



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> H-07	<b>BOARD MEETING:</b> December 10, 2019	<b>PROJECT NO:</b> 19-048	<b>PROJECT COST:</b>
<b>FACILITY NAME:</b> Palos Health Mokena Medical Office Building		<b>CITY:</b> Mokena	Original: \$29,658,300
<b>TYPE OF PROJECT:</b> Non-Substantive			<b>HSA: IX</b>

**DESCRIPTION:** The Applicants (The St. George Corporation and Palos Community Hospital) propose the establishment of a medical office building in approximately 48,000 GSF of space in Mokena, Illinois. The expected cost of the project is \$29,658,300. The expected completion date is January 1, 2022.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The Applicants (The St. George Corporation and Palos Community Hospital) propose the establishment of a medical office building in approximately 48,000 GSF of space in Mokena, Illinois. The expected cost of the project is \$29,658,300. The expected completion date is January 1, 2022.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- The Applicants propose to establish a medical office building that is “by or behalf of a health care facility” and the capital cost exceeds the capital expenditure minimum of \$13,743,450.

### **PUBLIC HEARING/COMMENT:**

- A public hearing was offered regarding the proposed project, but none was requested. No letters of support or opposition were received by the State Board.

### **SUMMARY:**

- The Applicants state that the purpose of this new medical office facility is to provide the infrastructure needed “*is to improve access to quality, coordinated, efficient and cost-effective services for the residents of Mokena and surrounding communities.*” The State Board does not have need, occupancy or utilization targets for the departments/services being proposed by this project. The Applicants have enough resources to fund this project as evidenced by their audited financial statements.
- The Applicants were required to address 14 criteria to establish a medical office building in Mokena. The Applicants have met all the requirements of the State Board.

**STATE BOARD STAFF REPORT**  
**Project #19-048**  
**Palos Health Mokena Medical Office Building**

<b>APPLICATION/CHRONOLOGY/SUMMARY</b>	
Applicants	The St. George Corporation, Palos Community Hospital
Facility Name	Palos Health Mokena Medical Office Building
Location	Southwest Corner of Route 30 and S. Owens Road, Mokena, Illinois
Permit Holder	St. George Corporation, Palos Community Hospital
Operating Entity/Licensee	Palos Health Mokena Medical Office Building
Owner of Site	Palos Community Hospital
Total GSF	48,000 GSF
Application Received	09/27/2019
Application Deemed Complete	10/03/2019
Review Period Ends	December 2, 2019
Financial Commitment Date	December 10, 2021
Project Completion Date	January 1, 2022
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	No

**I. Project Description**

The Applicants (The St. George Corporation and Palos Community Hospital) propose the establishment of a medical office building in approximately 48,000 GSF of space in Mokena, Illinois. The expected cost of the project is \$29,658,300. The expected completion date is January 1, 2022.

**II. Summary of Findings**

- A. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

**III. General Information**

The Applicants are Palos Community Hospital and The St. George Corporation. The St. George Corporation, an Illinois not-for-profit corporation, is the sole corporate member of Palos Community Hospital. Palos Community Hospital, an Illinois not-for-profit corporation, is a 397-bed acute care hospital in Palos Heights, Illinois. The proposed project is in the HSA IX and the A-13 Hospital Planning Area. Financial Commitment will occur after permit issuance. The project is subject to a Part 1110 and Part 1120 Review.

**IV. Health Service Area**

The project is in the HSA IX Service Area and the A-13 Hospital Planning Area. HSA IX includes the Illinois Counties of Grundy, Kankakee, Kendall, and Will. The A-13 Hospital Planning Area includes the counties of Grundy and Will. There are four acute care hospitals in the A-13 Hospital Planning Area:

**TABLE ONE  
Hospitals in the A-13 Hospital Planning Area**

Facility	City	Beds
Adventist Bolingbrook Hospital	Bolingbrook	138
Morris Hospital and Health Center	Morris	89
AMITA Health Presence St. Joseph Hospital	Joliet	498
Silver Cross Hospital and Medical Center	New Lenox	324

**Population**

The State Board is estimating the population in the A-13 Hospital Planning Area to increase by 4.4% annually for the period 2017-2022.

