



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, Chief - Program Review Section
Division of Health Systems Development

FROM: Kathy J. Olson, Chairwoman
Illinois Health Facilities and Services Review Board

RE: Permit Renewal Request for Project #11-018 Blessing Hospital, Quincy

This is to advise you that I have reviewed the above-captioned permit renewal request within the requirements in 77 IAC 1130.740 and have determined the following:

The request is in compliance with the requirements in 77 IAC 1130.740 and the renewal request is approved.

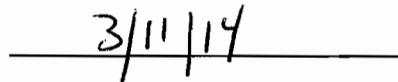
This request is to be reviewed by the Health Facilities Planning Board.

This request is DENIED effective _____ because it does NOT comply with the requirements specified in 77 IAC 1130.740.

Other actions as follows:



Kathy J. Olson, Chairwoman
Illinois Health Facilities and
Services Review Board



Date



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DOCKET NO: A-8	BOARD MEETING: July 21, 2011	PROJECT NO: 11-018	PROJECT COST: Original: \$70,429,642
FACILITY NAME: Blessing Hospital		CITY: Quincy	
TYPE OF PROJECT: Non-Substantive			HSA: III

PROJECT DESCRIPTION: The applicant (Blessing Hospital) is proposing to discontinue their 14th Street campus which houses 39 medical surgical beds and 56 acute mental illness beds. In addition the applicant is proposing the modernization of its 11th street campus by constructing a bed tower to modernize medical surgical beds and establish a 41 bed acute mental illness category of service. Medical surgical beds at the 11th street campus will be reduced from 200 medical surgical beds to 158 medical surgical beds, a reduction of 42 medical surgical beds. The anticipated cost of the project is \$70,429,642.



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EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- Blessing Hospital (the applicant) is proposing the discontinuation of its 14th street campus and the modernization of its 11th street campus and the addition of a 41 bed acute mental illness category of service. The applicant is also **proposing shell space** as part of this project. **The anticipated completion date is June 30, 2014.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes a major modernization to an existing facility that is in excess of the Capital Expenditure Minimum of \$11,505,750 and the discontinuation of a health care facility (14th street campus).

PURPOSE OF THE PROJECT:

- The purpose of the project is to address IDPH life safety issues, provide a contemporary standard of care and consolidate clinical services at one campus.

BACKGROUND/COMPLIANCE ISSUES:

- Blessing Hospital is being monitored by the IDPH for life safety issues related to both the 11th and 14th street campuses.

PUBLIC HEARING/COMMENTS

- No public hearing was requested and no letters of opposition were received by the State Agency. A letter from the Illinois Department of Human Services supporting the establishment of the AMI service at the 11th street campus was received along with numerous support letters from the community.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicants are funding the project with cash and securities, pledges, and a bond issue. The applicant has an A bond rating.

CONCLUSION:

- The discontinuation of the 14th street campus is warranted given the excess number of beds in the planning area. The applicant's historical utilization does not warrant the number of medical surgical beds being proposed to be modernized at the 11th street campus, nor does the establishment of an acute mental illness category of service given the excess AMI beds in the planning area. The applicant exceeded the State Board standard for size of the AMI unit and the planning area need.

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.234 (a) Size of the Project	The applicant exceeds the state standard for the size of AMI rooms
Criterion 1110.234 (b) Project Utilization	The applicant was unable to attest to meeting target utilization of 85% by the second year after



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State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
	project completion for medical surgical services
Criterion 1110.234 (e) Assurance	The applicant was unable to attest to meeting target utilization of 85% by the second year after project completion for medical surgical services.
Criterion 1110.560 (d) Modernization of Medical Surgical Beds	The number of medical surgical beds being requested (158 medical surgical beds) exceeds the number of beds (132 beds) justified by the target utilization of 85%.
Criterion 1110.560 (g) Assurances	The applicant was unable to attest to meeting target utilization of 85% by the second year after project completion for medical surgical services.
Criterion 1110.730 (b) Planning Area Need	There is an excess of 125 AMI beds in the AMI 3 planning area.



