



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-11	BOARD MEETING: February 27, 2018	PROJECT NO: 17-069	PROJECT COST: Original: \$32,290,267
FACILITY NAME: Memorial Hospital-East Medical Clinics Building		CITY: Shiloh	
TYPE OF PROJECT: Non-Substantive			HSA: XI

PROJECT DESCRIPTION: The Applicants (Memorial Regional Health Services, Inc. Metro-East Services, Inc., Memorial Group, Inc., BJC Health System d/b/a BJC Healthcare, Southwest Illinois Health Ventures, Inc., and Washington University Physicians in Illinois, Inc.) are proposing to construct an addition/second phase to a Medical Clinics Building, currently under construction, in Shiloh. The project cost is \$32,290,267, and the completion date is December 15, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Memorial Regional Health Services, Inc. Metro-East Services, Inc., Memorial Group, Inc., BJC Health System d/b/a BJC Healthcare, Southwest Illinois Health Ventures, Inc., and Washington University Physicians in Illinois, Inc.) are proposing to expand upon a previously approved project (#16-018, Memorial Hospital East Medical Clinics Building). The Medical Clinics Building will be located in close proximity to Memorial Hospital-East (Project #11-017), located at the intersection of Cross Street and Frank Scott Parkway, in Shiloh, Illinois.
- The non-substantive project will incorporate an additional 70,650 GSF of space to the existing medical office building, the project cost is \$38,290,267, and the project completion date is December 15, 2019.
- The proposed Medical Clinics Building will be connected and contiguous to the medical clinics building, which is located 175 yards east of Memorial Hospital-East, Shiloh.
- Project #16-018, Memorial Hospital East Medical Clinics Building, was approved on September 16, 2016, is obligated, has proceeded with due diligence, and is scheduled to be completed by January 15, 2018.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project is “by or on behalf of a health care system” (BJC Health System) and is in excess of the capital expenditure minimum of \$13,171,046 (20 ILCS 3960).
- The State Board does not have **need** criteria for projects that do not have inpatient services or establish a category of service. The proposed cancer care center will contain radiation oncology, medical oncology, community-based preventative programs, and access to clinical trials by conducted by Siteman clinicians.

PURPOSE OF THE PROJECT:

- According to the Applicants *“The purpose of the proposed project is to address the demand for physician’s office space and space to provide a location for the Siteman Cancer Center. With the addition of physician’s offices and the proposed oncology-related services, the well-being of the residents of St. Clair county and the surrounding Illinois counties comprising Memorial Hospital/Memorial Hospital-East’s primary and secondary services area will be improved. The improved well-being will be, in part, the result of a reduced need for western Illinois residents to travel to Missouri for specialized services, and particularly oncology services. The success of the proposed project will be measureable through a reduction of residents of the service area traveling to Missouri for care.”* (Application, p. 108).

PUBLIC COMMENT:

- A public hearing was offered for this project, but one was not requested. The application file contains no letters of opposition and no letters of support.

CONCLUSION:

- The Applicants addressed a total of eight (8) criteria and failed to meet the following State Board requirements:

Criteria	Reasons for Non-Compliance
77 IAC 1120.140 (c) –Reasonableness of Project Costs	<p>The Applicants have exceeded the State Board Standards for new construction and contingencies costs. [See Page 16 of this Report]</p> <p>The construction costs associated with this project exceed those typically experienced with the construction of a medical clinics building ("MCB") due to the cost of constructing the 6,250 dgsf radiation therapy department to be located on the MCB's first floor.</p> <p>The Applicants provided the following explanation.</p> <p><i>“ the construction/contingency costs associated with all other clinical and non-clinical areas of the MCB range between \$215 and \$230/dgsf, a construction/contingency cost typically associated with a MCB. The construction/contingency cost associated with the radiation therapy component of the project is \$390/dgsf, and significantly exceeds the cost of the other areas because of: 1) the construction costs associated with vault construction, and 2) because the department will serve hospital inpatients as well as outpatients, the department is required to be built to hospital inpatient construction standards. It is estimated that these two factors add approximately \$180/dgsf to the construction/contingency cost.”</i></p>

