



United Surgical Partners
INTERNATIONAL

August 3, 2010

Mr. Dale Galassie
Acting Chairman
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street – 2nd Floor
Springfield, IL 62761

RECEIVED

AUG 06 2010

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re: Proposed Alteration of Permit Number 08-070, Physicians' Surgery Center at Good Samaritan

Dear Mr. Galassie:

We are requesting permission to alter the permit for the Physicians' Surgery Center at Good Samaritan located in Mt. Vernon, Illinois. This project was approved by the Illinois Health Facilities Planning Board at the January 28, 2009 State Board Meeting (A copy of the permit letter is appended.). The project as originally proposed called for the establishment of a new Ambulatory Surgical Treatment Center (ASTC) with 5 operating rooms in 13,675 GSF, at a cost of \$8,949,271. The proposed alteration will reduce the number of operating rooms from 5 to 4; reduce the proposed square footage from 13,675 GSF to 10,937 GSF; and reduce the cost from \$8,949,271 to \$7,432,427. This proposed alteration is allowable under the Board's rules but does require approval of the Board.

While the cost of the project will be reduced, the financial commitment to the project has not changed. The attached cost and sources of funds pages details the individual changes to the cost line items. The cost per square foot has not changed and the space will still be leased in the same office building (Good Samaritan Physician and Ambulatory Services Building - Project #08-050). The co-applicants will be the same, and are continuing to fund the project as committed to in the original application and the cost estimates are consistent with the original projections.

This is the first alteration for this project. An extension of the obligation period was approved on June 2010 and copy of the approval letter is appended.

The sections of the application form, which relate to this project have been modified, and are appended to this request letter.

The primary reason for the reduction in the number of operating rooms proposed is the re-assessment of the project's needs by the co-applicants. It was determined that the original projected volumes were slightly higher than the current projections, which are based upon more recent historical data and firmer commitments from the member physicians. The projected volume figures have been reduced from 4,127 procedures to 3,724 procedures based upon the latest commitments from physicians who have become members of the LLC. This results in a slightly lower projected need for operating rooms. The size of the facility has also been reduced due to the decreased number of rooms proposed.



No changes are proposed regarding the types of procedures, which will be performed at the ASTC, the facility will be a multi-specialty ASTC

The proposed alteration will not impact any of the other area providers in that it reduces the number of rooms proposed and it continues to receive its patients from the hospital physicians rather than other physicians in the community. The proposed decrease in the number of operating rooms will not adversely impact the hospital's ability to meet the surgical needs of its patients.

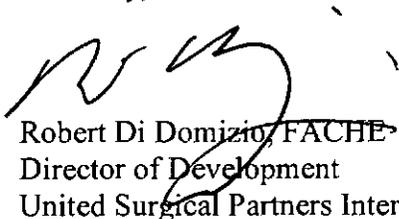
The commitment to charges has not changed from the statement provided in the original application.

Appended to this letter are:

- A new cost and sources of funds page
- A copy of the permit letter
- A copy of the letter approving the extension request regarding the obligation of this project.
- A letter from Good Samaritan Regional Health Center indicating that the project will not impact the new hospital as approved previously
- The relevant attachments from the application form for the criteria impacted by the proposed alteration.
- A letter from IDPH indicating that working drawings have been received.
- A letter showing the continued commitment for financing the project.
- A check for \$1,000 for the application fee required for this alteration request.

Thank You for your prompt consideration of this alteration request. We will be happy to answer any questions you may have. Please contact Mr. Michael Copelin our CON consultant at 217-725-4558.

Sincerely,



Robert Di Domizio, FACHE
Director of Development
United Surgical Partners International

United Surgical Partners International, Dallas, TX

DATE 27-JUL-10

CUST. ACCT. NO.

VENDOR NAME

STATE OF ILLINOIS

VENDOR NO.

26771

INVOICE NO.	INVOICE DATE	DESCRIPTION	DISCOUNT AMOUNT	NET AMOUNT
07262010CK	26-JUL-10	APP FOR ALTERATION - SSM ST. MA	0.00	1,000.00
<p>RECEIVED</p> <p>AUG 06 2010</p> <p>HEALTH FACILITIES & SERVICES REVIEW BOARD</p>				
PLEASE DETACH AND RETAIN THIS STATEMENT AS YOUR RECORD OF PAYMENT.			0.00	1,000.00

THANK YOU

THIS CHECK IS VOID WITHOUT A PURPLE & BLUE BORDER AND BACKGROUND PLUS A KNIGHT & FINGERPRINT WATERMARK ON THE BACK - HOLD AT ANGLE TO VIEW



United Surgical Partners
INTERNATIONAL

15305 Dallas Parkway
Suite 1600, LB-28
Addison, Texas 75001
972-713-3500

Controlled Disbursement
Bank of America, N.A.
Atlanta, Dekalb County, Georgia

64-1278
611 GA

CHECK DATE	CHECK NUMBER	AMOUNT
27-JUL-10	32094	*****1,000.00

PAY One Thousand Dollars And 00 Cents*****

TO THE ORDER OF STATE OF ILLINOIS
ILLINOIS HEALTH FACILITIES REVIEW B

VOID AFTER 60 DAYS

BY: *Donald Utter*

08-070 Alteration Request
Physicians Surgery
Ctr @ Good Sam

⑈032094⑈ ⑆061112788⑆ 335 900 5553⑈

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NON-CLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts	\$821,023		
Modernization Contracts			
Contingencies	\$82,000		
Architectural/Engineering Fees	\$199,784		
Consulting and Other Fees	\$210,000		
Movable or Other Equipment (not in construction contracts)	\$2,155,000		
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)	\$381,577		
Fair Market Value of Leased Space or Equipment	\$3,582,043		
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$7,431,427		
SOURCE OF FUNDS	CLINICAL	NON-CLINICAL	TOTAL
Cash and Securities	\$1,100,000		
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	\$2,749,384		
Leases (fair market value)	\$3,582,043		
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$7,431,427		
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			



STATE OF ILLINOIS
HEALTH FACILITIES PLANNING BOARD

525 WEST JEFFERSON STREET • SPRINGFIELD, ILLINOIS 62761 • (217)782-3516

January 31, 2009

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Michael Warren, Vice President
Good Samaritan Regional Health Center
605 North 12th Street
Mt. Vernon, Illinois 62864

RE: **PERMIT**: Illinois Health Facilities Planning Act 20 ILCS 3960

Dear Mr. Warren:

On January 28, 2009, the Illinois Health Facilities Planning Board approved the application for permit for the referenced project based upon the project's substantial conformance with the applicable standards and criteria of Part 1110 and 1120. In arriving at a decision, the State Board considered the findings contained in the State Agency Report, the application material, and any testimony made before the State Board.

