



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-07	BOARD MEETING: August 6, 2019	PROJECT NO: 19-024	PROJECT COST: Original: \$42,602,274
FACILITY NAME: Advocate Illinois Masonic Medical Center- Physical Therapy Center		CITY: Chicago	
TYPE OF PROJECT: Non-Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (Advocate Aurora Health, Inc., Advocate Health Care Network, Advocate Health and Hospital Corporation, and Advocate North Side Health Network) are proposing to establish a Physical Therapy/Occupational Therapy Center/Medical Office Building (MOB) in 164,215 GSF of newly constructed space, located on the northeast corner of Sheffield street and Wellington Avenue, Chicago. Project cost: \$46,602,274. The completion date as stated in the application for permit is June 30, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Advocate Aurora Health, Inc., Advocate Health Network, Advocate Health and Hospital Corporation, and Advocate North Side Health Network) are proposing to establish an Outpatient Physical Therapy/Occupational Therapy Center in a 6-story Medical Office Building (MOB), consisting of 164,215 GSF of newly constructed space, located on the northeast corner of Sheffield street and Wellington Avenue, Chicago, at a cost of \$46,602,274. The completion date as stated in the application for permit is June 30, 2021.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes a capital expenditure in excess of \$13,743,450 and is “by or on behalf of a health care facility” as defined at 20 ILCS 3960/3.

BACKGROUND:

- Advocate Aurora Health owns/operates the following healthcare entities/facilities in Illinois:
 - Advocate Illinois Masonic Medical Center Chicago, IL
 - Advocate BroMenn Medical Center Normal, IL
 - Advocate Christ Medical Center Oak Lawn, IL
 - Advocate Condell Medical Center Libertyville, IL
 - Advocate Eureka Hospital Eureka, IL
 - Advocate Good Samaritan Hospital Downers Grove, IL
 - Advocate Good Shepherd Hospital Barrington, IL
 - Advocate Lutheran General Hospital Park Ridge, IL
 - Advocate Sherman Hospital Elgin, IL
 - Advocate South Suburban Hospital Hazel Crest, IL
 - Advocate Trinity Hospital Chicago, IL
- The Applicants propose to establish a six-story outpatient care center/medical office building (MOB) to relocate the existing Physical/Occupational Therapy services at Advocate Illinois Masonic Medical Center. The Outpatient Physical/Occupational Therapy Services will be in the first level, and will include and Outpatient Gym, Physicians’ offices, and an Imaging room/unit. The first floor will contain 9,405 GSF of clinical/reviewable space, and various non-reviewable support spaces (see Table Three).
- Floors 2-6 of the proposed MOB will consist of 139,578 GSF of space. This non-reviewable space will contain 408 parking spaces for patients/visitors.

PURPOSE:

- According to the Applicants, *“In 2009, Advocate Illinois Masonic Medical Center developed a strategic plan to continue to serve Chicago as a vital community teaching hospital with identified regional destination services. The intent continues to be, to develop a campus plan for the current and long-term future that secures health care for Chicago’s north side. This project, to be referred to as the Physical Therapy Center, continues the mission to provide quality facilities for outpatient programs. It was planned at this time to look at the way Outpatient Physical Therapy/Occupational Therapy should be provided to continue to serve the growing demands of this service. Outpatient Rehabilitation Services are currently located in the center of Advocate Illinois Masonic Medical Center without the ability to add space to expand to accommodate the demand. The design of the proposed center has been carefully planned to provide a state-of-the-art facility that creates privacy with the therapists as well as access to a modern, well equipped gym including newer equipment. The field of rehabilitation is helping people restore capacity and manage their lives*

while under treatment. The potential for additional space would give Advocate Illinois Masonic Medical Center the ability to continue to serve the health and well-being of this growing population.”

