



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 # 11-017

Facility: Memorial Hospital - Shiloh

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

12.10.2012

Date



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<b>DOCKET ITEM NUMBER:</b> NA	<b>BOARD MEETING:</b> NA	<b>PROJECT NUMBER:</b> #11-017
<b>PERMIT HOLDERS(S):</b> Memorial Group, Inc. and Metro-East Services, Inc., Metro-East Services, Inc. d/b/a Memorial Hospital-East		
<b>FACILITY NAME and LOCATION:</b> Memorial Hospital, Shiloh		

**Project Description:**

The applicants are requesting an alteration to Permit #11-017 Memorial Hospital - Shiloh in accordance with 77 IAC 1130.750 - Alteration of the Project. **This is the first alteration request for this project.**



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**STATE AGENCY REPORT**  
**PERMIT ALTERATION REQUEST**  
**Project #11-017**

**I. Project Description and Background Information**

The permit holders are approved to establish a 94-bed acute care hospital on land approximately 5 miles from Memorial Hospital, Belleville. The approved facility will operate as a "satellite" of Memorial Hospital, Belleville, with Medical/Surgical, Obstetrics, Intensive Care, and Cardiac Catheterization services. The proposed facility will contain 72 med/surg beds, 16 OB beds, 6 ICU beds and offer cardiac catheterization services. The total cost of the project is \$118,629,458.

**II. The Proposed Alteration**

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

- The permit holder is decreasing the clinical service area by 2,354 DGSF and the overall project DGSF by 1,085 or less than 1% of the approved DGSF. The total BGSF will increase by 594 GSF to 207,212 GSF.
- The cost of the project will increase from \$118,629,458 to \$124,560,931 or 5%.
- The hospital's nursery, which was identified in the application as a Level I nursery will operate as a Level II nursery. The size requirements and construction cost complexity factor for Level I and Level II nurseries are identical.
- The project, as approved, included eight LDRP suites and eight private obstetrics rooms, a total of 16 beds. Subsequent meetings with constituent groups have resulted in the elimination of the private obstetric rooms and the addition of eight LDRP suites.
- The form of debt financing to be used will be changed. The project funding, as presented in the application, included \$108,629,458 in the form of a loan from an area bank. As the planning for the project has progressed, bond financing has become a more viable option, and one that will result in a lower total cost to the applicant. Please note the addition of the Bond Issuance Expense of \$1,479,920 to the Project Costs and Sources of Funds table on the following page.

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



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The proposed alteration is expected to save money over the 30 year term of the bonds.

**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**



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All findings from the Original State Agency Report remain unchanged from the original State Board Staff Report.

V. Projects Costs and Sources of Funds

Table One shows the revised project costs with the additional financing. See Table One below. Other costs to be capitalized include capitalized salaries and benefits costs and moving.

