



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: G-1	BOARD MEETING: January 9, 2018	PROJECT NUMBER: 13-072
PERMIT HOLDER: Beloit Health System		
FACILITY NAME and LOCATION: NorthPointe Health and Wellness Campus Ambulatory Surgical Treatment Center, Roscoe, Illinois		

STATE BOARD STAFF REPORT
PERMIT ALTERATION REQUEST

I. Project Description and Background Information

On June 2, 2015, the State Board issued a permit to the Beloit Health System to construct and establish a multi-specialty ambulatory surgical treatment center. The ASTC comprised two Class C Operating Rooms and two Class B Operating rooms and 16 recovery stations. The Surgery Center was approved to perform Obstetrics/Gynecology, Pain Management, Dermatology, Ophthalmology, Podiatry, Gastroenterology, Oral/Maxillofacial, General/Other, Orthopedic, Otolaryngology, Plastic, and Urology.

In addition a pharmacy, equipment cleaning and storage, shell space and support space were approved to be constructed. The total approved gross square footage (“GSF”) was 30,929 GSF. Of that amount 12,157 GSF was to be shell space. The total approved cost of the project is \$15,276,194. The permit holder is required to receive State Board approval prior to the build out of the approved shell space.

Beloit Health System is a not for profit corporation. Beloit operates a 256 bed acute care hospital, a multi-specialty physician practice and provides inpatient, outpatient emergency care, home health care, and hospice services in Beloit, Wisconsin. Beloit also operates a 45-unit independent living facility in Beloit, a health and wellness center in Northern Illinois (North Pointe) consisting of physician clinical space, an urgent care center, a fitness center, and a separate 24-unit assisted living facility.

On February 16, 2016 the State Board approved an alteration to permit #13-072 to reallocate 2,320 gross square feet of non clinical space to clinical space.

On October 14, 2016 the permit holder was granted a permit renewal with a completion date of October 16, 2017.

On September 26, 2017 the permit holder was granted a second permit renewal with an expected completion date of February 27, 2018.

II. The Proposed Alteration

On November 14, 2017 the State Board received a second permit alteration request to increase the cost of the project by 1.34% from \$15,276,194 to \$15,480,732 or \$204,583. Additionally bond financing will be reduced from \$14,476,194 to \$11,088,714 or \$3,387,480 and cash funding will increase from \$800,000 to \$4,392,018 or \$3,592,018.

III. Applicable Rules

77 Ill. Adm. Code 1130.140 defines “Alteration” to mean:

“ . . . any revision or change to a project as detailed in the application that occurs after State Board issuance of the permit . . . ”

77 Ill. Adm. Code 1130.750 states that a permit is only valid for the designated construction or modification, equipment, site, amount and person named in the application. Any change to a project subsequent to the State Board’s issuance of a permit constitutes an alteration to the project.

77 Ill. Adm. Code 1130.750(a) states that a permit holder shall notify IDPH in writing of any proposed or incurred alterations to a project.

77 Ill. Adm. Code 1130.750(c)(2)(E) specifies that an increase in the permit amount (or altered permit amount) after project obligation requires State Board approval.

IV. Summary of State Board Findings

Part 1110 is not applicable to this alteration request.

The State Agency finds that the proposed alteration appears **NOT** to be in conformance with all applicable review criteria for Part 1120.

V. State Board Findings for Part 1120 Review Criteria

A) **Criterion 1120.120 -Availability of Funds**

To demonstrate compliance with this criterion the Applicant must document that financial resources are available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The Applicant is proposing to fund this project with cash of in the amount of \$4,392,018 and a bond issue of \$11,088,714.

In May of 2016 Fitch Ratings assigned an A- rating for bonds to be issued by the Wisconsin Health & Educational Facilities Authority (the authority) on behalf of Beloit Health System (BHS) \$14,710,000 revenue bonds series 2016. Fitch also

affirmed the 'A-' rating on approximately \$35 million of revenue bonds issued by the authority on behalf of BHS. Below is a summary of Beloit Health Systems' financial position as of 12/31/2016. From the information provided in the alteration request it appears that the Applicant has sufficient resources to fund this project.

TABLE ONE		
Beloit Health System, Inc. and Affiliates		
Financial Statements		
Dec 31st		
(Audited)		
	2016	2015
Cash	\$22,760,348	\$25,538,008
Current Assets	\$68,224,112	\$61,361,812
Total Assets	\$283,583,701	\$248,545,754
Current Liabilities	\$33,082,217	\$31,089,643
LTD	\$84,584,834	\$70,812,339
Total Liabilities	\$146,027,238	\$127,823,113
Net Assets	\$137,556,463	\$120,722,641
Net Patient Service Revenue	\$225,227,713	\$209,551,618
Total Revenue	\$233,774,884	\$218,562,389
Total Expenses	\$226,775,899	\$211,845,177
Income from Operations	\$6,998,985	\$6,717,212
Excess of Revenues over Expenses	\$10,282,109	\$7,890,678

STATE BOARD STAFF FINDS THE PROPOSED ALTERATION TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 ILAC 1120.120)

B) Criterion 1120.130 - Financial Viability

To demonstrate compliance with this criterion the Applicant must document an “A” or better bond rating or provide three years of financial ratio information that meets the requirements of Part 1120 Appendix A.

