



**STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD**

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

<b>DOCKET NO:</b> H-06	<b>BOARD MEETING:</b> June 27, 2023	<b>PROJECT NO:</b> 23-021	<b>PROJECT COST:</b> \$16,194,353
<b>FACILITY NAME:</b> Advocate Christ Medical Center		<b>CITY:</b> Oak Lawn	
<b>TYPE OF PROJECT:</b> Non-Substantive			<b>HSA:</b> VII

**PROJECT DESCRIPTION:** The Applicants (Advocate Aurora Health, Inc., Advocate Health, Inc., and Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center are proposing to add 11 medical surgical beds at Advocate Christ Medical Center at a cost of \$16,194,353. The expected completion date is November 15, 2024.

Information on this application can be found at this link:  
<https://hfsrb.illinois.gov/projects/project.23-021.html>

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The Applicants (Advocate Aurora Health, Inc., Advocate Health, Inc., and Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center are proposing to add 11 medical surgical beds at Advocate Christ Medical Center at a cost of \$16,194,353. The expected completion date is November 15, 2024.

### BACKGROUND

- In December 2022 the Applicants were approved to add 20 medical surgical beds with the discontinuation of the 39-bed Acute Mental Illness Category of Service at the Hospital.

### 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 threshold of \$15,723,786.

### PURPOSE OF THE PROJECT

- The purpose of the project is to address medical surgical bed capacity.

### PUBLIC HEARING/COMMENT:

- No public hearing was requested, and letters of support were received by the State Board. No opposition letters have been received by the State Board.

### SUMMARY:

- The Applicants propose to add 11 medical surgical beds for a total 425 medical surgical beds at the Hospital. Historical data provided by the Applicants justifies the number of beds being requested at the target occupancy of 90%. The Applicants are projecting a 1.4% compounded annual growth in patient days going forward. According to the Applicants Sg2<sup>1</sup> (a health care consulting firm) estimates 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, and 9% over the next 10 years. The Applicants state national trends project the acuity of inpatient admissions will continue to rise and result in an increase in average length of stay and patient days. Inpatient days are projected to continue to increase in part due to the growth of the aging population in the service area. The population for the Advocate Christ service area illustrated a projected 9% growth in the 65+ population, expecting an increase of over 32,000 additional older residents.
- To address the medical surgical capacity issues the Applicants discontinued the 39-bed AMI category of service at Christ and relocated AMI services to Advocate South Suburban Hospital and are modernizing the AMI space for 31 additional medical surgical beds for a total of 425 medical surgical beds. The Applicant did consider vertically expanding the existing East Tower. According to the Applicant vertical expansion is a disruptive endeavor on an operational campus and would not be financially feasible to solely build out a single unit/floor. Due to this, the addition would be built to the maximum capacity planned for the existing structure consisting of 4 occupied floors and 1 mechanical floor. Only a single floor would be fitted out to accommodate the additional M/S unit, all other floors would be left as shelled space in this Alternative. The estimated cost of this alternative is approximately \$161 million.
- As can be seen by the table below the Hospital can justify 469 beds at the target occupancy of 90%.

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<sup>1</sup> Health Care Consulting Firm

**EXECUTIVE SUMMARY**

**TABLE ONE**

Historical Utilization

	2015	2016	2017	2018	2019	2020	2021	<b>2022</b>	Projected 2026
Beds	394	394	394	394	394	394	394	414	425
Admissions	23,669	24,307	25,483	25,666	25,388	24,222	23,284	20,923	22,100
Inpatient Days	118,598	131,055	136,234	142,417	145,141	136,923	146,997	147,241	155,526
Obs. Days	980	2,211	2,316	3,149	2,760	3,590	3,992	6,859	7,245
Total Days	119,578	133,266	138,550	145,566	147,901	140,513	150,989	154,100	162,771
ALOS	5.1	5.5	5.4	5.7	5.8	5.8	6.5	7.4	7.4
ADC	327.6	365.1	379.6	398.8	405.2	385.0	413.7	422.2	445.9
Utilization	83.1%	92.7%	96.3%	101.2%	102.8%	97.7%	105.0%	107.2%	104.9%
Beds Justified	364	406	422	443	450	428	460	469	495

- The Applicants have addressed 14 criteria and are not compliant with the following:

