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|--|---|-------------------------------|--|
| <b>DOCKET NO:</b><br>A -                         | <b>BOARD MEETING:</b><br>August 12-13, 2008 | <b>PROJECT NO:</b><br>#08-018 | <b>PROJECT COST:</b><br>Original: \$83,467,856<br>Current: |
| <b>FACILITY NAME:</b><br>St. Margaret's Hospital |   | <b>CITY:</b><br>Spring Valley |  |
| <b>TYPE OF PROJECT:</b> Substantive              |   |                               | <b>HAS:</b> VIII   |

**PROJECT DESCRIPTION:** The applicants are proposing the discontinuation of St Margaret's Hospital located at 600 East Spring First Street, Spring Valley, Illinois with an authorized bed complement of 188 beds. As part of this application for permit, the applicants are proposing to establish a new hospital with 60 beds approximately 2 miles from the existing site in 182,562/GSF of new space. The cost of the project is \$83,467,856.

## STATE AGENCY REPORT

St. Margaret's Hospital  
Spring Valley  
Project #08-018

| APPLICATION SUMMARY                         |   |
|---|---|
| Applicant                                   | St. Margaret's Hospital<br>Sisters of Mary of the Presentation of Health System |
| Facility Name                               | St. Margaret's Hospital   |
| Location                                    | Spring Valley   |
| Application Received                        | March 19, 2008  |
| Application Deemed Complete                 | March 26, 2008  |
| Scheduled Review Period Ended               | July 24, 2008   |
| Review Period Extended by the State Agency? | No  |
| Public Hearing Requested?                   | No  |
| Applicant' Deferred Project?                | No  |
| Can Applicant Request Deferral?             | Yes   |
| Applicant' Modified the Project?            | No  |

### **I. The Proposed Project**

The applicants are proposing the discontinuation of St Margaret's Hospital located at 600 East Spring First Street, Spring Valley, Illinois with an authorized bed complement of 188 beds. As part of this application for permit, the applicants are proposing to establish a new hospital with 60 beds approximately 2 miles from the existing site in 182,562/GSF of new space. The cost of the project is \$83,467,856.

### **II. Summary of Findings**

- A. The State Agency finds the proposed project appears **not** to be in conformance with the provisions of Part 1110.
- B. The State Agency finds the proposed project appears **not** to be in conformance with the provisions of Part 1120.

### **II. General Information**

Including the applicant's hospital, there are 5 facilities in the C-02 planning area that provide acute care services. Planning Area C-2 consists of LaSalle, Bureau, and Putnam Counties; Stark County Townships of Elmira and Osceola. The 5 facilities in C-02 are Community Hospital of Ottawa- Ottawa, Illinois Valley

Community Hospital-Peru, Mendota Community Hospital-Mendota, Perry Memorial Hospital-Princeton, and St. Mary's Hospital-Streator. The July 2008 Update to the Inventory of Health Care Facilities and Services and Need Determination ("Inventory") indicates an excess of 419 M/S-Pediatric and 67 Obstetric ("OB") beds in the C-02 planning area. The update also indicates an excess of 21 ICU beds.

This is a substantive project subject to both Parts 1110 and 1120 review. Project obligation will occur after permit issuance. An opportunity for a public hearing was offered, but no hearing was requested. In addition, no letters of support or opposition were received by the State Agency regarding this project. The anticipated project completion date is April 30, 2011.

Table One lists the applicant's beds, occupancy rates, average length of stay ("ALOS"), average daily census ("ADC"), and the number of beds warranted at the target occupancy for the period October 1, 2006- September 30, 2007. This information was provided by the applicant. Table Two provides this information for calendar year 2007 and was obtained from IDPH's 2007 hospital profile. The modernization target occupancy for the medical surgical beds is 75% for a bed complement of 26-99 beds, the modernization target occupancy for obstetric beds is 60% for a bed complement of 1-10 beds, and the modernization target occupancy for intensive care beds is 60% no matter the number of beds.

| TABLE ONE <sup>1</sup>  |                 |               |                  |              |               |       |       |                  |                |   |
|---|-----------------|---------------|------------------|--------------|---------------|-------|-------|------------------|----------------|---|
| St. Margaret's Hospital - Utilization October 1, 2006 - September 30, 2007  |                 |               |                  |              |               |       |       |                  |                |   |
| Service   | Authorized Beds | Proposed Beds | Target Occupancy | Admissions   | Patient Days  | ALOS  | ADC   | Authorized Bed % | Proposed Bed % | # of Beds Justified at Target Occupancy |
| Medical Surgical  | 118             | 48            | 75%              | 2,223        | 8,875         | 3.99  | 24.32 | 20.61%           | 50.66%         | No                                      |
| Pediatrics <sup>2</sup>   | 16              | 0             | 0%               | 0            | 0             | 0.00  | 0.00  | 0.00%            | 0.00%          | 0.00                                    |
| Obstetric   | 15              | 6             | 60%              | 384          | 835           | 2.17  | 2.29  | 15.25%           | 38.13%         | No                                      |
| Intensive Care  | 6               | 6             | 60%              | 477          | 1,039         | 2.18  | 2.85  | 47.44%           | 47.44%         | No                                      |
| Long Term Care  | 33              | 0             | 0%               | 386          | 3,961         | 10.26 | 10.85 | 32.89%           | 0.00%          | 0.00                                    |
| <b>TOTALS</b>   | <b>188</b>      | <b>60</b>     |                  | <b>3,470</b> | <b>14,710</b> |       |       |                  |                |   |
| <ol style="list-style-type: none"> <li>1. Information provided by the applicant</li> <li>2. Information for pediatric beds included in Medical Surgical Beds</li> </ol> |                 |               |                  |              |               |       |       |                  |                |   |

