



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:	BOARD MEETING: September 26, 2017	PROJECT NO: 17-020	PROJECT COST: Original: \$26,523,362
FACILITY NAME: AMITA Health Bartlett Medical Clinics Building		CITY: Barlett	
TYPE OF PROJECT: Non-Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, Alexian Brothers Health System, and Ascension Health) are proposing to develop a medical clinic located at 1014 West Steams Road in Bartlett, Illinois in 65,613 of leased space. The cost of the project is \$26,523,362 and the completion date as stated in the application is January 31, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, Alexian Brothers Health System, and Ascension Health) are proposing to develop a medical clinic located at 1014 West Steams Road in Bartlett, Illinois in 65,613 GSF of leased space. The cost of the project is \$26,523,362 and the completion date as stated in the application is January 31, 2019.
- The medical clinic will include physicians' offices, an immediate care center, limited imaging services, a specimen collection area, and assorted public and support areas. It is anticipated that 16-18 physicians will initially be in offices in the medical clinic building, representing the following specialties: family medicine, occupational medicine, internal medicine, surgery, cardiology and gastroenterology.

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 \$13,171,046.
- **Staff Note:** The capital expenditure minimum was increased by 1.7% on July 1, 2017.

Capital Expenditure Minimum			
	7/1/2016	7/1/2017	Increase
Hospitals	\$12,950,881	\$13,171,046	\$220,165
Long Term Care	\$7,320,061	\$7,444,502	\$124,441
Other	\$3,378,491	\$3,435,925	\$57,434
Source for increase RSMEANS			

PURPOSE OF THE PROJECT:

- According to the applicants “*The primary purpose of the proposed project is to improve accessibility to physicians' services in general, and AMITA Health physicians in particular, for residents of the communities and neighborhoods in close proximity to the proposed medical clinics building ("MCB"). Bartlett has traditionally been a community served by AMITA Health's St. Alexius Medical Center ("SAMC"), approximately 8 miles away, for both inpatient and outpatient hospital-based services*

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 applicants has met all of the requirements of the State Board

STATE BOARD STAFF REPORT
Project #17-20
AMITA Health Bartlett Medical Clinics Building

APPLICATION CHRONOLOGY	
Applicants(s)	AMITA Health Bartlett Medical Clinics Building
Facility Name	Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, Alexian Brothers Health System, Ascension Health
Location	1041 West Stearns Road, Bartlett, Illinois
Permit Holder	AMITA Health
Operating Entity/Licensee	AMITA Health
Owner of Site	Cole MT Bartlett IL, LLC
Gross Square Feet	65,613 GSF
Application Received	May 2, 2017
Application Deemed Complete	May 4, 2017
Financial Commitment Date	January 31, 2019
Anticipated Completion Date	January 31, 2019
Review Period Ends	July 3, 2017
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The applicants (Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, Alexian Brothers Health System and Ascension Health) are proposing to develop a medical clinic located at 1014 West Stearns Road in Bartlett, Illinois in 65,310 of leased space. The cost of the project is \$26,523,362 and the completion date as stated in the application is January 31, 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 applicants are Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, and Alexian Brothers Health System and Ascension Health.

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is the sole corporate member and parent organization of Ascension Health, a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 24 states and the District of Columbia.

On February 1, 2015, Ascension Health and Adventist Health System entered into a joint operating agreement, which provides for an integrated health delivery system in Illinois, known as AMITA Health (AMITA). AMITA includes three (3) hospitals of Alexian Brothers Health System (Alexian) a subsidiary of Ascension Health, and four (4) hospitals of Adventist Midwest Health (Adventist), a subsidiary of Adventist Health System. The creation of AMITA Health did not result in a change in the licensees of the hospitals of Alexian and Adventist. Both parties share the cash flows generated by AMITA based on an agreed upon split. This joint operating agreement was approved by the State Board in December of 2014. [See Appendix III]

Illinois Hospitals	
Hospital	City
Adventist Bolingbrook Hospital	Bolingbrook
Adventist Glen Oaks Hospital	Glendale
Adventist Hinsdale Hospital	Hinsdale
Adventist La Grange Memorial Hospital	LaGrange
Alexian Brothers Behavioral Health Hospital	Hoffman Estates
St. Alexius Medical Center	Hoffman Estates
Alexian Brothers Medical Center	Elk Grove Village

Financial commitment will occur after permit approval. This project is a non-substantive project subject to a Part 1110 and Part 1120. 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)]

Substantive Projects means types of projects that are defined in the Act and classified as substantive. *Substantive projects shall include no more than the following:*

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.

Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.

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]

IV. Health Service Area

The proposed medical clinic building will be located in the HSA VII Service Area that includes Suburban Cook and DuPage County. Additionally the proposed facility will be located in the A-11 Hospital Planning Area that includes the Cook County Townships of Barrington and Hanover; Kane County Townships of Hampshire, Rutland, Dundee, Burlington, Plato, Elgin, Virgil, Campton and St. Charles.

V. Project Details

The applicants (Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health, Alexian Brothers Health System, Ascension Health) are proposing to develop a medical clinic located at 1014 West Steams Road in Bartlett, Illinois in 65,310 of leased space. The cost of the project is \$26,523,362 and the completion date as stated in the application is January 31, 2019.

The medical clinic will be located in a former grocery store that will be renovated and modernized to include physicians' offices, an immediate care center, limited imaging services, a specimen collection area, and assorted public and support areas. It is anticipated that 6-18 physicians will initially have offices in the medical clinic representing the following specialties: family medicine, occupational medicine, internal medicine, surgery, cardiology and gastroenterology.

VI. Uses and Sources of Funds

The applicants are funding this project with cash in the amount of \$18,600,592 and a lease with a fair market value of the \$7,922,770. At the end of this report is the itemization of project costs (Appendix I).

**TABLE ONE
Uses and Sources of Funds**

Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total Costs
Preplanning Costs	\$32,951	\$220,165	\$253,116	0.95%
Site Preparation	\$50,000	\$150,000	\$200,000	0.75%
Modernization Contracts	\$2,383,260	\$7,810,785	\$10,194,045	38.43%
Contingencies	\$145,860	\$510,270	\$656,130	2.47%
Architectural/Engineering Fees	\$177,038	\$582,474	\$759,512	2.86%
Consulting and Other Fees	\$350,000	\$150,000	\$500,000	1.89%
Movable and Other Equipment (not in construction contracts)	\$4,913,897	\$1,123,892	\$6,037,789	22.76%
Fair Market Value of Leased Space or Equipment	\$1,552,863	\$6,369,907	\$7,922,770	29.87%
Total Uses of Funds	\$9,605,869	\$16,917,493	\$26,523,362	100.00%
Sources of Funds:				
Cash and Securities	\$8,053,006	\$10,547,586	\$18,600,592	70.13%
Leases (fair market value)	\$1,552,863	\$6,369,907	\$7,922,770	29.87%
Total Sources of Funds	\$9,605,869	\$16,917,493	\$26,523,362	100.00%

VII. Cost Space Requirements

The reviewable portion of the project comprises approximately thirty-five (35%) of the total costs and approximately twenty percent (20%) of the total gross square footage. The non-reviewable portion of the project is approximately sixty-five (65%) of the costs and eighty-percent (80%) of the gross square footage. Physician office space comprises approximately sixty-three percent (63%) of the gross square footage and approximately fifty-three percent (53%) of the cost of the project.

The Statute defines non-clinical service area (“non-reviewable”) 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
Cost Space Requirements**

Department Area	Cost	% of Total Cost	Gross Square Footage	% of Total GSF
Reviewable				
Imaging	\$4,469,028	16.84%	4,800	7.32%
Lab/Specimen Collection	\$651,733	2.46%	1,122	1.71%
Immediate Care	\$2,420,723	9.12%	3,500	5.33%
PT/OT	\$1,768,990	6.67%	3,464	5.28%
Total Reviewable	\$9,310,474	35.09%	12,886	19.64%
Non-Reviewable				
Physicians' Offices	\$13,949,687	52.58%	40,970	62.44%
Ancillary Support	\$688,873	2.60%	1,917	2.92%
Public & Administrative	\$2,583,275	9.74%	9,840	15.00%
Total Non Reviewable	\$17,221,835	64.91%	52,727	80.36%
Total	\$26,532,309	100.00%	65,613	100.00%