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STATE AGENCY REPORT

Blessing Hospital

PROJECT #11-018

Applicants	Blessing Hospital
Facility Name	Blessing Hospital
Location	Quincy
Application Received	April 12, 2011
Application Deemed Complete	April 20, 2011
Review Period Ended	June 20, 2011
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 applicant is proposing to discontinue their 14th Street campus which houses 39 medical surgical beds and 56 acute mental illness beds. In addition the applicant is proposing the modernization of its 11th street campus by constructing a bed tower to modernize medical surgical beds and establish a 41 bed acute mental illness category of service. Medical surgical beds at the 11th street campus will be reduced from 200 medical surgical beds to 158 medical surgical beds, a reduction of 42 medical surgical beds. The cost of the project is \$70,429,642.

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 appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicant is Blessing Hospital. Blessing Hospital is comprised of two separately licensed hospitals one located at Broadway and 11th street (11th street campus) and one located at Broadway and 14th Street (14th street campus). Blessing Hospital is the licensee and operating entity and the owner of the site

for both hospitals. Blessing Hospital is located in the HSA III service area and the E-05 planning area. HSA III is comprised of the Illinois counties of HSA III - Illinois Counties of Adams, Brown, Calhoun, Cass, Christian, Greene, Hancock, Jersey, Logan, Macoupin, Mason, Menard, Montgomery, Morgan, Pike, Sangamon, Schuyler, and Scott. There are three hospitals in the E-05 planning area: Blessing Hospital (11th Street), Blessing Hospital (14th Street) and Carthage Hospital.

The project is a substantive project and subject to Part 1110 and Part 1120 review. Project obligation will occur after permit issuance. The anticipated project completion date is June 30, 2014.

Summary of Support and Opposition Comments

No public hearing was requested and no letters of opposition were received by the State Agency. Letters of support from the community were included in the application for permit.

Table One outlines the applicants 11th and 14th street campus utilization for CY 2009. At the end of this report are the CY 2009 profiles for both campuses with the payor mix information.

TABLE ONE CY 2009 Facility Utilization								
11th Street Campus								
Service	Beds	Admissions	Days	ALOS	ADC	Occ.	Occ. Target	Met Occ.
Medical Surgical	200	8,956	40,647	4.5	111.4	55.70%	85.00%	No
Pediatric	20	118	755	6.4	2.1	10.30%	65.00%	No
Intensive Care	25	3,569	5,411	1.5	14.8	59.30%	60.00%	No
Obstetrics	25	1,282	2,917	2.3	8	32.00%	60.00%	No
Long Term Care	20	518	6,345	12.2	17.4	86.90%	90.00%	No
Rehabilitation	18	441	5,268	11.9	14.4	80.20%	80.00%	Yes
Total	308							
14th Street Campus								
Service	Beds	Admissions	Days	ALOS	ADC	Occ.	Occ. Target	Met Occ.
Medical Surgical	39	0	0	0	0	0.00%	85.00%	No
Acute Mental Illness	56	1,585	9,560	6	26.2	46.80%	85.00%	No
Total	95							
Information taken from CY 2009 IDPH Questionnaire								

IV. The Proposed Project - Details

The applicant is discontinuing all services at the 14th street campus and modernizing the 11th street campus by constructing a new bed tower to allow for private medical surgical rooms and the addition of a 41 bed acute mental illness category of service. The new bed tower will consist of a ground level and four additional floors. The ground level and first floor will provide adolescent and adult mental illness care. The 2nd and 3rd floors will house medical surgical units and the fourth floor will be shell space. The applicant will discontinue 39 medical surgical beds and 56 acute mental illness beds for a total of 95 beds at the 14th street campus and 42 medical surgical beds at the 11th street campus. In addition the applicant will add 41 acute mental illness beds.

V. Project Costs and Sources of Funds

The applicant is funding this project will cash and securities, pledges, and a bond issuance. The estimated start up costs is \$6,856,420.

