



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: December 13, 2022	PROJECT NO: 22-033	PROJECT COST: Original: \$21,254,700
FACILITY NAME: AdventHealth Hinsdale Hospital		CITY: Hinsdale	
TYPE OF PROJECT: Non-substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Adventist Midwest Health d/b/a AdventHealth Hinsdale, Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth) propose the modernization of the Level III Neonatal Intensive Care Unit and the Special Care Nursery at AdventHealth Hinsdale Hospital. The cost of the modernization is \$21,254,700 and the expected completion date is September 1, 2024.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Adventist Midwest Health d/b/a AdventHealth Hinsdale, Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth) propose the modernization of the Level III Neonatal Intensive Care Unit and the Special Care Nursery at AdventHealth Hinsdale Hospital. The special care nursery is located on the fourth floor of the hospital and the Applicants will be renovating the nursery's existing location and expanding into adjacent currently vacant space. At the conclusion of the project the Applicants will have 14 NICU beds and 9 Level II+ and Level II stations.¹ The cost of the modernization is \$21,254,700 and the expected completion date is September 1, 2024.
- In January 2000 the Applicants were approved to establish a 11-bed NICU category of service at the Hospital (Permit #99-111). Three NICU beds were added in 2012 for a total of 14 NICU beds.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This modernization is before the State Board because the cost of the project exceeds the capital expenditure minimum of \$15,723,786.

PURPOSE OF THE PROJECT:

- The Applicants state that the Hospital's NICU Level III and Special Care Nursery need modernization as the NICU and Special Care Nursery have evolved in their current location over the past 20+ years, with several minimal expansions and minor renovations, resulting in an inefficient working environment for staff. Additionally, the area does not provide the patient/family privacy found in contemporary specialty care nurseries. The mechanical systems serving the area are in need replacement, including more efficient lighting. The Applicants state a greater amount of staff workspace is needed, the area lacks patient/family privacy, and a need of an upgraded security system and controlled access.

ALTERNATIVES

- The Applicants considered two alternatives to the proposed project doing nothing or relocating the special nursery to another area in the Hospital. The relocation of the specialty care nursery was rejected because it would not provide proximity with the other obstetrics and newborn services afforded by the current location.

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and two letters of support was received. No letters of opposition were received.

SUMMARY:

- AdventHealth Hinsdale Hospital currently has 14 Neonatal Intensive Care Beds (NICU) and no additional NICU beds are being requested with this Application for Permit. The Hospital's NICU Unit according to the data submitted to the State Board by the Hospital has had an average daily census of 14 patients over the past 7 years and an average length of stay of 19 days. The Applicants believe this utilization will continue. The State Board Staff found the Applicants not in compliance with one Criterion 1120.140 – Reasonableness of Project Costs.

¹ The 9 Level II+ and Level II Stations will be used for both categories. The Illinois Department of Public Health definitions of these categories are included at the end of this report.

Criterion	Reasons for Non-Compliance
Criterion 1120.140 (c) – Reasonableness of Project Costs	Modernization and contingency cost are \$836.50 per GSF. This exceeds the State Board Standard of \$375.63. Applicants in response to this criterion stated: <i>“The estimated modernization cost for this project was developed by Jacobs Engineering Group, Inc. ("Jacobs"), one of the nation's largest engineering and construction management firms, with health care projects comprising a major portion of its portfolio. Jacobs developed early-stage project cost estimates shortly after planning for the project was initiated in November 2021. Since that time, and because of significant changes in the global economy caused by such issues as supply chain delays, rapidly increasing costs for construction materials, rising salaries within the construction industry, and the impact of the Covid-19 pandemic; the applicants have seen the modernization cost estimates increase significantly over the past nine months. This, as the Board is aware, is an issue that has plagued numerous applicants over the past year. The modernization cost estimates, as detailed in were developed by Jacobs in July of this year. In addition to the issues identified above, the estimated modernization cost incorporates two factors that, while not unique to this project, cannot necessarily be considered commonplace to all hospital modernization projects, with both of which contributing to the overall modernization cost. Those factors are 1) the need to maintain an "operational" specialty care nursery during the entirety of the project, eliminating/limiting disruptions to patient care to the greatest extent possible, and 2) the need to "phase" the project over a longer period than would be normally required for a project addressing 16,000 DGSF of modernization. These two factors, alone, have increased the estimated modernization cost by approximately 15% or \$119 per DGSF.”</i>