<b>State Board Standards Not Met</b>	
<b>Criteria</b>	<b>Reasons for Non-Compliance</b>
Criterion 1120.140(c) – Reasonableness of Project Costs	<b>Modernization cost and contingencies</b> total \$9,908,138 or \$574 per GSF. This appears HIGH when compared to the State Board Standard of \$480.63 per GSF. The Applicants identified premiums that resulted in the increase in costs. (See Page 12 of this report)



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**Advocate Christ Medical Center  
STATE BOARD STAFF REPORT  
Project #23-021**

<b>APPLICATION SUMMARY</b>	
Applicants	Advocate Aurora Health, Inc., Advocate Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center
Facility Name	Advocate Christ Medical Center
Location	4440 W. 95th Street, Oak Lawn, IL
Permit Holder	Advocate Aurora Health, Inc., Advocate Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center
Operating Entity	Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center
Owner of Site	Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center
Application Received	March 31, 2023
Application Deemed Complete	April 3, 2023
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	Yes

**I. Project Description**

The Applicants (Advocate Aurora Health, Inc., Advocate Health, Inc., and Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center) are proposing to add 11 medical surgical beds at Advocate Christ Medical Center at a cost of \$16,194,353. The expected completion date is November 15, 2024.

**II. Summary of Findings**

- A. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project to **not** be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

**III. General Information**

The Applicants are Advocate Aurora Health, Inc., Advocate Health, Inc., Advocate Health and Hospitals Corporation d/b/a Advocate Christ Medical Center. Financial Commitment will occur after permit issuance. The occupancy target for the addition of medical surgical beds for a bed complement of 1-99 beds is 80%, 100-199 beds is 85%, and for 200+ beds is 90%.

<b>TABLE ONE</b>						
Advocate Christ Medical Center						
<b>2022 Utilization</b>						
	Authorized Beds	Staffed Beds	Adm	Days	ALOS	ADC
Medical Surgical	414	425	20,923	154,100	7.37	422.19
Obstetrics	56	56	7,300	14,200	1.95	38.90
Pediatrics	45	45	3,618	15,172	4.19	41.57
Intensive Care	170	170	5,399	41,478	7.68	113.64
Rehabilitation	37	37	674	9,463	14.04	25.93
AMI	39	0	723	5,450	7.54	14.93
NICU	61	61	148	17,718	119.72	48.54
Ded. Observation				8,435		23.11
	822	794	38,785	266,016	6.86	728.81

**IV. Health Service Area**

Advocate Christ Medical Center is in Health Service Area VII (Suburban Cook and DuPage County) and the A-04 Hospital Planning Area. There are six additional Hospitals in the A-04 Hospital Planning Area.

<b>TABLE TWO</b>			
Hospitals in the A-04 Hospital Planning Area			
Hospital	City	Beds	Occ
Adventist LaGrange Memorial Hospital	LaGrange	141	61.3%
Advocate Christ Hospital & Medical Center	Oak Lawn	414	105%
Advocate South Suburban Hospital	Hazel Crest	197	65.6%
Franciscan St. James Health-Olympia Fields	Olympia Fields	157	79.0%
Ingalls Memorial Hospital	Harvey	315	47.2%
OSF Healthcare Little Company of Mary Med. Ctr.	Evergreen Park	228	72.1%
Palos Community Hospital	Palos Heights	306	75.9%

**V. Project Costs and Sources of Funds**

The Applicants will be funding this project with cash in the amount of \$4,490,173 and bond issues in the amount \$11,704,780.

<b>TABLE THREE</b>				
<b>Project Costs and Sources of Funds</b>				
Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Preplanning	\$207,587	\$22,413	\$230,000	1.42%
Modernization Contracts	\$9,192,675	\$992,520	\$10,185,195	62.89%
Contingencies	\$715,463	\$77,248	\$792,711	4.89%
A&E Fees	\$867,282	\$93,639	\$960,921	5.93%

TABLE THREE				
Project Costs and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Consulting	\$304,251	\$32,849	\$337,100	2.08%
Movable Equipment	\$2,292,321	\$247,499	\$2,539,820	15.68%
Bond Issuance Expense	\$130,422	\$14,081	\$144,503	0.89%
Net Interest Expense During Construction	\$254,432	\$27,471	\$281,903	1.74%
Other Costs to Capitalized	\$652,365	\$70,435	\$722,800	4.46%
Total	\$14,616,798	\$1,578,155	\$16,194,953	100.00%
Sources of Funds				
Cash and Securities			\$4,490,173	27.73%
Bond Issues			\$11,704,780	72.27%
Total			\$16,194,953	100.00%

