



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-07	BOARD MEETING: September 22, 2020	PROJECT NO: 20-037	PROJECT COST:
FACILITY NAME: Blessing Hospital-ASTC		CITY: Quincy	Original: \$762,033
TYPE OF PROJECT: Non-Substantive			HSA: III

DESCRIPTION: Blessing Hospital is asking the State Board to approve the build-out of 806 GSF of shell space that was approved as part of Permit #19-029. The cost of the build-out is approximately \$762,033 and the expected completion date is January 31, 2022.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- Blessing Hospital is proposing the build-out of 806 GSF of shell space that was approved as part of Permit #19-029. The cost of the build-out is approximately \$762,033 and the expected completion date is January 31, 2022.
- On **September 17, 2019** the State Board approved the relocation of a multi-specialty ASTC owned by Blessing Hospital located at 1118 Hampshire, Quincy, Illinois to the campus of Blessing Hospital, 1100 Spring Street, Quincy, Illinois. At that time the Board approved 3 operating and 3 procedure rooms with 806 GSF of shell space to be built out as a fourth operating room with the intent to accommodate interventional cardiac catheterization procedures at some time in the future. The total approved cost of the new ASTC was \$21.4 million.
- On **August 11, 2020** Blessing Hospital filed an Application for Permit to build-out the approved shell space as a fourth operating room to accommodate additional demand for ASTC procedures. The Hospital stated, *“the Hospital’s providers are not comfortable with moving these patient types (interventional cardiac catheterization patients) to the outpatient ASTC setting at this time. However, with the growth and recruitment of other surgeons, the need for the additional rooms is apparent with future growth these surgeons bring to the community.”*
- On **August 13, 2020** the Chairman of the State Board approved an alteration to **Permit #19-029** which increased the cost of the project from \$21,333,943 to \$21,968,955 or \$635,012 or 2.97%.
- The specialties approved to be performed at the ASTC are the following: cardiovascular, colon and rectal surgery, dermatology, general dentistry, general surgery, gastroenterology, neurological surgery, obstetrics/gynecology, ophthalmology, oral/maxillofacial surgery, orthopedic surgery, otolaryngology, plastic surgery, podiatric surgery, thoracic surgery, and urology.
- Below are the five highest volume procedures performed at the ASTC.

ASC Cases	# of cases	Hospital OP Costs	ASTC Cost	Difference	% Difference
Cataract surg w/iol 1 stage	2435	\$10,239	\$4,819	-\$5,420	-53.00%
Carpal tunnel surgery	248	\$9,248	\$3,998	-\$5,250	-57.00%
Knee arthroscopy/surgery	135	\$16,019	\$5,922	-\$10,097	-63.00%
Create eardrum opening	132	\$8,469	\$1,693	-\$6,776	-80.00%
Colonoscopy w/lesion removal	94	\$6,851	\$1,514	-\$5,337	-78.00%

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicant proposes to build-out approved shell space which under State Board rules requires a Certificate of Need to be submitted to the State Board for approval (77 ILAC 1110.120 (d)).

PUBLIC HEARING/COMMENT:

- A public hearing was conducted on Wednesday September 9, 2020. No letters of support or opposition were received by the State Board.

SUMMARY:

- The Applicant stated that with the hiring of the 19 physicians in 2019, the expectant increase in surgical volume going forward and the movement by Medicare to require more procedures to be done in an outpatient setting the most cost efficient and effective alternative was to build out the

fourth operating room while construction was ongoing on the relocated ASTC on the campus of Blessing Hospital.

- The Applicant has sufficient historical volume at the ASTC to justify the fourth operating room. The State Board’s standard is 1,500 hours per surgery room (5,035 2019 hours ÷ 1,500 hours per OR = 3.36 rooms or 4 rooms).

Historic Utilization Blessing ASTC					
Year	2015	2016	2017	2018	2019
Hours	3,752	4,472	4,810	4,644	5,035
Cases	4,824	5,124	5,452	5,250	5,504
Hr. Per Cases	.78	.87	.88	.88	.91
OR’s Justified	3	3	4	4	4

1. State Board Standard is 1,500 hours per Operating Room

- The Applicant addressed a total of 20 criteria and failed to meet the following:

