



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-07	BOARD MEETING: May 2, 2017	PROJECT NO: 17-006	PROJECT COST: Original: \$14,974,094
FACILITY NAME: NorthShore University HealthSystem Round Lake Beach Medical Clinics Building		CITY: Round Lake Beach	
TYPE OF PROJECT: Non-Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicant (NorthShore University HealthSystem) is proposing to construct a medical clinics building in approximately 34,800 gross square feet of space. The cost of the project is approximately \$14,974,094. The completion date as stated in the application is June 30, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicant (NorthShore University HealthSystem) is proposing to construct a medical clinics building in approximately 34,800 gross square feet of space. The cost of the project is approximately \$14,974,094. The completion date as stated in the application is June 30, 2019.
- The proposed medical clinics building will be a two-story building. The first floor will have physicians' offices, a lab/specimen collection area, imaging, public areas, staff support areas, administrative space, storage, mechanical space and an elevator lobby. The second floor will be primarily physicians' offices, but will also have staff support areas, storage, mechanical space, and an elevator lobby. The building will contain no shell space.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The proposed project is by or on behalf of a health care facility and the cost of the project is in excess of the capital expenditure minimum of \$12,950,881.

PURPOSE OF THE PROJECT:

- According to the applicant *“The purpose of the medical clinics building is to provide office space, when fully staffed, for 20-24 primary care physicians, using those offices on a full-time basis. In addition, other specialists will use the offices on a more limited/rotational basis. As a result of this project's locating physicians in Round Lake Beach, the health care and well-being of area residents of the northwestern quadrant of Lake County, Illinois will be improved.”*

PUBLIC HEARING/COMMENT:

- There was no request for a public hearing and no letters of support or opposition were received by State Board Staff.

CONCLUSIONS:

- State Board Staff reviewed the application for permit and supplemental material submitted and note that the applicant has met all of the requirements of the State Board

STATE BOARD STAFF REPORT
Project #17-006
NorthShore University HealthSystem
Round Lake Beach Medical Clinics Building

APPLICATION CHRONOLOGY	
Applicants(s)	NorthShore University HealthSystem
Facility Name	NorthShore University HealthSystem Round Lake Beach Medical Clinics Building
Location	Round Lake Beach [Legal Description Provided]
Permit Holder	NorthShore University HealthSystem
Operating Entity/Licensee	NorthShore University HealthSystem
Owner of Site	NorthShore University HealthSystem
Gross Square Feet	34,800 GSF
Application Received	February 15, 2017
Application Deemed Complete	February 16, 2017
Financial Commitment Date	May 2, 2019
Anticipated Completion Date	June 30, 2019
Review Period Ends	April 17, 2017
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The applicant (NorthShore University HealthSystem) is proposing to construct a medical clinics building in approximately 34,800 gross square feet of space. The cost of the project is approximately \$14,974,094. The completion date as stated in the application is June 30, 2019.

II. Summary of Findings

- A.** The State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1110.
- B.** The State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1120.

III. General Information

The applicant (NorthShore University HealthSystem) is located at 1301 Central Street, Evanston, Illinois. Northshore is a comprehensive, fully integrated healthcare delivery system serving the Chicago region. The system includes four hospitals:

- Evanston Hospital 41.4 miles from the proposed medical clinics building;
- Glenbrook Hospital 35.7 miles from the proposed medical clinics building;
- Highland Park Hospital 25.1 miles from the proposed medical clinics building; and
- Skokie Hospital 38.9 miles from the proposed medical clinics building.

NorthShore has annual revenues of approximately \$1.9 billion, employs about 10,000 people and has approximately 2,100 affiliated physicians; nine hundred (900) of these physicians belong to the NorthShore Medical Group, a multispecialty group practice with 130-plus office locations. The proposed medical clinics building will be located in the HSA VIII Health Service Area and the A-09 Hospital Planning Area. The proposed medical clinics building will not be located in a Health Professional Shortage Area or a Medically Underserved Area as of 1/1/2017 for HPSA and 03/17/2017 for MUA.

IV. Uses and Sources of Funds

The applicant is funding this project with cash in the amount of \$14,974,094. The cost of the land is \$1,630,000. At the end of this report is the itemization of project costs.

