



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-05	BOARD MEETING: June 30, 2020	PROJECT NO: 20-013	PROJECT COST: Original: \$28,903,127
FACILITY NAME: Northwestern Medicine Bloomingdale Medical Office Building		CITY: Bloomingdale	
TYPE OF PROJECT: Non-Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (Northwestern Memorial Healthcare and Central DuPage Hospital Association d/b/a Northwestern Medicine Central DuPage Hospital) are proposing to establish a Medical Office Building (MOB), to house physician office/practice space, diagnostic imaging, and physical therapy. The proposed MOB will be located at 235 South Gary Avenue, Bloomingdale. Project cost: \$28,903,127. The completion date as stated in the application for permit is June 30, 2022.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Northwestern Memorial Healthcare and Central DuPage Hospital Association d/b/a Northwestern Medicine Central DuPage Hospital) are proposing to establish a Medical Office Building, in 48,822 GSF of renovated space located at 235 South Gary Avenue, Bloomingdale, at a cost of \$28,903,127. The completion date as stated in the application for permit is June 30,2022.
- The proposed project seeks to consolidate physician practice space for Northwestern Medicine physicians, improve efficiencies, and accommodate the projected demand for Northwestern Medicine services in the primary service area. Additionally, diagnostic imaging and physical therapy services will be provided in an effort to improve patient access to quality health care and co-locate outpatient services into one convenient location.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project includes Clinical Service Areas, and the project cost exceeds the Capital Expenditure Threshold of \$13,743,450.

BACKGROUND:

- Northwestern Memorial Healthcare owns/operates the following healthcare facilities:

○ Northwestern Memorial Hospital, Chicago	HSA-06
○ Northwestern Lake Forest Hospital, Lake Forest	HSA-08
○ Central DuPage Hospital, Winfield	HSA-07
○ Delnor Community Hospital, Geneva	HSA-08
○ Marianjoy Rehabilitation Hospitals & Clinics, Wheaton	HSA-07
○ Kishwaukee Community Hospital, DeKalb	HSA-01
○ Valley West Community Hospital, Sandwich	HSA-01
○ Grayslake Freestanding Emergency Center, Grayslake	HSA-08
○ Grayslake ASTC, Grayslake	HSA-08
○ Grayslake Endoscopy ASTC, Grayslake	HSA-08
○ Cadence Ambulatory Surgery Center, Warrenville	HSA-07
○ The Midland Surgical Center, Sycamore	HSA-01
○ Illinois Proton Center, Warrenville	HSA-07
○ Northwestern Illinois Medical Center, McHenry	HSA-08
○ Northwestern Illinois Medical Center, Huntley	HSA-08
○ Memorial Medical Center, Woodstock	HSA-08
- Northwestern Medicine is an integrated healthcare system that combines healthcare and teaching to transform the future of healthcare. Northwestern Memorial Healthcare combined with Northwestern University Feinberg School of Medicine, combines research, teaching and patient care activities to provide a culture of comprehensive patient care.

PURPOSE:

- According to the Applicants, *“The purpose of this project is to improve access to NM care by consolidating three medical office sites into one modernized location. Currently, NM physicians are in three buildings that are within 5 miles of each other: 1) Stratford South (245 Gary Avenue, Bloomingdale) 2) Mon Kea Medical Park (501 Thornhill Drive, Carol Stream) 3) Stratford North (proposed project site at 235 Gary Avenue, Bloomingdale). The proposed project will serve NM patients by consolidating NM physicians and services into one location in Bloomingdale. This consolidation will improve efficiencies, accommodate projected demand in NM services in the primary service area, and allow for the co-location of specialty services. The goal of the proposed*

project is to increase accessibility to preventative services for all community residents. More accessible preventive services will prove beneficial in improving health status, increasing life spans, and elevating the quality of life, as well as lowering costs associated with caring for late-stage diseases resulting from a lack of preventative care.”