**TABLE TWO  
Projected Population in the A-13  
2017-2022**

Age	2017	2022	Annual % Increase
0-14	151,440	158,230	1.12%
15-44	293,150	349,700	4.82%
45-64	204,450	237,380	4.03%
65-74	57,560	78,860	9.25%
75+	36,650	50,250	9.28%
	743,250	874,420	4.41%

**V. Project Description**

The Applicants (Palos Community Hospital and The St. George Corporation) are asking the State Board to approve the construction of a 48,000 square foot three-story medical office building in Mokena, Illinois. The Applicants state that the facility will be owned by Palos Community Hospital. The Applicants assert that the medical office is intended for primary and specialty physician and other professional offices and at least 50 exam rooms. The goal will be to make key primary care services (e.g., internal medicine, GI, pediatrics, ob/gyn, dermatology, psychotherapy, dentistry) available immediately in the community. There is also an expectation that there may be orthopedic, ENT, oncology and other more specialized services as well as retail imaging services. The site of the medical office

building is the southwest corner of Route 30 and S. Owens Road which is currently undeveloped farm land.

**VI. Project Uses and Sources of Funds**

The project is to be funded by cash in the amount of \$29,658,300.

**TABLE THREE  
Project Uses and Sources of Funds**

Project Uses	Cost	% of Total
Preplanning Costs	\$25,000	0.08%
Site Survey and Soil Investigation	\$5,000	0.02%
Site Preparation	\$545,000	1.84%
New Construction Contracts	\$22,480,000	75.80%
Contingencies	\$1,073,300	3.62%
Architectural/Engineering Fees	\$1,544,500	5.21%
Consulting and Other Fees	\$50,000	0.17%
Movable or Other Equipment	\$3,895,500	13.13%
Other Costs to Be Capitalize	\$40,000	0.13%
<b>Total Project Uses</b>	<b>\$29,658,300</b>	<b>100.00%</b>
Sources of Funds		
Cash and Securities	\$29,658,300	100.00%
<b>Total Sources of Funds</b>	<b>\$29,658,300</b>	<b>100.00%</b>

**VII. Background of the Applicant, Purpose of Project, Safety Net Impact Statement, and Alternatives**

The information requirements contained in this Section are applicable to all projects except projects that are solely for discontinuation. An applicant shall document the *qualifications, background, character and financial resources to adequately provide a proper service for the community* and also demonstrate that the project promotes the *orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of facilities or service.* [20 ILCS 3960/2]

**A) Criterion 1110.110 (a) - Background of Applicants**

The Applicants attested there have been no adverse actions<sup>1</sup> taken against the health care facilities owned or operated by the Applicants during the three years prior to the

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<sup>1</sup> "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. As defined in Section 1-129 of the Nursing Home Care Act [210 ILCS 45], "Type 'A' violation" means a violation of the Nursing Home Care Act or of the rules promulgated thereunder which creates a condition or occurrence relating to the operation and maintenance of a facility presenting a substantial probability that risk of death or serious mental or physical harm to a resident will result therefrom or has resulted in actual physical or mental harm to a resident. As defined in Section 1-128.5 of the Nursing Home Care Act, a "Type AA violation"

filing of this application and have authorized the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information which the State Board or Agency finds pertinent to this subsection. The Applicants are in Good Standing with the State of Illinois (Application for Permit pages 27-28). A copy of the warranty deed was provided as proof of ownership of the site (Application for Permit pages 29-40). Licensure and Accreditation were also submitted (Application for Permit pages 52-53). The site is in compliance with Executive Order #2006-5 and with the Illinois State Historic Resources Preservation Act (20 ILCS 3420).