Uses of Funds	Reviewable	Non Reviewable	Total	% or Total
Preplanning	\$18,000	\$165,000	\$183,000	1.22%
Site Survey and Soil Investigation	\$300	\$14,700	\$15,000	0.10%
Site Preparation	\$7,700	\$445,900	\$453,600	3.03%
Off site Work	\$14,900	\$730,100	\$745,000	4.98%
New Construction Contracts	\$155,180	\$9,181,080	\$9,336,260	62.35%
Contingencies	\$9,660	\$512,340	\$522,000	3.49%
A & E Fees	\$11,900	\$438,100	\$450,000	3.01%
Consulting and Other Fees	\$50,150	\$926,250	\$976,400	6.52%
Movable Equipment	\$1,052,089	\$1,240,745	\$2,292,834	15.31%
Total	\$1,319,879	\$13,654,215	\$14,974,094	100.00%
Sources of Funds				
Cash	\$1,319,879	\$13,654,215	\$14,974,094	100.00%
Total	\$1,319,879	\$13,654,215	\$14,974,094	100.00%

V. Cost Space Requirements

The reviewable portion of the project comprises approximately 10% of the total costs and approximately 2% of the total gross square footage. The non-reviewable portion of the project is approximately 90% of the costs and 98% of the gross square footage. Physician office space comprises approximately forty-eight percent (48%) of the gross square footage and approximately forty-six percent (46%) of the cost of the project.

The Statute defines non-clinical service area as an area

- (i) *for the benefit of the patients, visitors, staff, or employees of a health care facility and (ii) not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; newsstands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or*

replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers.

TABLE TWO
Costs Space Chart

Reviewable	Costs	Proposed Gross Square Feet	% of Total Gross Square Feet	% of Total Costs
Lab Specimen Draw	\$404,301	353	1.01%	2.70%
X-Ray Imaging	\$973,316	291	0.84%	6.50%
Reviewable Sub Total	\$1,377,617	644	1.85%	9.20%
Physician Offices	\$6,798,239	16,556	47.57%	45.40%
Public Areas/Waiting	\$989,010	2,400	6.90%	6.60%
Staff Support Areas	\$299,482	800	2.30%	2.00%
Admin/Mtg/Conference	\$3,623,731	9,500	27.30%	24.20%
Elevator/Stairs	\$208,917	480	1.38%	1.40%
Storage	\$673,834	1,800	5.17%	4.50%
Mechanical	\$1,003,264	2,620	7.53%	6.70%
Non Reviewable Sub Total	\$13,596,477	34,156	98.15%	90.80%
Total	\$14,974,094	34,800	100.00%	100.00%

VI. Background of the Applicants

A) Criterion 1110.3030(b)(1) to (3) - Background of the Applicants

To demonstrate compliance with this criterion, the applicants must document the following:

- A) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois including licensing, certification and accreditation identification numbers, as applicable;
- B) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;
- C) A certified listing from the applicant of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application;
- D) A certified listing of each applicant, corporate officer or director, LLC member, partner and owner of at least 5% of the proposed facility, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to;
- E) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted.
- F) *Adverse Action means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois.* [77 IAC 1130.140]

1. NorthShore University HealthSystem, is a Domestic Corporation, incorporated under the laws of the State of Illinois on December 04, 1891, has complied with all of the rules the General Not for Profit Corporation Act and is in good standing.
2. The applicant provided a listing of all facilities currently owned and accredited by the Joint Commission¹ as required. [Application for Permit page 35-43]

¹ The Joint Commission is an independent, not-for-profit organization that accredits and certifies more than 20,000 health care organizations and programs in the United States. Joint Commission accreditation and certification is recognized nationwide as a symbol of quality that reflects an organization's commitment to meeting certain performance standards. [source: Joint Commission website]

3. A letter of intent to purchase the property at NW Corner of Hook Road & Rollins Road, Round Lake Beach, Illinois for the medical clinics building was provided as evidence of site control. The purchase price of the property will be \$10.00/gross square feet land subject to customary pro-rations and adjustments. The term "gross square feet of land" as used means the total number of gross square feet of land within the property as determined by the survey. [Application for Permit pages 22-26]
4. The proposed location of the medical clinics building is in compliance with Executive Order #2006-05. *Executive Order #2006-05 requires all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.* [Application for Permit pages 28-29]
5. The proposed location of the medical clinics building is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State owned historic resources* (20 ILCS 3420/1).
6. NorthShore University HealthSystem has attested that they have not had any adverse actions against any facility owned and operated by the applicant during the three (3) year period prior to the filing of this application and NorthShore University HealthSystem authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.3030(b) or to obtain any documentation or information which the State Board or Agency finds pertinent to this application. [Application for Permit page 34-39]

VII. Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project

Reviewer Note:

The three (3) criteria below are informational only and the State Board Staff does not reach a conclusion on whether the applicant has successfully met the criterion.

