

TO: Mike Constantino, Supervisor, Project Review Section  
Illinois Health Facilities and Services Review Board

FROM: Kara Friedman  
McGuireWoods LLP

CC: Stephanie Beever  
Fred Segovich  
Billie Paige

DATE: November 25, 2009

RE: Project Number 08-013

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HEALTH FACILITIES &  
SERVICES REVIEW BOARD

## Summary

Carle Foundation Hospital (the "Hospital") received a permit for Project Number 08-013 on August 12, 2008 to expand and modernize its current hospital facility by constructing a nine-story, 348,400 gross square foot bed tower and modernizing 50,622 gross square feet in the North Tower of the hospital (the "Bed Tower Project"). The project did not involve any change in beds or services provided by the Hospital.

As reported in the annual progress report for this project, approximately 12% of the project costs were committed by the third quarter of 2009. That status reflected the near completion of the modernization and expansion of the digestive health space in the North Tower as well as expenditures for planning the new bed tower. As the deadline for project obligation approaches, the permit holder determined that the project will not meet the 33% obligation requirement by the February 12, 2010 deadline.

Accordingly, enclosed herewith are two separate requests which are being filed contemporaneously with the Illinois Health Facilities and Services Review Board ("HFSRB"). The first request is a Permit Obligation Date Extension Request. The second enclosure is a Permit Alteration Request. Both requests are being filed at this time to ensure that the hospital is in full compliance with the HFSRB rules at all times. The permit holder would like the State Agency to prepare a State Agency Report for each request. Based on recent conversations with HFSRB staff, only if the permit obligation deadline extension request is denied by the State Board, however, would the permit holder ask the HFSRB to consider the Alteration Request.

ILLINOIS DEPARTMENT OF PUBLIC HEALTH, 525-535 JEFFERSON STREET, SPRINGFIELD IL 62761-0001, USA (3977-H3)

Invoice No.	Description	Date	Gross Amount	Discount Amount	Net Amount Paid
111909	ALTERATION REQUEST SURGICENTER	11/19/09	\$1,000.00	\$0.00	\$1,000.00
	APP FEE				
<b>TOTALS:</b>			<b>\$1,000.00</b>	<b>\$0.00</b>	<b>\$1,000.00</b>

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Detach at Perforation Before Depositing Check

REMOVE DOCUMENT ALONG THIS PERFORATION

THE FACE OF THIS DOCUMENT CONTAINS A COLORED BACKGROUND, A VOID PANTOGRAPH AND MICROPRINTING IN THE BORDER. THE REVERSE SIDE CONTAINS AN ARTIFICIAL WATERMARK - HOLD AT AN ANGLE TO VIEW.

Carle Foundation  
 611 W. Park  
 Urbana, IL 61801  
 Phone: (217) 383-3385

Busey Bank  
 201 West Main  
 Urbana, IL 61801

Check Date	11/23/2009
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Number	560084
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PAY *One Thousand and 00/100 Dollars*

Amount	\$ *****1,000.00
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Void After 180 Days

PAY TO THE ORDER OF  
 ILLINOIS DEPARTMENT OF PUBLIC HEALTH  
 525-535 JEFFERSON STREET  
 SPRINGFIELD IL 62761-0001  
 USA  
 (3977-H3)

*James C Leonard mo*



**Carle Foundation Hospital**

611 West Park Street, Urbana, IL 61801-2595 Phone: (217) 383-3311

**Via Personal Delivery**

November 25, 2009

Mr. Michael Constantino  
Supervisor, Project Review Section  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street  
Springfield, Illinois 62761

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HEALTH FACILITIES &  
SERVICES REVIEW BOARD

**RE: The Carle Foundation Hospital,  
Certificate of Need Permit Alteration Request,  
Project Number 08-013**

Dear Mr. Constantino:

The Carle Foundation Hospital (the "Hospital" or the "Permit Holder") hereby submits a Permit Alteration Request in relation to Project Number 08-013 as approved on August 12, 2008. The minimum fee of \$1,000 applies because this request does not increase the cost of the project, but rather decreases it. Therefore, the requisite minimum application fee made payable to the Illinois Department of Public Health, is enclosed. As noted in the covering memorandum to this Request, the permit holder asks that this matter only be considered by the Illinois Health Facilities and Services Review Board ("HFSRB") if the accompanying Obligation Extension Request does not receive favorable treatment. We have spoken with HFSRB staff and ask that this request be communicated to the HFSRB Chairperson and of our desire to have the alteration request considered only if the Obligation Extension Request is denied.

