



# STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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|--|---|----------------------------------|
| <b>ITEM NUMBER:</b><br><b>D-01</b>   | <b>BOARD MEETING:</b><br>September 13, 2016 | <b>PROJECT NUMBER:</b><br>14-013 |
| <b>PERMIT HOLDERS(S):</b> The University of Chicago Medical Center                   |   |                                  |
| <b>FACILITY NAME and LOCATION:</b> The University of Chicago Medical Center, Chicago |   |                                  |

**DESCRIPTION:** The permit holder (The University of Chicago Medical Center) is requesting a Second Alteration to Permit #14-013.

**77 IAC 1130.750 – Alteration of Post Permit Projects** 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. **All alterations** are required to be reported to the State Board before any alteration is executed. Project alterations shall not increase the total approved permit amount by more than the limit (7%) set forth under the Board's rules.

**STATE BOARD STAFF REPORT  
ALTERATION TO PERMIT  
PERMIT #14-013**

**I. Permit Holder**

The Permit Holder is the University of Chicago Medical Center located at 5841 S. Maryland Avenue, Chicago, Illinois. The Medical Center is the operating entity/licensee and the owner of the real property is the University of Chicago.

The University of Chicago Medical Center is an Illinois not-for profit corporation. The Medical Center operates the Center for Care and Discovery, the Bernard Mitchell Hospital, the Chicago Lying-In Hospital, the University of Chicago Comer Children's Hospital, the Duchossois Center for Advanced Medicine and various other outpatient clinics and treatment areas. These buildings are operated under a single hospital license.

The University of Chicago as the sole corporate member of Medical Center elects the Medical Center Board of Trustees and approves its' By-Laws. The Medical Center President reports to the University's Executive Vice President for Medical Affairs. The relationship between the Medical Center and the University is defined in the Medical Center By-Laws, an Affiliation Agreement, an Operating Agreement and several Leases. The Medical Center is a tax-exempt organization under Section 501(c) 3 of the Internal Revenue Code.

The **Duchossois Center for Advanced Medicine** is a six-story, 525,000-square-foot building housing 329 examination rooms, 90 rooms for outpatient procedures, a PET/CT scanner, two helical CT scanners, and three echoplanar MRI scanners. This facility was approved by the State Board in October 1993 as Permit #93-048 for approximately \$140 million. It has facilities for nuclear medicine, eight outpatient surgery suites, and four (4) linear accelerators and two (2) simulators for radiation therapy. The **Chicago Lying in Hospital** was opened in 1932 and was the Medical Center's first obstetric hospital. There are no beds or any clinical operations in the building. The building is used for office space and research labs.

Over the past several years the State Board has approved a number of projects for The University of Chicago Medical Center. Table One below outlines these projects since CY 2006.

| <b>TABLE ONE</b>   |                      |                      |                        |  |
|--|----------------------|----------------------|------------------------|--|
| <b>Projects Approved by the State Board Since January 2008</b> |                      |                      |                        |  |
| <b>Permit #</b>  | <b>Permit Amount</b> | <b>Date Approved</b> | <b>Completion Date</b> | <b>Description</b>   |
| #06-024  | \$28,185,000         | 6/19/2006            | 05/20/2008             | Master Design Project for Center for Care and Discovery  |
| #07-095  | \$28,834,412         | 10/23/2007           | 12/31/2010             | Relocate Pediatric Clinic with support services in existing space  |
| #07-041  | \$0                  | 01/15/2008           | 02/02/2008             | Discontinue 16-bed Inpatient Acute Mental Illness Services   |
| #07-153  | \$785,745,988        | 5/20/2008            | 12/31/2016             | Construct Center for Care and Discovery Center   |
| #08-089  | \$19,066,000         | 4/21/2009            | 3/31/2012              | Construct and equip facilities for Pharmacy and Pediatric Infusion at Comer Center for Children and Specialty Care |
| #10-049  | \$21,621,412         | 10/26/2010           | 1/31/2013              | Establish a Cancer Center at Silver Cross Hospital and Medical Center  |
| #13-025  | \$3,426,996          | 08/13/2013           | 03/31/2014             | Add 38 M/S beds In Bernard A. Mitchell Hospital  |
| #14-013  | \$126,282,370        | 8/27/2014            | 9/30/2017              | Convert shelled space on the 3rd and 4th floors of the Center for Care and Discovery to inpatient services         |
| #14-023  | \$66,873,052         | 8/27/2014            | 6/30/2018              | Establish a MOB in Orland Park   |
| #14-031  | \$16,993,653         | 11/12/2014           | 12/31/2017             | Relocate an existing LDR service at Mitchell Hospital to the adjacent shell space of Comer Hospital                |
| #16-008  | \$268,842,147        | 5/10/2016            | 6/30/2022              | Add 168 M/S and 20 ICU beds to existing services, Relocate and seek Level 1 Adult Trauma Designation               |

Table Two outlines the number of beds approved as of July 2016 by the State Board at the hospitals on the University of Chicago Medical Center campus.

**TABLE TWO**  
**University of Chicago Medical Center**  
**Approved Beds By Location**

|                                 | <b>Bernard<br/>A<br/>Mitchell<br/>Hospital</b> | <b>Center<br/>for Care<br/>and<br/>Discovery</b> | <b>Comer<br/>Center<br/>for<br/>Children<br/>and<br/>Specialty<br/>Care</b> | <b>Total</b> |
|---------------------------------|--|--|---|--------------|
| Med. Surgical Beds              | 196  | 310  |   | 506          |
| ICU Beds                        | 20   | 96   | 30  | 146          |
| Obstetric Beds                  | 46   |  |   | 46           |
| Pediatric Beds                  |  |  | 60  | 60           |
| NICU Beds                       |  |  | 47  | 47           |
| Observation Beds <sup>(1)</sup> | 39   |  |   |              |
| <b>Total Beds</b>               | <b>262</b>                                     | <b>406</b>                                       | <b>137</b>  | <b>805</b>   |

*Source: June 2016 Update to the Inventory of Beds and Services*

1. Observation beds are not considered in the total number of beds at the location.

**II. Permit #14-013 - Project Description:**

In July 2014 the permit holder (The University of Chicago Medical Center) was approved to relocate one hundred twenty-two (122) medical surgical beds, thirty two (32) intensive care beds from Bernard A. Mitchell Hospital to the Center for Care and Discovery on The University of Chicago Medical Center campus. In addition the permit holder was also approved to increase the number of intensive care beds by twelve (12) beds from 114 to 126 beds and increase observation beds from 15 to 46 beds. The approved cost of the project was \$123,504,716. The approved completion date is September 30, 2017.