PUBLIC HEARING/COMMENT:

- A public hearing was requested regarding the proposed project, and no letters of opposition or support were received. A public hearing was conducted on June 15, 2020 by the State Board Staff.

SUMMARY:

- The State Board Staff reviewed the Application for Permit and the Applicants appear to have met all applicable criteria.

STATE BOARD STAFF REPORT

#20-013

Northwestern Medicine Bloomingdale Medical Office Building

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Northwestern Memorial Healthcare Central DuPage Hospital Association d/b/a Northwestern Medicine Central DuPage Hospital
Facility Name	Northwestern Medicine Bloomingdale Medical Office Building
Location	235 South Gary Avenue, Bloomingdale
Application Received	February 14, 2020
Application Deemed Complete	February 18, 2020
Review Period Ends	April 18, 2020
Permit Holder	Central DuPage Hospital Association d/b/a Northwestern Medicine Central DuPage Hospital
Operating Entity	Central DuPage Hospital Association d/b/a Northwestern Medicine Central DuPage Hospital
Owner of the Site	Central DuPage Hospital Association d/b/a Northwestern Medicine Central DuPage Hospital
Project Financial Commitment Date	May 19, 2021
Departmental Gross Square Footage	48,822 GSF (11,388 GSF Clinical)
Project Completion Date	June 30, 2022
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 (Northwestern Memorial Healthcare and Central DuPage Hospital Association d/b/a Northwestern Medicine Central DuPage Hospital) are proposing to establish a Medical Office Building (MOB) at 235 South Gary Avenue, Bloomingdale, at a cost of \$28,903,127. The anticipated completion date as stated in the application for permit is June 30, 2022.

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 Northwestern Memorial Healthcare and Central DuPage Hospital Association d/b/a Northwestern Medicine Central DuPage Hospital. The Applicants are a health system with facilities located in and throughout the metropolitan Chicago area (see page 2 of the report). Northwestern Medicine owns/operates 16 medical facilities in the Chicago metropolitan area, and is affiliated with the Northwestern University Feinberg School of Medicine.

The proposed Medical Office Building/Physicians Offices will be located in 48,822 GSF of renovated space, located at 235 South Gary Avenue, in Bloomingdale. The Medical Office Building will be located in the HSA VII Health Service Area and the A-05 Hospital Planning Area. HSA VII includes suburban Cook and DuPage counties in Illinois. The A-05 Hospital Planning Area includes DuPage County. There are six (6) hospitals in the A-05 Hospital Planning Area

TABLE ONE
Hospitals in the A-05 Hospital Planning Area

Hospitals	City	Beds ⁽¹⁾
Adventist Glen Oaks Hospital	Glendale Heights	57
Adventist Hinsdale Hospital	Hinsdale	131
Advocate Good Samaritan Hospital	Downers Grove	152
Central DuPage Hospital	Winfield	233
Edward Hospital	Naperville	243
Elmhurst Hospital	Elmhurst	196

1. Information from 2019 Hospital Profiles

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 (Northwestern Memorial Healthcare and Central DuPage Hospital Association d/b/a Northwestern Medicine Central DuPage Hospital) are proposing to establish a medical office building/physician office site in 48,822 GSF of renovated space in Bloomingdale. The facility will provide physical therapy and diagnostic imaging services, which are classified as clinical and reviewable under the size and utilization standards of the Illinois Health Facilities and Services Review Board (IHFSRB). The clinical components will consist of 11,388 GSF of space, and include the following:

Imaging (3,927 DGSF)

- 1 Magnetic Resonance Imaging (MRI)
- 1 Mammography Unit
- 1 Dual Energy X-Ray Absorptiometry (DEXA) Unit
- 2 X-Ray Units

Physical Therapy (7,461 DGSF)

- 11 Exam Rooms
- 2 Therapy Gyms
- 1 Speech Therapy Room
- 1 Splint Room
- Staff & Patient Toilets
- Staff Workroom
- Registration Area
- Waiting Room

V. Project Uses and Sources of Funds

The Applicants are funding this project in its entirety with cash/securities totaling \$28,903,127. Based on the financing instruments utilized, the project is internally funded.