A) Criterion 1110.230 (a) – Purpose of the Proposed Project

To demonstrate compliance with this criterion, the applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project.

The applicant stated the following:

“The proposed project is limited to the establishment of a Medical Clinics Building (MCB) in Round Lake Beach, Illinois. The MCB will provide office space, when fully staffed, for 20-24 primary care physicians, using those offices on a full-time basis. In addition, other specialists will use the offices on a more limited/rotational basis. As a result of this project's locating physicians in Round Lake Beach, the health care and well-being of area residents of the northwestern quadrant of Lake County, Illinois will be improved. This area generally includes the communities and rural areas located to the south of the Illinois/Wisconsin state line, to the east of the Lake/McHenry county line, north of routes 60/137, and west of route 45....The goal of the proposed project is to provide contemporary and easily accessible office space for NorthShore Medical Group physicians.” (Application, p. 44)

It is anticipated that the majority of patients using the proposed medical clinics building will be residents of one of the ZIP Code areas identified below.

Zip Code	City	County
60073	Round Lake	Lake
60041	Ingleside	Lake
60030	Grayslake	Lake
60020	Fox Lake	Lake
60084	Wauconda	Lake
60046	Lake Villa	Lake
60051	McHenry	McHenry
60060	Mundelein	Lake
60042	Island Lake	Lake
60002	Antioch	Lake
60050	McHenry	McHenry
60031	Gurnee	Lake
60048	Libertyville	Lake
60081	Spring Grove	McHenry
60047	Lake Zurich	Lake

B) Criterion 1110.230(b) - Safety Net Impact Statement

All health care facilities, with the exception of skilled and intermediate long-term care facilities licensed under the Nursing Home Act [210 ILCS 45], shall provide a safety net impact statement, which shall be filed with an application for a substantive project.

Substantive projects shall include no more than the following:

- 1. Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.*
- 2. Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
- 3. Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a*

relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]

The proposed project is considered a non-substantive project. A non-substantive classification includes all projects that are not classified substantive or emergency. "Emergency Projects" means projects that are *emergent in nature and must be undertaken immediately to prevent or correct structural deficiencies or hazardous conditions that may harm or injure persons using the facility, as defined at 77 Ill. Adm. Code 1110.40(a)*. [20 ILCS 3960/12(9)]

The applicant provided charity care information as required for non-substantive projects.

Years	2013	2014	2015
Net Patient Revenue	\$1,160,184,180	\$1,246,634,301	\$1,220,418,879
Amount of Charity Care (charges)	\$81,646,509	\$77,829,670	\$59,169,799
Cost of Charity Care	\$24,314,576	\$21,460,287	\$15,298,468
Cost of Charity Care/Net Revenue	2.10%	1.72%	1.25%

1. Information provided above reflects the combined amounts for the four (4) NorthShore University HealthSystem hospitals (Evanston Hospital, Glenbrook Hospital, Highland Park Hospital, and Skokie Hospital)

Source: Application for Permit page 20.

C) Criterion 1110.230(c) – Alternatives to the Project

To determine if a proposed project is the best alternative, in terms of cost, efficiency, or effectiveness the applicant must provide documentation of the following:

- A) Proposing a project of greater or lesser scope and cost;
- B) Pursuing a joint venture;
- C) Utilizing other health care resources;
- D) Other

The applicant did not consider any other alternatives to the proposed project.

The applicant stated;

“Due to the limited nature of the proposed project and the applicant's need to improve access to Northshore University HealthSystem physicians for residents of northwestern Lake County, aside from the selection of an alternative site, other alternatives were not considered. Had a different site in the area been selected, the capital cost associated with the alternative project would likely be either higher or lower than that of the proposed project, the quality of care provided would be identical to that of the proposed project, and access and associated operating costs would have been similar to those associated with the proposed project.” [Application for Permit page 45]

Size of the Project, Projected Utilization, Assurances

A) Criterion 1110.234(a) - Size of the Project

To demonstrate compliance with this criterion, the applicant must document that the proposed gross square footage does not exceed the State Board Standards in Part 1110 Appendix B.