TABLE TWO<sup>1</sup>  
 St. Margaret's Hospital - Utilization CY 2007

| Service          | Authorized Beds | Proposed Beds | Target Occupancy | Admissions | Patient Days | ALOS | ADC   | Authorized Bed % | Proposed Bed % | # of Beds Justified at Target Occupancy |
|------------------|-----------------|---------------|------------------|------------|--------------|------|-------|------------------|----------------|---|
| Medical Surgical | 118             | 48            | 75%              | 2,251      | 8,151        | 3.8  | 23.5  | 19.9%            | 49.0%          | No                                      |
| Pediatrics       | 16              | 0             | 0%               | 69         | 147          | 2.5  | .5    | 2.9%             | 0.00           | 0.00                                    |
| Obstetric        | 15              | 6             | 60%              | 357        | 770          | 2.3  | 2.2   | 14.9%            | 14.7%          | No                                      |
| Intensive Care   | 6               | 6             | 60%              | 254        | 1,156        | 4.7  | 3.3   | 55.0%            | 55.0%          | No                                      |
| Long Term Care   | 33              | 0             | 0%               | 403        | 3,723        | 9.2  | 10.20 | 30.9%            | 0.00           | 0.00                                    |
| <b>TOTALS</b>    | <b>188</b>      | <b>60</b>     |                  |            |              |      |       |                  |                |   |

1. Information submitted by the applicants in response to the 2007 IDPH Hospital Questionnaire.

#### IV. The Proposed Project - Details

The applicants are proposing the discontinuation of St Margaret's Hospital located at 600 East Spring First Street, Spring Valley, Illinois with an authorized bed complement of 188 beds. As part of this application for permit, the applicants are also proposing to establish a new hospital located at the Northwest Corner of US Route 6 & Dalzel Road approximately 2 miles from the existing site in 182,562/GSF of new space. The new hospital will have 48 M/S beds, 6 OB beds, and 6 ICU beds. If the replacement hospital project is approved this will be a decrease of 128 beds from the existing hospital total: 86 medical surgical pediatric beds, 9 OB beds, and 33 long term care beds. The cost of the project is \$83,467,856. The new hospital will have two floors: the lobby and administrative functions will be located on the first floor. ICU beds, surgery, endoscopy/GI, recovery & PACU, cardiac diagnostic, hospice, emergency department, diagnostic imaging, laboratory, pharmacy, rehabilitation services and central sterile supply will be located on the first floor. Medical surgical beds, obstetric beds, C-section suite, newborn nursery, and physician offices will be located on the second floor. The cost of the land is \$3.75 million. The operating entity licensee will be St. Margaret's Hospital.

#### V. Proposed Sources and Uses of Funds

This project will be funded with a bond issue of \$79,267,856 and the fair market value of equipment of \$4,200,000. Table Three illustrates the proposed sources and uses of funds for the project. The State Agency notes the project has both clinical and non-clinical components. Clinical components comprise 78.4% of the project's total cost.

| TABLE THREE<br>Project Cost Information <sup>1</sup> |                     |                     |                     |
|--|---------------------|---------------------|---------------------|
| Uses of Funds  | Clinical            | Non-Clinical        | Total               |
| Preplanning Costs                                    | \$868,140           | \$244,860           | \$1,113,000         |
| Site Survey and Soil Investigation                   | \$19,500            | \$5,500             | \$25,000            |
| Site Preparation                                     | \$1,852,500         | \$522,500           | \$2,375,000         |
| Off-Site Work  | \$1,443,000         | \$407,000           | \$1,850,000         |
| New Construction Costs                               | \$35,302,795        | \$10,185,200        | \$45,487,995        |
| Contingencies  | \$2,471,196         | \$715,665           | \$3,186,861         |
| A/E Fees   | \$2,464,800         | \$695,200           | \$3,160,000         |
| Consulting   | \$312,000           | \$88,000            | \$400,000           |
| Movable Equipment                                    | \$13,599,000        | \$3,201,000         | \$16,800,000        |
| Bond Issuance Expense                                | \$2,277,600         | \$642,400           | \$2,920,000         |
| Net Interest During Construction                     | \$1,521,000         | \$429,000           | \$1,950,000         |
| FMV of Equipment                                     | \$3,276,000         | \$924,000           | \$4,200,000         |
| <b>TOTALS</b>  | <b>\$65,407,531</b> | <b>\$18,060,325</b> | <b>\$83,467,856</b> |
| Sources of Funds                                     |                     |                     | Total               |
| Bond Issuance  |                     |                     | \$79,267,856        |
| FMV of Equipment                                     |                     |                     | \$4,200,000         |
| <b>TOTALS</b>  |                     |                     | <b>\$83,467,856</b> |
| 1. Information provided by the applicants.           |                     |                     |                     |

**VI. Payor Source**

The applicant's current payor mix is outlined in Table Four. This information was obtained from the 2007 IDPH Annual Hospital Questionnaire.

| TABLE FOUR <sup>1</sup><br>St. Margaret's Hospital Payor Mix |          |       |          |       |              |     |                 |       |             |      |              |      |         |
|--|----------|-------|----------|-------|--------------|-----|-----------------|-------|-------------|------|--------------|------|---------|
|  | Medicare |       | Medicaid |       | Other Public |     | Other Insurance |       | Private Pay |      | Charity Care |      | Total   |
| Inpatient  | 2018     | 59.2% | 314      | 9.2%  | 6            | .2% | 977             | 28.7% | 57          | 1.7% | 37           | 1.1% | 3,409   |
| Outpatient   | 77,801   | 34.2% | 23,630   | 10.4% | 403          | .2% | 117,118         | 51.5% | 6,170       | 2.7% | 2,351        | 1.0% | 227,473 |
| 1. Source: 2007 IDPH Annual Hospital Questionnaire.          |          |       |          |       |              |     |                 |       |             |      |              |      |         |

