROJECT:

- The Applicants state: *“The OSF Comprehensive Cancer Center permit (#19-057) provided for the completion of two floors, a lower level and penthouse and the construction of a third and fourth floor shell space for future physician office and research space. This project proposes the build-out of the third floor, which will house both OSF-employed oncologists as well as Illinois Cancer Care Oncologists. Co-locating these specialists in the OSF Comprehensive Cancer Center will allow these specialists to come together to collaborate on delivering the best and most advanced treatments and elevate the cancer care experience of patients in the region”.*

PUBLIC HEARING/COMMENT:

- A public hearing was offered but was not requested. No letters of support or opposition were submitted in regard to this project.

SUMMARY:

- The Applicants have a longstanding history of collaborating to help its patient base through their cancer diagnoses, treatments, and outcomes. OSF Cancer clinicians are disparately located throughout Peoria. The co-location of these specialists in the Comprehensive Cancer Center will facilitate a collaborative effort to provide the most advanced treatments, and enhance the cancer care experience for patients in the region.
- The Applicants have addressed a total 10 criteria and appear to have met them all.



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STATE BOARD STAFF REPORT
Project #22-016
OSF Saint Francis Medical Center Cancer Center

| APPLICATION/SUMMARY CHRONOLOGY | |
|--|---|
| Applicant(s) | OSF HealthCare System OSF HealthCare System d/b/a OSF Saint Francis Medical Center |
| Facility Name | OSF Saint Francis Medical Center Cancer Center |
| Location | 530 Northeast Glen Oak Avenue, Peoria, Illinois |
| Permit Holder | OSF Healthcare System |
| Operating Entity/Licensee | OSF Healthcare System d/b/a OSF Saint Francis Medical Center |
| Owner of Site | OSF Healthcare System |
| Gross Square Feet | 31,190 GSF (31,190 non-reviewable) |
| Application Received | April 28, 2022 |
| Application Deemed Complete | May 5, 2022 |
| Financial Commitment Date | July 19, 2023 |
| Anticipated Completion Date | June 30, 2024 |
| Review Period Ends | July 5, 2022 |
| Review Period Extended by the State Board Staff? | No |
| Can the Applicant request a deferral? | Yes |
| Expedited Review | No |

I. Project Description

The Applicants (OSF Healthcare System and OSF Healthcare System d/b/a OSF Saint Francis Medical Center) propose to build out shell space on the 3rd floor of an existing Medical Office Building on the campus of OSF Saint Francis Medical Center, Peoria. The project will provide for physician office space and research space at the OSF Saint Francis Cancer Care Center, in Peoria. The project costs are \$13,231,250. The expected completion date is June 30, 2024.

II. Summary of Findings

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

III. General Information

The Applicants propose to build out shell space established as part of Project #19-057, on the third floor of the OSF Saint Francis Medical Center Cancer Center, located on the campus of OSF Saint Francis Medical Center, Peoria. The proposed project will build out 31,190 GSF of non-reviewable space to the facility, allowing for physician office space. Project costs total \$13,231,250, and the expected completion date is June 30, 2024.

OSF Saint Francis Medical Center is located at 530 Northeast Glen Oak Avenue, Peoria. The hospital is under the corporate management of OSF Healthcare System. The proposed project is a non-substantive project subject to a Part 1110 and Part 1120 review.

IV. Project Uses and Sources of Funds

The Applicants are adding 31,190 GSF of built-out space to provide physician office/research space. The project cost (\$13,231,250) will be funded in its entirety with bond issues. The Applicants have supplied an A+ Bond Rating from Fitch Rating Service (4/4/22), as well as consolidated financial statements for years ending September 2019 and 2020.

