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MAR 01 2011

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

January 21, 2011

Courtney R. Avery, Administrator
Illinois Health Facilities and Services Review Board
100 W. Randolph St.
Chicago, IL 60601

Dear Ms. Avery,

As you are aware, Mercy Health System submitted a CON application to build a new hospital in Crystal Lake, Ill. That application was deemed complete on January 12.

In the process of reviewing our application we noted some minor calculation errors. After a phone discussion with Mike Constantino of your office, he advised us to submit corrected pages of these minor technical errors to your office for inclusion in our application. Please see enclosed.

We thank you for your cooperation and look forward to working with you and your staff during this application process.

Sincerely

Dan Colby,
Vice President

cc: Mike Constantino

enc.

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Mercy Crystal Lake Hospital and Medical Center, Inc.		
Street Address: SE Corner of State Rte 31 & Three Oaks Road		
City and Zip Code: Crystal Lake, IL 60014		
County: McHenry	Health Service Area: 8	Health Planning Area: A-10

Applicant /Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: Mercy Crystal Lake Hospital and Medical Center, Inc.		
Address: 2000 Lake Avenue, Woodstock, IL 60098		
Name of Registered Agent: Herbert Franks		
Name of Chief Executive Officer: Javon R. Bea		
CEO Address: 1000 Mineral Point Avenue, Janesville, WI 53548		
Telephone Number: 608-756-6112		

Type of Ownership of Applicant/Co-Applicant

<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship
	<input type="checkbox"/> Other

o Corporations and limited liability companies must provide an Illinois certificate of good standing.

o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact

[Person to receive all correspondence or inquiries during the review period]

Name: Dan Colby
Title: Vice President
Company Name: Mercy Health System Corporation, Inc.
Address: 1000 Mineral Point Avenue, Janesville, WI 53548
Telephone Number: 608-756-6123
E-mail Address: dcolby@mhsjvl.org
Fax Number: 608-756-6236

Additional Contact

[Person who is also authorized to discuss the application for permit]

Name: Richard H. Gruber
Title: Vice President
Company Name: Mercy Health System Corporation, Inc.
Address: 1000 Mineral Point Avenue, Janesville, WI 53548
Telephone Number: 608-756-6112
E-mail Address: rgruber@mhsjvl.org
Fax Number: 608-756-6236

2. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The applicants, Mercy Alliance, Inc. and Mercy Crystal Lake Hospital and Medical Center, Inc., an Illinois corporation, is requesting the Illinois Health Facilities and Services Review Board approve the establishment of a 128-bed hospital with adjoining facilities for a multi-specialty physician clinic in Crystal Lake, Illinois. The clinic space will include physician offices, treatment rooms, and support space.

The breakdown of beds is as follows:

Medical/Surgical	100
Obstetric	20
ICU	8
 Total beds:	 128

The estimated value of the construction contract is:	\$121,073,128
Total project cost is estimated to be:	\$199,344,433

Hospital square footage:	264,934
Clinic square footage:	88,826

Total square footage of the entire project:	353,760
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There is no physical address for the project site as of this date. The site is a 16-acre plot located on the east side of Illinois State Route 31 between Three Oaks Road and Raymond Road. The subject property is legally described as follows:

The North 1464.54 feet of the West 580.14 feet of the Southeast Quarter of Section 10 (exception therefrom that part taken for State Route 31 and Three Oaks Road), all in Township 43 North, Range 8 East of the Third Principal Meridian in McHenry County, Illinois.

The Parcel contains approximately 16.71 acres.

The project is substantial because it proposes the establishment of a new facility.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds

USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation	\$45,000		\$45,000
Site Preparation	\$4,300,000		\$4,300,000
Off Site Work	\$300,000		\$300,000
New Construction Contracts	\$121,832,908		\$121,832,908
Modernization Contracts			
Contingencies	\$10,298,998		\$10,298,998
Architectural/Engineering Fees	\$9,137,468		\$9,137,468
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)	\$36,549,872		\$36,549,872
Bond Issuance Expense (project related)	\$11,000,000		\$11,000,000
Net Interest Expense During Construction (project related)	\$970,000		\$970,000
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized	\$4,910,187		\$4,910,645
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$199,344,433		\$199,344,433
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities			\$29,344,433
Pledges			
Gifts and Bequests			
Bond Issues (project related)			\$170,000,000
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS			\$199,344,433

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage, either **DGSF** or **BGSF**, must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical	\$19,775,680		61,799	61,799			
Intensive Care	\$1,689,996		3,894	3,894			
Diagnostic Radiology	\$3,881,296		9,752	9,752			
MRI	\$1,610,565		3,405	3,405			
All Other Clinical	\$36,683,526		101,203	101,203			
Total Clinical	\$65,641,063		180,083	180,083			
NON-REVIEWABLE							
Administrative	\$1,613,375		6,079	6,079			
Parking	\$1,897,500						
Gift Shop	\$93,875		750	750			
All Other Non-Clinical	\$16,243,660		78,052	78,052			
Total Non-clinical	\$19,848,410		84,881	84,881			
OTHER							
Physician Clinic	\$20,207,936		88,826	88,826			
Sitework/Landscaping	\$4,300,000						
Design/Estimating Contingency and Other Construction	\$89,347,024						
TOTAL	\$199,344,433		353,760	353,760			