VIII. Background of the Applicants

A) Criterion 1110.3030(b)(1) to (3) - Background of the Applicants¹

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 applicants 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 applicants of any adverse action taken against any facility owned and/or operated by the applicants 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.
1. Alexian Brothers-AHS-Midwest Region Health Co., and Alexian Brothers Health System, are domestic not-for profit corporations and in good standing in the State of Illinois. Ascension Health is a not-for profit corporation incorporated in the State of Missouri and is a foreign corporation in good standing in the State of Illinois.
 2. A non-binding letter of intent to lease the property at 1041 West Stearns Road, Bartlett, Illinois for the medical clinics building was provided as evidence of site control. The initial lease term is for ten (10) years and the lease will be \$11.50 per gross square feet escalated by 10% every five (5) years. A tenant allowance of \$28.50 of rental gross square feet is to fund hard and soft costs. [Application for Permit pages 30-37]
 3. 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]
 4. 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).
 5. AMITA Health has not had any adverse actions against any facility owned and operated by the applicants during the three (3) year period prior to the filing of this application, and AMITA Health authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or Agency finds pertinent to this application.

¹ 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]

IX. 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 applicants have successfully met the criterion.

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

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

“The primary purpose of the proposed project is to improve accessibility to physicians' services in general, and AMITA Health physicians in particular, for residents of the communities and neighborhoods in close proximity to the proposed medical clinics building ("MCB"). Bartlett has traditionally been a community served by AMITA Health's St. Alexius Medical Center ("SAMC"), approximately 8 miles away, for both inpatient and outpatient hospital-based services. With the increased reliance on outpatient care, physicians are moving from offices traditionally developed in close proximity to hospitals, to locations that provide great access to patients. This project responds to that trend. And, as a result, the well-being of the communities surrounding the proposed MCB will be improved as accessibility to physicians' offices is improved. In addition, and not unique to AMITA Health, as health systems develop larger system-directed medical groups, there is a desire to improve access to the medical group's physicians through the de-centralizing of offices and practices. The market area for this project consists of Bartlett and the surrounding communities bordered by Irving Park Road on the north, Bloomingdale Road on the east, North Avenue on the south, and the Fox River on the west. The success of this project will be measurable during the first year to two years following the opening of the MCB by a reduced reliance on physicians officed on the SAMC campus by residents of the geographic area described above, without a reduction in the use of SAMC for hospital-based outpatient services as well as inpatient services. The space to be used for the proposed MCB will be delivered to the applicants in "white box" fashion by the owners, requiring a full build-out by the applicants.”
[Application for Permit page 49-50]

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.

The proposed project is considered a non-substantive project. The applicants provided charity care information as required for non-substantive projects. (See Appendix II for Charity Care Information)

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 applicants 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 applicants did not consider any other alternatives to the proposed project.

The applicants stated;

Due to the limited nature of the proposed project and the applicant's need to improve access to AMITA Health physicians for residents of Bartlett and the surrounding communities, 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 51]

Size of the Project, Projected Utilization, Assurances

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

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

The applicants are proposing one (1) general radiology unit, one (1) CT unit, one (1) MRI unit one (1) mammography unit, and one (1) ultrasound unit in 6,530 GSF of space. The applicants have met all of the State Board standards for all services proposed. The criterion has been met.

**TABLE THREE
Size of Project**

Department/Services	Proposed Gross Square Feet	State Board Standard (GSF)
General Radiology	1,230	1,300
CT	1,800	1,800
MRI	1,800	1,800
Mammography	850	900
Ultrasound	850	900
Total	6,530	6,700

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 applicants 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 applicants 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 applicants shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source

The proposed project includes nine clinical services. Those services are general radiology, CT, MRI, ultrasound, mammography, PT/OT, immediate care centers, physician offices, and a laboratory/specimen collection area.

The State Board does not have utilization standards for laboratories, Immediate Care Centers or physician offices. The applicants' estimate that 1,100 specimens will be collected during the first year following the medical clinic's opening (2019), and that approximately 2,000 specimens will be collected during the following year. 400 patient sessions of PT/OT are projected during the facility's first year of operation, and 800 patient sessions are projected during the second year. In addition, 1,950 visits to the Immediate Care Center are projected during the first year following the project's completion, and 3,900 visits are projected during the second year. The utilization projections provided above are based on the applicant's experience with the operating of similar facilities.