**VII. Cost Space Requirements**

The applicant proposes 111,897/GSF of new clinical space and 70,665/GSF of non-clinical space in the new structure. The clinical portion comprises 61.2% of the space.

| TABLE FIVE<br>Cost Space Requirements -Clinical |              |          |         |
|---|--------------|----------|---------|
| Department                                      | Cost         | Proposed | New     |
| Medical Surgical                                | \$15,254,750 | 24,350   | 24,350  |
| Obstetrics                                      | \$3,797,707  | 6,233    | 6,233   |
| ICU   | \$2,882,430  | 5,140    | 5,140   |
| Anesthesia                                      | \$344,379    | 630      | 630     |
| Card. Diagnostic                                | \$1,262,286  | 1,545    | 1,545   |
| Cardiac Rehab.                                  | \$477,434    | 1,538    | 1,538   |
| Central Sterile                                 | \$1,074,443  | 2,065    | 2,065   |
| C-Section Suite                                 | \$665,277    | 945      | 945     |
| Diagnostic Imaging                              | \$10,541,196 | 10,658   | 10,658  |
| Emergency Department                            | \$3,036,793  | 5,190    | 5,190   |
| EMS   | \$86,095     | 280      | 280     |
| Endoscopy                                       | \$5,652,655  | 8,700    | 8,700   |
| Hospice   | \$289,591    | 940      | 940     |
| Infusion Therapy                                | \$594,836    | 1,920    | 1,920   |
| Laboratory                                      | \$2,483,264  | 5,135    | 5,135   |
| Newborn Nursery                                 | \$735,718    | 1,253    | 1,253   |
| Occupational Health                             | \$46,961     | 155      | 155     |
| Pharmacy  | \$1,424,475  | 2,760    | 2,760   |
| Physician's Offices                             | \$4,069,950  | 17,505   | 17,505  |
| PT/OT/Speech                                    | \$516,568    | 1,665    | 1,665   |
| Recovery & PACU                                 | \$1,293,593  | 2,490    | 2,490   |
| Sleep Lab                                       | \$258,284    | 825      | 825     |
| Surgery   | \$8,618,848  | 9,975    | 9,975   |
| Total   | \$65,407,533 | 111,897  | 111,897 |
| 1. Information provided by the applicants.      |              |          |         |

**VIII. Discontinuation**

- a) The applicant must provide the following:
- 1) the reasons for the discontinuation;
  - 2) the anticipated or actual date of discontinuation or the date the last person was or will be discharged or treated, as applicable;
  - 3) the availability of other services or facilities in the planning area that are available and willing to assume the applicant's workload without conditions, limitations, or discrimination;
  - 4) a closure plan indicating the process used to provide alternative services or facilities for the patients prior to or upon discontinuation; and

- 5) the anticipated use of the physical plant and equipment after discontinuation has occurred and the anticipated date of such use.

The applicants are discontinuing the existing hospital located at 600 East First Street, Spring Valley, Illinois because of its age, inefficient design and the cost of renovating the existing facility. The applicants are estimating the cost of renovation to be \$35 million. Discontinuation of the hospital will occur at the time of completion of the proposed new hospital anticipated to be April 30, 2011. All services and all patients currently served by the hospital will continue to have access to the same services at the proposed new hospital. Long term care and pediatric services will not be offered at the new hospital. However the applicants have been approved for swing beds and pediatric services will be offered in a separate medical surgical unit at the hospital. The Social Security Act (the Act) permits certain small, rural hospitals to enter into a swing bed agreement, under which the hospital can use its beds, as needed, to provide either acute or SNF care. As defined in the regulations, a swing bed hospital is a hospital or critical access hospital (CAH) participating in Medicare that has CMS approval to provide post-hospital SNF care and meets certain requirements. Medicare Part A (the hospital insurance program) covers post-hospital extended care services furnished in a swing bed hospital. Specific policies and procedures to address the use of medical surgical beds for pediatric use is required to be developed and approved as a requirement of the Hospital Licensing Act. There is an excess of beds in the C-02 planning area; therefore the discontinuation will not cause a need for the services currently being offered at the existing hospital. According to the applicants no use has been identified for the existing structures, and if no reasonable use has been identified prior to the opening of the new hospital the buildings will be demolished within one year of relocation.

| Services  | Inventory Excess (Need) | St Margaret's<br>Authorized Beds | Excess (Need) Upon<br>Discontinuation |
|---|-------------------------|----------------------------------|---------------------------------------|
| Medical Surgical  | 416                     | 118                              | 282                                   |
| Pediatrics <sup>1</sup>   |                         | 16                               |                                       |
| Obstetric   | 67                      | 15                               | 52                                    |
| Intensive Care  | 21                      | 6                                | 15                                    |
| Long Term Care  | 60                      | 33                               | 27                                    |
| 1. Pediatric beds are included in the calculation of inventory for medical surgical beds. |                         |                                  |                                       |

The discontinuation of the existing facility will not cause a need for beds and services in the C-02 planning area, therefore the applicants have met the requirements of this criterion. See pages 27-29 of the application for permit for a complete discussion of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE DISCONTINUATION CRITERION.

**IX. Bed Review Criteria**

A) Criterion 1110.320(a) - Establishment of Additional Hospitals

A proposed general hospital to be located within a Metropolitan Statistical Area (M.S.A.\*) must contain a minimum of 100 MS beds.

The applicants' facility is not located in an MSA. The applicants' facility is located in Bureau County which is not considered part of an MSA. This criterion is not applicable to this project.

