



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-06	BOARD MEETING: December 17, 2024	PROJECT NO: 24-031	PROJECT COST: Original: \$9,853,176
FACILITY NAME: Riverside Orthopedic and Spine Center		CITY: Bourbonnais	
TYPE OF PROJECT: Non-Substantive			HSA: IX

PROJECT DESCRIPTION: The Applicants (Riverside Medical Center and Riverside Health System d/b/a Riverside Healthcare) propose building out previously established shell space via project #19-052, Riverside Medical Center Medical Office Building. The project cost is \$5,914,432, and the expected completion date is December 31, 2025.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Riverside Medical Center and Riverside Health System d/b/a Riverside Healthcare) propose to build out 11,393 gross square feet (GSF) of shell space, previously established as part of Project #19-052, Riverside Medical Center Medical Office Building (MOB). The MOB is located at 100 Riverside Drive, Bourbonnais. The project cost is \$5,914,432, and the expected completion date is December 31, 2025.
- Project #19-052 authorized the establishment of The Riverside Orthopedics and Spine Center. This facility is a three-story MOB containing 75,000 GSF of space (16,890 GSF clinical and 58,110 GSF non-clinical). Of this total GSF, 23,810 GSF is classified as shell space, slated for build-out later. Project #19-052 was completed on October 7, 2021.
- Project #24-031 proposes to build out 11,393 GSF of this shell space, located on the third floor of the MOB. This build-out comprises approximately half of the previously designated shell space and will be used to house clinic space for two Interventional Pain providers, one Neurosurgeon, and one Neuro Advanced Practice Provider, who have recently joined the practice. No clinical service lines will be established via this project.
- The proposed project will free up previously occupied space on the second floor of the MOB, which will be used to house additional orthopedic providers recruited for sports medicine, non-operative sports medicine, and hand specialties.
- The proposed project is classified as non-substantive because no inpatient services or HFSRB-designated categories of service will be established.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the Applicants committed to filing a Certificate of Need application when building out the shell space established via project #19-052.

PUBLIC HEARING/COMMENT:

- A public hearing was offered on this project but was not requested. In addition, no letters of support or opposition were submitted regarding this project.

SUMMARY:

- The Applicants state this project aims to increase access for patients in the primary service area and uphold a previously made commitment to submit a Certificate of Need application to build out shell space established via Project #19-052 Riverside Medical Center MOB.
- The additional 11,393 GSF proposed for build-out will provide clinic space to accommodate a neurosurgeon, two interventional pain providers, and a neuro advanced practice provider. This project will account for approximately half of the existing shell space on the third floor of the MOB.
- The Applicants addressed 17 criteria and have met them all.



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STATE BOARD STAFF REPORT
Project #24-031
Riverside Orthopedic and Spine Center

APPLICATION SUMMARY	
Applicant(s)	Riverside Medical Center and Riverside Health System d/b/a Riverside Healthcare
Facility Name	Riverside Orthopedic and Spine Center
Location	100 Riverside Drive, Bourbonnais
Permit Holder	Riverside Health System
Owner of Site	Riverside Medical Center
Application Received	September 17, 2024
Application Deemed Complete	September 18, 2024
Anticipated Completion Date	December 31, 2025
Review Period Ends	November 17, 2024
Review Period Extended by the State Board Staff?	No

I. Project Description

The Applicants propose to build out 11,393 GSF of shell space in an existing MOB established via Project #19-052. The MOB is located at 100 Riverside Drive, Bourbonnais. The project cost is \$5,914,432, and the expected completion date is December 31, 2025.

II. Summary of Findings

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

III. General Information

Riverside Orthopedic and Spine Center is a three-story MOB, located at 100 Riverside Drive, Bourbonnais. The MOB was established via Project #19-052. That project consisted of 75,000 GSF of newly constructed space, of which 23,810 GSF on the third floor was classified as shell space. The Applicants propose to build out 11,393 GSF of shell space for interventional pain providers, a neurosurgeon, and a neuro advanced practice provider. No clinical/reviewable categories of service will be established. The Applicants cite increased accessibility as the purpose of this project. The total estimated project cost is \$5,914,432.

IV. Project Uses and Sources of Funds

The Applicants will fund this project in its entirety with cash/securities totaling \$5,914,432. There were no reported start-up or operating deficit costs (see Table One).