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STATE BOARD STAFF REPORT

#22-033

AdventHealth Hinsdale

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Adventist Midwest Health d/b/a AdventHealth Hinsdale, Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth
Facility Name	AdventHealth Hinsdale
Location	120 North Oak Street, Hinsdale, Illinois
Application Received	October 6, 2022
Application Deemed Complete	October 10, 2022
Review Period Ends	December 10, 2022
Permit Holder	Adventist Midwest Health d/b/a AdventHealth Hinsdale, Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth
Operating Entity	Adventist Midwest Health d/b/a AdventHealth Hinsdale
Owner of the Site	Adventist Midwest Health d/b/a AdventHealth Hinsdale
Project Completion Date	September 1, 2024
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. **The Proposed Project**

The Applicants (Adventist Midwest Health d/b/a AdventHealth Hinsdale, Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth and The University of Chicago Medical Center) propose the modernization of the Level III Neonatal Intensive Care Unit and Level II+ and Level II stations at AdventHealth Hinsdale Hospital. The cost of the modernization is \$21,254,700 and the expected completion date is September 1, 2024.

II. **Summary of Findings**

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

III. **General Information**

The Applicants are Adventist Midwest Health d/b/a AdventHealth Hinsdale, Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth and The University of Chicago Medical Center. In October 2022 the State Board approved a change of control of AdventHealth Hinsdale Hospital to The University of Chicago Medical Center (#E-062-22). This change of ownership has not been completed.

Adventist Health SystemSunbelt Healthcare Corporation d/b/a AdventHealth is a not-for-profit healthcare corporation that owns and/or operates hospitals, nursing homes, physician offices, urgent care centers and other healthcare facilities, and a philanthropic foundation with various informal divisions. The System's affiliated healthcare facilities are operated or controlled through their by-laws, governing board appointments, or operating agreements. The System's 48 hospitals, 10 nursing homes, and philanthropic foundations operate in 9 states - Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Texas, and Wisconsin.

This project is subject to a Part 1110 and Part 1120 review. Financial commitment will occur after project approval. The State Board's target utilization for a Neonatal Intensive Care Beds is 75%. Table One below outlines the CY 2021 AdventHealth Hinsdale Hospital utilization. Table Two documents utilization of the NICU unit for the years 2015-2021.

TABLE ONE AdventHealth Hinsdale Hospital CY 2021							
	Auth	Staffed					
	Beds	Beds	Adm	Days	ALOS	ADC	Occ
Medical Surgical	118	118	4,569	24,226	5.302	66.4	56.25%
Pediatric	18	18	538	4,207	7.820	11.5	64.03%
Intensive Care	44	44	887	3,635	4.098	10.0	22.63%
OB/GYN	35	35	2,828	7,324	2.590	20.1	57.33%
Neonatal	14	14	259	5,769	22.274	15.8	112.90%
Acute Mental Illness	17	17	673	4,273	6.349	11.7	68.86%
Total	246	246					

TABLE TWO 14-Bed Neonatal Intensive Care Unit CY 2015-2021 Utilization								
	2015	2016	2017	2018	2019	2020	2021	Ave
Occ.	119.30%	103.70%	113.20%	121.10%	40.70%	79.10%	112.90%	98.57%
ADC	16.70	14.52	15.85	16.95	5.70	11.07	15.81	13.80
ALOS	30.20	15.80	15.80	25.40	6.80	15.50	22.30	18.83

TABLE THREE Number of Patients by Payor Source 2021							
	Medicare	Medicaid	Other Public	Private Insurance	Private Payment	Charity	Total
Inpatient	3,289	1,577	81	4,694	15	98	9,754
% Of Total	33.72%	16.17%	0.83%	48.12%	0.15%	1.00%	100.00%
Outpatient	49,604	21,271	1,623	75,807	1,181	2,943	152,429
% Of Total	32.54%	13.95%	1.06%	49.73%	0.77%	1.93%	100.00%

IV. Health Service Area

AdventHealth Hinsdale Hospital is in Health Service Area VII and the HSA 6, 7, 8 & 9 Neonatal Intensive Care Planning Area. The Hospital is in DuPage County. There are 785 Neonatal Intensive Care Beds in this Neonatal Planning Area. The State Board does not have a need methodology for NICU Beds.