Year	2019	2020	State Board Standard
General Radiology	1,575	3,150	8,000 procedures
CT	359	700	7,000 visits
MRI	350	700	2,500 procedures
Mammography	1,000	2,000	5,000 visits
Ultrasound	1,034	2,068	3,100 visits

Reviewer Note: All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit. The applicants are projecting less than the State Board Standard per unit; however, 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 applicants 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 applicants did not provide assurance that the proposed project will be at target occupancy with two (2) years after project completion. As noted above, all Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit. The applicants are projecting less than the State Board Standard for all units. Based upon the language in Part 1110 Appendix B those projections are sufficient to justify the number of units for the clinical services being proposed. The State Board Staff is relying upon the language in Part 1110 Appendix B for the assurance. The applicants have successfully addressed this criterion.

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

X. 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 applicants 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 applicants 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 clinic building will be located in the HSA VII Service Area and the A-11 Hospital Planning Area. The A-11 Hospital Planning Area includes Cook County Townships of Barrington and Hanover; Kane County Townships of Hampshire, Rutland, Dundee, Burlington, Plato, Elgin, Virgil, Campton and St. Charles. Bartlett is located in Hanover Township one of twenty-nine (29) townships in Cook County. Below are the zip codes and population within approximately thirty (30) minutes of the proposed medical clinic.

Zip Codes within Thirty (30) Minutes

ZIP	City	County	Population
60103	Bartlett	DuPage	42,655.00
60184	Wayne	DuPage	1,902.00
60120	Elgin	Kane	52,165.00
60133	Hanover Park	Cook	39,828.00
60107	Streamwood	Cook	40,920.00
60174	Saint Charles	Kane	32,235.00
60185	West Chicago	DuPage	37,120.00
60177	South Elgin	Kane	23,854.00
60172	Roselle	DuPage	25,299.00
60188	Carol Stream	DuPage	44,541.00
60108	Bloomington	DuPage	22,765.00
60193	Schaumburg	Cook	40,223.00
60194	Schaumburg	Cook	20,646.00
60169	Hoffman Estates	Cook	35,623.00
60123	Elgin	Kane	48,487.00
60192	Hoffman Estates	Cook	16,643.00
60190	Winfield	DuPage	11,621.00
60157	Medinah	DuPage	2,359.00
60139	Glendale Heights	DuPage	35,487.00
60195	Schaumburg	Cook	5,136.00
60189	Wheaton	DuPage	31,328.00
60187	Wheaton	DuPage	28,185.00
60143	Itasca	DuPage	10,712.00
60134	Geneva	Kane	31,451.00
60173	Schaumburg	Cook	13,467.00
60175	Saint Charles	Kane	25,573.00
60118	Dundee	Kane	16,733.00
60555	Warrenville	DuPage	14,103.00
60101	Addison	DuPage	40,341.00
60137	Glen Ellyn	DuPage	39,304.00
60007	Elk Grove Village	Cook	34,717.00
60067	Palatine	Cook	40,931.00
60110	Carpentersville	Kane	41,032.00
60124	Elgin	Kane	23,861.00
60510	Batavia	Kane	29,215.00
60008	Rolling Meadows	Cook	23,490.00
60191	Wood Dale	DuPage	14,962.00
60148	Lombard	DuPage	53,353.00
60539	Mooseheart	Kane	191
60563	Naperville	DuPage	36,970.00
60005	Arlington Heights	Cook	30,891.00
60010	Barrington	Lake	46,760.00
60136	Gilberts	Kane	8,166.00
60074	Palatine	Cook	40,683.00
60502	Aurora	DuPage	22,765.00
60106	Bensenville	DuPage	21,033.00
60102	Algonquin	McHenry	33,773.00

ZIP	City	County	Population
60181	Villa Park	DuPage	30,203.00
60542	North Aurora	Kane	18,844.00
60532	Lisle	DuPage	28,490.00
60515	Downers Grove	DuPage	29,071.00
60540	Naperville	DuPage	42,779.00
60126	Elmhurst	DuPage	47,102.00
60004	Arlington Heights	Cook	52,632.00
			1,582,620.00

2) Service Demand

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

The demand for the medical clinic is based upon the applicants' need to provide access to residents of the A-11 Hospital Planning Area who need access to the physicians planning to occupy the proposed medical clinic.