| TABLE ONE | | | | |
|---|-------------------|-----------------------|--------------|-------------------|
| Project Costs and Sources of Funds | | | | |
| Project Uses | Reviewable | Non-Reviewable | Total | % Of Total |
| Preplanning Costs | \$0 | \$100,000 | \$100,000 | .75% |
| New Construction Contracts | \$0 | \$9,500,000 | \$9,500,000 | 71.85% |
| Contingencies | \$0 | \$400,000 | \$400,000 | 3% |
| Architectural & Engineering Fees | \$0 | \$800,000 | \$800,000 | 6% |
| Consulting and Other Fees | \$0 | \$200,000 | \$200,000 | 1.5% |
| Movable or Other Equipment | \$0 | \$1,500,000 | \$1,500,000 | 11.4% |
| Bond Issuance Expense | \$0 | \$125,000 | \$125,000 | .9% |
| Net Interest Expense During Construction | \$0 | \$606,250 | \$606,250 | 4.6% |
| Total Uses of Funds | \$0 | \$13,231,250 | \$13,231,250 | 100.00% |
| Project Sources of Funds | Reviewable | Non-Reviewable | Total | % Of Total |
| Bond Issues | \$0 | \$13,231,250 | \$13,231,250 | 100.0% |
| Total Sources of Funds | \$0 | \$13,231,250 | \$13,231,250 | 100.00% |

V. Background of the Applicant

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

An Applicant must demonstrate that it is fit, willing and able, and has the qualifications, background, and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the Applicant must provide

- A) A listing of all health care facilities currently owned and/or operated by the Applicant in Illinois or elsewhere, including licensing, certification, and accreditation identification numbers, as applicable.
- B) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.
- C) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to official records of IDPH 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 the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
- D) An attestation that the Applicant have had no *adverse action*¹ taken against any facility they own or operate, or a listing of adverse action taken against facilities the Applicant own.

The Applicants (OSF Healthcare System and OSF Healthcare System d/b/a OSF Saint Francis Medical Center) maintains ownership of 14 hospitals and one freestanding Emergency Center:

- OSF Healthcare Holy Family Medical Center, Monmouth
- OSF Healthcare Saint Francis Medical Center, Peoria
- OSF Healthcare Saint Anthony's Medical Center, Alton
- OSF Healthcare Saint James-John Albrecht Medical Center, Pontiac
- OSF Healthcare Saint Joseph Medical Center, Bloomington
- OSF Healthcare Saint Anthony Medical Center, Rockford
- OSF Healthcare Saint Luke Medical Center, Kewanee
- OSF Healthcare Saint Elizabeth Medical Center, Ottawa
- OSF Healthcare Saint Mary Medical Center, Galesburg
- OSF Healthcare Saint Paul Medical Center, Mendota
- OSF Healthcare Sacred Heart Medical Center, Danville
- OSF Healthcare Heart of Mary Medical Center, Urbana
- OSF Healthcare Little Company of Mary Medical Center, Evergreen Park
- OSF Saint Clare Medical Center, Princeton
- OSF Saint Elizabeth Medical Center Freestanding Emergency Ctr., Streator

The Applicants provided signed certification (application pg. 45), serving as attestation that there has been no adverse action taken against facilities owned by Applicants during the three (3) years prior to filing the application.

Page 45 of the application also contains authorization permitting the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection to the Applicant's certificate

¹Adverse 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)

of need to add surgical specialties. The authorization includes but is not limited to official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

- The site is owned by OSF Healthcare System, and evidence of this can be found at page 30 of the application for permit.
- Compliance with Executive Order #2006-05 and the Illinois State Agency Historic Resources Preservation Act/Flood Plains Act is located on pages 35-38 of the application.
- Certificates of Good Standing from the State of Illinois has been provided at pages 27-28 of the Application for Permit.

VI. Purpose of Project, Safety Net Impact Statement and Alternatives

The following three (3) criteria are informational; no conclusion on the adequacy of the information submitted is being made.