TABLE FOUR			
NICU Units in the HSA 6,7,8,9 NICU Planning Area			
Facility	City	Beds	Occ
Adventist Hinsdale Hospital	Hinsdale	14	112.9%
Advocate Christ Hospital & Medical Center	Oak Lawn	61	76.94%
Advocate Good Samaritan Hospital	Downers Grove	20	33.61%
Advocate Illinois Masonic Medical Center	Chicago	34	10.72%
Ann & Robert H Lurie Children's Hospital of	Chicago	64	88.36%
Central DuPage Hospital	Winfield	12	37.19%
Copley Memorial Hospital	Aurora	13	47.48%
Edward Hospital	Naperville	22	64.98%
John H. Stroger, Jr. Hospital of Cook County	Chicago	58	30.51%
Loyola University Medical Center	Maywood	50	45.91%
Advocate Lutheran General Hospital	Park Ridge	54	66.72%
Mount Sinai Hospital Medical Center	Chicago	35	36.80%
NorthShore Univ Health Evanston Hospital	Evanston	44	63.03%
Northwest Community Hospital	Arlington Heights	8	86.80%
Northwestern Memorial Hospital	Chicago	86	53.29%
Presence Saint Joseph Hospital - Chicago	Chicago	15	28.71%
Rush University Medical Center	Chicago	72	57.80%
Silver Cross Hospital and Medical Centers ⁽¹⁾	New Lenox	24	NA
St. Alexius Medical Center	Hoffman Estates	16	78.56%
University Of Chicago Medical Center	Chicago	53	77.48%
University of Illinois Hospital at Chicago	Chicago	30	55.44%
NA: Silver Cross Hospital approved to establish a NICU unit (#E-039-19) no data available.			

V. Project Uses and Sources of Funds

The project is being funded in its entirety with cash in the amount of \$21,254,590.

TABLE FIVE				
Project Costs and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Preplanning Costs	\$220,000	\$30,000	\$250,000	1.18%
Modernization Contracts	\$11,189,024	\$1,525,776	\$12,714,800	59.82%
Contingency	\$588,896	\$80,304	\$669,200	3.15%
A/E Fees	\$771,760	\$105,240	\$877,000	4.13%
Consulting and Other Fees	\$561,958	\$76,532	\$638,490	3.00%
Movable and Other Equipment	\$5,372,488	\$732,612	\$6,105,100	28.72%
Total Uses of Funds	\$18,704,126	\$2,550,464	\$21,254,590	100.00%
Cash and Securities			\$21,254,590	100.00%
Total Sources of Funds			\$21,254,590	100.00%

VI. Background of the Applicants, Purpose of the Project, Alternatives

A) Criterion 1110.110 (a) - Background of the Applicants

The Applicants attest that in the last three years prior to filing of this Application for Permit, there has been no “adverse action” against any Illinois health care facility owned and operated by the Applicants and subject to State Board jurisdiction. The State Board and Illinois Department of Public Health (IDPH) are authorized by the Applicants to access any documents necessary to verify the information submitted with this application relating to Applicants, including, but not limited to official records of IDPH or other State agencies, the licensing or certification records of other states, and the records of nationally recognized accreditation organizations.

B) Criterion 1110.110 (a) Purpose of the Project

The Applicants state that the Hospital’s NICU Level III and Special Care Nursery need modernization as the NICU and Special Care Nursery have evolved in their current location over the past 20+ years, with several minimal expansions and minor renovations, resulting in an inefficient working environment for staff. Additionally, the area does not provide the patient/family privacy found in contemporary specialty care nurseries. The mechanical systems serving the area need replacement, including more efficient lighting. The Applicants state a greater amount of staff workspace is needed, the area lacks patient/family privacy, and a need of an upgraded security system and controlled access.

AdventHealth Hinsdale Hospital is in DuPage County and the geographic service area is a 10-mile radius from the Hospital. The population in this 10-mile GSA is approximately 1.3 million. The table below shows the community and zip code of residence of the patients admitted to the Special Care Nursery for the past three years (2019-2021).

