

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

24-026

RECEIVED

AUG 08 2024

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Facility/Project Identification

Facility Name:	BJC HealthCare Edwardsville Medical Clinics Building		
Street Address:	2122 Troy Road		
City and Zip Code:	Edwardsville, IL 62025		
County:	Madison	Health Service Area:	XI Health Planning Area: F-01

Applicant(s) (Provide for each applicant (refer to Part 1130.220))

Exact Legal Name:	Progress East HealthCare Center
Street Address:	4901 Forest Park Avenue, Suite 1200
City and Zip Code:	St. Louis, MO 63108
Name of Registered Agent:	Illinois Corporate Service
Registered Agent Street Address:	801 Adlai Stevenson Drive
Registered Agent City and Zip Code:	Springfield, IL 62703
Name of Chief Executive Officer:	Richard J. Liekweg
CEO Street Address:	4901 Forest Park Avenue, Suite 1200
CEO City and Zip Code:	St. Louis, MO 63108
CEO Telephone Number:	314/286-2030

Type of Ownership of Applicants

- | | |
|--|--|
| ☒ Non-profit Corporation | ☐ Partnership |
| ☐ For-profit Corporation | ☐ Governmental |
| ☐ Limited Liability Company | ☐ Sole Proprietorship |
| ☐ Other | |

- Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact (Person to receive ALL correspondence or inquiries)

Name:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court, Suite 210 Palatine, IL 60067
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	

Additional Contact (Person who is also authorized to discuss the application for permit)

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	BJC HealthCare Edwardsville Medical Clinics Building		
Street Address:	2122 Troy Road		
City and Zip Code:	Edwardsville, IL 62025		
County:	Madison	Health Service Area:	XI Health Planning Area: F-01

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	BJC Health System d/b/a BJC HealthCare
Street Address:	4901 Forest Park Avenue, Suite 1200
City and Zip Code:	St. Louis, MO 63108
Name of Registered Agent:	CSC-Lawyers Incorporating Service Company
Registered Agent Street Address:	2210 Bolivar Street
Registered Agent City and Zip Code:	Jefferson City, MO 65101
Name of Chief Executive Officer:	Richard J. Liekweg
CEO Street Address:	4901 Forest Park Avenue, Suite 1200
CEO City and Zip Code:	St. Louis, MO 63108
CEO Telephone Number:	314/286-2030

Type of Ownership of Applicants

☒ Non-profit Corporation	☐ Partnership
☐ For-profit Corporation	☐ Governmental
☐ Limited Liability Company	☐ Sole Proprietorship
☐ Other	
- o Corporations and limited liability companies must provide an Illinois certificate of good standing. - o Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.	
APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

Primary Contact [Person to receive ALL correspondence or inquiries]

Name:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court, Suite 210 Palatine, IL 60067
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	

Additional Contact [Person who is also authorized to discuss the application for permit]

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960]

Name:	Greg Bratcher
Title:	Director of Public Policy
Company Name:	BJC HealthCare
Address:	4901 Forest Park Avenue St. Louis, MO 63108
Telephone Number:	314/323-1231
E-mail Address:	gregory.bratcher@bjc.org
Fax Number:	

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Progress East HealthCare Center
Address of Site Owner:	4901 Forest Park Avenue St. Louis, MO 63108
Street Address or Legal Description of the Site:	2122 Troy Road Edwardsville, IL 62025
Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.	
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name:	Progress East HealthCare Center		
Address:	4901 Forest Park Avenue St. Louis, MO 63108		
☒ Non-profit Corporation	☐ Partnership		
☐ For-profit Corporation	☐ Governmental		
☐ Limited Liability Company	☐ Sole Proprietorship	☐	
Other			
- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. - Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. - Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.			
APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. This map must be in a readable format. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (<http://www.hfsrb.illinois.gov>). **NOTE: A SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM** has been added at the conclusion of this Application for Permit that must be completed to deem a project complete.

APPEND DOCUMENTATION AS **ATTACHMENT 5**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS **ATTACHMENT 6**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.20 and Part 1120.20(b)]

Part 1110 Classification :

☐ Substantive

☒ Non-substantive

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The applicants propose the expansion of a medical clinics building ("MCB") approved by the HFSRB (Permit #21-010) on May 20, 2021, and which became operational in 2022. The expansion will be accomplished through the modernization of approximately 23,000 square feet of vacant space to be occupied by a combination of physicians' offices and ancillary and support services.

The applicants, which are unchanged from the original project, are BJC HealthCare ("BJC") and its subsidiary Progress East HealthCare Center ("Progress East"). BJC, a Missouri not-for-profit corporation, owns and operates a number of hospitals in western Illinois, and Progress East is an Illinois not-for-profit corporation, owning real estate in Illinois.

The proposed project is "non-substantive", because the MCB will not include an IDPH-licensed surgery center, no inpatient services will be provided, and no HFSRB-designated "categories of service" will be provided. A Certificate of Need Permit is required solely because the capital cost of the proposed project exceeds the HFSRB's threshold for projects where a hospital or health system is named as an applicant.

PROJECT COST AND SOURCES OF FUNDS

	Reviewable	Non-Reviewable	Total
Project Cost:			
Preplanning Costs	\$ 25,000	\$ 25,000	\$ 50,000
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	\$ 1,901,325	\$ 6,868,700	\$ 8,770,025
Modernization Contracts		\$ 217,770	\$ 217,770
Contingencies	\$ 48,870	\$ 724,990	\$ 773,860
Architectural/Engineering Fees	\$ 180,393	\$ 500,000	\$ 680,393
Consulting and Other Fees	\$ 660,750	\$ 220,250	\$ 881,000
Movable and Other Equipment (not in construction contracts)	\$ 4,035,019	\$ 7,332,407	\$ 11,367,426
Net Interest Expense During Construction Period			
Fair Market Value of Leased Space			
Fair Market Value of Leased Equipment			
Other Costs to be Capitalized	\$ 336,000		\$ 336,000
Acquisition of Building or Other Property			
TOTAL USES OF FUNDS	\$ 7,187,357	\$ 15,889,117	\$ 23,076,474
Sources of Funds:			
Cash and Securities	\$ 7,187,357	\$ 15,889,117	\$ 23,076,474
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$ 7,187,357	\$ 15,889,117	\$ 23,076,474

NOTE ON CONSTRUCTION COST

The applicants recognize that the identified construction + contingency cost for the clinical/reviewable components of the application exceed the State's "norm", which is based on past medical clinics projects. As the Board may be aware, medical clinics exceeding the "norm" has become common place, with the last two medical clinics projects reviewed and approved by the Board, Advocate-Webster and Advocate-Lakemoor, exceeding the applicable "norm" by 57% and 127%, respectively. The reviewable portion of the project addressed in this application exceeds the "norm" by 66%. If one were to believe that applicants are not interested in grossly overspending on construction costs, and because of the consistency of exceeding the "norm", one can reasonably assume that the "norm" is not representative of actual current costs.

Also of note is the fact that 66% of the reviewable square footage included in the proposed project will be designed and constructed for (high-cost) imaging services, with 71% of the reviewable construction cost being attributable to those areas.

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project	Yes	X No
Purchase Price: \$	_____	
Fair Market Value: \$	_____	
The project involves the establishment of a new facility or a new category of service ☐ Yes ☒ No		
If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.		
Estimated start-up costs and operating deficit cost is \$ _____.		

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

- | | |
|---|--|
| ☐ None or not applicable | ☐ Preliminary |
| ☒ Schematics | ☐ Final Working |

Anticipated project completion date (refer to Part 1130.140): October 31, 2025

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):

- ☐ Purchase orders, leases or contracts pertaining to the project have been executed.
- ☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
- ☒ Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable?

- ☒ Cancer Registry
 - ☒ APORS
 - ☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
 - ☒ All reports regarding outstanding permits
- Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.**

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON-REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS **ATTACHMENT 9**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available**. Include **observation days in the patient day totals for each bed service**. Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

Not Applicable

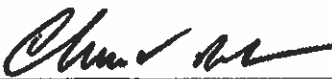
FACILITY NAME:		CITY:			
REPORTING PERIOD DATES:					
		From:	to:		
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long-Term Care					
Specialized Long-Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:					

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of BJC Health System *
In accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.


SIGNATURE
Charles V. Robb
PRINTED NAME
EVP & Chief Financial Officer
PRINTED TITLE

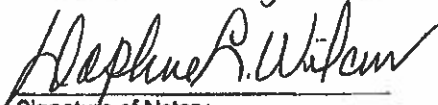

SIGNATURE
Sarah Terrace
PRINTED NAME
Chief Legal Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 19 day of July, 2024


Signature of Notary

Seal

Notarization:
Subscribed and sworn to before me
this 23rd day of July, 2024


Signature of Notary

Seal

DAPHNE L. WILCUT
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES FEBRUARY 21, 2027
ST. LOUIS CITY
COMMISSION #16146250

*Insert the EXACT legal name of the applicant

STACY L. COOK
Notary Public, Notary Seal
State of Missouri
Jackson County
Commission # 13400160
My Commission Expires 12-03-2025

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

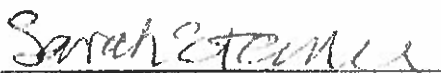
- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Progress East Healthcare Center.
In accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.


