



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-05	BOARD MEETING: April 30, 2019	PROJECT NO: 19-005	PROJECT COST:
FACILITY NAME: Memorial Hospital of Carbondale		CITY: Carbondale	Original: \$4,861,138
TYPE OF PROJECT: Non-Substantive			HSA: V

PROJECT DESCRIPTION: The Applicants proposed to build out shell space that was approved as part of Permit #13-069 and add eight medical surgical beds. The estimated cost of the project is \$4,861,138 and the expected completion date is May 31, 2022.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION

- The Applicants (Southern Illinois Hospital Services d/b/a Memorial Hospital of Carbondale and Southern Illinois Healthcare Enterprises, Inc.) propose to build out the shell space that was approved as part of Permit #13-069 and add eight medical surgical beds.

BACKGROUND

- Permit #13-069 was approved for the modernization of reviewable and non-reviewable space at the hospital as well as to add new construction and eight ICU beds. Permit #13-069 also approved unfinished space or shell space.
- The State Board requires by rule that if the project includes unfinished space (i.e., shell space) that is to meet an anticipated future demand for service, the Applicant shall document that the amount of shell space proposed for each department or clinical service area is justified, and that the space will be consistent with the standards of Appendix B. [See 77 ILAC 1110.120 (d)]
- The shell space that was approved as part of Permit #13-069 was for the expansion of the Medical/Surgical Category of Service with the intention of increasing Memorial Hospital of Carbondale's authorized Medical/Surgical beds. This project (#19-005) will construct 13 private Medical/Surgical patient rooms, privatizing 5 current semiprivate Medical/Surgical patient rooms without any increase in authorized beds and increasing the hospital's authorized Medical/Surgical beds by eight medical surgical beds. At the conclusion of this project the hospital will have 99 medical surgical beds, 28 obstetric beds, 14 pediatric beds, and 21 intensive care beds for a total of 162 acute care beds.
- In February of 2016 the Chairman of the State Board approved an alteration of Permit #13-069 to increase the cost of the Approved Permit amount of \$52,495,838 to \$56,112,398 an increase of \$3,616,560 or 6.9%.
- In February of 2016 the Chairman of the State Board approved a Permit Renewal to extend the completion date to December 31, 2018 for Permit #13-069. In December of 2018 the State Board approved a Second Permit Renewal to extend the completion date to December 31, 2019 for Permit #13-069.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The proposed project is before the State Board because the project fulfills the requirements of Permit #13-069.

PUBLIC HEARING/COMMENT:

- No public hearing was requested and no letters of support or opposition were received by the State Board Staff.

SUMMARY:

- As mentioned above this project builds out shell space previously approved as part of Permit #13-069. The Applicants are adding eight medical surgical beds for an established category of service. Planning Area calculated bed need or excess is not considered for this project. Historical utilization of the medical surgical beds is used to determine the appropriate number of beds.
- The Applicants historical utilization will justify the 99 medical surgical beds being requested [Average Daily Census 79.79 ÷ 80% target occupancy = 99.7 Beds (2017 Data) - See Table Below].
- The modernization and contingency costs proposed for this project are in excess of the State Board's Standard for a hospital project in Carbondale, Illinois.

**Historical and Projected Utilization Medical Surgical Beds
Memorial Hospital of Carbondale**

Year ⁽²⁾⁽³⁾	2013	2014	2015	2016	2017	2022	2023
Beds	91	91	91	91	91	99	99
Admissions	7,144	7,176	7,598	7,346	7,946	8,408	8,433
Days ⁽¹⁾	27,939	29,156	27,723	28,668	29,124	30,665	30,777
ALOS	3.91	4.06	3.65	3.90	3.67	3.65	3.65
ADC	76.55	79.88	75.95	78.54	79.79	84.01	84.32
%	84.12%	87.78%	83.47%	86.31%	87.68%	84.86%	85.17%

1. Includes Observation Days
2. Years 2013-2017 information from Annual Hospital Profiles
3. Applicants projected average annual increase in admissions of 1.4% and an average annual increase in patient days of 1.25% [See pages 101-104 of the Application for Permit]

State Board Standards Not Met

Criteria	Reasons for Non-Compliance
77 ILAC 1120.140 (c) – Reasonableness of Project Costs	Modernization and Contingency costs total \$3,099,792 or \$365.07 per GSF which is HIGH when compared to the State Board Standard of \$260.80 per GSF. At the end of this report is an explanation of the overage provided by the Applicants. [See page 19 of this report]

