

Corrections for Application for Project #18-029

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SEP 04 2018

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. **Not Applicable**

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
	2015	2016	2017	2021
Enter Historical and/or Projected Years:				
Current Ratio	1.5	1.64	2.41	2.15
Net Margin Percentage	3.0%	-.50	2.25%	2.6%
Percent Debt to Total Capitalization	33%	33%	29.8%	58%
Projected Debt Service Coverage	2.31	1.46	2.5	2.55
Days Cash on Hand	23	19	19	38.09
Cushion Ratio	1.71	1.53	1.56	2.53

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERIC ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1110(c)(2) – Necessary Expansion

G. Urgent Care

The applicant developed the 4-bed Urgent care Unit in 2017 to reduce the burden on the existing Emergency Department. The establishment of this unit allow for the ED staff to better Triage the patients in order for them to receive care in a timely fashion. It also delayed this proposed project and allowed for a very thorough evaluation of the facility's needs while reducing the pressure on the existing ED. It was very successful with 4,770 patients being seen with the first year with the volume projected to increase over the next several years,

The four Urgent Care Rooms will be located immediately adjacent to the ED which allow for the two departments to relieve unexpected pressure on either department and ensure that the patients will be seen in the most timely fashion possible.

While the State Board does not have any standards for Urgent care the applicant's proposal is well within the standards for ED (900 DGSF /station) at only 404 DGSF per station.

Criterion 1110(c)(2) – Necessary Expansion

B. ED

The applicant is proposing to construct a 9 station ED in 8,205 DGSF which amounts to 911.4 DGSF per station. The applicant's proposal exceeds the State Standard (900 DSGF/ Station) by 11.4 DGSF per station for a total of 102.6 DGSF. Of the 9 rooms proposed 2 are designated for Mental Illness beds including Drug Abuse patients and one room is for SANE patients (Sexual Abuse Nursing Evaluation as required by new state law). The remaining 6 rooms will be utilized for general Emergency Room patients. The two Mental Illness Rooms are designed to have doors which close over the wall of equipment and supplies to stop any patient from accessing supplies of any other item which could result in injury.

The applicant's projected workload for 2022 total 9185 visits which justifies 5 rooms based upon the State Standard of 2,000 visits per ED room. While the applicant is proposing 6 rooms beyond the 3 dedicated room, It is the applicant's expectation that the number of ED visits will continue to grow in this planning area as outpatient clinics they are proposing to establish in communities (Cisne, Greyville, and Carmi) that do not have hospitals are completed..

The proposed size of the project only slightly exceeds the State Standards which is likely the result of the need for additional support space in this rural area in order to serve all patients who are awaiting transport to full service (non-critical access) hospitals.

Criterion 1110.110(b) & (d), Purpose of the Project

The proposed project is being undertaken in order to improve the health care to residents of Wayne County, White County and Edwards County. The HRSA Data Warehouse shows 8 townships in Wayne County; all of White County and all of Edwards County are classified as Medically Underserved Areas. These areas are within the applicant's service area and include towns where the applicant will have clinics at least one day per week. (See attached Warehouse data sheets)

The applicant is proposing to use the proposed project to help provide additional services to the service area. The applicant has currently recruited three new surgeons to this area who will come on the hospital's staff in 2019, 2020, and 2021. The hospital's existing space is not large enough to accommodate the additional patients that would be seen by the new physicians,

The proposed addition of 2 additional operating rooms 4 additional Emergency Room stations, 4 urgent care rooms and a new outpatient clinic area will allow the hospital to have the capacity to accommodate the new physicians. The new PACU area and the new Prep and Holding area will be needed in order to provide support for the operating rooms.

The proposed new skilled nursing unit is necessary to meet the needs of the additional patients who will be rehabbing at the hospital from the new surgical procedures which will be provided by the new physicians who have been recruited. The new unit will also alleviate problems resulting from the current bed configuration. For example there are currently two 4 bed rooms with a shared bathroom area which restricted the use of the beds to 8 patients of the same sex. Also the existing unit has other infrastructure problems based upon a facility which is more than 60 years old.

In summary the proposed project's purpose is to improve the availability of care to the residents of the service area and improve the health status of the area by providing additional physicians a modern facility in which to practice..

Criterion 1110.130.d) Alternatives

There were two basic alternatives considered to the proposed project: Do Nothing, or Construct a New Replacement Facility. There were other slightly modified projects considered, but none of those significantly changed the present proposal or its cost, they center primarily of the location of the various departments within the new addition/

The “Do Nothing “alternative was reject because it would not address any of the issues which are the basis of the proposed project. It would not provide additional space to support the new physicians, the new clinic space who have been recruited. It also would allow for the increase in number of operating rooms, the increase and relocation of the ED, the establishment of the Urgent Care Department or the establishment of the new outpatient clinic area.

The alternative of replacing the hospital completely was rejected based upon cost. If this alternative had been chosen the project would have at the very least double which made it be cost prohibitive for the applicant

The proposed project was determined to be the most cost effective way to meet the facility’s needs now and in the foreseeable future.

The applicant's projected occupancy rate is 87% for 2021 and 93% for 2022 which is that all three of the applicant's new surgeons will be on staff. The State Occupancy Standard is 90%.

The applicant's historical utilization has not achieved the target occupancy due to several different factors. There is an insufficient number of physicians in the planning area. The existing unit has some four bed rooms which share a single bathroom which limits the patients who can share the room which on several occasions required the applicant to not allow admissions to this unit. The small number of total beds makes it difficult to maintain 90% occupancy especially given the shorter length of stay general associated with hospital based SNF units especially units in Critical Access Hospitals since they serve a higher percentage of short stay patients than other SNF units.

The applicant will achieve the States Occupancy Requirements within two years of project completion.

Based upon the 30 beds proposed the size of this unit is appropriate.

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