A) 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 Applicants state: *“The OSF Comprehensive Cancer Center permit (#19-057) provided for the completion of two floors, a lower level and penthouse and the construction of a third and fourth floor shell space for future physician office and research space. This project proposes the build-out of the third floor, which will house both OSF-employed oncologists as well as Illinois Cancer Care Oncologists. Co-locating these specialists in the OSF Comprehensive Cancer Center will allow these specialists to come together to collaborate on delivering the best and most advanced treatments and elevate the cancer care experience of patients in the region”.*

B) Criterion 1110.110 (c) - Safety Net Impact Statement

This project is a non-substantive project and a safety net impact statement is not required. The Applicants reported Charity Care data for OSF Healthcare System and OSF Saint Francis Medical Center (see Table Two).

| TABLE TWO | | | |
|---|-----------------|-----------------|-----------------|
| Charity Care Information | | | |
| OSF Healthcare System | | | |
| | 2019 | 2020 | 2021 |
| Net Patient Revenue | \$2,410,772,560 | \$2,383,901,200 | \$2,978,991,756 |
| Amount of Charity Care (charges) | \$180,316,461 | \$201,864,109 | \$195,002,654 |
| Cost of Charity Care | \$36,706,092 | \$41,284,835 | \$40,569,989 |
| OSF Saint Francis Medical Center | | | |
| Net Patient Revenue | \$1,165,697,011 | \$1,105,603,908 | \$1,263,651,673 |
| Amount of Charity Care (charges) | \$80,086,733 | \$92,237,752 | \$77,331,719 |
| Cost of Charity Care | \$15,536,208 | \$17,755,767 | \$15,226,287 |

C) Criterion 1110.110 (d) - Alternatives to the Project

To demonstrate compliance with this criterion the Applicant must document all alternatives to the proposed project that were considered.

The Applicants considered two alternatives, including the project proposed.

1) Maintain Status Quo/Do Nothing

The Applicants rejected this alternative, citing the initial shell/core construction is complete, and this phase of the project is imperative to the centralizing of services and providers for the Cancer Center. No costs were identified with this alternative.

2) Build Out Third Floor Shell Space/Option as Chosen

The Applicants decision to build out third floor shell space is one of the final components to their reality for a comprehensive Cancer Care Center at OSF St Francis Hospital, Peoria. While the fourth floor of the Medical Office Building remains dormant, the completion of the third floor is a major step in co-locating clinicians and centralizing cancer care services. This, in turn will result in collaborative efforts to treat cancer patients in the planning area and provide for more robust research among oncologists and staff. Cost of this alternative: \$13, 231,250.

VII. Project Scope and Size, Utilization and Assurances

A) Criterion 1110.120 (a)(b) - Size of Project/Projected Utilization

To demonstrate compliance with this criterion the Applicant must document that the proposed size of the project is in compliance with the State Board Standard in Part 1110 Appendix B.

The Applicants propose to build out 31,190 GSF of space previously designated as shell space, to provide office space for physicians and clinicians associated with the OSF St Francis Medical Center Cancer Center, in Peoria. All space will be utilized as physician office space, which is inapplicable to the State size and utilization standards.

VIII. Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

The Applicants propose to build-out 31,190 GSF of previously established shell space located on the third floor of the newly established Cancer Center on the campus of OSF St. Francis Medical Center, Peoria. Physician Office Space is not applicable to any State Board standards, therefore, this criterion is inapplicable .

IX. 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 Applicants are funding this project in its entirety with bond issues totaling \$13,231,250. The Applicant, (OSF Healthcare System), has supplied proof of an A+

Bond Rating from Fitch Ratings Service (April 2022), and Audited Financial Statements. The bond rating and the results shown in Table Three prove the Applicants have sufficient cash to fund the cash portion of the project. The Applicants have successfully addressed this criterion.