APPEND DOCUMENTATION AS ATTACHMENT-9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Square Footage Summary

Mercy
Crystal Lake
Medical Center

Space Summary
All Departments

SPACE REQUIREMENTS

Departmental Summary

Room Name	Total DGFSF	\$/SF	\$	Comments
IDHP Reviewable Areas				
1 Med/Surg Unit	61,799	\$320	\$19,775,680	
2 ICU	3,894	\$434	\$1,689,996	
3 Obstetrics	15,685	\$320	\$5,019,200	
4 Newborn Nursery	3,635	315	1,145,025	
5 Labor-Delivery-Recovery Rooms	2,501	\$330	\$825,330	
6 Emergency	9,368	\$330	\$3,091,440	
7 Laboratory	4,878	\$398	\$1,941,444	
8 Imaging (Diagnostic Radiology)	9,752	\$398	\$3,881,296	
9 MRI	3,405	\$473	\$1,610,565	
10 Cath Labs	6,729	\$423	\$2,846,367	
11 Central Processing	4,250	\$406	\$1,725,500	
12 Surgical Suite	19,550	\$498	\$9,735,900	
13 Recovery	5,224	\$320	\$1,671,680	
14 Outpatient Surgery	13,663	\$320	\$4,372,160	
15 Dietary	8,724	\$473	\$4,126,452	
16 Pharmacy	1,698	\$291	\$494,118	
17 Respiratory Therapy	1,290	\$315	\$406,350	
18 Cardiac Rehabilitation	1,203	\$320	\$384,960	
19 Physical Therapy	2,355	\$320	\$753,600	
20 Occupational Therapy	450	\$320	\$144,000	
IDHP Non Reviewable Areas				
21 Building Systems	11,748	\$250	\$2,937,000	
22 Administration	6,829	\$250	\$1,707,250	
23 Public Circulation	23,755	\$225	\$5,344,875	
24 Materials Management	2,840	\$220	\$624,800	
25 Building Support	6,251	\$215	\$1,343,965	
26 Employee Facilities	5,110	\$216	\$1,103,760	
27 Medical Library	1,150	\$224	\$257,600	
28 Housekeeping	3,531	\$220	\$776,820	
29 Laundry Holding	1,661	\$200	\$332,200	
30 Morgue	288	\$224	\$64,512	
31 Medical Records	5,500	\$224	\$1,232,000	
32 Dining	5,460	\$310	\$1,692,600	
33 Yard Storage	500	\$185	\$92,500	
34 Human Resources	836	\$220	\$183,920	
35 Marketing	2,310	\$220	\$508,200	
36 Meeting Rooms	2,525	\$220	\$555,500	
37 Sleep Studies	1,313	\$280	\$367,640	
38 Ambulance Garage	1,024	\$157	\$160,768	
39 Canopies	2,250	\$250	\$562,500	

Subtotal Hospital DGFSF 264,934 \$298 \$85,489,473

Physician Clinic Summary

Department Name	Total DGFSF	\$/SF	\$
1 Building Systems	5,726	\$220	\$1,259,720
2 Medical Records	12,264	\$224	\$2,747,136
3 Waiting	23,408	\$230	\$5,383,840
4 Public Circulation	4,560	\$210	\$957,600
5 Physician Offices	42,868	\$230	\$9,859,640

Total Clinic DGFSF 88,826 \$223 \$20,207,936

Total Hospital and Clinic DGFSF 353,760 \$290 \$105,697,409

Sitework (Included in bldg \$/SF)	1	\$4,000,000	\$4,000,000
Landscaping (Allowance)	1	\$300,000	\$300,000

Subtotal \$4,300,000

Subtotal with Allowances \$109,997,409

Attachment 7: Project Costs and Sources of Funds

Mercy
Crystal Lake
Medical Center

Space Summary
All Departments

SPACE REQUIREMENTS

Design and Estimating Contingency	10%	\$11,075,719
Total Estimated Construction Cost		\$121,073,128
A/E Design Services	7%	\$8,048,891
FFE	40%	\$48,429,251
Telecommunications	5%	\$6,053,656
Project Soft Cost	5%	\$6,053,656
Subtotal		\$189,658,583
Escalation	8%	\$9,685,850
Total Estimated Project Cost		\$199,344,433

Alternate Construction Cost Calculation

	Unit	Cost/Unit	Cost
(# of Beds) x (\$1 M / Bed)	128	\$1,000,000	\$128,000,000
Clinic Building	1	\$26,000,000	\$26,000,000
Site/Infrastructure Cost	1	\$4,000,000	\$4,000,000
Soft Cost (30% of Construction Cost)	1	\$47,400,000	\$47,400,000
Financing (80% of Costs @ 8%)	1	\$13,145,600	\$13,145,600
Total Estimated Project Cost			\$218,545,600

