



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-01	BOARD MEETING: September 13, 2022	PROJECT NO: 22-023	PROJECT COST: Original: \$27,741,365
FACILITY NAME: Ann & Robert H. Lurie Children's Hospital of Chicago		CITY: Chicago	
TYPE OF PROJECT: Non-Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (Ann & Robert H. Lurie Children's Hospital of Chicago and Children's Hospital of Chicago Medical Center) are proposing to purchase and install an intraoperative Magnetic Resonance Imaging (iMRI) machine, relocate GI Motility Service, and establish 3 surgical procedure rooms at its hospital, located at 225 East Chicago Avenue, Chicago. Project cost: \$27,741,365. The completion date as stated in the application for permit is August 31, 2024.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Ann & Robert H. Lurie Children's Hospital of Chicago and Children's Hospital of Chicago Medical Center) are proposing to purchase and install an intraoperative Magnetic Resonance Imaging (iMRI) machine, relocate GI Motility Service, and establish 3 surgical procedure rooms at its hospital, located at 225 East Chicago Avenue, Chicago. Project cost: \$27,741,365. The completion date as stated in the application for permit is August 31, 2024.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes a capital expenditure in excess of \$15,723,786 and is "by or on behalf of a health care facility" as defined at 20 ILCS 3960/3.
- The Applicants propose to install an intraoperative Magnetic Resonance Imaging on the 7th floor of the children's hospital, located at 225 East Chicago Avenue, Chicago. The Applicants also propose the construction of three (3) surgical procedure rooms on the 6th floor. The Applicants will also relocate the GI motility service from the 7th floor to expanded space on the 6th floor. Modernization of space required to support the iMRI results will result in the reduction of one surgical suite. This project will require the discontinuation of one operating room (21 to 20), an increase in surgical procedure rooms (0 to 3), and result in modernization of 17,537gsf of departmental space (9,070gsf clinical, 8,467gsf non-clinical).

BACKGROUND:

- Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago owns/operates the following healthcare facilities:

• Ann & Robert H. Lurie Children's Hospital of Chicago, Chicago	HSA-06
• Children's Outpatient Services at Westchester, Westchester	HSA-07
• Children's Outpatient Services at Northbrook, Northbrook	HSA-07
• Almost Home Kids, Chicago*	HSA -06
• Almost Home Kids, Naperville*	HSA-07

*Children's Community-Based Health Care Center

PURPOSE OF THE PROJECT:

- According to the Applicants, *"The project is driven by the acquisition and installation of a Magnetic Resonance Imaging (MRI) machine that will be located in an operating room adjacent to a neurosurgical operating room. Patients with brain tumors and other conditions requiring neurosurgery can be evaluated during surgery (intraoperatively) on the iMRI to determine whether the surgery has removed the entire tumor and may be completed. This is a superior clinical process compared to evaluating the patient following the completion of surgery and bringing patients back when a post-op MRI indicates that further surgery is needed. To accomplish the project, Gastrointestinal (GI) motility program on the 7th floor is being relocated to the 6th floor. It is considered an enabling project, allowing space on the 7th floor to be made available for iMRI's support functions. The project also includes the construction of three surgical procedure rooms on the 6th floor to provide additional capacity for Lurie Children's surgery services."*

PUBLIC HEARING/COMMENT:

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

SUMMARY:

- The proposed project does not involve the establishment, or discontinuation of any clinical components. The project is by or on behalf of a health care system, and the project cost (\$27,741,365), is in excess of the FY 2023 Capital Expenditure Minimum Threshold of \$15,723,786.

CONCLUSIONS:

The Applicants addressed a total of fourteen (14) criteria and have not met the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.120A – Size of Project	The Applicants exceeded the State Board size standards for 3 surgical procedure rooms by 157 GSF. See Table Six (page 10) of this report.
Criterion 1120.140(c) – Reasonableness of Project Costs	The Applicants exceeded the State Board Standard for Modernization and Contingencies, and Architectural and Engineering Fees (See page 15 of this report).