STATE BOARD STAFF REPORT
Project #19-005
Memorial Hospital of Carbondale

APPLICATION/ CHRONOLOGY/SUMMARY	
Applicants(s)	Southern Illinois Hospital Services d/b/a Memorial Hospital of Carbondale and Southern Illinois Healthcare Enterprises, Inc.
Facility Name	Memorial Hospital of Carbondale
Location	405 W. Jackson Street, Carbondale, Illinois
Permit Holder	Southern Illinois Hospital Services d/b/a Memorial Hospital of Carbondale and Southern Illinois Healthcare Enterprises, Inc.
Operating Entity/Licensee	Southern Illinois Hospital Services d/b/a Memorial Hospital of Carbondale
Owner of Site	Southern Illinois Hospital Services
Application Received	February 6, 2019
Application Deemed Complete	February 11, 2019
Financial Commitment Date	April 30, 2021
Anticipated Completion Date	May 31, 2022
Review Period Ends	April 12, 2019
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants proposed to build out 9,751 GSF of shell space that was approved as part of Permit #13-069. The estimated cost of the project is \$4,861,138 and the expected completion date is May 31, 2022.

II. Summary of Findings

- A. State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1110.
- B. State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1120.

III. General Information

The Applicants are Southern Illinois Hospital Services d/b/a Memorial Hospital of Carbondale and Southern Illinois Healthcare Enterprises, Inc. Southern Illinois Healthcare Enterprises, Inc. through its Southern Illinois Hospital Services division, operates three hospitals encompassing three counties in southern Illinois (Franklin, Jackson, and Williamson) and has an estimated population of about 165,000 residents. The three hospitals operated by Southern Illinois Hospital Services are Herrin Hospital, Herrin, Illinois (Williamson County), St. Joseph Memorial Hospital in Murphysboro, Illinois (Jackson County) and Memorial Hospital of Carbondale (Jackson County).

Southern Illinois Hospital Services d/b/a Memorial Hospital of Carbondale is a 154-bed acute care hospital in Carbondale, Illinois and is the subject of this Application for Permit.

This is a non-substantive project subject to a Part 1110 and Part 1120 review. Non-substantive projects are all projects not considered substantive. Substantive Projects 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]*

Financial commitment will occur after permit issuance. This project is subject to a Part 1110 and 1120 review.

IV. Project Details

Permit #13-069 approved 8,620 square feet of shell space on the fourth floor of a new addition which was adjacent to an existing medical surgical unit. In addition the project included new construction of 933 square feet for circulation space and 298 square feet for an Elevator Lobby on the fourth floor of the new addition. This project (#19-005) will construct 13 private Medical/Surgical patient rooms, privatizing 5 current semiprivate Medical/Surgical patient rooms without any increase in authorized beds and increasing the hospital's authorized Medical/Surgical beds by eight beds. When the project is completed, Memorial Hospital of Carbondale will have 99 authorized Medical/Surgical beds.

V. Health Service Area

The Hospital is located in the HSA V Health Service Area and the F-07 Hospital Planning Area. The F-07 Hospital Planning Area includes Randolph, Perry, Jackson, Union, Alexander, and Pulaski Counties; Monroe County Precincts 1, 6, 8, 9, 12, 13, 15, 20 and 23. There are eight hospitals in this planning area including Memorial Hospital of Carbondale. Seven of the hospitals are critical access hospitals (CAH). These hospitals are:

TABLE ONE		
Marshall Browning Hospital	DuQuoin	CAH
Memorial Hospital	Chester	CAH
Memorial Hospital of Carbondale	Carbondale	
Pinckneyville Community Hospital	Pinckneyville	CAH
Red Bud Regional Hospital	Red Bud	CAH
Sparta Community Hospital	Sparta	CAH
St. Joseph Memorial Hospital	Murphysboro	CAH
Union County Hospital	Anna	CAH

VI. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of \$4,861,138.