Mercy
Crystal Lake
Medical Center

Space Summary
All Departments

SPACE REQUIREMENTS

Departmental Summary

Room Name	Total DGSF	\$/SF	\$	Comments
IDHP Reviewable Areas				
1 Med/Surg Unit	61,799	\$320	\$19,775,680	
2 ICU	3,894	\$434	\$1,689,996	
3 Obstetrics	15,685	\$320	\$5,019,200	
4 Newborn Nursery	3,635	315	1,145,025	
5 Labor-Delivery-Recovery Rooms	2,501	\$330	\$825,330	
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9 MRI	3,405	\$473	\$1,610,565	
10 Cath Labs	6,729	\$423	\$2,846,367	
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14 Outpatient Surgery	13,663	\$320	\$4,372,160	
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16 Pharmacy	1,698	\$291	\$494,118	
17 Respiratory Therapy	1,290	\$315	\$406,350	
18 Cardiac Rehabilitation	1,203	\$320	\$384,960	
19 Physical Therapy	2,355	\$320	\$753,600	
20 Occupational Therapy	450	\$320	\$144,000	
IDHP Non Reviewable Areas				
21 Building Systems	11,748	\$250	\$2,937,000	
22 Administration	6,829	\$250	\$1,707,250	
23 Public Circulation	23,755	\$225	\$5,344,875	
24 Materials Management	2,840	\$220	\$624,800	
25 Building Support	6,251	\$215	\$1,343,965	
26 Employee Facilities	5,110	\$216	\$1,103,760	
27 Medical Library	1,150	\$224	\$257,600	
28 Housekeeping	3,531	\$220	\$776,820	
29 Laundry Holding	1,661	\$200	\$332,200	
30 Morgue	288	\$224	\$64,512	
31 Medical Records	5,500	\$224	\$1,232,000	
32 Dining	5,460	\$310	\$1,692,600	
33 Yard Storage	500	\$185	\$92,500	
34 Human Resources	836	\$220	\$183,920	
35 Marketing	2,310	\$220	\$508,200	
36 Meeting Rooms	2,525	\$220	\$555,500	
37 Sleep Studies	1,313	\$280	\$367,640	
38 Ambulance Garage	1,024	\$157	\$160,768	
39 Canopies	2,250	\$250	\$562,500	

Subtotal Hospital DGSF 264,934 \$298 \$85,489,473

Physician Clinic Summary

Department Name	Total DGSF	\$/SF	\$
1 Building Systems	5,726	\$220	\$1,259,720
2 Medical Records	12,264	\$224	\$2,747,136
3 Waiting	23,408	\$230	\$5,383,840
4 Public Circulation	4,560	\$210	\$957,600
5 Physician Offices	42,868	\$230	\$9,859,640

Total Clinic DGSF 88,826 \$223 \$20,207,936

Total Hospital and Clinic DGSF 353,760 \$290 \$105,697,409

Sitework (Included in bldg \$/SF)	1	\$4,000,000	\$4,000,000
Landscaping (Allowance)	1	\$300,000	\$300,000