STATE BOARD STAFF REPORT
Project #22-023
Lurie Children's Primary Care and Outpatient Services, Skokie

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago
Facility Name	Ann & Robert H. Lurie Children's Hospital of Chicago
Location	225 East Chicago Avenue, Chicago
Application Received	June 16, 2022
Application Deemed Complete	June 22, 2022
Review Period Ends	August 21, 2022
Permit Holder	Ann & Robert H. Lurie Children's Hospital of Chicago Ann & Robert H. Lurie Children's Medical Center
Operating Entity	Ann & Robert H. Lurie Children's Hospital of Chicago
Owner of the Site	Ann & Robert H. Lurie Children's Hospital of Chicago
Project Financial Commitment Date	September 13, 2023
Departmental Gross Square Footage	17,537 DGSF
Project Completion Date	August 31, 2024
Expedited Review	No
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The Applicants (Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago) are proposing to purchase/install an intraoperative Magnetic Resonance Imaging (iMRI) unit, relocate its GI motility service from the 7th to 6th floor, and establish three surgical procedure rooms on the campus of its Children's Hospital located at 225 East Chicago Avenue, Chicago, at a cost of \$27,741,365. The anticipated completion date as stated in the application for permit is August 31, 2024.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is **not** in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project is **not** in conformance with the provisions of Part 1120.

III. General Information

The Applicants are Ann & Robert H. Lurie Children's Hospital of Chicago and Children's Hospital of Chicago Medical Center. Children's Hospital of Chicago Medical Center an Illinois not-for-profit corporation is the sole member of Ann & Robert H. Lurie Children's Hospital of Chicago an Illinois not-for-profit corporation. The Hospital was founded in 1882 by Julia Foster Porter to provide medical care for all children. The Hospital operates more than 50 specially and primary care outpatient clinics **at its main** campus in the Streeterville neighborhood of Chicago and throughout the metro Chicago area, as well as two Ambulatory Surgical Treatment Centers facilities and fifteen outpatient specialty centers in the surrounding metro Chicago area. 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. Table One outlines the utilization of the Hospital in 2021.

TABLE ONE							
Hospital 2021 Profile Information ⁽¹⁾							
	Beds						
	Authorized	Staffed	Admit	Days	ALOS	ADC	Occ.
Pediatric	128	128	5,437	38,559	7.092	105.64	82.53%
Intensive Care	160	160	3,533	37,287	10.554	102.16	63.85%
Acute Mental Illness	12	12	438	4,104	9.370	11.24	93.70%
Neonatal	64	64	427	20,656	48.375	56.59	88.42%
Total	364	364	9,835	92,470	9.402	253.34	69.60%
<p>1. 2021 Information reported to the State Board.</p> <p>2. Hospital's Comment on the Pandemic: <i>"The pandemic took a significant fiscal toll on Lurie Children's, starting back in April of 2020 when we were losing \$10 million per week due to the stay-at-home orders. Ultimately, we lost a total of \$183 million in revenue losses combined with COVID-19-related expenses through 2021. The loss would have been \$50 million higher had we not taken aggressive cost cutting measures, pay cuts, early retirements, and furloughs. It has been a challenging journey as we feared we could not keep open all the subspecialty programs we have on standby for the sickest children in the region. Thankfully we have received critical support from the state and federal government to allow us to continue our mission. To date, we have received \$108.8 million in COVID relief from the state and federal government. We have a remaining loss of \$74 million."</i></p>							

IV. Health Service Area

The proposed project will occur on the campus of its main hospital, located at 225 East Chicago Avenue, Chicago, which is located in HSA VI and the A-01 Hospital Planning Area. HSA VI includes the City of Chicago. The A-01 Hospital Planning Area includes the City of Chicago Community Areas of Uptown, Lincoln Square, North Center, Lakeview, Lincoln Park, Near North Side, Edison Park, Norwood Park, Jefferson Park, Forest Glen, North Park, Albany Park, Portage Park, Irving Park, Dunning, Montclare, Belmont Cragin, Hermosa, Avondale, Logan Square, O'Hare, and Edgewater.