**III. First Alteration Request:**

On February 16, 2016 the Board Chair approved the permit holder to increase the total project costs from \$123,504,716 to \$126,282,678 a \$2,777,962 or 2.25% increase and increase the gross square footage by 2,152/GSF.

At that time the permit holder was approved to establish a Heart and Vascular patient unit on the 4th Floor at the Center for Care and Discovery. The 4<sup>th</sup> floor would remain as predominantly inpatient units, but to better serve the special needs of heart and vascular patients, there would be ancillary functions added, consisting of a Procedure Room, Radial Lounge, and Physical Therapy/Occupational Therapy. To provide the 2,152 GSF needed for these services, observation beds were reduced by seven (7) beds from forty six (46) beds to thirty nine (39) observation beds. In addition, a corridor would be created to connect this floor to the 5th floor of the Duchossois Center for Advanced Medicine which houses cardiology diagnostic services. Additionally certain changes to infrastructure were approved in order to enhance infection control while building the approved project.

#### IV. Second Alteration Request:

On July 6, 2016 the permit holder submitted a second permit alteration request for Permit #14-013. The permit holder is requesting to relocate acute dialysis services from the 4<sup>th</sup> Floor of the Rubloff Tower, adjacent to Bernard A. Mitchell Hospital to the Center for Care and Discovery. This will allow acute care dialysis service to be closer to the majority of the adult inpatients and greatly shortens the transport distance. The acute dialysis unit will be reduced from nine (9) stations to six (6) stations.

The permit holder is requesting an increase in the permit amount of \$5,830,621, or a cumulative total of 6.97% of the approved permit amount which would bring the permit total to \$132,113,299. State Board Rule 77 IAC 1130.750 (b) (5) – Alteration to Permit states the **cumulative effect of alterations to a project shall not exceed 7%** of the total permit amount.

The revised cost estimate includes a \$1.5 million contingency should other unexpected costs arise in the next few months as the project is completed.

**The permit holder states** *while this project seems straightforward in concept - the relocation of beds - it involves working in a clinically active hospital (Center for Care and Discovery) and involves a very large area of 221,826 gross square feet. We spare no effort in assuring that construction dust and noise is carefully contained so as not to infiltrate the other floors, though this has come at a cost. Additionally, something as simple as adding some corner guards, wallguards, and handrails when applied to the very large area results in a significant cost.*

#### V. Project Costs and Sources of Funds

The State Board approved Permit #14-013 at a cost of \$123,504,716 funded entirely from cash. The first permit alteration increased the total permit amount to \$126,282,678, again funded entirely from cash.

The permit holder is proposing to finance this project with cash of \$128,237,771 and borrowing of \$3,875,528 for a total permit amount of \$132,113,299.

**TABLE THREE**  
**Project Costs and Sources of Funds**

| Uses of Funds                 | Approved Permit      | First Alteration     | Second Alteration   |                     | Difference           |                    |                    | % difference From Original Permit Amount |                |
|-------------------------------|----------------------|----------------------|---------------------|---------------------|----------------------|--------------------|--------------------|--|----------------|
|                               | Total                | Total                | Reviewable          | Non Reviewable      | Total                | Reviewable         | Non Reviewable     |  | Total          |
| New Construction Contracts    | \$88,366,370         | \$90,545,532         | \$67,291,869        | \$31,850,065        | \$99,141,934         | \$5,366,161        | \$5,409,403        | \$10,775,564                             | <b>12.19%</b>  |
| Contingencies                 | \$6,186,000          | \$6,379,814          | \$1,018,089         | \$481,911           | \$1,500,000          | (\$3,316,959)      | (\$1,369,041)      | (\$4,686,000)                            | <b>-75.75%</b> |
| A&E Fees                      | \$5,744,000          | \$5,937,814          | \$2,744,874         | \$1,155,126         | \$3,900,000          | (\$1,280,427)      | (\$563,573)        | (\$1,844,000)                            | <b>-32.10%</b> |
| Consulting Fees               | \$1,465,093          | \$1,465,093          | \$1,038,691         | \$443,494           | \$1,482,185          | \$11,978           | \$5,114            | \$17,092                                 | <b>1.17%</b>   |
| Movable Equipment             | \$20,048,253         | \$20,259,087         | \$19,579,155        | \$743,028           | \$20,322,183         | (\$89,348)         | \$363,278          | \$273,930                                | <b>1.37%</b>   |
| Bond Issuance Expense         |                      |                      | \$872,411           | \$311,483           | \$1,183,894          | \$872,411          | \$311,843          | \$1,184,254                              | <b>100.00%</b> |
| Other Costs to be Capitalized | \$1,695,000          | \$1,695,000          | \$3,590,985         | \$992,117           | \$4,583,102          | \$2,403,157        | \$484,945          | \$2,888,102                              | <b>170.39%</b> |
| <b>Total</b>                  | <b>\$123,504,716</b> | <b>\$126,282,678</b> | <b>\$96,136,075</b> | <b>\$35,977,224</b> | <b>\$132,113,299</b> | <b>\$3,966,973</b> | <b>\$4,641,969</b> | <b>\$8,608,942</b>                       | <b>6.97%</b>   |
| <b>Sources of Funds</b>       |                      |                      |                     |                     |                      |                    |                    |  |                |
| Cash and Securities           | \$123,504,716        | \$126,282,678        | \$93,110,822        | \$35,126,949        | \$128,237,771        | \$941,720          | \$3,791,335        | \$4,733,055                              | <b>3.83%</b>   |
| Mortgage                      |                      |                      | \$3,025,253         | \$850,275           | \$3,875,528          | \$3,025,253        | \$850,275          | \$3,875,528                              | <b>100.00%</b> |
| <b>Total</b>                  | <b>\$123,504,716</b> | <b>\$126,282,678</b> | <b>\$96,136,075</b> | <b>\$35,977,224</b> | <b>\$132,113,299</b> | <b>\$3,966,973</b> | <b>\$4,641,969</b> | <b>\$8,608,942</b>                       | <b>6.97%</b>   |

**VI. Cost Space Requirements**

The permit holder in total is increasing the gross square footage by 2,495 GSF from the original permit amount. Again State Board Rule 77 IAC 1130.750 (b) (3) – Alteration to Permit states the **cumulative effect of alterations to a project shall not exceed 5%** of the approved gross square footage amount. This increase is less than 1% of the total gross square footage.