The Applicant has provided evidence of an “A” or better bond rating as outlined above and has met the requirements of this criterion

THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 ILAC 1120.130)

VI. Economic Feasibility

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

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

To demonstrate compliance with this criterion the Applicant must document that the financing is reasonable.

As stated above the Applicant has an “A” or better bond rating. In May of 2016 Beloit Health System issued Revenue Bonds in the amount of \$16,465,000 with a variable interest rate of 3.5% to 5.0% with interest paid semiannually and principle paid annually.

STATE BOARD STAFF FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING CRITERION (77 IAC 1120.140(a) and 77 ILAC 1120.140 (b))

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

To demonstrate compliance with this criterion the Applicant must document that the estimated project costs are reasonable and shall document compliance with the Part 1120 Appendix A. Only the reviewable costs are compared to the State Board Standard.

Proposed Alteration	
USE OF FUNDS	Reviewable
Preplanning Costs	\$37,855
Site Survey and Soil Investigation	\$3,336
Site Preparation	\$14,146
New Construction Contracts (Bldg. Only)	\$3,223,033
Contingencies	\$33,403
Architectural/Engineering Fees	\$259,830
Consulting and Other Fees	\$9,103
Movable or Other Equipment (not in construction contracts)	ASTC /\$2,016,456 Other/\$743,118
Bond Issuance Expense (project related)	\$96,370
Other Costs To Be Capitalized	\$351,090
TOTAL USES OF FUNDS	\$6,942,612

Preplanning Costs – These costs are \$37,855 and are less than 1% of new construction, contingencies, and movable equipment. This appears reasonable when compared to the State Board Standard of 1.8%.

Site Survey, Soil Investigation and Site Preparation – These costs are \$17,482 and are less than 1% of new construction and contingencies. This appears reasonable when compared to the State Board Standard of 5.0%.

New Construction and Contingencies - These costs are \$3,256,436 or \$359.95. This appears reasonable when compared to the State Board standard of \$379.69.

Contingencies – These costs are \$33,403 and are 1.03% of new construction. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees – These costs are \$270,898 and are 7.95% of new construction and contingencies. This appears reasonable when compared to the State Board Standard of 6.89-10.35%.

Consulting and Other Fees – These costs are \$37,860. The State Board does not have a standard for these costs.

Movable or Other Equipment – These costs are \$2,016,456 or \$504,114 per room. This appears **HIGH** when compared to the State Board Standard of \$461,361. **The applicant stated the following in regards to this cost at the time;** “Two considerations, the costs include those for other building components, such as laboratory, and not just the ASTC. Hence, the comparison is not fully accurate. In addition, Beloit is proposing a full-service, multi-specialty ASTC, based on relocated hospital cases. The State Board Standard may not address this fact in comparison to past ASTC projects.”

Bond Interest Expense – These costs are \$96,370. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs are \$708,461. The State Board does not have a standard for these costs.

STATE 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))

D) Criterion 1120.140 (d) - Projected Operating Costs

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

The projected operating cost per surgery is \$1,954.09. The Applicant has met this criterion.

STATE BOARD STAFF FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1120.140 (d))

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

To document compliance with this criterion the Applicant must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The total effect of the project on capital costs is \$1,024.08 per surgery. The Applicant

has met this criterion.

STATE BOARD STAFF FINDS THE PROPOSED ALTERATION TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.140 (e))

TABLE TWO
Use and Sources of Funds

USE OF FUNDS	Approved Amounts			Alteration Request			Difference Approved Permit Amount vs Alteration Amount
	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total	
Preplanning Costs	\$46,500	\$23,500	\$70,000	\$37,855	\$19,054	\$56,909	-\$13,091
Site Survey and Soil Investigation	\$5,600	\$3,400	\$9,000	\$3,336	\$5,004	\$8,340	-\$660
Site Preparation	\$68,000	\$98,400	\$166,400	\$14,146	\$79,237	\$93,383	-\$73,017
New Construction Contracts (Bldg. Only)	\$3,003,311	\$5,884,778	\$8,888,089	\$3,223,033	\$6,315,307	\$9,538,340	\$650,251
Contingencies	\$300,331	\$588,478	\$888,809	\$33,403	\$65,452	\$98,855	-\$789,954
Architectural/Engineering Fees	\$270,898	\$568,868	\$839,766	\$259,830	\$545,626	\$805,456	-\$34,310
Consulting and Other Fees	\$37,860	\$17,860	\$55,720	\$9,103	\$9,102	\$18,205	-\$37,515
Movable or Other Equipment (not in construction contracts)	ASTC /\$1,786,500 Other /\$696,900	-- \$263,200	\$1,786,500 \$960,100	ASTC /\$2,016,456 Other /\$743,118	\$0 \$288,990	\$2,016,456 \$1,032,108	\$229,956 \$72,008
Bond Issuance Expense (project related)	\$122,000	\$240,000	\$362,000	\$96,370	\$189,580	\$285,950	-\$76,050
Net Interest Expense During Construction (project related)	\$160,700	\$241,110	\$401,810			\$387,180	-\$14,630
Other Costs To Be Capitalized	\$430,100	\$417,900	\$848,000	\$351,090	\$708,461	\$1,139,550	\$291,550
TOTAL USES OF FUNDS	\$6,928,700	\$8,347,494	\$15,276,194	\$6,942,612	\$9,538,120	\$15,480,732	\$204,538
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total	Difference
Cash and Securities	\$320,000	\$480,000	\$800,000	\$1,756,807	\$2,635,211	\$4,392,018	\$3,592,018
Bond Issues (project related)	\$6,608,700	\$7,867,494	\$14,476,194	\$5,062,241	\$6,026,473	\$11,088,714	\$3,387,480
TOTAL SOURCES OF FUNDS	\$6,928,700	\$8,347,494	\$15,276,194	\$6,928,700	\$8,347,494	\$15,480,732	\$204,538