SIGNATURE
Charles V. Robb

PRINTED NAME
EVP & Chief Financial Officer

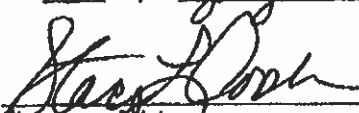
PRINTED TITLE


SIGNATURE

PRINTED NAME
Sarah Tarra

PRINTED TITLE
Chief Legal Officer

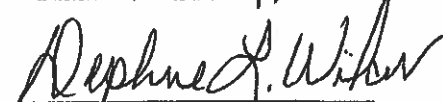
Notarization:
Subscribed and sworn to before me
this 18 day of July, 2024


Signature of Notary

Seal

*Insert the EXACT legal name of the applicant

Notarization:
Subscribed and sworn to before me
this 23rd day of July, 2024


Signature of Notary

Seal

DAAPHNE L. WILCUT
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES FEBRUARY 21, 2027
ST. LOUIS CITY
COMMISSION #15146250

STACY L. COOK
Notary Public, Notary Seal
State of Missouri
Jackson County
Commission # 13400180
My Commission Expires 12-03-2025

SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. 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.
3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.
 - a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.
 - b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.
 - c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.
 - d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.
 - e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.
4. 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.
5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant can submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11. IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

- 1) Identify ALL the alternatives to the proposed project:

Alternative options must include:

- A) Proposing a project of greater or lesser scope and cost;
- B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
- C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
- D) Provide the reasons why the chosen alternative was selected.

- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

- 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. This must be a narrative and it shall include the basis used for determining the space and the methodology applied.
2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:
 - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.
 - c. The project involves the conversion of existing space that results in excess square footage.
 - d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS ATTACHMENT 14 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110. Appendix B. A narrative of the rationale that supports the projections must be provided.

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MEET STANDARD?
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT 15 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

not applicable, no shell space included in project

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.
3. Evidence that the shell space is being constructed due to:
 - a. Requirements of governmental or certification agencies; or
 - b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
 - a. Historical utilization for the area for the latest five-year period for which data is available; and
 - b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

not applicable, no shell space included in project

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☐ non-oncology infusion therapy	0	4
☐ Lab	n/a	n/a
☐ general radiology	1	1
☐ MRI	0	1
☐ CT	0	1
☐ Mammography	0	1

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) – Need Determination – Establishment
Service Modernization	(c)(1) – Deteriorated Facilities
	AND/OR
	(c)(2) – Necessary Expansion
	PLUS
	(c)(3)(A) – Utilization – Major Medical Equipment
	OR
	(c)(3)(B) – Utilization – Service or Facility
1 APPEND DOCUMENTATION AS ATTACHMENT 31, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

VII. 1120.120 - AVAILABILITY OF FUNDS

not applicable, please see bond rating

The applicant shall document those financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable [Indicate the dollar amount to be provided from the following sources]:

_____	a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion.
_____	b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated timetable of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts.
_____	d) Debt – a statement of the estimated terms and conditions (including the debt time, variable or permanent interest rates over the debt time, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated. 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate. 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc. 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital

	improvements to the property and provision of capital equipment. 5) For any option to lease, a copy of the option, including all terms and conditions. e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent. f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt. g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
	TOTAL FUNDS AVAILABLE
APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

not applicable, please see bond rating

All the applicants and co-applicants shall be identified, specifying their roles in the project funding, or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All the project's capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

not applicable, please see bond rating

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all the cash and equivalents must be retained in the balance sheet asset accounts to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

not applicable, no debt to be used

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available.
- 2) That the selected form of debt financing will not be at the lowest net cost available but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors.
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (List below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. SAFETY NET IMPACT STATEMENT

not applicable, non-substantive project

SAFETY NET IMPACT STATEMENT that describes all the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

1. The project's material impact, if any, on essential safety net services in the community, *including the impact on racial and health care disparities in the community*, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
3. How the discontinuation of a facility or service might impact the remaining safety net providers in each community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 37.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year

	Inpatient				
	Outpatient				
	Total				
	Medicaid (revenue)				
	Inpatient				
	Outpatient				
	Total				

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. CHARITY CARE INFORMATION

Charity Care information **MUST** be furnished for **ALL** projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

CHARITY CARE			
	2023*		
Net Patient Revenue	\$5,815,245		
Amount of Charity Care (charges)	\$28,431		
Cost of Charity Care	\$9,993		

*first full year of operation

APPEND DOCUMENTATION AS ATTACHMENT 39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

STATE OF MISSOURI



John R. Ashcroft
Secretary of State

CORPORATION DIVISION
CERTIFICATE OF GOOD STANDING

I, JOHN R. ASHCROFT, Secretary of State of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

BJC HEALTH SYSTEM
N00045883

was created under the laws of this State on the 11th day of May, 1992, and is in good standing, having fully complied with all requirements of this office.

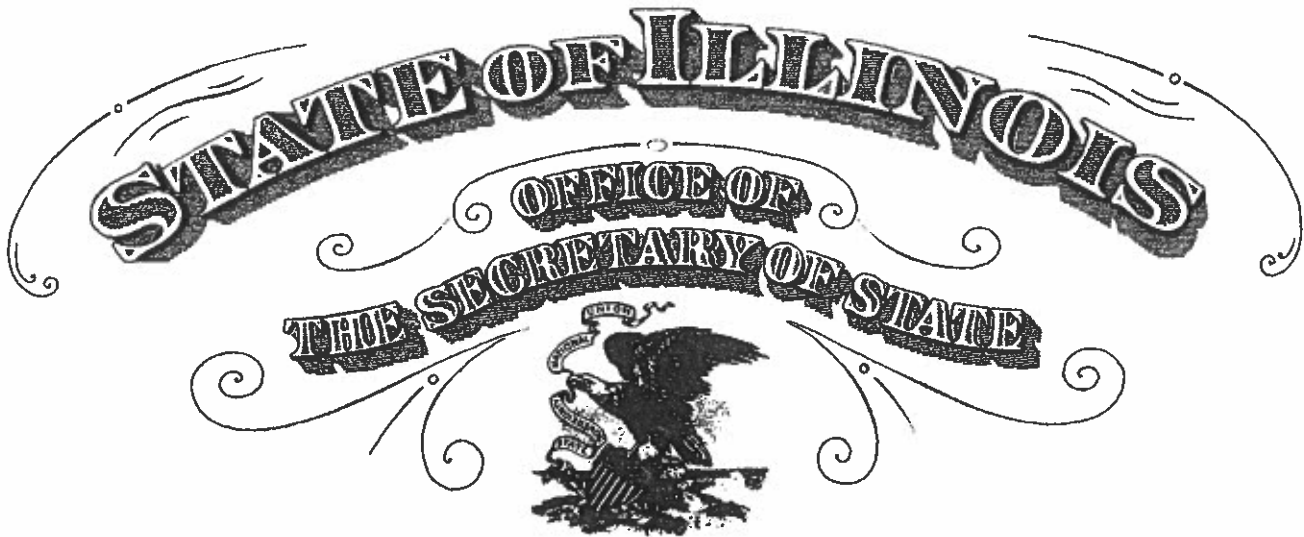
IN TESTIMONY WHEREOF, I hereunto set my hand and cause to be affixed the GREAT SEAL of the State of Missouri. Done at the City of Jefferson, this 15th day of July, 2024.


Secretary of State



Certification Number: CERT-07152024-0024

ATTACHMENT 1



To all to whom these Presents Shall Come, Greeting:

I, Alexi Giannoulas, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

PROGRESS EAST HEALTHCARE CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 26, 2007, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 15TH day of JULY A.D. 2024 .

Authentication #: 2419700968 verifiable until 07/15/2025

Authenticate at: <https://www.ilsos.gov>

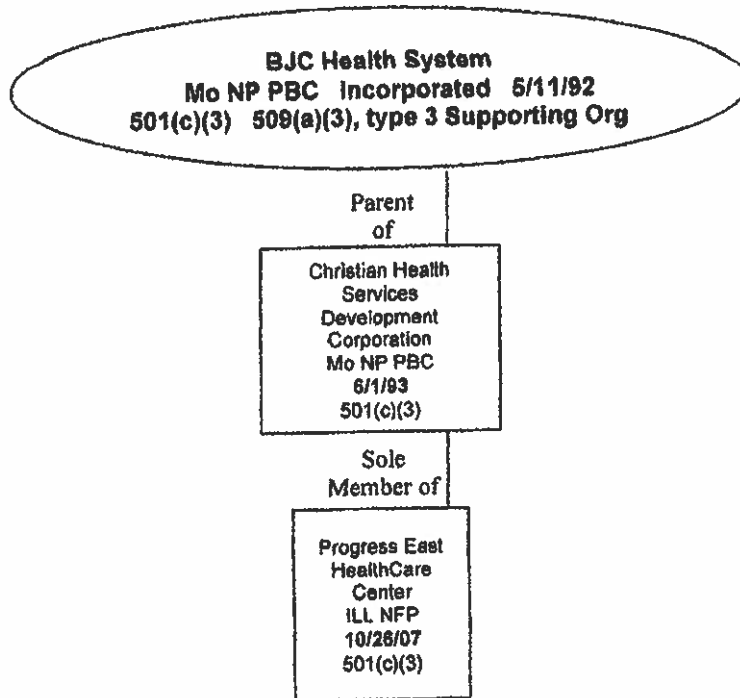
Alexi Giannoulas
SECRETARY OF STATE

ATTACHMENT 1

SITE OWNERSHIP

With the signatures provided on the Certification pages of this Certificate of Need ("CON") application, the applicants attest that the site of the proposed project is owned by Progress East HealthCare Center.