TABLE TWO Project Costs and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total Costs
Preplanning Costs	\$22,298	\$1,266	\$23,564	0.48%
Modernization Contracts	\$2,822,026	\$290,475	\$3,112,501	64.03%
Contingencies	\$277,766	\$28,582	\$306,348	6.30%
Architectural/Engineering Fees	\$259,288	\$26,681	\$285,969	5.88%
Consulting and Other Fees	\$284,557	\$15,348	\$299,905	6.17%
Movable or Other Equipment	\$832,851	\$0	\$832,851	17.13%
Total Uses of Fund	\$4,498,786	\$362,352	\$4,861,138	100.00%
Cash and Securities	\$4,498,786	\$362,352	\$4,861,138	100.00%
Total Sources of Funds	\$4,498,786	\$362,352	\$4,861,138	100.00%

VI. Background of the Applicants

A) Criterion 1110.110 (a)(1)&(3) – Background of the Applicants

An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the Applicants must provide

- A) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, 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) **Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
- D) **An attestation that the Applicants have had no *adverse action*¹ taken against any facility they own or operate or a certified listing of any adverse action taken.**
1. The Applicants (Southern Illinois Hospital Services, an Illinois not for profit corporation ("SIHS") and Southern Illinois Healthcare Enterprises, Inc., the sole corporate member of SIHS) attests that there has been no adverse action taken against any of the health care facilities owned or operated by the Applicants. [Application for Permit page 67]
 2. The Applicants have authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection to the Applicants' certificate of need to complete shell space authorized by permit #13-069. The authorization includes, but is not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit pages 67]
 3. Licensure and Accreditation has been provided by the Applicants for the health care facilities owned and operated by the Applicants at pages 49-66.
 4. The site is owned by Southern Illinois Hospital Services and evidence of this can be found at pages 31-34- Commitment for Title Insurance.
 5. Illinois Certificate of Good Standing has been provided at pages 28-29 of the Application for Permit for both non for profit applicants. A certificate of good standing is a legal **status** conferred by a state on a company incorporated within its jurisdiction that allows it to conduct business legitimately. The **status** is granted based on the company's current **standing** related to required state filings, fees and tax obligations.
 6. Organizational relationships provided at page 37 of the Application for Permit.
 7. The Applicants have attested that the hospital site is not located on a flood plain, as identified by the most recent FEMA Flood Insurance Rate Map for this location, and that this location complies with the Flood Plain Rule and the requirements stated under Illinois Executive Order #2006-5, "Construction Activities in the Special Flood Hazard Areas." Included with the documentation provided in the Application for Permit is the Illinois State Water Survey in 2005. A review of the FEMA website on January 4, 2019, indicates that the FEMA Flood Insurance Map issued for the hospital site in May, 2008, remains the most recent FEMA Flood Insurance Rate Map for this site.

¹Adverse action is defined as 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. These actions include, but are not limited to, all Type "A" and Type "AA" violations." (77 IAC 1130.140)

8. A review of the records indicates that no historic, architectural or archaeological sites exist within the project area. The site is in compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

VII. Purpose of Project, Safety Net Impact Statement and Alternatives

The following three (3) criteria are informational; no conclusion on the adequacy of the information submitted.

A) Criterion 1110.110 (b) Purpose of the Project

To demonstrate compliance with this criterion the Applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served.

The purpose of this project is as stated:

“This project will improve MHC's ability to provide health care and increase the well-being of its market area population by increasing the number of Medical/Surgical beds and increasing the number of single-occupancy (private) Medical/Surgical patient rooms in the hospital. This purpose will be accomplished by building out the shell space that was approved as part of Project #13-069. The construction of that shell space was approved for the use proposed in this project: the future expansion of MHC's Medical/Surgery Category of Service with the intention of increasing the hospital's authorized Medical/Surgical beds.”

“This project is designed to accomplish the following:

- Increase MHC's authorized Medical/Surgical beds by 8, all of which will be located in single-occupancy (private) rooms, resulting in 99 authorized Medical/Surgical beds at the hospital;*
- Construct 5 additional single-occupancy (private) rooms for Medical/Surgical patients to increase the number of Medical/Surgical beds in privatized rooms by relocating those 5 beds from existing double occupancy Medical/Surgical patient rooms. The construction of these 5 rooms will result in 10 additional single-occupancy Medical/Surgical patient rooms at MHC because of the resulting privatization of the 5 patient rooms that are currently double-occupancy rooms.”* [For a complete discussion see Application for Permit pages 68-94]

B) Criterion 1110.110 (c) - Safety Net Impact Statement

To demonstrate compliance with this criterion the Applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served.