This letter satisfies the requirements set forth at Section 1130.750 of the HFSRB rules and is an allowable alteration that requires HFSRB approval.

The Permit Holder requests the HFSRB's approval to allow it to alter the approved CON permit by reducing the scope of the project to reflect only the component relating to the modernization of the digestive health program and to reflect the other costs expended to date on planning for the CON permit. Accordingly, this alteration will, until further notice, postpone the Permit Holder's plans to build a new nine-story, 348,400 gross square foot bed tower. The initial plan for the bed tower was to provide for the relocation and modernization of a number of services operated by the Permit Holder including rehabilitation, intensive care and medical/surgical beds as well as vascular procedure laboratories. Also, another 20,000 gross square feet of the North Tower of the Hospital was scheduled to be modernized in order to tie this existing bed tower into the planned bed tower. In connection with the postponement of construction of the bed tower, this element of the modernization will not be undertaken at this time.

Mr. Michael Constantino

November 25, 2009

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In the existing Hospital premises, the digestive health program was successfully relocated from the Parkview Building to the existing North Tower. Consistent with the plans described in the CON permit application, the space for these services was completely modernized and the program was expanded from six to ten endoscopy procedure rooms. The total square footage for the altered project is now 15,386 gross square feet of clinical space and 15,203 gross square feet of non-clinical space.

This proposed alteration request will reduce the scope of the approved certificate of need permit and the Permit Holder anticipates that the total project cost will decrease from the approved amount of \$235,896,765 to \$22,172,542. Attached to this Request letter are several revised charts from the CON application that reflect the alteration and its impact on the project cost and scope as indicated in the approved CON permit application. The costs reflected in the attachments reflect approximately \$11,717,305 for clinical areas and \$10,455,238 for non-clinical space. The charts provided below include:

- Revised Schedule N – Project Costs and Sources of Funds
- Revised Attachment Info-7 – Cost/Space Requirements Chart
- Revised Attachment ECON-3 for Criterion 1120.310(c) – Reasonableness of Project and Related Costs Related to Gross Square Feet
- Revised Attachment ECON-4 for Criterion 1120.310(c)(2) – Reasonableness of Project and Related Costs including an Itemization of Project Costs and Equipment

We appreciate your staff's attention to the review of this matter. We look forward to receiving the State Agency's findings. To reiterate, given the Permit Holder's desire to have the HFSRB make a determination on the Obligation Extension Request prior to consideration of this matter, we would respectfully request that the Chairperson not act on the Permit Alteration Request unless the HFSRB first denies the Obligation Extension Request.

Please contact my colleague, Fred Segovich, at (217) 326-0411 or [fred.segovich@carle.com](mailto:fred.segovich@carle.com), or Kara Friedman at (312) 750-2751 or [kfriedman@mcguirewoods.com](mailto:kfriedman@mcguirewoods.com) if you require further information in order to consider this request.