TABLE TWO		
Hospitals within the A-01 Hospital Planning Area		
Hospital	City	Beds ⁽¹⁾
Advocate Illinois Masonic Medical Center	Chicago	397
Chicago Lakeshore Hospital*	Chicago	161*
Shirley Rya Ability Lab+	Chicago	262+
Kindred Chicago Central Hospital>	Chicago	95>
Kindred Hospital Chicago North>*	Chicago	164>*
Shriner's Hospital for Children#	Chicago	60#
Pipeline Louis A. Weiss Memorial Hospital	Chicago	236
Northwestern Memorial Hospital	Chicago	943
AMITA Health Resurrection Medical Center	Chicago	337

TABLE TWO Hospitals within the A-01 Hospital Planning Area		
Hospital	City	Beds ⁽¹⁾
AMITA Health Saint Joseph Hospital	Chicago	338
Swedish Hospital	Chicago	292
Methodist Hospital of Chicago	Chicago	146
Thorek Memorial Hospital	Chicago	172
Ann & Robert H. Lurie Children's Hospital#	Chicago	364#

1) Source: Annual Hospital Questionnaire 2020

2) *Exclusively AMI Service

3) +Exclusively Rehabilitation Service

4) >Exclusively Long-Term Acute Care

5) #Exclusively Pediatrics Services

V. Project Details

The Applicants (Ann & Robert H. Lurie Children's Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago) are proposing to establish an intraoperative Magnetic Resonance Imaging (iMRI) unit in an operating room adjacent to the neurosurgical operating suite, located on the 7th floor of the Children's Hospital in Chicago. This component of the project will also result in the addition of space to support the iMRI results, and the discontinuation of one operating room, reducing the number of operating rooms from 21 to 20. In addition, the Applicants propose to establish three surgical procedure rooms on the 6th floor, and the relocation of Gastrointestinal (GI) Motility services from the 7th to expanded space on the 6th floor. The modernization project entails 17,537dgsf of space (9,070dgsf clinical/ 8,467dgsf non-clinical).

VI. Project Uses and Sources of Funds

The Applicants are funding this project in its entirety with cash/securities of \$27,741,365.

TABLE THREE Project Costs and Sources of Funds				
Project Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Preplanning Costs	\$195,384	\$130,256	\$325,640	1.2%
Site Survey/Soil Investigation	\$18,903	\$12,602	\$31,506	.1%
Site Preparation	\$272,508	\$181,672	\$454,180	1.6%
Modernization Contracts	\$8,697,022	\$2,584,714	\$11,281,736	41%
Contingencies	\$1,304,553	\$387,447	\$1,692,000	6.1%
Architectural/Engineering Fees	\$900,142	\$837,358	\$1,737,500	6.2%
Consulting & Other Fees	\$1,557,531	\$1,038,354	\$2,595,884	9.2%
Moveable & Other Equipment	\$8,168,514	\$634,405	\$8,802,919	31.6%
Other Costs to be Capitalized	\$492,000	\$328,000	\$820,000	3%
Total Uses of Funds	\$21,606,557	\$6,134,808	\$27,741,365	100.00%
Project Sources of Funds	Reviewable	Non-Reviewable	Total	% of Total
Cash/Securities	\$21,606,557	\$6,134,808	\$27,741,365	100%

TABLE THREE Project Costs and Sources of Funds				
Project Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Total Sources of Funds	\$21,606,557	\$6,134,808	\$27,741,365	100.00%

VII. Costs Space Requirements

The Applicants are proposing to modernize 17,537gsf for this project. Table Three delineates between clinical (9,070gsf), and non-clinical (8,467gsf) spatial considerations.

