



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-1	BOARD MEETING: June 28, 2011	PROJECT NO: 10-089	PROJECT COST: Original: \$199,344,433
FACILITY NAME: Mercy Crystal Lake Hospital and Medical Center, Inc.		CITY: Crystal Lake	
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicants (Mercy Crystal Lake Hospital and Medical Center, Inc., Mercy Alliance) are proposing to establish a 128 bed acute care hospital and a multi-specialty physician clinic in Crystal Lake, Illinois. The total cost of the project is \$199,344,433.



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EXECUTIVE SUMMARY

PROJECT DESCRIPTION: The applicants (Mercy Crystal Lake Hospital and Medical Center, Inc., Mercy Alliance) are proposing to establish a 128 bed acute care hospital and a multi-specialty physician clinic in Crystal Lake, Illinois. The total cost of the project is \$199,344,433.

WHY THE PROJECT IS BEFORE THE STATE BOARD: The project is before the State Board because the applicants are proposing the establishment of a health care facility as defined by the Act. (20 ILCS 3960)

PURPOSE OF THE PROJECT: The primary purpose of the project is to serve residents of the McHenry County and address the calculated bed need in the planning area.

BACKGROUND/COMPLIANCE ISSUES: None

PUBLIC HEARING/WRITTEN COMMENTS: A public hearing was held on this project on March 18, 2011. A number of support and opposition letters were received by the State Board.

FINANCIAL AND ECONOMIC FEASIBILITY: The applicants have provided evidence of an "A2" bond rating for Mercy Alliance (the applicant) Series 2010A fixed rate bonds and the affirmation of A2 rating for Mercy Alliance outstanding debt.

CONCLUSION: There is a calculated bed need for 83 medical surgical beds, 8 intensive care beds, and 27 obstetric beds in the A-10 planning area by CY 2015. The applicants are requesting 100 medical surgical beds, 20 OB beds and 8 intensive care beds for a total of 128 beds. The applicants are requesting 17 medical surgical beds in excess of the calculated medical surgical need. In addition there is existing hospitals within 30 minutes operating below the State Board's target occupancy for medical surgical and obstetric beds. The applicants also do not meet the State Board standard for construction and contingency cost and A&E costs.

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1110.234 (a) Size of the Project	The applicants do not meet Obstetric bed size per room and recovery stations per station.
1110.530 (b) Planning Area Need	The applicants have requested beds in excess of the calculated need and there are existing facilities in the planning area operating below target occupancy
1110.530 (c) Unnecessary Duplication of Service/Maldistribution	There are existing facilities within 30 minutes operating below the State Board's target



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State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
	occupancy.
1110.3030 (a)- Clinical service areas other than categories of service	Based upon the physician referrals submitted by the applicants the proposed project will lessen the utilization of existing providers.
1110.140 (c) - Reasonableness of Project Costs	The A & E fees exceed the State Board standard by 1.52% or \$1,024,287.



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STATE AGENCY REPORT
Mercy Crystal Lake Hospital and Medical Center, Inc.
PROJECT #10-089

Applicants	Mercy Crystal Lake Hospital and Medical Center, Inc., Mercy Alliance
Facility Name	Mercy Crystal Lake Hospital and Medical Center, Inc.
Location	Crystal Lake
Application Received	December 29, 2010
Application Deemed Complete	January 10, 2011
Review Period Ended	May 10, 2011
Review Period Extended by the State Agency	Yes
Public Hearing Requested	Yes
Applicants' Deferred Project	No
Can Applicants Request Another Deferral?	No
Applicants' Modified the Project	No

I. The Proposed Project

The applicants are proposing to establish a 128 bed acute care hospital and a multi-specialty physician clinic in Crystal Lake, Illinois. The total cost of the project is \$199,344,433.

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 Mercy Crystal Lake Hospital and Medical Center, Inc. and Mercy Alliance Inc. Mercy Alliance Inc. is the parent corporation. The facility will be located at the SE Corner of State Route 31 and Three Orchard Road, Crystal Lake, Illinois. The operating entity licensee is Mercy Crystal Lake Hospital and Medical Center, Inc. and the owner of the site is Mercy Health System Corporation, Inc a subsidiary of Mercy Alliance, Inc. The facility will be located in the HSA VIII service area and the A-10 hospital planning area.

There are three additional hospitals in the A-10 hospital planning area. These

hospitals are Harvard Mercy Memorial Hospital-Harvard (owned by Mercy Alliance, Inc.), Centegra Hospital -Woodstock, and Centegra Hospital-McHenry. **The State Agency notes that Harvard Mercy Hospital is approximately 37 minutes from the proposed site of the new hospital.** The May 2011 Update to the Inventory of Health Care Facilities and Services and Need Determination shows a calculated bed need for 83 medical surgical beds, 8 intensive care beds, and 27 obstetric beds in the A-10 planning area by CY 2015. The A-10 planning area consists of McHenry County. **Table One** below outlines the number of facilities within 30 minutes (adjusted per 77 IAC 1100.510 (d)). There are two facilities located within the A-10 planning area and within 30 minutes of the proposed site; Centegra Hospital - McHenry, and Centegra Hospital - Woodstock and two facilities located in the A-11 planning area within 30 minutes: Sherman Hospital and Provena St. Joseph Hospital. There are two additional facilities within 30 minutes Advocate Good Shepherd located in the A-09 planning area and St. Alexius Medical Center located in the A-07 planning area. **The State Board’s target occupancy** to add medical surgical (“M/S”) beds is 80% for a M/S bed complement of 0-99 beds, 85% for a M/S bed complement of 100-199 beds, and 90% for a M/S bed complement of 200 beds and over. To add intensive care beds the State Board’s target occupancy is 60% no matter the number of beds, and for obstetric beds (“OB”) the target occupancy is 60% for OB beds of 1-10 beds, 75% for OB beds of 11-25 beds, and 78% for OB beds of 26 beds and over.