Criteria	Reasons for Non-Compliance
77 ILAC 1120.140 (c) - Reasonableness of Project Costs	<p>New Construction and Contingency Costs total \$537,392 or \$667 per GSF. The State Board Standard is \$427.34. The Applicant exceeds the State Board Standard by \$239.66. The Applicant provided the following explanation for the difference:</p> <p><i>“The changes at this point in the project have direct impacts to the scheduling and productivity of construction that would otherwise be mitigated through pre-construction coordination and resource planning. This planning has a direct impact on the projected cost per square foot. At the time of submitting the budget for OR 4, our pricing was based on a conceptual layout without detail. In order to work in the interest of Blessing, these assumptions require a conservative approach to pricing and include design contingency. As documents are provided, this pricing will be refined, however at this point there is an order of design uncertainty priced into this budget.”</i></p>

STATE BOARD STAFF REPORT
Project 20-037
Blessing Hospital-ASTC

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Blessing Hospital
Facility Name	Blessing Hospital - ASTC
Location	1100 Spring Street, Quincy Illinois
Permit Holder	Blessing Hospital
Licensee/Operating Entity	Blessing Hospital-ASTC
Owner of Site	Blessing Hospital
Total GSF	806 GSF
Application Received	August 10, 2020
Application Deemed Complete	August 10, 2020
Review Period Ends	October 9, 2020
Review Period Extended	No
Expedited Review Request	Yes
Financial Commitment Date	September 22, 2022
Project Completion Date	January 31, 2022
Can the Applicants request a deferral?	Yes

I. Project Description

Blessing Hospital is proposing the build-out of 806 GSF of shell space that was approved as part of Permit #19-029. The cost of the build-out is approximately \$762,033 and the expected completion date is January 31, 2022.

II. Summary of Findings

- A. State Board Staff finds the proposed project is in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project is **not** in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicant is Blessing Hospital a 327-bed not-for-profit acute care hospital in Quincy, Illinois. The Hospital provides inpatient, outpatient and emergency care services for residents of western Illinois, northeastern Missouri, and southern Iowa. Admitting physicians are primarily practitioners in the local area. The Hospital was incorporated in Illinois in 1875. Financial commitment will occur after permit issuance. This project is subject to a 1110 and 120 review.

IV. Health Planning Area

The ASTC is in the HSA III Health Service Area. HSA includes the Illinois Counties of Adams, Brown, Calhoun, Cass, Christian, Greene, Hancock, Jersey, Logan, Macoupin, Mason, Menard, Montgomery, Morgan, Pike, Sangamon, Schuyler, and Scott. The State Board is estimating a decrease in the population in this Health Service Area from 564,100 residents in 2017 to 556,000 residents in 2022 a decrease of approximately 1.5%.

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash in the amount of \$762,033.

TABLE ONE				
Project Uses and Sources of Funds				
Uses of Funds	Reviewable	Non-reviewable	Total	% of Total
HVAC	0	\$82,192	\$82,192	10.79%
New Construction	\$495,192	\$89,796	\$584,988	76.77%
Contingencies	\$42,200	\$7,652	\$49,853	6.54%
Architectural/Engineering Fees	\$38,093	\$6,908	\$45,000	5.91%
Total Uses of Funds	\$575,485	\$186,548	\$762,033	100.00%
Sources of Funds				
Cash			\$762,033	100.00%
Total Sources of Funds			\$762,033	100.00%

VI. Background of the Applicant, Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project

A) Criterion 1110.110 – Background of the Applicant

The Applicant has provided licensure and certification information as required. The Applicant has also certified that they have not had any adverse actions within the past three years. The Applicant is fit, willing and able and have the qualifications, background and character to adequately provide a proper standard of healthcare service for the community.

B) Criterion 1110.110 – Purpose of the Project

The purpose of the project is to add a fourth operating room to meet the need identified by recent increase in volume with the hiring of 14 new surgeons since 2019. According to the Applicant, the pandemic has highlighted the importance of infection prevention and the role of negative pressure rooms in the care of patients undergoing aerosolized procedures, as well as participating in vital care and surgical procedures. The fourth operating room gives the ASTC the option of using the fourth operating room as a “flip room” for COVID-19 suspect patients. The room will allow the surgeons to utilize a secondary room, reducing wait times

between procedures, improving efficiencies with the schedule. A fourth room will allow the surgical schedule to proceed efficiently without interruption when caring for the COVID-19 suspect patient. Additionally, completion of the build out of the shelled space for the fourth surgical room while construction is underway will be more cost effective as well and less disruptive to surgical operations. In addition, it should have minimal impact to any to the current CON timeline. With the changes that Medicare is making each year to the approved out-patient procedures this room is be necessary. (Application for Permit pages 44-56)

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

This a non-substantive project a safety net impact statement is not required. Charity care was provided as required. See Table below.