- **PROJECT**: #08-070 - Physicians Surgery Center at Good Samaritan - The applicants are approved for the establishment of a multi-specialty ambulatory surgical treatment center (ASTC) located at Veterans Memorial Drive and 42nd Street, Mount Vernon, Illinois in 13,675/GSF of space. The applicants are approved for 5 operating rooms.
- **PERMIT HOLDERS**: Physicians Surgery Center at Good Samaritan, LLC, Good Samaritan Regional Health Services, 605 North 12th Street, Mount Vernon, Illinois, SSM Regional Health Services, SSM Health Care Corporation, 477 N. Lindbergh, Blvd., St. Louis, Missouri, and Mount Vernon Physicians, LLC, 7101 West 78th Street, Suite 100, Minneapolis, Minnesota.
- **PERMIT AMOUNT**: \$8,949,271.
- **PROJECT OBLIGATED BY**: July 28, 2010
- **PROJECT COMPLETION DATE**: December 31, 2012

This permit is valid only for the defined construction or modification, site, amount and the named permit holder and is not transferable or assignable.

OFFICE OF THE EXECUTIVE SECRETARY

In accordance with the Planning Act, the permit is valid until such time as the project has been completed, provided that all post permit requirements have been fulfilled, pursuant to the requirements of 77 Ill. Adm. Code 1130. The permit holder is responsible for complying with the following requirements in order to maintain a valid permit. Failure to comply with the requirements may result in expiration of the permit or in State Board action to revoke the permit.

1. OBLIGATION-PART 1130.720

The project must be obligated prior to the Project Obligation Date, unless the permit holder obtains an "Extension of the Obligation Period" as provided in 77 Ill. Adm. Code 1130.730.

2. ANNUAL PROGRESS REPORT-PART 1130.760

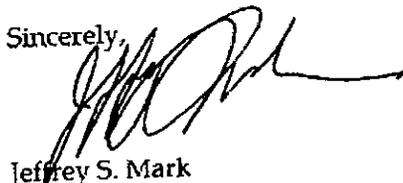
An annual progress report must be submitted to IDPH every 12-month from the permit issuance date until such time as the project is completed.

3. PROJECT COMPLETION REQUIREMENTS-PART 1130.770

The permit holder must submit a written notice of project completion as defined in Section 1130.140. Each permit holder shall notify HFPB within 30 days following the project completion date and provide supporting documentation within 90 days following the completion date and must contain the information required by Section 1130.770.

This permit does not exempt the project or permit holder from licensing and certification requirements, including approval of applicable architectural plans and specifications prior to construction. Should you have any questions regarding the permit requirements, please contact Mike Constantino.

Sincerely,



Jeffrey S. Mark
Executive Secretary

cc: William Bell
Karen Senger
Jody Gudgel
Project File



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

Copy: *Julie Amy*
Robert D. Dominio

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516

June 9, 2010

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mike Warren, President
Good Samaritan Regional Health Center
605 North 12th Street
Mt. Vernon, Illinois 62864

RE: EXTENSION OF OBLIGATION

Project #08-070 - Physicians Surgery Center at Good Samaritan
Permit Holder: Physicians Surgery Center at Good Samaritan, LLC, Mount Vernon's
Physicians, LLC, SSM Health Care Corporation, SSM Regional Health Services

Dear Mr. Warren:

On June 8, 2010 the Acting Chairman of the Illinois Health Facilities and Services Review Board approved an "Extension of the Obligation Period" for the above-captioned project. The approval was for a 12-month extension from July 28, 2010 to July 28, 2011. Therefore, this project must be obligated in accordance with the State Board Rule at 77 IAC 1130.720, no later than July 28, 2011.

PLEASE NOTE THAT 77 IAC 1130.730 ALLOWS ONLY ONE TWELVE-MONTH EXTENSION OF THE OBLIGATION PERIOD FOR EACH PROJECT. THEREFORE, THIS IS THE ONLY EXTENSION ALLOWABLE FOR THIS PROJECT.

Failure to meet the requirements for permit obligation will result in the permit being considered expired and the project abandoned.

The permit holder is also reminded of other post-permit requirements contained in "Subpart G" of Part 1130. Adherence to these requirements is essential in maintaining a valid permit and is the responsibility of the permit holder.

Should you have any questions, please contact our office at (217) 782-3516.

Sincerely,

Dale W. Galassie
Acting Chairman Illinois Health Facilities and
Services Review Board

St. Mary's Good Samaritan

Incorporated

Cosponsored by Felician Services, Inc.
and SSM Health Care

July 16, 2010



Mr. Mike Constantino
Director of Project Review
Illinois Health Facilities Planning Board
525 W. Jefferson Street – 2nd Floor
Springfield, IL 62702

Dear Mr. Constantino,

This letter is in reference to the alteration request for the Physician Surgery Center at Good Samaritan (Project 08-070). The proposed alteration for the Ambulatory Surgery Center will have no impact on the approved plans for Good Samaritan's replacement hospital (approved Project 08-051). The hospital is being constructed to include the same amount of operating rooms and square feet as originally proposed in our application. The construction drawings for the replacement hospital were deemed "received and complete" by the Illinois Department of Public Health on August 28, 2009, and the replacement hospital project was obligated earlier this summer.

If you should have any questions, feel free to call my office at (618) 241-2201.

Sincerely,

A handwritten signature in black ink that reads "Michael Warren".

Michael Warren, FACHE
President
Good Samaritan Regional Health Center

605 North 12th Street
Mt. Vernon, IL 62864
618.242.4600

www.smsgsi.com

Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space

SIZE OF PROJECT

The size of the project is being reduced from 13,675 GSF to 10,937 GSF to accommodate 4 Operating Rooms. The need for the 4 Ors is discussed under criterion 1110.1540.(d) TREATMENT Room Need Assessment.

The State Norm for ASTCs is 2,750 GSF per OR. The applicant is proposing to have 2,734 GSF which conforms with the State Agency Norms.

A copy of the proposed floor plan is appended to this attachment.