TABLE TWO			
Project Costs and Sources of Funds			
Use of Funds	Clinical	Non Clinical	Total
Preplanning costs	\$ 10,943	\$ 7,601	\$ 18,544
Site Survey and Soil Investigation	\$ 20,064	\$ 13,936	\$ 34,000
Site Preparation	\$ -	\$ 2,518,299	\$ 2,518,299
Offsite Work	-	-	-
New Construction	\$ 31,734,795	\$ 21,287,171	\$ 53,021,966
Modernization	-	\$ 754,912	\$ 754,912
Contingency	\$ 2,928,836	\$ 2,034,286	\$ 4,963,122
Architectural and Engineering Fees	\$ 1,808,883	\$ 1,256,399	\$ 3,065,282
Consulting and Other fees	\$ 194,639	\$ 135,191	\$ 329,830
Movable or Other Equipment	\$ 1,362,530	\$ 182,470	\$ 1,545,000
Bond Issuance Expense	-	\$ 600,000	\$ 600,000
Net Interest Expensed During Construction	-	\$ 3,578,687	\$ 3,578,687
	\$ 38,060,690	\$ 32,368,952	\$ 70,429,642
Source of Funds			
Cash and Securities			\$ 33,429,642
Pledges			\$ 7,000,000
Bond Issue			\$ 30,000,000
			\$ 70,429,642

VI. Cost Space Requirements

Table Three displays the project's space requirements for the clinical and non-clinical portions of the project. The definition of non-clinical as defined in the Planning Act [20 ILCS 3960/3] states, "non-clinical service area means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving treatment at the health care facility." The applicants are proposing 87,620 GSF of new clinical space and 85,080 GSF of new non clinical space. Table Three below provides clinical and nonclinical GSF by department.

TABLE THREE					
Cost Space Requirements					
Department	Existing	Proposed	New Construction	Modernized	As is
Medical Surgical Units	53,776	103,736	49,960		53,776
AMI Units	34,490	34,490	34,490		0
Infusion Area		3,170	3,170		0
Clinical Total	88,266	141,396	87,620		53,776
Public Space	74,711	93,311	18,150	450	74,711
Mechanical	42,278	65,848	23,570		42,278
Storage	7,297	10,144	2,847		7,297
Central Stores	2,269	5,722	3,453		2,269
Housekeeping	4,009	4,136	127		4,009
Food/Dining	14,737	16,840	3,640		13,200
Info Systems	9,592	10,592	0	2,000	8,592
College of Nursing	20,761	23,166	1,155	3,000	19,011
Shell Space	1,388	18,988	17,600		1,388
Light Wells	N/A	2,065	2,085		
Exterior Walls	N/A	12,453	12,453		
Non Clinical Total	177,042	263,265	85,080	5,450	172,755

VII. Section 1110.130 - Discontinuation

These criteria pertain to categories of service and facilities, as referenced in 77 Ill. Adm. Code 1130.

- a) **Information Requirements – Review Criterion**
 The applicant shall provide at least the following information:
 - 1) **Identification of the categories of service and the number of beds, if any, that are to be discontinued;**

- 2) Identification of all other clinical services that are to be discontinued;
- 3) The anticipated date of discontinuation for each identified service or for the entire facility;
- 4) The anticipated use of the physical plant and equipment after discontinuation occurs;
- 5) The anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be retained;
- 6) For applications involving discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFPB or IDPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation and that the required information will be submitted no later than 60 days following the date of discontinuation.

b) Reasons for Discontinuation – Review Criterion

The applicant shall document that the discontinuation is justified by providing data that verifies that one or more of the following factors (and other factors, as applicable) exist with respect to each service being discontinued:

- 1) Insufficient volume or demand for the service;
- 2) Lack of sufficient staff to adequately provide the service;
- 3) The facility or the service is not economically feasible, and continuation impairs the facility's financial viability;
- 4) The facility or the service is not in compliance with licensing or certification standards.