Reviewer Note: The State Board does not provide specific review criteria for a medical clinic 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 applicants 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 applicants 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 clinic will have an impact on other providers in the planning area.

4) Utilization

To demonstrate compliance with this sub-criterion, the applicants 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.

The State Board does not have utilization standards for laboratories or Immediate Care Centers, and the applicants' estimate that 1,100 specimens will be collected during the first year following the medical clinic's opening (2019), and that approximately 2,000 specimens will be collected during the following year. 400 patient sessions of PT/OT are projected during the facility's first year of operation, and 800 patient sessions are projected during the second year. In addition, 1,950 visits to the Immediate Care Center are projected during the first year following the project's completion, and 3,900 visits are projected during the second year. The utilization projections provided above are based on the applicant's experience with the operating of similar facilities.

The applicants can justify the number of units being proposed for general radiology, CT, mammography, MRI and ultrasound as outlined above at Criterion 1110.234 (b).

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))

XI. 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 applicants must document that funds are available to fund the project.

The applicants are funding this project with cash of \$18,600,592 and an operating lease with a fair market value of \$7,922,770. From the documents submitted it appears that applicants have sufficient resources to fund the project.

TABLE FIVE
Ascension Health Alliance d/b/a Ascension
Financial Statements
As of June 30,
(In thousands)
Audited

	2016	2015
Cash	\$696,237	\$688,228
Current Assets	\$5,393,180	\$5,027,684
PPE	\$9,020,005	\$8,273,930
Total Assets	\$32,469,177	\$30,844,890
Current Liabilities	\$5,394,205	\$4,739,152
LTD	\$5,427,616	\$5,010,084
Net Assets	\$18,593,040	\$18,932,662
Net Patient Service Revenue	\$21,301,133	\$19,857,725
Total Revenue	\$21,898,334	\$20,538,803
Operating Expenses	\$20,900,965	\$19,693,096
Income From Operations	\$753,203	\$696,548
Revenues in excess of expenses	\$461,384	\$562,596

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 applicants must document that the applicants 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 applicants have provided evidence of an “A” or better bond rating from Moody’s Investor Service. With the submittal of the evidence of the “A” or better bond rating, the applicants have qualified for the financial viability waiver that allows the applicants to forgo financial viability ratios. Based upon the information received from the applicants the applicants are considered financially viable.

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

XII. 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 applicants must document that the financing is reasonable.

The applicants are funding this project with cash in the amount of \$18,600,592 and an operating lease² with a fair market value of \$7,922,770. The State Board considers leasing debt financing. The applicants have provided a non-binding letter of intent to lease 65,310 GSF of space for an initial term of ten (10) years at \$11.50 per GSF. The applicants are allowed a tenant improvement allowance of \$28.50 per rental GSF for hard³ and soft costs.

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))

² An operating lease represents a rental agreement for an asset from lessor under the terms that GAAP does not require to record as a capital lease. The typical assets that are rented under operating leases include real estate, aircraft and various equipment with long useful life spans. Operating leases allow U.S. firms to keep billions of assets and liabilities from recording on their balance sheets. To meet operating lease classification, companies must perform tests consisting of four criteria that determine whether rental contracts must be booked as operating or capital leases.

³ Hard costs, often referred to as “brick-and-mortar costs”, involve the actual physical construction of a development. These could include grading, excavation of a site, the materials used, landscaping, and carpentry. Soft costs are less physically obvious and are fees that aren’t directly related to labor and building materials. Typical soft costs include architecture and engineering fees. Permits and taxes also fall into this category.

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

To demonstrate compliance with this criterion, the applicants 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.

New construction and contingency costs are taken from RS Means Construction Data⁴ for CY 2017 and inflated by 3% to the midpoint of construction which is 2018. Modernization is seventy percent (70%) of new construction and contingency.