Sincerely,



Stephanie Beever

Vice-President of Business Development and Regional Outreach

Enclosures

Cc: James Leonard, M.D.  
Kara M. Friedman  
Billie Paige

Revised Schedule N

PROJECT COSTS AND SOURCES OF FUNDS	Original Total	Original Clinical	Original Non-Clinical	Actual Total	Actual Clinical	Actual Non-Clinical	Difference Original vs. Actual Total
Preplanning Costs	\$2,892,101	\$1,185,761	\$1,706,340	\$2,771,658	\$1,122,766	\$1,648,892	(\$120,443)
Site Survey and Soil Investigation	\$50,000	\$20,500	\$29,500	\$23,398	\$9,389	\$14,009	(\$26,602)
Site Preparation	\$6,960,679	\$2,853,878	\$4,106,801	\$397,170	\$177,507	\$219,663	(\$6,563,509)
Off Site Work	\$5,000,000	\$2,050,000	\$2,950,000	\$68,660	\$27,552	\$41,108	(\$4,931,340)
New Construction Contracts	\$121,858,775	\$51,559,825	\$70,298,950	\$0	\$0	\$0	(\$121,858,775)
Modernization Contracts	\$10,441,425	\$3,486,375	\$6,955,050	\$6,205,144	\$3,433,595	\$2,771,549	(\$4,236,281)
Contingencies	\$13,400,000	\$5,494,000	\$7,906,000	\$287,599	\$158,239	\$129,360	(\$13,112,401)
Architectural/Engineering Fees	\$8,082,020	\$3,313,628	\$4,768,392	\$8,339,735	\$3,461,277	\$4,878,458	\$257,715
Consulting and Other Fees	\$755,000	\$309,550	\$445,450	\$241,751	\$106,657	\$135,094	(\$513,249)
Movable or Other Equipment (not in construction contracts)	\$27,126,672	\$17,454,149	\$9,672,523	\$2,474,171	\$1,975,685	\$498,486	(\$24,652,501)
Bond Issuance Expense (project related)	\$3,560,000	\$1,459,600	\$2,100,400	\$63,403	\$34,885	\$28,518	(\$3,496,597)
Net Interest Expense During Construction (project related)	\$26,600,000	\$10,906,000	\$15,694,000	\$131,000	\$72,077	\$58,923	(\$26,469,000)
Fair Market Value of Leased Space or Equipment	\$8,876,765	\$8,876,765	\$0	\$1,168,854	\$1,137,676	\$31,178	(\$7,707,911)
Other Costs To be Capitalized	\$293,328	\$120,264	\$173,064	\$0	\$0	\$0	(\$293,328)
Acquisition of Building or Other Property (excluding land)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>ESTIMATED TOTAL PROJECT COSTS</b>	<b>\$235,896,765</b>	<b>\$109,090,296</b>	<b>\$126,806,469</b>	<b>\$22,172,542</b>	<b>\$11,717,305</b>	<b>\$10,455,238</b>	<b>(\$213,724,223)</b>
Cash and Securities	\$19,287,100	\$0	\$19,287,100	\$16,754,329	\$7,814,019	\$8,940,309	(\$2,532,771)
Pledges	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gifts and Bequests	\$0	\$0	\$0	\$10,000	\$10,000	\$0	\$10,000
Bond Issues (project related)	\$216,609,665	\$109,090,296	\$107,519,369	\$4,239,360	\$2,755,609	\$1,483,751	(\$212,370,305)
Mortgages	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Leases (fair market value)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Governmental Appropriations	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Funds and Sources	\$0	\$0	\$0	\$1,168,854	\$1,137,676	\$31,178	\$1,168,854
<b>TOTAL FUNDS</b>	<b>\$235,896,765</b>	<b>\$109,090,296</b>	<b>\$126,806,469</b>	<b>\$22,172,542</b>	<b>\$11,717,305</b>	<b>\$10,455,238</b>	<b>(\$213,724,223)</b>

**Revised Cost/Space Requirements Chart  
(Attachment Info-7)**

**Q. Cost/Space Requirements**

Department/Area	Cost	Gross Square Feet		Amount of Proposed Total GSF that is:			
		Existing	Proposed	New Const.	Remodeled	As Is	Vacated Space
<b>Clinical:</b>							
Gastro-Intestinal / Colo-Rectal Labs	\$4,881,272	1,531	7,101	0	6,961	0	1,531
Gastro-Intestinal / Colo-Rectal Prep / Recovery	\$2,364,945	10,805	8,394	0	8,425	0	10,805
Total Clinical	\$7,246,217	12,336	15,495	0	15,386	0	12,336
<b>TOTAL PROJECT</b>	<b>\$11,147,924</b>	<b>12,336</b>	<b>30,622</b>	<b>0</b>	<b>30,589</b>	<b>0</b>	<b>12,336</b>