c) Impact on Access – Review Criterion

The applicant shall document that the discontinuation of each service or of the entire facility will not have an adverse impact upon access to care for residents of the facility's market area. The applicant shall provide copies of impact statements received from other resources or health care facilities located within 45 minutes travel time that indicate the extent to

which the applicant's workload will be absorbed without conditions, limitations or discrimination. Factors that indicate an adverse impact upon access to service for the population of the facility's market area include, but are not limited to, the following:

- 1) The service will no longer exist within 45 minutes travel time of the applicant facility;**
- 2) Discontinuation of the service will result in creating or increasing a shortage of beds or services, as calculated in the Inventory of Health Care Facilities, which is described in 77 Ill. Adm. Code 1100.70 and found on HFPB's website;**
- 3) Facilities or a shortage of other categories of service at determined by the provisions of 77 Ill. Adm. Code 1100 or other Sections of this Part.**

The applicant is proposing to discontinue a 39 bed medical surgical category of service and a 56 bed acute mental illness category of service at Blessing Hospital (14th street campus). If this discontinuation is approved the applicant will surrender its hospital license for the 14th street campus to Illinois Department of Public Health ("IDPH"). The reason for the discontinuation of the 14th street campus is the need to modernize the 14th street campus to meet life safety issues identified by IDPH. In addition, this discontinuation will allow for consolidation of all clinical services on one campus and eliminate duplication of support services being provided at the 14th street campus. There will be no impact on access to services because the applicant is establishing an acute mental illness category of service at the 11th street campus. There is an excess of 125 acute mental illness beds in acute mental illness planning area 3 and an excess of 114 medical surgical beds in the E-005 hospital planning area. The discontinuation will result in an excess of 75 medical surgical beds and 69 AMI beds in this planning area. The 14th street campus will be used for administrative services. All medical records will be maintained by the hospital at the 11th street campus. Because the applicants are decreasing the number of excess beds in the planning area the discontinuation is appropriate.

TABLE FOUR					
Number of beds after proposed discontinuation					
	Existing Beds	Calculated Bed Need	Calculated Excess Beds	Blessing Hospital (14 th Street Campus)	Difference Excess Beds
Medical Surgical Beds	274	160	114	39	75
AMI Beds	228	103	125	56	69

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE DISCONTINUATION CRITERION (77 IAC 1110.130.

VIII. Section 1110.230 - Project Purpose, Background and Alternatives

A) Criterion 1110.230 (b) - Purpose of the Project

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

- 1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project

The purpose of the project is to address life safety issues at both campuses by closing one campus (14th street campus) and provide for a modern standard of care at the 11th street campus. The applicant is proposing to consolidate all clinical services at the 11th street campus. Blessing Hospital's primary market area covers four Illinois counties (Adam, Pike, Brown, and Hancock) and two Missouri counties (Marion and Lewis). 78% of the patients of Blessing Hospital reside within the E-005 planning area. The majority of Blessing Hospital's patients reside in a Health Professional Shortage Area for Primary Care.

B) Criterion 1110.230(a) - Background of Applicant

- 1) An applicant must 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 qualifications, background and character of the applicant, HFPB 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. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").

The applicants have provided the necessary documentation as required by the State Board rules. Both the 11th and 14th street campuses are in violation of life safety issues as identified by the Illinois Department of Public Health.

Safety Net Impact Statement

The applicants state the proposed project will not materially impact safety net services provided in the community. The project as proposed will not materially impact the cross subsidizing of safety net services in the community.

