



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET ITEM: B-01	BOARD MEETING: December 10, 2019	PERMIT NUMBER: 18-034
EXEMPTION APPLICANT(S): Edward Hospital, Edward-Elmhurst Healthcare		
FACILITY NAME and LOCATION: Edward Hospital, Naperville		

DESCRIPTION: The Applicants are requesting an extension of the financial commitment period of 12 months from 11/4/2019 to 11/4/2020 for Permit #18-034.

The State Board Staff finds:

The Applicants have met the requirements for an Extension of the Financial Commitment Period from 11/4/2019 to 11/4/2020.

STATE BOARD STAFF REPORT
Permit #18-015
Extension of the Financial Commitment Period

I. General Information

On July 24, 2018 the State Board approved Permit #18-015 to construct a 3-story medical office building connected to the northeast bed tower at Edward Hospital. The medical office building will house physician offices, patient education, administrative offices, a conference room, support space and a chronic care center in 53,087 GSF of new construction and 28,837 GSF of modernized space of the 4th floor bed tower to house the addition of 12-intensive care beds and 12-observation beds. The cost of the project is approximately \$51 million. Permit #18-015 has a completion date of March 31, 2021.

On December 4, 2018 the State Board approved a 2-story addition to this medical office building at a cost of approximately \$23.4 million as Permit #18-034.

II. Reason for the Extension

The Applicants state *“that construction on the 3-story medical office building has been delayed as Edward-Elmhurst Health monitors its bed need and the impact of recently observed changes in care delivery models and market demand. In the past year, Edward Hospital, like many other hospitals both regionally and nationally, has experienced changes in observation patient volumes as well new patterns of inpatient bed utilization. While we still project a need for additional beds and expanded services, we feel it is most prudent to delay the project as we closely monitor market and internal trends.”* In August of 2019 the Applicants reported spending approximately \$2.1 million of the approximate \$51 million or approximately 4%.

Because these two projects (#18-015 and #18-034) are interdependent, Project #18-034 has also been delayed.

III. State Board Rules

77 ILAC 1130.140 - "Financial Commitment" means the commitment of at least 33% of total funds assigned to cover total project cost, that occurs by:

- The actual expenditure of 33% or more of the total project cost; or
- The commitment to expend 33% or more of the total project cost by signed contracts or other legal means.

77 ILAC 1130.140 – “Major Construction Project” means:

Projects for the construction of new buildings;

- Additions to existing facilities;
- Modernization projects whose cost is more than \$1,000,000 or 10% of the facility's operating revenue, whichever is less; and
- Such projects as the State Board shall define and prescribe (see Section 1130.310) pursuant to the Act. [20 ILCS 3960/5]

Section 1130.310 - Projects or Transactions Subject to the Act

a) **Projects or Transactions that Require a Permit**

A person must obtain a permit prior to establishing, constructing or modifying a health care facility, and prior to acquiring major medical equipment, unless an exemption from the requirement to obtain a permit has been issued in accordance with the provisions of Subpart D and Subpart E. A project or transaction that is not exempt is subject to review and requires a permit if the project or transaction:

- 1) requires a total capital expenditure in excess of the capital expenditure minimum. In determining the total capital expenditure, all costs (including the fair market value of assets acquired by lease or other means) that under generally accepted accounting principles are not properly chargeable as expenses of operation and maintenance, must be included even if any of such costs are not capitalized for reimbursement or other purposes. All capital expenditure minimums shall be annually adjusted upon the date established by the Act to reflect the increase in construction costs due to inflation. The basis for the adjustment shall be the latest annual inflation rate as reflected in the Means Cost Data (RSMMeans Company, Inc., 700 Longwater Drive, Norwell MA 02061). The revised minimums shall be published on HFSRB's internet site (www.hfsrb.illinois.gov);
- 2) substantially changes the scope or changes the functional operation of the facility as defined in Section 1130.140;
- 3) results in the establishment of a health care facility as defined in Section 1130.140;
- 4) changes the bed capacity of a health care facility as specified in the Act and Section 1130.240(f);
- 5) involves a change of ownership, unless an exemption has been issued in accordance with the provisions of Subpart D and Subpart E;