TABLE TWO				
Project Costs and Sources of Funds				
Project Uses	Reviewable	Non-Reviewable	Total	% of Total
Preplanning Costs	\$23,559	\$126,441	\$150,000	.5%
Site Survey/Soil Investigation	\$15,706	\$84,294	\$100,000	.3%
Site Preparation	\$105,228	\$564,772	\$670,000	2.3%
New Construction Contracts	\$2,199,075	\$11,802,650	\$14,001,725	48.4%
Contingencies	\$219,908	\$1,080,265	\$1,400,173	4.9%
Architectural & Engineering Fees	\$168,837	\$906,163	\$1,075,000	3.8%
Consulting and Other Fees	\$109,940	\$590,060	\$700,000	2.4%
Movable or Other Equipment	\$3,504,837	\$2,655,163	\$6,160,000	21.3%
Other Costs to be Capitalized	\$168,444	\$904,056	\$1,072,500	3.7%
Acquisition of Building or Other Property	\$833,592	\$2,740,137	\$3,573,729	12.4%
Total Uses of Funds	\$7,349,125	\$21,554,001	\$28,903,127	100.00%
Project Sources of Funds	Reviewable	Non-Reviewable	Total	% of Total
Cash/Securities	\$7,349,125	\$21,554,001	\$28,903,127	100%
Total Sources of Funds	\$7,349,125	\$21,554,001	\$28,903,127	100.00%

VI. Costs Space Requirements

The Applicants are proposing to establish 11,388 GSF for clinical services, while the remaining 37,434 DGSF will be classified as non-clinical. The entirety of this spatial configuration will consist of newly constructed space.

TABLE THREE				
Cost/Space Requirements for Modernization				
Reviewable/Clinical	Cost	Proposed	Modernization	% of Total
Diagnostic Imaging	\$1,079,925	3,927	3,927	8%
Physical Therapy	\$1,119,150	7,461	7,461	15.3%
Clinical Subtotal	\$2,199,075	11,388	11,388	23.3%
Non-Reviewable/Non-Clinical	Cost	Proposed	Modernization	% of Total
Physician Office Space	\$8,422,650	37,434	37,434	
MEP Systems	\$725,000			
Infrastructure/Shell/Core Upgrades	\$2,655,000			
Non-Clinical Subtotal	\$11,802,650	37,434	37,434	76.7%
GRAND TOTAL	\$14,001,725	48,822	48,822	100.00%

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 page 41 of the application for permit.
2. No adverse actions have been taken against any facility owned and/or operated by the Applicants. [Application for Permit page 41-42]
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify information submitted has been provided at Application for Permit page 41-42.

4. Central DuPage Hospital Association, A Domestic Corporation, Incorporated under the Laws of This State On August 5, 1958, is in Good Standing as a Domestic Not-for-Profit Corporation in the State of Illinois.
5. Northwestern Memorial Healthcare., Incorporated under the Laws of this state on November 30, 1981, is in Good Standing as a Domestic Not-for-Profit Corporation in the State of Illinois.
6. Evidence of Site Leasehold Interest was provided at page 25-29 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.

“The purpose of this project is to improve access to NM care by consolidating three medical office sites into one modernized location. Currently, NM physicians are in three buildings that are within 5 miles of each other: 1) Stratford South (245 Gary Avenue, Bloomingdale) 2) Mon Kea Medical Park (501 Thornhill Drive, Carol Stream) 3) Stratford North (proposed project site at 235 Gary Avenue, Bloomingdale). The proposed project will serve NM patients by consolidating NM physicians and services into one location in Bloomingdale. This consolidation will improve efficiencies, accommodate projected demand in NM services in the primary service area, and allow for the co-location of specialty services. The goal of the proposed project is to increase accessibility to preventative services for all community residents. More accessible preventive services will prove beneficial in improving health status, increasing life spans, and elevating the quality of life, as well as lowering costs associated with caring for late-stage diseases resulting from a lack of preventative care.”