TABLE FOUR Cost/Space Requirements for Construction				
Reviewable/Clinical	Cost	Proposed	Modernized	% Of Total
OR w/ iMRI	\$1,835,000	1,835	1,835	10.5%
Neurosurgical OR	\$1,359,000	1,359	1,359	7.7%
Procedure Rooms	\$3,291,064	3,457	3,457	19.7%
GI Motility	\$2,211,958	2,419	2,419	13.8%
Subtotal Clinical	\$8,697,022	9,070	9,070	51.7%
Non-Clinical	\$2,584,714	8,467	8,467	48.3%
Other Project Costs	\$16,459,629			
Grand Total	\$27,741,365	17,537	17,537	100%

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

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 pages 48-57 of the application for permit.
 2. No adverse actions have been taken against any facility owned and/or operated by the Applicants. [Application for Permit page 58]
 3. Authorization permitting HFSRB and DPH access to any documents necessary to verify information submitted has been provided at Application for Permit page 58.
 4. Ann & Robert H. Lurie Children's Hospital of Chicago, A Domestic Corporation, Incorporated under the Laws of This State on March 27, 1894, is in Good Standing as a Domestic Not-for-Profit Corporation in the State of Illinois.

5. Children's Hospital of Chicago Medical Center, Incorporated under the Laws of This State on December 13, 1984, is in Good Standing as a Domestic Corporation in the State of Illinois.
6. Evidence of Site Ownership was provided at page 31-35 of the Application for Permit.
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.

B) 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 project is driven by the acquisition and installation of a Magnetic Resonance Imaging (MRI) machine that will be located in an operating room adjacent to a neurosurgical operating room. Patients with brain tumors and other conditions requiring neurosurgery can be evaluated during surgery (intraoperatively) on the iMRI to determine whether the surgery has removed the entire tumor and may be completed. This is a superior clinical process compared to evaluating the patient following the completion of surgery and bringing patients back when a post-op MRI indicates that further surgery is needed. To accomplish the project, Gastrointestinal (GI) motility program on the 7th floor is being relocated to the 6th floor. It is considered an enabling project, allowing space on the 7th floor to be made available for iMRI's support functions. The project also includes the construction of three surgical procedure rooms on the 6th floor to provide additional capacity for Lurie Children's surgery services.”

C) Criterion 1110.110 (c) – Safety Net Impact Statement

All health care facilities, except for 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]*

TABLE FIVE ⁽¹⁾			
Consolidated Medical Center			
	2019	2020	2021
Net Patient Revenue	\$1,103,151,786	\$1,090,283,004	\$1,141,149,793
Amount of Charity Care	\$9,247,646	\$13,112,126	\$5,470,956
Cost of Charity Care	\$4,685,225	\$4,649,996	\$1,873,129
Ratio of Charity Care Cost: Net Patient Revenue	0.42%	0.43%	0.16%
Hospital Only			
Net Patient Revenue	\$917,225,477	\$889,202,081	\$914,817,591
Amount of Charity Care	\$6,065,076	\$922,209	\$3,920,720
Cost of Charity Care	\$1,703,152	\$2,920,657	\$1,094,878
Ratio of Charity Care Cost: Net Patient Revenue	0.19%	0.33%	0.12%
1. The primary reason Lurie Children's does not receive more requests for financial assistance is that the State of Illinois has established nearly universal health coverage for all children who reside in the State through its Medicaid/ All Kids programs. Lurie Children's assists the Illinois Department of Healthcare and Family Services by enrolling children who require inpatient services and who qualify for Medicaid/ All Kids.			

The Applicants provided charity care information for Lurie Children's Hospital.

D) 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 Applicants considered four (4) alternatives to the proposed project.

Alternative 1: Add MRI on the 5th Floor

The Applicants note the 5th floor is already fully utilized with 4 MRI units, CT Scan Rooms, nuclear medicine, interventional ORs (with post-op recovery), and the Chicago Institute for Fetal Health. There is no space to introduce a 5th MRI, either in its own space or co-located in an existing OR. Because of these limitations, this option was rejected, and no cost alternative was pursued.