TABLE FIVE Blessing Hospital Charity Care Information			
Net Patient Revenue	\$267,345,132	\$263,870,910	\$228,480,522
Amount of Charity Care	\$16,249,551	\$7,471,226	\$7,574,564
Cost of Charity Care	\$5,361,794	\$2,465,248	\$2,690,835
% of Net Revenue	2.01%	0.93%	1.18%

TABLE SIX Safety Net Impact Statement			
	2010	2009	2008
Charity			
Inpatient	642	281	290
Outpatient	2,199	960	1,211
Total	2,841	1,241	1,501
Charity			
Inpatient	\$3,489,684	\$1,547,563	\$1,712,620

TABLE SIX			
Safety Net Impact Statement			
	2010	2009	2008
Outpatient	\$1,872,110	\$917,685	\$978,215
Total	\$5,361,794	\$2,465,248	\$2,690,835
Medicaid			
Inpatient	2,425	2,426	2,259
Outpatient	26,868	26,488	23,431
Total	29,293	28,914	25,690
Medicaid			
Inpatient	\$ 3,583,136	\$ 6,033,747	\$ 4,340,825
Outpatient	\$ 14,021,126	\$ 13,564,929	\$ 6,584,598
Total	\$ 17,604,262	\$ 19,598,676	\$ 10,925,423

- C) Criterion 1110.230 (c) - Alternatives to the Proposed Project**
 The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.
- 1) Alternative options shall be addressed. Examples of alternative options include:
 - A) Proposing a project of greater or lesser scope and cost;
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
 - D) Other considerations.
 - 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.

- 3) **The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available.**

The applicant considered two other alternatives.

1. **Modernization of both the 11th and 14th street campus (1970 tower upgrade)**

This alternative was rejected because this alternative would not allow for the consolidation of clinical services at the 11th street campus and would not allow for the modernization of medical surgical rooms because of the narrow floor plate of the existing structure. In addition the alternative would be distributive to patients and staff and would be less efficient because 50% of acute mental illness patients are admitted through the emergency department because of the need to maintain a stand-by emergency department at the 14th street campus. **The approximate cost of this alternative is \$56,481,000.**

2. **Establish acute mental illness hospital at 11th street campus**

This alternative was rejected because this alternative would not address the need to modernize medical surgical beds and would not consolidate clinical services in one hospital. **The approximate cost of this alternative is \$63,366,731.**

IX. 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234(a) - Size of Project

- 1) **The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage (SF) cannot deviate from the SF range indicated in Appendix B, or exceed the SF standard in Appendix B if the standard is a single number, unless SF can be justified by documenting, as described in subsection (a)(2).**

The applicant is proposing 158 medical surgical beds and 41 acute mental illness beds at the 11th street campus. The applicant exceeds the acute mental illness standard by 291 GSF per bed or 11,931 GSF.

TABLE SEVEN Gross Square Feet per Bed						
Category of Service	Number of beds	Proposed Gross Square Feet	Gross Square Feet per Bed	State Standard Per Bed	Difference per Bed	Met Standard
Medical Surgical	158	103,736	657 GSF	500-660 GSF	3 GSF	Yes
Acute Mental Illness	41	34,490	841 GSF	440-550 GSF	291 GSF Bed	No

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT CRITERION (77 IAC 1110.234 (a)).

B) Criterion 1110.234 (b) - Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. If the applicant does not meet the utilization standards in Appendix B, or if service areas do not have utilization standards in 77 Ill. Adm. Code 1100, the applicant shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source.

The applicant is projecting by the second year (2016) after project completion that they will be at target occupancy of 85% for acute mental illness beds. However the applicant is projecting 74% utilization for medical surgical beds by 2016 which is below the state board standard of 85%.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE PROJECT UTILIZATION CRITERION (77 IAC 1110.234 (b)).

C) Criterion 1110.234 (d) - Unfinished or Shell Space

If the project includes unfinished space (i.e., shell space) that is to meet an anticipated future demand for service, the applicant shall document that the amount of shell space proposed for each department or clinical service area is justified, and that the space will be consistent with the standards of Appendix B as stated in subsections (a) and (b). The applicant shall provide the following information:

- 1) **The total gross square footage of the proposed shell space;**
- 2) **The anticipated use of the shell space, specifying the proposed SF to be allocated to each department, area or function;**
- 3) **Evidence that the shell space is being constructed due to:**
 - A) **Requirements of governmental or certification agencies; or**
 - B) **Experienced increases in the historical occupancy or utilization of those departments, areas or functions proposed to occupy the shell space. The applicant shall provide the historical utilization for the department, area or function for the latest five-year period for which data are available, and, based upon the average annual percentage increase for that period, project the future utilization of the department, area or function through the anticipated date when the shell space will be placed into operation.**