TABLE TWO
Net Patient Revenue and Charity Care

	2018	2017	2016	2015
Inpatient Revenue	\$201,350,960	\$179,350,109	\$165,211,900	128,554,938
Outpatient Revenue	\$206,796,741	\$183,368,990	\$162,638,217	187,760,881
Total Patient Revenue	\$408,147,701	\$362,719,099	\$327,852,133	\$316,317,834
Charity Care	\$6,439,604	\$3,893,272	\$6,899,766	6,887,229
% of Charity Care to Net Patient Revenue	1.58%	1.07%	2.10%	2.18%

D) Criterion 1110.110 (d) – Alternatives

The Applicant stated that with the hiring of the 19 physicians in 2019, the expectant increase in surgical volume going forward and the movement by Medicare to require more procedures to be done in an outpatient setting the most cost efficient and effective alternative was to build out the fourth operating room while construction was ongoing on the relocated ASTC on the campus of Blessing Hospital.

The hospital will maintain a hospital outpatient department when the ASTC is complete and is fully functioning. The following criteria for hospital outpatient surgical services are as follows:

“There is collaboration between the surgeon and anesthesia based on the specific procedure being performed and comorbid conditions including Obstructive Sleep Apnea to determine surgical risk. The OSA (Obstructive Sleep Apnea) risk is determined through a questionnaire provided to patients called the STOPB¹ tool. Patients who are at risk for OSA will be given education for OSA. They may encounter increased length of stays based on outcomes in either Post-Acute Care

¹ The **STOP-BANG** Score for Obstructive Sleep Apnea screens for obstructive sleep apnea

Unit (PACU), One-Day Surgery (ODS), or Blessing Surgery Center and may require enhanced respiratory monitoring. This patient safety criteria drives the decision as to where the procedure should be performed. The surgical risk is determined as **Low, Moderate, and High** risk

Low surgical Risk- Procedures scheduled as monitored anesthesia care or procedures lasting less than 1 hour; excludes procedures entering a body cavity with exception of D&C or risky airway compromise.

Moderate Surgical Risk - procedures lasting less than 1 hour and entering a body cavity (i.e. arthroscopy, inguinal hernia repair); excludes procedures risking airway compromise

High surgical risk - procedures lasting 1 hour or more and or procedures risking airway compromise (i.e. laproscopic procedures, shoulder procedures, tonsillectomy and adenoidectomy (T &A), septoplasty, closed reduction nasal fracture, colon resections, chest procedures, ventral hernia repair with mesh, and breast augmentation)”

VII. Size of the Project, Projected Utilization, Unfinished Space and Assurances

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

The size of the fourth operating room is 806 GSF. The State Board Standard is 2,750 GSF per operating room. The Applicant has met the requirements of this criterion.

B) Criterion 1110.120 (b) – Projected Utilization

As can be seen by the Table below the Applicant’s historic utilization justifies the four operating rooms being proposed. The State Board’s standard is 1,500 hours per surgery room (5,035 2019 hours ÷ 1,500 hours per OR = 3.36 rooms or 4 rooms).

TABLE THREE					
Historic Utilization ASTC					
Year	2015	2016	2017	2018	2019
Hours	3,752	4,472	4,810	4,644	5,035
Cases	4,824	5,124	5,452	5,250	5,504
Hr. Per Cases	.78	.87	.88	.88	.91
OR’s Justified	3	3	4	4	4

C) Criterion 1110.120 (d) – Unfinished 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 as stated in subsections (a) and (b). The applicant shall provide the following information:

- 1) The total gross square footage of the proposed shell space;

- 2) The anticipated use of the shell space, specifying the proposed SF to be allocated to each department, area or function;
- 3) Evidence that the shell space is being constructed due to:
 - A) Requirements of governmental or certification agencies; or
 - B) Experienced increases in the historical occupancy or utilization of those departments, areas or functions proposed to occupy the shell space. The applicant shall provide the historical utilization for the department, area or function for the latest 5-year period for which data are available, and, based upon the average annual percentage increase for that period, project the future utilization of the department, area or function through the anticipated date when the shell space will be placed into operation.