Alternative 2: Add an MRI Unit on the Sixth Floor

The Applicants note the 6th floor currently has 10 operating rooms (OR), and all supporting pre/post operational space. Making space for an additional MRI unit would require demolition of one or possibly two ORs, and significant structural support would be needed to accommodate the weight of the magnet. The projected cost of this alternative was calculated to be \$2, 500,000 more than the cost of the chosen option.

Alternative 3: Add iMRI on the 7th Floor, Relocate GI Motility to 6th Floor, do not Add Three Surgical Procedure Rooms

While the inclusion of three procedural procedure rooms is not essential to the iMRI project, the Applicants decided to include these as part of the relocation of the GI Motility program. The current complement of surgery rooms (21, 20 upon project completion), contains no surgical procedure rooms, and the Applicants decided to establish 3 Procedure rooms to free up space/time in the existing ORs that are already in excess of the State standard for operational capacity. The calculated cost of this option is approximately \$4,000,000 less than the option chosen but does not address the need for more surgical capacity.

Alternative 4: Add iMRI on the 7th Floor (Chosen Option)

The Applicants note the neurosurgical operating room on the 7th floor is adjacent to a room designed to support an MRI unit, making this alternative least costly and most desirable. Adjacent space used for GI Motility can easily be relocated to the 6th floor, to accommodate post-surgical iMRI. Under this alternative, modifications to the existing space are minimal, and the cost (\$27,741,365) commensurate with the desired outcome for co-located modalities and better patient care.

IX. Size of the Project, Projected Utilization and Assurances

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

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 Applicants propose to establish an iMRI unit in close proximity to its existing neurosurgical operating suite. Table Four identifies all services with applicable State standards, both reviewable and non-reviewable services, the current size, and its applicability to the state standard.

TABLE SIX Size of the Project				
Service	Proposed	State Standard	Difference	Met Standard?
Clinical				
OR w/ iMRI	1,835	2,750	(915)	Yes
Neurosurgical OR	1,359	2,750	(1,391)	Yes
Surgical Procedure Rooms (3)	3,457	3,300 (1,100gsf each)	157	No
Motility Exam/Treatment (3)	2,419	2,400 (800gsf each)	19	No
Total Clinical	3,509			
Non-Clinical				
Conference/Consult	364	N/A	N/A	N/A
Anesthesia Offices	3,037	N/A	N/A	N/A
Consult/Lactation Office	947	N/A	N/A	N/A
Waiting Room	925	N/A	N/A	N/A

TABLE SIX Size of the Project				
Total Non-Clinical	5,273			

B) Criterion 1110.120 (b) –Projected Utilization

To demonstrate compliance with this criterion, the Applicants must document that the projected utilization of the services in which the State Board has established utilization standards will be in conformance with the standards published in Part 1110 Appendix B.

The Applicants are proposing to establish an intraoperative Magnetic Resonance Imaging (iMRI), unit in close proximity to an existing neurosurgical suite, relocate its GI motility services, and establish 3 surgical procedure rooms. The data presented in Table Six affirms the proposed services will meet State Utilization standards.

TABLE SEVEN Project Utilization				
Service	Historic 2021	Projected* 2026	State Standard Per unit	Met Standard?
Surgery (Hours)				
Operating Room (21 units)	34,829	38,454	1,500hrs/rm	Yes
Operating Rooms (20 Units)		34,550	1,500hrs/rm	Yes
Procedure Rooms (3)		3,905	1,500hrs/rm	Yes
Existing MRI (4 units)	13,606*	15,757*	2,500 per unit*	Yes
iMRI (New Unit)		557*	2,500 per unit*	Yes
Total MRI Procedures	14,000*	16,314*	2,500 per unit*	Yes
GI Motility (2 Rooms)				
Studies/Exams (cases)	563	1,546	N/A	N/A
Studies/Exams (hours)	1,575	3,865	N/A	N/A
GI Motility (tilt table room)				
Cases	9	208	N/A	N/A
Hours	18	416	N/A	N/A
Total GI Motility Hours	1,593	4,281	2,000visits/room	Yes
*Visits				

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. Service to Planning Area Residents
2. Service Demand

The following services are being affected by the proposed project to provide better patient care to the pediatric patient population served by Lurie Children's Hospital.