**TABLE FOUR  
Costs Space Requirements**

| Department                     | Approved Permit      |                      | First Alteration     |                      | Second Alteration    |                      |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                | Cost                 | Gross Square Footage | Cost                 | Gross Square Footage | Cost                 | Gross Square Footage |
| Medical Surgical Patient Units | \$56,733,061         | 235,201              | \$56,733,061         | 235,201              | \$58,661,357         | 235,201              |
| ICU Patient Units              | \$15,349,893         | 77,446               | \$15,349,893         | 77,446               | \$16,135,745         | 77,446               |
| Observation Patient Units      | \$20,086,148         | 29,576               | \$18,454,210         | 27,424               | \$19,072,265         | 25,710               |
| Heart and Vascular Activities  |                      | 0                    | \$2,520,900          | 3,863                | \$2,605,328          | 3,863                |
| Acute Dialysis                 |                      | 0                    | \$0                  | 0                    | \$387,249            | 2,498                |
| <b>Total Reviewable</b>        | <b>\$92,169,102</b>  | <b>342,223</b>       | <b>\$92,322,196</b>  | <b>343,934</b>       | <b>\$96,136,075</b>  | <b>344,718</b>       |
| Mechanical, Other Support      | \$31,335,614         | 1,559,747            | \$33,950,482         | 1,559,747            | \$35,977,224         | 1,559,393            |
| <b>Total Non reviewable</b>    | <b>\$31,335,614</b>  | <b>1,559,747</b>     | <b>\$33,950,482</b>  | <b>1,559,747</b>     | <b>\$35,977,244</b>  | <b>1,559,747</b>     |
| <b>Total</b>                   | <b>\$123,504,716</b> | <b>1,901,970</b>     | <b>\$126,282,678</b> | <b>1,903,681</b>     | <b>\$132,113,299</b> | <b>1,904,465</b>     |

**VII. Summary of Findings**

A. The State Board Staff finds the proposed alteration appears to be in conformance with the provisions of Part 1110.

B. The State Board Staff finds the proposed alteration appears to be in conformance with the provisions of Part 1120.

**VIII. Original State Board Staff Findings Affected By the Proposed Second Alteration Request**

- 77 IAC 1110.234 (a) – Size of Project
- 77 IAC 1110.3030 (d) (2) – Clinical Services Other than Categories of Service
- 77 IAC 1120.120 – Availability of Funds
- 77 IAC 1120.130 – Financial Viability
- 77 IAC 1120.140 (a) – Reasonableness of Financing Arrangements
- 77 IAC 1120.140 (b) – Terms of Debt Financing
- 77 IAC 1120.140 (c) – Reasonableness of Project Costs
- 77 IAC 1120.140 (d) – Direct Operating Costs
- 77 IAC 1120.140 (e) – Effect of the Project on Capital Costs

**IX. Criterion 1110.234 (a) –Size of the Project**

**To document compliance the permit holder must provide documentation that the proposed size of the project is reasonable and meets the requirements of Section 1110 Appendix B.**

The first alteration approved by the Chair added Heart and Ancillaries Services in space approved for observation beds. Observation beds were reduced from 46 to 39 observation beds as the result of the first alteration. The second alteration proposes to add Acute Dialysis Services in space approved for 7 observation beds. An additional two observation beds were removed earlier to make room for additional space needs. In sum if this alteration is approved the permit holder will have a total of thirty (30) observation beds.

| <b>TABLE FIVE<br/>Size of the Project</b> |             |                       |              |                 |              |                     |
|---|-------------|-----------------------|--------------|-----------------|--------------|---------------------|
| <b>Department</b>                         | <b>Beds</b> | <b>State Standard</b> |              | <b>Proposed</b> |              | <b>Met Standard</b> |
| <b><u>Approved Permit</u></b>             |             |                       |              |                 |              |                     |
|   |             | <b>Per Bed</b>        | <b>Total</b> | <b>Per Bed</b>  | <b>Total</b> |                     |
| Medical Surgical Patient Units            | 338         | 500-660 DGSF          | 223,080DGSF  | 696 DGSF        | 235,201      | No                  |
| ICU Patient Units                         | 126         | 600-685 DGSF          | 86,310DGSF   | 615DGSF         | 77,446       | Yes                 |
| Observation Patient Units*                | 46          | NA                    | NA           | 643 DGSF        | 29,576       | NA                  |
| <b><u>First Alteration</u></b>            |             |                       |              |                 |              |                     |
| Heart & Vascular Ancillaries *            |             | NA                    | NA           |                 | 3,863        | NA                  |
| <b><u>Second Alteration</u></b>           |             |                       |              |                 |              |                     |
| Acute Dialysis *                          | 6           |                       |              | 417 DGSF        | 2,498        | NA                  |

\*The State Board does not have a size standard for Observation Beds, Heart & Vascular Ancillaries, and Inpatient Acute Dialysis

**THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION TO BE IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 IAC 1110.234 (a))**

**B) Criterion 1110.234 (b) – Projected Utilization**

**To determine compliance with this criterion the permit holder must provide the projected utilization for the second year after permit completion.**

**The permit holder is proposing to** relocate the acute dialysis service from Bernard A. Mitchell to the Center for Care and Discovery. The applicants are projecting utilization of these six (6) stations of approximately 81% in 2018 and 92% in 2019. The State Board does not have utilization standards for inpatient dialysis stations.