- 6) results in the discontinuation of an entire health care facility or category of service (see Section 1130.140), unless an exemption has been issued in accordance with the provisions of Subpart D and Subpart E; or
 - 7) involves the acquisition of major medical equipment.
- b) **Components of a Project or Transaction**
In determining the elements of a transaction or a project subject to the Act, the following factors apply:
- 1) Components of construction or modification that are interdependent must be grouped together. Interdependence occurs when components of construction or modification are architecturally and/or programmatically interrelated to the extent that undertaking one or more of the components compels the other components to be undertaken.
 - 2) *Unless otherwise interdependent, or submitted as one project by the applicant, components of construction or modification undertaken by means of a single construction contract or financed through the issuance of a single debt instrument shall not be grouped together as one project. [20 ILCS 3960/3]*
 - 3) Projects involving acquisition of equipment that are linked with construction for the provision of a service cannot be segmented. A health service linkage exists when all components must be present for a service to be operational, or when financing is obtained at one time for a series of related components.
 - 4) Components under an application for permit shall be for a single health care facility unless the components are interdependent among multiple facilities.
- c) **Prohibition on Splitting or Separating Components of a Project or Transaction**
- 1) No health care facility or other person proposing a project or transaction that is subject to the Act shall split what should properly be considered a single capital expenditure into discrete components undertaken during a fiscal year to evade the capital expenditure review threshold.
 - 2) No health care facility or other person proposing a project or transaction that is subject to the Act shall separate portions of a single project into components, including, but not limited to, site, facility, and equipment, to evade the capital expenditure review threshold or other requirements of the Act or HFSRB rules.

- d) Examples of Projects or Transactions Subject to the Act
Examples of projects that constitute construction or modification of a health care facility subject to the Act include:
- 1) Projects located within a licensed or certified health care facility;
 - 2) Projects that result in a health care facility:
 - A) Billing for services provided by the proposed project;
 - B) Capitalizing any portion of the proposed project;
 - C) Receiving reimbursement for services provided by the proposed project; or
 - D) Receiving recognition as the provider of the proposed service by third party payors;
 - 3) Projects that are staffed or operated by the health care facility;
 - 4) Projects that are otherwise of, by, through or on behalf of a health care facility;
 - 5) Projects that provide a category of service as defined in 77 Ill. Adm. Code 1100 that are offered or made available on a regular basis to inpatients or outpatients of a health care facility.

Section 1130.720 - Financial Commitment

- a) A permit holder shall financially commit projects for construction, establishment or modification by expending or committing to expend at least 33% of the total project cost no later than:
 - 1) 24 months for major construction projects; or
 - 2) 12 months for all projects that do not include major construction; or
 - 3) The HFSRB completion date of the permit, if it occurs before the deadlines in subsections (a)(1) and (a)(2).
- b) Projects that have no cost shall be considered financially committed upon HFSRB issuance of a permit.

- c) Permits for projects that have a cost and that have not been financially committed as stated in this Section shall be considered expired and the project abandoned. A permit holder who fails to meet the financial commitment requirements shall be subject to fines under the Act and Section 1130.790.

Via FedEx

October 1, 2019

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

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OCT 16 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re: Project #18-034: Edward Hospital 2-Story Addition to MOB
Request for Extension of Financial Commitment Period

Dear Ms. Avery,

The Illinois Health Facilities and Services Review Board approved Project #18-015 on July 24, 2018 to construct a 3-story medical office building on the hospital campus. This project also includes relocation of physician offices to said medical office building and renovation of the vacated space to a 12-bed Intensive Care unit and a 12-bed observation unit. On December 4, 2018, Project #18-034 was approved to add 2 additional stories to the 3-story medical office building in Project #18-015.

Construction on the 3-story medical office building has been delayed as Edward-Elmhurst Health monitors its bed need and the impact of recently observed changes in care delivery models and market demand. In the past year, Edward Hospital, like many other hospitals both regionally and nationally, has experienced changes in observation patient volumes as well new patterns of inpatient bed utilization. While we still project a need for additional beds and expanded services, we feel it is most prudent to delay the project as we closely monitor market and internal trends.

Because these two projects are interdependent, Project #18-034 has also been delayed. This project is not considered a "major construction" project and has a shorter time-frame for financial commitment (12 months versus 24 months).

Edward Hospital hereby requests a 1-year extension of the financial commitment period for Project #18-034, consistent with the requirements of Administrative Code 1130.730. Enclosed is a check in the amount of \$500 for application processing.

If you have any questions, please contact Minh Nguyen at 630.527.5791.

Sincerely,



Joseph Dant
President and CEO, Edward Hospital

Edward Hospital
801 S. Washington
Naperville, Illinois 60540

EEHealth.org