Response to this criterion as part of State Board Staff Report #19-029:

“Blessing Hospital is proposing 806 GSF of shell space as part of the construction of the new ASTC. The shelled space would be intended for a future operating room and support space. The shell space is non-clinical and would require Blessing to file an application and return to the Board to obtain a permit prior to occupancy. The Applicant states CMS has recently added several cardiology codes now covered in an ASTC location. Blessing wants to wait, prior to investing in finishing out a room or adding expensive Cath equipment to a second location, to verify the safety of such procedures in an ASTC. However, the organization wants to be prepared to expand if such procedures are required to be provided in a free standing ASTC. Thus, planning for such capacity needs to be built into the new center. Blessing is creating a covered walkway to address easy access to the hospital OR in case of emergency for any number of procedures being moved to ASTCs.”

The Applicant is proposing to build-out the shell space to accommodate general surgery rather than interventional cardiac catheterization procedures. According to the Hospital, *“the Hospital’s providers are not comfortable with moving these patient types (interventional cardiac catheterization patients) to the outpatient ASTC setting at this time. However, with the growth and recruitment of other surgeons, the need for the additional rooms is apparent with future growth these surgeons bring to the community.”*

The Applicant goes on to state:

“This operating room gives the ASTC the option of using the fourth operating room as a “flip room” for COVID-19 suspect patients. The room will allow the surgeons to utilize a secondary room, reducing wait times between procedures, improving efficiencies with the schedule. A fourth room will allow the surgical schedule to proceed efficiently without interruption when caring for the COVID-19 suspect patient. Additionally, completion of the build out of the shelled space for the fourth surgical room while construction is underway will be more cost effective as well and less disruptive to surgical operations. In addition, it should have minimal impact to any to the current CON timeline. With the changes that Medicare is making each year to the approved out-patient procedures this room is be necessary.”

D) Criterion 1110.120 (e) - Assurances

As seen above the Applicant has justified the fourth room with historic utilization. The CEO of Blessing Hospital Ms. Maureen Kahn affirms that the ASTC will meet

or exceed the utilization standards specified in 77 Ill Administrative Code 1100 by the second year after project completion.

VIII. Expansion of Existing ASTC Service

- A) Criterion 1110.235 (c) (2) (B) (i) & (ii) – Service to GSA Residents**
- B) Criterion 1110.235 (c) (4) (A) through (C) – Service Demand – Expansion**
- C) Criterion 1110.235 (c) (5) (A) & (B) – Treatment Room Need Assessment**
- D) Criterion 1110.235 (c) (8) (A) & (B) – Staffing**
- E) Criterion 1110.235 (c) (9) – Charge Commitment**
- F) Criterion 1110.235 (c) (10) – Assurances**

A) The GSA for a project located in Adams County is a 21-mile radius. The Applicant states the market area is not contiguous but reflects more the centers of population in smaller areas that reflect downstate rural and semi-rural areas. The zip codes do not define a concentrated planning area, and neither does the 21-mile radius as several of the higher volume zip codes are outside the market area radius. 67.5% of the patients that had outpatient surgery or procedures reside in the top 28 zip codes listed at page 47 of the Application for Permit. These 28 zip codes that constitute the GSA, 17 are in Illinois and 11 are in Missouri. These zip codes have a population of 91,401. In 2019, 10,873 residents of this area had outpatient surgery or procedures performed.

B) As shown below the Applicant has demonstrated that the historic utilization (i.e. demand) of the ASTC supports the need for the build-out of the fourth operating room. There has been a 3.52% annual increase in the number of cases at the ASTC over the past five years. The Applicant is estimating an increase in cases of 2.7% going forward. With the hiring of 19 physicians the Applicant believes this growth is achievable. (Application for Permit page 61).

TABLE FOUR
Historic Utilization

Year	2015	2016	2017	2018	2019
Hours	3,752	4,472	4,810	4,644	5,035
Cases	4,824	5,124	5,452	5,250	5,504
Hr. Per Cases	.78	.87	.88	.88	.91
OR's Justified	3	3	4	4	4

TABLE FIVE
Projected Utilization

Year	2020	2021	2022	2023	2024
Hours	4,978	5,233	5,437	5,834	6,311
Cases	5,657	5,814	5,975	6,141	6,311
Hr. Per Cases	.88	.90	.91	.95	1.00
OR's Justified	4	4	4	4	4