STATE BOARD STAFF REPORT
Project #17-069
Memorial Hospital-East Medical Clinics Building-Phase II

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Memorial Regional Health Services, Inc. Metro-East Services, Inc., Memorial Group, Inc., and BJC Health System d/b/a BJC Healthcare Southwest Illinois Health Ventures, Inc., and Washington University Physicians in Illinois, Inc.
Facility Name	Memorial Hospital-East Medical Clinics Building-Phase II
Location	Cross Street and Frank Scott Parkway
Application Received	December 4, 2017
Application Deemed Complete	December 8, 2017
Review Period Ends	February 6, 2018
Permit Holder	Memorial Regional Health Services, Inc. Metro-East Services, Inc., Memorial Group, Inc., and BJC Health System d/b/a BJC Healthcare Southwest Illinois Health Ventures, Inc., and Washington University Physicians in Illinois, Inc.
Operating Entity	Metro East Services, Inc. d/b/a Memorial Hospital-East
Owner of the Site	Metro East Services, Inc.
Project Financial Commitment Date	February 27, 2019
Gross Square Footage	70,650 GSF
Project Completion Date	December 15, 2019
Expedited Review	No
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The Applicants (Memorial Regional Health Services, Inc. Metro-East Services, Inc., Memorial Group, Inc., BJC Health System d/b/a BJC Healthcare Southwest Illinois Health Ventures, Inc., and Washington University Physicians in Illinois, Inc. are proposing to construct a 70,650 GSF addition to the existing 70,500 GSF Medical Clinics Building on the corner of Cross Street and Frank Scott Parkway, in Shiloh, Illinois at a cost of \$38,290,267. The completion date is December 15, 2019.

II. Summary of Findings

- A. The State Board Staff finds that the proposed project is in conformance with Part 1110.
- B. The State Board Staff finds that the proposed project is **not** in conformance with Part 1120.

III. General Information

BJC HealthCare is a regional healthcare delivery system operating in Missouri and southern Illinois. BJC HealthCare is the sole corporate member of Barnes-Jewish

Hospital, Christian Health Services Development Corporation, Missouri Baptist Medical Center, St. Louis Children's Hospital, and Progress West Hospital.

BJC HealthCare is a Missouri not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and has received an Internal Revenue Service (IRS) determination letter stating that it is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code. The Institutions are also Missouri not-for-profit corporations as described in Section 501(c)(3) of the Code, and each has received IRS determination letters stating that they are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

On August 25, 2015, the State Board approved a change of ownership of Memorial Hospital – Belleville and Memorial Hospital East – Shiloh. Memorial Group, Inc. is the parent of Protestant Memorial Medical Center, Inc. (d/b/a Memorial Hospital in Belleville, Illinois) and Metro-East Services, Inc. (d/b/a Memorial Hospital-East in Shiloh, Illinois.) This transaction was completed January 1, 2016. At that time, Memorial Group, Inc. and BJC Healthcare entered into an affiliation. This affiliation is why BJC Healthcare is listed as an applicant to this project.

Washington University Physicians in Illinois, Inc. is an applicant on this project and it is directly related to the Siteman Cancer Care group. Siteman Cancer Care Center is a cooperative venture between Washington University School of Medicine and Barnes-Jewish Hospital.

The Memorial Hospital-East Medical Clinics Building-Phase II addition will essentially double the size of the existing three-story Medical Office Building, located on the campus of Memorial Hospital-East, in Shiloh. Memorial Hospital-East, Shiloh, is a 94-bed hospital for Memorial Hospital, Belleville. The State Board approved the under Project #11-017, in June 2011. The project was completed in April 2016, and the hospital is currently treating patients. A project similar to the proposed project was submitted last year, but withdrawn. Project #17-042, Memorial Hospital-East Medical Clinics Building, was submitted on August 23, 2017, declared complete on August 25, 2017, and was withdrawn at the request of the Applicants on November 1, 2017.