Subtotal \$4,300,000

Subtotal with Allowances \$109,997,409

Attachment 9: Cost Space Requirements

Mercy
Crystal Lake
Medical Center

Space Summary
All Departments

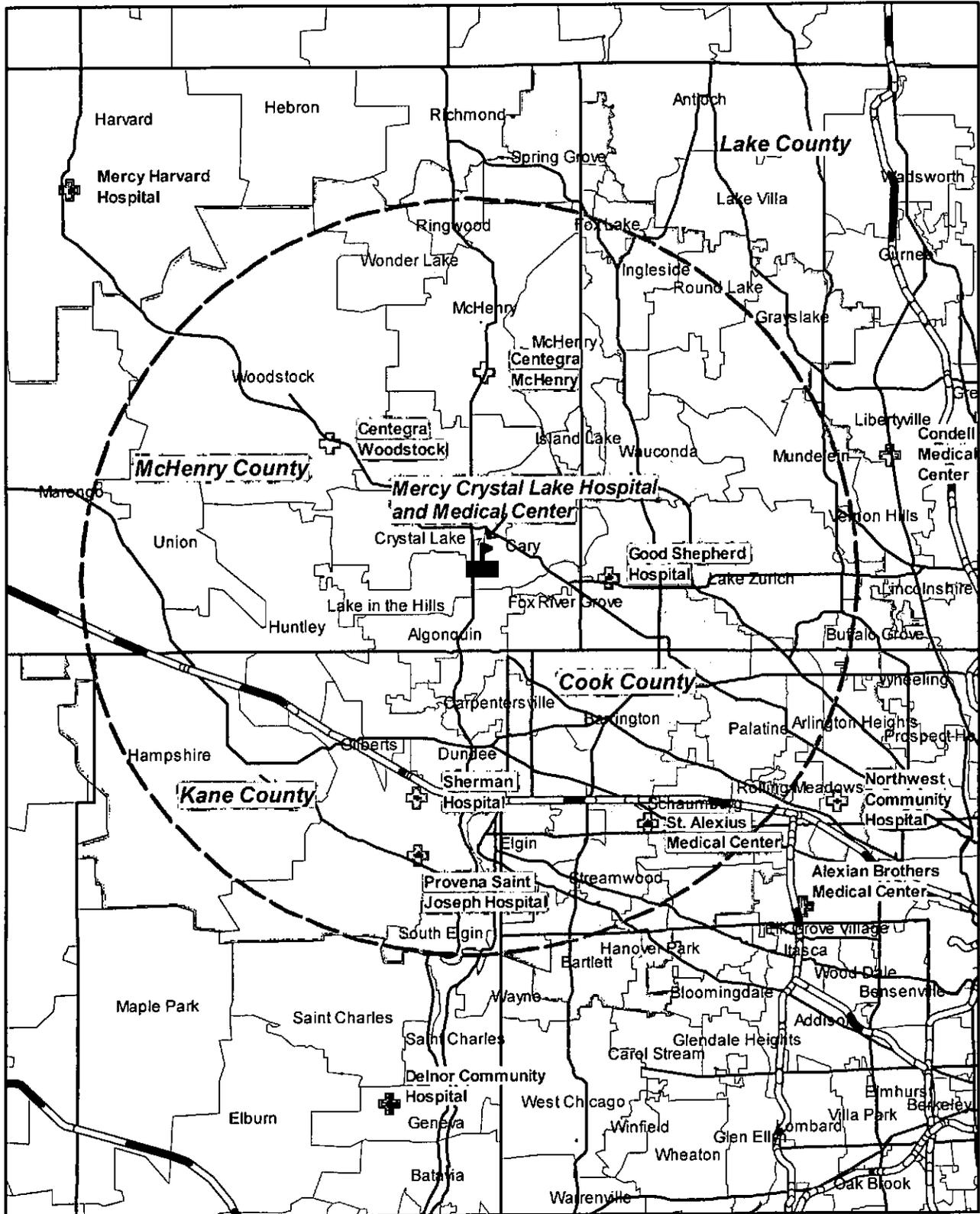
SPACE REQUIREMENTS

Design and Estimating Contingency	10%	\$11,075,719
Total Estimated Construction Cost		\$121,073,128
A/E Design Services	7%	\$8,048,891
FFE	40%	\$48,429,251
Telecommunications	5%	\$6,053,656
Project Soft Cost	5%	\$6,053,656
Subtotal		\$189,658,583
Escalation	8%	\$9,685,850
Total Estimated Project Cost		\$199,344,433

Alternate Construction Cost Calculation

	Unit	Cost/Unit	Cost
(# of Beds) x (\$1 M / Bed)	128	\$1,000,000	\$128,000,000
Clinic Building	1	\$26,000,000	\$26,000,000
Site/Infrastructure Cost	1	\$4,000,000	\$4,000,000
Soft Cost (30% of Construction Cost)	1	\$47,400,000	\$47,400,000
Financing (80% of Costs @ 8%)	1	\$13,145,600	\$13,145,600
Total Estimated Project Cost			\$218,545,600

Mercy Crystal Lake Hospital and Medical Center Geographical Service Area



Attachment 12: Purpose of Project

Size of Project:

The total new hospital square footage is proposed to be 264,934. Looking specifically at the departmental itemization in Attachment 14 there are only three (3) department whose proposed square footage do not meet the state standards.

The obstetrics department of 20 beds is planned for a total area of 15,685 square feet which is over the state standard by 124 square feet per bed. This variance is based on private room usage with a semi-separated spouse sleeping area to allow patient requested guest quarters

Post Anesthesia Recovery Phase I is a mere 81 square feet over the state standard per recovery station to allow for additional monitoring equipment.

Overall, department square footage is below state standards for this project.