November 10, 2017

Ms. Kathryn J. Olson Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Re: Alteration Request (Section 1130.750)
NorthPointe Health and Wellness Campus Project Number 13-072

Dear Ms. Olson,

Pursuant to Section 1130.750 of the Illinois Health Facilities and Services Review Board rules, we are requesting an alteration of Project 13-072 to modify the approved capitalized project cost and sources of funding for the project.

The Ambulatory Surgery Treatment Center (ASTC) project on our NorthPointe Health and Wellness Campus, referenced above, was approved and granted a Certificate of Need by the Illinois Health Facilities and Services Review Board on June 2, 2015, altered on January 17, 2016, and obligated on March 15, 2016.

The approximate 31,000 BGSF new construction project houses a multi-specialty ASTC with two GI procedure rooms and two operating rooms in 11,000 square feet of the new construction located at 5605 East Rockton Road, Roscoe, IL. The permit was approved with a total capitalized project cost of \$15,276,194.00. The primary construction phase is complete and we have been licensed by IDPH as noted in our June 2, 2016 annual progress report. In addition, we are fully operational and are currently addressing minor building corrections and adjustments. The process is anticipated to be fully completed by December 1, 2017.

The updated total capitalized cost of the project is projected to be \$15,480,732.00 as compared to the project's original estimate of \$15,276,194.00, a negative variance of \$204,583.00 or 1.34% of the approved project costs. Hence, the reason for this required alteration. The updated costs are noted on Attachment A. The overall project and square footage of the center conform to the approved project as altered on January 17, 2016.

Due to strong financial performance we were able to finance \$4,392,018.00 of the project through cash and securities, reducing the use of bond proceeds from the initially projected and approved \$14,476,194.00 to \$11,088,714.00. This alteration in funding sources also reduced the project's capitalized interest expense (Net interest expense during construction).

Our alteration request processing fee in the amount of \$1,000.00 (Section 1130.230) is enclosed with this submission.

At-Home Healthcare
1904 E. Huebbe Parkway
Beloit, WI • (608) 363-5885

Clinton Clinic
307 Ogden Avenue
Clinton, WI • (608) 676-2206

Janesville Clinic
1321 Creston Park
Janesville, WI • (608) 757-1217

NorthPointe Terrace
5601 E. Rockton Road
Roscoe, IL • (815) 525-4800

Riverside Terrace
3055 S. Riverside Dr.
Beloit, WI • (608) 365-7222

Beloit Clinic
1905 E. Huebbe Parkway
Beloit, WI • (608) 364-2200

Darien Clinic
300 N. Walworth Street
Darien, WI • (262) 882-1151

**NorthPointe Health &
Wellness Campus**
5605 E. Rockton Road
Roscoe, IL • (815) 525-4000

**Occupational Health Sports
& Family Medicine Center**
1650 Lee Lane
Beloit, WI • (608) 362-0211

West Side Clinic
1735 Madison Road
Beloit, WI • (608) 363-7510

Please contact me if you have any questions. I can be reached at 608-365-5685 or by e-mail at tmckevett@beloithealthsystem.org.

Sincerely,

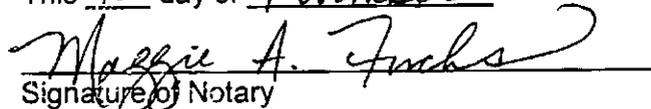


Timothy M. McKeve
President and CEO
Beloit Health System

Notarization:

Subscribed and sworn to before me

This 10th day of November



Maggie A. Fruchs
Signature of Notary
Seal

Attachment: Attachment A – Source and Use of Funds (Updated with Variances noted)

CC: Courtney R. Avery, Administrator
Mike Constantino, Supervisor, Project Review Section
Thomas McCawley, Vice President
Scott Leckey, Chief Financial Officer
Ed Parkhurst, PRISM Healthcare Consulting

Attachment A
NorthPointe ASTC Permit 13-072
Source/Anticipated Use of Funds and Variances