The proposed project is located in the HSA XI and Health Planning Area F-01. HSA XI service Area includes the following Illinois counties: Madison, Clinton, Monroe, and St. Clair. Project obligation will occur after permit issuance. The project is a non-substantive project subject to 1110 and 1120 review.

IV. Project Details

The Applicants propose to establish a three-story addition/expansion to the existing Medical Clinics Building, located on the corner of Cross Street and Frank Scott Parkway, in Shiloh, Illinois. The existing MOB is comprised of 70,500 GSF of space, and contains physician's offices/clinics, an Imaging Suite, a Laboratory/Specimen collection area, and Physical Therapy/Speech Therapy/Occupational Therapy space. The proposed project will consist of a 70,650 GSF three-story addition, contiguous and connected to the existing Medical Office Building. The proposed project will double the size of the

Medical Office Building from 70,500 GSF to 141,150 GSF. The addition/expansion will contain the Alvin J. Siteman Cancer Care Center. Siteman Cancer Care Center is a cooperative venture between Washington University School of Medicine, and Barnes-Jewish Hospital, in St. Louis. The Siteman Cancer Care Center will bring a broad scope of cancer care initiatives to southwestern Illinois. Some of the services provided are:

- Radiation Oncology
- Medical Oncology
- Community-Based Preventative Programs
- Access to Clinical Trials conducted by Siteman Physicians

The project cost is \$38,290,267, and the project completion date is December 15, 2019. The proposed facility will serve both patients and physicians associated with Memorial Hospital-East.

V. Project Costs and Sources of Funds

The total cost of the project is \$38,290,267 and it is being funded with cash and securities totaling \$31,990,267, and the fair market value of lease totaling \$6,300,000. The application contains proof of an AA/Stable Bond Rating for BJC Healthcare, from S&P Global Ratings Service, dated June 8, 2016 (application, p. 125). The application also contains audited financial statements for the years 2015 and 2016, for BJC Healthcare, further establishing the Applicants financial viability.

TABLE ONE				
Project Costs and Sources of Funds				
USE OF FUNDS	Reviewable	Non Reviewable	Total	% of Total
Preplanning Costs	\$180,000	\$260,000	\$440,000	1%
Site Survey/Soil Investigation	\$5,000	\$5,000	\$10,000	.03%
Site Preparation	\$150,000	\$680,000	\$830,000	2%
New Construction Contracts	\$3,104,900	\$12,687,450	\$15,792,350	46%
Contingencies	\$200,600	\$1,212,400	\$1,413,000	2%
Architectural/Engineering Fees	\$270,000	\$1,010,000	\$1,280,000	2%
Consulting & Other Fees	\$102,000	\$1,882,600	\$1,984,600	4%
Movable or Other Equipment (not in construction contracts)	\$7,317,996	\$1,122,321	\$8,440,317	23%
Fair Market Value Leased Space Note: Space for Offices for Memorial Medical Group Physicians	\$0	\$6,300,000	\$6,300,000	17%
Other Costs to be Capitalized	\$0	\$1,800,000	\$1,800,000	3%
TOTAL USES OF FUNDS	\$11,330,496	\$20,659,771	\$31,990,267	100.03%
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total	
Cash and Securities	\$11,330,496	\$20,659,771	\$31,990,267	83.6%
Leases (Fair Market Value)	\$0	\$6,300,000	\$6,300,000	16.4%
TOTAL SOURCES	\$11,330,496	\$26,959,771	\$38,290,267	100.00%
Source: Page 11 of the Application for Permit.				

VI. Cost Space Requirements

The Applicants are proposing to construct a 70,650 GSF addition to an existing 70,500 GSF Medical Office Building, on the campus of Memorial Hospital-East, Shiloh. The proposed facility will be entirely new construction. Table Two delineates the reviewable from the non reviewable spatial considerations. The Applicants are increasing the physician office space by 70,650 GSF, essentially doubling the size of the Medical Office Building complex.