TABLE SIX Zip Code and Community of Patients 2019-2021					
Zip Code	Community	Admissions	Zip Code	Community	Admissions
60525	LaGrange	53	60526	LaGrange Park	14
60440	Bolingbrook	34	60515	Downers Grove	14
60559	Westmont	32	60458	Justice	14
60638	Bedford	29	60402	Berwyn	13
60521	Hinsdale	27	60532	Lisle	13
60517	Woodridge	26	60586	Plainfield	13
60446	Romeoville	22	60491	Homer Glen	11
60516	Downers Grove	22	60514	Clarendon Hills	11
60513	Brookfield	22	60154	Westchester	11
60527	Willowbrook	21	60534	Lyons	10
60435	Joliet	19	60501	Summit Argo	10
60181	Villa Park	17	60540	Naperville	9
60558	Western Springs	16	60441	Lockport	9
60561	Darien	16	Other	≤ 1%	345
60439	Lemont	15	Total		868

C) Criterion 1110.110 (a) Alternatives to the Proposed Project

The Applicants considered two alternatives to the proposed project doing nothing or relocating the special nursery to another area in the Hospital. The relocation of the specialty care nursery was rejected because it would not provide proximity relationship with the other obstetrics and newborn services afforded by the current location.

VII. Project Size of the Project and Projected Utilization

- A. 77 ILAC 1110.120 (a) – Size of the Project
- B. 77 ILAC 1110.120 (b) – Projected Utilization

A) Size of the Project

The State Board Standard for NICU beds is 568 DGSF per bed or 7,952 DGSF for the 14 NICU beds. The Applicants are proposing 6,924 DGSF or 495 DGSF per NICU bed. The State Board Standard for Level II stations is 160 DGSF per Obstetric bed. The Hospital has 35 obstetric beds for a total of 5,600 DGSF (35 beds × 160 DGSF = 5,600 DGSF). The Hospital is proposing 4,426 DGSF for the Level II Stations. The size of the NICU and Special Care Nursery have met the State Board's Standards.

B) Projected Utilization

The Applicants had an average daily census of 14 patients in the NICU unit for the period 2015 thru 2021. The Applicants believe that utilization will continue at that level.

VIII. Neonatal Intensive Care

A) Criterion 1110.215 – Neonatal Intensive Care

The State Board does not have a need methodology for neonatal intensive care services. The Applicants are not adding neonatal intensive care beds. The special care nursery is located on the fourth floor of the hospital and the Applicants will be renovating the nursery's existing location and expanding into adjacent currently vacant space. According to the Applicants at the conclusion of this project there will be 14 NICU beds and 9 Level II+ and Level II Stations. The Applicants provided the narrative below.

“Contemporary special care nurseries, providing Level III and Level II+ do so with a seamless delivery of care between the levels, with a fully cross-trained staff, and with as little disruption as possible to the patient and his/her parents. The American Academy of Pediatrics and the American Academy of Obstetricians and Gynecologists has defined both the various levels of neonatal care and the required clinical capabilities to be present in each setting. Separate billing codes have been established for each level of care, with clinical conditions that must be present for a patient to meet the various care classifications and reimbursement qualifications. Each patient is evaluated every midnight, with the patient's classification (Level II, Level III, etc.) often changing from day-to-day, either up or down. Through this type of delivery of system, the need to physically move a patient as its care classification level changes (either up or down), is eliminated, maximized continuity in staffing is maintained, and the important relationship that is developed between the care team and the parents remains in place. As a result, the process of changing a patient's level of care/reimbursement level is transformed from one of physically relocating the patient (and parents) from one location to another, to a simple "paperwork" process. The overall focus shifts from the type of station (with most equipment now being portable), to one that is based on clinical factors. Further, recent discussions with the State Perinatal Network have revealed that when the Network evaluates a "need" for stations, they combine the utilization of existing Level II, Level II+, and Level III stations.”²

IX. Financial Viability and Economic Feasibility

A) Criterion 1120.120 (a) - Availability of Funds

B) Criterion 1120.130 (b) – Financial Viability

C) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements

D) Criterion 1120.140 (b) – Terms of Debt Financing

The Applicants are funding this project with cash in the amount of \$21,254,700. The Applicants provided evidence of “A” or better bond rating beginning at page 57 of the Application for Permit. The Applicants balance sheet indicates there is sufficient cash available to fund this project. See Audited Financial Statement beginning at page 71 of the Application for Permit.

² The State Perinatal Network does not determine or approve the “NEED” for Level III NICU stations. The Illinois Health Facilities and Services Review Board approves all Neonatal Intensive Care Units and the addition of NICU beds.