PROJECT COSTS		APPROVED PROJECT	ANTICIPATED EXPENSES	VARIANCE
Preplanning Costs		70,000	56,909	-13,091
Site Survey and Soil Investigation		9,000	8,340	-660
Site Preparation		166,400	93,383	-73,017
Off Site Work		0	0	0
New Construction Contracts (Bldg. Only)		8,888,089	9,538,340	650,251
Modernization Contracts		0	0	0
Contingencies		888,809	98,855	-789,954
Architectural/Engineering Fees		839,766	805,456	-34,310
Consulting and Other Fees		55,720	18,205	-37,515
Movable or Other Equipment (not in construction contracts)	ASTC	1,786,500	2,016,456	229,956
	Other	960,100	1,032,108	72,008
Bond Issuance Expense (project related)		362,000	285,950	-76,050
Net Interest Expense During Construction (project related)		401,810	387,180	-14,630
Fair Market Value of Leased Space or Equipment		0	0	0
Other Costs To Be Capitalized		848,000	1,139,550	291,550
Acquisition of Building or Other Property (excluding land)		0	0	0
TOTAL USES OF FUNDS		15,276,194	15,480,732	204,538

SOURCE OF FUNDS	APPROVED PROJECT	ANTICIPATED SOURCES	VARIANCE
Cash and Securities	800,000	4,392,018	3,592,018
Pledges	0	0	0
Gifts and Bequests	0	0	0
Bond Issues (project related)	14,476,194	11,088,714	-3,387,480
Mortgages	0	0	0
Leases (fair market value)	0	0	0
Governmental Appropriations	0	0	0
Grants	0	0	0
Other Funds and Sources	0	0	0
TOTAL SOURCES OF FUNDS	15,276,194	15,480,732	204,538

November 27, 2017

To: Mike Constantino

From: Ed Parkhurst

Re: Requested Additional Information
CON Permit #13-072
NorthPointe Health and Wellness Campus ASTC; Roscoe, Illinois
Permit Alteration Request (Section 1130.750)

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

On November 10, 2017 Beloit Health System submitted a second alteration request for the approved CON project #13-072. This request proposes to alter the approved cost with a 1.34% increase in project cost as well as a financing change to increase cash and securities and reduce bond financing. No change in the approved project's square footage or service scope is proposed through this requested alteration.

Subsequently, on November 16, 2017 additional supporting documentation was requested by IHFSRB Staff in order for the Permit Alteration Request to be evaluated.

The requested information is attached in the following order:

1. Attachment A, as previously submitted, which is a summary of the requested alteration project cost, by line item, compared to the approved project cost. (Page A-1)
2. Project Costs and Sources of Funds, Attachment 7 (Permit Application Pages 31, 60, 61, and 62) as approved in the Type B modification (noted as revised on the respective pages) along with the requested alteration indicating clinical and non clinical costs. (Pages A-2 through A-10, inclusive)
3. ASTC License (copy) (Page A-11)
4. Beloit Health System Bond Rating (Page A-12)
5. Beloit Health System Audit Report (Page A-13)

Beloit Health System
NorthPointe Health and Wellness Campus
CON Permit #13-072 Alteration Request
November 27, 2017
Page 2 of 18

Please let me know if you have any questions. I can be reached by e-mail at eparkhurst@consultprism.com or by telephone at my direct line 630-790-5089.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Parkhurst", with a long horizontal flourish extending to the right.

E.W. Parkhurst, Jr.
Managing Principal

CC: Thomas McCawley, Vice President
Beloit Health System

PRISM

Attachment A
NorthPointe ASTC Permit 13-072
Source/Anticipated Use of Funds and Variances

PROJECT COSTS	APPROVED PROJECT	ANTICIPATED EXPENSES	VARIANCE	
Preplanning Costs	70,000	56,909	-13,091	
Site Survey and Soil Investigation	9,000	8,340	-660	
Site Preparation	166,400	93,383	-73,017	
Off Site Work	0	0	0	
New Construction Contracts (Bldg. Only)	8,888,089	9,538,340	650,251	
Modernization Contracts	0	0	0	
Contingencies	888,809	98,855	-789,954	
Architectural/Engineering Fees	839,766	805,456	-34,310	
Consulting and Other Fees	55,720	18,205	-37,515	
Movable or Other Equipment (not in construction contracts)	ASTC	1,786,500	2,016,456	229,956
	Other	960,100	1,032,108	72,008
Bond Issuance Expense (project related)	362,000	285,950	-76,050	
Net Interest Expense During Construction (project related)	401,810	387,180	-14,630	
Fair Market Value of Leased Space or Equipment	0	0	0	
Other Costs To Be Capitalized	848,000	1,139,550	291,550	
Acquisition of Building or Other Property (excluding land)	0	0	0	
TOTAL USES OF FUNDS	15,276,194	15,480,732	204,538	

SOURCE OF FUNDS	APPROVED PROJECT	ANTICIPATED SOURCES	VARIANCE
Cash and Securities	800,000	4,392,018	3,592,018
Pledges	0	0	0
Gifts and Bequests	0	0	0
Bond Issues (project related)	14,476,194	11,088,714	-3,387,480
Mortgages	0	0	0
Leases (fair market value)	0	0	0
Governmental Appropriations	0	0	0
Grants	0	0	0
Other Funds and Sources	0	0	0
TOTAL SOURCES OF FUNDS	15,276,194	15,480,732	204,538