TABLE EIGHT Services Affected by Project		
Service	# Of Existing Rooms	# Of Proposed Rooms
Surgical ORs	21	20
Surgical Procedure Rooms	0	3
MRI	4	5
Motility Rooms	2	3

1) Service to Planning Area Residents

The applicants identified a planning area consisting of Cook County. The distribution of patients utilizing the above-mentioned rooms is predicated on the distribution of the entire hospital's patient encounters. Cook County is the expected source of 64% of the patient encounters, with 41% residing in the City of Chicago, and 23% from suburban Cook County. The remaining 36% of patient encounters will originate from the remaining metropolitan area, the state of Illinois, and surrounding states.

2) Service Modernization

The project involves modernization/expansion of services already in existence at Lurie Children's Hospital. They are Surgery, MRI, and GI Motility services.

- **Surgical and Procedure Rooms:** The addition of 3 procedure rooms and the reduction of one surgical OR from its complement of 21 surgical suites is designed to relieve pressure on the 20 remaining surgical suites by diverting procedures deemed appropriate for procedure space from the traditional surgical suites. It is noted that the complement of surgical suites is operating at or above the State standard for OR utilization, and the diversion of procedures will not drive utilization below the State standard, but instead it will lessen the existing pressure on the surgical ORs, while increasing the utilization of the procedure rooms (3) to a level at or above the State standard.
- **Magnetic Resonance Imaging (MRI):** The four existing MRI units are currently operating at or above the State standard (See Table Six). The additional iMRI unit will be located proximal to the existing neurosurgical suites to allow for immediate imaging of tumorous media post-surgical event to determine effectiveness of a surgical procedure, rather than transport a post-surgical patient who may be in a critical state. While the initial data illustrated for Magnetic Resonance Imaging in Table Six may appear low, the Applicants project an annual 3% increase in MRI procedures, and operational capacities that exceed the State Board standard in the coming years.
- **GI Motility:** The Neurointestinal and Motility Program at Lurie Children's Hospital is the only comprehensive motility program in the State, and one of only a handful in the country providing specialized services to children

and adolescents with disorders of the upper and lower intestinal tracts. Formed in 2016, the adolescent GI Motility program faced difficulties in its early years, particularly in the areas of staffing and procurement of key clinical equipment. It is expected that the existing two-room complement, combined with the requested third room for tilt table, will produce adequate utilization data, and its utilization will increase annually as the modality is more widely acknowledged and practiced among pediatric practitioners.

3) Impact of Project on Area Providers

It is noted that most patient referrals identified for this application are currently patients of Ann & Robert H. Lurie Children's Hospital, or one of its outpatient care facilities. The proposed outpatient care center will enhance services for this 18-zip code planning area by consolidating services, and providing outpatient care in a modern facility, centrally located in the service area.

4) Utilization

Table Six illustrates projected utilization for the year 2026, the second year after project completion. It appears that all modalities will be in compliance with state utilization standards.

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 Applicants are funding this project in its entirety with cash/securities totaling \$27,741,365. The Applicant (Children's Hospital of Chicago) has supplied Audited Financial Statements and the results shown in Table Six prove the Applicants have sufficient cash to fund the cash portion of the modernization. Additionally, Lurie Children's Hospital has received an AA-/Stable rating from Fitch Ratings Service dated January 7, 2022 (application pg.129). It appears the Applicants have sufficient funds available to fund this proposed project.