PUBLIC HEARING/COMMENT:

- No public hearing was requested. Twelve letters of support, and no letters of opposition were received. The letters of support were from the following:
 - Peggy Kirk, SVP & COO, Shirley Ryan AbilityLab, Chicago
 - Ritesh Shah, M.D. Chief, Orthopedic Surgery, Advocate Illinois Masonic Medical Ctr.
 - Dr. Philip Friere Skiba, DO, PhD. Sports Medicine Director, Advocate Aurora Health
 - John J. Cullerton, Illinois Senate President
 - Greg Hipp, Executive Director, Chicago Area Runners Association
 - Thomas Tunney, 44th Ward Alderman, City Council of Chicago
 - Frank Belmonte, M.D. Chief Medical Officer, Advocate Children’s Hospital
 - Sara Feigenholtz, Illinois State Representative, 12th District
 - Jada Johnson, M.D. Chair, Dept. of Psychiatry, Advocate Illinois Masonic Medical Center
 - Paul Ringel M.D. Senior Attending Physician, Advocate Medical Group
 - Helen Byrne, Patient, Advocate Illinois Masonic Medical Center
 - Michael Msall M.D. Professor Dept. of Pediatrics, The University of Chicago

SUMMARY:

- The State Board Staff reviewed the application for permit and additional information provided by the Applicants and notes the following.
- The proposed project does not involve the discontinuation, relocation, or establishment of any reviewable components. The project is by or on behalf of a health care system, and the project cost (\$42,602,274), is in excess of the FY 2020 Capital Expenditure Minimum Threshold of \$13,743,450.

CONCLUSIONS:

The Applicants addressed a total of fourteen (14) criteria and appear to have met them all.

STATE BOARD STAFF REPORT

#19-024

Advocate Illinois Masonic Medical Center-Physical Therapy Center

APPLICATION SUMMARY/CHRONOLOGY

Applicants	Advocate Aurora Health, Inc. Advocate Health Care Network Advocate Health and Hospital Corporation Advocate North Side Health Network (Oak Brook)
Facility Name	Advocate Illinois Masonic Medical Center-Physical Therapy Center
Location	NE Corner of Sheffield and Wellington Avenues, Chicago
Application Received	May 24, 2019
Application Deemed Complete	May 24, 2019
Review Period Ends	July 23, 2019
Permit Holder	Advocate North Side Health Network d/b/a Advocate Illinois Masonic Medical Center
Operating Entity	Advocate North Side Health Network d/b/a Advocate Illinois Masonic Medical Center
Owner of the Site	Advocate North Side Health Network d/b/a Advocate Illinois Masonic Medical Center
Project Financial Commitment Date	August 6, 2020
Departmental Gross Square Footage	9,405 DGSF
Project Completion Date	June 30, 2021
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 (Advocate Aurora Health, Inc., Advocate Health Care Network, Advocate Health and Hospital Corporation, and Advocate North Side Health Network) are proposing to establish an Outpatient Care Center/Medical Office Building (MOB) on the northeast corner of Sheffield and Wellington Avenues, Chicago, at a cost of \$42,602,274. The anticipated completion date as stated in the application for permit is June 30, 2021.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1120.

III. General Information

The Applicants are Advocate Aurora Health, Inc., Advocate Health Network, Advocate Health and Hospital Corporation, and Advocate North Side Health Network. Advocate North Side Health Network is an Illinois not for profit corporation incorporated in 1981. Advocate Health and Hospitals Corporation is an Illinois not for profit corporation incorporated in 1906.

The proposed outpatient care center/medical office building will be located on the northeast corner of Sheffield and Wellington Avenues, on the campus of Advocate Illinois Masonic Medical Center, Chicago. The proposed facility will be in the HSA VI Health Service Area and the A-01 Hospital Planning Area. HSA VI includes the city of Chicago, in Cook County. The A-01 Hospital Planning Area includes the City of Chicago communities of Uptown, Lincoln Square, North Center, Lakeview, Lincoln Park, Near North Side, Edison Park, Norwood Park, Jefferson Park, Forest Glen, North Park, Albany Park, Portage Park, Irving Park, Dunning, Montclare, Belmont Cragin, Hermosa, Avondale, Logan Square, O’Hare, and Edgewater. There are fourteen (14) hospitals in the A-01 Hospital Planning Area