Criterion 1110 .1540.(a) Scope of Services Provided

The proposed alteration does not impact the services to be provided. The applicant is still proposing to provide the following services:

- Endoscopy
- General Surgery
- Gynecology
- Ophthalmology
- Orthopedic
- Otolaryngology
- Pain Management
- Pulmonary
- Urology

The physicians who wrote the original letters remain committed to the project, however, the co-applicant's have determined that the volume of patients has decreased slightly due to economic conditions and it was decided to reduce the volume projections by approximately 400 procedures annually.

Criterion 1110.1540(b), Target Population

The target population for the project remains unchanged from the original application

Criterion 1110 .1540.(d), Treatment Room Need Assessment

The projected patient volume for the facility totals 3,724 procedures, which, based upon 1.5 hours per procedure (including clean-up and set-up time) equals 5,586 hours of surgery to be performed in the new ASTC. This total justifies 3.7 or 4 ORs based upon the State Standard of 1,500 hours of surgery per room. The applicant is proposing to have 4 Ors

The average time per procedure was based upon the hospital's experience as well as the experience of USPI in operating several ASTCs across the country.

Criterion 1110.1540©) Projected Patient Volume

The new projected patient volume totals 3,724 procedures. This volume is based upon the historical outpatient volume of the hospital surgery department for the physicians who have committed to the proposed project less 30% for the volume which will continue to be treated in the hospital surgery department.

The original letters presented to the Board are still considered to be commitments from the physicians, The new projections take a more conservative approach to the calculation of volume and are based upon the volume of procedures performed at the hospital by the individual physicians.

While both methods of calculating patient volume are good methods of making the volume projections the applicant has chosen to utilize the more conservative number in developing the facility.

Criterion 1110 .1540.(e) Impact on Other Facilities

The proposed alteration will not have an impact on any other area facilities. The reduction in the one OR will not cause any of the other facilities to increase their workload and will only make this ASTC more efficient.

Criterion 1110 .1540.(f), Establishment of New Facilities

This criterion is not applicable since the Board had previously approved this project and no additional facilities or services are proposed.

Criterion 1110 .1540.(g), Charge Commitment

The Charge Commitment made in the original application, which was approved by the Board, remains in effect and has not be changed in any way due to the proposed alteration.

Criterion 1110 .1540.(h), Change in Scope of Service

This criterion is not applicable. No change in service is proposed.



Pat Quinn, Governor
Damon T. Arnold, M.D., M.P.H., Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • www.idph.state.il.us

July 1, 2010

Kevin TenBrook
Philo Wilke Partnership
11275 S. Sam Houston Pkwy W., Suite 200
Houston, TX 77031-

Re: Physicians Surgery Center @ Good Samaritan
Mt. Vernon
New ASTC
IDPH No: 9026

Dear Kevin TenBrook:

Please refer to our letter dated June 28, 2010. In that letter, we stated that "We are unable to complete the review process for the surgery center until [issues related to the communicating space within the building] are brought to a successful completion. Please be advised that all issues related to the communicating space have now been resolved.

Our records indicate that the drawings we have reviewed regarding the new ASTC were design development drawings, and that final working drawings remain to be submitted for compliance with Illinois Administrative Code 205.1330(g). We await that submittal.

Even though the Illinois Department of Public Health (Department) conducts a facility plan review, the facility is totally responsible for meeting the Department's licensure standards. The facility's responsibility is never waived even if the Department conducts a facility plan review and does not specify all licensure deficiencies.

If you have any questions, please do not hesitate to call us at 217/785-4264. The Department's TTY # is 800/547-0466, for use by the hearing impaired.

Sincerely,

William R. Bender, Staff Architect
Design Standards Unit
Division of Health Care Facilities & Programs

cc: Rosa Byrum,
6724 Christiansted Ln
Nashville, TN 37211

Improving public health, one community at a time

printed on recycled paper



United Surgical Partners
I N T E R N A T I O N A L

July 8, 2010

Mr. Mike Cosentino
Director of Project Review
Illinois Health Facilities Planning Board
525 W. Jefferson Street -2"d Floor
Springfield, IL 62702

Subject: Attestation Statement for Project #08-070

Project Title: Physician Surgery Center at Good Samaritan, LLC
Permit Holders: Physician Surgery Center at Good Samaritan, LLC and
Good Samaritan Regional Health Center

Dr. Mr. Cosentino,

In this notarized letter, I attest that United Surgical Partners International (USPI) maintains the financial resources necessary to obligate the project, the "Physician Surgery Center at Good Samaritan, LLC (of which USPI is a partner).

This multi-specialty ambulatory surgical treatment center estimated cost is \$7.4 million as compared to the cost of \$8.9 million, which is consistent with the origami estimate outlined in the approved permit.

This Attestation Statement is being submitted in conjunction with a request for "Alteration".

If you have any questions, or require any clarification, please call my office at (972) 713-3574.

Sincerely,

Robert Di Domizio
Director of Development
United Surgical Partners International

DOCKET NO: A	BOARD MEETING: January 27-29, 2009	PROJECT NO: 08-070	PROJECT COST: Original: \$8,949,271
FACILITY NAME: Physician Surgery Center at Good Samaritan		CITY: Mount Vernon	Current:
TYPE OF PROJECT: Substantive			HSA: V

PROJECT DESCRIPTION: The applicants propose to establish a multi-specialty ambulatory surgical treatment center ("ASTC") with five operating rooms ("OR") and 20 recovery stations. The ASTC will be housed in 13, 675 GSF of leased space in a Medical Office Building known as Good Samaritan Physician and Ambulatory Services Building. The proposed facility will be located on land owned by Good Samaritan Regional Health Care (Mount Vernon). The State Agency notes a request for permit to construct Good Samaritan Physician and Ambulatory Services Building (#08-050) is expected to be considered at the December January 2009 meeting.

STATE AGENCY REPORT

Physician Surgery Center at Good Samaritan, LLC, Mount Vernon Physicians, LLC,
Good Samaritan Regional Health Center, SSM Regional Health Services, and SSM
Health Care Corporation
Mount Vernon, Illinois
Project #08-070

APPLICATION SUMMARY	
Applicant	Physician Surgery Center at Good Samaritan, LLC, Mount Vernon Physicians, LLC, Good Samaritan Regional Health Center, SSM Regional Health Services, and SSM Health Care Corporation
Facility Name	Physician Surgery Center at Good Samaritan
Location	Mt. Vernon
Application Received	September 2, 2008
Application Deemed Complete	September 11, 2008
Scheduled Review Period Ended	
Review Period Extended by the State Agency	No
Public Hearing Requested	No
Applicants' Deferred Project	No
Can Applicants Request Another Deferral?	Yes
Applicants' Modified the Project	No

I. The Proposed Project

The applicants propose to establish a multi-specialty ambulatory surgical treatment center ("ASTC") with five operating rooms ("ORs") and 20 recovery rooms. The facility will comprise 13,750 gross square feet ("GSF") of leased space in the Good Samaritan Physician and Ambulatory Services Building. The estimated project cost is \$8,949,271.