TABLE ONE
Facilities within 30 minutes of the proposed site

Facility Name	City	Minutes Adjusted*	Miles	Planning Area	Med/Surg	ICU	OB	Med/Surg %	ICU %	OB %
					2009 Number of Beds			2009 Bed Occupancy		
Centegra Hospital - Woodstock	Woodstock	12.7	5.68	A-10	60	12	14	73%	79%	43%
Advocate Good Shepherd	Barrington	12.7	6.2	A-09	113	18	24	86%	101%	52%
Centegra Hospital McHenry	McHenry	17.3	7.15	A-10	129	18	19	79%	95%	43%
Provena Saint Joseph Hospital	Elgin	25.3	16.1	A-11	99	15	0	88%	77%	0%
Sherman Hospital	Elgin	27.6	13.3	A-11	189	30	28	47%	75%	44%
St Alexius Medical Center	Hoff. Estates	27.6	16.1	A-07	239	29	28	63%	72%	91%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X
 Bed and Utilization information taken for IDPH 2009 Hospital Questionnaire

The project proposes the following bed categories:

TABLE TWO	
Mercy Crystal Lake Hospital and Medical Center, Inc.	
Category	Beds
Medical Surgical	100
Obstetrics	20
Intensive Care	8
Total	128

The project is a substantive project and subject to Part 1110 and Part 1120 review. Project obligation will occur after permit approval. The anticipated project completion date is 30 months after project approval or December 28, 2013 if the project is approved at this meeting.

Support and Opposition Comments

The State Board conducted a public hearing on this project March 18, 2011. 83 individuals did not provide testimony, 52 individuals spoke in support of the project, and 68 individuals spoke in opposition. Below is a sample of comments in support and opposition.

Javon Bea, President and CEO of Mercy Health System stated *“we have been planning a hospital in Crystal Lake since 2004. Our hospital in Crystal Lake will provide easier access to Emergency Services, the project will generate between 650-800 construction related jobs in McHenry County, and opening of the Hospital will employ over 1000 individuals with 600 being new jobs. This is the right project and the right location at the right time to address the unmet healthcare needs of McHenry County residents now and in the future.”*

Dan Colby, Vice President Mercy Health System stated *“this application should be approved for a number of reasons – mainly, its location, it’s the epicenter of Planning Area 10’s population, its located where there is the greatest number of safety net patients in this County, and its located where it can serve the most diverse population in the Planning Area.” This project will employ over 1,000 people, filling 840 full time jobs when it opens. 600 hundred of those jobs will be new. 330 more jobs are planned to open by its fifth year of operation.”*

Paul DeRaedt, Deputy Chief of the City of Crystal Lake Fire Rescue Department speaking on behalf of Fire Chief James Moore stated *“with a hospital in Crystal Lake, our ambulance run times will be cut in half. That saves us time so that our crews can get back into the field and continue to serve our citizens.”*

Nathan Kakish MD stated *“I have noticed a frequent pattern of “bypass” or high census at our local hospitals. Once again, this is unacceptable for my patients. Sending my patients to the third nearest hospital has a detrimental effect on my patients, this also includes Good Shepherd Hospital in Barrington. The continuity of care is interrupted and in my opinion may receive inferior care, they are removed from loved ones close by, and more likely to develop confusion about their care and the elderly are more likely to become confused in unfamiliar surroundings.”*

Douglas Henning, MD stated *“based upon my practice here since 1997, in both Health Systems by the way, that the proposed Mercy Crystal Lake Hospital and Medical Clinic was of vital need in 2002 and the population has not declined since then. I urge approval of the Mercy Health System application.*

McHenry Area Chamber of Commerce stated *“health services are needed in Crystal Lake and Mercy is a fine organization to service that community. Given the community’s need for hospital services and the improved access to healthcare that this project will give, I strongly urge the board to approve the application by Mercy Health System for a new hospital in Crystal Lake.”*

Judy Evertson, Crystal Lake stated *Crystal Lake should have had a hospital years ago! The other local hospital systems seemed to have only opened immediate care centers in town after Mercy originally requested and received approval years ago for a Crystal Lake hospital.*

Alexian Brothers Hospital Network stated *“St Alexius Medical Center is just one of several regional medical centers in the far northwest suburban area. For example Advocate Good Shepherd, Sherman and Provena St. Joseph also offer comprehensive care. Hospitals that have had projects approved in the last several years- namely St. Alexius, Sherman, and Provena St. Joseph - all promised the State Board that they would serve a regional population that includes southern McHenry County. In fact all the hospitals depend on that population to support the kind of high-quality specialty care that residents have come to expect. If the new hospital is approved, the new hospital would weaken all of the current regional medical centers. In effect, the Mercy hospital- which would offer basic, limited care would make it tougher for all the other facilities to provide specialized services as open heart surgery and advanced pediatric care.”*

St. Alexius Medical Center stated *“there are currently six regional medical centers – including St. Alexius – within about a half hour of the proposed Mercy site in southern McHenry County. Each of those hospitals has plenty of open beds to care for more patients. Given that existing hospital capacity can easily keep up with any potential growth in the area, it makes no sense to spend hundreds of millions of dollars on a brand new limited care facility. It will duplicate service and increase health care costs for everyone.”*