The State Board does not have size standards for laboratory, physician offices, public areas/waiting, staff support areas, administration, conference area, elevators, stairs, storage or mechanical. **Reviewer Note:** All of the areas listed above are considered non-clinical (i.e. non-reviewable by Statute except for laboratory and physician offices). However the State Board does not have size or utilization standards for either.

The applicant is proposing one (1) general radiology unit in 291GSF of space. The State Board standard is 1,300 GSF. The criterion has been met.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 IAC 1110.234(a))

B) Criterion 1110.234(b) – Projected Utilization

To demonstrate compliance with this criterion, the applicant must document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Part 1110 Appendix B. The number of years projected shall not exceed the number of historical years documented. If the applicant does not meet the utilization standards in Appendix B, or if service areas do not have utilization standards in 77 Ill. Adm. Code 1100, the applicant shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source

The State Board does not have a utilization standard for laboratories. The applicant is estimating that 15,000 specimens will be collected during the first year following the medical clinics building opening. The applicant estimates that approximately 18,000 specimens will be collected in subsequent years.

The State Board Standard for general radiology is 8,000 procedures per unit. The applicant is estimating approximately 4,000 imaging procedures to be performed during the first year following the medical clinics building opening and the applicant estimates that approximately 5,000 procedures will be performed in subsequent years. The applicant has met the criterion.

Reviewer Note: The State Board Standard for general radiology is 8,000 procedures. All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit. While the applicant is projecting approximately 5,000 procedures for the general radiology unit; that is sufficient to justify the one unit based upon the language in Part 1110 Appendix B.

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

C) Criterion 1110.234(e) - Assurances

To demonstrate compliance with this criterion, the applicant must attest that the proposed clinical services will be at target occupancy as specified in Part 1110 Appendix B two years after project completion.

The applicant is proposing one (1) unit for general radiology. The applicant can justify the one (1) unit. As noted above, all Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit. While the applicant is projecting approximately 5,000 procedures for the general radiology unit; that is sufficient to justify the one unit based upon the language in Part 1110 Appendix B. The applicant has successfully addressed this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.234(e))

VIII. Clinical Services Other than Categories of Service

A) Criterion 1110.3030(a) – Clinical Service Other than Categories of Service - Informational –

These criteria are applicable only to those projects or components of projects (including major medical equipment); concerning Clinical Service Areas (CSAs) that are not Categories of Service, but for which utilization standards are listed in Appendix B.

B) Criterion 1110.3030(c) - Need Determination – Establishment

To demonstrate compliance with this criterion, the applicant must document how the need for the proposed establishment was determined.

1) Service to the Planning Area Residents

To demonstrate compliance with this sub-criterion, the applicant must document that the primary purpose of the proposed project is to provide care to the residents of the planning area in which the proposed service will be physically located.

The proposed medical clinics building will be located in the HSA VIII Service Area and the A-09 Hospital Planning Area. The A-09 Hospital Planning Area includes Lake County. There are six (6) hospitals located in the A-09 Hospital Planning Area. Highland Park Hospital in Highland Park is owned by the applicant.

- Advocate Condell Medical Center, Libertyville
- Good Shepherd Hospital, Barrington
- Highland Park Hospital, Highland Park
- Midwestern Regional Medical Center, Zion
- Northwestern Lake Forest Hospital, Lake Forest
- Vista Medical Center East, Waukegan

According to the applicant, it is anticipated that the majority of patients using the proposed medical clinics building will be residents of one of the ZIP Code areas identified below. According to the applicants this is based upon the historical patient

base of the 20-24 physicians who plan to occupy the medical clinics building upon completion.

TABLE FIVE
Zip Code Information

Zip Code	City	County
60073	Round Lake	Lake
60041	Ingleside	Lake
60030	Grayslake	Lake
60020	Fox Lake	Lake
60084	Wauconda	Lake
60046	Lake Villa	Lake
60051	McHenry	McHenry
60060	Mundelein	Lake
60042	Island Lake	Lake
60002	Antioch	Lake
60050	McHenry	McHenry
60031	Gurnee	Lake
60048	Libertyville	Lake
60081	Spring Grove	McHenry
60047	Lake Zurich	Lake

2) Service Demand

To demonstrate compliance with this sub-criterion, the applicant must document demand for the proposed services, the applicant must document referrals from an inpatient base, physician referrals, historical referrals to other providers, or population incidence.

The demand for the medical clinics building is based upon the applicant’s need to provide access to residents of the A-09 Hospital Planning Area who need access to the 20-24 physicians planning to occupy the proposed medical clinics building.