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

All health care facilities, with the exception of 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]*

TABLE FOUR Charity Care Information			
Northwestern Medicine Central DuPage Hospital	FY2016	FY2017	FY2018
Net Patient Revenue	\$944,444,582	\$1,035,941,422	\$1,061,914,728
Amount of Charity Care (charges)	\$76,395,165	\$76,471,373	\$66,695,042
Cost of Charity Care	\$13,263,598	\$13,433,053	\$11,617,560
% if Charity Care to Net Revenue	1.4%	1.3%	1%
Northwestern Memorial Healthcare	FY2016	FY2017	FY2018
Total Patient Revenue	\$4,081,581,000	\$4,547,371,208	\$4,877,615,420
Amount of Charity Care (charges)	\$386,070,000	\$308,814,605	\$321,715,102
Cost of Charity Care	\$80,459,000	\$65,761,106	\$65,929,276
% if Charity Care to Net Revenue	2.0%	1.4%	1.3%

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 four (4) alternatives to the proposed project.

Alternative 1: Build a New Medical Office Building in the Area

The Applicants determined that pursuit of this option would require 50,000 GSF of new construction to accommodate 40 physicians, along with the Imaging and Physical Therapy modalities. Developing a building of this size in the Bloomingdale area would cost approximately 1.5 times more than the cost of the option chosen, and this alternative was rejected, based on the higher cost.

Alternative 2: Renovate Stratford South Building (245 S. Gary Avenue)

The Applicants note that they currently own the Stratford South building. However, insufficient building size, insufficient parking, and irrevocable leases with existing third-party tenants make pursuit of this option infeasible. Cost estimates for this option were not determined, due to its inapplicability to the project need.

Alternative 3: Lease More Space in Mona Kea Medical Park (235 S. Gary Avenue)

The Applicants are familiar with this location because there are several existing NM physicians already in leased space in this building. The Applicants note the buildings in this complex are in poor condition and have building code/structural issues making it insufficient for medical use. The Applicants have determined that renovations would be cost more than the project proposed and produce an inferior building. This option was rejected, based on its inability to fulfill the programmatic needs of the Applicants.

Alternative 4: Renovate Stratford South Building (235 S Gary Avenue/Project as Proposed)

The Applicants chose this alternative as most feasible based on building condition, existing lease history, and the feasibility associated with converting the facility from retail to medical space. In March 2019 the Applicants purchased the property from the existing landlord to renovate the building and ensure equity in the investment associated with renovations performed on the building. The Applicants are confident that their existing investments and ownership interest in the building makes this option as most feasible to pursue.

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 Medical Office Building in modernized space, located at 325 South Gary Avenue, Bloomingdale. The proposed facility will contain physician office space, imaging, and physical therapy space. Imaging and Physical Therapy both clinical services, and Imaging is applicable to State Board standards for size. Table Five illustrates the spatial configurations applicable to State standards, and it appears the Applicants are in compliance with this criterion.

TABLE FIVE Size of the Project				
Service	Proposed	State Standard	Difference	Met Standard?
Reviewable/Clinical				
Diagnostic Imaging	3,927	6,200	(2,273)	Yes
Physical Therapy	7,461	N/A	N/A	Yes
Total Reviewable	11,388			
Non-Reviewable/Non-Clinical				
Non-Reviewable	37,434	N/A	N/A	N/A
Total Non-Reviewable	37,434			
Grand Total	48,822			

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 containing physician office space, imaging, and physical therapy services. Historical utilization data taken from Central DuPage Hospital (CDH), Winfield, indicates enough demand for its six MRI units, indicating an annual increase in utilization of 6%. The proposed MRI unit at the Bloomingdale MOB will assist in alleviating the increased utilization of MRI services at CDH. Table Six also provides justification for the proposed mammography unit (1), DEXA unit (1), and X-Ray units (2). Based on the data contained in Table Six, a positive finding results for this criterion.