**B) Criterion 1110.110 (b) - Purpose of the Project**

The Applicants stated:  
*The Applicants propose to construct a new medical office building (MOB) in Mokena, Illinois. The purpose of this project is to improve access to quality, coordinated, efficient and cost-effective services for the residents of Mokena and surrounding communities. The Mokena MOB project will provide office space for additional physicians and midlevel providers to ensure the availability of healthcare services as care shifts to the outpatient setting. In doing so, the Project will improve access to patients residing in and around Mokena and enable healthcare professionals in the broader geographic area to provide healthcare services at the planned location. The Project will improve access in Mokena and surrounding areas to primary and specialty physician care, evaluation and treatment. Demand for physician services in the United States and in Illinois has grown substantially over the past two decades due to the nation’s expanding and aging population and improving insurance coverage and an emphasis on screening and preventative health care services as an alternative to hospitalization. These dynamics have led Palos to strengthen its physician alliances over the past several years. This project will address existing community demand and plan for anticipated growth among the services that will occupy the proposed building.*

**C) Criterion 1110.110 (c) - Safety Net Impact Statement**

No safety net impact statement is required for a non-substantive project.

**TABLE FOUR  
 Charity Care Expense  
 Palos Community Hospital**

	<b>2016</b>	<b>2017</b>	<b>2018</b>
Net Patient Revenue	\$362,985,454	\$358,570,224	\$353,923,632
Amount of Charity Care Charges	\$8,352,588	\$9,547,570	\$11,195,709
Cost of Charity care	\$1,881,234	\$2,073,066	\$2,525,278

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*means a violation of the Act or of the rules promulgated thereunder which creates a condition or occurrence relating to the operation and maintenance of a facility that proximately caused a resident's death. [210 ILCS 45/1-129]*

**TABLE FOUR**  
**Charity Care Expense**  
**Palos Community Hospital**

	2016	2017	2018
Ratio of the cost of Charity Care to Net Patient Revenue	0.52%	0.58%	0.71%

**D) Criterion 1110.110 (d) - Alternatives to the Proposed Project**

Only one alternative to the proposed project was considered. The Do Nothing Alternative.

The Applicants asserts that this option was rejected because of growing demand for services in the area and would not allow Palos Health to serve residents of Mokena and surrounding areas closer to home. Further, it would not extend the care continuum and complement the acute services provided at the hospital or provide for enhancement of ambulatory care services access in the communities Palos Health serves.

**VIII. Project Size, Project Utilization, and Assurances**

- A) Criterion 1110.120 (a) – Project Size**
- B) Criterion 1110.120 (b) – Utilization**
- C) Criterion 1110.120 (e) - Assurance**

The proposed medical office building will be three levels in 48,000 GSF of space. The State Board does not have a standard for the size of physician offices or the utilization of that space.

**TABLE FIVE**  
**Cost Space Requirements**

Department	Cost	Gross Square Feet
Physician Offices	\$23,289,600	36,000
Lobby	\$5,123,760	9,600
Stairwell	\$1,244,940	2,400
<b>Total</b>	<b>\$29,658,300</b>	<b>48,000</b>

**IX. Financial Viability**

**A) Criterion 1120.120 – Availability of Funds**

**B) Criterion 1120.130 – Financial Viability**

The Applicants propose to fund this project with cash from internal resources. A review of the audited financial statement indicates that resources are available to fund this project.

**TABLE SIX**  
**The St. George Corporation and Subsidiaries**  
**Audited Financial Statements**  
**December 31, 2018 and 2017**  
**(Dollars in Thousands)**

	2018	2017
Current Assets	\$139,860	\$168,077
Investments	\$753,088	\$799,153
PPE (Net)	\$559,149	\$553,259
Other Assets	\$10,418	\$4,837
Total Assets	\$1,462,515	\$1,525,326
Current Liabilities	\$113,284	\$112,649
Total Liabilities	\$484,117	\$496,125
Total Net Assets	\$978,398	\$1,029,201
Net Patient Revenue	\$381,294	\$378,848
Total Revenue	\$407,371	\$411,682
Expenses	\$405,526	\$391,553
Operating Income	\$1,446	\$20,129

**X. Economic Feasibility**

**A) Criterion 1120.140 (a) – Reasonableness of Project Costs**

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

The project is being funded entirely with cash. No debt financing is being utilized.

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

**D) Criterion 1120.140 (d) – Direct Operating Costs**

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

The State Board does not have a project cost standard for non-reviewable space or a standard for direct operating cost and capital costs for a medical office building.

# 19-048 Palos Health Mokena Medical Office Building - Mokena