According to the applicant in recent years, as NorthShore University HealthSystem has added more physicians to its medical group, and particularly in subspecialties, NorthShore has become more of a regional provider, attracting patients from a broader area. The proposed medical clinics building is being developed as a convenience to patients residing in western Lake County, who now need to cross the entire county to access services at NorthShore’s existing facilities, in eastern Lake County. As you may be aware, and for a variety of reasons including an inadequate highway system, a number of railroad lines, and the number of lakes, east-west travel in Lake County is very difficult and time consuming.

Reviewer Note: The State Board does not provide specific review criteria for a medical clinics building operated or controlled by a health care facility. Therefore, the State Board Staff reviews the arguments and data provided by the applicant. Based upon these arguments provided by the applicant it appears there is demand for the medical clinic building.

3) Impact of the Proposed Project on Other Area Providers

To demonstrate compliance with this sub-criterion, the applicant shall document that, within 24 months after project completion, the proposed project will not impact other providers in the planning area.

From the information reviewed by State Board Staff it does not appear based upon the type of project being proposed, the medical clinics building will have an impact on other providers in the planning area.

4) Utilization

To demonstrate compliance with this sub-criterion, the applicant proposing to establish services in which the State Board has established utilization standards as documented in Part 1110 Appendix B shall meet or exceed the standard as specified in Appendix B.

As documented above at Criterion 1110.234(b), the State Board does not have a utilization standard for laboratories. The applicant is estimating that 15,000 specimens will be collected during the first year following the medical clinics building opening. The applicant estimates that approximately 18,000 specimens will be collected in subsequent years. This estimate is based upon prior experience of the physicians.

The State Board Standard for general radiology is 8,000 procedures per unit. The applicant is estimating approximately 4,000 imaging procedures to be performed during the first year following the medical clinics building opening and the applicant estimates that approximately 5,000 procedures will be performed in subsequent years. The applicant can justify the one (1) unit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION CLINICAL SERVICES OTHER THAN CATEGORIES OF SERVICE (77 IAC 1110.3030(c)(1), (2), (3) and (4))

IX. Financial Viability

The Purpose of the Act

This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and **financial resources to adequately provide a proper service for the community;** (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. [20 ILCS 3960/2]

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

To demonstrate compliance with this criterion, the applicant must document that funds are available to fund the project.

The applicant is funding this project with cash of \$14,974,094. The applicant has provided evidence of an “A” or better bond rating from S&P Global Ratings that affirmed its 'AA' long-term rating on the Illinois Finance Authority's series 2010 revenue refunding bonds, issued for NorthShore University HealthSystem. In supplemental information the applicant provided their most recent audited financial statements summarized in the table below. From the documents submitted it appears that applicant has sufficient funds to fund the project.

TABLE SIX
Northshore University HealthSystem
Financial Statements
As of September 30,
(In thousands)
Audited

	2016	2015
Cash	\$57,499	\$61,658
Current Assets	\$509,116	\$456,134
PPE	\$1,053,247	\$1,002,745
Total Assets	\$3,545,629	\$3,340,969
Current Liabilities	\$413,067	\$407,489
LTD	\$334,642	\$347,564
Net Assets	\$2,412,878	\$2,208,834
Net Patient Service Revenue	\$1,998,590	\$1,901,565
Total Revenue	\$2,050,701	\$1,924,214
Operating Expenses	\$1,911,817	\$1,812,123
Income From Operations	\$138,884	\$112,091
Revenues in excess of expenses	\$133,617	\$90,863

Source: Northshore University HealthSystem Consolidated Financial Statements Report of Independent Auditor

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

B) Criterion 1120.130- Financial Viability

To demonstrate compliance with this criterion, the applicant must document that the applicant is financially viable by providing evidence of an “A” or better bond rating or meeting all of the financial ratio standards published by the State Board at Part 1120 Appendix A.

The applicant has provided evidence of an “A” or better bond rating from S&P Global Ratings that affirmed its 'AA' long-term rating on the Illinois Finance Authority's series 2010 revenue refunding bonds, issued for NorthShore University HealthSystem. [Application for Permit pages 57-69]. Based upon the information received from the applicant the applicant is considered financially viable.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)

X. Economic Feasibility

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

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

To demonstrate compliance with these criteria, the applicant must document that the financing is reasonable.

The applicant is funding this project with cash in the amount of \$14,974,094. No debt financing is being used to fund this project.