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	37,855		19,054	56,909
Site Survey and Soil Investigation	3,336		5,004	8,340
Site Preparation	14,146		79,237	93,383
Off Site Work	0		0	0
New Construction Contracts (Bldg. Only)	3,223,033		6,315,307	9,538,340
Modernization Contracts	0		0	0
Contingencies	33,403		65,452	98,855
Architectural/Engineering Fees	259,830		545,626	805,456
Consulting and Other Fees	9,103		9,102	18,205
Movable or Other Equipment (not in construction contracts)	ASTC	2,016,456	0	2,016,456
	Other	743,118	288,990	1,032,108
Bond Issuance Expense (project related)	96,370		189,580	285,950
Net Interest Expense During Construction (project related)				387,180
Fair Market Value of Leased Space or Equipment	0		0	0
Other Costs To Be Capitalized	351,090		708,461	1,139,550
Acquisition of Building or Other Property (excluding land)	0		0	0
TOTAL USES OF FUNDS	\$6,942,612		\$9,538,120	\$15,480,732
SOURCE OF FUNDS	CLINICAL		NONCLINICAL	TOTAL
Cash and Securities	1,756,807		2,635,211	4,392,018
Pledges				0
Gifts and Bequests				.0
Bond Issues (project related)	5,062,241		6,026,473	11,088,714
Mortgages				0
Leases (fair market value)				0
Governmental Appropriations				0
Grants				0
Other Funds and Sources				0
TOTAL SOURCES OF FUNDS	\$6,928,700		\$8,347,494	\$15,480,732
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.				

Beloit Health System
 NorthPointe Health and Wellness Campus
 Type B Permit Application Submission
 July 21, 2014
 Page 25

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	46,500		23,500	70,000
Site Survey and Soil Investigation	5,600		3,400	9,000
Site Preparation	68,000		98,400	166,400
Off Site Work	0		0	0
New Construction Contracts (Bldg. Only)	3,003,311		5,884,778	8,888,089
Modernization Contracts	0		0	0
Contingencies	300,331		588,478	888,809
Architectural/Engineering Fees	270,898		568,868	839,766
Consulting and Other Fees	37,860		17,860	55,720
Movable or Other Equipment (not in construction contracts)	ASTC	1,786,500	--	1,786,500
	Other	696,900	263,200	960,100
Bond Issuance Expense (project related)	122,000		240,000	362,000
Net Interest Expense During Construction (project related)	160,700		241,110	401,810
Fair Market Value of Leased Space or Equipment	0		0	0
Other Costs To Be Capitalized	430,100		417,900	848,000
Acquisition of Building or Other Property (excluding land)	0		0	0
TOTAL USES OF FUNDS	6,928,700		8,347,494	15,276,194
SOURCE OF FUNDS	CLINICAL		NONCLINICAL	TOTAL
Cash and Securities	320,000		480,000	800,000
Pledges				0
Gifts and Bequests				0
Bond Issues (project related)	6,608,700		7,867,494	14,476,194
Mortgages				0
Leases (fair market value)				0
Governmental Appropriations				0
Grants				0
Other Funds and Sources				0
TOTAL SOURCES OF FUNDS	6,928,700		8,347,494	15,276,194

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

Note: See Attachment 7, Project Costs and Services, Itemization / Allocation for detail.

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	37,855		19,054	56,909
Site Survey and Soil Investigation	3,336		5,004	8,340
Site Preparation	14,146		79,237	93,383
Off Site Work	0		0	0
New Construction Contracts (Bldg. Only)	3,223,033		6,315,307	9,538,340
Modernization Contracts	0		0	0
Contingencies	33,403		65,452	98,855
Architectural/Engineering Fees	259,830		545,626	805,456
Consulting and Other Fees	9,103		9,102	18,205
Movable or Other Equipment (not in construction contracts)	ASTC	2,016,456	0	2,016,456
	Other	743,118	288,990	1,032,108
Bond Issuance Expense (project related)	96,370		189,580	285,950
Net Interest Expense During Construction (project related)				387,180
Fair Market Value of Leased Space or Equipment	0		0	0
Other Costs To Be Capitalized	351,090		708,461	1,139,550
Acquisition of Building or Other Property (excluding land)	0		0	0
TOTAL USES OF FUNDS	\$6,942,612		\$9,538,120	\$15,480,732
SOURCE OF FUNDS	CLINICAL		NONCLINICAL	TOTAL
Cash and Securities	1,756,807		2,635,211	4,392,018
Pledges				0
Gifts and Bequests				0
Bond Issues (project related)	5,062,241		6,026,473	11,088,714
Mortgages				0
Leases (fair market value)				0
Governmental Appropriations				0
Grants				0
Other Funds and Sources				0
TOTAL SOURCES OF FUNDS	\$6,928,700		\$8,347,494	\$15,480,732
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.				