Progress East Healthcare Center



FLOOD PLAIN REQUIREMENTS

With the signatures provided on the Certification pages of this Certificate of Need application, the applicants confirm that the project addressed through this Certificate of Need application, and located at 2122 Troy Road in Edwardsville, complies with the requirements of Executive Order #2006-5. A map confirming such, and provided by FEMA is attached.



FEMA Flood Map Service Center: Search By Address

Navigation

Search

Languages

MSC Home (/portal/)

MSC Search by Address
(/portal/search)

MSC Search All Products
(/portal/advanceSearch)

MSC Products and Tools
(/portal/resources/productsandtools)

Hazus
(/portal/resources/hazus)

LOMC Batch Files
(/portal/resources/lomc)

Product Availability
(/portal/productAvailability)

MSC Frequently Asked
Questions (FAQs)
(/portal/resources/faq)

SC Email Subscriptions
(/portal/subscriptionHome)

Contact MSC Help
(/portal/resources/contact)

Enter an address, place, or coordinates:

2122 Troy Road Edwardsville, IL 62025

Search

Whether you are in a high risk zone or not, you may need [flood insurance \(https://www.fema.gov/national-flood-insurance-program\)](https://www.fema.gov/national-flood-insurance-program) because most homeowners insurance doesn't cover flood damage. If you live in an area with low or moderate flood risk, you are 5 times more likely to experience flood than a fire in your home over the next 30 years. For many, a National Flood Insurance Program's flood insurance policy could cost less than \$400 per year. Call your insurance agent today and protect what you've built.

Learn more about [steps you can take \(https://www.fema.gov/what-mitigation\)](https://www.fema.gov/what-mitigation) to reduce flood risk damage.

Search Results—Products for EDWARDSVILLE, CITY OF

Show ALL Products » (<https://msc.fema.gov/portal/availabilitySearch?addcommunity=170441&communityName=EDW>)

The flood map for the selected area is number **1704410001C**, effective on **01/18/1984**

MAP IMAGE



(<https://msc.fema.gov/portal/viewProduct?productID=1704410001C>)



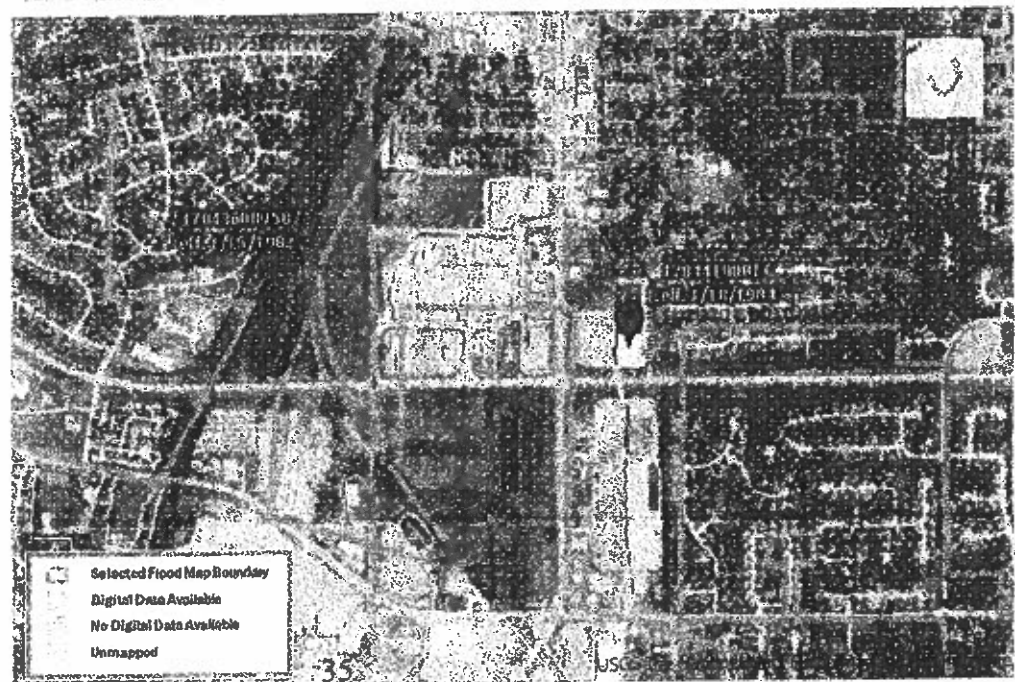
([https://msc.fema.gov/portal/downloadProduct?](https://msc.fema.gov/portal/downloadProduct?filepath=/17/P/Firm/1704410001C.tif&productTypeID=FINAL_PRODUCT&productSubTypeID=FIRM_PANEL&)

[filepath=/17/P/Firm/1704410001C.tif&productTypeID=FINAL_PRODUCT&productSubTypeID=FIRM_PANEL&](https://msc.fema.gov/portal/downloadProduct?filepath=/17/P/Firm/1704410001C.tif&productTypeID=FINAL_PRODUCT&productSubTypeID=FIRM_PANEL&)

Changes to this FIRM

Revisions (0)
Amendments (26)
Revalidations (0)

You can choose a new flood map or move the location pin by selecting a different location on the locator map below or by entering a new location in the search field above. It may take a minute or more during peak hours to generate a dynamic FIRMeite. If you are a person with a disability, are blind, or have low vision, and need assistance, please contact a map specialist (<https://msc.fema.gov/portal/resources/contact>).



Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

via electronic mail

June 18, 2024

Ms. Carol Wallace
Deputy State Historic Preservation Officer
Illinois Historic Preservation Agency
1 Old State Capitol Plaza
Springfield, IL 62701-1507

RE: BJC HealthCare Edwardsville Medical Clinics Building
2021 Troy Road Edwardsville, IL
Modernization Program

Dear Ms. Wallace:

I am in the process of developing a Certificate of Need application, to be filed with the Illinois Health Facilities Services and Review Board, and I am in need of a determination of applicability from your agency.

The project involves the renovation of approximately 17,000 square feet in an existing medical office building at the address noted above. The building appears to have been built during the 1990s, and consists of approximately 56,000 square feet. There will be no renovation to the exterior of the building, nor will the project involve any new construction. The other buildings located nearby appear to also have been constructed during the 1990s, and are primarily retail- and commercial-related, along with some residential buildings.

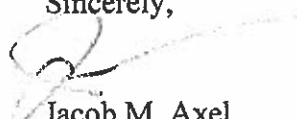
I do not believe there to be any structures of historical significance in the vicinity.

I have enclosed a map identifying the site, with pictures of the building and surrounding structures being provided separately.

A letter from your office, confirming that the Preservation Act is not applicable to this project would be greatly appreciated.

Should you have any questions, I may be reached at the phone number below.

Sincerely,



Jacob M. Axel
President

ATTACHMENT 6

PROJECT COSTS
and SOURCES OF FUNDS

Project Costs:			
Preplanning Costs:			
project scope assessment	\$	12,500	
feasibility assessment	\$	12,500	
misc./other	\$	25,000	
			\$ 50,000
New construction contracts			
see ATTACHMENT 37			\$ 8,770,025
Modernization contracts			
see ATTACHMENT 37			\$ 217,770
Contingencies			
see ATTACHMENT 37			\$ 773,860
Architectural & engineering fees			
design services	\$	578,334	
specification prep	\$	34,020	
governmental interaction	\$	34,020	
misc.other	\$	34,020	
			\$ 680,393
Consulting and other feesw			
CON-related	\$	40,000	
Project management	\$	498,000	
Local permitting	\$	86,000	
Equipment planning	\$	15,000	
Legal fees	\$	25,000	
Insurance	\$	117,000	
Mis./other	\$	100,000	
			\$ 881,000
Other costs to be capitalized			
imaging shielding	\$	336,000	
			\$ 336,000
Movable and other equipment			
MRI	\$	879,120	
CT		\$1,797,287	
Gen'l Radiology	\$	424,637	
Mammography	\$	723,570	
Infusion Therapy	\$	143,017	
Lab	\$	67,388	
Physicians' Offices		\$6,264,265	
Public Areas	\$	65,443	
Storage	\$	35,000	
Other/Misc.	\$	967,699	
			\$ 11,367,426
			\$ 23,076,474