SIZE OF PROJECT		See Attachment 14 for detail		
Department/Service	Proposed BGSF/DGSF	State Standard	Difference	Met Standard?
ACUTE CARE				
Medical-Surgical, Pediatric, Obstetric & Long-Term Acute Care Service	100 Med-Surg beds at 61,799 sq. ft. 618 dgsf/bed	500-660 dgsf/bed	In range	Yes
	20 OB beds at 15,685 sq. ft. 784 dgsf/bed	500-660 dgsf/bed	+124 sq. ft.	No
Newborn Nursery (includes Level I, Level II, and Level II+ with extended neonatal capabilities)	20 OB beds at 3,635 sq. ft. 182 dgsf/OB bed	160/OB + LDRP bed	+22 sq. ft.	No
Labor Delivery Recovery (LDR)	2 rooms at 2,501 sq. ft. 1,251 dgsf/room	1120-1600 dgsf/room	In range	Yes
CRITICAL CARE				
Intensive Care Service	8 beds at 3,894 sq. ft. 487 dgsf/bed	600-685 dgsf/bed	(113 sq. ft.)	No
DIAGNOSTIC AND TREATMENT				
Diagnostic/Interventional Radiology (Excludes portables & mobile equipment/Utilization)				
• General Radiology	2 units at 1,408 sq. ft. 704 dgsf/unit	1,300 dgsf/unit	(596 sq. ft.)	Yes
• Fluoroscopy/Tomography/Other X-ray Procedures	4 units at 3,166 sq. ft. 792 dgsf/unit	1,300 dgsf/unit	(509 sq. ft.)	Yes
• Mammography	2 units at 885 sq. ft. 443 dgsf/unit	900 dgsf/unit	(457 sq. ft.)	Yes
• Ultrasound	1 unit at 884 sq. ft. 884 dgsf/unit	900 dgsf/unit	(16 sq. ft.)	Yes
• Angiography (Special Procedures)	1 unit at 1,576 sq. ft. 1,576 dgsf/unit	1,800 dgsf/unit	(224 sq. ft.)	Yes
• CT Scan	1 unit at 1,775 sq. ft. 1,775 dgsf/unit	1,800 dgsf/unit	(25 sq. ft.)	Yes
• MRI	1 unit at 1,775 sq. ft. 1,775 dgsf/unit	1,800 dgsf/unit	(25 sq. ft.)	Yes
• Nuclear Medicine	1 unit at 1,088 sq. ft. 1,088 dgsf/unit	1,600 dgsf/unit	(512 sq. ft.)	Yes
Emergency Department	11 stations at 9,368 sq. ft. 852 dgsf/station	900 dgsf/treatment station	(48 sq. ft.)	Yes
Surgical Operating Suite (Class C)	8 rooms at 2,300 sq. ft. 2,538 dgsf/room	2,750 dgsf/operating room	(213 sq. ft.)	Yes
Surgical Procedure Suite (Class B)	2 rooms at 1,950 sq. ft. 975 dgsf/room	1,100 dgsf/procedure room	(125 sq. ft.)	Yes
Post-Anesthesia Recovery Phase I	20 stations at 5,224 sq. ft. 261 dgsf/station	180 dgsf/recovery station	81 sq. ft.	No
Post-Anesthesia Recovery Phase II	40 stations at 13,663 342 dgsf/station	400 dgsf/recovery station	(58 sq. ft.)	Yes

Mercy
Crystal Lake
Medical Center

Space Summary
All Departments

SPACE REQUIREMENTS

Departmental Summary

Room Name	Total DGSF	\$/SF	\$	Comments
IDHP Reviewable Areas				
1 Med/Surg Unit	61,799	\$320	\$19,775,680	
2 ICU	3,894	\$434	\$1,689,996	
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3 Waiting	23,408	\$230	\$5,383,840
4 Public Circulation	4,560	\$210	\$957,600
5 Physician Offices	42,868	\$230	\$9,859,640
Total Clinic DGSF	88,826	\$223	\$20,207,936
Total Hospital and Clinic DGSF	353,760	\$290	\$105,697,409
Sitework (Included in bldg \$/SF)	1	\$4,000,000	\$4,000,000
Landscaping (Allowance)	1	\$300,000	\$300,000

Subtotal \$4,300,000

Subtotal with Allowances \$109,997,409

Attachment 14: Size of Project

Mercy
Crystal Lake
Medical Center

Space Summary
All Departments

SPACE REQUIREMENTS

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Mercy
Crystal Lake
Medical Center

Space Summary
All Departments

SPACE REQUIREMENTS

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7 Laboratory	4,878	\$398	\$1,941,444	
8 Imaging (Diagnostic Radiology)	9,752	\$398	\$3,881,097	
9 MRI	3,405	\$473	\$1,610,565	
10 Cath Labs	6,729	\$423	\$2,846,177	
11 Central Processing	4,250	\$406	\$1,725,500	
12 Surgical Suite	19,550	\$498	\$9,735,975	
13 Recovery	5,224	\$297	\$1,551,388	
14 Outpatient Surgery	13,663	\$297	\$4,057,755	
15 Dietary	8,724	\$473	\$4,127,452	
16 Pharmacy	1,698	\$291	\$494,118	
17 Respiratory Therapy	1,290	\$288	\$371,520	
18 Cardiac Rehabilitation	1,203	\$288	\$346,579	
19 Physical Therapy	2,355	\$288	\$678,298	
20 Occupational Therapy	450	\$288	\$129,499	
IDPH Non Reviewable Areas				
21 Building Systems	11,148	\$157	\$1,844,436	
22 Administration	6,811	\$224	\$1,529,741	
23 Public Circulation	23,750	\$210	\$4,988,550	
24 Materials Management	2,840	\$185	\$525,400	
25 Building Support	6,251	\$157	\$981,407	
26 Employee Facilities	5,110	\$216	\$1,103,760	
27 Medical Library	1,100	\$224	\$257,600	
28 Housekeeping	2,331	\$271	\$633,801	
29 Laundry Holding	1,661	\$185	\$307,285	
30 Morgue	288	\$224	\$64,512	
31 Medical Records	5,500	\$224	\$1,232,000	
32 Dining	5,460	\$199	\$1,086,540	
33 Yard Storage	500	\$185	\$92,463	
34 Human Resources	836	\$185	\$154,660	
35 Marketing	2,310	\$185	\$427,350	
36 Meeting Rooms	2,525	\$185	\$467,125	
37 Sleep Studies	1,313	\$280	\$367,640	
38 Ambulance Garage	1,024	\$157	\$160,768	
39 Canopies	2,250	\$250	\$562,500	
Subtotal Hospital DGSF	267,346	\$296	\$79,249,896	