<u>Preplanning</u>	<u>Clinical</u>	<u>Non-Clinical</u>	<u>Total</u>
Facility Analysis	\$ 25,353	\$10,866	\$36,219
Project Costing	610	260	870
Consulting Fees	<u>11,892</u>	<u>7,928</u>	<u>19,820</u>
Total	<u>\$ 37,855</u>	<u>\$19,054</u>	<u>\$56,909</u>

Site Survey / Soils

Survey / Title	\$ 2,336	\$ 3,504	\$ 5,840
Flood Plain (Included in construction contracts)			
Geotechnical (Initial)	\$ <u>1,000</u>	<u>1,500</u>	<u>\$ 2,500</u>
Total	<u>\$ 3,336</u>	<u>\$ 5,004</u>	<u>\$ 8,340</u>

Site Preparation

Geotechnical (Final) (Included in construction contracts)			
Irrigation	\$ 0	\$ 53,800	\$ 53,800
Utility Connection	\$ 3,482	25,037	\$38,519
Earthwork (Included in construction contracts)	\$ 0	\$ 0	\$ 0
Exterior Improvement (Included in construction contracts)	\$ 0	\$ 0	\$ 0
Testing	<u>\$ 664</u>	<u>\$ 400</u>	<u>\$ 1,064</u>
Total	<u>\$ 14,146</u>	<u>\$ 79,237</u>	<u>\$ 93,383</u>

Consulting and Other Fees

Physician Referral Analysis (Included in (Pre-Planning Costs))			
MEP Capacity Survey	<u>9,103</u>	<u>9,102</u>	<u>\$ 18,205</u>
Total	<u>\$ 9,103</u>	<u>\$ 9,103</u>	<u>\$ 18,205</u>

<u>Moveable Equipment</u>	<u>Clinical</u>	<u>Non-Clinical</u>	<u>Total</u>
ASTC Related	\$2,016,456	\$ --	\$2,016,456
Other Building Related	<u>743,118</u>	<u>288,990</u>	<u>1,032,108</u>
Total	<u>\$2,759,574</u>	<u>\$ 288,990</u>	<u>\$3,048,564</u>

<u>Other Costs to be Capitalized</u>			
Pre-Purchased materials	\$ 170,800	\$317,200	\$ 488,000
Parking and Roadways (Costs not in Construction Contracts)	\$ 1,495	\$ 805	\$ 2,300
Minor Equipment	\$ 52,035	\$331,312	\$ 383,247
Signage / Artwork	\$ 3,567	\$ 16,051	\$ 19,618
Legal / CON Fees	\$ 84,973	\$107,500	\$ 215,000
Insurance / Archive Fees / Misc.	<u>\$ 38,220</u>	<u>\$ 38,219</u>	<u>\$ 76,440</u>
Total	<u>\$ 351,900</u>	<u>\$788,460</u>	<u>\$ 1,139,950</u>

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**ILLINOIS HEALTH FACILITIES
AND
SERVICES REVIEW BOARD**

**TYPE B MODIFICATION FILING
SUPPLEMENTAL AND ADDITIONAL INFORMATION**

PROJECT 13-072

BELOIT HEALTH SYSTEM, INC.

**NORTHPOINTE HEALTH AND WELLNESS CAMPUS
AMBULATORY SURGERY TREATMENT CENTER**

ROSCOE, ILLINOIS

July 31, 2014

PRISM

Beloit Health System
 NorthPointe Health and Wellness Campus
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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	46,500		23,500	70,000
Site Survey and Soil Investigation	5,600		3,400	9,000
Site Preparation	68,000		98,400	166,400
Off Site Work	0		0	0
New Construction Contracts (Bldg. Only)	3,003,311		5,884,778	8,888,089
Modernization Contracts	0		0	0
Contingencies	300,331		588,478	888,809
Architectural/Engineering Fees	270,898		568,868	839,766
Consulting and Other Fees	37,860		17,860	55,720
Movable or Other Equipment (not in construction contracts)	ASTC	1,786,500	--	1,786,500
	Other	696,900	263,200	960,100
Bond Issuance Expense (project related)	122,000		240,000	362,000
Net Interest Expense During Construction (project related)	160,700		241,110	401,810
Fair Market Value of Leased Space or Equipment	0		0	0
Other Costs To Be Capitalized	430,100		417,900	848,000
Acquisition of Building or Other Property (excluding land)	0		0	0
TOTAL USES OF FUNDS	6,928,700		8,347,494	15,276,194
SOURCE OF FUNDS	CLINICAL		NONCLINICAL	TOTAL
Cash and Securities	320,000		480,000	800,000
Pledges				0
Gifts and Bequests				.0
Bond Issues (project related)	6,608,700		7,867,494	14,476,194
Mortgages				0
Leases (fair market value)				0
Governmental Appropriations				0
Grants				0
Other Funds and Sources				0
TOTAL SOURCES OF FUNDS	6,928,700		8,347,494	15,276,194