| TABLE THREE OSF Healthcare System Years ended September 2019, 2020 | | |
|---|-------------|-------------|
| | 2019 | 2020 |
| Cash | \$203,114 | \$590,785 |
| Current Assets | \$823,545 | \$1,207,141 |
| Total Assets | \$4,150,827 | \$5,522,797 |
| Current Liabilities | \$524,712 | \$975,553 |
| LTD | \$1,295,118 | \$1,480,036 |
| Total Liabilities | \$2,645,794 | \$3,397,438 |
| Net Patient Revenue | \$2,906,574 | \$2,852,518 |
| Total Revenues | \$3,060,956 | \$3,137,609 |
| Income from Operations | \$93,038 | (\$42,337) |
| Net Income | \$127,180 | \$636,907 |
| Source: Project File #22-016 | | |

X. 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 Applicants are funding this project in its entirety with bond issues totaling \$113,231,250. The Applicant (OSF Healthcare System) has supplied proof of an A+ Bond Rating from Fitch's Ratings Service (April 2022) and Audited Financial Statements. The bond rating and the results shown in Table Three prove the Applicants have sufficient cash to fund the project in its entirety, and there will be no leases executed or debt financing incurred. The Applicants have successfully addressed this criterion.

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.

Only Clinical Costs are reviewed in this criterion. The proposed project entails the building out of 31,190 GSF of shell space to establish physician office space (non-reviewable). Because of this non-reviewable designation, the Applicants are exempt of the requirements of meeting this, and the remaining economic feasibility criteria.

OSF Comprehensive Cancer Center (OSF Healthcare Cancer Institute)

The following information is a status update as of June 30, 2022 for the OSF Healthcare System d/b/a OSF Saint Francis Medical Center establishment of a Comprehensive Cancer Center.

This project (19-057) was approved by the HFSRB on February 25, 2020 in the amount of \$237,063,613. OSF Saint Francis Medical Center signed a construction contract with POINTCORE Construction and expanded other capital costs.

Cost Reporting:

1. Project Total Committed to Date: \$195,000,000
2. Project Total Spent to Date: \$79,000,000

Status Update:

The proton vault construction is quickly approaching ready for equipment. Mechanical, Electric and Plumbing (MEP) systems within the proton vault are being final installed, inspected, tested, and commissioned. The work for the tunnel construction is concluding final backfill and the tunnel is poured completely. The building is complete with structural steel installation and concrete floor decking has been poured. Currently the spray applied fire proofing is being installed and soon the exterior façade metal studs will be installed. The parking garage is pouring the fire slab on grade and will commence with the elevated slab pours.

Overall Project Schedule:

1. Proton Vault
 - a. Ready for Equipment – 08/01/2022
 - b. Cyclotron Delivery and Install Start – 08/31/2022
 - c. Cyclotron Complete – 8/01/2023
2. Cancer Institute Building
 - a. Garden Level Interior Wall Framing Begin – 6/07/2022
 - b. Exterior Façade Begin 7/22/2022
 - c. Penthouse Mechanical Systems Begin – 12/12/2022
 - d. Level 1 Interior Wall Framing Begin – 9/05/2022
 - e. Level 2 Interior Wall Framing Begin – 10/4/2022
 - f. Level 3: Physician Office Space – (CON 22-016) Interior Wall Framing Begin – 11/2/2022**
 - g. Level 4: No design or work outside of Core and Shell on original CON
 - h. Level 4 shell space: CON application submission will occur after clinical research program design is complete
 - i. Cancer Institute Building Construction Substantially Complete on or before – 6/30/2024
3. Parking Garage
 - a. Slab on Grade Ramp – 7/05/2022
 - b. Foundations Complete – 8/10/2022
 - c. Elevated Slab Pours Begin – 08/18/2022
 - d. Parking Garage Construction Substantially Complete on or before – 6/30/2024
4. Healing Garden
 - a. Landscaping Begins – 5/19/2023
 - b. Landscaping Substantially Complete on or before – 6/30/2024

Progress Photos:

Cancer Institute Main Building



Proton Beam Vault in front of building



Parking Garage foundation next to current parking deck



Video Update Links:

[June 2022: Cancer Institute Construction Update](#)

[May 2022: Cancer Institute Construction Update](#)

22-016 OSF Saint Francis Medical Center Cancer Center - Peoria