TABLE SIX Projected Utilization					
MRI	CY 16	CY 17	CY 18	CY 23	CY 24
# of Procedures	17,067	18,783	19,072	21,790	22,378
# of MRI Units	6	6	6	6	6
State Standard (hrs.)	2,500	2,500	2,500	2,500	2,500
# of MRI Units Justified	6.8	7.5	7.6	8.7	9.0
Mammography	CY 16	CY 17	CY 18	CY 23	CY 24
# of Visits	2,200	2,302	2,516	2,805	2,867
# of Mammography Units	1	1	1	1	1
State Standard (visits)	5,000	5,000	5,000	5,000	5,000
# of Mammography Units Justified	1	1	1	1	1
DEXA	CY 16	CY 17	CY 18	CY 23	CY 24
# of Visits	739	719	836	969	998
# of DEXA Units	1	1	1	1	1
State Standard	N/A	N/A	N/A	N/A	N/A
# of DEXA Units Justified	1	1	1	1	1
General X-Ray	CY 16	CY 17	CY 18	CY 23	CY 24
# of Procedures	6,573	6,897	7,756	9,482	9,871
# of X-Ray Units	2	2	2	2	2
State Standard (per unit)	8,000	8,000	8,000	8,000	8,000
# of X-Ray Units Justified	1	1	1	2	2
Physical Therapy	CY 16	CY 17	CY 18	CY 23	CY 24
Hours	18,262	17,271	17,803	19,175	19,600
State Standard	N/A	N/A	N/A	N/A	N/A

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 establishment was determined by documenting the following:

1. Service to Planning Area Residents
2. Service Demand

The proposed project seeks to establish a Medical Office Building in 48,822 GSF of modernized space. The clinical services proposed are physical therapy and imaging (X-Ray, Mammography, MRI, DEXA). Table Six illustrates the historical and projected utilization for these modalities, and an explanation for the need for these modalities is provided below.

Magnetic Resonance Imaging (MRI)

The Applicants are proposing to introduce one MRI unit to the Medical Office Building to alleviate over-utilization of the 6 existing MRI units at neighboring Central DuPage

Hospital-Winfield. Both historical and projected utilization indicates a need for at least one additional station and notes a projected 6% annual increase in utilization.

Mammography

The Applicants note the existing Mammography unit is located at the Stratford North facility, and this unit is expected to be relocated to the proposed Gary Avenue facility upon project completion. Table Six illustrates enough volume to justify one Mammography unit, and notes that an annual 4.6% increase in utilization, which further justifies the need for a Mammography unit.

General X-Ray

The Applicants propose to establish two X-Ray units at the new Gary Avenue facility, to replace the one existing unit at the Stratford North location. While historical utilization does not support the need for two units, projected volume based on a 9% annual increase in utilization projects a need for two X-Ray units by CY 2024, the second year after project completion (See Table Six).

Dual-Energy X-Ray Absorptiometry (DEXA)

The Applicants note the presence of one DEXA unit at the Stratford North facility, which will also transfer to the new Gary Avenue facility after project completion. While the Applicants report a 6.6% annual increase in utilization for this modality, it still justifies the need for one DEXA unit.

Physical Therapy

Currently, the Physical Therapy services are in the Stratford South and Mona Kea Medical Park buildings and will be relocated to the proposed facility upon project completion. There are no State standards for utilization of Physical Therapy, and the Applicants project a 10% increase in utilization for this modality by completion of the proposed project.

The data contained in Table Six, in conjunction with the projected utilization figures for each of the proposed modalities, results in a positive finding for this criterion.