II. Summary of Findings

- A. The State Agency finds the proposed project does **not** appear to be in conformance with the provisions of Part 1110.
- B. The State Agency finds the proposed project does **not** appear to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Physicians Surgery Center at Good Samaritan, LLC, Mount Vernon Physicians, LLC, Good Samaritan Regional Health Center, SSM Regional Health Services, and SSM Health Care Corporation. The facility will be located at Veteran's Memorial Drive at 42nd Street, Mount Vernon, (Jefferson County) in HSA V. The proposed facility will contain 13,750 GSF. There are 12 hospitals and six ASTCs providing outpatient surgical services within the geographic service area ("GSA").

This is a substantive project subject to both a Part 1110 and Part 1120 review. A public hearing was offered on this project; however, no hearing was requested. The State Agency did not receive any comments regarding this project.

Project obligation will occur after permit issuance. The anticipated project completion date is March 31, 2012.

IV. The Proposed Project - Details

The applicants propose to establish a multi-specialty ASTC with five ORs and 20 recovery stations. The proposed ASTC will be located in a Medical Office Building ("MOB") to be known as Good Samaritan Physician and Ambulatory Services Building, which will be located on land leased from Good Samaritan Regional Health Center. A replacement hospital building to be located adjacent to the MOB has been proposed and will be considered in a separate application for permit. The ASTC will consist of 13,675 GSF.

V. Project Costs and Sources of Funds

The total project cost is \$8,949,271 and includes \$4,478,781 that represents the fair market value ("FMV") of the leased space. The applicants are funding all remaining project costs from cash and securities and a mortgage. Table One displays cost and sources of funds information for the project.

TABLE ONE	
Project Cost and Sources of Funds	
Project Cost	Amount
New Construction Contracts	1,112,500

TABLE ONE	
Project Cost and Sources of Funds	
Project Cost	Amount
Contingencies	100,000
Architectural/Engineering Fees	203,500
Consulting and Other Fees	225,000
Movable or Other Equipment	2,490,000
Fair Market Value of Leased Space	4,478,781
Other Costs to be Capitalized	338,490
Total	8,948,271
Source of Funds	Amount
Cash and Securities	1,575,000
Mortgage	2,894,490
Leases (fair market value)	4,478,781
Total	8,948,271

VI. Review Criteria - Non-Hospital Based Ambulatory Surgery

A. Criterion 1110.1540(a) - Scope of Services Provided

The criterion states:

“Any applicant proposing to establish a non-hospital based ambulatory surgical category of service must detail the surgical specialties that will be provided by the proposed project and whether the project will result in a limited specialty or multi-specialty ambulatory surgical treatment center (ASTC).

- 1) The applicant must indicate which of the following surgical specialties will be provided at the proposed facility: Cardiovascular, Dermatology, Gastroenterology, General/Other, Neurological, Obstetrics/Gynecology, Ophthalmology, Oral/Maxillofacial, Orthopaedic, Otolaryngology, Plastic, Podiatry, Thoracic, and Urology.
- 2) The applicant must indicate which of the following type of ASTC will result from the proposed project
 - A) Limited specialty ASTC, which provides one or two of the surgical specialties listed in this Section; or

- B) Multi-specialty ASTC, which provides at least three of the surgical specialties listed in this Section. In order to be approved as a multi-specialty ASTC, the applicant must document that at least 250 procedures will be performed in each of at least three of the surgical specialties listed in this Section."

The applicants indicate the project will be a multi-specialty ASTC providing the following services: Gastroenterology, General/Other, Obstetrics/Gynecology, Ophthalmology, Orthopaedic, Otolaryngology and Urology. The applicants estimate a total of 4,197 procedures will be performed. Table Two displays referral information.

TABLE TWO	
Surgical Specialty	Procedures
Endoscopy	925
General	489
Gynecology	125
Ophthalmology	10
Orthopedic	989
Otolaryngology	110
Pain Management	744
Pulmonary	48
Urology	757
TOTALS	4,197

A review of the physician referral letters shows that the ASTC anticipates at least 250 procedures will be performed in at least three of the surgical specialties listed. Thus, a positive finding can be made.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE SCOPE OF SERVICES PROVIDED CRITERION (77 IAC 1110.1540(a)).

B. Criterion 1110.1540(b) - Target Population

The criterion states:

"Because of the nature of ambulatory surgical treatment, the State Board has not established geographic service areas for assessing need. Therefore, an applicant must define its intended geographic service area and target population. However, the intended geographic service area

shall be no less than 30 minutes and no greater than 60 minutes travel time (under normal driving conditions) from the facility's site."

The applicants provided a map with the designated geographic service area "GSA". Travel time from the proposed facility to the GSA borders is approximately one hour to the West, one hour to the East, 45 minutes to the North and 45 minutes to the South. The applicants indicate the GSA reflects the service area of Good Samaritan Regional Health Center. This criterion requires the geographic service area shall be no less than 30 minutes and no greater than 60 minutes travel time from the facility's site; therefore, a positive finding can be made.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE TARGET POPULATION CRITERION (77 IAC 1110.1540(b)).

C. Criterion 1110.1540(c) - Projected Patient Volume

The criterion states:

- "1) The applicant must provide documentation of the projected patient volume for each specialty to be offered at the proposed facility. Documentation must include physician referral letters which contain the following information:
 - A) the number of referrals anticipated annually for each specialty;
 - B) for the past 12 months, the name and location of health care facilities to which patients were referred, including the number of patients referred for each surgical specialty by facility;
 - C) a statement by the physician that the information contained in the referral letter is true and correct to the best of his/her information and belief; and
 - D) the typed or printed name and address of the physician, his/her specialty and his/her notarized signature.
- 2) Referrals to health care providers other than ambulatory surgical treatment centers (ASTC) or hospitals will not be included in determining projected patient volume. The applicant shall provide documentation demonstrating that the projected patient volume as

evidenced by the physician referral letters is from within the geographic service area defined under subsection (b)."