**VI. Project Details**

On December 13, 2022, the State Board approved the discontinuation of the 39 bed AMI unit at Advocate Christ Medical Center. As part of that discontinuation the Hospital was approved to add 20 medical surgical beds under the lesser of 10% of the total authorized beds or 20 bed rule: for a total 414 medical surgical beds. A health care facility can use the 10% rule every two years from the date the beds are occupied. To add the additional 11-beds as proposed by this Application the Applicants needed to apply for a Certificate of Need because the proposed increase in beds was in the 2-year timeframe. The Medical-Surgical Unit is to be located within renovated space on the 5<sup>th</sup> floor of an existing bed tower in vacated space of the discontinued AMI Unit.

**VII. Background of the Applicants, Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project**

The four criteria below are informational only.

- A) Criterion 1110.110 (a) - Background of the Applicants
- B) Criterion 1110.110 (b) – Purpose of the Project
- C) Criterion 1110.110 (c) – Safety Net Impact Statement
- D) Criterion 1110.110 (d) – Alternatives to the Proposed Project

**A) Background of the Applicants**

The Applicants have attested they comply and in good standing with all federal and state regulations including the Illinois State Agency Historic Resources Preservation Act and Executive Order #2006-5. In addition, the Applicants have attested that they have not had any adverse actions as defined by the State Board in the past 3 years of filing this Application for Permit.

**B) Purpose of the Project**

**The Applicants have stated that there is a need to increase the number of medical surgical beds due to the Hospital Level I trauma status and the broad array of specialized**

tertiary/quaternary and advanced care services the Hospital offers the patients residing in the Hospital’s South Chicagoland Service Area. According to the Applicants adding medical/surgical capacity at APMC will provide much needed access to inpatient services that patients require when seeking care at the hospital. According to the Applicants the additional medical/surgical beds will assist with managing patient flow from the point of admission to discharge. The additional beds will assist with moving patients out of the emergency room, creating capacity in the ED and assisting with by-pass restrictions. Additional beds will also provide appropriate Medical Surgical capacity for patients prepared to be transitioned from more complex units, such as the ICU. According to the Applicants the additional medical surgical beds would permit the Hospital to:

- Accommodate increased projected patient days
- Manage APMC’s high patient census and appropriate patient placement into the right level of care
- Improve throughput, patient flow, and ED access
- Modernize facilities for patients with increasing complexity
- Assist with transfer requests from community hospitals for higher level of care for the following service lines: Neurology, ENT, Orthopedics, Cardiovascular, General Medical and Trauma.

The table below outlines the Hospitals medical surgical utilization for the past 5-years as reported to the State Board.

<b>TABLE FOUR</b>					
Medical Surgical Utilization					
2018-2022					
	2018	2019	2020	2021	2022
Beds	394	394	394	394	414
Staffed Beds	394	393	563	493	499
Days	145,566	147,901	140,513	150,989	154,100
ADC	399	405	385	414	422
ALOS	5.7	5.8	5.8	6.5	6.59
Occupancy	101.22%	102.84%	97.71%	104.99%	107.16%
Staff Occupancy	101.22%	103.11%	68.38%	83.91%	84.61%

**C) Safety Net Impact Statement**

This is a non-substantive project. A safety net impact statement is not required.

<b>TABLE FIVE</b>			
Charity Care Information			
	2019	2020	2021
Net Patient Revenue	\$4,526,518,372	\$4,328,346,158	\$4,891,752,006
Amount of Charity Care	\$416,789,717	\$190,768,385	\$342,625,287
Cost of Charity Care	\$99,758,960	\$50,107,969	\$76,109,520
% Of Charity Care to Net Revenue	22%	11.6%	15.5%