TABLE TWO			
Cost Space Requirements			
	Cost	Proposed	New Construction
Reviewable			
Imaging	\$2,379,404	3,500	3,500
Radiation Oncology	\$8,837,787	6,250	6,250
Specimen Collection/Lab	\$113,305	280	280
Total Reviewable	\$11,330,496	10,030	10,030
Non Reviewable			
Physician Offices	\$22,107,012	49,598	49,958
Community/Patient Ed.	\$1,078,391	1,600	1,600
Staff Support	\$269,598	450	450
Public Areas/Commons	\$2,965,575	6,972	6,972
DGSF>BGSF	\$539,195	2,000	2,000
Total Non-Clinical	\$26,959,771	60,620	60,620
Total Costs	\$38,290,267	70,650	70,650

VII. Background of the Applicants

A) Criterion 1110.530 (b) (1) (3) - Background of the Applicants

The site of the proposed MOB complies with the requirements of Illinois Executive Order #2006-5. The proposed site is in compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). The Applicants authorized the State Board and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. The Applicants also authorized the State Board and IDPH to obtain any additional information or documents, from other government agencies, which the State Board or IDPH deem pertinent in processing this application. Memorial Regional Health Services is a subsidiary of BJC Health System, a Missouri-based health system, operating in St. Louis. The Applicants operate three licensed health care facilities in Illinois.

- Memorial Hospital, Belleville IDPH License #0001461
- Memorial Hospital-East, Shiloh IDPH License #0006049
- Alton Memorial Hospital, Alton IDPH License #0000026

VIII. Purpose of the Project, Safety Net Impact, Alternatives

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

The Applicants stated the following:

“The purpose of the proposed project is to address the demand for physicians’ office space and space to provide a location for the Siteman Cancer Center. With the addition of physicians’ offices and the proposed oncology-related services, the well being of the residents of St. Clair County and the surrounding Illinois Counties comprising Memorial Hospital/Memorial Hospital-East’s primary and secondary service areas will be improved. The improved well-being will be, in part, the result of a reduced need for western Illinois residents to travel to Missouri for specialized services, and particularly oncology services.” (application p. 108)

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

This is considered a non-substantive project. By statute, no safety impact statement is required for non-substantive projects.

TABLE THREE			
Memorial Hospital/Memorial Hospital-East			
CHARITY CARE			
Memorial Hospital	2014	2015	2016
Net Patient Revenue	\$244,867,328	\$248,207,731	\$234,886,125
Amount of Charity Care (charges)	\$18,065,196	\$16,953,794	\$45,352,244
Cost of Charity Care	\$2,514,817	\$1,547,666	\$2,333,822
% of Charity Care to Net Patient Revenue	1%	.6%	1.00%
Memorial Hospital-East	2014	2015	2016
Net Patient Revenue	N/A	N/A	\$33,449,105
Amount of Charity Care	N/A	N/A	\$9,620,729
Cost of Charity Care	N/A	N/A	\$496,700
% of Charity Care to Net Patient Revenue	N/A	N/A	1.4%
N/A: Pre-Opening of Hospital			

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

Due to the limited nature of the project, the Applicants had few options for viable alternatives. However, the Applicants did consider the following alternative.

1) Re-Purpose the Cancer Center in Swansea

The alternative of utilizing the existing cancer care center in Swansea for the proposed Siteman Cancer Center was initially considered, but dismissed due to patient/clinician accessibility and consolidation of services. Oncology programming is preferably located on an existing hospital campus, due to the proximity of support medical services, if needed. Second, Memorial Hospital-East’s location in proximity to I-64 provides greater access to patients and clinicians commuting from western Illinois and Missouri. Lastly, the centralizing of services on one campus has historically resulted in greater economies of scale and the elimination of duplicated services and costs that are incurred through separate facilities.

IX. Size of the Project, Projected Utilization, Assurances

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

To demonstrate compliance with 77 IAC 1110.234(a), Size of the Project, the applicant provided the departmental gross square footage for all areas being established.