THE STATE AGENCY FINDS THE ABOVE REVIEW CRITERION IS NOT APPLICABLE TO THE PROPOSED PROJECT.

B) Criterion 1110.320 (b) - Allocation of Additional Beds

The applicant proposing to establish a category of service must document that access to the service will be improved. Documentation shall consist of at least one of the following:

- 1) the proposed service is not available within the planning area;
- 2) existing facilities have restricted admission policies resulting in access limitations;
- 3) existing service providers are experiencing occupancy levels in excess of the category of service target levels;
- 4) the travel time to existing service providers is excessive (exceeds 45 minutes) for area residents to be served by the project.

The applicants are proposing to establish a new hospital with medical surgical services, obstetrics, and intensive care category of services.

The applicants' inpatient bed service over the latest 12 months is below the target occupancy for all categories of service proposed. The proposed services are available in the C-02 planning area. No evidence of restrictive

admission policies at other facilities in the C-02 planning area have been provided by the applicants and the existing providers in the C-02 planning area are not experiencing occupancy levels in excess of the category of service target levels. Travel times to existing providers do not exceed 45 minutes. The State Agency is unable to make a positive finding regarding this criterion.

**TABLE SEVEN**  
**Utilization Travel and Distance for Facilities within 45 minutes.**

|   | Time | Distance | MED SURGICAL |        | PED  |       | ICU  |        | OB   |        |
|---|------|----------|--------------|--------|------|-------|------|--------|------|--------|
|   |      |          | Beds         | %      | Beds | %     | Beds | %      | Beds | %      |
| Illinois Valley Community Hospital (Peru) | 7    | 3.61     | 107          | 21.96% | 10   | 1.00% | 9    | 21.30% | 17   | 18.40% |
| Perry Memorial Hospital (Princeton)       | 23   | 16.42    | 65           | 17.00% | 0    | 0.00  | 8    | 11.16% | 10   | 15.15% |
| Mendota Community Hospital (Mendota)      | 29   | 21.8     | 34           | 24.68% | 0    | 0.00  | 4    | 27.95% | 0    | 0.00   |
| Community Hospital of Ottawa (Ottawa)     | 32   | 25.09    | 71           | 28.50% | 0    | 0.00  | 5    | 57.37% | 14   | 28.90% |
| St. Mary's Hospital (Streator)            | 42   | 31.94    | 162          | 17.43% | 15   | 1.58% | 14   | 29.78% | 30   | 9.20%  |

1. Travel time and Distance taken from Map Quest  
 2. Information provided by the Hospitals in response to the 2007 Annual Hospital Questionnaire

C) Criterion 1110.320 (c) - Addition of Beds to Existing Facilities

The criterion states:

- “1) The applicant must document that the addition of beds is necessary. Documentation shall consist of evidence that:
  - A) existing inpatient bed services over the latest 12 month period have averaged at or above the target occupancy; or
  - B) when occupancy levels over that period fall below the target occupancy the services affected cannot be converted to provide the needed bed space due to architectural or programmatic considerations.
- 2) An applicant proposing to add beds while operating an acute care service (for purposes of this subsection, acute care services means: M-S, OB, Pediatrics, ICU, Acute Mental Illness, and Burn services) must document the appropriateness of the length of stay in existing services. Documentation shall consist of a comparison of patient length of stay with other providers within the planning area. An applicant whose existing services have a length of stay longer than that of other area providers must document that the severity or type of illness treated at the applicant facility is greater.”

This criterion is not applicable to this project.

THE STATE AGENCY FINDS THE ADDITION OF BEDS TO EXISTING FACILITIES CRITERION IS NOT APPLICABLE TO THE PROPOSED PROJECT.

**X. Medical/Surgical, Obstetric, Pediatric and Intensive Care**

- A) Criterion 1110.530 (a) - Unit Size
- 1) Obstetrics
    - A) The minimum unit size for a new obstetric unit within a Metropolitan Statistical Area is 20 beds.
    - B) The minimum unit size for a new obstetric unit outside a Metropolitan Statistical Area is 7 beds.
  - 2) Intensive Care. The minimum unit size for an intensive care unit is 4 beds.
  - 3) Pediatrics. The minimum size for a pediatric unit within a Metropolitan Statistical Area is 16 beds.

The applicants' replacement facility will be located in Bureau County which is not in an MSA. The applicants are proposing 6 intensive care beds and 6 obstetric beds as part of the replacement hospital. The applicants do not meet the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT IS **NOT** IN CONFORMANCE WITH THE UNIT SIZE CRITERION.

- B) Variances to Bed Need--Review Criterion. The applicant must document one or more of the following.
- 1) High Occupancy Variance
    - A) The applicant must document that the applicant facility has experienced high occupancy. Documentation shall consist of evidence that the historical average annual occupancy rate has equaled or exceeded the target occupancy for the prior 24-month period.
    - B) The applicant must also document that the number of beds proposed will not exceed the number needed to reduce the facility's high occupancy to the target occupancy, or if the number of beds proposed exceeds the number of beds justified by the applicant's historical workload, then projections may be used. Utilization projections must be based upon the following:
      - i) projections shall be based upon population projections from the U.S. Bureau of the Census;

- ii) projections shall be for a maximum period of 5 years from the date the application is submitted;
- iii) projections shall be zip code and age-specific; and
- iv) projections shall be based upon the applicant's service area as defined by historical patient origin, and shall not include projected changes in market share.

The projections provided must also demonstrate that the proposed number of beds will not exceed the number of beds needed to meet the target occupancy rate over the next 5 years.