Sherman Hospital stated *“while we can appreciate the advantages of a hospital close to home, we must recognize the damaging impact of building a new hospital at a time when none is needed. The proposed new hospital will not bring new services to this area, will harm all of our existing hospitals by drawing patients and revenue away from them, will thereby strain the healthcare safety net that supports our area’s most vulnerable, and will cost \$200 million. ”*

Advocate Good Shepherd Hospital stated *“it is incorrect to state that a new hospital is needed to provide greater access to healthcare in this community. Numerous local Healthcare providers have recognized this and have opened ambulatory care centers in McHenry County, including Mercy, Centegra, Provena, Sherman, and Advocate. Currently Good Shepherd Hospital operates three provider based Outpatient Centers in McHenry County. Those centers provide a combination of over 55,000 visits, treatments and diagnostic tests annually.” In addition Advocate states* *“Mercy claims of a physician shortage can be addressed to ambulatory care sites and a new hospital will not necessarily solve the physician problem.”*

Dan Lawler stated *“the Statute governing State Board review of Mercy’s certificate of need application is expressly intended to assure that persons establishing a new health care facility in Illinois have the background and character necessary to provide a proper service for the community. To this end, the Statute requires the State Board to affirmatively determine an applicant’s fitness to provide a proper standard of care, “with particular regard to the qualification, background, and character of applicant.” The last time Mercy filed an application for a new hospital in Crystal Lake, three people connected with the application were indicted including Mercy’ contractor Jacob Kiferbaum, and its attorney Steven Loren. The third person was Stuart Levine, the State Board’s vice chairperson. Mercy’s men on that scandalized 2003 CON application were Javon Bea, Richard Gruber, and Herbert Franks, who were Mercy’s CEO, Vice President, and Registered Agent respectively.”*

Joe Ourth, Legal Counsel, Arnstein & Lehr filed a Safety Net Impact Response Statement. He stated *In an attempt to show that its proposed hospital could reach target utilization, Mercy provided numerous letters from its affiliated physicians to show the number of referrals that the physicians would make to the proposed Crystal Lake Hospital. In those letters, the physicians quantified the number of referrals that would be taken from existing providers. According to their own application, Mercy states that it will take almost 4,000 discharges from existing hospitals. Clearly there is significant and serious impact to existing providers. More importantly, the number of discharges referenced in the letters would be far short of the number of patients necessary to meet*

target utilization for a new hospital. Either the proposed hospital will not achieve required utilization or the impact on providers will be far worse than even the applicant admits.

Mara E. Wendt, Employee, Sherman Hospital states *I believe that Mercy's proposed Crystal Lake hospital is unnecessary and:*

- *A hospital in Crystal Lake would duplicate existing services in the area, which are easily accessible to Crystal Lake. Area providers already have more than adequate capacity to provide more services if needed.*
- *State data reveal that utilization rates for the surrounding hospitals average between 60% and 70%. This means there is a combined total of hundreds of beds available on any given day at the six area hospitals.*
- *If a new limited service hospital were to be built, it would make all hospitals weaker. The hospital would draw patients from existing hospitals, undermining their long-term plans and making it more difficult to continue to provide free and deeply discounted services to those in need.*
- *The Health Care jobs Mercy proposes to create would not be new jobs. The permanent health care jobs would primarily be shifted from existing hospitals, weakening them, and bringing no new services into our community.*

Sanford Stein stated in response to Dan Lawler *Neither Mercy nor any of its employees were accused by any governmental authority of any wrongdoing. Neither Mercy nor any of its employees were charged by any governmental authority with any wrongdoing. Mercy cooperated fully with the government's investigation of the events surrounding its 2003 application. The government was satisfied with Mercy's cooperation.*

Zielger Capital Markets *“stated Centegra has also submitted a Certificate of Need application Project 10-090 for the construction of a third hospital in McHenry County which will be located in Huntley. Their planned \$233 million project if approved will further expand their market dominance and grant their organization significantly more leverage with commercial and managed care payers active in the market. Ziegler believes that Centegra which would have a pro forma balance sheet more consistent with a non-investment grade provider, would need to significantly improve their much more modest operating performance (compared to Mercy) in order to offset the increase depreciation and interest expense and access the capital markets to fund the majority of the project as planned.”*

IV. The Proposed Project - Details

The applicants propose to establish a 128 bed hospital and a physician clinic in a total of 353,760 departmental gross square feet (“DGSF”) at a total estimated project cost of \$199,344,433. The hospital comprises a total of 264,934 DGSF and the physician clinic 88,826 DGSF. Categories of services being provided at the proposed hospital include medical surgical, intensive care and obstetric services. Other clinical services being provided are general radiology, X-Ray, mammography, ultrasound, angiography, CT Scan, MRI, Nuclear Medicine, 8 room surgical suite, recovery stations, and an emergency department. The physician’s clinic will contain physician offices and medical records; no clinical services will be provided at this clinic. The estimated start-up costs are \$9,150,000.

V. Project Costs and Sources of Funds

The project will be funded with cash and securities of \$29,344,433 and a bond issue of \$170,000,000.