Based upon the information provided in the alteration request the State Board Staff finds the proposed alteration is in compliance with projected utilization of the acute dialysis unit.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 IAC 1110.234 (b))**

**X. Clinical Services Other Than Categories of Service**



**A) Criterion 1110.3030 (d) (2) – Necessary Expansion**

**To address this criterion the permit holder must provide documentation that the modernization is necessary.**

**1. Acute Dialysis Service**

With the approval by the State Board of Permit #16-008 150 medical surgical and 32 ICU beds will be relocated from Bernard A. Mitchell Hospital to the Center for Care and Discovery, with 28 medical surgical beds and no ICU beds remaining in Mitchell Hospital until newly approved beds can be opened. With the majority of adult inpatients being cared for in the Center for Care and Discovery, it was decided to relocate the acute dialysis service from Bernard Mitchell to the Center for Care and Discovery. In Bernard Mitchell Hospital, this service is located in Rubloff Tower and has 9 stations. Due to capacity constraints on the Center for Care and Discovery on the 3<sup>rd</sup> Floor, this service will be reduced to 6 stations. There will be a supply and equipment room proximate to the 6 stations. On the 2<sup>nd</sup> Floor, within a large mechanical area, there will be created an equipment cleaning, storage and supply room with an office for the acute dialysis manager.

The applicants are projecting utilization of these six (6) stations of approximately 81% in 2018 and 92% in 2019. The State Board does not have utilization standards for inpatient dialysis stations.

**THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION TO BE IN CONFORMANCE WITH CRITERION CLINICAL SERVICES OTHER THAN CATEGORIES OF SERVICE (77 IAC 1110.3030 (d) (2))**

**XI. Financial Viability**

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

**B) Criterion 1120.130 – Financial Viability**

The permit holder has provided documentation of an “A” or better bond rating from Standard & Poor's Ratings Services and Aa3 by Moody's Investors Service in the Application for Permit #16-008 at pages 447-450 and their audited financial statements for the years 2013, 2014 and 2015. [Application for Permit #16-008 pages 451-515]

Based upon the State Board Staff's review of the permit holder's audited financial statements along with the “A” or better bond rating provided by the rating services, the permit holder has sufficient funds available and has qualified for the financial waiver that allows the permit holder to forgo the provision of providing financial ratios.

**THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION IN CONFORMANCE WITH CRITERION THE AVAILABILITY OF FUNDS AND FINANCIAL VIABILITY (77 IAC 1120.120 77 IAC 1120.130))**

## **XII. Economic Feasibility**

### **A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangement**

### **B) Criterion 1120.140 (b) – Terms of Debt Financing**

**To document compliance with this criterion the applicants must document that the financing and the terms and conditions of the debt financing are reasonable.**

#### **The applicants stated the following:**

*“This project involves debt financing in the amount of \$3,875,528 through New Market Tax Credits, a federal program operated by the U.S. Treasury Department. The program allows banks to receive tax credits for investment through loans in economically depressed areas. For the project in question, there would be debt issuance costs of \$1,183,894 and an amount borrowed of \$3,875,528. Current credit ratings for our hospital are AA- by Standard & Poor's Ratings Services and Aa3 by Moody's Investors Service.”*

#### **The Internal Revenue Service stated:**

*“The New Markets Tax Credit (NMTC) Program was established in 2000 as part of the Community Renewal Tax Relief Act of 2000. The goal of the program is to spur revitalization efforts of low-income and impoverished communities across the United States and Territories. The NMTC Program provides tax credit incentives to investors for equity investments in certified Community Development Entities, which invest in low-income communities. The credit equals 39% of the investment paid out (5% in each of the first three years, then 6% in the final four years, for a total of 39%) over seven years (more accurately, six years and one day of the seventh year) A Community Development Entity must have a primary mission of investing in low-income communities and persons.*

*The Community Development Financial Institutions (CDFI) Fund in the Department of the Treasury has been authorized to administer the program. Community Development Entities (CDEs) apply to the CDFI Fund each year not for tax credits directly, but for an award of "allocation authority"—that is, the authority to raise a certain amount of capital, or Qualified Equity Investments (QEIs) from investors. In the first year of the program (2001), the CDFI Fund awarded \$1 billion in allocation authority to CDEs, enabling those CDEs to raise \$1 billion in QEIs from investors, which enabled those investors to reduce their federal tax liability by \$390 million (or 39% of the amount they invested in the CDEs) over seven years. For the investors to be able to claim the credits over the seven-year compliance period, the CDEs must use "substantially all" of the QEIs from investors to make Qualified Low Income Community Investments (QLICIs) in Qualified Active Low Income Community Businesses (QALICBs) located in Low Income Communities (LICs). (Each of the terms—CDE, QEI, "Substantially All," QLICI, QALICB, and LIC—are defined in the Internal Revenue Code and other federal guidance.” [Source Internal Revenue Service <https://www.irs.gov/businesses/new-markets-tax-credit-1>]*

Based upon the permit holder’s bond ratings the State Board Staff is able to make a positive finding regarding this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION IN CONFORMANCE WITH CRITERION TERMS OF DEBT FINANCING (77 IAC 1120.140 (b))**

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

**The permit holder must document that the altered project costs are reasonable and do not exceed the approved permit amount.**

As can be seen from the Table below the altered approved permit amount for the first alteration as well as the proposed second alteration does not exceed the approved permit amount. The approved State Board Standard for this permit is \$482.81 per GSF for new construction and contingencies, contingencies of 10% of new construction or \$6,192,571 and A & E Fees of 7.30% of new construction and contingencies or \$4,837,036. The

State Board has not developed standards for consulting fees, movable equipment, bond issuance expense, other costs to be capitalized.

**TABLE SIX**  
**Project Costs and Sources of Funds**

| Uses of Funds                 | Approved Permit               |  | First Alteration                |                             | Second Alteration |                     |          |
|-------------------------------|-------------------------------|--|---------------------------------|-----------------------------|-------------------|---------------------|----------|
|                               | August 27, 2014<br>Reviewable | Approved<br>State<br>Board<br>Standard | February 16, 2016<br>Reviewable | July 06, 2016<br>Reviewable |                   |                     |          |
| New Construction Contracts    | \$61,925,708                  | \$456.97                               | \$482.81                        | \$65,460,193                | \$458.47          | \$67,291,869        | \$459.98 |
| Contingencies                 | \$4,335,048                   | 6.54%                                  | 10%                             | \$1,018,089                 | 7.20%             | \$1,018,089         | 1.52%    |
| A&E Fees                      | \$4,025,301                   | 6.07%                                  | 7.30%                           | \$2,659,958                 | 6.20%             | \$2,744,874         | 4.09%    |
| Consulting Fees               | \$1,026,713                   | NA                                     |                                 | \$1,038,691                 | NA                | \$1,038,691         | NA       |
| Movable Equipment             | \$19,668,503                  | NA                                     |                                 | \$18,979,155                | NA                | \$19,579,155        | NA       |
| Bond Issuance Expense         |                               |  |                                 |                             |                   | \$872,411           | NA       |
| Other Costs to be Capitalized | \$1,187,828                   | NA                                     |                                 | \$3,176,110                 | NA                | \$3,590,985         | NA       |
| <b>Total</b>                  | <b>\$92,169,102</b>           |  |                                 | <b>\$92,332,196</b>         |                   | <b>\$96,136,075</b> |          |

**THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1120.140 (c)).**

**D) Criterion 1120.140 (d) – Direct Operating Costs**

**To determine compliance with this criterion the permit holder must provide the direct operating costs for the services provided.**

The permit holder provided the projected operating costs for the services being proposed by this alteration and the annual operating costs have not changed from the approved permit amounts for Med. Surg., ICU, and Observation. Acute Dialysis is \$339 per procedure.

Based upon the information provided by the permit holder the projected direct operating costs appear to be reasonable when compared to previously approved permits.

**TABLE SEVEN**  
**Direct Operating Costs**

|                              | Med Surg.           | ICU                 | Observation        | Acute Dialysis     |
|------------------------------|---------------------|---------------------|--------------------|--------------------|
| Compensation                 | \$22,823,112        | \$9,981,776         | \$4,875,646        | \$2,228,343        |
| Supplies                     | \$2,047,494         | \$1,672,540         | \$56,778           | \$607,260          |
| Services                     | \$328,893           | \$153,976           | \$39,914           | \$23,277           |
| Other                        | \$7,123             | \$2,076             | \$4,747            | \$140,537          |
| <b>Total Operating Costs</b> | <b>\$25,206,622</b> | <b>\$11,810,368</b> | <b>\$4,977,085</b> | <b>\$2,999,417</b> |
| Beds/Procedures              | 134                 | 32                  | 37                 | 8,857              |
| Annual Operating Costs       | \$188,109           | \$369,074           | \$108,198          | \$339              |

**E) Criterion 1120.140 (e) – Effect of the Project on Capital Costs**

**To determine compliance with this criterion the permit holder must provide the effect the proposed alteration will have on capital costs.**

The permit holder is estimating a capital cost per equivalent patient day of \$15.22 per equivalent patient day. This is an increase of \$1.32 per equivalent patient day from the approved permit amount. However, the \$15.22 appears reasonable when compared to previously approved permits.

**THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION IN CONFORMANCE WITH CRITERION DIRECT OPERATING COSTS AND EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140 (d) 77 IAC 1120.140 (e))**

| <u>Ownership, Management and General Information</u> |  | <u>Patients by Race</u> |  | <u>Patients by Ethnicity</u> |       |
|--|--|-------------------------|--|------------------------------|-------|
| <b>ADMINISTRATOR NAME:</b>                           | Sharon O'Keefe                           | White                   | 39.0%                                  | Hispanic or Latino:          | 6.2%  |
| <b>ADMINSTRATOR PHONE</b>                            | 773-702-8908                             | Black                   | 54.2%                                  | Not Hispanic or Latino:      | 91.8% |
| <b>OWNERSHIP:</b>                                    | The University of Chicago Medical Center | American Indian         | 0.2%                                   | Unknown:                     | 1.9%  |
| <b>OPERATOR:</b>                                     | The University of Chicago Medical Center | Asian                   | 2.6%                                   |                              |       |
| <b>MANAGEMENT:</b>                                   | Not for Profit Corporation (Not Church-R | Hawaiian/ Pacific       | 0.1%                                   | IDPH Number:                 | 3897  |
| <b>CERTIFICATION:</b>                                | None                                     | Unknown                 | 3.7%                                   | HPA                          | A-03  |
| <b>FACILITY DESIGNATION:</b>                         | General Hospital                         |                         |  | HSA                          | 6     |
| <b>ADDRESS</b>                                       | 5841 South Maryland                      | <b>CITY:</b> Chicago    | <b>COUNTY:</b> Suburban Cook (Chicago) |                              |       |

