



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-10	BOARD MEETING: December 10, 2019	PROJECT NO: 19-052	PROJECT COST: Original: \$26,931,589
FACILITY NAME: Riverside Medical Center Medical Office Building		CITY: Bourbonnais	
TYPE OF PROJECT: Non-Substantive			HSA: IX

PROJECT DESCRIPTION: The Applicants (Riverside Medical Center and Riverside Health System d/b/a Riverside Healthcare) are proposing to establish a Medical Office Building (MOB) in 75,000 GSF of newly constructed space, located on the northeast corner of Burns Road and Route 45, in Bourbonnais. Project cost: \$26,931,589. The completion date as stated in the application for permit is October 31, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Riverside Medical Center and Riverside Health System d/b/a Riverside Healthcare) are proposing to establish a 3-story Medical Office Building containing Outpatient Physical Therapy/Occupational Therapy and Radiology services. The Medical Office Building (MOB), will contain 75,000 GSF of newly constructed space, with 25,000 GSF of this space identified as shell space to provide for the Applicants future growth. The MOB will be located on the northeast corner of Burns Road and Route 45, Bourbonnais, at a cost of \$26,931,589. The completion date as stated in the application for permit is October 31, 2021.
- The Applicants will need to submit an Application for Permit for the proposed shell space.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

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

BACKGROUND:

- Riverside Health System/Riverside Healthcare owns/operates the following healthcare entities/facilities in Illinois:
 - Riverside Medical Center Kankakee, IL
 - Riverside Senior Living Center Kankakee, IL
 - Riverside Ambulatory Treatment Ctr. Bourbonnais, IL
 - Center for Digestive Health Bourbonnais, IL
 - OAK Surgical Institute Bradley, IL
- In addition to the abovementioned health care facilities, the Applicants operate numerous specialty/outpatient care clinics throughout HSA-09.

PURPOSE:

- According to the Applicants, *“The project is proposed to provide improved patient access for primary and specialty care services for patients in the primary service area of Riverside Medical Center (“Riverside”). The Riverside Medical Group (RMG), is a physician-owned and an Advanced Practice Provider (APP), group owned by Riverside, which has grown in size from 43 providers in 2009 to a current complement of 174 providers. The project is intended for occupancy by RMG providers to address a critical shortage of available space for newly recruited physicians and APPs. The addition of 50,000 GSF of new physician office space, including a portion for radiology and PT/OT services, will provide a much-needed option for newly recruited physicians in the coming years. Existing RMG members’ practice growth will also be accommodated in the new facility as they outgrow current, temporary quarters. The goal of the construction of the MOB is to provide quality and easily accessible office space for RMG providers. Upon completion of the project, that goal as it relates to serving Riverside’s primary market will be met.”*

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and no letters of support or opposition were received.

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 involve the establishment of reviewable components (Radiology). The project is by or on behalf of a health care system, and the project cost (\$26,931,589), is more than 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 not met the following:

Criterion	Reasons for Non-Compliance
77 ILAC 1110.140 (c) Reasonableness of Project Costs	The Applicants have exceeded the State Board standard for New Construction and Contingencies Costs by \$7.96 per GSF. The Applicants supplied justification for the overage on the last page of this application.

STATE BOARD STAFF REPORT

#19-052

**Riverside Medical Center Medical Office Building
APPLICATION SUMMARY/CHRONOLOGY**

Applicants	Riverside Medical Center Riverside Health System d/b/a Riverside Healthcare
Facility Name	Riverside Medical Center Medical Office Building
Location	NE Corner of Route 45 and Burns Road, Bourbonnais
Application Received	October 17, 2019
Application Deemed Complete	October 21, 2019
Review Period Ends	December 20, 2019
Permit Holder	Riverside Medical Center
Operating Entity	Riverside Medical Center
Owner of the Site	Riverside Medical Center
Project Financial Commitment Date	December 10, 2020
Departmental Gross Square Footage	75,000 DGFSF
Project Completion Date	October 31, 2021
Expedited Review	Yes
Can Applicants Request a Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The Applicants (Riverside Health System d/b/a Riverside Healthcare and Riverside Medical Center) are proposing to establish an Outpatient Care Center/Medical Office Building (MOB) on the northeast corner of Route 45 and Burns Road, at a cost of \$26,931,589. The anticipated completion date as stated in the application for permit is October 31, 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 **not** conformance with the provisions of Part 1120.