TABLE ONE Project Costs and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% Of Total
New Construction Contracts	\$0	\$4,827,670	\$4,827,670	81.6%
Contingencies	\$0	\$482,767	\$482,767	8.1%
A & E Fees	\$0	\$145,995	\$145,995	2.6%
Consulting	\$0	\$88,000	\$88,000	1.5%
Movable Equipment	\$0	\$370,000	\$370,000	6.2%
TOTALS	\$0	\$5,914,432	\$5,914,432	100.0%
Sources of Funds				
Cash/Securities	\$0	\$5,914,432	\$5,914,432	100.0%
TOTALS	\$0	\$5,914,432	\$5,914,432	100.0%

V. Background of the Applicants, Safety Net Impact Statement, Purpose of the Project

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

A. Background of the Applicants

Riverside Health System / Riverside Healthcare owns/operates the following facilities in Illinois:

- Riverside Medical Center, Kankakee
- Riverside Senior Living Center d/b/a Miller Rehabilitation, Kankakee
- Riverside Ambulatory Treatment Center, Bourbonnais
- Riverside Center for Digestive Health, Bourbonnais

The Applicants certified there have been no adverse actions taken against any facility owned and/or operated by the Applicants during the three years prior to the filing of the application. The Applicants also certified that there have been no individuals 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. The Applicants permit the HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to, official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

B. Purpose of the Project

The Applicants state the primary purpose of this project is to increase accessibility to pain management and neurosurgical services for its patients in the defined service area. The Applicants also note the build-out of existing shell space (via Project #19-052) would adhere to the requirement that they submit a Certificate of Need application to build out said shell space.

C. Safety Net Impact Statement

This is a non-substantive project, which negates the need for a safety net impact statement. However, the Applicants supplied Charity Care/Medicaid data (see Table Two.

TABLE TWO			
Charity Care/Riverside Healthcare			
Charity Care Riverside Medical Center			
	2021	2022	2023
Net Patient Revenue	\$377,640,473	\$375,531,172	\$467,763,091
Cost of Charity Care	\$3,634,648	\$2,587,111	\$2,832,851
% of Charity Care to Net Patient Revenue	1.0%	0.79%	0.6%
Riverside Ambulatory Surgery Center			
Net Patient Revenue	\$3,385,013	\$4,089,652	\$3,255,046
Cost of Charity Care	\$0	\$0	\$0
% of Charity Care to Net Patient Revenue	N/A	N/A	N/A
Medicaid	7.2%	4.6%	4.4%
Riverside Senior Living Center d/b/a Miller Rehabilitation			
Net Patient Revenue	\$11,613,944	\$10,680,664	\$11,903,938
Cost of Charity Care	\$0	\$0	\$0

D. Alternatives to the Project

The Applicants considered three alternatives to the proposed project. These options were rejected because the Applicants stated the goal of the project was to increase access and services offered at the MOB.

1) Maintain Status Quo/Do Nothing

The Applicants rejected this option because it would leave the shell space intact and do nothing to alleviate current capacity issues at the MOB, including the growing demand for Riverside Medical Group (RMG) physician services at the Orthopedics and Spine Center.

2) Joint Venture with Other Providers

The Applicants note it's a typical alternative to partner with area physicians in ventures like this. However, the Applicants note that Riverside is an integrated health system, and the physician group, RMG, is already a partner. The Applicants

note this project will be collaborative with RMG physicians, and there will not be any collaboration with other physician groups. This alternative was rejected.

3) Build Out the Entire Shell Space on the Third Floor

The Applicants considered building out the entirety of the shell space (23,810 GSF with a project cost of \$10,000,000) and avoiding the need to file an additional Certificate of Need application. However, this option would have doubled the project cost and built out space that is not needed at this time. The Applicants opted to reserve the existing shell space (approximately 12,417 GSF) for anticipated growth later. As a result, this option was rejected.

4) Project as Proposed

The Applicants found this alternative to be most feasible because it meets RMG's immediate/short-term needs and is approximately half the price of building out the shell space in its entirety. The Applicants will file another Certificate of Need application to build out the remaining shell space. The cost of this alternative is \$5,914,432.

VI. Size of the Project, Projected Utilization

Criterion 1110.120(a) – Size of the Project

Criterion 1110.120(b) – Projected Utilization

A) Size of the Project

The Applicants propose a project to build out 11,393 GSF of shell space from a total of approximately 23,810 GSF of third-floor shell space, established via Project #19-052. The space will be used for physician office space/clinic space, with no applicable State standards. Table Three illustrates the spatial allotment, and there are no applicable State Board standards.

TABLE THREE Size of Project				
Dept./Service	Proposed DGSF	State Standard	Difference	Met Standard?
Procedure*	537	N/A	N/A	N/A
Public Space	979	N/A	N/A	N/A
Physician/Clinic Space	4,150	N/A	N/A	N/A
Staff Support	1,080	N/A	N/A	N/A
Building Systems	379	N/A	N/A	N/A
Circulation	4,268	N/A	N/A	N/A
TOTAL	11,393			
*- Office-Based pain procedure rooms not requiring licensure as an ASTC.				