- C) As can be seen by the Tables above there is enough volume to support the four operating rooms being proposed.
- D) As documented in permit #19-029 the Applicant will use the same staff that is providing services at the current ASTC located at 1118 Hampshire. The Applicant does not envision any unusual difficulties in staffing the proposed ASTC with qualified nurses, technicians, and other support personnel as they are already on staff and working in the current ASTC that is proposed to be relocated.
- E) A listing of charges for surgical and treatment procedures for the ASTC that will be relocated to the Blessing Campus has been provided at pages 88-89 of the Application for Permit. A letter signed by Ms. Maureen Kahn, President and CEO of the Applicant attests that the charges will not increase, at a minimum, for the first two years of operation (i.e. relocation) unless a permit is first obtained.
- F) Ms. Kahn has also attested that the current peer review program in use at the time of the move will continue to be used to evaluate patient outcomes for consistency with quality standards established by professional organizations, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated. Additionally, Ms. Kahn also affirms that the ASTC will meet or exceed the utilization standards specified in 77 Ill Administrative Code 1100 by the second year after project completion.

IX. Financial Viability

A) Criterion 1120.120 – Availability of Funds

B) Criterion 1120.130 – Financial Viability

On August 23, 2019 S&P Global Ratings assigned its 'A' issuer credit rating to Blessing Hospital. The outlook is stable. The project costs of \$762,033 will be funded entirely from cash. The Table below outlines the Applicant’s financial position for the past two years.

TABLE SIX
Blessing Hospital
Audited Financial Statement
As of September, 30

Year	FY 2019	FY 2018
Cash	\$59,892,193	\$95,242,772
Investments	\$202,065,259	\$171,310,915
Current Assets	\$336,939,610	\$337,040,060
Total Assets	\$638,426,630	\$572,406,464
Current Liabilities	\$74,112,260	\$72,503,137
LTD	\$119,968,143	\$766,312,130

TABLE SIX
 Blessing Hospital
 Audited Financial Statement
 As of September, 30

Year	FY 2019	FY 2018
Total Liabilities	\$255,691,048	\$204,674,585
Net Patient Revenue	\$427,483,939	\$425,000,363
Total Revenue	\$435,945,894	\$429,980,528
Total Expenses	\$356,178,572	\$348,604,979
Operating Income	\$79,767,322	\$81,375,549
Investment Income	\$11,831,231	\$7,700,694
Excess of Revenue over Expenses	\$91,598,553	\$89,076,243

X. Economic Feasibility

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

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

The project is being funded entirely from cash no debt is being used to fund this project.

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

New Construction and Contingencies total \$537,392 or \$667 per GSF. The State Board Standard is \$427.34. The Applicant exceeds the State Board Standard by \$239.66.

Staff Note: The Standard for ASTC new construction and contingency costs is calculated by taking the base year of CY 2015 and inflating by 3% to the midpoint of construction. For this project the midpoint is CY 2021.

Calendar Year	2015	2016	2017	2018	2019	2020	2021	2022
New Construction & Contingency Costs	\$357.89	\$368.63	\$379.69	\$391.08	\$402.81	\$414.89	\$427.34	\$440.16

The Applicant provided the following explanation for the difference:

The changes at this point in the project have direct impacts to the scheduling and productivity of construction that would otherwise be mitigated through pre-construction coordination and resource planning. This planning has a direct impact on the projected cost per square foot. At the time of submitting the budget for OR 4, our pricing was based on a conceptual layout without detail. In order to work in the interest of Blessing, these assumptions require a conservative approach to pricing and include design contingency. As documents are provided, this pricing will be refined, however at this point there is an order of design uncertainty priced into this budget

Contingency costs are \$42,200 which is 8.52% of new construction costs of \$495,192. This appears reasonable when compared to the State Board Standard of 10%.

Architectural & Engineering Fees are \$38,093 which are 7.08% of \$537,392. This appears reasonable when compared to the State Board standard of 8.21-12.33%.

D) Criterion 1120.140 (d) – Direct Operating Costs

The direct operating costs per surgical and procedure case is \$726. 80. The State Board does not have a standard for these costs.