TABLE THREE			
Project Costs and Sources of Funds			
	Clinical	Non Clinical	Total
Site Survey and Soil Investigation	\$22,950	\$22,050	\$45,000
Site Preparation	2,193,000	2,107,000	\$4,300,000
OffSite Work	153,000	147,000	\$300,000
New Construction Contracts	62,134,783	59,698,125	\$121,832,908
Contingencies	5,252,489	5,046,509	\$10,298,998
Architectural and Engineering Fees	4,660,109	4,477,359	\$9,137,468
Movable of Other Equipment	18,640,435	17,909,437	\$36,549,872
Bond Insurance Expense	5,610,000	5,390,000	\$11,000,000
Net Interest Expense	494,700	475,300	\$970,000
Other Costs to be Capitalized	2,504,195	2,405,992	\$4,910,187
Total Project Costs	\$101,665,661	\$97,678,772	\$199,344,433
	Sources of Funds		
Cash and Securities			\$29,344,433
Bond Issues			\$170,000,000
Total Sources of Funds			\$199,344,433

VI. Cost Space Requirements

The hospital comprises a total of 264,934 DGSF and the physician clinic 88,826 DGSF. Presented below are the clinical and nonclinical department/services of the hospital.

TABLE FOUR			
Clinical and non clinical GSF			
Department	DGSF		Department
	DGSF		DGSF
Medical Surgical	61,799		Building Systems
Intensive Care	3,894		Administration
Obstetrics	15,685		Public Circulation
Newborn Nursery	3,635		Materials Management
Labor Delivery Recovery Rooms	2,501		Building Support
Emergency	9,368		Employee Facilities
Laboratory	4,878		Medical Library
Imaging	9,752		Housekeeping
MRI	3,405		Laundry Holding
Cath Labs	6,729		Morgue
Central Processing	4,250		Medical Records
Surgical Suite	19,550		Dining
Recovery	5,224		Yard Storage
Outpatient Surgery	13,663		Human Resources
Dietary	8,724		Marketing
Pharmacy	1,698		Meeting Rooms
Respiratory Therapy	1,290		Sleep Studies
Cardiac Rehabilitation	1,203		Ambulance Garage
Physical Therapy	2,355		Canopies
Occupational Therapy	450		
Total Clinical	180,053		Total Non Clinical
Total	264,934		84,881

VII. Safety Net Impact Statement

The Health Facilities Planning Act stipulates that applicants for a new facility must provide Safety Net impact information.

TABLE FIVE			
Mercy Alliance, Inc.			
Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	FY 08	FY 09	FY 10
Inpatient	83	75	28
Outpatient	953	901	349
Total	1,036	976	377
Charity (cost in dollars)			
Inpatient	\$2,998,464	\$2,341,681	\$3,079,862
Outpatient	\$1,677,008	\$2,369,746	\$2,945,261
Total	\$4,675,472	\$4,711,427	\$6,025,123
MEDICAID			
Medicaid (# of patients)			
Inpatient	1,985	2,043	2,405
Outpatient	22,690	24,467	30,488
Total	24,675	26,510	32,893
Medicaid (revenue)			
Inpatient	\$21,152,653	\$23,738,230	\$33,391,111
Outpatient	\$29,477,200	\$36,328,158	\$50,695,468
Total	\$50,629,853	\$60,066,388	\$84,086,579
Mercy Alliance, Inc Charity Care Information			
Description	FY 08	FY 09	FY 10
Net Patient Revenue	\$226,125,062	\$249,217,025	\$250,655,233
Amount of Charity Care	\$8,073,963	\$9,806,503	\$12,932,018
Cost of Charity Care	\$4,675,472	\$4,711,427	\$6,025,123
Cost of Charity Care as % of Net Patient Revenue	2.06%	1.89%	2.40%

VIII. Section 1110.230 - Project Purpose, Background and Alternatives

A) Criterion 1110.230 (a) - Background of Applicant

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.

The applicants own one hospital in Illinois; Mercy Harvard Hospital a 65 bed hospital located in Harvard, Illinois. In addition the applicants own a number of ambulatory care facilities and medical office buildings in

Illinois. The applicants provided a list of all facilities currently owned by the applicants, and an attestation that no adverse actions (as defined by the State Board) have been taken against the applicants in the past three calendar years.

B) 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.

The applicants are proposing this project “to improve the health care and well-being of the market area population and in particular those residents within the communities of Crystal Lake, Algonquin, Lake in the Hills, and Cary. The project is being proposed to solve the need for patients to have a more centralized means of receiving healthcare. The planning market area for this project is approximately 30 minutes drive time radius from the proposed project site. Approximately 83% of the patients will come from within this planning area.”

In summary the applicants have identified the following problems that will be addressed by the proposed project:

1. a shortage of primary and specialty care physicians in McHenry County;
2. increasing population growth and an aging population in McHenry County;
3. an out migration of residents from McHenry County receiving care outside the A-10 planning area; and
4. existing emergency room services in the county unable to provide needed access to critical emergency services because of traffic congestion and overcrowding at Centegra Hospital-Woodstock and Centegra Hospital - McHenry in the planning area.

As evidence of these problems the applicants note the following:

The applicants cite a Thomson Reuters study that suggests a physician shortage of 49.9 physicians in McHenry County as of March 2010. The applicants would address the shortage of physicians by following a model of employed physician partners. This is the Mayo Clinic Model where the hospital and physician offices are part of the same entity under one roof.

The applicants also cite data from Nielsen Claritas that estimates an 8.7%

growth in the population in McHenry County by CY 2015 and an increase in the geriatric population of 24% by CY 2015. According to the applicants 70% of the residents from the immediate service area (Crystal Lake, Algonquin, Lake in the Hills, and Cary) are receiving inpatient care outside the county. Finally the applicants cite self reported data from IDPH that the two hospitals closest to the proposed project; Centegra Hospital McHenry and Centegra Hospital Woodstock have been on bypass 39.8 hours and 25.45 hours in CY 2009 respectively

- 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.

The following alternatives were identified by the applicants.