B) Projected Utilization

The proposed project will build out existing shell space to house physician space for two interventional pain providers, one neurosurgeon, and advanced practice providers recently added to the RMG Physicians' group. The built-out space will also provide space on the other two floors for additional physician recruitment. Table Four (below) illustrates historical office visits for the services currently offered by RMG at the facility and shows a trending increase in utilization.

TABLE FOUR					
Orthopedic & Spine Center Visits					
Service	2021	2022	2023	2024	2024 (annualized)
Ortho	15,336	16,830	17,619	11,749	17,624
Podiatry	4,893	6,873	8,017	6,015	9,023
Pain Mgmt.	1,955	2,453	3,173	1,516	2,274
Neurosurgery	1,354	2,079	2,401	1,675	2,513
TOTALS	25,559	30,257	33,233	22,979	31,433

C) Unfinished/Shell Space

The original project to establish the Applicants' facility (#19-052) was approved on December 10, 2019, permitting the construction of a three-story MOB in 75,000 GSF of space, of which 23,810 GSF was designated as shell space intended to be built out later. The Applicants propose to build out approximately half of this space (11,393 GSF), for use as physician office/clinic space. No clinical services or services applicable to State Board utilization standards are proposed for this project. The Applicants will submit a separate application to build out the remaining shell space in this building.

D) Assurances

The Applicants verify their intent to build out the remaining shell space when necessary and anticipate filing another Certificate of Need application within the next three years.

VII. Clinical Service Areas Other Than Categories of Service

New Services or Facility or Equipment 77 Ill. Adm. Code 1110.270(b)	Need Determination Establishment
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A) Need Determination-Establishment

The Applicants note the main purpose of this project is to increase accessibility for patients in the primary service area of Riverside Medical Center. Approximately 75% of Riverside Medical Group's patient base resides within the RMG primary service area, which includes 43 area zip codes (see application, p. 70).

B) Service Demand

The space designated for build-out via this application is 11,393 GSF and will house physician office/clinic space for two pain management specialists, one neurosurgeon, and other advanced practice providers affiliated with Riverside Medical Group (RMG). RMG established their Orthopedics Group in 2018 and has experienced rapid growth as evidenced in Table Four. The proposed project is expected to have no impact on area providers. RMG is part of a fully integrated health system, and current referrals for physician/APP therapy services are conducted within the Riverside Health System.

VIII. Financial Viability and Economic Feasibility

- A. Criterion 1120.120 – Availability of Funds
- B. Criterion 1120.130 – Financial Viability
- C. Criterion 1120.140(a) – Reasonableness of Debt Financing
- D. Criterion 1120.140(b) – Terms of Debt Financing

The Applicants will fund this project in its entirety with cash & securities totaling \$5,914,432. A Co-Applicant, Riverside Health System, provided proof of an A2/Stable Bond Rating (dated June 20, 2024), from Moody’s Ratings Service, an A+ Bond Rating (dated February 16, 2024), from Standard & Poor’s Ratings Service), and audited Financial Statements for Fiscal Years 2021, 2022, and 2023 (see Table Five). It appears the availability of funds and financial viability is sufficient for this Applicant.

TABLE FIVE			
Audited Financial Statements			
Riverside Health System			
Fiscal Years 2021, 2022, and 2023			
	2021	2022	2023
Cash	\$149,377,010	\$95,856,656	\$91,621,143
Current Assets	\$251,320,226	\$202,367,031	\$198,988,155
Total Assets	\$915,764,206	\$828,769,483	\$844,344,621
Current Liabilities	\$110,707,969	\$98,499,221	\$65,923,428
LTD	\$146,697,987	\$141,397,152	\$135,872,480
Total Liabilities	\$308,235,373	\$285,653,902	\$239,557,050
Net Patient Revenue	\$410,004,628	\$402,314,802	\$449,278,320
Total Revenues	\$435,098,444	\$421,617,832	\$471,470,501
Income from Operations	\$10,126,350	(\$21,743,518)	\$16,134,400
Net Income	\$51,038,535	(\$65,398,350)	\$60,808,050
Source: Application, pgs. 94-134			

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

The proposed project will consist of 11,393 GSF of space, with the entirety classified as non-clinical. Only clinical spatial considerations are tested against the State Board standards, so this criterion is inapplicable.

- F. Criterion 1120.140(d) – Direct Operating Costs
- G. Criterion 1120.140(e) – Total Effect of the Project on Capital Costs

The Applicants report no Direct Operating Cost or a Total Effect of the Project on Operating Costs. The State Board does not have a standard for these costs.