This is a non-substantive project; no safety net impact statement is required.

C) Criterion 1110.110 (d) - Alternatives to the Project

To demonstrate compliance with this criterion the Applicants must document all alternatives to the proposed project that were considered.

Since this project proposes to implement a plan that was approved by the Health Facilities and Services Review Board (HFSRB) in an existing CON permit, no alternatives to this project have been considered at this time. Project #13-069 considered the following alternative to that project. *"Modernize and expand the departments included in this project [i.e., Project #13-069] as proposed, but do not construct a 4th floor of the addition as shell space for a future Medical/Surgical nursing unit at this time with the intention to build out the shell space in the future when it will be constructed as an additional Medical/Surgical nursing unit."*

VIII. Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.120 (a) - Size of Project

To demonstrate compliance with this criterion the Applicants must document that the proposed size of the project is in compliance with Part 1110 Appendix B.

The Applicants are proposing the modernization of 13 M/S beds in 8,491 departmental gross square feet (DGSF). The State Board Standard is 660 DGSF per bed which totals 8,580 DGSF. The Applicants have met the requirements of this criterion.

**TABLE THREE
Cost Space Requirements**

Reviewable	Costs	Existing	Project Completion	New	Modernization	As Is	Vacated
Medical/Surgical Nursing Unit (4 th Floor)	\$4,498,786	8,620	8,491	0	8,491		129
Total Reviewable	\$4,498,786	8,620	8,491	0	8,491		129
Non Reviewable							
Egress Corridor from Existing Medical/Surgical Nursing Unit	\$357,794	933	1,231	0	1,231		0
Elevator Lobby	\$0	298	0	0	0		298
Mechanical Shafts	\$4,558	0	29	0	29		0
Total Non-Reviewable	\$362,352	1,231	1,260	0	1,260	0	298
Total	\$4,861,138	9,751	9,751	0	9,751	0	427

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF PROJECT (77 ILAC 1110.120 (a))

B) Criterion 1110.120 (b) – Projected Utilization

To demonstrate compliance with this criterion the Applicants must document that the proposed project will be at the target occupancy of 80% within two years after project completion.

The Applicants are proposing a total of 99 M/S beds at the hospital. From 2013 to 2017 the Applicants have had a compounded annual growth in the number of admissions of approximately 2.7% and a 1% compounded annual growth in the number of days. Average utilization of the 91 m/s beds has been 86% over this five year period. The State Board Standard for a bed complement of 1-99 beds is 80%. Historical utilization justifies the 99 beds being requested.

TABLE FOUR
Historical and Projected Utilization Medical Surgical Beds
Memorial Hospital of Carbondale

Year ⁽²⁾⁽³⁾	2013	2014	2015	2016	2017	2022	2023
Beds	91	91	91	91	91	99	99
Admissions	7,144	7,176	7,598	7,346	7,946	8,408	8,433
Days ⁽¹⁾	27,939	29,156	27,723	28,668	29,124	30,665	30,777
ALOS	3.91	4.06	3.65	3.90	3.67	3.65	3.65
ADC	76.55	79.88	75.95	78.54	79.79	84.01	84.32
%	84.12%	87.78%	83.47%	86.31%	87.68%	84.86%	85.17%

1. Includes Observation Days
2. Years 2013-2017 information from Annual Hospital Profiles
3. Applicants projected average annual increase in admissions of 1.4% and an average annual increase in patient days of 1.25% [See pages 101-104 of the Application for Permit]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.120 (b))

C) Criterion 1110.120 (e) – Assurances

To demonstrate compliance with this criterion the Applicants must document that the proposed facility will be at target occupancy two years after project completion.

The Applicants provided the necessary assurance that they will be at target occupancy within two years after project completion. (See Application for Permit page 116)

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.120(e))

VII. Medical Surgical Beds

A) **Criterion 1110.200 (b) - Planning Area Need**

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

1) **77 Ill. Adm. Code 1100 (formula calculation)**

A) The number of beds to be established for each category of service is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

B) The number of beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.

The calculated need or excess of beds in the planning area is not applicable to this project.

2) **Service to Planning Area Residents**

A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

B) Applicants proposing to add beds to an existing category of service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.

C) Applicants proposing to expand an existing category of service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).