| <u>Facility Utilization Data by Category of Service</u> |                                       |                                    |                    |                   |                       |                         |                               |                             |                             |                                     |
|---|---------------------------------------|------------------------------------|--------------------|-------------------|-----------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------------------|
| <u>Clinical Service</u>                                 | <u>Authorized CON Beds 12/31/2014</u> | <u>Peak Beds Setup and Staffed</u> | <u>Peak Census</u> | <u>Admissions</u> | <u>Inpatient Days</u> | <u>Observation Days</u> | <u>Average Length of Stay</u> | <u>Average Daily Census</u> | <u>CON Occupancy Rate %</u> | <u>Staffed Bed Occupancy Rate %</u> |
| <b>Medical/Surgical</b>                                 | 338                                   | 338                                | 336                | 16,821            | 104,146               | 4,329                   | 6.4                           | 297.2                       | 87.9                        | 87.9                                |
| 0-14 Years  |                                       |                                    |                    | 2                 | 4                     |                         |                               |                             |                             |                                     |
| 15-44 Years   |                                       |                                    |                    | 3,941             | 24,092                |                         |                               |                             |                             |                                     |
| 45-64 Years   |                                       |                                    |                    | 7,070             | 43,677                |                         |                               |                             |                             |                                     |
| 65-74 Years   |                                       |                                    |                    | 3,261             | 20,937                |                         |                               |                             |                             |                                     |
| 75 Years +  |                                       |                                    |                    | 2,547             | 15,436                |                         |                               |                             |                             |                                     |
| <b>Pediatric</b>  | 60                                    | 61                                 | 58                 | 2,805             | 14,185                | 1,366                   | 5.5                           | 42.6                        | 71.0                        | 69.8                                |
| <b>Intensive Care</b>                                   | 126                                   | 109                                | 107                | 6,253             | 30,070                | 158                     | 4.8                           | 82.8                        | 65.7                        | 76.0                                |
| Direct Admission  |                                       |                                    |                    | 4,321             | 18,656                |                         |                               |                             |                             |                                     |
| Transfers   |                                       |                                    |                    | 1,932             | 11,414                |                         |                               |                             |                             |                                     |
| <b>Obstetric/Gynecology</b>                             | 46                                    | 44                                 | 24                 | 1,903             | 6,225                 | 268                     | 3.4                           | 17.8                        | 38.7                        | 40.4                                |
| Maternity   |                                       |                                    |                    | 1,903             | 6,225                 |                         |                               |                             |                             |                                     |
| Clean Gynecology  |                                       |                                    |                    | 0                 | 0                     |                         |                               |                             |                             |                                     |
| <b>Neonatal</b>   | 47                                    | 47                                 | 47                 | 755               | 14,449                | 1                       | 19.1                          | 39.6                        | 84.2                        | 84.2                                |
| <b>Long Term Care</b>                                   | 0                                     | 0                                  | 0                  | 0                 | 0                     | 0                       | 0.0                           | 0.0                         | 0.0                         | 0.0                                 |
| <b>Swing Beds</b>                                       |                                       |                                    | 0                  | 0                 | 0                     |                         | 0.0                           | 0.0                         |                             |                                     |
| <b>Acute Mental Illness</b>                             | 0                                     | 0                                  | 0                  | 0                 | 0                     | 0                       | 0.0                           | 0.0                         | 0.0                         | 0.0                                 |
| <b>Rehabilitation</b>                                   | 0                                     | 0                                  | 0                  | 0                 | 0                     | 0                       | 0.0                           | 0.0                         | 0.0                         | 0.0                                 |
| <b>Long-Term Acute Care</b>                             | 0                                     | 0                                  | 0                  | 0                 | 0                     | 0                       | 0.0                           | 0.0                         | 0.0                         | 0.0                                 |
| Dedicated Observation                                   | 33                                    |                                    |                    |                   |                       | 992                     |                               |                             |                             |                                     |
| <b>Facility Utilization</b>                             | <b>617</b>                            |                                    |                    | <b>26,605</b>     | <b>169,075</b>        | <b>7,114</b>            | <b>6.6</b>                    | <b>482.7</b>                | <b>78.2</b>                 |                                     |

(Includes ICU Direct Admissions Only)

| <u>Inpatients and Outpatients Served by Payor Source</u> |                 |                 |                     |                          |                    |                     |               |
|--|-----------------|-----------------|---------------------|--------------------------|--------------------|---------------------|---------------|
|  | <u>Medicare</u> | <u>Medicaid</u> | <u>Other Public</u> | <u>Private Insurance</u> | <u>Private Pay</u> | <u>Charity Care</u> | <u>Totals</u> |
| <b>Inpatients</b>  | 33.6%           | 28.9%           | 0.0%                | 35.0%                    | 0.0%               | 2.4%                |               |
|  | 8948            | 7701            | 0                   | 9306                     | 2                  | 648                 | 26,605        |
| <b>Outpatients</b>                                       | 31.6%           | 18.5%           | 0.0%                | 44.7%                    | 0.1%               | 5.2%                |               |
|  | 163946          | 95827           | 0                   | 231726                   | 309                | 26848               | 518,656       |

| <u>Financial Year Reported:</u>  | 7/1/2013 to     | 6/30/2014       | <u>Inpatient and Outpatient Net Revenue by Payor Source</u> |                          |                    |               |            | <u>Charity Care Expense</u> | <u>Total Charity Care Expense</u> |
|----------------------------------|-----------------|-----------------|---|--------------------------|--------------------|---------------|------------|-----------------------------|-----------------------------------|
|                                  | <u>Medicare</u> | <u>Medicaid</u> | <u>Other Public</u>   | <u>Private Insurance</u> | <u>Private Pay</u> | <u>Totals</u> |            |                             |                                   |
| <b>Inpatient Revenue ( \$ )</b>  | 25.8%           | 22.5%           | 0.0%  | 51.5%                    | 0.2%               | 100.0%        |            | 22,628,000                  |                                   |
|                                  | 202,186,000     | 176,140,000     | 0   | 402,984,000              | 1,478,000          | 782,788,000   | 9,770,000  |                             |                                   |
| <b>Outpatient Revenue ( \$ )</b> | 18.0%           | 9.8%            | 0.0%  | 71.7%                    | 0.5%               | 100.0%        |            |                             |                                   |
|                                  | 112,985,000     | 61,135,000      | 0   | 449,179,000              | 3,006,000          | 626,305,000   | 12,858,000 | 1.6%                        |                                   |

| <u>Birthing Data</u>                      |       |  | <u>Newborn Nursery Utilization</u> |          |           |             | <u>Organ Transplantation</u> |  |
|---|-------|--|------------------------------------|----------|-----------|-------------|------------------------------|--|
| Number of Total Births:                   | 1,735 |  | Level I                            | Level II | Level II+ | Kidney:     | 70                           |  |
| Number of Live Births:                    | 1,675 |  | Beds                               | 31       | 24        | Heart:      | 35                           |  |
| Birthing Rooms:                           | 0     |  | Patient Days                       | 2,425    | 5,373     | Lung:       | 25                           |  |
| Labor Rooms:                              | 0     |  | Total Newborn Patient Days         |          |           | Heart/Lung: | 0                            |  |
| Delivery Rooms:                           | 0     |  |                                    |          |           | Pancreas:   | 3                            |  |
| Labor-Delivery-Recovery Rooms:            | 8     |  |                                    |          |           | Liver:      | 29                           |  |
| Labor-Delivery-Recovery-Postpartum Rooms: | 0     |  | <u>Laboratory Studies</u>          |          |           | Total:      | 162                          |  |
| C-Section Rooms:                          | 3     |  | Inpatient Studies                  |          | 3,382,709 |             |                              |  |
| CSections Performed:                      | 512   |  | Outpatient Studies                 |          | 2,519,656 |             |                              |  |
|   |       |  | Studies Performed Under Contract   |          | 85,897    |             |                              |  |