The applicant provided 21 physician letters indicating 4,197 referrals to the proposed facility. Table Three displays the sites where surgeries were performed for the past 12 months as identified in the physician referral letters.

TABLE THREE Surgeries Performed by Facility			
Facility	Location	Procedures	Percentage of Referrals
Good Samaritan Regional Health Center	Mount Vernon	4,186	99.7%
Crossroads Community Hospital	Mount Vernon	11	.3%
TOTALS		4,197	100.0%

A review of the information submitted reveals there are sufficient referrals to support the projected volume. Therefore, a positive finding can be made.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE PROJECTED PATIENT VOLUME CRITERION (77 IAC 1110.1540(c)).

D. Criterion 1110.1540(d) - Treatment Room Need Assessment

The criterion states:

- "1) Each applicant proposing to establish or modernize a non-hospital based ambulatory surgery category of service must document that the proposed number of operating rooms are needed to serve the projected patient volume. Documentation must include the average time per procedure for the target population including an explanation as to how this average time per procedure was developed. The following formula can be applied in determining treatment room need:

$$\text{Required Treatment Rooms} = \frac{\text{Hours of Surgery/Year}^*}{250 \text{ Days/Yr.} \times 7.5 \text{ Hrs./Day} \times .80^{**}}$$

(*Hours of surgery includes cleanup and setup time and will be based on the projected volume) (**80% is desired occupancy rate)

- 2) There must be a need documented for at least one fully utilized (1,500 hours) treatment room for a new facility to be established. Also, utilizing the formula the application must document the need for each treatment room proposed."

According to the applicants, the average procedure time, including clean up and set up, is 1.5 hours per procedure. The applicant indicates 1.5 hours per procedures is consistent with similar multi-specialty ASTCs. This results in 6,295.5 hours of surgery annually based upon the projected volume of 4,197 patients. If the number of procedures materializes, the applicant can justify the 5 proposed ORs. Thus, a positive finding can be made.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE TREATMENT ROOM NEED ASSESSMENT CRITERION (77 IAC 1110.1540(d)).

E. Criterion 1110.1540(e) "Impact on Other Facilities" – Review Criterion

The criterion states:

"An applicant proposing to change the specialties offered at an existing ASTC or proposing to establish an ASTC must document the impact the proposal will have on the outpatient surgical capacity of all other existing ASTCs and hospitals within the intended geographic service area and that the proposed project will not result in an unnecessary duplication of services or facilities. Documentation shall include any correspondence from such existing facilities regarding the impact of the proposed project, and correspondence from physicians intending to refer patients to the proposed facility. Outpatient surgical capacity will be determined by the Agency, utilizing the latest available data from the Agency's annual questionnaires, and will be the number of surgery rooms for ASTCs and the number of equivalent outpatient surgery rooms for hospitals. Equivalent outpatient surgery rooms for hospitals are determined by dividing the total hours of a hospital's outpatient surgery by 1,500 hours.

In addition to documentation submitted by the applicant, the State Agency shall review utilization data from annual questionnaires submitted by such health care facilities and data received directly from health facilities located within the intended geographic service area, including public hearing testimony."

The applicant contacted all the facilities within the proposed GSA. No responses were received from any of the providers. Table Four provides surgical utilization data for 12 hospitals and six ASTCs within the GSA.

TABLE FOUR Surgical Utilization of Existing Providers within GSA							
Hospitals							
Facility	City/HSA	Hours of Surgery	Hours of Outpt. Surgery	Number of Outpt	Equiv. Outpt	ORs Justified	Excess OR Capacity
Good Samaritan Regional Health	Mt. Vernon	12,997	7,322.0	9	5	9	No
Franklin Hospital ¹	Benton	365	354.0	4	1	1	Yes
Crossroads Community Hosp.	Mt. Vernon	7,210	5,791.0	4	4	5	No
Clay County Hospital	Flora	673	489.0	10	1	1	Yes
Salem Township Hospital ¹	Salem	1,213	960.0	2	1	1	Yes
St. Mary's Hospital	Centralia	6,417	3,065.0	4	2	5	No
Fairfield Memorial Hospital ¹	Fairfield	1,541	989.0	4	1	1	Yes
Washington County Hospital ¹	Nashville	380	354.0	1	1	1	No
Hamilton Memorial Hospital ¹	McLeansboro	687	597.0	1	1	1	No
Pinckneyville Community Hosp ¹	Pinckneyville	602	533.0	2	1	1	Yes
Marshall Browning Hospital ¹	DuQuoin	324	203.0	1	1	1	No
St. Joseph's Hospital	Breese	934	497.0	3	1	1	Yes
Ambulatory Surgical Treatment Centers							
Facility	City/HSA	Multi or Limited	# of ORs	Hours of Surgery	ORs Justified	Excess OR	
Mt. Vernon Eye Center ²	Mt. Vernon	Limited	2				
Surgery Center of Centralia	Centralia	Multi	2	916.3	1	Yes	
Healthsouth Surgery Center	Marion	Multi	2	1,881.8	2	No	
Marion Healthcare	Marion	Multi	3	3,128.0	3	No	
Southern Illinois Orthopedic	Herrin	Limited	3	3,310.0	3	No	
Pain Care Surgery	Marion	Limited	1	446.0	1	No	
Source: IDPH Questionnaire - 2007							
1) Critical Access Hospital							
2) Project 07-061 permit received January 15, 2007 for a limited ASTC with 2 ORs.							

As seen from the utilization data, there is excess capacity in the GSA to accommodate outpatient surgery at six hospitals and one ASTC in the area. In addition, utilization data for one new facility (Mount Vernon Eye

Surgery Center) is not available. The State Agency notes this ASTC is a limited specialty facility providing ophthalmology services; therefore, the addition of surgical specialties at this facility would require a CON. Since there is excess surgical capacity within the GSA, it appears the proposed project may negatively impact area providers.

THE STATE AGENCY NOTES IT DOES NOT APPEAR THE APPLICANT MEETS THE REQUIREMENTS OF THE IMPACT ON OTHER FACILITIES CRITERION - 1110.1540(e).