TABLE ONE
Hospitals within the A-01 Hospital Planning Area

Hospital	City	Beds ⁽¹⁾
Advocate Illinois Masonic Medical Center	Chicago	397
Community First Medical Center	Chicago	296
Louis A. Weiss Memorial Hospital	Chicago	237
Methodist Hospital of Chicago	Chicago	145
Northwestern Memorial Hospital	Chicago	894
AMITA Health Resurrection Medical Center	Chicago	337
AMITA Health Saint Joseph Hospital	Chicago	361
Swedish Covenant Hospital	Chicago	312
Thorek Memorial Hospital	Chicago	172
Ann & Robert H. Lurie Children’s Hospital	Chicago	336*
Rehabilitation Institute of Chicago	Chicago	242>
Kindred Chicago Central Hospital	Chicago	95>
Kindred Hospital Chicago North	Chicago	164>*
Aurora Chicago Lakeshore Hospital	Chicago	161^

*Pediatrics Specialty

^AMI Specialty

>LTACH

This is a non-substantive project subject to a Part 1110 and Part 1120 review. Financial commitment will occur after permit issuance. A non-substantive project is all projects not classified as substantive or emergency projects.

IV. Project Details

The Applicants (Advocate Aurora Health, Inc., Advocate Health Care Network, Advocate Health and Hospital Corporation, and Advocate North Side Health Network) are proposing to relocate its outpatient physical therapy/occupational therapy programs from an existing building on the campus of the hospital, to a newly-constructed 6-story medical office building/outpatient care center, located on the northeast corner of Sheffield and West Wellington Avenue. The proposed site will provide a more modernized and spacious environment for its outpatient physical therapy/occupational therapy programs. In addition, floors 2-6 of the proposed facility will contain parking spaces for 408 vehicles.

The proposed outpatient care center will consist of 9,405 GSF of reviewable space, with the remaining 154,810 GSF designated as being non-reviewable. The applicants supplied attestation from the project Architect, Darin Couturiar, to the LEED certification that the project is considered a “green” project.

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash/securities of \$25,168,166, and project-related bond issues totaling \$17,434,108. The applicants provided proof of its A-Bond Rating and Audited Financial Statements, which satisfies the State Boards requirements for the financial waiver.

TABLE TWO
Project Costs and Sources of Funds

Project Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total
Preplanning Costs	\$16,395	\$256,853	\$273,248	1%
Site Survey/Soil Investigation	\$23,500	\$101,500	\$125,000	.5%
Site Preparation	\$108,750	\$1,268,941	\$1,377,691	4.3%
Off-Site Work	\$0	\$497,000	\$497,000	2.2%
New Construction Contracts	\$2,756,037	\$24,370,186	\$24,370,186	58%
Contingencies	\$255,955	\$2,451,502	\$2,707,457	6.4%
Architectural & Engineering Fees	\$204,510	\$1,958,993	\$2,163,503	5%
Consulting and Other Fees	\$10,779	\$240,201	\$250,980	1%
Movable or Other Equipment	\$1,100,000	\$875,000	\$1,975,000	5.9%
Bond Issuance Expense	\$12,481	\$205,445	\$217,926	.9%
Net Interest Expense During Construction	\$79,650	\$1,311,063	\$1,390,713	4.3%
Other Costs to Be Capitalized	\$723,580	\$3,773,953	\$4,497,533	10.5%
Total Uses of Funds	\$5,291,637	\$37,310,637	\$42,602,274	100.00%
Project Sources of Funds	Reviewable	Non-Reviewable	Total	% of Total
Cash/Securities	\$3,126,143	\$22,042,023	\$25,168,166	59%

**TABLE TWO
Project Costs and Sources of Funds**

Project Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total
Bond Issues (Project-Related)	\$2,165,494	\$15,268,614	\$17,434,108	41%
Total Sources of Funds	\$5,291,637	\$37,310,637	\$42,602,274	100.00%

VI. Costs Space Requirements

The Applicants are proposing 164,215 GSF for the Outpatient Care Center/Medical Office Building. The entirety of this spatial configuration will consist of newly-constructed space. Board Staff notes that 9,405 GSF (5.7%), of the 164,215 GSF will be classified as reviewable.

**TABLE THREE
Cost/Space Requirements for Construction**

Reviewable	Existing GSF	Cost	Proposed GSF	New Construction (GSF)	% of Total
Reviewable					
PT/OT	5,445	\$3,786,293	8,420	8,420	
Physician Exam Rooms	N/A	\$304,362	660	660	
Outpatient Imaging	N/A	\$556,620	325	325	
Total Reviewable	5,445	\$4,629,276	9,405	9,405	5.7%
Total Non-Reviewable	6,040	\$37,972,998	154,810	154,810	94.3%
GRAND TOTAL	11,485	\$42,602,274	164,215	164,215	100%

VII. Background of the Applicants

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

To demonstrate compliance with this criterion, the Applicants must provide

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH 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 such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
4. "Adverse Action" means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations.