This Project proposes to establish a Cancer Care Center (70,650 GSF), contiguous and connected to an existing 70,500 GSF Medical Clinics Building in Shiloh. Of this space, 10,030 GSF is being allocated for clinical imaging and laboratory functions. Table Four lists the services offered and the spatial allotments for each. It appears the applicant has met the requirements of this criterion.

TABLE FOUR				
Spatial Allotments for Services				
Memorial Hospital-East Medical Clinics Building/Siteman Cancer Center				
Dept./Service	Proposed DGSF	State Standard (DGSF)	Difference (DGSF)	Met Standard
Linear Accelerator	2,380	2,400	(20)	Yes
CT Simulator	1,720	1,800	(80)	Yes
Imaging-CT	1,500	1,800	(300)	Yes
Imaging-PET/CT	1,700	1,800	(100)	Yes
Lab/Specimen Collection	280	N/A	N/A	Yes
TOTAL	7,580	7,800	(500)	

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

B) Criterion 1110.234 (b) – Projected Utilization

The applicant shall 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 Appendix B.

The Applicants note the imaging equipment listed in the project includes equipment that will be located in the Siteman Cancer Center. It is anticipated that this equipment will operate at or above IDPH target utilization standards. A positive finding results for this criterion.

TABLE FIVE Project Services Utilization Memorial Hospital-East Medical Clinics Building/Siteman Cancer Center				
Service/Rooms	Projected Utilization Year One*	Projected Utilization Year Two*	State Board Standard	Met Standard
Linear Accelerator	8,000	9,200	7,500 treatments	Yes
CT Simulator	440	630	N/A	Yes
PET/CT	600	775	3,600 treatments	Yes
Diagnostic CT	16,700	16,700	7,001+	Yes
*Units measured in treatments				

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

X. Clinical Service Areas Other than Categories of Service

A) Criterion 1110.3030 –Clinical Services Area Other than Categories of Service

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, including:

- A) Surgery
- B) Emergency Services and/or Trauma
- C) Ambulatory Care Services (organized as a service)
- D) Diagnostic and Interventional Radiology/Imaging
- E) Therapeutic Radiology
- F) Laboratory
- G) Pharmacy
- H) Occupational Therapy/Physical Therapy
- I) Major Medical Equipment

The Applicants note the proposed Cancer Care Center will contain the services listed in Table Five above. Board Staff notes Specimen Collection/Lab Services do not have established State Board utilization standards.

Radiation Therapy/Linear Accelerator

The Applicants currently own The Cancer Center, Swansea, which includes a radiation therapy program. The Applicants propose to relocate this program to the 1st Floor in the Phase II addition that is proposed. The Applicants report having provided 9,672 outpatient radiation oncology treatments at its Swansea facility in 2016. In addition, the Applicants report having provided an additional 3,228 outpatient radiation oncology treatments to residents of the Memorial Hospital/Memorial Hospital-East's service area, at its Missouri facilities. Table Six outlines the patient origin (city/zip code), for the Siteman patients from the Memorial Hospital service area. Based on the historical patient volume at the Missouri and Swansea clinics, the Applicants anticipate providing approximately

9,200 outpatient radiation therapy treatments, once the facility is in its second year of operation. Based on these projections, it appears the Applicants will have sufficient patient volume to meet the State standard.

TABLE SIX Illinois Patient Origin for Siteman Cancer Center		
Zip Code	Location	Treatments
62201	East St. Louis	50
62202	East St. Louis	40
62203	East St. Louis	150
62204	East St. Louis	124
62205	Centreville	41
62206	East St. Louis	124
62207	East St. Louis	180
62208	Fairview Heights	168
62220	Belleville	205
62221	Shiloh/Swansea	181
62223	Belleville	370
62225	Scott Air Force Base	35
62226	Belleville	328
62232	Caseyville	98
62234	Collinsville	263
62239	Dupo	68
62240	East Carondelet	8
62243	Lebanon	103
62254	Lebanon	68
62258	Mascoutah	129
62260	Millstadt	15
62269	O'Fallon	480
TOTAL		3,228

CT Simulator

The Applicants note the CT unit will be used for simulator purposes only, and projects 440 procedures in the first year, and 630 procedures during the second year. Based on these attestations, it appears the applicant have met the requirements of this criterion.