The applicant is proposing 18,988 GSF of shell space to be located on the fourth floor of the new patient tower. The shell space will be used to house 20 private medical surgical rooms. The shell space is being proposed to allow the applicant to move medical surgical beds from the 1970 tower expansion to the space on the fourth floor and relocate acute mental illness to the vacated medical surgical space all at the 11th street campus. The applicant has attested that a certificate of need will be submitted for the shell space no matter the capital expenditure threshold in effect at the time of submittal.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE UNFINISHED SHELL SPACE CRITERION (77 IAC 1110.234 (d)).

- D) **Criterion 1110.234 (e) - Assurances**
The applicant shall submit the following:
- 1) **The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.**

- 2) **For shell space, the applicant shall submit the following:**
 - A) **Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at that time or the categories of service involved;**
 - B) **The anticipated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and**
 - C) **The estimated date when the shell space will be completed and placed into operation.**

The applicant was unable to certify that they will achieve target utilization for medical surgical beds by the second year after project completion. The applicant was able to certify that they will achieve target occupancy for acute mental illness service by the second year after project completion and that the a CON will be filed for the proposed shell space no matter the capital expenditure minimum in place at the time.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE ASSURANCE CRITERION (77 IAC 1110.234(e)).

X. Section 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care

- A) **Criterion 1110.530 (d) - Category of Service Modernization**
 - 1) **If the project involves modernization of a category of hospital bed service, the applicant shall document that the inpatient bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:**
 - A) **High cost of maintenance;**
 - B) **Non-compliance with licensing or life safety codes;**
 - C) **Changes in standards of care (e.g., private versus multiple bedrooms); or**
 - D) **Additional space for diagnostic or therapeutic purposes.**

- 2) Documentation shall include the most recent:
 - A) IDPH Centers for Medicare and Medicaid Services (CMMS) inspection reports; and
 - B) Joint Commission on Accreditation of Healthcare Organizations (JCAHO) reports.
- 3) Other documentation shall include the following, as applicable to the factors cited in the application:
 - A) Copies of maintenance reports;
 - B) Copies of citations for life safety code violations; and
 - C) Other pertinent reports and data.
- 4) Projects involving the replacement or modernization of a category of service or hospital shall meet or exceed the occupancy standards for the categories of service, as specified in 77 Ill. Adm. Code 1100.

1. **Modernization/Deteriorated Facilities**

The applicant is proposing to reduce its bed complement at the 11th street campus from 200 medical surgical beds to 158 medical surgical beds. The applicant provided documentation of the life safety violations in the application for permit that would warrant the modernization of the hospital. Historical utilization would justify a total of 132 medical surgical beds and not the 158 medical surgical beds being requested by the applicant. The applicant has not met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE MODERNIZATION CRITERION (77 IAC 1110.530(d)).

D) **Criterion 1110.530 (f) - Performance Requirements**

The minimum unit size for a med/surg unit within an MSA is 100 beds.

The applicants are proposing to modernize its 200-bed Med/Surg category of service in an MSA. The applicants have and continue to meet the performance requirements of the State Board's rules.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PERFORMANCE CRITERION (77 IAC 1110.530(f)).

E) Criterion 1110.530 (g) - Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

The applicants are unable to attest that they will be at the HFSRB's target occupancy (85%) within two years after project completion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE ASSURANCE CRITERION (77 IAC 1110.530(g)).

XI. Section 1110.730 - Acute Mental Illness - Review Criteria

A) Criterion 1110.730 (b) - Planning Area Need

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100 (formula calculation)

A) The number of beds to be established for each category of service is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

B) The number of beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.