1. The Applicants provided a listing with license and certification data of all health care facilities owned or operated by the Applicants at pages 63-75 of the application for permit.
2. No adverse actions have been taken against any facility owned and/or operated by the Applicants, as verified by the signature pages of the application. [Application for Permit pages 15-19]

3. Authorization permitting HFSRB and DPH access to any documents necessary to verify information submitted, as verified by the signature pages of the application.
4. Advocate North Side Health Network, A Domestic Corporation, Incorporated under the Laws of This State on April 27, 1981, is in Good Standing as a Domestic Not-for-Profit Corporation in the State of Illinois.
5. Advocate Health and Hospitals Corporation, Incorporated under the Laws of This State on September 12, 1906, is in Good Standing as a Domestic Corporation in the State of Illinois.
6. Advocate Health Care Network, Incorporated under the Laws of This State on June 14, 1923, is in Good Standing as a Domestic Corporation in the State of Illinois. Advocate Aurora Health, Inc, Incorporated under the Laws of The State of Delaware on December 4, 2017, is in Good Standing as a Domestic Corporation in the State of Illinois.
7. Evidence of Site Ownership was provided at page 43 of the Application for Permit.
8. The Applicants are in compliance with Executive Order #2006-05 and the Illinois Historic Preservation Agency.
9. All required reports have been provided to the State Board as required.

VIII. Purpose of The Project, Safety Net Impact Statement, Alternatives to The Project

These three (3) criteria are informational only. No determination on whether the Applicants have met the requirements of the three (3) criteria is being made by the State Board Staff.

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 applicant shall define the planning area or market area, or other, per the applicant's definition.

- According to the Applicants, *“In 2009, Advocate Illinois Masonic Medical Center developed a strategic plan to continue to serve Chicago as a vital community teaching hospital with identified regional destination services. The intent continues to be, to develop a campus plan for the current and long-term future that secures health care for Chicago’s north side. This project, to be referred to as the Physical Therapy Center, continues the mission to provide quality facilities for outpatient programs. It was planned at this time to look at the way Outpatient Physical Therapy/Occupational Therapy should be provided to continue to serve the growing demands of this service. Outpatient Rehabilitation Services are currently located in the center of Advocate Illinois Masonic Medical Center without the ability to add space to expand to accommodate the demand. The design of the proposed center has been carefully planned to provide a state-of-the-art facility that creates privacy with the therapists as well as access to a modern, well equipped gym including newer equipment. The field of rehabilitation is helping people restore capacity and manage their lives while under treatment. The potential for additional space would give Advocate Illinois Masonic Medical Center the ability to continue to serve the health and well-being of this growing population.”*

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

All health care facilities, except for skilled and intermediate long-term care facilities licensed under the Nursing Home Act [210 ILCS 45], shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). *Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation.*

This project is considered a non-substantive project. Non-substantive projects are not required to submit a safety net impact statement, only projects that are deemed substantive projects. Non-substantive projects are all projects that are not classified as either substantive or emergency.

Substantive projects shall include no more than the following:

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

The Applicants provided charity care information for Advocate Masonic Medical Center.

**TABLE FOUR
Charity Care Information**

Advocate Masonic Medical Center			
	2015	2016	2017
Net Patient Revenue	\$417,997,172	\$436,677,329	\$450,137,813
Amount of Charity Care	\$37,115,490	\$26,187,580	\$31,932,425
Cost of Charity Care	\$8,022,000	\$5,647,000	\$7,247,000
% of Charity Care to Net Revenue	1.9%	1.3%	1.6%

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

To demonstrate compliance with this criterion the Applicants must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The Applicants considered six (6) alternatives to the proposed project.

Alternative 1: Do Nothing/Continue Operations at Current Location

The Applicants note the pursuit of this option would not address the need for increased operational space for its physical therapy/occupational therapy programs. The number of patients seeking outpatient PT/OT has grown substantially and will continue to grow into

the future. This option was rejected based on the resulting patient access issues if no additional therapy space is introduced. There were no costs identified with this alternative.