1. **Do Nothing**

This alternative was rejected because it would not address the problems identified by the applicants. The do nothing alternative is no longer considered a viable alternative by the State Board. **There are no costs to this alternative.**

2. **Pursue a Joint Venture**

According to the applicants a joint venture was formally and informally pitched to Centegra Health System to provide a hospital and a multi-specialty physician clinic in Crystal Lake. According to the applicants Centegra did not respond to the request. No other healthcare provider in the proposed market has expressed a desire to pursue a joint venture with the applicants. Therefore this alternative was rejected. **No capital costs were identified by the applicants for this alternative.**

3. **Utilize other health care resources**

According to the applicants this alternative does not address the problems identified by the applicants, therefore this alternative was rejected. **No capital costs were identified by the applicants for this alternative.**

4. **Project of lesser scope and cost**

The applicants reviewed the option of constructing a 70 bed hospital with an attached 45 physician medical office building. Ultimately this

alternative was rejected because a hospital of this size would not address the needs of market area. **The State Agency Notes:** By rule (77 IAC 1110.530 (f) Performance Requirements) the State Board requires a hospital located in an MSA to have a medical surgical complement of a 100 beds. **No capital costs were identified by the applicants for this alternative.**

IX. Section 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 table below outlines the department services in which the State Board has developed standards. The applicants do not meet the departmental gross square footage standard for obstetric services and phase 1 recovery stations.

Department	Number of Beds/ Unit	DGSF	State Standard	Per Unit	Met Standard?
Medical Surgical	100 Beds	61,799	500-660 DGSF	618 DGSF	Yes
Intensive Care	8 Beds	3,894	600-685 DGSF	487 DGSF	Yes
Obstetrics	20 Beds	3,665	160 DGSF	183 DGSF	No
Newborn Nursery	20 Beds	3,635	NA	NA	NA
Labor Delivery Recovery Rooms	2 Rooms	2,501	1,120-1,600 DGSF	1,251 DGSF	Yes
Emergency	11 stations	9,368	900 DGSF	852 DGSF	Yes
General Radiology	2 Units	1,408	1,300 DGSF	704 DGSF	Yes
X-Ray	4 Units	3,166	1,300 DGSF	792 DGSF	Yes
Mammography	2 Units	885	900 DGSF	443 DGSF	Yes
Ultrasound	1 Unit	884	900 DGSF	884 DGSF	Yes
Angiography	1 Unit	1,576	1,800 DGSF	1,576 DGSF	Yes
CT Scan	1 Unit	1,775	1,800 DGSF	1,775 DGSF	Yes
MRI	1 Unit	1,775	1,800 DGSF	1,775 DGSF	Yes

TABLE SIX Size of Project compared to State Standards					
Department	Number of Beds/ Unit	DGSF	State Standard	Per Unit	Met Standard?
Nuclear Medicine	1 Unit	1,088	1,600 DGSF	1,088 DGSF	Yes
Surgical Operating Rooms	8 rooms	20,304	2,750 DGSF	2,538 DGSF	Yes
Surgical Procedure Rooms	2 rooms	1,950	1,100 DGSF	975 DGSF	Yes
Recovery Phase 1	20 stations	5,224	180 DGSF	261 DGSF	No
Recovery Phase 2	40 stations	13,663	400 DGSF	342 DGSF	Yes

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE SIZE OF THE PROJECT - REVIEW 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 applicants' state they will achieve the State Board's target occupancy if the State Board approves the project in 2011 and the local permit process and construction are completed within 30 months. According to the applicants by the time the hospital will receive all physician referrals documented in the application combined with a projected population growth of 4.7% and the 3% impact of additional patients that are then covered by the new Health Care Reform Act the proposed hospital will have met the State Board's target occupancy for all bed services proposed. Combine this activity results in a 90.3% patient volume in Medical Surgical by 2015, 75.1% in Obstetrics, and 60% in Intensive Care. If these assumptions materialize the applicants will achieve the State Board's target occupancy.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH PROJECT UTILIZATION - REVIEW CRITERION (77 IAC 1110.234(b)).

C) Criterion 1110.234 (c) - Size of the Project and Utilization:

For clinical service areas for which norms are not listed in Appendix B (for example, central sterile supply, laboratory, occupational therapy, pharmacy, physical therapy, respiratory therapy, cardiac rehabilitation, speech pathology and audiology), the applicant shall document that the

proposed departmental gross square footage is necessary and appropriate.

As a basis for the determining departmental gross square footage for areas in which norms are not listed in Appendix B of the State Board's rules the applicants relied upon IDPH 77 ILL Administrative Code 250.2440 General Hospital Standards and the AIA (American Institute of Architects) Guidelines for Construction and Design of Health Care Facilities -2001 Edition. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH SIZE OF THE PROJECT AND UTILIZATION - REVIEW CRITERION (77 IAC 1110.234(c)).

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.**

The applicants have attested that by the second year after project completion that they will be at target occupancy.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES - REVIEW CRITERION (77 IAC 1110.234(c)).

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

A) Criterion 1110.530 (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 Bed Category of Service**

The number of beds proposed to establish a new category of service is necessary to accommodate the service demand experienced annually 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 either 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 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.

B) **Projected Referrals**

An applicant proposing to establish a category of service or establish a new hospital shall submit the following:

- i) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing

facilities located in the area during the 12-month period prior to submission of the application;

- ii) An estimated number of patients the physician will refer annually to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the physician's documented historical caseload;
- iii) The physician's notarized signature, the typed or printed name of the physician, the physician's office address, and the physician's specialty; and
- iv) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.