2) Medically Underserved Variance

- A) The applicant must document that access to the proposed service is restricted in the planning area as documented by:
  - i) the absence of the service within the planning area;
  - ii) limitations on governmentally funded or charity patients;
  - iii) restrictive admission policies of existing providers;
  - iv) the area population and existing care system exhibit indicators of median care problems such as an average family income level below the State average poverty level, high infant mortality or designation as a Health Manpower Shortage Area; or
  - v) the project will provide service for a portion of the population who must currently travel over 45 minutes to receive service.
- B) Documentation shall consist of location and utilization of other planning area service providers; patient location information and all applicable time-travel studies; a certification of waiting times and scheduling or admission restrictions that exist in area providers; and an assessment of area population characteristics which would indicate an access problem.
- C) The applicant must also document that the number of beds proposed will not exceed the number needed at the target occupancy rate to meet the health care needs of the population identified as having restricted access.

The applicants have addressed the medically underserved variance by providing documentation at pages 52-54 of the application for permit that the replacement hospital will be located in Bureau County which has been designated as a Federal Health Professional Shortage Area. The applicants have met the requirements of the variance to bed need criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE VARIANCE TO BED NEED CRITERION.

**XI. General Review Criteria**

**A. Criterion 1110.230(a) - Location**

An applicant who proposes to establish a new health care facility or a new category of service or who proposes to acquire major medical equipment that is not located in a health care facility and that is not being acquired by or on behalf of a health care facility must document the following:

- 1) that the primary purpose of the proposed project will be to provide care to the residents of the planning area in which the proposed project will be physically located. Documentation for existing facilities shall include patient origin information for all admissions for the last 12 months. Patient origin information must be presented by zip code and be based upon the patient's legal residence other than a health care facility for the last six months immediately prior to admission. For all other projects for which referrals are required to support the project, patient origin information for the referrals is required. Each referral letter must contain a certification by the health care worker physician that the representations contained therein are true and correct. A complete set of the referral letters with original notarized signatures must accompany the application for permit.
- 2) that the location selected for a proposed project will not create a maldistribution of beds and services. Maldistribution is typified by such factors as: a ratio of beds to population (population will be based upon the most recent census data by zip code), within 30 minutes travel time under normal driving conditions of the proposed facility, which exceeds one and one half times the State average; an average utilization rate for the last 12 months for the facilities providing the proposed services within 30 minutes travel time under normal driving conditions of the proposed project which is below the Board's target occupancy rate; or the lack of a sufficient population concentration in an area to support the proposed project.

The applicants believe that there will not be any substantial change to the patient origin with the proposed relocation of the hospital.

2006 patient origin information for the hospital indicates that approximately 18% of the of the patients of the hospital come from Spring Valley, with approximately 23% coming from Peru and LaSalle located approximately 5 miles to east of Spring Valley. 16 zip codes comprise 80% of the patient origin for the hospital. The expected geographic service area is approximately 20 miles to the north, south, west and 12 miles to the east. The medical surgical bed to population ratio is 4.09 beds/thousand population. A letter of intent for the purchase of the real estate has been provided as required. Finally, there are three facilities within 30 minutes of the proposed site not including the applicants' facility. None of the facilities are at the State Board's target occupancy for all services proposed by the replacement hospital.

The proposed replacement hospital will serve the residents of the planning area and the applicants have justified the need for the number of beds being proposed under the variance to bed need criterion (77 IAC 1110.530 (b)). However, there are facilities within 30 minutes of the proposed site that are currently underutilized therefore it appears a mal-distribution will result with the establishment of the replacement hospital. See page 33-41 of the application for permit for a complete discussion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE LOCATION CRITERION.

TABLE EIGHT  
 Utilization Travel and Distance for Facilities within 45 minutes.

|   | Time | Distance | MED SURGICAL |        | PED  |       | ICU  |        | OB   |        |
|---|------|----------|--------------|--------|------|-------|------|--------|------|--------|
|   |      |          | Beds         | %      | Beds | %     | Beds | %      | Beds | %      |
| Illinois Valley Community Hospital (Peru) | 7    | 3.61     | 107          | 21.96% | 10   | 1.00% | 9    | 21.30% | 17   | 18.40% |
| Perry Memorial Hospital (Princeton)       | 23   | 16.42    | 65           | 17.00% | 0    | 0.00  | 8    | 11.16% | 10   | 15.15% |
| Mendota Community Hospital (Mendota)      | 29   | 21.8     | 34           | 24.68% | 0    | 0.00  | 4    | 27.95% | 0    | 0.00   |

1. Travel time and Distance taken from Map Quest  
 2. Information provided by the Hospitals in response to the 2007 Annual Hospital Questionnaire

B. Criterion 1110.230(b) - Background of Applicant

The criterion states:

"The applicant will demonstrate that they are fit, willing and able, and have the qualifications, background and character to adequately provide a proper standard of health care service for the community."

A listing of all health care facilities owned by the applicant has been provided along with proof of current licensure. In addition, a statement that no adverse actions have been taken against any facility owned by the applicant were provided. It appears the applicant has demonstrated it is fit, willing and able and has the qualifications, background and character to adequately provide a proper standard of health care service for the community (see pages 41-50 of the information submitted to the State Board).

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE BACKGROUND OF APPLICANT CRITERION.

C. Criterion 1110.230(c) - Alternatives

The criterion states:

“The applicant must document that the proposed project is the most effective or least costly alternative. Documentation shall consist of a comparison of the proposed project to alternative options. Such a comparison must address issues of cost, patient access, quality, and financial benefits in both the short and long term. If the alternative selected is based solely or in part on improved quality of care, the applicant shall provide empirical evidence including quantifiable outcome data that verifies improved quality of care. Alternatives must include, but are not limited to: purchase of equipment, leasing or utilization (by contract or agreement) of other facilities, development of freestanding settings for service and alternate settings within the facility.”