PROJECT COSTS
and SOURCES OF FUNDS

Sources of Funds				
	Cash and securities			\$ 23,076,474

Cost Space Requirements

Dept./Area	Cost	Gross Square Feet		Amount of Proposed Total Square Feet That is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Reviewable							
MRI	\$ 2,874,943	0	1,441	1,441			
CT	\$ 1,078,104	0	753	753			
Gen'l Radiology	\$ 1,221,851	0	640	640			
Mammography	\$ 359,368	0	389	389			
Non-Onc. Infusion Therapy	\$ 1,006,230	0	1,125	1,125			
Lab	\$ 646,862	300	539	539		300	
	\$ 7,187,357	300	4,887	4,887		300	
Non-Reviewable							
Physicians' Offices	\$ 11,916,838	28,850	41,608	12,758	854	28,850	
Public Areas	\$ 2,383,368	2,716	5,274	2,558		2,716	
Equip & Supply Storage	\$ 1,112,238		2,683	2,683			
	\$ 15,889,117	31,566	49,565	17,999	854	31,566	
	\$ 23,076,474	31,866	54,452	22,886	854	31,866	

2.5

BACKGROUND OF THE APPLICANT

Applicant BJC HealthCare maintains “ultimate control” of three hospitals in Illinois:

- Memorial Hospital, located in Belleville
- Memorial Hospital-East, located in Shiloh
- Alton Memorial Hospital, located in Alton

In accordance with Review Criterion 1130.520.b.3, Background of the Applicant, and with the signatures placed on the Certification page of this Certificate of Need application for BJC Health System d/b/a BJC HealthCare, the applicants assure the Illinois Health Facilities and Services Review Board that:

Neither BJC HealthCare nor any subsidiary entity has had any adverse actions against it during the three (3) year period prior to the filing of this application.

BJC HealthCare authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1130.520.b.3 or to obtain any documentation or information which the State Board or Agency finds pertinent to this Certificate of Need application.

An IDPH licensed health care facility is not named as an applicant, and as such proof of licensure and accreditation are not applicable.

PURPOSE OF PROJECT

The proposed project will expand the capacity of BJC HealthCare Edwardsville Medical Clinics Building, as well as the scope of services provided in the facility. As a result, the health care and well-being of the market area population will be improved, and the need to travel greater distances for the services to be added will decrease.

The HFSRB-defined market area for the project, per Section 1100.510.d), consists of the 35 ZIP Code areas located within seventeen miles of the project site, and the historical utilization of the facility is further concentrated in twelve ZIP Code areas within that defined market area. The table below, which is based on BJC HealthCare internal data, documents the facility's 2023 patient origin, with the twelve identified ZIP Code areas/communities (all being located within the defined market area) accounting for nearly three of every four patients treated in the facility.

ZIP Code	Community	Visits	%	Cumulative
				%
62025	Edwardsville	12,745	26.4%	26.4%
62034	Glen Carbon	4,484	9.3%	35.7%
62040	Granite City	3,283	6.8%	42.5%
62234	Collinsville	2,481	5.1%	47.7%
62294	Troy	2,255	4.7%	52.4%
62002	Alton	2,175	4.5%	56.9%
62010	Bethalto	1,500	3.1%	60.0%
62095	Wood River	1,439	3.0%	63.0%

62062	Maryville	1,325	2.7%	65.7%
62249	Highland	1,243	2.6%	68.3%
62035	Godfrey	1,215	2.5%	70.8%
62024	East Alton	1,069	2.2%	73.0%
	other	13,002	27.0%	100.0%
	TOTAL	48,216		

The proposed project is not anticipated to cause a material change to the facility's patient origin.

The goal of this project is to have all modernization completed and the expanded capacity and new services available by the completion date identified in Section I of this application.

ALTERNATIVES

Due to the limited scope of the proposed project, the reasonable alternatives are also limited, if the applicants are to increase accessibility to physicians and selected ancillary services in the Edwardsville area.

The first alternative considered was to do nothing to address the desire to improve accessibility; and given the applicants' commitment to the community, this alternative was immediately dismissed because it did not address or improve accessibility. Had it been selected, no capital or operating costs would be incurred.

The second alternative considered was to expand the scope of the project, by constructing an addition to the existing structure to provide additional space, and potentially additional services. This alternative was dismissed because the "shelled" space available in the building was viewed as being sufficient to accommodate the desired incremental physicians' offices as well as the additional services desired to be provided. The capital and operating costs to be incurred in addition to those of the proposed project would be dependent on the scope of any addition to be built, the quality of care would be identical to that of the proposed project, and accessibility to any "new" services could potentially be improved. Following evaluation, the space available for programmatic expansion in the existing structure was deemed sufficient to meet the applicants' and patient population's needs, and this alternative was therefore dismissed.

The third alternative considered was to develop a second medical clinics building in the area. While this alternative could minimally improve accessibility for some area residents, conceptually this alternative was viewed by the applicants as an unnecessary duplication of

services that would have substantial capital costs and unnecessary operating costs due to the need to duplicate staff to operate two facilities. Had this alternative been selected, the quality of care provided to the community would be identical to that of the proposed project.

SIZE

The proposed project includes four clinical functions having HFSRB-adopted space standards: CT, MRI, mammography, and general radiology; and as identified in the table below, the project is being planned consistent with the applicable standards.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
CT	753	1,800	(1,047)	YES
MRI	1,441	1,800	(359)	YES
mammography	389	900	(511)	YES
general radiology	640	1,300	(660)	YES

UTILIZATION

The proposed project is narrow in scope and addresses only four clinical services having HFSRB-adopted utilization targets: general radiology, CT, MRI, and mammography. One of each of these imaging modalities are included in the project. (General radiology is currently provided, but will be relocated as part of the proposed project.) Because only one unit of each of the modalities is included in the project, and based on HFSRB precedent, the HFSRB-adopted utilization targets are not applicable to this project.

The table below, which is based on historical visits to physicians' offices in the building, projected increases in physicians' office visits resulting in part to the addition of physicians' office space, and estimates of historical referrals, identifies projected utilization of the four modalities.

	PROJECTED UTILIZATION (procedures)		STATE	MET
	YEAR 1	YEAR 2	STANDARD	STANDARD?
CT (one unit)	5,175	5,449	7,000	N/A
MRI (one unit)	866	959	2,500	N/A
mammo. (one unit)	3,147	3,273	5,000	N/A
gen't rad (one unit)	6,887	7,373	8,000	N.A

CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE

The proposed project includes six clinical service areas that are not identified by the HFSRB as “categories of service”: MRI, CT, general radiology, mammography, a laboratory and a non-oncology infusion therapy area. The HFSRB maintains space and utilization standards for only the imaging services, with those standards all being met through the proposed project. The existing lab will be renovated and expanded, the existing general radiology unit will be relocated to the current “shell” space, which will also be the location of the other imaging and infusion therapy services.

The origin of patients utilizing the services identified above will, it is anticipated, be very similar to that experienced in the facility since its opening (please see ATTACHMENT 12); and it is not anticipated that any of the services, as proposed, will have a significant impact on any other area provider.

Projected utilization of the individual services during the second year of operation following the project’s completion are:

lab	69,000 determinations
infusions	1,482 sessions
gen’l radiology	7,373 procedures
MRI	959 procedures
CT	5,449 procedures
mammography	3,273 procedures

Four infusion therapy stations will be provided, along with one of each of the imaging modalities, with services being generally provided 8AM to 5PM, Monday through Friday.

CREDIT OPINION
18 July 2024



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BJC Health System

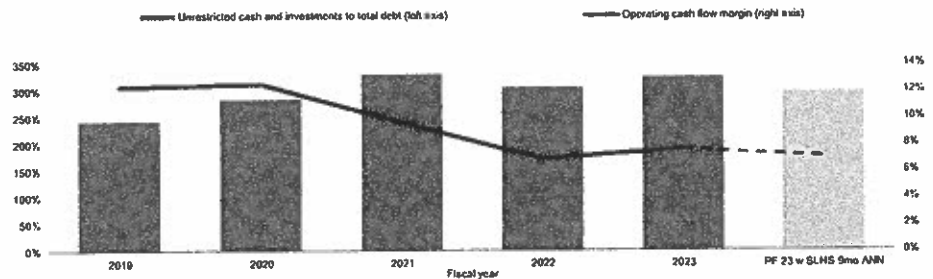
Update to credit analysis

Summary

BJC Health System (BJC, Aa2 stable) benefits from its prominent reputation as a leading academic medical center with a long-standing affiliation with Washington University School of Medicine (WUSM). BJC's scale and geographic presence is enhanced by its January 1 merger with Saint Luke's Health System (SLHS), another academic-oriented system in Kansas City. The merger brings some dilution, but days cash and cash to debt metrics will remain strong, with restricted cash providing additional cushion. Operating cash flow (OCF) margins, constrained by high labor costs, will likely reach 9% over the next two to three years. Favorable cash metrics will counterbalance risks of illiquid investments, complex debt, and somewhat elevated debt to cash flow for the rating category. Beyond sector wide high labor costs, lackluster performance at Memorial Hospital, and limited growth prospects in St. Louis are challenges.