Year	2017	2018	2019
New Construction	\$250.04	\$257.54	\$265.27
Modernization	\$175.02	\$180.27	\$185.68

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

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>

TABLE SIX
Reasonableness of the Project Costs

Uses of Funds	Reviewable	State Board Standard	Project	Met Standard
Preplanning Costs	\$32,951	1.80%	\$45,524	1.30% Yes
Site Preparation	\$50,000	5.00%	\$126,456	1.98% Yes
Modernization Contracts and Contingencies	\$2,529,120	\$2,322,959	\$180.27	\$173.39 No
Contingencies	\$145,860	15.00%	\$357,489	5.77% Yes
Architectural/Engineering Fees	\$177,038	9.98%	\$252,406	7.00% Yes
Consulting and Other Fees	\$350,000			
Movable and Other Equipment (not in construction contracts)	\$4,913,897			Not Applicable
Fair Market Value of Leased Space or Equipment	\$1,552,863			
Total Uses of Funds	\$9,751,729			

⁴ 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>

The applicants do not meet the modernization and contingency costs exceed the State Board Standard.

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 applicants 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 applicants 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))

Appendix I	
Itemization of Project Costs	
Pre-Planning Costs	
Initial Programming	\$75,000
Market Analyses	\$75,000
Site Selection	\$40,000
Misc./Other	\$63,116
	\$253,116
Site Preparation	
Landscaping	\$60,000
ADA-related	\$50,000
Exterior Signage	\$40,000
Misc./Other	\$50,000
	\$200,000
Architectural & Engineering	
Preliminary Renderings	\$20,000
Design	\$400,000
Regulatory Agency interaction	\$25,000
Interior Design	\$75,000
Project Monitoring	\$50,000
Reimbursables	\$50,000
Misc./Other	\$136,512
	\$756,512
Consulting & Other Fees	
Legal	\$75,000
Zoning-Related	\$20,000
CON-Related	\$40,000
Reg Approvals, Other	\$40,000
Project Management	\$100,000
Commissioning	\$60,000
Insurance	\$70,000
Equipment Planning	\$45,000
Misc./Other	\$50,000
	\$500,000

**Appendix II
Charity Care Information**

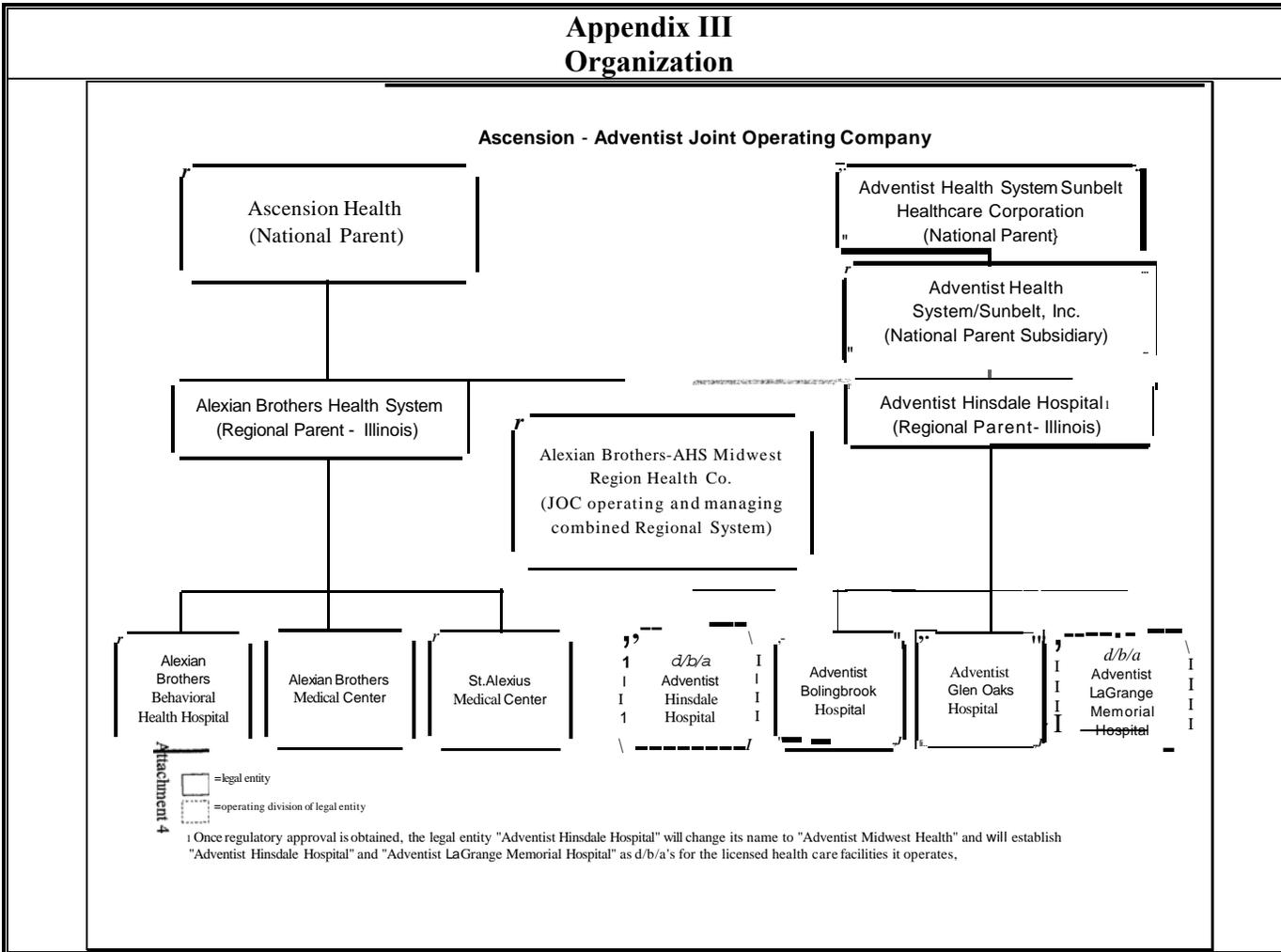
Adventist Bolingbrook Hospital				St. Alexius Medical Center			
Year	2014	2015	2016	Year	2014	2015	2016
Net Patient Revenue	\$122,770,019	\$127,514,483	\$139,118,131	Net Patient Revenue	\$334,206,800	\$319,890,000	\$353,094,000
Charity Care (Charges)	\$10,804,017	\$8,285,425	\$7,158,798	Charity Care (Charges)	\$50,669,454	\$27,143,649	\$30,717,841
Charity Care	\$2,314,070	\$1,666,539	\$1,483,641	Charity Care	\$10,551,000	\$5,444,000	\$5,569,686
% of Charity Care to Net Revenue	1.88%	1.31%	1.07%	% of Charity Care to Net Revenue	3.16%	1.70%	1.58%