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

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<u>Preplanning</u>	<u>Clinical</u>	<u>Non-Clinical</u>	<u>Total</u>
Facility Analysis	\$24,500	\$10,500	\$35,000
Project Costing	10,000	5,000	15,000
Consulting Fees	<u>12,000</u>	<u>8,000</u>	<u>20,000</u>
Total	<u>\$46,500</u>	<u>\$23,500</u>	<u>\$70,000</u>

<u>Site Survey / Soils</u>			
Survey / Title	\$ 400	\$ 600	\$ 1,000
Flood Plain	400	600	1,000
Geotechnical (Initial)	<u>4,800</u>	<u>2,200</u>	<u>7,000</u>
Total	<u>\$ 5,600</u>	<u>\$ 3,400</u>	<u>\$ 9,000</u>

<u>Site Preparation</u>			
Geotechnical (Final)	\$ 43,000	\$ 83,400	\$ 126,400
Earthwork	Included in New Construction Contracts		
Exterior Improvement	Included in New Construction Contracts		
Testing (Allowance)	<u>25,000</u>	<u>15,000</u>	<u>40,000</u>
Total	<u>\$ 68,000</u>	<u>\$ 98,400</u>	<u>\$ 166,400</u>

New Construction, Modernization, and Contingencies

See Attachment 7, 9, and 39

<u>Consulting and Other Fees</u>			
Physician Referral Analysis	\$20,000	\$ 0	\$20,000
MEP Capacity Survey	<u>17,860</u>	<u>17,860</u>	<u>\$35,720</u>
Total	<u>\$37,860</u>	<u>\$17,860</u>	<u>\$55,720</u>

Beloit Health System
 NorthPointe Health and Wellness Campus
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<u>Moveable Equipment</u>	<u>Clinical</u>	<u>Non-Clinical</u>	<u>Total</u>
Functional Area			
ASTC Related	\$1,786,500 *	\$ -	\$1,786,500
Other Building Related	<u>696,900</u>	<u>263,200</u>	<u>960,100</u>
Total	<u>\$2,483,400</u>	<u>\$263,200</u>	<u>\$2,746,600</u>

* This amount averages \$446,625 /
 ASTC room compared to the State
 guideline of \$461,361 / room

See also Supplemental Information
 filing dated April 14, 2014 and permit
 modification, Attachment 7, Exhibit 2
 for clinical equipment listing

<u>Other Costs to be Capitalized</u>			
Parking and Roadways (Costs not in Construction Contracts)	\$222,600	\$120,000	\$342,600
Minor Equipment	75,000	145,400	220,400
Signage / Artwork	0	20,000	20,000
Legal / CON Fees	107,500	107,500	215,000
Insurance / Archive Fees / Misc.	<u>25,000</u>	<u>25,000</u>	<u>50,000</u>
Total	<u>\$430,100</u>	<u>\$417,900</u>	<u>\$848,000</u>

		HF113619
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<small>The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.</small>		
Nirav D. Shah, M.D.,J.D. Director		<small>Issued under the authority of the Illinois Department of Public Health</small>
<small>EXPIRATION DATE</small> 06/04/2018	<small>CATEGORY</small>	<small>ID NUMBER</small> 7003209
Ambulatory Surgery Treatment Center		
Effective: 06/05/2017		
NorthPointe Surgery Center 5605 E. Rockton Rd Roscoe, IL 61073		
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NorthPointe Surgery Center

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FitchRatings

**FITCH RATES BELOIT HEALTH SYSTEM (WI)
SERIES 2016 BONDS 'A-'; OUTLOOK STABLE**

Fitch Ratings-Chicago-02 May 2016: Fitch Ratings has assigned an 'A-' rating to the following bonds expected to be issued by the Wisconsin Health & Educational Facilities Authority (the authority) on behalf of Beloit Health System (BHS):

--\$14,710,000 revenue bonds series 2016.

Additionally, Fitch has affirmed the 'A-' rating on approximately \$35 million of revenue bonds issued by the authority on behalf of BHS.

The series 2016 bonds will be issued as tax-exempt fixed-rate bonds. Bond proceeds will be used to fund certain capital projects and pay costs of issuance. Pro forma MADS is expected to equal approximately \$6.6 million. The series 2016 bonds are expected to price the week of May 9 through negotiation.

The Rating Outlook is Stable.

SECURITY

Bond payments are secured by the pledged revenues of the obligated group, a mortgage lien and a debt service reserve fund.

KEY RATING DRIVERS

STRONG MARKET POSITION: The system's strong leading market share in its primary service area (PSA) and its highly aligned medical staff are primary credit strengths and enhance BHS' overall credit profile.

CONSISTENT OPERATING PROFITABILITY: Operating profitability has been very consistent over the past four years with operating EBITDA margin averaging 9.3% since fiscal 2012 and equal to 9.3% in fiscal 2015. However, operating profitability is light relative to Fitch's 'A' category medians.

MODERATE DEBT BURDEN: BHS' moderate pro forma debt burden and consistent operating profitability combine to provide for solid coverage for the 'A-' rating with maximum annual debt service (MADS) coverage by operating EBITDA of 3.1x in fiscal 2015.

LIGHT LIQUIDITY: Liquidity metrics remain light with 151.6 days cash on hand, 94.2% cash to pro forma debt and 12.7x cushion ratio at Dec. 31, 2015.