Exhibit 1

Despite moderation, strong cash to debt will provide offset while margins recover to solid levels



Fiscal 2019 includes Boone Hospital. Fiscal 2023 pro-forma includes BJC and SLHS 9 month interims ended 9/30/23 annualized.
Source: Moody's Ratings

Credit strengths

- » Strong reputation as a top AMC, bolstered by long-standing affiliation with WUSM
- » Leading market position in metro St. Louis augmented by presence in Kansas City
- » Despite merger-related dilution, days cash and cash to debt ratios will remain very favorable, enhanced by substantial foundation cash
- » Anticipated ongoing recovery in operating performance to solid levels, albeit below historical highs
- » Recent rise in inpatient volume and positive outpatient trends, which will benefit from ambulatory service expansion

Credit challenges

- » Industry headwinds, including high labor costs, will result in OCF margin recovery to below historical highs
- » Complex debt structure includes significant exposure to puttable, self-liquidity, balloon debt, and multiple swaps
- » High levels of alternative investments are less liquid and may require cash; mitigated by active management of funds
- » Debt to cash flow is somewhat higher than typical for the rating category
- » Although SLHS merger reduces reliance on St. Louis, Kansas City market is very crowded

Rating outlook

The stable outlook reflects our expectation that BJC will show continuous improvement and approach 8.5% operating cash flow margins within the next 12 to 18 months. The outlook further reflects our view that BJC will maintain favorable cash metrics and that debt to cash flow will moderate as operating performance improves.

Factors that could lead to an upgrade

- » Greater geographic diversity
- » Lower leverage, including debt to cash flow and cash to debt sustained below 1.5x and over 375%, respectively
- » Substantial improvement in days cash to over 400 days
- » Short-term rating: not applicable

Factors that could lead to a downgrade

- » Inability to show improvement and approach OCF margins of around 8.5% (excluding integration costs) in the next 12-18 months
- » Rise in leverage, including debt to cash flow or cash to debt sustained above 2.75x or below 250%, respectively
- » Further sustained decline in days cash to below 275 days
- » Short-term rating based on self-liquidity: material decline in daily liquidity, decline in BJC's overall credit quality, or decline in BJC's debt and treasury management
- » Short term rating based on enhancement: we downgrade the short-term CR Assessment of the Bank; we downgrade the rating of BJC Health System

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

BJC Health System

	2019	2020	2021	2022	2023 PF (w/ SLHS 2023 9 mo annualized)	
Operating Revenue (\$'000)	5,721,600	5,586,800	6,018,500	6,311,700	6,990,900	9,457,893
3 Year Operating Revenue CAGR (%)	6.3	3.8	4.2	3.3	7.8	6.8
Operating Cash Flow Margin (%)	12.3	12.5	9.6	6.8	7.6	7.0
PM: Medicare (%)	42.6	42.3	42.2	43.2	43.9	45.7
PM: Medicaid (%)	13.2	15.4	16.5	17.9	18.2	17.4
Days Cash on Hand	356	467	446	380	373	327
Unrestricted Cash and Investments to Total Debt (%)	243.1	284.0	329.9	305.4	325.1	297.7
Total Debt to Cash Flow (x)	2.1	2.2	2.2	2.7	2.4	2.5

Based on audited financial statements for fiscal year end December 31.

Fiscal 2019 includes Boone Hospital. Fiscal 2023 pro-forma includes BJC and SLHS 9 month interims ended 9/30/23 annualized.

Fiscal 2020 includes Medicare Accelerated Payments of \$480 million, deferred payroll taxes of \$91 million, and amounts due to Boone Hospital of \$54 million. Excluding these items, days cash on hand and unrestricted cash and investments to total debt would be about 421 days and 256%, respectively.

Fiscal 2021 includes Medicare Accelerated Payments of \$319 million and deferred payroll taxes of \$43 million. Excluding these items, days cash on hand and unrestricted cash and investments to total debt would be about 427 days and 316%, respectively.

Fiscal 2022 includes Medicare Accelerated Payments of \$9 million. Excluding this item, days cash on hand and unrestricted cash and investments to total debt would be about 379 days and 305%, respectively.

Source: Moody's Ratings

Profile

BJC owns and operates 24 facilities in Missouri and Illinois. In metropolitan St. Louis, the system is anchored by its two academic hospitals, Barnes-Jewish Hospital and St. Louis Children's Hospital and its long-standing affiliation with Washington University's School of Medicine. BJC merged with Saint Luke's Health System, located in Kansas City, MO on January 1, 2024.

Detailed credit considerations

Market position

BJC's strong brand and national recognition of its academic hospitals, Barnes-Jewish Hospital and St. Louis Children's Hospital is bolstered by its affiliation with Washington University School of Medicine (WUSM). The affiliation with WUSM differentiates BJC with payers as a crucial network provider in a largely fee for service environment. This will support BJC's leading inpatient share (~40%) in its primary service area of metro St. Louis. Its merger with Saint Luke's Health System (SLHS) in Kansas City (KC), provides diversification into a new market. Although SLHS is a key quaternary player and is the primary teaching hospital for University of Missouri-Kansas City School of Medicine, the KC market remains very competitive, with HCA leading in share.

BJC aims to also expand its community hospital and outpatient presence via partnerships, joint ventures, and acquisitions. Outpatient volume growth shows promise, and inpatient trends have recently improved. However, population growth in the St. Louis metro market has been very limited. Memorial Hospital in southern Illinois will continue to face challenges including faculty recruitment issues, but performance is reportedly improving.

Operating performance and liquidity

Although recent post-merger performance has been somewhat below-budget, BJC expects to achieve OCF margins approaching 8.5% by fiscal 2025 and 9% in fiscal 2026 (excluding integration costs). Headwinds will likely result in margin recovery below historical highs but approaching the double-digit range. Management's focus will be on implementing initiatives to offset higher permanent staff salaries and continuing to reduce contract labor costs. Medicare Advantage plan denials, exacerbated by an aging population, present another headwind. Although there is population growth in KC, SLHS has a higher Medicare mix than legacy BJC. Management also foresees an improvement in volume, as staff shortages and length of stay bottlenecks have moderated.

BJC expects to receive 340B benefits from moving WU infusion sites under BJC beginning mid-2024, which will contribute to better margins. Previously below what we typically see for AMCs, BJC's new 340B gains will augment legacy SLHS's benefits. BJC continues to provide significant financial support to WUSM, paying for purchased services and leased facilities, as well as a variable amount based on the net income of the flagship AMC facilities. In 2017, BJC committed to provide \$200 million in funds over a ten year period to WUSM, in exchange for a ceiling on variable rate payments associated with its three AMC facilities. This total amount was expensed (below the operating line in 2017), but BJC has paid \$20 million in cash each year, which we have not historically included as an operating expense.

Liquidity

The system will maintain significant unrestricted and restricted cash and investments (~\$8 billion and \$1.7 billion respectively, at March 31, 2024), providing a counterbalance to high levels of alternative investments. Post-merger, days cash will be diluted but still remain favorable, in the low-300 day range. A significant portion of BJC's total investments will be allocated to less liquid assets, with a major focus on private equity and hedge funds. Despite about \$976 million in unfunded commitments, management expects future distributions to cover any calls.

Debt structure and legal covenants

BJC's post-merger debt to cash flow will decline from the mid-2x range (which will place the metric more in line with peers) as OCF margins improve. Post-merger cash to debt will remain strong, but moderate to the 300% range.

BJC will have adequate coverage under its MTI's financial covenant requiring minimum debt service coverage of 1.1 times. Its MTI includes force majeure language. Further, its debt service coverage/rate covenant test will (1) allow a 3-year average of investment earnings to be used; (2) exclude balloon indebtedness; and (3) exclude short-term borrowings (such as CP) with maturities of less than one year.

Debt structure

BJC's complex debt structure includes a material amount of puttable, balloon and self-liquidity debt. In addition to the 46% of total debt that is eligible for smoothing, BJC will maintain self-liquidity debt (about \$238 million as of June 30, 2024) and SBPA debt (about \$68 million as of June 30, 2024), which will represent another 11% of BJC's direct debt.

BJC's unenhanced VMIG 1 and P-1 ratings are based on the adequacy of liquid investments to support un-remarketed variable rate bonds and maturing commercial paper as well as management processes to ensure timely payment. Weekly debt obligations are adequately covered by daily liquid assets, with a coverage that is over eight times the variable rate demand obligations (as of June 30, 2024), even after excluding the largest money market fund. The enhanced VMIG 1 rating is based upon (i) Moody's short-term Counterparty Risk (CR) Assessment of U.S. Bank National Association, which is currently P-1(cr); and (ii) the likelihood of termination of the liquidity facility without payment of the Bonds. Events, which would cause the liquidity facility to terminate without payment of the Bonds, are directly related to the credit quality of BJC.

Debt related derivatives

BJC will also continue to have exposure to an extensive derivative program with ten total swaps with a notional amount of about \$1.43 billion as of December 31, 2023. Eight of these are floating-to-fixed and two are fixed-to-floating rate swaps, and counterparties are well diversified, helping to mitigate exposure. BJC posted \$7 million of collateral at December 31, 2023. BJC also has a securities lending program, under which \$100.6 million of collateral was posted at December 31, 2023.