III. General Information

The Applicants are Riverside Health System d/b/a Riverside Healthcare and Riverside Medical Center. Riverside Medical Center is an Illinois not for profit corporation incorporated in 1959. Riverside Health System is the parent company of Riverside Medical Center, and its sister-facilities (application, p. 34).

The proposed outpatient care center/medical office building will be located on the northeast corner of Route 45 and Burns Road, on Riverside Medical center’s outpatient campus in Bourbonnais. The proposed facility will be in the HSA IX Service Area and the A-14 Hospital Planning Area. HSA IX includes Grundy, Kankakee, Kendall, and Will Counties. The A-14 Hospital Planning Area includes Kankakee County and its affiliated townships. There are two (2) hospitals in the A-14 Hospital Planning Area

TABLE ONE
Hospitals within the A-14 Hospital Planning Area

Hospital	City	Beds
Presence St. Mary’s Hospital	Kankakee	182
Riverside Medical Center	Kankakee	318

Taken from CY2018 Hospital Profile

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 (Riverside Health System d/b/a Riverside Healthcare and Riverside Medical Center) are proposing to establish an Outpatient Care center/Medical Office Building (MOB), in 75,000 GSF of newly constructed space on the Bourbonnais campus of Riverside Medical Center.

The proposed MOB will consist of 16,890 GSF of reviewable space, with the remaining 58,110 GSF designated as being non-reviewable. The proposed facility will house Imaging Services (1,033 GSF), containing two radiographic units, Physical Therapy (13,761 GSF), and Occupational Therapy (2,096 GSF).

V. Project Uses and Sources of Funds

The Applicants are funding this project in its entirety with cash/securities of \$26,931,589. The applicants provided proof of its A-Bond Rating (dated April 2019), 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
Site Preparation	\$198,490	\$664,510	\$863,000	3.2%
Off-Site Work	\$22,080	\$73,920	\$96,000	.5%
New Construction Contracts	\$4,632,537	\$14,442,245	\$19,074,995	70.8%
Contingencies	\$463,254	\$1,444,245	\$1,907,499	7%
Architectural & Engineering Fees	\$353,616	\$1,183,844	\$1,537,460	5.7%
Consulting and Other Fees	\$82,971	\$277,774	\$360,745	1.3%
Movable or Other Equipment	\$656,222	\$900,418	\$1,556,640	5.8%
Other Costs to Be Capitalized	\$353,107	\$1,182,143	\$1,535,250	5.7%
Total Uses of Funds	\$6,762,277	\$20,169,312	\$26,931,589	100.00%
Project Sources of Funds	Reviewable	Non-Reviewable	Total	% of Total
Cash/Securities	\$6,762,277	\$20,169,312	\$26,931,589	100.00%
Total Sources of Funds	\$6,762,277	\$20,169,312	\$26,931,589	100.00%

VI. Costs Space Requirements

The Applicants are proposing 75,000 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 16,890 GSF (22.5%), of the 75,000 GSF will be classified as reviewable, and that 23,810 GSF of the non-reviewable space will be established as shell space, in which the Applicants will file a second application to build out.