TABLE ONE							
Project Uses and Sources of Funds							
Uses of Funds	Clinical	Altered Clinical	Non Clinical	Altered Non-Clinical	Total	Revised Total	Difference
Preplanning Costs	\$1,180,000	\$330,300	\$435,000	\$170,146	\$1,615,000	\$500,446	(\$1,114,554)
Site Survey/Soil Investigation	\$30,000	\$12,100	\$20,000	\$6,302	\$50,000	\$18,402	(\$31,598)
Site Preparation	\$2,450,000	\$4,796,500	\$1,240,000	\$2,470,969	\$3,690,000	\$7,267,469	\$3,577,469
Off Site Work	\$3,600,000	\$982,200	\$2,400,000	\$505,933	\$6,000,000	\$1,488,133	(\$4,511,867)
New Construction Contracts	\$46,390,169	\$48,180,364	\$23,445,185	\$24,820,187	\$69,835,354	\$73,000,551	\$3,165,197
Contingencies	\$3,552,000	\$2,466,306	\$2,205,450	\$1,270,522	\$5,757,450	\$3,736,828	(\$2,020,622)
A & E Fees	\$2,640,000	\$3,671,800	\$1,350,000	\$0	\$3,990,000	\$4,856,006	\$866,006
Consulting and Other Fees	\$240,000	\$92,000	\$160,000	\$47,106	\$400,000	\$139,106	(\$260,894)
Movable or Other Equipment	\$20,023,000	\$24,805,416	\$3,533,000	\$3,533,000	\$23,556,000	\$28,338,416	\$4,782,416
Bond Issuance Expense	\$0	\$976,800	\$0	\$503,120	\$0	\$1,479,920	\$1,479,920
Net Interest Expense	\$2,656,527	\$2,656,527	\$1,079,127	\$1,079,127	\$3,735,654	\$3,735,654	\$0
<b>TOTALS</b>	<b>\$82,761,696</b>	<b>\$88,970,313</b>	<b>\$35,867,762</b>	<b>\$34,406,412</b>	<b>\$118,629,458</b>	<b>\$124,560,427</b>	<b>\$5,931,473</b>
Sources of Funds							
Cash and Securities	\$7,000,000		\$3,000,000		\$10,000,000	\$15,931,473	\$5,931,473
Mortgages	\$75,761,696		\$32,867,762		\$108,629,458	\$108,629,458	\$0
<b>TOTALS</b>	<b>\$82,761,696</b>		<b>\$35,867,762</b>		<b>\$118,629,458</b>	<b>\$124,560,931</b>	<b>\$5,931,473</b>

VI. Projects Cost Space Requirement

The permit holders are not proposing any alteration to the original size of the approved project. This criterion does not apply.

VII. 1110.234 - Size of the Project

The permit holder is decreasing the clinical service area by 2,354 DGSF and the overall project DGSF by 1,085 or less than 1% of the approved DGSF. The total BGSF will increase by 594 GSF to 207,212 GSF.



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TABLE FIVE					
Cost Space Requirements					
Departments	Cost	Altered Cost	Proposed Total GSF	Altered GSF	Difference
<b>Clinical</b>					
Med/Surg/Peds	\$29,428,025	\$30,930,927	46,116	42,992	(3,124)
ICU	\$3,321,625	\$3,487,706	4,014	4,091	77
OB/Gyn	\$3,796,143	\$8,436,341	5,174	-	(5,174)
C-Section Suite	\$1,542,183	\$1,619,292	1,808	18,102	16,294
Level I Nursery	\$1,898,071	\$1,992,975	2,560	-	(2,560)
LDRP	\$4,238,467	\$0	7,488	-	(7,488)
Observ/Holding	\$1,898,071	\$1,992,975	2,704	2,355	(349)
ED	\$5,456,955	\$5,729,803	7,096	6,831	(265)
Cath	\$4,270,660	\$4,484,193	5,010	-	(5,010)
Non Invasive Cardiology	\$1,542,183	\$1,619,292	2,328	8,436	6,108
Resp. Ther/Pul Fx	\$711,777	\$747,366	1,008	-	(1,008)
Surgery/Recovery	\$11,761,017	\$12,349,068	16,328	-	(16,328)
GI Lab	\$3,321,625	\$3,487,706	4,293	20,826	16,533
Lab	\$1,660,812	\$1,743,853	2,205	2,161	(44)
Imaging/Radiology	\$6,609,157	\$6,939,615	8,315	8,423	108
Pharmacy	\$830,406	\$871,926	1,204	1,205	1
PT/OT	\$474,518	\$498,244	749	624	(125)
<b>Total</b>	<b>\$82,791,696</b>	<b>\$86,931,282</b>	<b>118,400</b>	<b>116,046</b>	<b>(2,354)</b>
<b>Non Clinical</b>					
Administration	\$930,406	\$976,926	1,505	-	(1,505)
Physician's Offices	\$9,846,245	\$10,338,557	14,985	10,617	(4,368)
Nursing Administration	\$118,629	\$124,560	252	2,446	2,194
Human Resources	\$118,629	\$124,560	294	-	(294)
Medical Records	\$1,143,006	\$0	897	-	(897)
Case Mgmt/Soc. Svcs.	\$237,259	\$2,051,312	392	1,942	1,550
Medical Staff	\$355,888	\$373,682	665	727	62
Education	\$1,030,406	\$1,081,926	1,484	2,156	672
Central Sterile	\$3,135,330	\$3,292,097	3,272	4,454	1,182
Kitchen/Food Prep	\$4,381,199	\$4,600,259	4,836	4,824	(12)
IT	\$818,629	\$859,560	252	320	68



