



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

MEMORANDUM

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

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

RE: Alteration Request for Project # 08-051

Facility: Good Samaritan Regional Health Center – Mt. Vernon

This is to advise you that I have reviewed the above-captioned permit alteration request within the requirements in 77 IAC 1130.750 and have determined the following:

The request is in compliance with the requirements in 77 IAC 1130.750 and the alteration request is approved.

This request is to be reviewed by the Health Facilities Planning Board.

This request is DENIED effective \_\_\_\_\_ because it does **NOT** comply with the requirements specified in 77 IAC 1130.750.

Other actions as follows:



Dale Galassie, Chairman  
Illinois Health Facilities and  
Services Review Board

9-19-12

Date



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<b>DOCKET ITEM NUMBER:</b> NA	<b>BOARD MEETING:</b> NA	<b>PROJECT NUMBER:</b> #08-051
<b>PERMIT HOLDERS(S):</b> Good Samaritan Regional Health Center, SSM Regional Health Services and SSM Health Care Corporation		
<b>FACILITY NAME and LOCATION:</b> Good Samaritan Regional Health Center, Mt. Vernon		

**Project Description:**

The permit holders are requesting an alteration to Permit #08-051 Good Samaritan Regional Health Center in accordance with 77 IAC 1130.750 - Alteration of the Project. This is the first alteration request for this project. The permit holders are requesting an increase in the cost of the project by approximately \$6,244,766 or 3.38% of the approved permit amount of \$184,843,873.



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**STATE BOARD STAFF REPORT**  
**PERMIT ALTERATION REQUEST**  
Project #08-051

**I. Project Description and Background Information**

On January 28, 2008, the State Board approved Permit #08-051. The permit holders were approved to discontinue the current 163-bed hospital in Mount Vernon and establish a new 134-bed hospital at a different location. The new hospital will be located in Mount Vernon approximately three miles from its current site. The hospital will provide general hospital beds, as well as comprehensive physical rehabilitation inpatient beds. In addition, cardiac catheterization and open heart surgery services are also proposed. All services proposed are currently offered at the existing hospital. As part of this project, the permit holders discontinued its 16-bed pediatric service. The total bed complement of the hospital will be decreased from 163 beds to 134 beds.

**II. The Proposed Alteration**

**A. The following proposed alterations require State Board approval:**

The permit holders are requesting that the cost of the approved certificate of need be increased from \$184,843,873 to \$191,088,639 or \$6,244,766 or 3.38% of the approved permit amount. See Table One below.

**B. Reason(s) for the Proposed Alteration:**

The permit holders's state, "With regard to the alteration, the reason there is an increase in the cost of the project was because of an increase in site work, and the relocation of plant operations' building, the construction of temporary access roads, money for soil stabilization, addition of lighting poles and electrical signage, and additional water line. In addition the construction was delayed resulting in an increase in the construction cost of the project and the capitalized interest expense being higher than originally budgeted.

**III. Cost Space Requirement**

The size and scope of the project has not changed.



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**IV. 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.

**V. Summary of State Agency Findings**

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



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

**VI. Projects Costs and Sources of Funds**

Table Two below outlines the costs of the alteration request.