The applicant investigated four alternatives to the proposed project (outlined in Attachment GRC #3, pages 105-120 of the application).

**Alternative 1** - Do Nothing. This alternative was rejected because it did not address the age of the current structure and would not address the need to meet the current standards of care. There is no cost to this alternative.

**Alternative 2** - Renovate the existing facility. This alternative was rejected because of the costs, would be disruptive to the hospitals operation, and after renovation the basic structure of the hospital will have exceeded its useful life. Cost approximately \$35 million.

**Alternative 3** –Build a new hospital on a site close to the existing hospital. This alternative was rejected it was not practicable because the current hospital is located in a residential neighborhood and the land costs would be very costly. Cost approximately \$90 million.

**Alternative 4** – Proposed Project - This alternative to construct a smaller building to consolidate female oriented services in a single location allows the applicant to add M/S and OB beds to address the need in the A-10 planning area and consolidate women services. Cost approximately \$83 million

As noted there is no need in the planning area for proposed number of beds proposed by this project, however the applicants have met the variance for the bed need criterion (77 IAC 1110.530 (b)). Given the age of the current structure and the designation of the location of the proposed facility in a Federal Health Professional Shortage Area it appears the alternative selected best meets the need of the planning area.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ALTERNATIVE TO THE PROPOSED PROJECT CRITERION.

D) Criterion 1110.230(d) - Need For the Project

The criterion states:

“The project must be needed.

- 1) If the State Board has determined need pursuant to Part 1100, the proposed project shall not exceed additional need determined unless the applicant meets the criterion for a variance.
- 2) If the State Board has not determined need pursuant to Part 1100, the applicant must document that it will serve a population group in need of the services proposed and that insufficient service exists to meet the need. Documentation shall include but not be limited to:
  - A) area studies (which evaluate population trends and service use factors);
  - B) calculation of need based upon models of estimating need for the service (all assumptions of the model and mathematical calculations must be included);
  - C) historical high utilization of other area providers; and

- D) identification of individuals likely to use the project.
- 3) If the project is for the acquisition of major medical equipment that does not result in the establishment of a category of service, the applicant must document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition.”

The requirements of this criterion state that if the State Board has established need per 77 IAC 1100, the applicant shall not exceed additional need unless the requirements for a variance are met. The applicants have met the requirements of the variance to bed need (77 IAC 1110.530 (b), therefore the applicants have met the first and second requirement of this criterion. Additionally, the applicant are not proposing the acquisition of major medical equipment as defined by 20 ILCS 3960 and 1130.140 as part of this project.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE NEED FOR THE PROJECT CRITERION.

E) Criterion 1110.230(e) - Size of Project

The criterion states:

“The applicant must document that the size of a proposed project is appropriate.

- 1) The proposed project cannot exceed the norms for project size found in Appendix B of this Part unless the additional square footage beyond the norm can be justified by one of the following:
- A) the proposed project requires additional space due to the scope of services provided;
  - B) the proposed project involves an existing facility where the facility design places impediments on the architectural design of the proposed project;
  - C) the proposed project involves the conversion of existing bed space and the excess square footage results from that conversion; or
  - D) the proposed project includes the addition of beds and the historical demand over the last five year period for private rooms has generated a need for conversion of multiple bed rooms to private usage.

2) When the State Board has established utilization targets for the beds or services proposed, the applicant must document that in the second year of operation the annual utilization of the beds or service will meet or exceed the target utilization. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians) and the provision of new procedures which would increase utilization.”

1. The applicants exceed the size standards for M/S, ICU, Central Sterile Supply, Laboratory, Newborn Nursery, and Pharmacy. The applicant provided an explanation for these differences (see pages 55-62 of the application for a complete explanation). Table Nine displays this information.

| TABLE NINE<br>State Standard |                               |                |        |                                   |              |            |         |
|------------------------------|-------------------------------|----------------|--------|-----------------------------------|--------------|------------|---------|
| Department                   | Beds/Room/Procedures Proposed | Per Bed        | Total  | Proposed/Beds/Room/Procedures GSF | Proposed GSF | Difference | Exceeds |
| Medical Surgical             | 48 Beds                       | 401/GSF/Bed    | 19,248 | 507/GSF/Bed                       | 24,350       | 5,102      | Yes     |
| ICU                          | 6 Beds                        | 603/GSF/Bed    | 3,618  | 857.6/GSF/Bed                     | 5,140        | 1,522      | Yes     |
| Central Sterile Supply       | 60 Beds                       | 18/GSF/Beds    | 1,080  | 34.41/GSF/Bed                     | 2,065        | 985        | Yes     |
| Laboratory                   | 16.7 FTE                      | 225/GSF/FTE    | 3,758  | 307.48/GSF/FTE                    | 5,135        | 1,378      | Yes     |
| Newborn Nursery              | 6 Beds                        | 152/GSF/Bed    | 912    | 208.83/GSF?bed                    | 1,253        | 341        | Yes     |
| Pharmacy                     | 60 Beds                       | 12/GSF/Bed     | 720    | 46/GSF/Bed                        | 2,760        | 2,040      | Yes     |
| Obstetrics (LDRP)            | 6 Beds                        | 1119/GSF/Bed   | 6,714  | 1038.9/GSF/Bed                    | 6,233        | -481       | No      |
| C-Section Suite              | 1 Room                        | 2,078/GSF/Room | 2,078  | 945/GSF/Room                      | 945          | -1,133     | No      |
| Diagnostic Imaging           | 8 Rooms                       | 1,386/GSF/Room | 11,088 | 1332.5/GSF/Room                   | 10,658       | -430       | No      |
| Emergency Department         | 7 Rooms                       | 744.6/GSF/Room | 5,212  | 741.43/GSF/Room                   | 5,190        | -22        | No      |
| PT/OT/Speech <sup>(2)</sup>  | 60 Beds                       | 29.1/GSF/Bed   | 1,746  | 27.75/GSF/bED                     | 1,665        | 81         | No      |
| Recovery & PACU              | 20 Rooms                      | 180/GSF/Room   | 3,600  | 124.50/GSF/Room                   | 2,490        | -1,110     | No      |
| Surgery                      | 5 Rooms                       | 2078/GSF/Room  | 10,390 | 1,995/GSF/Room                    | 9,975        | -415       | No      |
| Anesthesia                   | No standard                   |                |        |                                   | 630          | 630        |         |
| Card. Diagnostic             | No standard                   |                |        |                                   | 1,545        | 1,545      |         |
| Cardiac Rehab.               | No standard                   |                |        |                                   | 1,538        | 1,538      |         |
| Sleep Lab                    | No standard                   |                |        |                                   | 825          | 825        |         |
| EMS                          | No standard                   |                |        |                                   | 280          | 280        |         |
| Endoscopy                    | No standard                   |                |        |                                   | 8,700        | 8,700      |         |
| Hospice                      | No standard                   |                |        |                                   | 940          | 940        |         |
| Infusion Therapy             | No standard                   |                |        |                                   | 1,920        | 1,920      |         |