RATING SENSITIVITIES

CONSISTENT OPERATING CASH FLOW: Fitch expects that current operating cash flow levels will be maintained and that Beloit Health System will successfully execute the planned capital projects.

CREDIT PROFILE:

BHS operates a 256 licensed bed acute care hospital and a multi-specialty physician group in Beloit, Wisconsin, approximately 100 miles northwest of Chicago. Additional operations include home care, independent and assisted living, urgent care, and related ancillary services. Total operating revenues equaled \$218.6 million in fiscal 2015.

STRONG MARKET POSITION

The system's strong market position and highly aligned medical staff are primary credit strengths, bolstering credit stability. BHS holds a strong leading 60% market share in its PSA. No other hospital holds greater than a 20% market share.

The system's competitive position has been bolstered by the acquisition of the Beloit Clinic in 2010 and various service line affiliations with other health systems. The clinic is the area's largest multi-specialty physician group with 65 employed physicians. BHS has entered into service line affiliations with other hospital systems including University of Wisconsin Health and Aurora Healthcare, bringing increased access to specialty care in the service area.

The system's competitive position could be impacted by construction of a new hospital in BHS' secondary service area in Rockford, IL, approximately 18 miles south of Beloit. The new hospital will be built by MercyRockford Health System and is expected to open in 2019. Fitch will monitor any changes to the competitive environment.

CONSISTENT OPERATING PROFITABILITY

Operating profitability has been consistent over the past four years, with operating EBITDA margin averaging 9.3% between fiscal years 2012 and 2015 and equal to 9.3% in fiscal 2015 and 8.9% in the interim period. However, operating EBITDA margin is light relative to Fitch's 'A' category median of 10.3%. Operating profitability has been somewhat compressed relative to historical levels subsequent to the acquisition of the Beloit Clinic. The benefit of the increased physician alignment currently mitigates concerns related to the decreased, but solid, operating profitability.

MODERATE DEBT BURDEN

BHS' pro forma debt burden remains moderate with pro forma MADS equal to 3% of fiscal 2015 operating revenue. MADS coverage by operating EBITDA of 3.1x in fiscal 2015 and the interim period remain solid for the 'A-' rating category and relative to Fitch's 'A' category median of 3.5x. However, MADS coverage by EBITDA of 3.3x in fiscal 2015 and 3.0x in the interim period is light relative to Fitch's 'A' category median of 4.2x. MADS coverage by EBITDA was negatively impacted by approximately \$2 million of realized investment losses in the interim period.

Series 2016 bond proceeds will be primarily used to fund two capital projects: (1) the renovation of the hospital's fourth floor to create a 'Heart Hospital within a Hospital' and (2) construction of an ambulatory surgical center on the system's NorthPointe campus in northern Illinois. The two projects are estimated to cost a total of approximately \$30 million. Funding will be provided by a combination of bond proceeds, philanthropy and cash flow.

Fitch views the projects favorably as both should further solidify BHS' strong market position.

LIGHT LIQUIDITY

Unrestricted cash and investments increased approximately 20% since June 30, 2014, at the time of Fitch's last review to \$83.8 million at Dec. 31, 2015. The substantial increase was due to a decrease in accounts receivable subsequent to a slow down related to the implementation of a

new IT system. However, unrestricted cash and investments have remained relatively stable at the current level since fiscal year end 2014. Liquidity metrics remain light for the rating category with 151.6 days cash on hand, 12.7x cushion ratio and 94.2% cash to pro forma debt at Dec. 31, 2015, relative to Fitch's 'A' category medians of 205.3 days, 18.5x and 143.7%.

DEBT PROFILE

BHS will have approximately \$92.7 million of total debt outstanding subsequent to the series 2016 bond issuance. The pro forma debt portfolio will consist of approximately 49% underlying fixed rate bonds and 51% underlying variable rate bonds. The variable rate bonds are effectively converted to synthetic fixed rates through two fixed payor swaps. There are no collateral posting requirements associated with the swaps.

DISCLOSURE

BHS covenants to provide annual audited disclosure within 150 days of fiscal year end and quarterly disclosure within 60 days of the first three quarters end and within 90 days of the end of the fourth quarter. Disclosure is provided through the Municipal Securities Rulemaking Board's EMMA system.

Contact:

Primary Analyst
Adam Kates
Director
+1-312-368-3180
Fitch Ratings, Inc.
70 West Madison St.
Chicago, IL 60602

Secondary Analyst
Emily Wong
Senior Director
+1-415-732-5620

Committee Chairperson
Barbara Ruth Rosenberg
Senior Director
+1-212-908-0731

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'

Applicable Criteria

Revenue-Supported Rating Criteria (pub. 16 Jun 2014)
https://www.fitchratings.com/crcditdesk/reports/report_frame.cfm?rpt_id=750012
U.S. Nonprofit Hospitals and Health Systems Rating Criteria (pub. 09 Jun 2015)
https://www.fitchratings.com/crcditdesk/reports/report_frame.cfm?rpt_id=866807

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