During the recent 12-month period of August, 2017, through July, 2018, nearly 59% of MHC's Medical/Surgical inpatients and observation patients resided in Planning Area F-07. In addition, during this period, 90% of MHC's Medical/Surgical inpatients and observation patients resided within its market area, which includes the following counties in Southern Illinois.

- Franklin County
- Jackson County
- Johnson County
- Perry County
- Saline County
- Union County
- Williamson County

The Applicants provided the Patient Origin for Medical/Surgical Inpatients & Observation Patients for the period August 1, 2017-July 31, 2018 at pages 94 and 115 of the Application for Permit. A snapshot of this scheduled is provided below.

**TABLE FIVE
Patient Origin
August 1, 2017 to July 31, 2018**

Community	Zip Code	Admissions	Percentage		County	In PA F-07?	In Market Area?	In 21-mile radius?
			of Admissions	Cumulative %				
Carbondale	62901	2 201			Jackson	Yes	Yes	Yes
Carbondale	62902	497			Jackson	Yes	Yes	Yes
Carbondale	62903	166	22.16%	22.16%	Jackson	Yes	Yes	Yes
Murphysboro	62966	1424	11.02%	33.17%	Jackson	Yes	Yes	Yes
Marion	62959	709	5.49%	38.66%	Williamson	No	Yes	Yes
DuQuoin	62832	705	5.45%	44.11%	Perry	Yes	Yes	Yes
Carterville	62918	513	3.97%	48.08%	Franklin	No	Yes	Yes
West Frankfort	62896	410	3.17%	51.25%	Franklin	No	Yes	Yes
Herrin	62948	389	3.01%	54.26%	Williamson	No	Yes	Yes
Anna	62906	382	2.96%	57.22%	Union	Yes	Yes	Yes
Pinckneyville	62274	310	2.40%	59.62%	Perry	Yes	Yes	No
Harrisburg	62946	306	2.37%	61.98%	Saline	No	Yes	No

4) Service Demand – Expansion of Existing Category of Service

The number of beds to be added for each category of service is necessary to reduce the facility's experienced high occupancy and to meet a projected demand for service. The applicant shall document subsection (b)(4)(A) and either subsection (b)(4)(B) or (C):

A) Historical Service Demand

- i) An average annual occupancy rate that has equaled or exceeded occupancy standards for the category of service, as specified in 77 Ill. Adm. Code 1100, for each of the latest 2 years;
- ii) If patients have been referred to other facilities in order to receive the subject services, the applicant shall provide documentation of the referrals, including: patient origin by zip code; name and specialty of referring physician; and name and location of the recipient hospital, for each of the latest 2 years.

The State Board’s occupancy standard for a bed complement of 1-99 medical surgical beds in 80%. Over the past two years 2016 and 2017 the Applicants have averaged 87%. Historical demand justifies the expansion of the medical surgical beds.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH PLANNING AREA NEED (77 ILAC 1110.200 (b) (1) (2) (4))

B) Criterion 1110.200 (e) - Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing a narrative explanation of how the proposed staffing will be achieved.

In response to this criterion the Applicants provided the following:

“Memorial Hospital of Carbondale (MHC) considered relevant clinical and professional staffing needs when it planned this project. This project will result in a net increase of 8 Medical/Surgical beds since 5 of the 13 beds that will be built in this project are a

relocation of beds from rooms that are currently semi-private rooms, with the resulting conversion of those rooms to private patient rooms. This project will result in a need for 13 FTE Registered Nurses (RNs) and 6 FTE Patient Care Technicians (PCTs). As the owner and operator of MHC as well as 2 other hospitals in near-by communities in Southern Illinois, Southern Illinois Hospital Services (SIHS) is experienced in the planning for the staffing for the expansion of a general acute care hospital in this area. SIHS will utilize its regular staff recruitment procedures to recruit the staff that will be required to operate the increased authorized Medical/Surgical beds and the projected increase in Medical/Surgical utilization that is proposed for this project. SIHS maintains a reputation as a great place to work. That is evidenced by the fact that SIHS receives an average of 55 applications for Registered Nurses' (RN) positions each month and more than 50 applications for each Technician position.