2) Service to Planning Area Residents

- A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.
- 3) **Service Demand - Establishment of AMI and/or CMI**
The number of beds proposed to establish a new AMI and/or CMI service is necessary to accommodate the service demand experienced by the existing applicant facility over the latest two-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and subsection (b)(3)(B) or (C).
- A) **Historical Referrals**
If the applicant is an existing facility, the applicant shall document the number of referrals to other facilities, for each proposed category of hospital bed service, for each of the latest two years. Documentation of the referrals shall include: patient origin by zip code; name and specialty of referring physician; name and location of the recipient hospital.
 - D) **Patient Type**
The applicant shall identify the type of patients that will be served by the project by providing the clinical conditions anticipated (e.g., eating disorder, borderline personality disorder, dementia) and age groups (e.g., childhood, adolescent, geriatric) targeted.
- 5) **Service Accessibility**
The number of beds being established or added for each category of service is necessary to improve access for planning area residents. The applicant shall document the following:
- A) **Service Restrictions**
The applicant shall document that at least one of the following factors exists in the planning area:

- i) **The absence of the proposed service within the planning area;**
- ii) **Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;**
- iii) **Restrictive admission policies of existing providers;**
- iv) **The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;**
- v) **For purposes of this subsection (b)(5) only, all services within the 45-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.**

There is an excess of 125 AMI beds in the AMI 3 Planning Area. The applicant is discontinuing a 56 bed unit at the 14th street campus and establishing a 41 bed AMI category of service at the 11th street campus. There are three additional facilities providing AMI service in this planning area (Memorial Hospital, St. John Hospital, and Springfield Behavioral Health) none within 45 minutes of the proposed category of service. Historical data from the 14th street campus indicates that over 50% of the AMI admittance comes from the planning area. There is sufficient demand for the AMI service because there is no other AMI service within 45 minutes of the proposed location. The applicant is projecting reaching 85% occupancy in this AMI unit by the second year after project completion.

Because there is an excess AMI beds in this planning area the applicants have not met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE PLANNING AREA NEED CRITERION (77 IAC 1110.730(b)).

B) Criterion 1110.730 (c) - Unnecessary Duplication/Maldistribution

- 1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:
 - A) A list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site;
 - B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and
 - C) The names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.
- 2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, bed and services characterized by such factors as, but not limited to:
 - A) A ratio of beds to population that exceeds one and one-half times the State average;
 - B) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the occupancy standard established pursuant to 77 Ill. Adm. Code 1100; or
 - C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above occupancy standards.
- 3) The applicant shall document that, within 24 months after project completion, the proposed project:

- A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and
- B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

There are three additional providers of AMI service in the AMI 3 planning area none within 45 minutes of the proposed site. It does not appear that the establishment of this service will result in an unnecessary duplication of service or a maldistribution of service.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION MALDISTRIBUTION OF SERVICE CRITERION (77 IAC 1110.730(c)).

C) Criterion 1110.730 (e) - Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

Staff from the 14th street campus will transfer to the 11th street campus. Sufficient staff is available to staff the 41 bed AMI unit.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING CRITERION (77 IAC 1110.730(e)).

D) Criterion 1110.1730 (f) - Performance Requirements

- 1) The minimum unit size for a new AMI unit within an MSA is 20 beds.
- 2) The minimum unit size for a new AMI unit outside an MSA is 10 beds.

The applicant is proposing a 41 bed unit at the 11th street campus. The applicant has successfully addressed this requirement.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE BED CAPACITY MINIMUM CRITERION (77 IAC 1110.730(f)).

G) Criterion 1110.1730 (g) - Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

The applicant has attested that they will be at 85% occupancy by the second year after project completion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES CRITERION (77 IAC 1110.730(g)).

XII. 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The applicant has an A3 bond rating from Moody's and an A- rating from Standard and Poor's. The project will be funded with \$33,492,642 in cash and securities, pledges of \$7,000,000 and a bond issue of \$30,000,000. The applicant has sufficient financial resources to fund this project.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120).