Adventist Glen Oaks Hospital				Alexian Brothers Medical Center			
Year	2014	2015	2016	Year	2014	2015	2016
Net Patient Revenue	\$87,030,421	\$86,962,317	\$91,470,724	Net Patient Revenue	\$430,346,881	\$437,427,000	\$457,480,000
Charity Care (Charges)	\$9,382,108	\$6,807,836	\$6,786,953	Charity Care (Charges)	\$45,145,248	\$23,820,931	\$26,603,784
Charity Care	\$2,558,867	\$1,899,807	\$1,854,074	Charity Care	\$9,480,000	\$4,657,000	\$5,166,051
% of Charity Care to Net Revenue	2.94%	2.18%	2.03%	% of Charity Care to Net Revenue	2.20%	1.06%	1.13%

Adventist Hinsdale Hospital				Alexian Brothers Behavioral Health Hospital			
Year	2014	2015	2016	Year	2014	2015	2016
Net Patient Revenue	\$294,213,713	\$289,729,872	\$300,654,866	Net Patient Revenue	\$65,513,515	\$70,510,000	\$76,916,399
Charity Care (Charges)	\$6,544,128	\$6,365,048	\$6,288,869	Charity Care (Charges)	\$1,021,287	\$1,977,048	\$1,804,729
Charity Care	\$1,483,318	\$1,124,380	\$1,042,632	Charity Care	\$363,750	\$716,000	\$646,317
% of Charity Care to Net Revenue	0.50%	0.39%	0.35%	% of Charity Care to Net Revenue	0.56%	1.02%	0.84%

Adventist LaGrange Memorial Hospital			
Year	2014	2015	2016
Net Patient Revenue	\$159,501,217	\$169,493,466	\$168,305,071
Charity Care (Charges)	\$9,083,505	\$5,867,986	\$6,375,574
Charity Care	\$1,773,951	\$1,286,807	\$1,327,600
% of Charity Care to Net Revenue	1.11%	0.76%	0.79%

Appendix III Organization



17-020 – AMITA Medical Clinics Building - Bartlett
17-021 – AMITA Medical Clinics Building – Woodridge

