



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

MEMORANDUM

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

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

RE: Alteration Request for Project # 11-106

Facility: St. Joseph's Hospital Medical Office Building, Highland

This is to advise you that I have reviewed the above-captioned permit alteration request within the requirements in 77 IAC 1130.730 and have determined the following:

The request is in compliance with the requirements in 77 IAC 1130.730 and the alteration request is approved.

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

This request is DENIED effective _____ because it does **NOT** comply with the requirements specified in 77 IAC 1130.730.

Other actions as follows:

Dale Galassie, Chairman
Illinois Health Facilities and
Services Review Board

5-4-13

Date



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET ITEM NUMBER: NA	BOARD MEETING: NA	PROJECT NUMBER: #11-106
PERMIT HOLDERS(S): St. Joseph's Hospital of the Hospital Sisters of the Third Order of St. Francis Hospital Sisters Services, Inc. Hospital Sisters Health System		
FACILITY NAME and LOCATION: St. Joseph Hospital Medical Office Building, Highland		

Project Description:

The permit holders are requesting an alteration to Permit #11-106, St. Joseph Hospital Medical Office Building (MOB), in accordance with 77 IAC 1130.750 - Alteration of the Project. **This is the first alteration request for this project.**



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

STATE AGENCY REPORT
PERMIT ALTERATION REQUEST
Project #11-106

I. Project Description and Background Information

On February 28, 2012 the State Board approved Permit #11-106. The project proposed the establishment of a three-story Medical Office Building (MOB) contiguous and connected to St. Joseph Hospital's replacement 25-bed critical access hospital (Project #11-105), in Highland. The applicants will lease space in the 57, 970 GSF facility, and the approved cost of the project is \$14,803,282. **The anticipated project completion date is September 30, 2014.**

The project is being funded through a combination of cash and securities, Bond Issues, and Mortgages.

I. The Proposed Alteration

A. The following proposed alterations require State Board approval:

1. The permit holders are proposing to increase the amount of space leased to St. Joseph's Hospital by 2,869 GSF. This increased space will be used for clinical purposes to house St. Joseph Hospital's Wound Care Center. The proposed alteration will increase the project's clinical footprint from 12,871 GSF to 15,470 GSF, while decreasing its non-clinical footprint by the same amount, from 45,099 GSF, to 42,230 GSF. The altered non-clinical space will come from space initially slated for Physician's offices. The overall GSF (57,970), of the project will remain unchanged.
2. The permit holders are proposing to increase the clinical costs of the project by \$808,210, from \$4,906,333 to \$5,714,543, and decrease the non-clinical costs by the same difference, from \$9,896,949 to \$9,088,739. The overall project cost (\$14,803,282), remains unchanged.
3. The applicants also note the following line items will be changed to reflect the proposed alteration: Preplanning costs, New Construction Contracts, Clinical/Non-Clinical Contingencies, Architectural & Engineering Fees, and Consulting & Other Fees. Table One outlines these changes in detail. The financing of the project remains unchanged from the original approved permit amount.



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

B. Reason(s) for the Proposed Alteration:

The permit holders state the purpose for the alteration stems from the need to increase the amount of space leased in the St. Joseph's Hospital MOB, to accommodate the relocation of its Wound Care Center.

III. Applicable Rules

77 IAC 1130.750 specifies that a permit is valid only for the project as defined in the application and any change to the project subsequent to permit issuance constitutes an Alteration to the project.

Allowable alterations that require HFPB action are:

- 1) a change in the approved number of beds or stations provided that the change would not independently require a permit or exemption from HFPB;
- 2) abandonment of an approved category of service established under the permit;
- 3) any increase in the square footage of the project up to 5% of the approved gross square footage;
- 4) any decrease in square footage greater than 5% of the project;
- 5) any increase in the cost of the project not to exceed 5% of the total project cost. This alteration may exceed the capital expenditure minimum in place when the permit was issued, provided that it does not exceed 5% of the total project cost;
- 6) any increase in the amount of funds to be borrowed for those permit holders that have not documented a bond rating of "A" or better;
- 7) any increase in the project costs components (i.e., line item amounts) if the increase is not in compliance with the 77 Ill. Adm. Code 1120 review criteria; or
- 8) any change that substantially changes the scope or changes the functional operation of the project, as defined in Section 1130.140.



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

V. Summary of State Agency Findings

All findings from the Original State Agency Report remain unchanged.