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.

Planning Area Need

The May 2011 Update to the Inventory of Health Care Facilities and Services and Need Determination shows a calculated need for 83 medical surgical beds, 8 intensive care beds, and 27 obstetric beds in the A-10 planning area. The applicants are proposing 100 medical surgical beds, 8 intensive care beds, and 20 obstetric beds. The number of medical surgical beds requested by the applicants exceeds the calculated need by 17 medical surgical beds.

TABLE SEVEN					
Inventory of Health Care Facilities and Services and Need Determination					
Bed Category	Approved Beds	Calculated Beds Needed 2015	Need	Number requested by applicants	Exceeds Calculated Need
Medical Surgical	206	289	83	100	17
Intensive Care	33	41	8	8	0
Obstetrics	33	60	27	20	(7)

Service to Planning Area Residents

The applicants provided referral letters from physicians and the applicants believe their operational model of employed physicians will allow the facility to provide services to the residents of the planning area - McHenry County. 83% of the expected patient volume is expected to come from within the planning area.

Service Demand

The applicants provided referral letters detailing each Mercy employed physician's historical referrals by hospital and patient zip code of residence as well as anticipated referrals to Mercy Crystal Lake Hospital and Medical Center.

Service Accessibility

There is no absence of services within this planning area, nor access limitations due to payor status, or evidence of restrictive admission policies at existing facilities in the planning area. In addition no evidence of a designation by the Secretary of Health and Human Services of a Health Professional Shortage Area, or a Medically Underserved Area, or a Medically Underserved Population has been provided by the applicants. Finally there are facilities within 45 not at target occupancy for bed services proposed by this project.

The applicants have requested 100 medical surgical beds which is greater than the calculated need of 83 medical surgical beds. In addition, there are existing providers in the planning area not at the State Board's target occupancy for medical surgical and obstetric services.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE NEED FOR THE PROJECT - REVIEW CRITERION (77 IAC 1110.530(b)).

B) Criterion 1110.530 (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); 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, beds 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.**

Unnecessary Duplication

The applicants provided all zip codes within 30 minutes of the proposed site as required and the most recent population numbers (2000 census and projected to 2015) for these zip codes. Additionally there are six hospitals within 30 minutes of the proposed site by MapQuest travel times and adjusted per 77 IAC 1110.510 (d). 2 of the 6 hospitals exceed the target occupancy for medical surgical beds (Advocate Good Shepherd and Provena Saint Joseph's), all hospitals exceed the target occupancy for intensive care beds and one hospital exceeds the target occupancy for OB beds (St. Alexius Medical Center).

TABLE EIGHT Facilities within 30 minutes of the proposed site										
Facility Name	City	Minutes	Miles	Planning Area	Med/Surg	ICU	OB	Med/Surg %	ICU %	OB %
					2009 Number of Beds			2009 Bed Occupancy		
Centegra Hospital - Woodstock	Woodstock	12.7	5.68	A-10	60	12	14	73%	79%	43%
Advocate Good Shepherd	Barrington	12.7	6.2	A-09	113	18	24	86%	101%	52%
Centegra Hospital McHenry	McHenry	17.3	7.15	A-10	129	18	19	79%	95%	43%
Provena Saint Joseph Hospital	Elgin	25.3	16.1	A-11	99	15	0	88%	77%	0%
Sherman Hospital	Elgin	27.6	13.3	A-11	189	30	28	47%	75%	44%
St Alexius Medical Center	Hoff. Estates	27.6	16.1	A-07	239	29	28	63%	72%	91%

Maldistribution

The ratio of beds to population within the McHenry County Planning Area (A-10) does not exceed 1.5 times the State’s ratio of beds to population. There are existing facilities within the planning area not at the State Board target occupancy for all services being proposed by this project. See Table Nine below.

Because the applicants’ projection in part is based upon referrals from other area providers it appears that the proposed project will have an adverse effect on other area providers.

TABLE NINE Facilities within the A-10 Planning Area										
Facility Name	City	Minutes	Miles	Planning Area	Med/Surg	ICU	OB	Med/Surg %	ICU %	OB %
					2009 Number of Beds			2009 Bed Occupancy		
Centegra Hospital - Woodstock	Woodstock	12.7	5.68	A-10	60	12	20	73%	79%	43%
Centegra Hospital - McHenry	McHenry	17.3	7.15	A-10	129	18	19	79%	95%	43%
Mercy Harvard Hospital	Harvard	36.8	22.29	A-10	17	3	0	27%	11%	0%

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION/MALDISTRIBUTION REQUIREMENTS OF PROJECT - REVIEW CRITERION (77 IAC 1110.530(d)).

C) Criterion 1110.530 (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.

The applicants have documented that they will have no trouble filling the positions required by the proposed facility. A narrative was provided by the applicants explaining that the recruitment of physicians will begin upon approval of the application for permit. For other staff positions recruitment will begin one year prior to opening. All staff positions will be filled one month prior to opening.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING REQUIREMENTS OF PROJECT - REVIEW CRITERION (77 IAC 1110.530(e)).

D) Criterion 1110.530 (f) - Performance Requirements

1) Medical-Surgical

The minimum bed capacity for a medical-surgical category of service within a Metropolitan Statistical Area (MSA) is 100 beds.

2) Obstetrics

A) The minimum unit size for a new obstetric unit within an MSA is 20 beds.

B) The minimum unit size for a new obstetric unit outside an MSA is 4 beds.

3) Intensive Care

The minimum unit size for an intensive care unit is 4 beds.

4) Pediatrics

The minimum size for a pediatric unit within an MSA is 4 beds.