Pensions

BJC's adjusted leverage will be burdened by a moderate unfunded defined benefit obligation and operating leases. At fiscal year end 2023, legacy BJC's pension plan was unfunded by about \$390.3 million. SLHS had no pension liabilities. Legacy BJC's operating leases totaled about \$193 million in fiscal 2023 while legacy SLHS's were about \$178 million in fiscal 2022. Using these figures, combined cash to adjusted debt is estimated to be about 232%, which is in line with the rating.

Legal security

Bonds are secured by a joint and several obligation of the Obligated Group, which consists of hospitals owned and operated by BJC Health System. SLHS joined BJC's obligated group in February 2024. Under certain circumstances, substitution of the master trust indenture (MTI) is permitted.

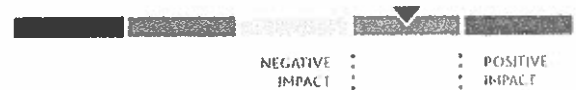
ESG considerations

BJC Health System's ESG credit impact score is CIS-2

Exhibit 3

ESG credit impact score

CIS-2



ESG considerations do not have a material impact on the current rating.

Source: Moody's Ratings

ESG considerations have an immaterial effect on BJC's credit. The system has moderate exposure to industry-wide demographic and societal trends, but its status as an academic medical center with market presence in two key regions in Missouri post-merger with Saint Luke's Health System (SLHS), history of good financial oversight, and strong unrestricted cash levels help to mitigate this risk.

Exhibit 4

ESG issuer profile scores

ENVIRONMENTAL

E-2



SOCIAL

S-2



GOVERNANCE

G-2



Source: Moody's Ratings

Environmental

Credit exposure to environmental risk is immaterial, in line with sector norms. BJC operates 24 hospitals in Missouri and Illinois, with two key sites located in the City of St. Louis, and its newest sites located in Kansas City. Both cities have limited exposure to physical climate risks, including heat stress and extreme rainfall, and are taking steps to mitigate flood risk.

Social

Credit exposure to social considerations is generally in line with the sector norm. BJC has moderate exposure to demographic and societal trends, with high reliance on governmental payers and regulatory changes. Human capital risk and labor challenges are also in line with the industry. However, the organization's exposure to customer relations compares favorably to the sector norm, reflecting its scale and regional market strength, which is supported by its academic partnerships with both Washington University School of Medicine and University of Missouri-Kansas City.

Governance

Credit exposure to governance considerations is immaterial and in line with the sector norm. Post-merger, legacy SLHS's CFO is now the full system's CFO, while legacy BJC's CFO is the system's President. Despite these transitions, we expect BJC to remain committed to achieving very solid operating performance. The team carefully manages its long-term capital plan even as it pursues expansion opportunities beyond its current primary service area. BJC has high exposure to less liquid alternative investments, which carry potential calls on cash. However, management expects distributions to cover any calls over a multi-year period and these investments do provide a buffer against down markets. BJC's 22-member board has staggered 3-year terms. BJH holds two seats, while each other

founding member (Christian Health Services Development Corporation, SLCH, Missouri Baptist Medical Center) gets one. SLHS holds eight seats until end of 2026, then three seats thereafter. Protestant Memorial Medical Center, Inc. (DBA Memorial Hospital) occupies one seat until end of 2025.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

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Missouri Health & Education Facilities Authority BJC HealthCare; CP; System

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Enterprise Profile--Very Strong

Financial Profile--Very Strong

Related Research

Missouri Health & Education Facilities Authority

BJC HealthCare; CP; System

Credit Profile

US\$325.0 mil hlth facs rev bnds (BJC HealthCare) ser 2023A due 12/31/2033

Long Term Rating

AA/Stable

New

Missouri Health & Education Facilities Authority, Missouri

BJC HealthCare, Missouri

Missouri Hlth & Educl Facs Auth (BJC HealthCare)

Long Term Rating

AA/Stable

Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Missouri Health and Education Facilities Authority's \$325 million series 2023A bonds issued for BJC HealthCare (BJC).
- We also affirmed our 'AA' rating on the authority's various fixed rate bonds and our 'AA/A-1+' rating on the authority's 2008A-E variable-rate bonds, issued for BJC.
- Finally, we affirmed our 'A-1+' short-term rating on BJC's commercial paper (CP) program, of which \$103 million of \$250 million authorized was outstanding at the end of fiscal 2022.
- The outlook on the long-term ratings is stable.

Security

Securing BJC's bonds is a general obligation of the obligated group.

For the 'AA/A-1+' rating, the long-term component of the rating reflects BJC's credit quality, and the short-term rating reflects a standby bond purchase agreement from U.S. Bank National Association through 2024 (2008A) or self-liquidity (2008B-E).

Proceeds are expected to pay down approximately \$100 million of commercial paper and reimburse BJC for prior capital expenditures. Post issuance almost three-quarters of BJC's debt will be considered non-contingent. Because we have been including BJC's commercial paper in long-term debt and unrestricted reserves for the past several years, net new debt and bond proceeds for reimbursement will be about \$225 million.

Credit overview

The rating reflects our view of BJC's extremely healthy and increasingly conservative balance sheet with ample unrestricted reserves and light debt levels, even when considering the proposed financing. BJC limited capital spending to below depreciation expense in 2020 and 2021 to preserve cash flow during the pandemic and to build unrestricted reserves in preparation for the final phases of renovation and construction of its health care facilities located on the St. Louis campus with Washington University School of Medicine (WUSM).

Internal reserves are expected to fund the almost \$860 million project over the next four years, in addition to other

routine capital needs. While these projects may preclude significant growth in unrestricted reserves, management does not anticipate a decline in cash on hand below 340 to 350 days.

We believe BJC's balance sheet metrics are sufficient to compensate for a likely period of lower than typical operating performance due largely to labor pressures but also reflecting BJC's safety net role in the community and constrained payer mix with higher than typical revenue from Medicaid. While BJC's earnings eroded in 2021 and 2022, operating margins would still have been positive even without provider relief funds, which we view positively. Management anticipates an improved 2% margin in fiscal 2023, which along with bond proceeds, should generate sufficient cash flow to accommodate a period of higher capital spending.

Supporting typically healthy financial performance are BJC's enterprise strengths, including a leading market share and highly regarded reputation, particularly for its oncology program and academic adult and pediatric flagship hospitals in the region that are affiliated with WUSM.

The rating reflects our view of BJC's:

- Healthy balance sheet with robust unrestricted reserves and modest proforma debt levels;
- Leading market share in the greater St. Louis region, bolstered by broad regional and national draws at its academic facilities;
- Academic relationship with the highly respected WUSM, one of the top national recipients of federal research funding;
- Positive earnings that consistently produce robust debt service coverage, even during the pandemic, and that were not reliant on provider relief funds for profitability; and
- Increasingly conservative debt profile with declining contingent liabilities.

Offsetting factors include BJC's:

- Recently lighter margins and cash flow due largely to labor and revenue pressures from the pandemic;
- Significant future capital spending on the academic campus;
- Competitive service area; and
- Reliance on revenue from disproportionate share and special funding sources, reflecting its safety net role.

Environmental, social, and governance

We analyzed BJC's environmental, governance and social risk and view all as neutral to our credit rating analysis. That said we believe BJC does have some social risk relative to higher labor and salary pressures, elevated Medicaid business, reliance on special funding related to its safety net status, and generally flat population in St. Louis. However, we also believe BJC has sufficient operating and balance-sheet flexibility as well as geographic diversity outside the city to compensate for these risks.

BJC's chief financial officer was recently promoted to a new role in the company focused on strategy, growth, and enhanced collaboration with WUSM. A search is underway for a replacement, but given BJC's management depth and breadth, we do not view this as a risk.

Outlook

The stable outlook reflects our view that BJC's balance sheet will remain sufficient to compensate for a period of weaker margins, although we believe incremental improvement in earnings is necessary to generate sufficient cash flow to retain overall balance sheet strength while also funding significant capital projects. BJC's enterprise strengths including market position and relationship with WUSM also support the outlook.

Downside scenario

A negative outlook or lower rating could be possible if cash flow does not improve sufficiently to fund planned capital needs leading to a material weakening of balance sheet metrics either from spending down unrestricted reserves or issuing additional debt. Any significant change in BJC's enterprise profile, including its market position or relationship with WUSM, could also pressure the rating.

Upside scenario

We view BJC's recently lighter earnings, regional and competitive service area and material capital plans to be barriers to a higher rating during the two-year outlook period.

Credit Opinion

Enterprise Profile--Very Strong

Diverse assets in and around St. Louis

BJC operates its flagship academic center, Barnes-Jewish Hospital (BJH) and St. Louis Children's Hospital, as well as four tertiary community hospitals, four community hospitals, and three small rural hospitals. BJC also has skilled nursing, psychiatric, subacute care and rehabilitation assets. The hospitals are mostly in the St. Louis region, including southern Illinois, with a population of about 2.7 million. While there is some concentration of revenue at BJH and St. Louis Children's Hospital (both on the same academic campus with WUSM and together generating slightly over half of BJC's 2022 \$6.3 billion total operating revenue), there is still revenue and geographic diversity among the rest of the system's assets.