F. Criterion 1110.1540(f) - Establishment of New Facilities

The Establishment of New Facilities Criterion states:

"An application proposing to establish a new ASTC must meet one of the following conditions:

1. There are no other ASTC's within the GSA of the proposed project under normal driving conditions; or
2. All of the other ASTC's and hospital equivalent outpatient surgery rooms within the intended geographic service area are utilized at or above the 80% occupancy target; or
3. The applicants can document that the facility is necessary to improve access to care. Documentation shall consist of evidence that the facility will be providing services which are not currently available in the geographic area, or that the existing underutilized services in the geographic service area have restrictive admission policies; or
4. The proposed project is a co-operative venture sponsored by two or more persons at least one of which operates an existing hospital.
 - A) that the existing hospital is currently providing outpatient surgery services to the target population of the geographic service area;
 - B) that the existing hospital has sufficient historical workload to justify the number of operating rooms at the existing hospital and at the proposed ASTC based upon the Treatment Room Need Assessment methodology of subsection d of this Section;
 - C) that the existing hospital agrees not to increase its operating room capacity until such time as the proposed project's operating rooms are operating at or above the target utilization rate for a period of twelve full months; and

D) that the proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital”

The applicants indicate the proposed project is a joint venture between United Surgical Partners International (USPI), Good Samaritan Regional Health Center and area physicians; therefore, subsection (f)4 has been addressed. The applicants have indicated the GSA will mirror the current service area of Good Samaritan Regional Health Center; therefore, subsection f)4)A) has been satisfied.

The applicants note the establishment of the ASTC will enable the hospital to reduce the number of ORs in the proposed replacement hospital in Mount Vernon. The State Agency notes a request for discontinuation of the current 161-bed Good Samaritan Regional Health Center located in Mount Vernon and the establishment of 134-bed hospital in Mount Vernon is expected to be considered by the Board at the January 2009 meeting.

As part of project #08-051, Good Samaritan Regional Health Center is proposing six ORs for the replacement hospital. This results in a total of 11 ORs for Good Samaritan Regional Health Center and Physician Surgery Center at Good Samaritan. Based upon data submitted in the hospital's 2007 Annual Hospital Questionnaire, Good Samaritan Regional Health Center can justify only nine operating rooms. The State Agency notes that the hospital has 2 OR rooms one OR designated to open heart surgery and one OR designated to cystoscopy.

The applicants refer to population projections indicating a 7.1% growth for the service area by 2015. Considering the project is expected to be completed in 2012, the applicants anticipate an increase of 4.97% in surgical volume. Subsection f)4)B) requires the existing hospital to document sufficient historical volume to justify the number of operating rooms at the existing hospital and at the proposed ASTC. Considering the historical workload cannot justify the combined 11 ORs, this subsection has not been met.

Good Samaritan Regional Health Center confirms additional operating rooms will not be added until the ASTC is operating at full capacity. Therefore, the applicants satisfy subsection f)4)C). Finally, the applicants

attest that ASTC charges per procedure for comparable procedures will be lower than those of the existing hospital. Therefore, the applicants meet subsection f)4)D).

In summary, all requirements of section 4 must be met to satisfy this criterion. Although subsections f)4)A, f)4)C and f)4)D have been met, the applicants have not documented the historical workload of the existing hospital justifies the number of ORs proposed. Therefore, a positive finding cannot be made.

THE STATE AGENCY NOTES IT DOES NOT APPEAR THE APPLICANT MEETS THE REQUIREMENTS OF THE ESTABLISHMENT OF NEW FACILITIES CRITERION - 1110.1540(f).

G. Criterion 1110.1540(g) - Charge Commitment

The Charge Commitment Criterion states:

"In order to meet the purposes of the Act which are to improve the financial ability of the public to obtain necessary health services and to establish a procedure designed to reverse the trends of increasing costs of health care, the applicant shall include all charges except for any professional fee (physician charge). [20 ILCS 3960/2] The applicant must provide a commitment that these charges will not be increased, at a minimum, for the first two years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a)."

The applicants state the proposed facility will maintain charges for the first two years of operation of the proposed surgery center; therefore, a positive finding can be made.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE CHARGE COMMITMENT CRITERION - 1110.1540(g).

H. Criterion 1110.1540(h) - Change in Scope of Service

"Any applicant proposing to change the surgical specialties currently being provided by adding one or more of the surgical specialties listed under subsection (a) of this Section must document one of the following:

- 1) that there are no other facilities (existing ASTCs or hospitals with outpatient surgical capacity) within the intended geographic service area which provide the proposed new specialty; or
- 2) that the existing facilities (existing ASTCs or hospitals with outpatient surgical capacity) within the intended geographic service area of the applicant facility are operating at or above the 80% occupancy target; or
- 3) that the existing programs are not accessible to the general population of the geographic service area in which the applicant facility is located."

This criterion is not applicable as the project represents the establishment of a new facility.

THE STATE AGENCY FINDS THE CHANGE IN SCOPE OF SERVICES CRITERION - 1110.1540(h) IS NOT APPLICABLE TO THIS PROJECT.

VII. General Review Criteria

A. Criterion 1110.230(a) - Location

The Location Criterion states:

"An applicant who proposes to establish a new health care facility or a new category of service or who proposes to acquire major medical equipment that is not located in a health care facility and that is not being acquired by or on behalf of a health care facility must document the following:

- 1) that the primary purpose of the proposed project will be to provide care to the residents of the planning area in which the proposed project will be physically located. Documentation for existing facilities shall include patient origin information for all admissions for the last 12 months. Patient origin information must be presented by zip code and be based upon the patient's legal

residence other than a health care facility for the last six months immediately prior to admission. For all other projects for which referrals are required to support the project, patient origin information for the referrals is required. Each referral letter must contain a certification by the health care worker physician that the representations contained therein are true and correct. A complete set of the referral letters with original notarized signatures must accompany the application for permit.

- 2) that the location selected for a proposed project will not create a maldistribution of beds and services. Maldistribution is typified by such factors as: a ratio of beds to population (population will be based upon the most recent census data by zip code), within 30 minutes travel time under normal driving conditions of the proposed facility, which exceeds one and one half times the State average; an average utilization rate for the last 12 months for the facilities providing the proposed services within 30 minutes travel time under normal driving conditions of the proposed project which is below the Board's target occupancy rate; or the lack of a sufficient population concentration in an area to support the proposed project."

The applicants provided a map of the GSA. In addition, the applicants submitted patient origin for Good Samaritan Regional Health Center (application pages 48-62). According to the applicants, since referrals are expected to come from Good Samaritan Regional Health Center, the proposed GSA for the ASTC will mirror the hospital's service area.