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

Reviewable	Existing GSF	Cost	Proposed GSF	New Construction (GSF)	% of Total
Reviewable					
Physical Therapy	0	\$3,838,956	13,761	13,761	
Occupational Therapy	0	\$1,699,163	2,096	2,096	
Imaging	0	\$1,224,158	1,033	1,033	
Total Reviewable	0	\$6,762,277	16,890	16,890	22.5%
Total Non-Reviewable	0	\$26,931,589	58,110	58,110	77.5%
GRAND TOTAL	0	\$26,931,589	75,000	75,000	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 for Riverside Medical Center at pages 46-47 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 page 45]
 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. Riverside Medical Center, A Domestic Corporation, Incorporated under the Laws of This State on May 20, 1959, is in Good Standing as a Domestic Not-for-Profit Corporation in the State of Illinois.
 5. Riverside Health System, Incorporated under the Laws of This State on February 19, 1982, is in Good Standing as a Domestic Corporation in the State of Illinois.
 6. Evidence of Site Ownership was provided at pages 29-31 of the Application for Permit.
 7. The Applicants are in compliance with Executive Order #2006-05 and the Illinois Historic Preservation Agency.
 8. 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, "The project is proposed to provide improved patient access for primary and specialty care services for patients in the primary service area of Riverside Medical Center ("Riverside"). The Riverside Medical Group (RMG), is a physician-owned and an Advanced Practice Provider (APP), group owned by Riverside, which has grown in size from 43 providers in 2009 to a current complement of 174 providers. The project is intended for occupancy by RMG providers to address a critical shortage of available space for newly recruited physicians and APPs. The addition of 50,000 GSF of new physician office space, including a portion for radiology and PT/OT services, will provide a much-needed option for newly recruited physicians in the coming years. Existing RMG members' practice growth will also be accommodated in the new facility as they outgrow current, temporary quarters. The goal of the construction of the MOB is to provide quality and easily accessible office space for RMG providers. Upon completion of the project, that goal as it relates to serving Riverside's primary market will be met."

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 Riverside Medical Center, Riverside Ambulatory Surgery Center, and Riverside Senior Living Center.

**TABLE FOUR
Charity Care Information**

Riverside Medical Center			
	2016	2017	2018
Net Patient Revenue	\$295,481,925	\$312,770,233	\$351,939,733
Amount of Charity Care	\$2,734,253	\$3,535,312	\$17,874,267
Cost of Charity Care	\$2,734,253	\$3,535,312	\$3,961,009
% of Charity Care to Net Revenue	0.9%	1.1%	1.1%
Riverside Ambulatory Surgery Center			
	2016	2017	2018
Net Patient Revenue	\$3,008,050	\$3,500,598	\$2,992,617
Amount of Charity Care	\$0	\$0	\$0
Cost of Charity Care	\$0	\$0	\$0
% of Charity Care to Net Revenue	0%	0%	0%

Riverside Senior Living Center			
	2016	2017	2018
Net Patient Revenue	\$16,508,158	\$15,761,151	\$15,505,336
Amount of Charity Care	\$0	\$0	\$0

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 (4) alternatives to the proposed project.

Alternative 1: Do Nothing/

The Applicants note the pursuit of this option would not address the need for increased operational space for its outpatient physical therapy, occupational therapy, and radiology programs, nor would it address the imminent need for physician office space. The number of physicians affiliating with Riverside Health System has increased exponentially, resulting in the need for additional space. This option was rejected based on the resulting physician office space issues if no new space is introduced. There were no costs identified with this alternative.

Alternative 2: Expand Current MOB Facilities

The applicants note the presence of existing physician office buildings in Kankakee, Bourbonnais, and Bradley-its primary service area. The Applicants performed feasibility studies on these facilities to determine if expansions at these facilities was possible. These studies showed that age and structural limitations at these facilities made this option cost prohibitive. Project costs identified with this alternative: \$25,000,000+.

Alternative 3: Lease/Purchase Existing Space

The Applicants engaged the services of a commercial realtor to determine feasibility of this option. Based on the spatial needs of a project of this scope, there were no existing buildings available in the immediate area. The only option close to meeting the needs of the Applicants was rejected due to size, price, and cost of renovation. Cost of this alternative: \$356.00 per GSF.

Alternative 4: Joint Venture with Other Providers

The Applicants note a typical venture of this magnitude would involve a partnership with area physicians. The Applicants state Riverside Health is an integrated health system and the physician group RMG is already a collaborative stakeholder. This option was rejected because of its existing affiliative agreements. No Project costs were identified with this alternative.