Physician Clinic Summary

Department Name	Total DGSF	S/SF	\$
1 Building Systems	5,726	\$157	\$899,045
2 Medical Records	12,264	\$224	\$2,747,136
3 Waiting	23,408	\$210	\$4,915,680
4 Public Circulation	4,560	\$210	\$957,600
5 Physician Offices	42,868	\$220	\$9,430,960

Total Clinic DGSF 88,826 \$213 \$18,950,421

Total Hospital and Clinic DGSF 356,173 \$276 \$98,200,317

Sitework (included in bldg \$/SF) 1 \$4,000,000 \$4,000,000

Landscaping (Allowance) 1 \$300,000 \$300,000

Subtotal \$4,300,000

Subtotal with Allowances \$102,500,317

Mercy
Crystal Lake
Medical Center

Space Summary
All Departments

SPACE REQUIREMENTS

Design and Estimating Contingency	10%	\$10,250,032
Total Estimated Construction Cost		\$112,750,348
A/E Design Services	7.50%	\$8,456,276
FFE	15%	\$16,912,552
Telecommunications	5%	\$5,637,517
Project Soft Cost	5%	\$5,637,517
Subtotal		\$149,394,212
Escalation	8%	\$11,951,537
Total Estimated Project Cost		\$161,345,749

Alternate Construction Cost Calculation

	Unit	Cost/Unit	Cost
(# of Beds) x (\$1M / Bed)	128	\$1,000,000	\$128,000,000
Clinic Building	1	\$26,000,000	\$26,000,000
Site/Infrastructure Cost	1	\$4,000,000	\$4,000,000
Soft Cost (30% of Construction Cost)	1	\$47,400,000	\$47,400,000
Financing (80% of Costs @ 8%)	1	\$13,145,600	\$13,145,600
Total Estimated Project Cost			\$218,545,600

Medical/Surgical, Obstetric, Pediatric, and Intensive Care

b1. Planning Area Need:

Planning area Need:

- A) The applicants, Mercy Crystal Lake Hospital and Medical Center, Inc., and Mercy Alliance, Inc., propose to construct a new hospital with the bed composition listed below. Although this is not a conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100 (as reflected in the latest updates to the inventory for Plan Area A-10), the applicants believe the project will address a current maldistribution of services and population increases projected in the geographic service area.

Category of Service	Proposed Beds	Revised Bed Need 12/17/09	Beds in Excess of Deficit
Medical/Surgical	100	69	+31
Obstetric	20	21	-1
Intensive Care	8	8	0
TOTAL	128	98	+30

- B) Currently all Hospital beds are located in the north and central areas of McHenry County. However the greatest population density in the County is in the southeast corner of the County, specifically, Crystal Lake. That is the primary reason the applicant proposes to build in Crystal Lake. By doing so, patients in that area are provided easier and quicker access. EMS services are provided faster route times, patients and families have less travel for services and visiting, and patients and providers finally have a choice of hospital services.

These reasons are especially necessary given the high historical population growth in McHenry County and the projected high population growth for the County and specifically this service area. As stated before, McHenry County is projected to grow 8.7% in the next five years alone with continued high growth thereafter

b2. Service to Planning Area Residents:

With respect to area studies, as set forth previously in this application, McHenry County's population continues to grow at an significant rate. Moreover, current estimates demonstrate that McHenry County has a deficit of 49.9 physicians as of March 2010.¹ This includes an estimate of a 29.4 FTE shortage in the area of primary care physicians and the balance in specialty care. This is consistent with the national experience. Both the Council on Graduate Medical Education and the American Medical Association recognize a current physician shortage in the U.S. that will worsen over the next several years. The operational model utilized by the applicant has been implemented effectively to recruit and retain needed physicians. Accordingly, the population and service use factors indicate that the county can support the Project, particularly because of the applicant's meeting the need for physicians.

With respect to need, the information discussed above demonstrates the need for physicians in McHenry County. If this need is addressed, the need for the facility will exist as the physicians will reduce the out-migration of services from McHenry County.