The travel times and distance for the three hospitals and two ASTCs within 30 minutes travel time of the proposed ASTC are provided in Table Five. The data in Table Five is sorted based on distance.

Facility	City	Distance (Miles) ¹	Driving Time (Minutes) ¹	Excess Capacity ²
Crossroads Community Hospital	Mount Vernon	1.5	4	No
Mt. Vernon Eye Center ³	Mount Vernon	1.8	4	
Good Samaritan Regional Health Center	Mount Vernon	3.5	9	No
St. Mary's Hospital	Centralia	24.8	29	No

TABLE FIVE Distance and Travel Times				
Facility	City	Distance (Miles) ¹	Driving Time (Minutes) ¹	Excess Capacity ²
Surgery Center of Centralia	Centralia	25.0	29	Yes
1. Distance and travel times from MapQuest 2. Excess capacity based upon utilization statistics from IDPH 2007 Annual Questionnaire. 3. Project 07-061 permit received January 15, 2007 for a limited ASTC with 2 ORs.				

Based upon information reviewed, it appears the primary purpose of the project is to provide care to residents of the planning area in which the facility will be located. However, it appears the proposed facility will contribute to an already existing maldistribution of service. Although three of the five facilities within 30 minutes travel time do not have excess capacity, there is one multi-ASTC which has excess capacity. As previously referenced, the recently approved Mt. Vernon Eye Center has not been completed. This facility is a limited ASTC and would have to request a CON to add specialties; therefore, it appears this facility would not be available to accommodate patients proposed by the applicants. Considering there is an existing provider within 30 minutes travel time of the proposed facility that has additional surgical capacity, a positive finding cannot be made.

THE STATE AGENCY NOTES IT DOES NOT APPEAR THE APPLICANT MEETS THE REQUIREMENTS OF THE LOCATION CRITERION - 1110.230(a).

B. Criterion 1110.230(b) - Background of Applicant

The Background of Applicant

"The applicant shall demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6] In evaluating the fitness of the applicant, the State Board shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. "

Licensure and accreditation documents were provided for those facilities owned and operated by SSM Health Care Corporation. In addition, the applicants provided a letter assuring that no adverse action has been taken against any of the facilities within the last three years and permitting access to information in order to verify any documentation or information submitted in response to the requirements of this subsection. It appears the applicants are fit, willing and able and have the qualifications, background and character to adequately provide a proper standard of healthcare service for the community.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE BACKGROUND OF THE APPLICANT CRITERION - 1110.230(b).

C. Criterion 1110.230(c) - Alternatives

The criterion states:

"The applicant must document that the proposed project is the most effective or least costly alternative. Documentation shall consist of a comparison of the proposed project to alternative options. Such a comparison must address issues of cost, patient access, quality, and financial benefits in both the short and long term. If the alternative selected is based solely or in part on improved quality of care, the applicant shall provide empirical evidence including quantifiable outcome data that verifies improved quality of care. Alternatives must include, but are not limited to: purchase of equipment, leasing or utilization (by contract or agreement) of other facilities, development of freestanding settings for service and alternate settings within the facility."

The applicants considered the following options:

1. Not develop the ASTC and continue to do all outpatient surgery in the hospital.

The applicants rejected this option citing the excessive cost necessary to expand the hospital's operating department. The applicants estimate this option would have cost \$10,312,500. Also, the applicants note the

proposed project provides the opportunity to joint venture with an experienced ASTC management firm.

2. Construct a new ASTC at a location remote from the hospital; in a freestanding building.

Although this option would cost approximately the same as the proposed project, the applicants rejected this option because it would not be as convenient to patients. The applicants cite the duplication of ancillary services that would be required if the ASTC were to be housed in a different location.

3. The project as proposed.

The applicants state several reasons for selecting this alternative, including the convenience to patients and staff. Also mentioned, was the cost savings that would be avoided by the duplication of ancillary services if the ASTC were to be located at a different site. Finally, the applicants indicate the option to joint venture for outpatient surgery allows the hospital to preserve capital for other patient care needs.

Although the ORs at Good Samaritan Regional Health Center are operating at high utilization levels; excess capacity has been cited in the GSA. In addition, Good Samaritan Regional Health Center can justify a total of nine ORs and the applicants are proposing five ASTC ORs and six ORs in the proposed replacement hospital. It appears the establishment of an ASTC will add to an already existing excess capacity in the GSA. It appears a more appropriate alternative would be to utilize existing providers.

THE STATE AGENCY NOTES IT DOES NOT APPEAR THE APPLICANT MEETS THE REQUIREMENTS OF THE ALTERNATIVES CRITERION - 1110.230(c).

- D. Criterion 1110.230(d) - Need for the Project

The criterion states:

- "1) If the State Board has determined need pursuant to Part 1100, the proposed project shall not exceed additional need determined unless the applicant meets the criterion for a variance.
- 2) If the State Board has not determined need pursuant to Part 1100, the applicant must document that it will serve a population group in need of the services proposed and that insufficient service exists to meet the need. Documentation shall include but not be limited to:
 - A) area studies (which evaluate population trends and service use factors);
 - B) calculation of need based upon models of estimating need for the service (all assumptions of the model and mathematical calculations must be included);
 - C) historical high utilization of other area providers; and
 - D) identification of individuals likely to use the project.
- 3) If the project is for the acquisition of major medical equipment that does not result in the establishment of a category of service, the applicant must document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition."

The State Board has not determined need for this category of service; therefore, the applicant must document the project will serve a population group in need of the services proposed, and that insufficient service exists to meet the need.

The applicants cite the need for the project based upon the need to replace the existing hospital (Good Samaritan Regional Health Center). According to the applicants, "Once that decision was made to replace the current hospital, it was determined that relocating the majority of the outpatient surgical procedures to a non-hospital based ASTC was the best alternative available and that this facility was best built through a joint venture with the area physicians and a company which had experience in operating this type of facility." Also, the applicants reference the physician referral letters to demonstrate a need for five ORs.

As previously discussed, it appears there is excess surgical capacity within the GSA to accommodate the procedures proposed for the applicant's

facility. Therefore, it does not appear the need for the facility has been documented.

THE STATE AGENCY NOTES IT DOES NOT APPEAR THE APPLICANT MEETS THE REQUIREMENTS OF THE NEED FOR THE PROJECT CRITERION - 1110.230(d).

E. Criterion 1110.230(e) - Size of the Project

The criterion states:

"The applicant must document that the size of a proposed project is appropriate.