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 an outpatient care center/MOB on the Riverside Medical Center Bourbonnais campus, offering four 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	13,761	N/A	N/A	N/A
Outpatient OT	2,096	N/A	N/A	N/A
Physician Offices	14,492	N/A	N/A	N/A
General Radiology	1,033 (2 Units)	1,300 per unit	(1,300)	Yes
Total Reviewable	31,382			
Non-Reviewable				
Non-Reviewable	43,618	N/A	N/A	N/A
Total Non-Reviewable	43,618			
Grand Total	75,000			

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 3-story medical office building/outpatient care center in a newly constructed building located on the satellite campus of Riverside Medical Center, Bourbonnais. The MOB will house Physical Therapy (PT), Occupational Therapy (OT), and Radiology services. Of the services, Radiology is the only service with utilization standards. Table Six identifies the projected use of the 2 proposed radiographic units after project completion, and it appears the Applicants are in compliance with this criterion.

**TABLE SIX
Project Utilization**

Service	Historic* 2019	Projected* 2023	State *Standard Per unit	Met Standard?
OP Radiology (2 Units)	9,500	13,915	8,000	Yes
Physician’s Offices	17,824	29,038	N/A	N/A
PT/OT	15,480	28,634	N/A	N/A

*Visits

C) Criterion 111.120(d) – Unfinished or Shell Space

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

During the construction phase of this project, the Applicants propose to build out the shell of the 3rd floor and leave it to be classified as shell space. In the future, the Applicants propose to build out this 25,000GSF area to house additional physician offices (24,025 GSF), and a possible MRI suite (975 GSF). The Applicants are establishing this shell space to accommodate future growth in its physician’s group, which has increased by 233% in the past five years and will submit the appropriate Certificate of Need before the construction phase of this area begins.

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-Establishment

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

1. Service to Planning Area Residents
2. Service Demand
3. Impact of the Proposed Project on Other Area Providers

4. Utilization

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) Need Determination-Establishment

The Applicants note the main purpose of the proposed project is to increase accessibility for patients in the primary service area, to include: Kankakee, Bradley, Bourbonnais. The Applicants have determined that 75.3% of all patients served through RMG provider visits reside in the primary service area. The Applicants also provided a list containing 43 zip codes from within the service area (application, p. 61), that supports the need for establishment.

2) Need Determination-Service Demand

The Applicants note the proposed project will initially house offices for Orthopedic Surgeons, Podiatrists, and Pain Management Specialists from RMG. Since the Applicants established a new Orthopedic group in 2018, there has been rapid growth in these practices, which is expected to experience growth at a rate of 15% annually. In addition to Orthopedics, Podiatry has experienced similar growth (45.8%), and will be located in the new MOB as well. It is hoped that this project will stem any out-migration of the patients from the planning area. To support the above-mentioned practices, two general radiographic units and physical therapy/occupational therapy will be established to further serve this patient population. As evidenced by the data in Tables Five and Six, these modalities comply with State board standards for space and utilization.

3) Impact of the Proposed Project on Area Providers

The Applicants note that Riverside Medical Center and its affiliated physician group are part of an integrated health system, and referrals for the proposed services will be made predominately from physicians affiliated within the RMG network. The Applicants conclude by attesting the proposed facility and its affiliated physicians will provide state of the art care in a modern, conveniently located facility in Bourbonnais..

THE STATE BOARD STAFF FINDS PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE ESTABLISHMENT (77 IAC 1110.270 (b))

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 in its entirety with cash/securities totaling \$26,931,589. The applicant (Riverside Health System), has supplied Audited Financial Statements, and the results shown in Table Seven prove the Applicants have enough cash to fund the construction project in its entirety. Additionally, Riverside Health System has received an “A2- Stable” Bond Rating from Moody’s Investors Services in a report dated April 23, 2018, and an A+-Stable Bond Rating from Standard & Poor’s, in a report dated April 1, 2019. The Applicants have sufficient resources available to fund this proposed project.