Attachment 20: Medical/Surgical, Obstetric, Pediatric, and Intensive Care

¹ Thomson Healthcare (demand) – MarketPlanner Plus ratios (50% productivity model); Market Expert ratios 2009 (national, population-based model)

With respect to the individuals who will use the project, a spreadsheet follows this page setting forth the calculated utilization of the facility by the 45 physicians at the Crystal lake site, from other employed physicians of the applicant, and through the emergency department. Calculations are based on the applicant's historical experience at its hospital facility in Janesville, Wisconsin, where the same integrated health delivery model is employed. That data show that, based upon the projected number of patient days generated, the 128 bed facility will operate at an overall occupancy of 90% by the second year of operation. The data also show that the projected occupancy for the med/surg, OB and ICU categories of service will be as follows:

Med/Surg	90.3%
OB	75.1%
ICU	60.0%
Total	90.0%

b3. Service Demand - Projected Referrals:

Physician referral letters detailing each Mercy-employed physician's historical referrals by hospital and patients' zip code of residence, as well as their anticipated referrals to Mercy Crystal Lake Hospital and Medical Center, are included under Appendix 1.

b5. Service Accessibility:

The Applicant shall document that at least one of the following factors exist in the planning area:

With respect to area studies, as set forth previously in this application, McHenry County's population continues to grow at a significant rate. Moreover, current estimates demonstrate that With respect to service restrictions, the information discussed above demonstrates the need for physicians in McHenry County. If this need is addressed, the need for the facility will exist as the physicians will reduce the out-migration of services from McHenry County. According to reputable studies, McHenry County has a deficit of 49.9 physicians as of March 2010.² This includes an estimate of a 29.4 FTE shortage in the area of primary care physicians and the balance in specialty care. This is consistent with the national experience. Both the Council on Graduate Medical Education and the American Medical Association recognize a current physician shortage in the U.S. that will worsen over the next several years. The operational model utilized by the applicant has been implemented effectively to recruit and retain needed physicians.

With respect to Service Accessibility, the information discussed above demonstrates the need for physicians in McHenry County. If this need is addressed, the need for the facility will exist as the for the further reason that the physicians will reduce the out-migration of services from McHenry County.

Attachment 20: Medical/Surgical, Obstetric, Pediatric, and Intensive Care

² Thomson Healthcare (demand) – MarketPlanner Plus ratios (50% productivity model); Market Expert ratios 2009 (national, population-based model)

Projected Utilization

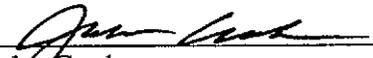
Department/Service	Projected Utilization	State Standard	Met Standard?
ACUTE CARE			
Medical-Surgical, Pediatric, Obstetric & Long-Term Acute Care Service (100 Med-Surg beds; 20 OB beds)	Med-Surg 90.3% (32,975 patient days) OB 75.1% (5,480 patient days)	Med/Surg - 90% OB - 75%	Yes Yes
Labor Delivery Recovery (LDR) (2 rooms)	2 rooms 1,003 births 502 births/room	400 births/LDR room	Yes
CRITICAL CARE			
Intensive Care Service (8 beds)	60% (1,752 patient days)	ICU - 60%	Yes
DIAGNOSTIC AND TREATMENT			
* Diagnostic/Interventional Radiology (Excludes portables & mobile equipment/Utilization)			
• General Radiology (2)	17,518 procedures	8,000 procedures	Yes
• Fluoroscopy/Tomography /Other X-ray procedures (includes Echo, Vascular, and Stress) (6)	6,538 procedures	6,500 procedures	Yes
• Mammography (2)	8,691 visits	5,000 visits	Yes
• Ultra-Sound (1)	3,924 visits	3,100 visits	Yes
• Angiography (Special Procedures) (1)	5,567 visits	1,800 visits	Yes
• CT Scan (1)	8,207 visits	7,000 visits	Yes
• MRI (1)	3,101 procedures	2,500 procedures	Yes
• Nuclear Medicine (1)	2,905 visits	2,000 visits	Yes
Emergency Department (12 stations)	26,511 visits; 2,209/station	2,000 visits/station/ year	Yes
Surgical Operating Suite (Class C) (8 ORs)	12,118 hours; 1,515 hours/OR	1,500 hours/ operating room	Yes
Surgical Procedure Suite (Class B) (2 rooms)	3,664 hours 1,832 hours/room	1,500 hours/ procedure room	Yes

Conditions of Financing:

This Conditions of Financing Statement is submitted with the application of Mercy Crystal Lake Hospital and Medical Center, Inc. and Mercy Alliance, Inc. for a Certificate of Need to build a hospital in Crystal Lake, Illinois. The total cost of the project is anticipated to be \$199,344,433.

Mercy Alliance, Inc. has the ability to fund this project through traditional tax exempt bond financing. Bonds will be issued through the Illinois Financing Authority. Moody's A2 Stable rating assures a ready market for Mercy Alliance Bonds at low interest rates. Mercy Alliance anticipates funding \$170 million through a combination of fixed and variable rate bond issuances to achieve the best balance of low cost and limit interest rate risk. The average term of the bonds is expected to be 25 years. Approximately 50% of the debt will be financed with fixed rate bonds that are currently trading at historically low rates. The other 50% will be financed through variable rate demand bonds that will be supported by a bank letter of credit. Mercy Alliance has established letter of credit arrangements with highly rated banks assuring the bonds will trade at the lowest rates in the variable rate demand bond market. The lower interest rate on the variable rate demand bond issuance and the historically low fixed rate market will result in the lowest overall financing cost and limit interest rate risk. The remaining funds (approximately \$30 million) for the project will come from cash reserves.