| TABLE NINE<br>State Standard   |                               |         |       |                                   |              |            |         |
|--|-------------------------------|---------|-------|-----------------------------------|--------------|------------|---------|
| Department   | Beds/Room/Procedures Proposed | Per Bed | Total | Proposed/Beds/Room/Procedures GSF | Proposed GSF | Difference | Exceeds |
| Occ Health   | No standard                   |         |       |                                   | 155          | 155        |         |
| Physicians Offices   | No standard                   |         |       |                                   | 17,505       | 17,505     |         |
| 1. Information provided by the applicants.<br>2. PT/OT/SPEECH GSF has been added to reflect these specialties located in one area. |                               |         |       |                                   |              |            |         |

2. Table Nine illustrates the number of beds for each category of service to be modernized that are justified at a given growth rate at the State Board’s target occupancy by 2013, the second year after project completion. As illustrated in the table, the applicant can justify the total number of beds proposed at a projected growth rate of 1% and 2% per year for M/S (Swing Beds) and ICU beds. However for obstetric beds it appears unreasonable that the applicants will achieve target occupancy by CY 2013.

| TABLE TEN<br>Projected Utilization for different growth factors at the State Board’s Target Occupancy <sup>1</sup> |                      |             |                  |          |      |      |      |      |      |
|--|----------------------|-------------|------------------|----------|------|------|------|------|------|
| Service  | Beds Requested/Rooms | FY 2007 ADC | Target Occupancy | 2013     | 2013 | 2013 | 2013 | 2013 | 2013 |
|  |                      |             |                  | % Growth |      |      |      |      |      |
|  |                      |             |                  | 1%       | 2%   | 3%   | 4%   | 5%   | 6%   |
| M/S (Swing Beds)   | 48                   | 35.17       | 75%              | 47       | 52   | 55   | 57   | 60   | 63   |
| ICU  | 6                    | 2.85        | 60%              | 5        | 6    | 6    | 6    | 7    | 7    |
| OB   | 6                    | 2.29        | 60%              | 5        | 5    | 5    | 5    | 5    | 6    |
| 1. Assumes straight line growth.<br>2. Medical surgical services (Swing Beds) ADC includes long term care.         |                      |             |                  |          |      |      |      |      |      |

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE SIZE OF THE PROJECT CRITERION.

**XII. Financial Feasibility Criteria**

**A. Criterion 1120.210(a) - Financial Viability**

The criterion states:

“If an applicant has not documented a bond rating of “A” or better (pursuant to Section 1120.120), then the applicant must address the review criteria in this Section.”

1) Viability Ratios

Applicant (including co-applicant) must document compliance with viability ratio standards detailed in Appendix A of this Part or address a variance. Applicant must document compliance for the most recent three years for which audited financial statements are available. For Category B applications, the applicant also must document compliance through the first full fiscal year after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later, or address a variance.

2) Variance for Applications Not Meeting Ratios

Applicant not in compliance with any of the viability ratios must document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.”

| TABLE ELEVEN<br>Financial Ratio Information<br>St. Margaret's Hospital |                |            |       |       |           |
|--|----------------|------------|-------|-------|-----------|
| Ratio  | State Standard | Historical |       |       | Projected |
|  |                | 2005       | 2006  | 2007  | 2012      |
| Current Ratio  | >=1.5          | 2.2        | 2     | 2.1   | 1.7       |
| Net Margin Percentage  | >=3.5%         | 4.78%      | 6.40% | 7.90% | 4.20%     |
| Percent Debt to Total Capitalization                                   | <=80%          | 11%        | 14%   | 14%   | 58%       |
| Projected Debt Service Coverage  | >=1.75         | 6.49       | 6.08  | 8.39  | 2.54      |
| Days Cash on Hand  | >=45           | 108        | 122   | 128   | 130       |
| Cushion Ratio  | >=5            | 16.6       | 15.5  | 15.2  | 5.1       |