Advertising

- *Online, using www.sih.net, monster.com, LinkedIn.com, glassdoor.com, indeed.com, ziprecruiter.com, and specialty websites based on the available positions*
- *In newspapers in Southern Illinois, Western Kentucky, Southern Indiana, and Southeast Missouri*
 - *RN Open Houses*
 - *Job Fairs*
 - *Versant Residency Training Program*
 - *University/College Outreach Program*
 - *Clinical affiliations with Universities/Colleges*
 - *Job Shadowing participants*
 - *Successful Internship participants*

SIHS is confident that it will be able to recruit the additional staff that is needed without creating a staffing burden for any of the existing health care facilities in the region.”

The Applicants have adequately addressed this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.200 (e))

C) Criterion 1110.200 (f) - Performance Requirements

1) Medical-Surgical

The minimum bed capacity for a new medical-surgical category of service within a Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau, is 100 beds.

This project does not establish a new Medical/Surgical Category of Service. The purpose of this project is to modernize and expand clinical services within an existing hospital that has 91 authorized Medical/Surgical beds. Therefore, the minimum bed capacity for a Medical-Surgical Category of Service within a Metropolitan Statistical Area (MSA) is not applicable to this project

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PERFORMANCE REQUIREMENTS (77 ILAC 1110.200 (f))

D) Criterion 1110.200 (g) - Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

The Applicants provided the necessary attestation at page 116 of the Application for Permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PERFORMANCE REQUIREMENTS (77 ILAC 1110.200 (g))

IX. Financial Viability

A) Criterion 1120.120 - Availability of Funds

Applicants shall document that financial resources will be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources

The Applicants are funding this project with cash in the amount of \$4,861,138. The Applicants have provided an A+ long term bond rating from Standard & Poor's Rating Services. The Applicants have sufficient resources to fund this project. [See pages 118-125 of the Application for Permit]

TABLE SIX
Southern Illinois Healthcare Enterprises ⁽¹⁾

	2018	2017
Net patient revenue (\$000s)	\$611,348	\$583,508
Total operating revenue (\$000s)	\$625,498	\$596,539
Total operating expenses (\$000s)	\$629,438	\$572,982
Operating income (\$000s)	-\$3,940	\$23,557
Operating margin (%)	-0.63%	3.95%
Net non-operating income (\$000s)	\$46,187	\$14,327
Excess income (\$000s)	\$42,247	\$37,884
Excess margin (%)	6.29%	6.20%
Operating EBIDA margin (%)	7.32%	11.20%
EBIDA margin (%)	13.70%	13.28%
Net available for debt service (\$000s)	\$92,002	\$81,143
Unrestricted Days Cash on Hand	294.6	280.7
Long-term debt/capitalization	30.00%	30.50%

1. Information from Standard & Poor's Rating Services

B) Criterion 1120.130 –Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges).

The Applicants have qualified for the financial waiver as they have provided evidence of an A+ bond rating and are funding the project with cash. The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or
HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.
- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or
HFSRB NOTE: MBIA Inc. is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.
- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

X. Economic Feasibility

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

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

The Applicants are funding this project with cash in the amount of \$4,861,138. No debt is being used to finance this project

C) Reasonableness of Project and Related Costs

The applicant shall document that the estimated project costs are reasonable

Preplanning Costs are less than 1% of modernization, contingencies and moveable equipment not in construction contracts. This appears reasonable when compared to the State Board Standard of 1.8%. These costs include construction management estimating of \$12,298 and program planning services of \$10,000.

Modernization and Contingency costs total \$3,099,792 or \$365.07 per GSF which is HIGH when compared to the State Board Standard of \$260.80 per GSF. At the end of this report an explanation of the overage has been provided by the Applicants.

	2019	2020	2021
RS Means New Construction Costs ²	\$351.18	\$361.72	\$372.57
Modernization (70% of New Construction)	\$245.83	\$253.20	\$260.80

Contingencies Costs are \$277,766 or 9.84% of modernization costs. These costs appears reasonable when compared to the State Board Standard of 10-15%.

Architectural/Engineering Fees are \$259,288 and are 8.36% of modernization and contingencies costs. This appears reasonable when compared to State Board Standard of 10.54%.

Consulting and Other Fees are \$284,557. The State Board does not have a standard for these costs.