XIII. 1120.130 - Financial Viability

a) Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

The applicant has an A3 bond rating from Moody's and an A- rating from Standard and Poor's. The project will be funded with \$33,492,642 in cash and securities, pledges of \$7,000,000 and a bond issue of \$30,000,000. The applicant is financially viable.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1120.130).

XIV. 1120.140 - Economic Feasibility

A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The applicant has an A3 bond rating from Moody's and an A- rating from Standard and Poor's. The project will be funded with \$33,492,642 in cash and securities, pledges of \$7,000,000 and a bond issue of \$30,000,000. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF DEBT FINANCING CRITERION (77 IAC 1120.140 (a)).

B) Criterion 1120.140 (b) - Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;**
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;**
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.**

The applicant has an A3 bond rating from Moody's and an A- rating from Standard and Poor's. The project will be funded with \$33,492,642 in cash and securities, pledges of \$7,000,000 and a bond issue of \$30,000,000. The applicants have attested that the debt financing will be at the lowest net cost to the applicants.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1120.140 (b)).

C) Criterion 1120.140 (c) - Reasonableness of Project and Related Costs

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the following:

- 1) Preplanning costs shall not exceed the standards detailed in Appendix A of this Part.
- 2) Total costs for site survey, soil investigation fees and site preparation shall not exceed the standards detailed in Appendix A unless the applicant documents site constraints or complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.
- 3) Construction and modernization costs per square foot shall not exceed the standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.

HFSRB NOTE: Construction and modernization costs (i.e., all costs contained in construction and modernization contracts) plus contingencies shall be evaluated for conformance with the standards detailed in Appendix A.

- 4) Contingencies (stated as a percentage of construction costs for the project's stage of architectural development) shall not exceed the standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.

HFSRB NOTE: Contingencies shall be limited in use for construction or modernization (line item) costs only and shall be included in construction and modernization cost per square foot calculations and evaluated for conformance with the standards detailed in Appendix A. If, subsequent to permit issuance, contingencies are proposed to be used for other component (line

item) costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by HFSRB prior to that use.

- 5) New construction or modernization fees and architectural/engineering fees shall not exceed the fee schedule standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.
- 6) The costs of all capitalized equipment not included in construction contracts shall not exceed the standards for equipment as detailed in Appendix A unless the applicant documents the need for additional or specialized equipment due to the scope or complexities of the services to be provided. As documentation, the applicant must provide evidence that the costs are similar to or consistent with other projects of similar scope and complexity, and attest that the equipment will be acquired at the lowest net cost available, or 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.
- 7) Building acquisition, net interest expense, and other estimated costs shall not exceed the standards detailed in Appendix A. If Appendix A does not specify a standard for the cost component, the applicant shall provide documentation that the costs are consistent with industry norms based upon a comparison with previously approved projects of similar scope and complexity.
- 8) **Cost Complexity Index (to be applied to hospitals only)**
The mix of service areas for new construction and modernization will be adjusted by the table of cost complexity index detailed in Appendix A.

Preplanning Costs - These costs total \$10,943, or less than 1% of construction, contingency, and equipment costs. This appears reasonable compared to the State standard of 1.8%.

Site Survey and Soil Investigation Costs - These costs total \$20,064, or less than 1% construction and contingency costs. This appears to be reasonable compared to the State Standard of 5%.

New Construction and Contingencies - This cost is \$34,663,631 or \$362.19 per GSF. This appears reasonable when compared to the adjusted State Board standard of \$366.44 per GSF.

Contingencies - This cost is \$2,928,836 of 9.22% of construction and contingency costs. This appears reasonable when compared to the State Board standard of 10%-15%.

Architectural and Engineering Fees - This cost is \$1,808,883 or 5.2% of construction and contingency costs. This appears reasonable when compared to the State Board standard of 5.37% to 8.07%.

Consulting and Other Fees - These costs total \$194,639. The State Board does not have a standard for this cost.

Moveable Equipment - These costs total \$1,362,530. The State Board does not have an applicable standard for this criterion in relation to hospitals.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1120.140 (c)).

D) 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 \$1,086 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)).

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

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 \$118 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)).