The applicants are proposing a medical surgical bed capacity of 100 beds, 20 obstetric beds and 8 intensive care beds. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PERFORMANCE REQUIREMENTS OF PROJECT - REVIEW 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 have provided the necessary assurance that the facility will achieve and maintain the occupancy standards specified for each category of service proposed.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES REQUIREMENT - REVIEW CRITERION (77 IAC 1110.530(g)).

XI. Section 1110.3030 – Clinical Service Areas Other Than Categories of Service – Review Criteria

These criteria are applicable only to those projects or components of projects (including major medical equipment), concerning Clinical Service Areas (CSAs) that are not "Categories of Service", but for which utilization standards are listed in Appendix B, including: Surgery, Emergency Services and/or Trauma, Ambulatory Care Services (organized as a service), Diagnostic and Interventional Radiology/Imaging (by modality), Therapeutic Radiology, Laboratory, Pharmacy, Occupational Therapy/Physical Therapy, Major Medical Equipment.

A) Criterion 1110.3030 (b) - Need Determination

The applicant shall describe how the need for the proposed establishment was determined by documenting the following:

1) Service to the Planning Area Residents

A) Either:

If, during the latest 12-month period, patients have been sent to other area providers for the proposed CSA services, due to the absence of those services at the applicant facility, the applicant shall submit verification of those referrals, specifying: the service needed; patient origin by zip code; recipient facility; date of referral; and physician certification that the representations contained in the verifications are true and correct.

D) Population Incidence

The applicant shall submit documentation of incidence of service based upon IDPH statistics or category of service statistics.

3) Impact of the Proposed Project on Other Area Providers

The applicant shall document that, within 24 months after project completion, the proposed project will not:

A) Lower the utilization of other area providers below the utilization standards specified in Appendix B.

B) Lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the utilization standards.

4) Utilization

Projects involving the establishment of CSAs shall meet or exceed the utilization standards for the services, as specified in Appendix B. If no utilization standards exist in Appendix B, the applicant shall document its anticipated utilization in terms of incidence of disease or conditions, or historical population use rates.

The applicants state the primary purpose of the project is to serve the residents of the A-10 planning area which is McHenry County. The market area for the proposed hospital includes the zip codes within 30 minutes of the proposed site. The applicants are basing the projected use for these services on the physician referrals that have been documented in the application for permit. The applicants have stated a total of 3,927 projected referrals will come from four facilities. Condell (32 referrals), Good Shepherd (409 referrals), Centegra-McHenry (1,446 referrals), and Centegra-Woodstock (2,040 referrals). Because of these referrals it does appear the proposed facility will have an impact on other planning area

facilities. The applicants have projected that they will meet the State Board’s target occupancy by the second year after project completion. See Table Ten below.

TABLE TEN Utilization of Clinical Service Areas Other than Categories of Service				
Service	Machine/Rooms	State Standard	Projected	Met Standard?
General Radiology	2 Machines	8,000 procedures	17,518	Yes
Fluoroscopy/Tomography	6 machines	6,500 procedures	6,538	Yes
Mammography	2 Machines	5,000 visits	8,691	Yes
Ultra Sound	1 machine	3,100 visits	3,924	Yes
Angiography	1 machine	1,800 visits	5,567	Yes
CT Scan	1 machine	7,000 visits	8,207	Yes
MRI	1 machine	2,500 procedures	3,101	Yes
Nuclear Medicine	1 machine	2,000 visits	2,905	Yes
Emergency Department	12 stations	2,000 visits	26,511	Yes
Surgery	8 OR's	1,500 hours	12,118	Yes
Surgery Procedure Suite	2 rooms	1,500 hours	3,664	Yes
Ambulatory Care Services		2,000 visits	61,433	Yes

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE CLINICAL SERVICE AREA OTHER THAN CATEGORY OF SERVICE - REVIEW CRITERION (77 IAC 1110.3030(b)).

XII. Section 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 applicants have provided evidence of an “A2” bond rating for Mercy Alliance (the applicant) Series 2010A fixed rate bonds and the affirmation of A2 rating for Mercy Alliance outstanding debt.

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

XIII. Section 1120.130 - Financial Viability

The applicants are required to provide a financial viability ratio if proof of an “A” Bond rating has not been provided.

The applicants have provided evidence of an “A2” bond rating for Mercy Alliance (the applicant) Series 2010A fixed rate bonds and the affirmation of A2 rating for Mercy Alliance outstanding debt.

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

XIV. Section 1120.140 - Economic Feasibility

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

If the applicant does not have an “A” bond rating the applicant shall document the reasonable of financing arrangements by providing a notarized statement attesting that the project will be funded by cash and securities or the project will be funded in total or in part by borrowing because 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 or 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 applicants have provided evidence of an “A2” bond rating for Mercy Alliance (the applicant) Series 2010A fixed rate bonds and the affirmation of A2 rating for Mercy Alliance outstanding debt.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1110.140 (a)).

B) Criterion 1110.140 (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 applicants have attested the selected form of debt financing for the project will be at the lowest net cost available. The project will be funded by approximately 50% fixed rate bonds and 50% variable rate bonds for a term of 25 years.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF DEBT FINANCING CRITERION (77 IAC 1110.140 (b)).

- C) **Criterion 1110.140 (c) - Reasonableness of Project and Related Costs**
The applicant shall document that the estimated project costs are reasonable and shall document compliance preplanning costs, site survey, soil investigation fees and site preparation, construction and modernization costs per square foot, contingencies, architectural/engineering fees, all capitalized equipment not included in construction contracts building acquisition, net interest expense, and other estimated costs.