These costs include the following:

Architecture/Engineering Reimbursements	\$28,809
Interior Design for Furniture/Artwork	\$70,610
Architectural Consulting	\$18,134
Medical Gas Consulting	\$1,200
Construction Management	\$32,011
CON Planning and Consultation	\$40,000

² **RS Means** is a division of Reed Business Information that provides cost information to the construction industry so contractors in the industry can provide accurate estimates and projections for their project costs.

CON Application Processing Fee	\$14,000
IDPH Plan Review Fee	\$9,600
Building Permit	\$5,809
General Liability Insurance	\$48,931
P&P Bond	\$15,453
Total	\$284,557

Movable or Other Equipment not in construction contracts costs are \$832,851. The State Board does not have a standard for these costs. A listing of equipment costs is provided at page 47 of the Application for Permit.

**TABLE SEVEN
PROJECT COSTS**

	Project Costs		State Standard		Difference	
	Costs	%/GSF	Costs	%/GSF	Costs	%/GSF
Preplanning Costs	\$22,298	0.57%	\$70,788	1.80%	-\$48,490	-1.23%
Modernization Contracts	\$3,099,792	\$365.07 per GSF	\$2,214,453	\$260.80	\$885,339	\$104.27
Contingencies	\$277,766	9.84%	\$423,304	15.00%	-\$145,538	-5.16%
Architectural/Engineering Fees	\$259,288	8.36%	\$326,718	10.54%	-\$67,430	-2.18%
Consulting and Other Fees	\$284,557		No Standard			
Movable or Other Equipment	\$832,851					

Clinical gross square feet is 8,491 GSF.

D) Criterion 1120.140 (d) - Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs means the fully allocated costs of salaries, benefits and supplies for the service.

The operating costs per equivalent patient day is \$1,923.40. The State Board does not have a standard for these costs. The Applicants have met the requirements of this criterion.

FY22 Operating Expenses:

Salaries	\$81,736,000
Benefits	\$30,445,000
Supplies	\$60,508,000
Total	\$172,689,000
Equivalent Patient Days (EPD)	89,783
FY 22 Operating costs per EPD	\$1,923.40

E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The total effect of the project on capital costs is \$268.50 per equivalent patient day. The State Board does not have a standard for these costs. The Applicants have met the requirements of this criterion.

FY22 Capital Costs:

Depreciation	\$18,850,000
Amortization	\$51,800
Interest	\$5,205,000
Equivalent Patient Days	\$24,106,800
Capital Costs per EPD	\$268.50

This project has several factors which result in higher construction costs that would be expected for a routine hospital modernization project.

1. Memorial Hospital of Carbondale (MHC) is located on the New Madrid Earthquake Fault, as a result of which both new construction and modernization of existing hospital buildings must meet the current seismic codes for buildings located in an earthquake area. The addition in which the shell space is located was designed to meet the current seismic codes which have unique requirements for buildings located in an earthquake area. The build-out of the shell space must comply with the current standards of the seismic code. This means that structural upgrades are necessary for the bracing and ties of the partitions and ceilings. In order to comply with the current seismic codes, both the partitions and the ceilings in the space being built-out in this project must be anchored differently than in other hospital construction or modernization projects. These unique structural requirements result in construction that is more expensive than in non-earthquake fault zones.

2. The construction required to build-out this shell space is more extensive than would be required to modernize space within an existing hospital building. With the exception of building an exterior structure, which already exists because it was constructed as part of Project #13-069, this project more closely resembles new construction than modernization.

Some examples of necessary project components which do not exist in the shell space are the following.

- The shell space does not have medical gases.
- The shell space does not have dampers.
- The shell space does not have a patient toilet exhaust fan system.
- The roof of the shell space must undergo roofing work to accommodate penetrations for systems that must be installed.
- The floor of the shell space is concrete and lacks the flooring that would exist in finished hospital space.
- There are no corridor walls except for the egress corridor, which needs to be relocated from the area where it was originally constructed.

The construction required to add these project components will result in higher construction costs than seen in other modernization projects. [Application for Permit page 24 & 127]



SIH 4th Floor Fit-Out

Summary of Costs to Project Above a Typical Modernization

Modernization is a process of adapting something to meet modern needs. In a typical modernization, we maximize reuse of existing infrastructure in an effort to minimize cost.

The existing 4th Floor of Memorial Hospital of Carbondale consists of concrete floors, fireproofed steel & metal deck. We do not have the ability to reuse existing infrastructure (i.e. modernize).

