



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

MEMORANDUM

TO: Mike Constantino – Program Review Section
Division of Health Systems Development

FROM: Dale Galassie, Acting Chairman
Illinois Health Facilities and Services Review Board

RE: Alteration of Permit #08-070

Facility Name: Physicians Surgery Center at Good Samaritan, Mt Vernon

This is to advise you that I have thoroughly reviewed and evaluated the above-captioned application for permit and any and all supplemental material, transcripts, and staff reports regarding this application for conformance with the applicable State Board's criteria, standards, and laws that were in effect at the time this application was deemed complete. By the authority granted by the Illinois Health Facility Planning Act (20 ILCS 3960) I have determined the following:

- This **ALTERATION** is in compliance with the requirements of 77 IAC 1110 and 77 IAC 1120 and is unopposed.
- This **ALTERATION** is to be reviewed by the Health Facilities and Services Review Board.
- This **ALTERATION** is to be forwarded to the State Agency for additional material and further review.

Dale Galassie, Acting Chairman
Illinois Health Facilities and Services Review Board

8-17-2010

Date



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AGENDA ITEM NA	BOARD MEETING: NA	PROJECT NUMBER: 08-070
PERMIT HOLDERS(S): Mount Vernon Physicians, LLC, Good Samaritan Regional Health Center, SSM Regional Health Service, SSM Health Care Corporation, Physician Surgery Center at Good Samaritan, LLC		
FACILITY NAME and LOCATION: Physicians Surgery Center at Good Samaritan, Mt Vernon		

STATE AGENCY REPORT
PERMIT ALTERATION REQUEST
Project #08-070

I. Project Description and Background Information

On January 28, 2009, the State Board approved Project #08-070. The permit holders were authorized the establishment of a new Ambulatory Surgical Treatment Center with 5 operating rooms in 13,675/GSF of space. The total approved project cost is \$8,949,271.

II. The Proposed Alteration

A. The following proposed alterations require State Board approval:

1. The permit holders request a decrease in the permit amount by \$1,516,844 from \$8,949,271 to \$7,432,427 which is a decrease of 16.9% from the approved permit amount.
2. The permit holders request the elimination of 1 operating room and the reduction in gross square footage of 2,738 GSF or 20% from the approved permit amount.

B. Reason(s) for the Proposed Alteration:

The reason for the alteration is the reassessment 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.

TABLE ONE			
Project Cost and Sources of Funds			
Project Cost	Approved Permit Amount	Alteration Request	Difference
New Construction Contracts	\$1,112,500	\$921,023	-\$191,477
Contingencies	\$100,000	\$82,000	-\$18,000
Architectural/Engineering Fees	\$203,500	\$199,784	-\$3,716

State Agency Report – Permit Alteration Request

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Consulting and Other Fees	\$225,000	\$210,000	-\$15,000
Movable or Other Equipment	\$2,490,000	\$2,055,000	-\$435,000
Fair Market Value of Leased Space	\$4,478,781	\$3,582,043	-\$896,738
Other Costs to be Capitalized	\$338,490	\$381,577	\$43,067
Total	\$8,948,271	\$7,431,427	(\$1,516,864)
Source of Funds	Amount		
Cash and Securities	\$1,575,000	\$1,100,000	-\$475,000
Mortgage	\$2,894,490	\$2,749,384	-\$145,106
Leases (fair market value)	\$4,478,781	\$3,582,043	-\$896,738
Total	\$8,948,271	\$7,431,427	-\$1,516,844

III. Applicable Rules

77 IAC 1130.750 specifies that a permit is valid only for the project as defined in the application and any change to the project subsequent to permit issuance constitutes an Alteration to the project.

Allowable alterations that require HFPB action are:

- 1) a change in the approved number of beds or stations provided that the change would not independently require a permit or exemption from HFPB;
- 2) abandonment of an approved category of service established under the permit;
- 3) any increase in the square footage of the project up to 5% of the approved gross square footage;
- 4) any decrease in square footage greater than 5% of the project;
- 5) any increase in the cost of the project not to exceed 5% of the total project cost. This alteration may exceed the capital expenditure minimum in place when the permit was issued, provided that it does not exceed 5% of the total project cost;
- 6) any increase in the amount of funds to be borrowed for those permit holders that have not documented a bond rating of "A" or better;

- 7) any increase in the project costs components (i.e., line item amounts) if the increase is not in compliance with the 77 Ill. Adm. Code 1120 review criteria; or
- 8) any change that substantially changes the scope or changes the functional operation of the project, as defined in Section 1130.140.

IV. Summary of State Agency Findings

The State Agency finds the proposed Alteration appears to be in conformance with all applicable review criteria for Part 1110.

The State Agency finds the proposed Alteration DOES **NOT** appear to be in conformance with all applicable review criteria for Part 1120.

V. Original State Agency Findings Affected by the Proposed Alteration Request

- 77 IAC 1110.234 (a) – Size of the Proposed Project
- 77 IAC 1110.310 (c) – Reasonableness of Project Costs

VII Section 1110.234 - Project Scope and Size, Utilization – Review Criteria

a) Size of Project – Review Criterion

The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

- 1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
- 2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;
- 3) The project involves the conversion of existing bed space that results in excess square footage.

The ASTC will contain 10,937 GSF with four ORs. Based upon the State standard of 2,750 GSF per OR and 180 GSF per recovery station, the

applicants can justify 13,880 GSF. The 10,937 GSF proposed is within the State standard.

The applicants provided 21 physician letters indicating 3,724 referrals. The applicants estimate the referrals will generate 5,679 surgical hours. Based on the State standard of 1,500 hours per OR, the applicants can justify four ORs.

b) Project Services Utilization – Review Criterion

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFPB has not established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100. The applicant shall document that, in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in Appendix B.

The permit holder has provided evidence that in two years after project completion the surgical services will meet the State Board utilization standards.

THE STATE AGENCY FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF THE PROJECT CRITERION (77 IAC 1110.234(a)).

VII. Review Criteria - Economic Feasibility

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

The criteria 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.”

The State Agency notes only the clinical portions of the project were compared to the approved State Board permit amounts.

New Construction Contracts (Modernization) and Contingencies – The costs of building “build-out” are estimated to be \$1,003,023 for the construction of 10,937 GSF, which is \$82.56 per GSF. The estimated cost appears reasonable compared to the approved permit amount of \$178.31 GSF.

Contingencies - The contingency allocation is \$82,000 or 9.9% of construction costs. This appears reasonable compared to the State standard of 10%-15%.

Architects and Engineering Fees - These costs total \$199,784 or 22.1% of construction and contingency costs. This amount appears reasonable when compared to the State Board standard of \$203,500.

Consulting and Other Fees - These costs total \$210,000. The State Board does not have a standard for these costs.

Movable or Other Equipment – These costs total \$2,055,000, which is \$513,750 per OR. This appears reasonable when compared to the approved State Board standard of \$515,759 per OR.

Other Costs to be Capitalized– These costs total \$381,577. The State Board does not have a standard for these costs.

FMV of Leased Space – These costs total \$3,582,043. The State Board does not have a standard for these costs.

THE STATE AGENCY FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.310(c)).