BJC is one of three founding members of the BJC Collaborative, a group of eight health systems that work together to share best practices and efficiency opportunities. The group is also sharing best practices regarding clinical and shared service growth. The eight systems are all located relatively close together in Missouri and Illinois yet serve a much broader multi-state region with a population estimated at over 11 million residents.

Market share leader in a competitive region

We view favorably BJC's leading primary service inpatient market share of about 40%. Other competitors in the primary service area, with about one-quarter of the market share each, include SSM Health and Mercy Health. After dipping between 2019 and 2020 at the start of the pandemic, BJC's admissions, emergency department visits, and total surgeries have steadily risen despite several months that required cancellation of elective procedures in early and fall 2022, and staffing pressures that at times constrained bed availability.

While the St. Louis market is competitive, BJC has differentiated itself with its strong academic medical centers and its longstanding affiliation with WUSM, well-known for its medical education and research capabilities and for supporting BJC's clinical enterprise with its strong specialty physician base. This affiliation has contributed to a broader regional presence, with about one-quarter of admissions coming from outside BJC's 11-county primary service area, mostly from its 72-county secondary service area. The system's market position is further supported by WUSM's faculty physicians and almost 400 physicians employed in the BJC Medical Group.

Constrained payer mix and reliance on special funding are risks

BJC's payer mix is incrementally more reliant on governmental payers as the service area ages and due to recent Medicaid expansion in Missouri. Management indicates that Medicaid expansion has been stable to slightly accretive, but without material financial benefit because rate increases are offset by declines in supplemental funding. BJC receives significant disproportionate share and other state safety net funding that totaled \$232 million in 2022 (down from \$312 million in 2021). While the supplemental funding comes from multiple sources, they are also subject to change and sunset, which adds an element of credit risk. While interested in and prepared to take risk, BJC has some value-based contracts, but these remain a small portion of annual revenue.

BJC also has financial responsibilities to WUSM based on its academic affiliation. In 2017, BJC committed \$20 million annually for 10 years through 2027 in exchange for a ceiling on the annual variable affiliation payments to the university, which are based on the performance of the academic affiliates. The \$176 million net present value of these future payments was booked in fiscal 2017 as a nonoperating expense and \$93 million remains outstanding at fiscal year-end 2022. Additional annual payments to the school are included in operating expenses.

Table 1

BJC Health System, Missouri enterprise statistics				
	--Fiscal year ended Dec. 31--			
	2022	2021	2020	2019*
PSA population	2,741,882	2,726,256	2,726,256	2,729,370
PSA market share (%)	40.3	41.8	41.8	41.1
Inpatient admissions	138,827	136,968	131,036	156,939
Equivalent inpatient admissions	303,926	296,465	277,246	341,388
Emergency visits	461,041	452,956	416,968	537,338
Inpatient surgeries	35,518	36,567	35,772	45,110
Outpatient surgeries	82,863	79,130	66,056	81,584
Medicare case mix index	2.0600	2.0800	2.0700	1.9600
FTE employees	29,025	28,679	27,191	29,141
Active physicians	4,176	4,185	4,176	4,548
Based on net/gross revenues	Net	Net	Net	Net
Medicare (%)	30.4	29.6	30.1	31.0
Medicaid (%)	12.5	12.8	14.9	13.1
Commercial/Blues (%)	53.7	53.7	49.0	49.8

Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. *Boone Hospital only included in 2019 statistics.

Financial Profile--Very Strong

Healthy balance sheet creates cushion for higher capital spending

BJC's balance sheet generally meets rating expectations including a very limited increase in leverage related to the new bond issue. While the gains in unrestricted reserves in 2020 and 2021 have largely disappeared, BJC's days' cash on hand is on par with pre-pandemic levels and unrestricted reserves relative to pro forma debt has strengthened. Therefore, we believe there is sufficient balance sheet cushion to accommodate this debt issuance and a period of heightened capital spending.

In addition to unrestricted reserves, BJC also has \$1.4 billion at related foundations that we do not include in our analysis, although management estimates that a portion is unrestricted and could be available for debt service. While the remaining restricted funds typically cannot be used for debt service, they can often be used for other operating and capital purposes to benefit BJC.

BJC has over \$2.3 billion of its unrestricted reserves conservatively invested in cash and fixed income that helps offset 47% of reserves that are invested in alternative and illiquid investments. The conservative investments are skewed more toward unrestricted reserves and support BJC's debt and CP that is backed by its self-liquidity.

As of Feb. 28, 2023, S&P Global Ratings has identified \$2.5 billion of discounted available assets, which amply cover BJC's \$314 million self-liquidity backed debt that is currently outstanding. Our self-liquidity rating on BJC reflects its sufficiency of liquid investment assets and detailed operating procedures articulated by management in the event it must provide liquidity for a failed remarketing.

Anticipated growth in capital spending, but within guidelines

BJC's capital spending dipped in fiscal 2020 and 2021 due both to pressures from the pandemic as well as a naturally lower capital cycle as management finalized plans to complete revitalization and modernization of the academic campus that should also lead to more efficient operations.

BJC has committed to complete the final two phases of its master facility plan on the main academic campus, which includes new inpatient capacity to replace older bed towers and an increase in the number of private rooms. BJH and WUSM also have plans to construct an ambulatory center to consolidate their oncology service line. BJC, BJH, and WUSM operate the Siteman Cancer Center, which is the only National Cancer Institute-designated Comprehensive Cancer Center within about 250 miles.

Combining the final two phases has reduced the budget to \$852 million compared with estimates of over \$1 billion previously, with the bulk of the spending in 2024 and 2025. Management has a disciplined capital spending process based on total revenue that helps keep spending aligned with financial performance, and although the project has phases, once started it is likely that management would complete at least the first, and more expensive, phase regardless of financial performance. There would, however, be opportunity to slow other strategic initiatives, primarily ambulatory focused, to preserve management's targeted days' cash on hand through the outlook period.

Margins and coverage are robust through 2021 but weaken slightly under labor pressures in 2022

Until 2021 BJC's margins were largely in line with historical levels, although bolstered by provider relief funds. However, fiscal 2022's income from operations (excluding a one-time \$73.4 million impairment charge) dropped to essentially breakeven due largely to labor pressures including significant salary and premiums paid to its own employees as well as spending on contract labor at a rate of 4x pre-pandemic levels (less than \$100 million annually in 2019 compared with over \$400 million in 2022). BJC has multi-pronged strategies to address staffing and while progress is being made relative to hiring permanent staff and reducing reliance on contract labor, management expects these pressures to continue through year end and beyond. BJC is also pursuing other improvements in revenue cycle, supply costs, and corporate overhead. Steady nonoperating revenue has contributed to healthy pro forma debt service coverage generally in line with rating expectations.

BJC continues to have long-term targeted 3% to 3.5% operating and 10% to 11% EBIDA margins. We view these targets as sufficient for the rating level, but also note that rating maintenance is not dependent on always reaching these goals, especially given current labor challenges. BJC is targeting \$140 million of operating income in fiscal 2023 and management reports that the first quarter of the fiscal year is outperforming budget with continued strong volume trends. This builds on BJC's 2022 trends with strongly positive results in the final three quarters of the year following a near \$50 million operating loss in the first quarter.

More conservative debt structure and improved pension funding

BJC's debt profile is increasingly conservative and with the 2023 fixed rate issuance, just about 27% of its debt will be considered contingent, which is a material improvement compared with more than three-quarters contingent debt at the start of the pandemic. BJC's contingent debt consists of direct purchase bank loans, variable rate demand bonds and \$250 million of authorized commercial paper. Many of the bank loan covenants allow for a 30-day cure period before an event of default, but some can result in immediate acceleration of debt. Covenants include, but are not limited to, debt service coverage of less than 1.1x for two successive years and a rating trigger of 'BBB-'. We do not view BJC's exposure to contingent liabilities to be a risk as BJC has ample liquidity to repay the loans, headroom above covenants, and market access.

Although BJC's defined-benefit pension plan is not frozen, its funded status improved materially in both fiscal years 2021 and 2022 as the discount rate rose and with solid investment returns on plan assets. Plan assets rose to 92% of the projected benefit obligation and the plan posted a total unfunded liability of \$227 million as of Dec. 31, 2022, that was almost \$900 million less than the shortfall at the end of fiscal year 2020.

Table 2

BJC Health System, Missouri financial statistics

	--Fiscal year ended Dec. 31--				Medians for 'AA' rated health care system
	2022	2021	2020	2019	2021
Financial performance					
Net patient revenue (\$000s)	6,025,800	5,702,000	5,143,200	5,168,100	4,409,886
Total operating revenue (\$000s)	6,311,700	6,018,500	5,586,800	5,378,100	5,319,909
Total operating expenses (\$000s)	6,286,300	5,865,900	5,315,400	5,112,700	5,141,836
Operating income (\$000s)	25,400	152,600	271,400	265,400	185,339

Table 2

BJC Health System, Missouri financial statistics (cont.)