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TABLE FIVE					
Cost Space Requirements					
Departments	Cost	Altered Cost	Proposed Total GSF	Altered GSF	Difference
Public & Lobbies	\$1,686,295	\$3,115,960	1,740	4,804	3,064
Admit/Outpatient Reg.	\$949,036	\$996,488	1,680	3,020	1,340
Materials Mgmt	\$1,449,036	\$1,521,488	1,992	2,053	61
Mechanicals	\$6,263,808	\$6,491,418	9,800	9,800	-
Environmental Serv.	\$355,888	\$373,682	702	1,038	336
Plant Operations	\$1,304,924	\$1,307,173	2,712	1,703	(1,009)
Business Office	\$837,259	\$0	497	-	(497)
Chapel/Pastoral Care	\$387,259	\$0	390	-	(390)
Biomedical Engineering	\$518,629	\$0	288	-	(288)
Non Clinical Total	\$35,867,762	\$37,629,648	48,635	49,904	1,269
<b>Total</b>	<b>\$118,629,458</b>		<b>206,618</b>	<b>207,212</b>	<b>594</b>

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF THE PROJECT CRITERION 77 IAC 1110.234.

VIII. 1120.140 - Economic Feasibility

A) Criterion 1120.140(c) - Reasonableness of Project Costs

Preplanning Costs - These costs total \$330,300 or less than 1% of construction, contingency, and equipment costs. This appears reasonable when compared to the approved State standard of 1.6%.

Site Survey/Site Preparation Costs - These costs total \$4,808,600, or 9.5% construction and contingency costs. This appears to be high when compared to the approved State Board Standard of 4.9%.

Off-Site Work - These costs total \$982,200. The State Board does not have a standard for these costs.

New Construction and Contingencies - This cost is \$50,646,670 or \$427.75 per GSF. This appears **high** when compared to the approved State Board standard of \$421.80 per GSF.



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**Contingencies** - This cost is \$2,466,306 or 5.1% of new construction costs. This appears reasonable when compared to the approved State Board standard of 7.6% for new construction.

**Architectural and Engineering Fees** - This cost is \$3,671,800 or 7.2% of construction and contingency costs. This appears high when compared to the approved State Board standard of 5.2%.

**Consulting and Other Fees** - These costs total \$92,000. The State Board does not have a standard for this cost.

**Moveable Equipment** - These costs total \$24,805,416. The State Board does not have an applicable standard for this criterion in relation to hospitals.

**Bond Issuance Expense** - These costs total \$976,800. The State Board does not have a standard for these costs.

**Net Interest Expense During Construction** - These costs total \$2,656,527. 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.**

**B) Criterion 1120.140 (d) - Projected Operating Costs**

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

The applicant projects \$2,461.21 as the projected operating cost per equivalent patient day for the first year of operation. The State Board does not have a standard for this cost.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT DIRECT OPERATING COSTS CRITERION (77 IAC 1120.140 (d)).**

**C) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs**



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The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The applicant projects \$421.63 as the capital cost per patient day for the first year of operation. The State Board does not have a standard for this cost.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.140 (e)).**

IX. Other Information

Included with this report are the alteration request and the original State Board Staff Report.