Alternative 2: Utilize and Refer to Other Outpatient Locations

The applicants deemed this option as infeasible based on the existing patient base that already relies on Advocate Masonic to provide comprehensive PT/OT services in a facility that is easily accessible for them and their care givers. Additionally, patients currently receiving treatment at Advocate Masonic would be forced to seek services elsewhere, resulting in possible service disconnects and duplication of services. There were no costs identified with this alternative.

Alternative 3: Project of Greater Scope/Cost

The Applicants did consider a project of greater scope that would involve adding more levels to existing buildings on campus. However, this option would not meet the all critical clinical needs, or the need for additional parking. The project as proposed was carefully planned to meet the needs of the patients, the clinicians, and the community while remaining financially prudent. While a project of greater scope may provide more service space to accommodate future expansion, the financial commitment to a project of this scope would prove to be a significant commitment of the applicant's financial resources at this time. Cost of this alternative: \$60,000,000.

Alternative 4: Project of Lesser Scope/Cost

The Applicants did consider an option to build an outpatient rehabilitation services building, without space for physician's offices/clinics. While the financial aspects of this option were noted, the resulting lack of continuity of care and inability to streamline patient services rendered this option infeasible. The applicants are committed to provide comprehensive patient care in an environment that promotes patient access and improved clinical outcomes. The applicants feel the presence of physician office/clinic space is necessary to the comprehensive patient service model, and necessary in the proposed outpatient setting. Cost of this alternative: \$39,000,000.

Alternative 5: Utilize Other Health Care Resources

Based on the options available in pursuit of this alternative (none), this option was rejected. The applicants could not locate comparable spaces in the immediate service area to render this option feasible. No cost was identified with this alternative.

Alternative 6: Build a New Building for Rehabilitation Services with Physician Office/Clinic Space (Chosen Option)

This option was selected based on its ability to provide an appropriate amount of space needed for the proposed clinical programming, with physician office/clinic space, as well as options for expansion. In addition, this option is highly visible to its patient base, and will provide enough parking space. Cost of chosen option: \$42,602,274.

IX. Size of the Project, Projected Utilization and Assurances

A) Criterion 1110.120 (a) – Size of the Project

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

The Applicants propose to establish a Physical Therapy/Occupational Therapy outpatient care center on the campus of Advocate Illinois Masonic Medical Center, 901 West Wellington Avenue, Chicago, offering three clinical/reviewable services with only one being applicable to State standards in terms of size.

**TABLE FIVE
Size of the Project**

Service	Proposed	State Standard	Difference	Met Standard?
Reviewable				
Outpatient PT/OT	8,420	N/A	N/A	N/A
Physicians Exam Rooms	660	N/A	N/A	N/A
Outpatient Radiology	325	1,300	(975)	Yes
Total Reviewable	9,405			
Non-Reviewable				
Non-Reviewable	154,810	N/A	N/A	N/A
Total Non-Reviewable	154,810			
Grand Total	164,215			

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

B) Criterion 1110.120 (b) –Projected Utilization

To demonstrate compliance with this criterion, the Applicants must document that the projected utilization of the services in which the State Board has established utilization standards will be in conformance with the standards published in Part 1110 Appendix B.

The Applicants are proposing to establish a medical office building/outpatient care center in a newly constructed six-story building located on the campus of Advocate Illinois Masonic Medical Center, in Chicago. This facility will offer two clinical/reviewable services that do not have State standards for project utilization.

**TABLE SIX
Project Utilization**

Service	Historic* 2018	Projected* 2023	State *Standard Per unit	Met Standard?
OP Radiology	N/A	4,000	8,000	Yes
*Visits				

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

X. Clinical Services Other than Categories of Service

A) Criterion 1110.270 (b) – Need Determination-Service Modernization

The applicant shall describe how the need for the proposed modernization was determined by documenting the following:

1. Deteriorated Facilities and/or Necessary Expansion
2. Utilization – Service or Facility

The proposed services are being relocated from existing facilities located on the Advocate Illinois Masonic Medical Center campus to provide better patient care to the Physical Therapy/Occupational Therapy patient population served by the Hospital.