I attest that this financing plan will result in the lowest net cost available.

Signed: 
John Cook
Vice President and Chief Financial Officer
Mercy Alliance, Inc.

Signed before me in Rock County Wisconsin this 23rd day of December 2010.


Ralph Topinka
Notary Public, State of Wisconsin
My Commission is permanent.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	A		B		C		D		E		F		G		H		Total Cost (G + H)	
	Cost/Square New	Foot Mod.	Gross Square New	Foot Mod.	Const. \$ (A x C)	Mod.\$ (B x E)												
<u>Hospital - All Departments</u>																		
IDPH Reviewable Areas																		
1 Med/Surg Unit	\$320		61,799										\$19,775,680				\$19,775,680	
2 ICU	\$434		3,894										\$1,689,996				\$1,689,996	
3 Obstetrics	\$320		15,685										\$5,019,200				\$5,019,200	
4 Newborn Nursery	\$315		3,635										\$1,145,025				\$1,145,025	
5 Labor-Delivery-Recovery Rooms	\$330		2,501										\$825,330				\$825,330	
6 Emergency	\$330		9,368										\$3,091,440				\$3,091,440	
7 Laboratory	\$398		4,878										\$1,941,444				\$1,941,444	
8 Imaging (Diagnostic Radiology)	\$398		9,752										\$3,881,296				\$3,881,296	
9 MRI	\$473		3,405										\$1,610,565				\$1,610,565	
10 Cath Labs	\$423		6,729										\$2,846,367				\$2,846,367	
11 Central Processing	\$406		4,250										\$1,725,500				\$1,725,500	
12 Surgical Suite	\$498		19,550										\$9,735,900				\$9,735,900	
13 Recovery	\$320		5,224										\$1,671,680				\$1,671,680	
14 Outpatient Surgery	\$320		13,663										\$4,372,160				\$4,372,160	
15 Dietary	\$473		8,724										\$4,126,452				\$4,126,452	
16 Pharmacy	\$291		1,698										\$494,118				\$494,118	
17 Respiratory Therapy	\$315		1,290										\$406,350				\$406,350	
18 Cardiac Rehabilitation	\$320		1,203										\$384,960				\$384,960	
19 Physical Therapy	\$320		2,355										\$753,600				\$753,600	
20 Occupational Therapy	\$320		450										\$144,000				\$144,000	
IDPH Non Reviewable Areas																		
21 Building Systems	\$250		11,748										\$2,937,000				\$2,937,000	
22 Administration	\$250		6,829										\$1,707,250				\$1,707,250	
23 Public Circulation	\$225		23,755										\$5,344,875				\$5,344,875	
24 Materials Management	\$220		2,840										\$624,800				\$624,800	
25 Building Support	\$215		6,251										\$1,343,965				\$1,343,965	
26 Employee Facilities	\$216		5,110										\$1,103,760				\$1,103,760	
27 Medical Library	\$224		1,150										\$257,600				\$257,600	
28 Housekeeping	\$220		3,531										\$776,820				\$776,820	

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	A		B		C		D		E		F		G		H		Total Cost (G + H)
	Cost/Square Foot New	\$	Gross Square Foot Mod.		Gross Square New	Ft. Circ.*	Gross Square Ft. Circ.*		Gross Square Mod.		Gross Square Ft. Circ.*		Const. \$ (A x C)	Mod.\$ (B x E)			
29 Laundry Holding	\$200				1,661								\$332,200				\$332,200
30 Morgue	\$224				288								\$64,512				\$64,512
31 Medical Records	\$224				5,500								\$1,232,000				\$1,232,000
32 Dining	\$310				5,460								\$1,692,600				\$1,692,600
33 Yard Storage	\$185				500								\$92,500				\$92,500
34 Human Resources	\$220				836								\$183,920				\$183,920
35 Marketing	\$220				2,310								\$508,200				\$508,200
36 Meeting Rooms	\$220				2,525								\$555,500				\$555,500
37 Sleep Studies	\$280				1,313								\$367,640				\$367,640
38 Ambulance Garage	\$157				1,024								\$160,768				\$160,768
39 Canopies	\$250				2,250								\$562,500				\$562,500
Subtotal Hospital DGSF	\$298				264,934								\$85,489,473				\$85,489,473
Clinic - All Departments																	
1 Building Systems	\$220				5,726								\$1,259,720				\$1,259,720
2 Medical Records	\$224				12,264								\$2,747,136				\$2,747,136
3 Waiting	\$230				23,408								\$5,383,840				\$5,383,840
4 Public Circulation	\$210				4,560								\$957,600				\$957,600
5 Physician Offices	\$230				42,868								\$9,859,640				\$9,859,640
Total Clinic DGSF	\$223				88,826								\$20,207,936				\$20,207,936
Total Hospital and Clinic DGSF	\$290				353,760								\$105,697,409				\$105,697,409

* Overall circulation is 8%