TABLE NINE Ann & Robert Lurie Children's Hospital Years ended August, 2021,2020 (In thousands)		
	2021	2020
Cash	\$58,931,786	\$28,299,259
Current Assets	\$387,537,384	\$356,557,651
Total Assets	\$3,427,967,349	\$3,009,967,218
Current Liabilities	\$275,025,808	\$241,732,800
LTD	\$342,948,854	\$349,609,925
Total Liabilities	\$908,118,875	\$780,576,413
Net Patient Revenue	\$1,141,149,793	\$1,090,283,004
Total Revenues	\$1,366,884,086	\$1,329,486,222

TABLE NINE Ann & Robert Lurie Children's Hospital Years ended August, 2021,2020 (In thousands)		
Income from Operations	\$4,512,507	\$1,662,764
Net Income	\$250,775,543	\$70,718,420
Source: Children's Hospital of Chicago Audited Financial Statement, Application, pgs. 77-127		

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 Applicants are funding this project in its entirety with cash/securities totaling \$27,741,365. The Applicant (Children's Hospital of Chicago Medical Center) has supplied Audited Financial Statements and the results shown in Table Seven prove the Applicants have sufficient cash to fund the cash portion of the modernization. Additionally, Lurie Children's Hospital has received an AA-/Stable rating from Fitch Ratings Service dated January 7, 2022 (application pg.129). It appears the Applicants have sufficient funds available to fund this proposed project internally, and no outside financing will be utilized. These criteria are inapplicable, based on the method of financing chosen.

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 clinical gross square footage for new construction is 9,070 GSF. The Applicants have met the State Board Standards for the following criteria, and a positive finding result.

Pre-Planning Costs – These costs total \$195,384, which is 1.0% of the modernization, contingencies, and equipment costs (\$18,170,089). This appears to be in conformance with the State standard of 1.8%.

Site Survey/Site Preparation – These costs total \$291,411, which is 2.9% of the modernization, and contingency costs (\$10,001,575). This appears to be in compliance with the State standard of 5.0%.

Modernization and Contingencies – These costs total \$10,001,575 or \$1,102.71 GSF. (\$10,001,575/9,070=\$1,102.71). This appears **high** when compared to the State Board Standard of \$503.12/GSF [modernization 2023 mid-point of construction].

Contingencies – These costs total \$1,304,553 and are 15% of modernization costs. This appears reasonable when compared to the State Board Standard of 10%-15%.

Architectural and Engineering Fees – These costs total \$900,142 and are 9% of modernization and contingencies. These costs appear **high** when compared to the State Board Standard of 5.87% to 8.81%.

Consulting and Other Fees – These costs are \$1,557,531. The State Board does not have a standard for these costs.

Movable Equipment – These costs total \$8,168,514 and are not reviewable by the State Board (hospital).

Other Costs to be Capitalized – These costs total \$492,000. The State Board does not have a standard for these costs.

The project appears to be in excess of State Board standards for Modernization and Contingencies and Architectural and Engineering Fees. The Applicants attribute these overages to the following:

1) Modernization and Contingencies report the following costs:

- a. Infection Control Procedures and General Requirements: \$306,722
- b. Specialty Steel Support: \$89,725
- c. Specialty Finishes for ORs and IMRI suite: \$170,481
- d. Specialty Building Systems to Support Operations Rooms, Procedure Rooms, Exam Rooms, and MRI: \$688,857
- e. iMRI Allowance: \$202,813
- f. Miscellaneous Allowances: \$138,163
- g. Hyper-Cost Escalation: \$991,666

2) Architectural and Engineering Fees report the following costs:

These costs cover programming interior design, schematic design, design development, construction documentation, and construction administration. These fees also include site visits to other facilities, with inoperative MRIs, creating full-scale mock-ups of key rooms in the project, as well as virtual reality design aids. Because there are multiple projects underway, there were an unusually large number of user groups requiring planning and architectural team support, as well as two separate teams to address projects on the 6th and 7th floor.

D) Criterion 1120.140(d) – Projected Operating Costs

The Applicants are projecting \$1,287 in operating expenses per patient day during its first year of service (2026). The Board does not have a standard for this criterion.

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

The Applicants are projecting depreciation costs of \$237 per equivalent patient day for the total hospital. The Board does not have a standard for this criterion.