Approved Permit Amount			
Project Costs and Sources of Funds			
Use of Funds	Clinical	Non-Clinical	Total
Preplanning Costs	\$ 238,528	\$ 322,666	\$ 561,194
Site Survey and Soil Investigation	\$ 25,534	\$ 34,466	\$ 60,000
Site Preparation	\$ 3,382,008	\$ 4,565,109	\$ 7,947,117
Off Site Work	\$ 638,346	\$ 861,654	\$ 1,500,000
New Construction Contracts	\$ 51,869,661	\$ 71,207,989	\$ 123,077,650
Contingencies	\$ 5,237,742	\$ 7,070,023	\$ 12,307,765
A & E Fees	\$ 4,622,391	\$ 6,239,404	\$ 10,861,795
Consulting and Other Fees	\$ 421,815	\$ 569,377	\$ 991,192
Movable or Other Equipment	\$ 17,701,460	\$ -	\$ 17,701,460
Bond Issuance Expense During Construction	\$ 1,288,719	\$ 1,739,542	\$ 3,028,261
Net Interest Expense During Construction	\$ 2,897,002	\$ 3,910,437	\$ 6,807,439
<b>TOTALS</b>	<b>\$ 88,323,206</b>	<b>\$ 96,520,667</b>	<b>\$ 184,843,873</b>
Source of Funds	Clinical	Non-Clinical	Total
Cash and Securities	15,974,132	17,456,741	33,430,873
Bond Issues	72,349,074	79,063,926	151,413,000
<b>TOTALS</b>	<b>88,323,206</b>	<b>96,520,667</b>	<b>184,843,873</b>



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Altered Permit Amount Project Costs and Sources of Funds				
Use of Funds	Total	Clinical	Non Clinical	Difference
Preplanning Costs	\$ 721,457	\$ 303,012	\$ 418,445	\$ 160,263
Site Survey and Soil Investigation	\$ 40,379	\$ 16,959	\$ 23,420	\$ (19,621)
Site Preparation	\$ 11,823,000	\$ 4,965,660	\$ 6,857,340	\$ 3,875,883
Off Site Work	\$ 1,425,000	\$ 598,500	\$ 826,500	\$ (75,000)
New Construction Contracts	\$ 138,264,485	\$ 58,071,084	\$ 80,193,401	\$ 15,186,835
Contingencies	\$ -	\$ -	\$ -	\$ (12,307,765)
A & E Fees	\$ 11,173,923	\$ 4,693,048	\$ 6,480,875	\$ 312,128
Consulting and Other Fees	\$ 2,110,820	\$ 886,544	\$ 1,224,276	\$ 1,119,628
Movable or Other Equipment	\$ 16,329,553	\$ 16,329,553	\$ -	\$ (1,371,907)
Bond Issuance Expense During Construction	\$ -	\$ -	\$ -	\$ (3,028,261)
Net Interest Expense During Construction	\$ 9,200,000	\$ 3,864,000	\$ 5,336,000	\$ 2,392,561
<b>TOTALS</b>	<b>\$ 191,088,617</b>	<b>\$ 89,728,360</b>	<b>\$ 101,360,257</b>	<b>\$ 6,244,744</b>
Source of Funds	Total			
Cash and Securities	\$ 191,088,617			
Bond Issues	0			
<b>TOTALS</b>	<b>\$191,088,617</b>			

Only those criteria that have been altered will be discussed as part of this alteration report.

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



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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.



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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 project's costs reflect clinical costs only and do not include non-clinical costs that are not reviewable under the Planning Act.

Preplanning costs - These costs are \$303,012, or less than 1% of construction, contingencies and equipment costs. This is reasonable compared to the approved State Board standard of 1.8%.

Site Survey, Soil Investigation and Site Preparation - These costs \$4,982,619, or 8.858% of construction and contingency costs (\$58,071,084). These costs appear high compared to the State Board standard of 6.0%.

Off Site Work - These costs total \$598,500. The State Board does not have a standard for these costs.

New Construction and Contingencies - These costs are \$58,071,084 for construction costs and contingencies, or \$357.16 per GSF. This amount appears reasonable compared to the adjusted State standard of \$382.67 per GSF.

Architectural and Engineering Fees - These costs total \$4,693,048, or 8.08% of construction and contingencies. This appears reasonable compared to the approved State Board standard of 8.09%.

Consulting or Other Fees - These costs total \$886,544. The State Board does not have a standard for these costs.

Equipment - These costs total \$16,329,553. The State Agency notes the State Board does not have an equipment standard for hospital-based projects.



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Net Interest Expense during Construction - This cost is \$3,864,000. The State Board does not have a standard for this cost.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1110.310(c)).**