	--Fiscal year ended Dec. 31--				Medians for 'AA' rated health care system
	2022	2021	2020	2019	2021
Operating margin (%)	0.40	2.54	4.86	4.93	4.00
Net nonoperating income (\$000s)	86,900	526,500	277,800	279,500	310,496
Excess income (\$000s)	112,300	679,100	549,200	544,900	514,701
Excess margin (%)	1.76	10.38	9.36	9.63	9.80
Operating EBIDA margin (%)	6.84	9.58	12.49	12.69	9.30
EBIDA margin (%)	8.11	16.85	16.64	17.01	14.20
Net available for debt service (\$000s)	518,900	1,103,100	975,800	962,200	758,893
Maximum annual debt service (\$000s)	114,912	114,912	114,912	114,912	87,494
Maximum annual debt service coverage (x)	4.52	9.60	8.49	8.37	8.00
Operating lease-adjusted coverage (x)	3.13	6.72	6.15	5.99	5.40
Liquidity and financial flexibility					
Unrestricted reserves (\$000s)	6,167,800	6,408,200	5,857,000	4,958,500	5,428,508
Unrestricted days' cash on hand	379.1	425.3	432.0	380.7	350.8
Unrestricted reserves/total long-term debt (%)	290.8	297.0	262.8	243.3	334.9
Unrestricted reserves/contingent liabilities (%)	842.5	860.3	338.7	323.4	1,036.6
Average age of plant (years)	12.7	11.7	11.3	11.2	11.3
Capital expenditures/depreciation and amortization (%)	111.2	76.5	55.1	110.3	148.9
Debt and liabilities					
Total long-term debt (\$000s)	2,121,100	2,157,300	2,229,100	2,038,000	1,425,146
Long-term debt/capitalization (%)	22.4	22.8	27.4	25.1	20.0
Contingent liabilities (\$000s)	732,100	744,900	1,729,200	1,533,400	491,170
Contingent liabilities/total long-term debt (%)	34.5	34.5	77.6	75.2	31.3
Debt burden (%)	1.80	1.76	1.96	2.03	1.60
Defined-benefit plan funded status (%)	92.22	87.13	72.21	80.29	90.40
Pro forma ratios					
Unrestricted reserves (\$000s)	6,389,800	N/A	N/A	N/A	MNR
Total long-term debt (\$000s)	2,343,100	N/A	N/A	N/A	MNR
Unrestricted days' cash on hand	392.8	N/A	N/A	N/A	MNR
Unrestricted reserves/total long-term debt (%)	272.7	N/A	N/A	N/A	MNR
Long-term debt/capitalization (%)	24.1	N/A	N/A	N/A	MNR
Miscellaneous					
Medicare advance payments (\$000s)*	9,300	318,800	(479,600)	N/A	N/A
Short-term borrowings (\$000s)**	0	0	0	0	N/A
CARES Act and other grants (\$000s)	18,500	42,900	226,800	N/A	N/A

N/A--Not applicable. MNR--Median not reported. *Excluded from unrestricted reserves, long-term debt, and contingent liabilities. **Excludes \$103 million of commercial paper that has been added to long-term debt and included in unrestricted reserves. Proforma ratios assume \$325 million series 2023A that will pay down commercial paper (included in long term debt from 2019 through 2022) and reimburse BJC for prior capital expenditures.

Credit Snapshot

- **Organization description:** BJC owns or operates 14 inpatient acute-care hospitals in the St. Louis region in addition to three long-term care facilities, a retirement community, home care services, various primary care physician practice sites, and the BJC Medical Group. The 1,389-staffed-bed flagship BJH, 350-staffed-bed St. Louis Children's Hospital, and 68-staffed-bed Barnes-Jewish West County Hospital maintain an affiliation agreement with WUSM through 2027.
- **Swaps:** BJC has \$1.5 billion of variable- to fixed-rate and fixed to variable rate swaps. The swaps are with four different banks and had limited collateral posted of \$13 million as of Dec. 31, 2022.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of April 12, 2023)

BJC HealthCare taxable comm ppr nts ser A due 12/01/2099		
<i>Short Term Rating</i>	A-1+	Affirmed
Missouri Health & Education Facilities Authority, Missouri		
BJC HealthCare, Missouri		
Missouri Hlth & Educl Facs Auth (BJC HealthCare) hosp VRDO		
<i>Long Term Rating</i>	AA/A-1+/Stable	Affirmed
Missouri Hlth & Educl Facs Auth (BJC HealthCare) hosp VRDO		
<i>Long Term Rating</i>	AA/A-1+/Stable	Affirmed
Missouri Hlth & Educl Facs Auth (BJC HealthCare) hosp VRDO		
<i>Long Term Rating</i>	AA/A-1+/Stable	Affirmed
Missouri Hlth & Educl Facs Auth (BJC HealthCare) var rate hlth fac rev bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Missouri Hlth & Educl Facs Auth (BJC HealthCare) SYSTEM		
<i>Long Term Rating</i>	AA/Stable	Affirmed

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COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	Cost/Sq. Ft.		DGSF		DGSF		New Const. \$	Modernization \$	Total Cost
	New	Mod.	New	Circ.	Mod.	Circ.	(A x C)	(B x E)	(G + H)
Reviewable									
MRI	\$ 485.00		1,441				\$ 698,885		\$ 698,885
CT	\$ 285.00		753				\$ 214,605		\$ 214,605
Gen I Radiology	\$ 465.00		640				\$ 297,600		\$ 297,600
Mammography	\$ 345.00		389				\$ 134,205		\$ 134,205
Non-Onc. Infusion Therapy	\$ 305.00		1,125				\$ 343,125		\$ 343,125
Lab	\$ 395.00		539				\$ 212,905		\$ 212,905
contingency	\$ 10.00						\$ 48,870		\$ 48,870
Total	\$ 399.06		4,887				\$ 1,950,195		\$ 1,950,195
Non-Reviewable									
Physicians' Offices	\$ 435.00	\$ 255.00	12,758		854		\$ 5,549,730	\$ 217,770	\$ 5,767,500
Public Areas	\$ 435.00		2,558				\$ 1,112,730		\$ 1,112,730
Equip. & Supply Storage	\$ 280.00		2,683				\$ 751,240		\$ 751,240
contingency	\$ 10.00						\$ 179,990		\$ 179,990
Total	\$ 421.90		17,999		854		\$ 7,593,690	\$ 217,770	\$ 7,811,460
PROJECT TOTAL	\$ 417.02		22,886		854		\$ 9,543,885	\$ 217,770	\$ 9,761,655

PROJECTED OPERATING COSTS
and
TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS

BJC HealthCare Evansville Medical Clinics Building

Year 2 projected patient visits*: 50,457

Year 2 projected operating costs:

staffing costs \$ 3,463,000

medical supplies \$ 5,110,000

\$ 8,573,000

per patient visit: \$ 169.91

Year 2 projected capital costs:

dep/amort/interest: \$ 2,292,000

per patient visit: \$ 45.42

*assumes 4% growth from 2023

SECTION XI -SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM

In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that before a permit, grant or a development is planned or promoted, the proposed project meets the requirements of the Executive Order, including compliance with the National Flood Insurance Program (NFIP) and state floodplain regulation.

1. Applicant: PLEASE SEE PAGE 1 OF THE APPLICATION
(Name) (Address)

(City) (State) (ZIP Code) (Telephone Number)

2. Project Location: PLEASE SEE PAGE 1 OF THE APPLICATION
(Address) (City) (State)

(County) (Township) (Section)

3. You can create a small map of your site showing the FEMA floodplain mapping using the FEMA Map Service Center website (<https://msc.fema.gov/portal/home>) by entering the address for the property in the Search bar. If a map, like that shown on page 2 is shown, select the **Go to NFHL Viewer** tab above the map. You can print a

copy of the floodplain map by selecting the  icon in the top corner of the page. Select the pin tool icon  and place a pin on your site. Print a FIRMETTE size image.

If there is no digital floodplain map available select the **View/Print FIRM** icon above the aerial photo. You will then need to use the Zoom tools provided to locate the property on the map and use the **Make a FIRMette** tool to create a pdf of the floodplain map.

IS THE PROJECT SITE LOCATED IN A SPECIAL FLOOD HAZARD AREA: Yes___ No X

IS THE PROJECT SITE LOCATED IN THE 500-YEAR FLOOD PLAIN? NO

If you are unable to determine if the site is in the mapped floodplain or 500-year floodplain, contact the county or the local community building or planning department for assistance.

If the determination is being made by a local official, please complete the following:

FIRM Panel Number: _____ Effective Date: _____

Name of Official: _____ Title: _____

Business/Agency: _____ Address: _____

(City) (State) (ZIP Code) (Telephone Number)

Signature: _____ Date: _____

NOTE: This finding only means that the property in question is or is not in a Special Flood Hazard Area or a 500-year floodplain as designated on the map noted above. It does not constitute a guarantee that the property will or will not be flooded or be subject to local drainage problems.

If you need additional help, contact the Illinois Statewide Floodplain Program at 217/782-4428

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

[illegible]