General Purpose CT

Memorial Hospital-East has one CT unit, and its historical utilization (16,700 examinations/year), shows operations in excess of the State standard. The Applicants propose to establish a second unit, located in the Phase II component of the Medical Clinics Building. The Applicants conservatively expect to provide the same number of examinations annually after project completion (16,700), which meets the State standard for operational capacity.

PET/CT

The Applicants note the PET/CT will be used for a variety of clinical purposes, to include the oncology programs. The Applicants report Memorial Hospital-Belleville performed a total of 43,171 CT procedures in 2016, with 75% of the patients being classified as outpatient. In 2017, Memorial Hospital-East reported having performed approximately 16,700 CT procedures during its first 11 months of operation. Memorial Hospital-East anticipates performing approximately 775

PET procedures, annually, after project completion. Based on these projections, it appears the project will meet the State standard for operational capacity by the second year after project completion.

The Applicants supplied a referral letter from the radiation oncologists practicing at Cancer Treatment Center, Swansea, (application, p. 119), attesting to the provision of 9,672 external beam radiation treatments in 2016, 10,429 external beam treatments in 2017, and chart containing patient zip codes that supports the estimate that approximately 60%-70% of the Oncology caseload (5,803-6,800 patients), in Swansea will transfer to the Siteman Cancer Center upon project completion. This letter was subsequently resubmitted with physician signatures as required by Board rule.

A referral letter from Washington University Department of Radiation Oncology (application, p. 123), attests to the provision of 3,691 radiation therapy treatments to residents of Memorial Hospital's primary service area in 2016, and 4,403 treatments were provided to residents of its secondary service area in that same year. The Applicants project that 50% (4,600) of these services will be performed at Siteman Cancer Center, upon project completion.

It appears the Applicants have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CLINICAL SERVICES OTHER THAN CATEGORIES OF SERVICE (77 IAC 1110.3030)

XI. FINANCIAL VIABILITY

A) Criterion 1120.120 - Availability of Funds

The Applicants are proposing to finance this project in its entirety with cash and securities totaling \$31,990,267, and Leases with a fair market value totaling \$6,300,000. The Applicants provided audited financial statements and proof of an AA Stable Bond Rating from Standard & Poor's Rating service (dated June 2, 2016). As can be seen from the Table below, the Applicants designated sufficient cash for Capital Projects to fund this project.

TABLE SIX		
BJC Healthcare		
2015 and 2016		
(In Millions) (Audited)		
	2015	2016
Cash	\$75.30	\$54.90
Current Assets	\$926.00	\$1,059.40
PPE	\$5,086.50	\$5,080.5
Total Assets	\$8,472.00	\$9,135.50
Current Liabilities	\$1,255.70	\$1,373.90
LTD	\$1,023.60	\$1,368.80
Total Liabilities	\$3,272.60	\$3,687.60
Patient Revenue	\$4,090.00	\$4,585.90
Total Revenue	\$4,262.30	\$4,763.30
Expenses	\$4,060.00	\$4,621.50
Operating Income	\$202.30	\$141.80
Operating Margin	4.95%	3.0%
Excess of Revenues Over Expenses	\$93.60	\$367.00
<i>Source: Application, p. 146</i>		

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

B) Criterion 1120.130 - Financial Viability

The Applicants are proposing to finance this project with cash and securities totaling \$31,990,267, and the fair market value of leases totaling \$6,300,000. The Applicants provided audited financial statements and proof of AA/Stable Bond Rating from Standard & Poor's ratings services, dated June 2, 2016. Based on this information, financial viability ratios are not required and a positive finding results.

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

XI. ECONOMIC FEASIBILITY

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

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

The Applicants supplied a certified letter from Greg Batcher, Director, Policy Analysis, attesting to the utilization of cash and securities to finance this project. It appears the Applicants have met the requirements of these criteria. (*See Application for Permit page 135*)

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

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

The State Board staff applied the reported clinical costs against the applicable State Board standards.