1) Deteriorated Facilities/Necessary Expansion: Physical Therapy/Occupational Therapy

The applicants note the current outpatient physical therapy/occupational therapy patient base is being treated at the inpatient facility, located on the third floor of the Medical Center. The applicants note this unit will continue to serve its inpatient population. However, the growth in utilization of outpatient PT/OT services has grown significantly, resulting in overcrowding at the inpatient facility, and a need to expand its outpatient services to a larger, more accessible location. Since 2013, the number of outpatient PT/OT procedures has increased an average of 10.3%, with the number of new outpatient rehabilitation patients increasing by 579 patients (a 13% increase), between 2017 and 2018. The existing facility currently has 19 licensed physical therapists, 2 occupational therapists, and treats patients 6 days a week. While the facility is operating at enough staffing levels, the spatial limitations at the existing

facility is greatly affecting patient access. New patients often wait 5-6 days to be seen by a therapist, while the industry standard is a 2-day waiting period. Visual privacy during treatment is also an issue, as well as physical detachment from physician examination rooms. The applicants propose to remedy all these issues with the relocation of its outpatient PT/OT services, and alleviate overcrowding at its inpatient PT/OT unit. Table Seven identified seven physicians and their projected office/imaging referrals to the facility upon project completion.

TABLE SEVEN Physician Referrals			
Physician	Specialty	Office Visits	Imaging Referrals
Philip Skiba M.D.	Sports Med.	2,000	1,000
Kaleigh Suhs M.D.	Sports Med.	2,000	1,000
Sara Brown M.D.	Sports Med/Family Med.	736	368
Van Do M.D.	Physical Med./Rehab	500	25
Jose Elizondo M.D.	Family Med.	200	300
Richard Guthmann M.D.	Family Med.	100	50
Julie Varga M.D.	Emergency Med.*	200	0
TOTAL		5,736	2,743

Referral Letters: Application pgs. 98-104
*Referrals

2) Deteriorated Facilities/Necessary Expansion: Imaging/Diagnostic Radiology

The applicants note the establishment of the proposed Imaging services is to serves the outpatient Physical Therapy/Occupational Therapy patient population at Advocate Illinois Masonic Medical Center. The proposed one-room Imaging service will be located proximal to PT/OT departments, and is expected to treat the patient volume identified in Table Seven. Based on the listed referrals for Imaging services, there appears to be sufficient need for one Imaging unit.

THE STATE BOARD STAFF FINDS PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE MODERNIZATION (77 IAC 1110.270 (d)(1))

XI. Financial Viability

A) Criterion 1120.120 - Availability of Funds

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with these criteria the Applicants must document sufficient cash to fund the proposed project and that the Applicants are financially viable.

The Applicants are funding this project with cash/securities totaling \$25,168,166, and project-related bond issues totaling \$17,434,108. The applicant (Advocate Aurora Health), has supplied Audited Financial Statements with their previous Project #19-023, and the results shown in Table Seven prove the Applicants have enough cash to fund the cash portion of the modernization. Additionally, Advocate Aurora Health has received “A-1+” Bond Rating from Standard & Poor’s Global Rating Services in a

report dated February 29, 2019. Also supplied was an F1+* rating from FitchRatings Services, dated February 22, 2019. The Applicants have sufficient resources available to fund this proposed project.

**Fitch Rating Terms. F1(xxx) Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or obligations in the same country. Under the agency's National Rating scale, this rating is assigned to the lowest default risk relative to others in the same country.*

TABLE SEVEN	
Advocate Aurora Health and Affiliates/Subsidiaries	
Year ended December, 2018	
(in thousands)	
	2018
Cash	\$584,887
Current Assets	\$2,726,609
Total Assets	\$16,732,789
Current Liabilities	\$2,327,939
LTD	\$162,025
Total Liabilities	\$760,304,299
Net Patient Revenue	\$6,489,812
Total Revenues	\$9,213,406
Income from Operations	\$358,867
Net Income	\$75,529
Source: Advocate Aurora Health Audited Financial Statement, Application, pgs. 125-183	

XII. Economic Feasibility

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

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

To demonstrate compliance with this criterion the Applicants must document the terms of the debt financing and attest the financing will be at the lowest cost available to the Applicants.