**Surgery and Operating Room Utilization**

| Surgical Specialty                | Operating Rooms |            |                           |           | Surgical Cases |              | Surgical Hours            |              |              | Hours per Case |            |
|-----------------------------------|-----------------|------------|---------------------------|-----------|----------------|--------------|---------------------------|--------------|--------------|----------------|------------|
|                                   | Inpatient       | Outpatient | Combined                  | Total     | Inpatient      | Outpatient   | Inpatient                 | Outpatient   | Total Hours  | Inpatient      | Outpatient |
| Cardiovascular                    | 0               | 0          | 1                         | 1         | 600            | 1            | 4455                      | 3            | 4458         | 7.4            | 3.0        |
| Dermatology                       | 0               | 0          | 0                         | 0         | 0              | 0            | 0                         | 0            | 0            | 0.0            | 0.0        |
| General                           | 25              | 7          | 0                         | 32        | 4659           | 5703         | 16830                     | 11480        | 28310        | 3.6            | 2.0        |
| Gastroenterology                  | 0               | 0          | 0                         | 0         | 11             | 26           | 43                        | 65           | 108          | 3.9            | 2.5        |
| Neurology                         | 0               | 0          | 0                         | 0         | 967            | 240          | 4902                      | 712          | 5614         | 5.1            | 3.0        |
| OB/Gynecology                     | 0               | 0          | 0                         | 0         | 2011           | 1005         | 2852                      | 2498         | 5350         | 1.4            | 2.5        |
| Oral/Maxillofacial                | 0               | 0          | 0                         | 0         | 0              | 0            | 0                         | 0            | 0            | 0.0            | 0.0        |
| Ophthalmology                     | 0               | 0          | 0                         | 0         | 11             | 903          | 25                        | 1309         | 1334         | 2.3            | 1.4        |
| Orthopedic                        | 0               | 0          | 0                         | 0         | 1440           | 2091         | 5501                      | 4846         | 10347        | 3.8            | 2.3        |
| Otolaryngology                    | 0               | 0          | 0                         | 0         | 571            | 1624         | 2337                      | 3836         | 6173         | 4.1            | 2.4        |
| Plastic Surgery                   | 0               | 0          | 0                         | 0         | 723            | 610          | 3941                      | 1956         | 5897         | 5.5            | 3.2        |
| Podiatry                          | 0               | 0          | 0                         | 0         | 0              | 0            | 0                         | 0            | 0            | 0.0            | 0.0        |
| Thoracic                          | 0               | 0          | 0                         | 0         | 348            | 119          | 1759                      | 267          | 2026         | 5.1            | 2.2        |
| Urology                           | 0               | 1          | 0                         | 1         | 1036           | 1357         | 4768                      | 2423         | 7191         | 4.6            | 1.8        |
| <b>Totals</b>                     | <b>25</b>       | <b>8</b>   | <b>1</b>                  | <b>34</b> | <b>12377</b>   | <b>13679</b> | <b>47413</b>              | <b>29395</b> | <b>76808</b> | <b>3.8</b>     | <b>2.1</b> |
| <b>SURGICAL RECOVERY STATIONS</b> |                 |            | Stage 1 Recovery Stations |           | 77             |              | Stage 2 Recovery Stations |              |              | 0              |            |

**Dedicated and Non-Dedicated Procedure Room Utilization**

| Procedure Type                          | Procedure Rooms |            |          |       | Surgical Cases |            | Surgical Hours |            |             | Hours per Case |            |
|---|-----------------|------------|----------|-------|----------------|------------|----------------|------------|-------------|----------------|------------|
|   | Inpatient       | Outpatient | Combined | Total | Inpatient      | Outpatient | Inpatient      | Outpatient | Total Hours | Inpatient      | Outpatient |
| Gastrointestinal                        | 0               | 0          | 13       | 13    | 2687           | 11457      | 2025           | 8637       | 10662       | 0.8            | 0.8        |
| Laser Eye Procedures                    | 0               | 0          | 1        | 1     | 0              | 514        | 0              | 514        | 514         | 0.0            | 1.0        |
| Pain Management                         | 0               | 0          | 1        | 1     | 133            | 3640       | 66             | 1820       | 1886        | 0.5            | 0.5        |
| Cystoscopy                              | 0               | 0          | 0        | 0     | 0              | 0          | 0              | 0          | 0           | 0.0            | 0.0        |
| <b>Multipurpose Non-Dedicated Rooms</b> |                 |            |          |       |                |            |                |            |             |                |            |
| C-sections                              | 0               | 0          | 3        | 3     | 512            | 0          | 1280           | 0          | 1280        | 2.5            | 0.0        |
|   | 0               | 0          | 0        | 0     | 0              | 0          | 0              | 0          | 0           | 0.0            | 0.0        |
|   | 0               | 0          | 0        | 0     | 0              | 0          | 0              | 0          | 0           | 0.0            | 0.0        |

**Emergency/Trauma Care**

|   |                |
|---|----------------|
| Certified Trauma Center                   | Yes            |
| Level of Trauma Service                   | <b>Level 1</b> |
|   | Pediatric      |
| Operating Rooms Dedicated for Trauma Care | 0              |
| Number of Trauma Visits:                  | 0              |
| Patients Admitted from Trauma             | 0              |
| Emergency Service Type:                   | Comprehensive  |
| Number of Emergency Room Stations         | 63             |
| Persons Treated by Emergency Services:    | 82,987         |
| Patients Admitted from Emergency:         | 11,132         |
| Total ED Visits (Emergency+Trauma):       | <b>82,987</b>  |

**Free-Standing Emergency Center**

|   |  |
|---|--|
| Beds in Free-Standing Centers                 |  |
| Patient Visits in Free-Standing Centers       |  |
| Hospital Admissions from Free-Standing Center |  |

**Outpatient Service Data**

|  |                |
|--|----------------|
| Total Outpatient Visits                    | <b>518,656</b> |
| Outpatient Visits at the Hospital/ Campus: | 502,829        |
| Outpatient Visits Offsite/off campus       | 15,827         |

**Cardiac Catheterization Labs**

|  |          |
|--|----------|
| Total Cath Labs (Dedicated+Nondedicated labs): | <b>5</b> |
| Cath Labs used for Angiography procedures      | 0        |
| Dedicated Diagnostic Catheterization Lab       | 0        |
| Dedicated Interventional Catheterization Labs  | 0        |
| Dedicated EP Catheterization Labs              | 2        |