Preplanning Costs are \$180,000 and are 1.6% of construction, modernization, contingencies, and movable equipment costs of \$10,623,496. This appears reasonable when compared to the State Board standard of 1.8%.

Site Survey/Site Preparation Costs are \$155,000 and are 4.6% of the new construction/contingencies costs. This appears reasonable when compared to the State Board standard of 5%.

New Construction and Contingencies – These costs total \$3,305,500 or \$329.56 GSF. ($\$3,305,500/10,030=\329.56). This appears **HIGH** when compared to the State Board Standard of \$267.20/GSF (2019 mid-point of construction).

Contingencies – These costs total \$73,005 and are 6.4% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees – These costs total \$270,000 and are 8.1% of new construction and contingencies. These costs appear reasonable when compared to the State Board Standard of 5.57% - 8.37%.

Consulting and Other Fees – These costs are \$102,000. The State Board does not have a standard for these costs.

Movable Equipment – These costs total \$7,317,996. The State Board does not have a standard for these costs.

The Applicants have costs in excess of the State Board standard for New Construction and Contingencies costs, a negative finding results.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION THE REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140 (c)).

D) Criterion 1120.140 (d) - Direct Operating Costs

E) Criterion 1120.140 (e) - Projected Capital Costs

The State Board does not have standards for these costs for projects that do not have an inpatient component and do not establish any category of service or any clinical services other than categories of service.

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

<u>Ownership, Management and General Information</u>		<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Mark Turner	White	80.6%	Hispanic or Latino:	0.9%
ADMINISTRATOR PHONE:	618-257-5642	Black	16.8%	Not Hispanic or Latino:	99.1%
OWNERSHIP:	Metro-East Services, Inc.	American Indian	0.1%	Unknown:	0.0%
OPERATOR:	Metro-East Services, Inc.	Asian	0.9%		
MANAGEMENT:	Not for Profit Corporation (Not Church-R	Hawaiian/ Pacific	0.2%	IDPH Number:	6049
CERTIFICATION:	(Not Answered)	Unknown	1.4%	HPA	F-01
FACILITY DESIGNATION:	General Hospital			HSA	11
ADDRESS	1404 Cross Street	CITY:	Shiloh	COUNTY:	St. Clair County

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	Authorized CON Beds 12/31/2016	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Bed Occupancy Rate %
Medical/Surgical	72	72	51	1,890	6,858	313	3.8	19.6	27.2	27.2
0-14 Years				1	1					
15-44 Years				368	1,034					
45-64 Years				521	1,784					
65-74 Years				388	1,511					
75 Years +				612	2,528					
Pediatric	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Intensive Care	6	6	3	237	542	1	2.3	1.5	24.7	24.7
Direct Admission				199	419					
Transfers - Not included in Facility Admissions				38	123					
Obstetric/Gynecology	16	16	3	783	1,884	20	2.4	5.2	32.5	32.5
Maternity				782	1,882					
Clean Gynecology				1	2					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds			0	0	0		0.0	0.0		
Total AMI	0			0	0	0	0.0	0.0	0.0	
Adolescent AMI		0	0	0	0	0	0.0	0.0		0.0
Adult AMI		0	0	0	0	0	0.0	0.0		0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	94			2,872	9,284	334	3.3	26.3	28.0	

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	32.4%	4.1%	7.0%	53.7%	2.0%	0.9%	
	931	117	201	1541	57	25	2,872
Outpatients	17.6%	4.2%	15.8%	58.5%	3.4%	0.6%	
	4294	1021	3841	14264	820	144	24,384

	<u>Financial Year Reported:</u>		<u>Inpatient and Outpatient Net Revenue by Payor Source</u>					Charity Care Expense	Total Charity Care Expense 96,700
	4/12/2016 to	12/31/2016	Medicare	Medicaid	Other Public	Private Insurance	Private Pay		
Inpatient Revenue (\$)	4,125,083	704,550	24.5%	4.2%	23.0%	47.8%	0.6%	100.0%	69,719
Outpatient Revenue (\$)	926,418	1,152,745	5.6%	6.9%	31.3%	55.6%	0.6%	100.0%	26,981
									0.3%