The 4th Floor Nursing Project will be a brand new build-out of an unoccupied shell space.

All Costs are based on \$/sqft of overall project area.

Scope of Work	Added Cost	Notes
Architectural Construction & Finishes		
Drywall	\$7.05	Added cost to construct all interior walls. Typical project would reuse most of the existing walls.
Acoustical Sealants and Fire Caulking	\$1.04	Additional Acoustical & Fire Caulking required at new walls. Typical project would have walls that have been previously sealed.
Doors, Frames & Hardware	\$6.49	Added cost for new doors & frames throughout project. A typical project would reuse most of the doors and upgrade the hardware.
Power Operators	\$2.46	Add for new push button operators at corridor doors. Typical modernization would reuse the existing operators in place.
Window Treatments	\$2.70	Furnish & Install Shades & Blinds. Typical Project would reuse existing where possible and replace shades where damaged
Lockers	\$0.35	Furnish & Install new Lockers. Typical project would reused existing
Pneumatic Tube		
	\$3.72	Additional Cost to Furnish and Install a new Pneumatic Tube Station. Typical project would reuse an existing station in place.
HVAC		
Demo	\$0.47	Additional HVAC Demo to remove existing ductwork. Existing space currently has ductwork to condition a large unoccupied space. Typical project would reuse existing duct main runs and demo only as required.
Duct	\$10.59	Additional cost for ALL new duct work and insulation. Typical project would reuse existing main duct work and install only new branch duct.
Return Air Tracking	\$8.14	Added Costs for Zone tracking on 100% of the Return Air System and all associated controls. This is a standard of the HVAC system at Memorial Hospital in Carbondale.
Reheat piping	\$4.32	Added costs for Re-Heat piping and insulation from main loop to VAV boxes (zone control). Typical projects would reuse existing piping to VAV and make new connections only.
Med gas	\$9.10	Added Costs for all new gas piping (4 lines) back to a connection point in the occupied portion of the 4th floor. Typical projects would have final connection to new gas outlets.
Exhaust Fan	\$0.31	Added Costs to Furnish and Install a new Roof top exhaust fan. Typical Projects would have required exhaust fan in place and be reused.
Fire Damper / Fire-Smoke Damper	\$0.62	Added costs to furnish and install all required Life Safety Dampers. Typical Projects would reused existing dampers whenever possible.



Electrical		
Light Fixtures and Controls	\$7.08	Added costs to furnish and install new lighting, controls, switches and sensors. Costs include all fixtures, wiring, conduit and boxes required. Typical project would include replacing existing fixtures and switches.
Power Distribution & Branch Circuits	\$16.48	Added Costs for Cabling back to existing panelboard. Typical project would reuse existing wiring.
Data & Communications		
Conduits, Back Boxes, & Cabling	\$6.72	Added cost to run all new conduits, cable tray, boxes and data cabling from Data Closet to device locations. Typical Project would reuse existing cabling system and replace jacks and devices.
Coaxial Television Systems	\$0.53	Added Costs for new cabling from data closet to device locations. Typical project would include replacing jacks and cover plates.
Nurse Call	\$7.21	Added Costs include cost of cabling and system control equipment (head end). Typical project includes replacement devices.
Electronic Safety & Security		
Security Systems	\$3.46	Added cost to furnish and install an access control, intrusion detection and video surveillance systems. Typical projects would reuse the existing systems.
Fire Detection & Alarm	\$2.10	Added costs for wiring from devices to system equipment. Typical projects would include uninstalling existing devices and re-installation as required for new wall and ceiling finishes.
General Requirements		
Seismic Requirements	\$3.42	Additional Cost for Seismic Bracing Clips and Compression Struts for Acoustical Ceilings, Fire Sprinkler and HVAC Systems. Required in Carbondale due to Seismic Zone "D" requirement.
Subcontractor General Conditions	\$5.26	Added costs to subcontractors' general conditions due to additional scope above and beyond a typical project.
General Contractor General Conditions	\$2.02	Simplified phasing of this project allows for a shorter schedule duration. The savings are offset by the unique requirements of this project and its location within the hospital. The set backs of this location do not allow access for typical material handling and the public elevators are located within the construction zone.
Fees	\$3.00	Added OH&P due to higher costs of project (% based)
Total	\$114.64	Additional Cost/sqft

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