**TABLE SEVEN
Direct Operating Costs**

	Permit #19-029	4 th OR
Salaries	\$2,418,299.00	\$403,000.00
Benefits	\$725,490.00	\$125,000.00
Depreciation	\$390,964.00	\$95,000.00
Other Operating	\$5,146,844.00	\$857,000.00
Total Operating Costs	\$8,681,597.00	\$1,480,000.00
Outpatient surgical cases + Procedures	11,945	12,040
Direct Cost per Surgical + Procedure Cases	\$726.80	

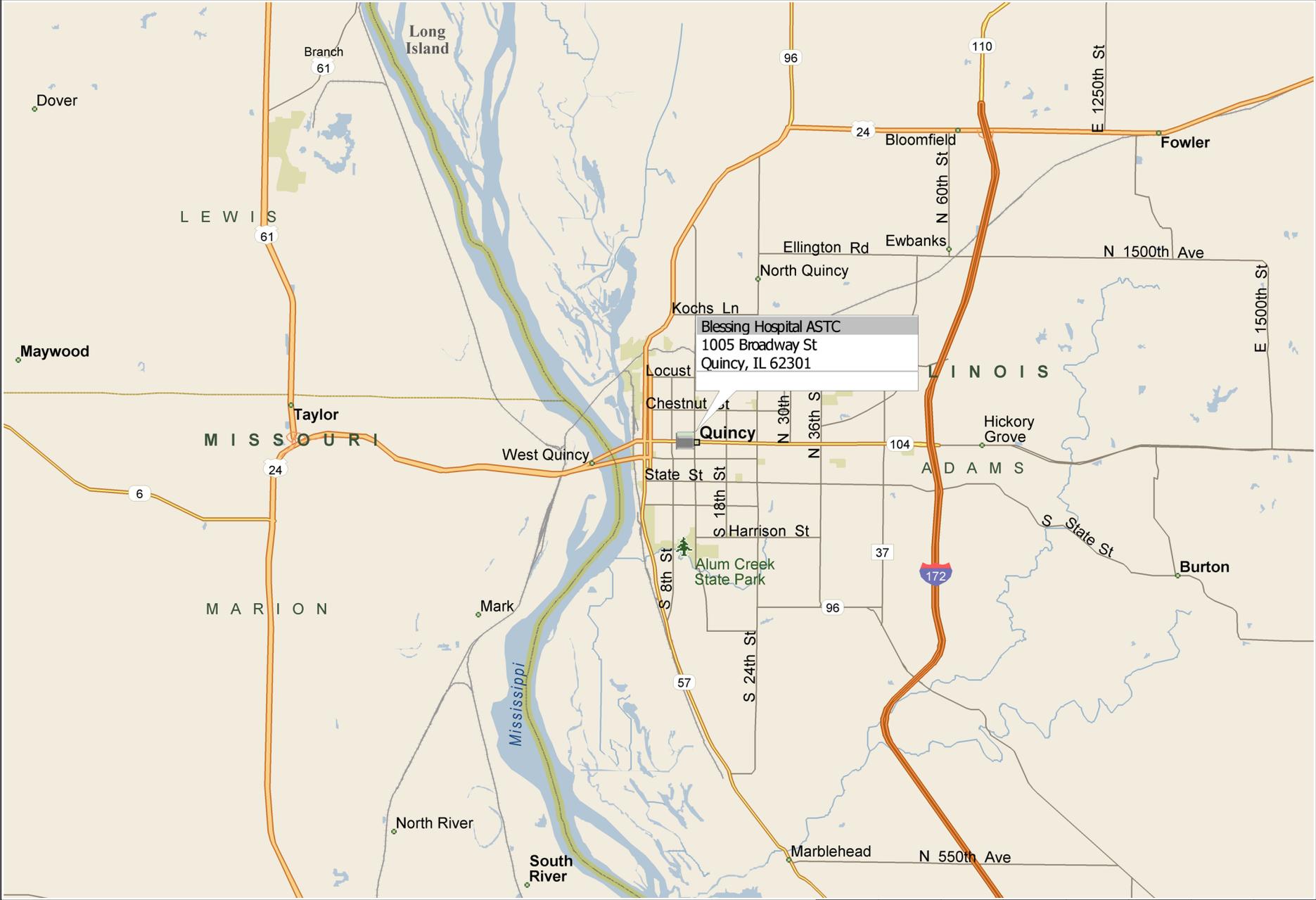
E) Criterion 1120.140 € – Effect of the Project on Capital Costs

The capital costs per case is \$71.64. The State Board does not have a standard for these costs.

**TABLE EIGHT
Capital Costs**

Outpatient surgical cases+ Procedures	
Total Project Cost	\$21,393,943
Useful Life (weighted average)	25
Total Annual Depreciation	\$855,758
Depreciation Cost per total	\$71.64

20-037 Blessing Hospital ASTC - Quincy



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