	2016	2017	2018
Cash	\$31,483,380	\$69,760,415	\$72,464,726
Current Assets	\$113,108,794	\$140,268,912	\$148,571,914
Total Assets	\$600,329,134	\$648,808,322	\$644,486,885
Current Liabilities	\$60,774,936	\$66,959,712	\$71,518,980
LTD	\$134,208,161	\$131,450,878	\$118,405,575
Total Liabilities	\$217,686,374	\$222,404,150	\$218,201,897
Net Patient Revenue	\$314,911,803	\$334,898,408	\$351,939,733
Total Revenues	\$308,535,331	\$335,363,482	\$356,972,082
Income from Operations	\$13,489,817	\$12,560,764	\$13,639,172
Net Income	\$30,032,230	\$43,761,412	(\$119,184)
Source: Advocate Aurora Health Audited Financial Statement, Application, pgs. 125-183			

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS AND FINANCIAL VIABILITY (77 ILAC 1120.120 AND 77 ILAC 1120.130)

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 \$26,931,589. The Applicant (Riverside Health System), has supplied Audited Financial Statements and the results shown in Table Seven prove the Applicants have enough cash to fund the construction project in its entirety. Additionally, Riverside Health System has received an “A+-Stable” Bond Rating from Standard & Poor’s Global Rating Services in a report dated April 1, 2019, and an A2-Stable rating from Moody’s Investors Service, dated April 23, 2018. 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 16,890 GSF.

Site Survey/Preparation-Soil Investigation – These costs total \$198,490 and are 3.9% of new construction and contingency costs (\$5,095,791). This is in compliance when compared to the State standard of 5%.

New Construction and Contingencies – These costs total \$5,095,791 or \$301.70 GSF. ($\$5,095,791/16,890=\301.70). This appears **high** when compared to the State Board Standard of \$293.74/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 \$463,254 and are 10% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees – These costs total \$353,616 and are 6.9% of new construction and contingencies. These costs appear reasonable when compared to the State Board Standard of 6.11% -9.17%.

Consulting and Other Fees – These costs are \$82,971. The State Board does not have a standard for these costs.

Movable Equipment – These costs total \$656,222 and are not reviewable by the State Board (hospital).

Other Costs to be Capitalized – These costs total \$353,107. The State Board does not have a standard for these costs.

The Applicants have exceeded the State Board standard for New Construction and Contingencies Costs by \$7.96 per GSF. The Applicants supplied justification for the overage on the last page of this application. A negative finding results for this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT 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 note this criterion is inapplicable to this project, because this project does not involve Hospital services. 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 Applicants note this criterion is inapplicable to this project, because this project does not involve Hospital services. 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

The Applicants engaged an architectural firm to determine calculated additional costs that resulted in the excessive New Construction and Contingencies costs. They are as follows:

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

Project Premiums	
Site Constraints: The proposed project is at a low elevation, and subject to natural drainage from surrounding areas. Remediation accounted for the following expense	\$300,000
Advanced Infrastructure: The building requires advanced equipping of infrastructure to account for the Imaging modalities, and the shell space	\$150,000
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
Efficient Design: While the gross square footage of the Imaging department is within State Guidelines, the cost of finishing out this area still remains at a premium	\$250,000
Imaging Shield: In anticipation of future growth and complexity of Radiology equipment, the costs of shielding and radiographic protection will be increased in this facility	\$75,000
Emergency Generator: While not normally provided for a medical office building, the Applicants are requesting an emergency generator for the safety of its staff and patients	\$250,000
Natural Lighting: The Applicants not eth building façade will have an increased amount of vision windows , specifically in the PT/OT areas. The Applicants also cite studies that indicate natural light provides significant benefits in the healing process.	\$125,000
Union Labor: The Applicants are committed themselves to employing Union trades people in the construction of this facility. While there is no quantifiable figure to present, this does result in higher construction costs.	Not Quantified
Project Premium Costs	\$1,150,000

19-052 Riverside Medical Center Medical Office Building - Bourbonnais