The applicants considered the entire project costs as clinical costs.

Site Survey and Soil Investigation Site Preparation - These costs total \$2,215,950 and are 3.3% of construction and contingency costs. This appears reasonable when compared to the State Board Standard of 5%.

Offsite Work - These costs total \$153,000. The State Board does not have a standard for these costs.

New Construction Cost and Contingencies - These costs total \$67,387,272 or \$374.26 per gross square feet (“GSF”). This appears reasonable when compared to the State Board standard of \$396.67 GSF.

Contingencies - These costs total \$5,252,489 or 8.45% of construction costs. This appears reasonable when compared to the State Board standard of 10%.

Architectural/Engineering Fees - These costs total \$4,660,109 or 6.91% of construction and contingency fees. This appears **HIGH** when compared to the State Board standard of 3.59-5.39%.

Movable and Other Equipment - These costs total \$18,640,435. The State Board does not have a standard for these costs.

Bond Issuance Expense - These costs total \$5,610,000. The State Board does not have a standard for these costs.

Net Interest Expense - These costs total \$494,700. The State Board does not have a standard for these costs.

Other Costs to be Capitalized - These costs total \$2,504,195. The State Board does not have for these costs.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1110.140 (c)).

D) Criterion 1110.140 (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 costs means the fully allocated costs of salaries, benefits and supplies for the service.

These costs are \$3,150 per equivalent patient day. The State Board does not have a standard for these costs.

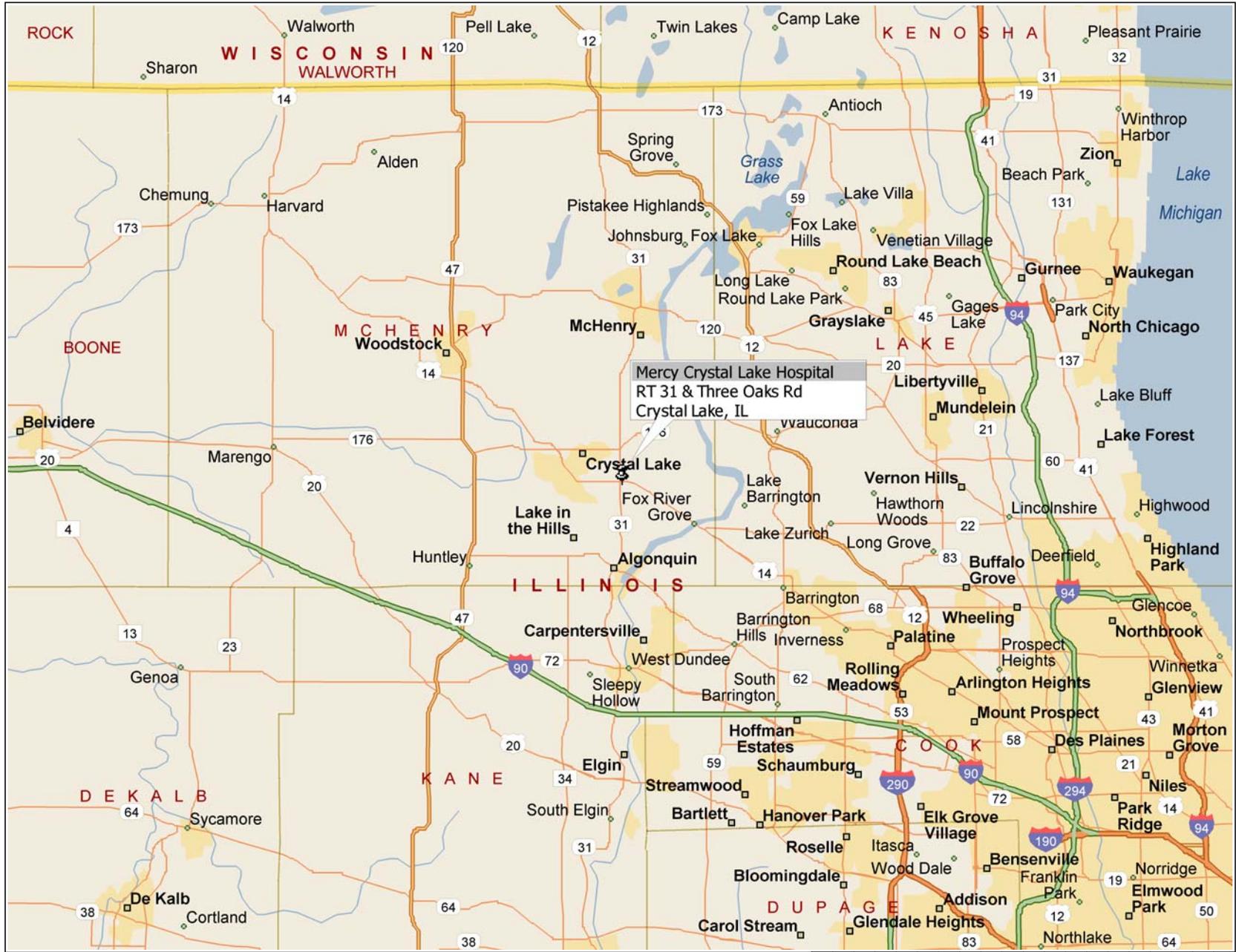
THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1110.140 (d)).

- E) Criterion 1110.140 (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.

These costs are \$54 per equivalent patient day. The State Board does not have a standard for these costs.

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 1110.140(e)).

10-089 Mercy Crystal Lake Hospital - Crystal Lake



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