**D) Alternatives to the Proposed Project**

The Applicants considered doing nothing and adding an addition to the Hospital. The do-nothing alternative was rejected because it would not address the capacity issues identified by the Applicants. According to the Applicants the most operationally efficient option to add new square footage at the Hospital campus for inpatient rooms would be to vertically expand the existing East Tower. According to the Applicant vertical expansion is a disruptive endeavor on an operational campus and would not be financially feasible to solely build out a single unit/floor. Due to this, the addition would be built to the maximum capacity planned for the existing structure consisting of 4 occupied floors and 1 mechanical floor. Only a single floor would be fitted out to accommodate the additional M/S unit, all other floors would be left as shelled space in this Alternative. The option to construct the vertical expansion to accommodate additional medical surgical beds would address the capacity issue and create appropriate design space for these patients. **The cost would be approximately \$160.7 million.**

**VIII. Size of the Project, Projected Utilization, Assurance**

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

B) Criterion 1110.120 (b) – Projected Utilization

**A) Size of the Project**

The proposed 11 medical surgical beds will be 5,505 DGSF of space or 501 DGSF per bed. The State Board Standard is 500-660 per bed. The Applicants have successfully addressed this criterion.

**B) Projected Utilization**

From 2018 to 2022 the Hospital experienced a growth in patient days of 1.47% compounded annually. If that growth continues the Applicants can justify the number of beds being requested.

**TABLE SIX**  
Projected Growth

Year	2022	2023	2024	2025	2026	2027
Beds	414	425	425	425	425	425
Days	154,100	156,365	158,664	160,996	163,363	165,764
ADC	422	428	435	441	448	454
Occupancy	101.93%	100.80%	102.28%	103.78%	105.31%	106.86%
90% occ	469	476	483	490	497	505

## IX. Medical Surgical Service

### Criterion 1110.200 (b) (2) - Service to Planning Area Residents

### Criterion 1110.200 (b) (4) - Service Demand

### Criterion 1110.200 (d) - Modernization

### Criterion 1110.200 (e) - Staffing Availability

### Criterion 1110.200 (f) - Performance Requirements

### Criterion 1110.200 (g) - Assurances

The Applicants primary market area is State Board Planning Area A-04. Planning Area A-4 includes the City of Chicago Community Areas of West Pullman, Riverdale, Hegewisch, Ashburn, Auburn Gresham, Beverly, Washington Heights, Mount Greenwood, and Morgan Park; Cook County Townships of Lemont, Stickney, Worth, Lyons, Palos, Calumet, Thornton, Bremen, Orland, Rich, and Bloom. According to the Applicants in 2022, 82% of the medical surgical patients resided in the Hospital's service area and 93% within Cook County.

According to the Applicants Sg2<sup>2</sup> (a health care consulting firm) estimates 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 state national trends project the acuity of inpatient admissions will continue to rise and result in an increase in average length of stay and patient days. Inpatient days are projected to continue to increase in part due to the growth of the aging population in the service area. The population for the Advocate Christ service area illustrated a projected 9% growth in the 65+ population, expecting an increase of over 32,000 additional older residents. Due to the increased number of critically ill patients, Advocate Christ Medical Center has experienced an increase in patient acuity on the Medical Surgical units. The higher census on peak flow days over the past 3 years has highlighted the need for 460+ medical surgical beds now and into the future.

<b>TABLE SEVEN</b>									
Historical Utilization									
	2015	2016	2017	2018	2019	2020	2021	2022	2026
Beds	394	394	394	394	394	394	394	394	425
Admissions	23,669	24,307	25,483	25,666	25,388	24,222	23,284	20,923	22,100
Inpatient Days	118,598	131,055	136,234	142,417	145,141	136,923	146,997	147,241	155,526
Obs. Days	980	2,211	2,316	3,149	2,760	3,590	3,992	6,859	7,245
Total Days	119,578	133,266	138,550	145,566	147,901	140,513	150,989	154,100	162,771
ALOS	5.1	5.5	5.4	5.7	5.8	5.8	6.5	7.4	7.4
ADC	327.6	365.1	379.6	398.8	405.2	385.0	413.7	422.2	445.9
Utilization	83.1%	92.7%	96.3%	101.2%	102.8%	97.7%	105.0%	107.2%	104.9%
Beds Justified	364	406	422	443	450	428	460	469	495

<sup>2</sup> Health Care Consulting Firm

The modernization of the area vacated by the AMI Unit will according to the Applicants bring additional medical surgical telemetry beds to address the capacity issues identified by the Applicants. These rooms will include private patient space to accommodate families, patient care, and medical equipment at the patient bedside. The rooms will also include dedicated showers and toilet rooms in each room, enhanced infrastructure (headwall gases, dialysis provisions, patient ceiling lifts) and equipment to accommodate a range of patient care needs. The medical surgical unit will provide updated facilities and equipment. The new unit will offer standard headwalls for consistency, direct sight line to the restrooms, electronic patient information boards, improved lighting, and in-ceiling lifts to provide a safer environment for both the patient and staff.