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

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

VI. Projects Costs and Sources of Funds

Table One shows the original project costs and the altered project costs.

TABLE ONE							
Project Costs and Sources of Funds							
Project Costs							
	Original			Altered			Difference
	Clinical	Non-Clinical	Total	Clinical	Non-Clinical	Total	
Preplanning	\$0	\$0	\$0	\$5,400	\$0	\$5,400	\$5,400
Site Survey Soil Investigation	\$7,770	\$27,230	\$35,000	\$7,770	\$27,230	\$35,000	\$0
Site Preparation	\$32,719	\$114,664	\$147,383	\$32,719	\$114,664	\$147,383	\$0
Off-Site Work	\$147,859	\$518,172	\$666,031	\$147,859	\$518,172	\$666,031	\$0
New Construction	\$3,224,443	\$7,165,703	\$10,390,146	\$4,037,623	\$6,677,973	\$10,715,596	\$325,450
Contingencies	\$174,390	\$451,579	\$625,969	\$131,099	\$131,099	\$262,198	(\$363,771)
A & E Fees	\$83,655	\$293,169	\$376,824	\$107,576	\$293,169	\$400,745	\$23,921
Consulting Fees	\$139,679	\$489,504	\$629,183	\$148,679	\$489,504	\$638,183	\$9,000
Movable of Other Equipment	\$991,935	\$472,867	\$1,464,802	\$991,935	\$472,867	\$1,464,802	\$0
Net Interest Expense	\$74,944	\$262,642	\$337,586	\$74,944	\$262,642	\$337,586	\$0
Other Costs to be Capitalized	\$28,939	\$101,419	\$130,358	\$28,939	\$101,419	\$130,358	\$0
Total	\$4,906,333	\$9,896,949	\$14,803,282	\$5,714,543	\$9,088,739	\$14,803,282	\$0
Sources of Funds							
Cash and Securities	\$778,980	\$1,890,002	2,668,982	\$1,587,190	\$1,081,792	\$2,668,982	\$0
Bond Issues	\$4,127,353	\$0	\$4,127,353	\$4,127,353	\$0	\$4,127,353	\$0
Mortgages	\$0	\$8,006,947	\$8,006,947	\$0	\$8,006,947	\$8,006,947	\$8,006,947
Total	\$4,906,333	\$9,869,949	\$14,803,282	\$5,714,543	\$9,088,739	\$14,803,282	\$0



**STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD**

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

VII. Projects Cost Space Requirement

The permit holders are proposing to increase the size of the clinical portion from 12,871 GSF to 15,470 GSF, 2,599 GSF or 20.1%. In addition, the non-clinical GSF will decrease from 45,099 GSF to 42,230 GSF, 2,869 GSF, or 6.3%.

TABLE TWO					
Altered Cost Space Chart					
Department/Area	Cost per Original Application	Altered Cost	Proposed GSF per Original Application	Altered GSF per Proposal	Difference
Clinical					
Wound Care Center	\$0	\$813,180	0	2,869	\$813,180/ 2,869 GSF
Diagnostic Imaging	\$757,951	\$434,870	1,450	1,450	(\$323,081)
Clinical Laboratories	\$1,054,889	\$603,057	2,209	2,209	(\$451,832)
Clinical Reference Laboratory	\$134,998	\$102,330	379	379	(\$32,668)
Outpatient Rehabilitation	\$1,464,076	\$1,029,055	4,162	4,162	(\$435,021)
Audiology	\$153,803	\$116,398	463	463	(\$37,405)
Cardiac Rehabilitation	\$427,253	\$290,562	1,128	1,128	(\$136,691)
Geriatric Adult Day Psych	\$504,573	\$387,232	2,067	2,067	(\$117,341)
Neuro-Diagnostics	\$408,790	\$260,939	1,013	1,013	(\$147,851)
Subtotal Clinical	\$4,906,333	\$4,037,623	12,871	15,740	\$4,037,623 2,869 GSF
Contingency		\$131,099			
Total Clinical	\$4,906,333	\$4,168,722	12,871	15,740	
Non-Clinical					
Medical Records/Health Info Systems	\$264,371	\$170,280	1,032	1,032	(\$94,091)
Administration	\$1,154,036	\$792,000	4,800	4,800	(\$362,036)
Volunteer Services	\$68,478	\$50,160	304	304	(\$18,318)
Education/Conference	\$724,020	\$436,905	2,555	2,555	(\$287,115)
Information Systems	\$201,756	\$122,570	721	721	(\$79,186)
Environmental Svcs./Housekeeping	\$20,644	\$15,120	142	142	(\$5,524)
Leased Physician's Offices	\$5,577,151	\$3,704,980	24,663	21,794	(\$1,872,171)/ (2,869 GSF)
Entrances, Lobby, Public Space	\$705,879	\$514,080	3,672	3,672	(\$191,799)
Corridors	\$439,566	\$326,700	2,420	2,420	(\$112,866)
Connector Corridor to Hospital	\$234,642	\$181,440	1,296	1,296	(\$53,202)
Mechanical/Penthouse	\$144,156	\$105,264	1,032	1,032	(\$38,892)
Mechanical/Electrical/Ducts/Shafts	\$56,014	\$40,902	401	401	(\$15,112)



**STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD**

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

TABLE TWO					
Altered Cost Space Chart					
Department/Area	Cost per Original Application	Altered Cost	Proposed GSF per Original Application	Altered GSF per Proposal	Difference
Elevator Shafts	\$82,679	\$60,990	525	525	(\$21,689)
Stairwells	\$214,557	\$156,672	1,536	1,536	(\$57,885)
Subtotal Non Clinical	\$9,869,949	\$6,677,973	45,099	42,230	(\$3,191,973)
Contingency		\$131,099			
Total Non-Clinical	\$9,869,949	\$6,809,072	45,099	42,230	
Total Clinical	\$4,906,333	\$4,168,722	12,871	15,740	
Total	\$14,803,282	\$10,977,794	57,970	57,970	

VIII. 1120.140 - Economic Feasibility

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

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

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

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



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

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

HFSRB NOTE: Contingencies shall be limited in use for construction or modernization (line item) costs only and shall be included in construction and modernization cost per square foot calculations and evaluated for conformance with the standards detailed in Appendix A. If, subsequent to permit issuance, contingencies are proposed to be used for other component (line item) costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by HFSRB prior to that use.

- 5) New construction or modernization fees and architectural/engineering fees shall not exceed the fee schedule standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.
- 6) The costs of all capitalized equipment not included in construction contracts shall not exceed the standards for equipment as detailed in Appendix A unless the applicant documents the need for additional or specialized equipment due to the scope or complexities of the services to be provided. As documentation, the applicant must provide evidence that the costs are similar to or consistent with other projects of similar scope and complexity, and attest that the equipment will be acquired at the lowest net cost available, or that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.
- 7) Building acquisition, net interest expense, and other estimated costs shall not exceed the standards detailed in Appendix A. If Appendix A does not specify a standard for the cost component, the applicant shall provide documentation that the costs are



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

consistent with industry norms based upon a comparison with previously approved projects of similar scope and complexity.

- 8) **Cost Complexity Index (to be applied to hospitals only)**
The mix of service areas for new construction and modernization will be adjusted by the table of cost complexity index detailed in Appendix A.

The State Agency notes only the clinical costs were reviewed against the established standards in Part 1120, and only the affected costs are listed below. The State Agency calculated the State Board New Construction Standard using the third quartile of 2013 RS Means data adjusted for complexity by department/function. This number was then inflated by 3.0% per year until the Midpoint of construction.

Preplanning - These costs total \$5,400 and are less than 1.0% of construction, contingencies and equipment costs. This appears reasonable when compared to the approved State Board Standard of 1.8%.

New Construction and Contingencies - These costs total \$4,168,722, or \$264.84 ($\$4,168,722/15,740 = \264.84 per GSF). This appears **HIGH** when compared to the approved State Board standard of \$202.36 per GSF.

Contingencies: New Construction - These costs total \$131,099 or 3.2% of new construction costs. This appears reasonable compared to the approved State Board standard of 10%.

Architectural and Engineering Fees: New Construction - These costs total \$107,576, or 2.5% of construction and contingencies. This appears reasonable when compared to the State Board standard of 5.12% -7.68%

Consulting or Other Fees - These costs total \$148,679. The State Board does not have standards for this cost.

The reported costs for New Construction/Contingencies is still in excess of the State Board standard, and a positive finding cannot be made.

THE BOARD STAFF FINDS THE PROPOSED ALTERATION DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1120.140 (c)).

Other Information



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

Included with this report are the alteration request and the original state agency report.