The Applicants are funding this project with cash/securities totaling \$25,168,166, and project-related bond issues totaling \$17,434,108. The Applicant (Advocate Aurora Health), has supplied Audited Financial Statements and the results shown in Table Seven prove the Applicants have enough cash to fund the cash portion of the modernization. Additionally, Advocate Aurora Health has received “A-1+” Bond Rating from Standard & Poor’s Global Rating Services in a report dated February 29, 2019, and an F1+ rating from FitchRatings service, dated February 22, 2019. It appears the Applicants have sufficient funds available to fund this project.

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

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

To demonstrate compliance with this criterion the Applicants must document that the project costs are reasonable by the meeting the State Board Standards in Part 1120 Appendix A.

Only the clinical/reviewable costs are reviewed in this criterion. The clinical/reviewable gross square footage for new construction is 9,405 GSF.

Preplanning Costs – These costs total \$16,395 and are .4% of new construction, contingencies and movable equipment (\$4,111,992). These costs appear reasonable when compared to the State Board Standard of 1.8%.

Site Survey/Preparation-Soil Investigation – These costs total \$132,250 and are 4.4% of new construction and contingency costs (\$3,011,992). This is in compliance when compared to the State standard of 5%.

New Construction and Contingencies – These costs total \$3,011,992 or \$320.25 GSF. ($\$3,011,992/9,405=\320.25). This appears reasonable when compared to the State Board Standard of \$362.97/GSF [new construction 2020 mid-point of construction]. At the conclusion of this report the Applicants note the premiums related to this project.

Contingencies – These costs total \$255,955 and are 9.3% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees – These costs total \$204,510 and are 6.8% of new construction and contingencies. These costs appear reasonable when compared to the State Board Standard of 6.42% -9.64%.

Consulting and Other Fees – These costs are \$10,779. The State Board does not have a standard for these costs.

Movable Equipment – These costs total \$1,100,000 and are not reviewable by the State Board (hospital).

Bond Issuance Expense – These costs total \$12,481. The State Board does not have a standard for these costs.

Net Interest Expense During Construction – These costs total \$79,650. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs total \$723,580. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(c))

A) Criterion 1120.140(d) – Projected Direct Operating Costs

To document compliance with this criterion the Applicants must document 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 mean the fully allocated costs of salaries, benefits and supplies for the service.

The Applicants are estimating \$20.00 in direct operating costs per case by the second year after project completion. The State Board does not have a standard for this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED DIRECT OPERATING COSTS (77 ILAC 1120.140(d))

B) Criterion 1120.140(e) – Total Effect of the Project on Capital Costs

To document compliance with this criterion the Applicants must document 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 Applicant is estimating \$21.00 in capital costs per case by the second year after project completion. The State Board does not have a standard for this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 ILAC 1120.140(e))

Justification for New Construction/Contingencies Costs

According to the Applicants: *“This project has several items that are unusual for a typical outpatient center and have added significantly over the expected cost.”*

Elements of the plan were affected by that include the following:

Project Premiums	
This project is planned on a very tight urban site with many limitations, such as no lay-down area for materials	\$200,000
The project will be challenged by meeting the requirements for construction adjoining a Chicago Transit Authority line and station.	\$250,000
Because this site is surrounded by residential property, there will be significantly more landscaping than usual for an outpatient center, in keeping with expectations of the neighbors.	\$30,000
The design of the parking garage will need to meet the expectations of the neighbors to “not look like a garage”. That will require considerable exterior wall elements.	\$4,500,000
The mechanical, electrical, and plumbing costs will be higher due to extra investment for LEED requirements.	\$40,000
Low Voltage wiring is typically done by the owner. However, it is included with construction costs in this project because the project is being constructed as an Integrated Project Delivery (IPD). The IPD approach is to eliminate waste and incorporate the LEAN principles in constructing the new building. It is more cost-effective to have one electrician manage the low-voltage system than three to four subcontractors working directly under the owner.	\$85,000
Construction within a residential neighborhood requires later starting and earlier stopping times, which in turn can limit the efficiency of the process. The noise ordinance prohibits major noise before 8:00am. There is a premium to the cost when the workers cannot start early in the day as they do in other parts of the city.	\$100,000
Project Premium Costs	\$5,205,000

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