TABLE SEVEN Income Statement of Advent Health (In thousands)				
	2021	% Of Total Revenue	2020	% Of Total Revenue
Net Patient Revenue	\$14,177,120		\$11,572,183	
Other	\$705,594		\$1,051,039	
Total Revenue	\$14,882,714		\$12,623,222	
Operating Expenses	\$13,888,097		\$11,929,180	
Income from Operations	\$994,617	6.68%	\$694,042	5.50%
Non-Operating Gains	\$517,671		\$255,030	
Excess of Revenue over expenses	\$1,512,288	10.16%	\$919,072	7.28%
Cash and Cash Equivalents	\$506,777		\$1,210,037	

E) Criterion 1120.140 (c) – Reasonableness of Project Costs

Only clinical costs are reviewed under reasonableness of project costs.

Preplanning Cost are \$220,000 and are 1.28% of modernization, contingencies, and moveable equipment of \$17,150,408. The State Board Standard is 1.8%.

Modernization and contingency costs are \$11,777,920 or \$836.50 per GSF. This appears high when compared to the State Board Standard of \$375.63.

Contingency Costs are \$588,896 or 5.2% of modernization costs. This is reasonable when compared to the State Board Standard of 10-15%.

Architectural and Engineering Fees total \$771,760 and are 6.55% of modernization and contingency costs. This is reasonable when compared to the State Board Standard of 9.02%

The State Board does not have a standard for the costs listed below.

Consulting and Other Fees	\$561,958
Movable and Other Equipment	\$5,372,488

F) Criterion 1120.140 (d) - Direct Operating Costs

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

The total operating cost per patient day is \$1,995.72 and the capital costs per patient day is \$31.41. The State Board does not have a standard for these criteria. See page 111 of the Application for Permit. The State Board does not have a standard for these costs.

TABLE EIGHT Itemization of Project Costs Reviewable and Non Reviewable Costs	
Preplanning Costs	
Evaluation of Alternatives	\$50,000.00
Pre-Arch. Functional Plan	\$75,000.00
Internal Approval Process	\$50,000.00
Misc./Other	\$75,000.00
Total	\$250,000.00
A&E	
Design	\$720,000.00
Document Preparation	\$30,000.00
Interface with Agencies	\$20,000.00
Project Monitoring	\$42,000.00
Misc./Other	\$65,000.00
Total	\$877,000.00
Consulting and Other Fees	
Zoning and Local Approvals	\$20,000.00
CON-Related	\$80,000.00
Project Management	\$380,000.00
Interior Design	\$23,600.00
Equipment Planning	\$85,000.00
Misc./Other	\$50,000.00
Total	\$638,600.00
Movable Equipment	
Level III & Level II Stations	\$5,860,100.00
Nursing Suite	\$30,000.00
OB Triage & Observation	\$120,000.00
Elevator Lobby	\$10,000.00
Prayer Room	\$15,000.00
Administrative Office	\$15,000.00
Neonatologists" Office	\$20,000.00
Staff Areas	\$15,000.00
Family Area	\$20,000.00
Total	\$6,105,100.00

SECTION 250.1820 OBSTETRIC AND NEONATAL SERVICE (PERINATAL SERVICE)

Levels of Care to obstetric and neonatal patients.

- 1) Care shall be provided to obstetric and neonatal patients according to the following levels level of specialized care as defined in the Regionalized Perinatal Health Care Code:
 - A) **Non-Birthing Center hospitals** do not provide perinatal services but have a functioning emergency department. A letter of agreement shall delineate, but is not limited to, guidelines for transfer/transport of perinatal patients who are transferred to an appropriate perinatal care hospital in accordance with the non-birthing center hospital's letter of agreement with an Administrative Perinatal Center.
 - B) **Level I hospitals** provide care to low-risk pregnant women and newborns, operate general care nurseries and do not operate a Neonatal Intensive Care Unit (NICU) or a Special Care Nursery (SCN).
 - C) **Level II hospitals** provide care to women and newborns at moderate risk, operate intermediate care nurseries and do not operate a NICU or an SCN.
 - D) **Level II hospitals with Extended Neonatal Capabilities (IIE)** provide care to women and newborns at moderate risk and do operate an SCN but do not operate a NICU.
 - E) **Level III** hospitals care for patients requiring increasingly complex care, operate a NICU, and provide multidisciplinary consultation and supervision for those patients with medical and surgical problems that require highly specialized treatment and highly trained personnel.

22-033 Adventist Hinsdale Hospital Hinsdale