The Applicants state they have evaluated the staffing needs and do not expect any issues meeting the licensure and accreditation staffing requirements because of the proposed project. The Applicants state the hospital's ability to attract and place nurses has historically been strong. Staffing needs for the medical surgical units were evaluated and additional staff is **not projected** to be needed due to the project.

The Applicants have met the minimum number of beds of a hospital located within a MSA of 100 beds. Additionally, the Applicants have provided the necessary assurance that the Hospital will by the second year after project completion be at 90% occupancy as required by the State Board.

**X. Financial Viability**

**A. Criterion 1120.120 – Availability of Funds**

**B. Criterion 1120.130 – Financial Viability**

**C. Criterion 1120.140 (a) – Reasonableness of Debt Financing**

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

The Applicants will be funding this project with cash in the amount of \$4,490,173 and bond issues in the amount \$11,704,780. The Applicant, (Advocate Aurora Health, Inc.), has supplied Audited Financial Statements and the results shown in Table Six prove the Applicants have sufficient cash to fund this project through its completion. The Applicants also provided proof of an AA bond rating from Fitch’s Ratings Service (dated August 2021), an AA/Stable bond rating from Standard & Poor’s Ratings Service (dated June 2021), and an Aa3 bond rating from Moody’s Investors Service (dated August 2021). It appears the Applicants have sufficient funds available to fund this proposed project.

<b>TABLE EIGHT</b>		
<b>Audited Financial Statements</b>		
<b>Advocate Aurora Health, Inc.</b>		
<b>Years ended December, 2021,2020</b>		
<b>(In thousands)</b>		
	<b>2021</b>	<b>2020</b>
Cash	\$703,725	\$959,878
Current Assets	\$3,407,129	\$3,379,077
Total Assets	\$23,138,561	\$21,449,643
Current Liabilities	\$3,713,295	\$3,319,862
LTD	\$3,298,508	\$3,310,401
Total Liabilities	\$8,807,582	\$9,049,599
Net Patient Revenue	\$11,702,581	\$10,216,386
Total Revenues	\$14,062,232	\$13,132,189
Income from Operations	\$593,552	\$212,967
Net Income	\$1,922,253	\$608,125
Source: Advocate Aurora Health Audited Financial Statement, See Application File		

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

**Only clinical costs are being reviewed.**

**Preplanning costs** are \$207,587 and are less than 1.7% of modernization, contingencies, and moveable equipment. This appears reasonable when compared to the State Board Standard of 1.8%.

**Modernization cost and contingencies** total \$9,908,138 or \$574 per GSF. This appears HIGH when compared to the State Board Standard of \$480.63 per GSF. The Applicants identified premiums that resulted in the increase in costs.

<b>Description of Premiums</b>
Two non-contiguous areas of construction on patient occupied floor, interim conditions to keep adjacent areas active and protected.
Constrained access through existing facility delivering materials & manpower.
Modifying plaster and clay tile walls of existing structure.
Connections to existing, antiquated HVAC, plumbing, electrical infrastructure require differing methods/materials.
Existing non-conforming work required to be upgraded as part of modernization including FSES scope for structural frame nonconformity of existing tower.
Material procurement and escalation beyond traditional norms

**Contingency Costs** These costs total \$715,463 and are 7.87% of modernization costs. This appears reasonable when compared to the State Board Standard of 10%-15%.

**Architectural and Engineering Fees** total \$867,262 or 8.75% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 6.04-9.08%.

The State Board does not have a standard for these costs.

Consulting	\$304,251
Movable Equipment	\$2,292,321
Bond Issuance Expense	\$130,422
Net Interest Expense During Construction	\$254,432
Other Costs to Capitalized	\$652,365

**F. Criterion 1120.140 (d) – Direct Operating Costs**

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

Project direct operating expenses for year 2026, the second year after opening are calculated is \$5,049 per equivalent patient day. The total effect of the project on capital costs is estimated at \$227 per equivalent patient day. The State Board does not have a standard for these costs.