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

C) Criterion 1120.140(c) – Reasonableness of Project Costs

To demonstrate compliance with this criterion, the applicant must document that the cost for the project are reasonable and are in compliance with the State Board Standards published in Part 1120 Appendix A.

1. The State Board Standard for Preplanning Costs is 1.8% of new construction and contingencies and movable equipment (\$1,216,929).
2. The State Board Standard for Site Survey, Soil Investigation and Site Preparation are 5% of new construction and contingencies.
3. New construction and contingency costs are taken from RS Means Construction Data² for CY 2015 and inflated by 3% to the midpoint of construction which is 2018.

² RSMMeans is the world's leading provider of construction cost data, software, and services for all phases of the construction lifecycle. RSMMeans data from Gordian provides accurate and up-to-date cost information to help owners, developers, architects, engineers, contractors and others carefully and precisely project and control the cost of both new building construction and renovation projects. <https://www.rsmeans.com/info/contact/about-us.aspx>

Year	2016	2017	2018
RSMMeans ⁽¹⁾	\$242.76	\$250.04	\$257.54

4. Contingencies are ten percent (10%) of new construction. Contingency costs for projects (or for components of projects) are based upon a percentage of new construction or modernization costs and are based upon the status of a project's architectural contract documents.

Status of Project	New Construction	Modernization
Contract Documents	Components	Components
Schematics	10%	10-15%
Preliminary	7%	7-10%
Final	3-5%	5-7%

Source: Table taken from Part 1120 Appendix A

5. Architectural and Engineering Fees are 14.63% of new construction and contingencies. A&E fees for outpatient clinical service facilities can be found in the Centralized Fee Negotiation Professional Services and Fees Handbook. <https://www.illinois.gov/cdb/business/library/Pages/default.aspx>

Uses of Funds	Reviewable	State Board Standard	Project Costs	Met Standard?
Preplanning	\$18,000	1.80%	\$21,905	1.48% Yes
Site Survey Soil Investigation & Site Preparation	\$8,000	5.00%	\$8,242	4.85% Yes
New Construction Contracts & Contingencies	\$164,840	\$257.54 Per GSF	\$165,856	\$255.96 Yes
Contingencies	\$9,660	10.00%	\$16,484	5.86% Yes
A & E Fees	\$11,900	9.75-14.63%	\$24,116	7.22% Yes
Off Site Work	\$14,900			
Consulting and Other Fees	\$50,150			Not Applicable
Movable Equipment	\$1,052,089			

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

D) Criterion 1110.140(d) – Direct Operating Costs

To demonstrate compliance with this criterion, the applicant must document the direct operating cost per equivalent patient day.

E) Criterion 1110.140(e) – Effect of the Project on Capital Costs

To demonstrate compliance with this criterion, the applicant must document the effect the project will have on capital costs per equivalent patient day.

The State Board does not provide specific review criteria for a medical clinics building operated or controlled by a health care facility for these two (2) criteria. Based upon the

nature of the proposed project these two (2) criteria are not reviewable by State Board Staff.

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

TABLE EIGHT		
Itemization of Project Costs		
Pre-Planning Costs		
Market Analyses	\$100,000	
Site Selection	\$25,000	
Misc/Other	\$58,000	
Total		\$183,000
Site Survey & Soil Investigation		
Site Survey	\$5,000	
Soil Investigation	\$10,000	
Total		\$15,000
Site Preparation		
Parking Lot	\$200,000	
Landscaping	\$80,000	
Exterior Lighting	\$125,000	
Misc. Other	\$48,600	
Total		\$453,600
Off Site Work		
Walks/Drives	\$90,000	
Utilities	\$630,000	
Misc/Other	\$25,000	
Total		\$745,000
Architectural & Engineering Fees		
Preliminary Renderings	\$20,000	
Design	\$300,000	
Reg. Agency Interaction	\$10,000	
Project Monitoring	\$25,000	
Reimbursable	\$25,000	
Misc/Other	\$70,000	
Total		\$450,000
Consulting and Other Fees		
Legal	\$175,000	
Zoning Related	\$40,000	
Con Related	\$40,000	
Reg. Approval	\$30,000	
Project Management	\$300,000	
Interior Design	\$50,000	
Commissioning	\$60,000	
Construction Period Utilities	\$30,000	
Insurance	\$70,000	
Traffic Studies	\$60,000	
Equipment Planning	\$45,000	

	Misc. Other	\$76,400
Total		\$976,400

17-006 NorthShore University HealthSystem MOB - Round Lake Beach