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 enough 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 \$28,903,127. The applicant (Northwestern Memorial Healthcare), has supplied Audited Financial Statements (Application pgs. 61-71), and the results shown in Table Four prove the Applicants have sufficient cash to fund the cash portion of the project. The Applicants supplied proof of an A-1+ rating from Standard & Poor’s dated July 2019, and proof of Aa2/Stable rating from Moody’s Investor’s Service, dated July 2019.

TABLE SEVEN		
Northwestern Memorial Healthcare		
Years ended August, 2018 2019		
(in thousands)		
	2018	2019
Cash	\$407,249	\$329,646
Current Assets	\$1,609,260	\$1,764,720
Total Assets	\$11,662,851	\$12,528,131
Current Liabilities	\$1,392,911	\$1,636,766
LTD	\$1,394,396	\$1,636,766
Total Liabilities	\$3,629,702	\$4,254,084
Net Patient Revenue	\$4,877,616	\$5,665,736
Total Revenues	\$5,231,566	\$6,052,028
Income from Operations	\$568,358	\$510,819
Net Income	\$346,551	\$744,148
Source: Application, Project #20-011		

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 in its entirety with cash/securities totaling \$28,903,127. The Applicant (Northwestern Memorial Healthcare), has supplied Audited Financial Statements and the results shown in Table Seven prove the Applicants have sufficient cash to fund the cash portion of the project. Additionally, the Applicants supplied A Bond Ratings from two services, and it appears the Applicants have sufficient funds available to fund this proposed 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.

The reviewable space for this project is 11,388 GSF of clinical space. The Applicants appear to have met the State Board standards established for this criterion.

Preplanning Costs are \$23,559 or .39% of New construction, contingency, and equipment costs (\$5,923,820). This appears reasonable when compared to the State Board Standard of 5.0%.

Site Survey/Preparation are \$120,934, or 4.99% of the construction and contingency costs (\$2,418,983). This appears reasonable compared to the State Board Standard of 5.0%.

New Construction Costs are \$2,199,075 or \$193.10 per GSF. This appears reasonable when compared to the State Board Standard of \$224.19 per GSF (2021 construction mid-point).

Contingency Costs/New Construction are \$219,908 or 10% of new construction costs (\$2,199,075). This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Costs/New Construction are \$168,837 and are 7.0% of the new construction and contingency costs (\$2,418,983). This appears reasonable when compared to the State Board Standard of the 7.06% - 10.6%.

Consulting and Other Fees are \$109,940. The State Board does not have a standard for these costs.

Movable and Other Equipment are \$3,504,837. The State Board does not have a standard for these costs when applied to hospitals.

Acquisition of Building/Other Property are \$833,592. The State Board does not have a standard for these costs when applied to hospitals.

Other Costs to be Capitalized* are \$168,444. The State Board does not have a standard for these costs.

*Other costs to be capitalized include permits/fees, landscaping, relocation of trees, signage, and surface parking lot.

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

D) Criterion 1120.140(d) – Projected Operating Costs

To demonstrate compliance with this criterion the Applicants must document that the projected direct annual operating costs 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 projecting \$70.65 operating expense per unit of service. The Board does not have a standard for this criterion.

TABLE EIGHT	
Operating Expenses Diagnostic Imaging/Physical	
Operating Expenses	\$2,552,753
Units of Service	36,133
Operating Expense per Treatment	\$70.65

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

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

To demonstrate compliance with this criterion the Applicants must provide total projected annual capital costs for the first full fiscal year at target utilization but no more than two years following project completion. Capital costs are defined as depreciation, amortization, and interest expense.

The Applicants are estimating the total effect of the project on Capital Costs at \$2.55. The State Board does not have a standard for this cost.

TABLE NINE	
Equivalent Adult Patient Days	251,582
Total Project Cost	\$28,903,127
Useful Life	45
Total Annual Depreciation	642,292
Depreciation Cost per Equivalent Patient Day	\$2.55

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