<u>Birthing Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>		
Number of Total Births:	747		Level I	Level II	Level II+	Kidney:		
Number of Live Births:	743	Beds	6	6	0	Heart:		
Birthing Rooms:	0	Patient Days	1,206	658	0	Lung:		
Labor Rooms:	0	Total Newborn Patient Days			1,864	Heart/Lung:		
Delivery Rooms:	0					Pancreas:		
Labor-Delivery-Recovery Rooms:	0					Liver:		
Labor-Delivery-Recovery-Postpartum Rooms:	16					Total:		
C-Section Rooms:	2	Inpatient Studies			11,996			
CSections Performed:	245	Outpatient Studies			78,619			
		Studies Performed Under Contract			0			

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	0	0	1	0	2	0	2	2.0	0.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	4	4	196	143	270	152	422	1.4	1.1
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	0	0	0	0	0	0.0	0.0
OB/Gynecology	0	0	0	0	67	147	167	153	320	2.5	1.0
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	0	0	0	0	0	0	0	0.0	0.0
Orthopedic	0	0	0	0	80	165	110	157	267	1.4	1.0
Otolaryngology	0	0	0	0	3	5	5	4	9	1.7	0.8
Plastic Surgery	0	0	0	0	1	2	1	4	5	1.0	2.0
Podiatry	0	0	0	0	2	59	1	54	55	0.5	0.9
Thoracic	0	0	0	0	11	3	12	5	17	1.1	1.7
Urology	0	0	0	0	83	2	73	2	75	0.9	1.0
Totals	0	0	4	4	444	526	641	531	1172	1.4	1.0

SURGICAL RECOVERY STATIONS	Stage 1 Recovery Stations	6	Stage 2 Recovery Stations	0
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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	2	2	101	5	98	3	101	1.0	0.6
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	0	0	0	0	0	0	0	0.0	0.0
Cystoscopy	0	0	4	4	67	1	56	1	57	0.8	1.0
	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	0	0	0	0	0	0	0	0	0.0	0.0

Multipurpose Non-Dedicated Rooms

Emergency/Trauma Care

Certified Trauma Center	No
Level of Trauma Service	Level 1
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	Level 2
	Not Answered
Number of Trauma Visits:	0
Patients Admitted from Trauma	0
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	19
Persons Treated by Emergency Services:	20,454
Patients Admitted from Emergency:	2,075
Total ED Visits (Emergency+Trauma):	20,454

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	28,441
Outpatient Visits at the Hospital/ Campus:	28,441
Outpatient Visits Offsite/off campus	0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	2
Cath Labs used for Angiography procedures	1
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	267
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	170
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	97
EP Catheterizations (15+)	0

Cardiac Surgery Data

Total Cardiac Surgery Cases:	0
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	0
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

Diagnostic/Interventional Equipment

	Owned		Contract		Examinations
	Inpatient	Outpatient	Inpatient	Outpatient	
General Radiography/Fluoroscopy	2	0	5,049	11,187	0
Nuclear Medicine	1	0	482	1,143	0
Mammography	0	0	0	0	0
Ultrasound	2	0	355	1,002	0
Angiography	1	0			
Diagnostic Angiography			0	0	0
Interventional Angiography			0	0	0
Positron Emission Tomography (PET)	0	0	0	0	0
Computerized Axial Tomography (CAT)	1	0	1,981	7,448	0
Magnetic Resonance Imaging	1	0	124	952	0

Therapeutic Equipment

	Owned		Contract		Therapies/Treatments
	Inpatient	Outpatient	Inpatient	Outpatient	
Lithotripsy	0	0			0
Linear Accelerator	0	0			0
Image Guided Rad Therapy					0
Intensity Modulated Rad Thrpy					0
High Dose Brachytherapy	0	0			0
Proton Beam Therapy	0	0			0
Gamma Knife	0	0			0
Cyber knife	0	0			0

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