**Cardiac Catheterization Utilization**

|   |              |
|---|--------------|
| Total Cardiac Cath Procedures:          | <b>4,955</b> |
| Diagnostic Catheterizations (0-14)      | 0            |
| Diagnostic Catheterizations (15+)       | 2,131        |
| Interventional Catheterizations (0-14): | 0            |
| Interventional Catheterization (15+)    | 443          |
| EP Catheterizations (15+)               | 2,381        |

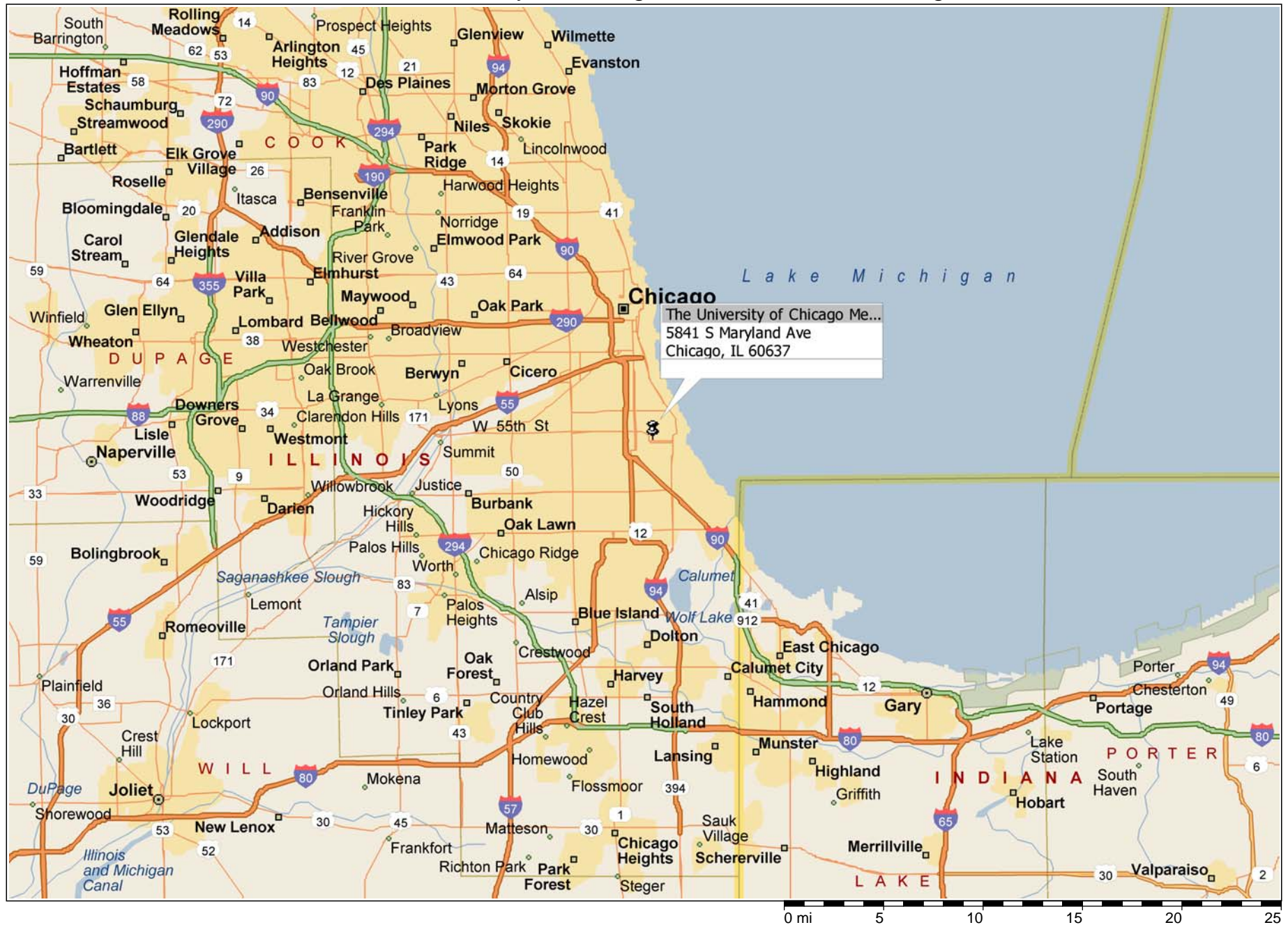
**Cardiac Surgery Data**

|  |            |
|--|------------|
| Total Cardiac Surgery Cases:   | <b>637</b> |
| Pediatric (0 - 14 Years):  | 32         |
| Adult (15 Years and Older):  | 605        |
| Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases : | 105        |

**Diagnostic/Interventional Equipment****Examinations****Therapeutic Equipment****Therapies/Treatments**

|                                     | Owned |   | Contract  |        |   | Owned                        |   | Contract |        |  |
|-------------------------------------|-------|---|-----------|--------|---|------------------------------|---|----------|--------|--|
|                                     |       |   | Inpatient | Outpt  |   |                              |   |          |        |  |
| General Radiography/Fluoroscopy     | 20    | 0 | 59,006    | 61,327 | 0 | Lithotripsy                  | 0 | 0        | 0      |  |
| Nuclear Medicine                    | 7     | 0 | 737       | 3,907  | 0 | Linear Accelerator           | 4 | 0        | 20,247 |  |
| Mammography                         | 6     | 0 | 192       | 24,780 | 0 | Image Guided Rad Therapy     |   |          | 17,090 |  |
| Ultrasound                          | 17    | 0 | 10,388    | 23,394 | 0 | Intensity Modulated Rad Thrp |   |          | 11,261 |  |
| Angiography                         | 7     | 0 |           |        |   | High Dose Brachytherapy      | 1 | 0        | 158    |  |
| Diagnostic Angiography              |       |   | 3,166     | 5,841  | 0 | Proton Beam Therapy          | 0 | 0        | 0      |  |
| Interventional Angiography          |       |   | 5,097     | 9,465  | 0 | Gamma Knife                  | 0 | 0        | 0      |  |
| Positron Emission Tomography (PET)  | 1     | 0 | 164       | 1,330  | 0 | Cyber knife                  | 0 | 0        | 0      |  |
| Computerized Axial Tomography (CAT) | 8     | 0 | 16,440    | 34,592 | 0 |                              |   |          |        |  |
| Magnetic Resonance Imaging          | 7     | 0 | 5,323     | 15,865 | 0 |                              |   |          |        |  |

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