**Revised Criterion 1.120.310(c) - Reasonableness of Project and Related Costs Chart  
(Attachment ECON-3)**

Department List	A	B	C		D		E		F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Square Foot Modified	Gross Square Foot New	Gross Square Foot Circulation	Gross Square Foot Circulation	Gross Square Foot Modified	Gross Square Foot Circulation	Construction \$ (A x C)	Modification \$ (B x E)			
<b>Clinical:</b>												
Gastro-Intestinal / Colo-Rectal Labs		\$265.07	0			6,961	0			\$0	\$1,845,183	\$1,845,183
Gastro-Intestinal / Colo-Rectal Prep / Recovery		\$265.07	0			8,425	0			\$0	\$2,233,209	\$2,233,209
<b>Total Clinical</b>						15,386	0			\$0	\$4,078,392	\$4,078,392
<b>Non-Clinical:</b>												
Building Support and Mechanical		\$175.00	0			130	0			\$0	\$22,759	\$22,759
Conference Rooms		\$175.00	0			358	0			\$0	\$62,573	\$62,573
Dining Room		\$0.00	0			0	0			\$0	\$0	\$0
Elevator		\$0.00	0			0	0			\$0	\$0	\$0
Nurse Education		\$0.00	0			0	0			\$0	\$0	\$0
Office Space		\$180.00	0			806	0			\$0	\$145,044	\$145,044
Leased Physician Office Space		\$232.03	0			8,749	0			\$0	\$2,030,000	\$2,030,000
Public Area		\$215.10	0			2,747	0			\$0	\$590,839	\$590,839
Staff Support		\$200.00	0			2,414	0			\$0	\$482,866	\$482,866
<b>Total Non-Clinical</b>						15,203				\$0	\$3,334,081	\$3,334,081
Contingency												\$287,599
<b>TOTAL PROJECT</b>						30,589				\$0	\$7,412,473	\$7,700,072

**Revised Criterion 1120.310(c) - Reasonableness of Project and Related Costs Chart  
(Attachment ECON-4)**

<u>Itemization of Project Costs</u>	<u>Revised</u>
<u>Preplanning</u>	
Planning and Programming	\$100,000
Site Recon, Budgeting, Estimating, Scheduling	\$150,000
Code Analysis, Specifications	\$50,000
Conceptual Design	\$500,000
Schematic Design	\$817,101
Design Development	\$1,154,557
Market Analysis	\$0
Total	<u>\$2,771,658</u>
<u>Site Survey and Soil Investigation</u>	
Survey and Geotechnical	\$23,398
Total	<u>\$23,398</u>
<u>Site Preparation</u>	
Surface parking, utilities, lighting	\$0
Demolition, vacation, utility relocation, tunnels, landscaping	\$397,170
Total	<u>\$397,170</u>
<u>Off-Site Work</u>	
Expand energy plant	\$68,660
Total	<u>\$68,660</u>
<u>Consulting</u>	
CON, City review, IDPH review, zoning, landscaping	\$241,751
Total	<u>\$241,751</u>
<u>Other Costs to be Capitalized</u>	
Permits, utility connections	\$0
Cost escalations	\$0
Total	<u>\$0</u>

**Revised Criterion 1120.310(c)(2) - Reasonableness of Project and Related Costs Chart  
(Attachment ECON-4)**

<u>Itemization of Project Costs</u>	<u>Revised</u>
<u>Movable or Other Equipment</u>	
Public and Staff Furniture	\$153,250
Artwork	\$44,467
Medical Equipment	
Cardiac Catheterization Labs	\$36,092
CVICU Beds with Booms	\$5,630
Cardiac Beds	\$17,324
Medical-Surgical Beds	\$15,159
Rehabilitation Beds	\$541
Rehabilitation Therapy Equipment	\$650
Wound Healing Center Equipment	\$325
Sleep and Occupational Therapy Equipment	\$72
Dialysis Beds and Equipment	\$722
Inpatient Pharmacy Equipment	\$1,805
Multiple Procedure - Endoscopy Equipment	\$1,817,035
Preparation - Recovery Area Equipment	\$33,245
Total	<u>\$1,928,600</u>
Business Equipment	
IT (computers, phones, etc)	\$249,986
Administrative Equipment	\$4,179
Total	<u>\$254,165</u>
Miscellaneous Equipment	\$93,689
Total Movable or Other Equipment	\$2,474,171
<u>Book Value of endoscopy equipment to be relocated</u>	<u>\$1,168,854</u>
Subtotal	\$7,145,663
<u>Other CON Permit Costs (modernization contracts, contingencies, architectural/ engineering fees, bond issue costs and net interest expense)</u>	<u>\$15,026,880</u>
<u>TOTAL</u>	<u><u>\$22,172,542</u></u>