- 1) The proposed project cannot exceed the norms for project size found in Appendix B of this Part unless the additional square footage beyond the norm can be justified by one of the following:
 - A) the proposed project requires additional space due to the scope of services provided;
 - B) the proposed project involves an existing facility where the facility design places impediments on the architectural design of the proposed project;
 - C) the proposed project involves the conversion of existing bed space and the excess square footage results from that conversion; or
 - D) the proposed project includes the addition of beds and the historical demand over the last five year period for private rooms has generated a need for conversion of multiple bed rooms to private usage.

- 2) When the State Board has established utilization targets for the beds or services proposed, the applicant must document that in the second year of operation the annual utilization of the beds or service will meet or exceed the target utilization. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians) and the provision of new procedures which would increase utilization."

The ASTC will contain 13,675 GSF with five ORs. Based upon the State standard of 2,750 GSF per OR and 180 GSF per recovery station, the applicants can justify 17,350 GSF. The 13,675 GSF proposed is within the State standard.

The applicants provided 21 physician letters indicating 4,197 referrals. The applicants estimate the referrals will generate 6,295.5 surgical hours. Based on the State standard of 1,500 hours per OR, the applicants can justify five ORs.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE SIZE OF THE PROJECT CRITERION - 1110.230(e).

VIII. Review Criteria - Financial Feasibility

- A. Criterion 1120.210(a) - Financial Viability
- B. Criterion 1120.210(b) - Availability of Funds
- C. Criterion 1120.210(c) - Start-Up Costs

These criteria are not applicable as the applicant provided proof of an "A" bond rating (page 192).

IX. Review Criteria - Economic Feasibility

- A. Criterion 1120.310(a) - Reasonableness of Financing Arrangements

This criterion is not applicable as the applicant provided proof of an "A" bond rating.

- B. Criterion 1120.310(b) - Terms of Debt Financing

The criterion states:

"The applicant must certify that the selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as

prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs, and other factors. In addition, if all or part of the project involves the leasing of equipment or facilities, the applicant must certify that the expenses incurred with leasing a facility and/or equipment are less costly than constructing a new facility or purchasing new equipment. Certification of compliance with the requirements of this criterion must be in the form of a notarized statement signed by two authorized representative (in the case of a corporation, one must be a member of the board of directors) of the applicant entity."

The applicants documented in a notarized statement (page 182 of the application) that the selected form of debt financing will be at the lowest net cost available. It appears the applicants are in compliance with the conditions of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1110.310(b)).

C. Criterion 1120.310(c) - Reasonableness of Project Cost

The Reasonableness of Project Cost Criterion states:

- "1) Construction and Modernization Costs
Construction and modernization costs per square foot for non-hospital based ambulatory surgical treatment centers and for facilities for the developmentally disabled, and for chronic renal dialysis treatment centers projects shall not exceed the standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. For all other projects, construction and modernization costs per square foot shall not exceed the adjusted (for inflation, location, economies of scale and mix of service) third quartile as provided for in the Means Building Construction Cost Data publication unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

- 2) Contingencies
Contingencies (stated as a percentage of construction costs for the stage of architectural development) shall not exceed the standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. Contingencies shall be for construction or modernization only and shall be included in the cost per square foot calculation.
BOARD NOTE: If, subsequent to permit issuance, contingencies are proposed to be used for other line item costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by the State Board prior to such use.
- 3) Architectural Fees
Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.
- 4) Major Medical and Movable Equipment
 - A) For each piece of major medical equipment, the applicant must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.
 - B) Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.
- 5) Other Project and Related Costs
The applicant must document that any preplanning, acquisition, site survey and preparation costs, net interest expense and other

estimated costs do not exceed industry norms based upon a comparison with similar projects that have been reviewed. "

New Construction Contracts (Modernization) and Contingencies - The costs of building "build-out" are estimated to be \$1,212,500 for the construction of 13,675 GSF, which is \$88.67 per GSF. The estimated cost appears reasonable compared to the adjusted State modernization standard of \$178.31 (\$125.06 for base year 2000 annually inflated by 3% through 2012).

Contingencies - The contingency allocation is \$100,000 or 9% of construction costs. This appears reasonable compared to the State standard of 10%-15%.

Architects and Engineering Fees - These costs total \$203,500 or 16.78% of construction and contingency costs. This amount appears high compared with the Capital Development Board's fee structure of 4.8% - 11.3% that is utilized as the State standard.

TABLE EIGHT		
Architects and Engineering Fees		
Applicant's Proposal	State Standard	Difference
\$203,500.00	\$137,012.50	\$66,487.50

Consulting and Other Fees - These costs total \$225,000. The State Board does not have a standard for these costs.

Movable or Other Equipment - These costs total \$2,490,000, which is \$498,000 per OR. This appears reasonable compared to the adjusted State standard of \$515,759 per OR (\$361,743 for base year 2000 annually inflated by 3% through 2012).

FMV of Leased Space - These costs total \$4,478,781. The State Board does not have a standard for these costs.

Other Costs to be Capitalized - These costs are \$338,490. The State Board does not have a standard for these costs.

THE STATE AGENCY NOTES IT DOES **NOT** APPEAR THE APPLICANT MEETS THE REQUIREMENTS OF REASONABLENESS OF PROJECT COST CRITERION - 1120.310(c).

D. Criterion 1120.310(d) - Projected Operating Costs

The criterion states:

"The applicant must provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Direct costs mean the fully allocated costs of salaries, benefits, and supplies for the service."

The applicant projects \$1,680.70 operating cost per equivalent patient day for FY 2011 for the hospital. The State Board does not have a standard for these costs.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE PROJECTED OPERATING COSTS CRITERION - 1120.310(d).

E. Criterion 1120.310(e) - Total Effect of the Project on Capital Costs

The criterion states:

"The applicant must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later."

The applicant projects \$311.14 capital cost per equivalent patient day for FY 2011 for the hospital. The State Board does not have a standard for these costs.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE EFFECTS OF THE PROJECT ON CAPITAL COSTS CRITERION - 1120.310(e).

F. Criterion 1120.310(f) - Non-Patient Related Services

The criterion states:

The applicant must document that projects involving non-patient related services (medical office buildings) will be self-supporting and not result in increased charges to patients or that increased charges to patients are justified based upon such factors as, but not limited to, a cost benefit or other analysis which demonstrates that the project will improve the applicant's financial viability.

This criterion is not applicable.