| TABLE TWELVE<br>Financial Ratio Information<br>Sisters of St. Mary of the Presentation Health System |                |            |       |       |           |
|--|----------------|------------|-------|-------|-----------|
| Ratio  | State Standard | Historical |       |       | Projected |
|  |                | 2005       | 2006  | 2007  | 2012      |
| Current Ratio  | >=1.5          | 2.2        | 2     | 1.9   | 1.8       |
| Net Margin Percentage  | >=3.5%         | 6.20%      | 1.20% | 4.60% | 3.90%     |
| Percent Debt to Total Capitalization   | <=80%          | 83%        | 86%   | 87%   | 84%       |
| Projected Debt Service Coverage <sup>(1)</sup>   | >=1.75         | NA         | NA    | NA    | .04       |
| Days Cash on Hand  | >=45           | 217        | 210   | 212   | 280       |

|   |     |    |    |    |    |
|---|-----|----|----|----|----|
| Cushion Ratio   | >=5 | NA | NA | NA | .7 |
| (1) Debt service coverage ratio: The long term debt is actually a long term liability that requires no interest or principal payments, so there is no debt service. The hospitals in the system pool their investments at the health system level for professional management of the funds and better yields. The Sisters show these pooled funds on their books as a long term asset and a corresponding long term liability owed back to the hospitals. |     |    |    |    |    |

St. Margaret Hospital has met all ratios for all years presented. The Sisters of St. Mary of the Presentation Health System do not meet the percent debt to total capitalization for all years presented and the debt service coverage ratio for the year 2012. No organization, public or private, has been identified by the applicants to assume the legal responsibility to meet the debt obligations should the applicant default. See pages 84-86 of the application for permit for this information. The applicants have not met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY REVIEW CRITERION.

B. Criterion 1120.210(b) - Availability of Funds

The criterion states:

“The applicant must document that financial resources shall be available and be equal to or exceed the estimated total project cost and any related cost.”

The applicants provided a letter and a temporary term sheet from JP Morgan documenting that JP Morgan will assist in securing financing for the project. See pages 90-91 of the application for permit for this information. It appears based upon the documentation submitted financial resources will be available to fund the project. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION.

C. Criterion 1120.210(c) - Start-Up Costs

The applicants are estimating approximately \$1 million in pre-opening costs approximately \$800,000 for moving of equipment, records, and supplies and \$200,000 for the transfer of patient. See page 87 of the

application for permit. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE START-UP COSTS CRITERION.

### **XIII. Economic Feasibility Criteria**

#### **A. Criterion 1120.310(a) - Reasonableness of Financing Arrangements**

The criterion states:

“This criterion is not applicable if the applicant has documented a bond rating of "A" or better pursuant to Section 1120.210. An applicant that has not documented a bond rating of "A" or better must document that the project and related costs will be:

- 1) funded in total with cash and equivalents including investment securities, unrestricted funds, and funded depreciation as currently defined by the Medicare regulations (42 USC 1395); or
- 2) funded in total or in part by borrowing because:
  - A) a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 2.0 times; or
  - B) borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60 day period. The applicant must submit a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to compliance with this requirement.”

The applicants have provided a notarized statement indicating the applicants believe that borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60 day period. The applicants have met the requirements of this criterion. See page 94 of the application for permit for complete discussion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION.

B. Criterion 1120.310(b) - Conditions of Debt Financing

The criterion states:

“The applicant must certify that the selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs, and other factors. In addition, if all or part of the project involves the leasing of equipment or facilities, the applicant must certify that the expenses incurred with leasing a facility and/or equipment are less costly than constructing a new facility or purchasing new equipment. Certification of compliance with the requirements of this criterion must be in the form of a notarized statement signed by two authorized representative (in the case of a corporation, one must be a member of the board of directors) of the applicant entity.”

The applicants provided a notarized letter certifying that the selected form of debt financing will be at the lowest net cost available to the applicants. See page 95 of the application for permit for a complete discussion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE CONDITIONS OF DEBT FINANCING CRITERION.

C. Criterion 1120.310(c) - Reasonableness of Project Costs

The criterion states:

“1) Construction and Modernization Costs

Construction and modernization costs per square foot for non-hospital based ambulatory surgical treatment centers and for facilities for the developmentally disabled, and for chronic renal dialysis treatment centers projects shall not exceed the standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. For all other projects, construction and modernization costs per square foot shall not exceed the adjusted (for inflation, location, economies of scale and mix of service) third quartile as provided for in the Means Building

Construction Cost Data publication unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

2) Contingencies

Contingencies (stated as a percentage of construction costs for the stage of architectural development) shall not exceed the standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. Contingencies shall be for construction or modernization only and shall be included in the cost per square foot calculation.

BOARD NOTE: If, subsequent to permit issuance, contingencies are proposed to be used for other line item costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by the State Board prior to such use.

3) Architectural Fees

Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

4) Major Medical and Movable Equipment

A) For each piece of major medical equipment, the applicant must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

B) Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

5) Other Project and Related Costs

The applicant must document that any preplanning, acquisition, site survey and preparation costs, net interest expense and other estimated costs do not exceed industry norms based upon a comparison with similar projects that have been reviewed.”

The State Agency notes only the project’s clinical costs will be compared to the established State Board standards.

Preplanning Costs - These costs total \$868,140 and are 1.69% of construction, contingencies, and equipment. This appears reasonable when compared to the State Board standard of 1.80%. An explanation of these costs can be found at page 98 of the information submitted to the State Board.

Site Survey and Soil Investigation - These costs total \$19,500. The State Board does not have standards for these costs.

Site Preparation - These costs are \$1,852,000, or 4.90% of construction and contingency costs (\$37,337,991). This appears reasonable compared to the State standard of 5%. An explanation of these costs can be found at page 98 of the information submitted to the State Board.

New Construction Costs and Contingencies - These costs total \$37,773,991 or \$337.58 per GSF ( $\$37,773,991/111,879\text{GSF} = \$337.58$ ). This appears reasonable when compared to the adjusted State standard of \$382.67 per GSF.

Contingencies - These costs total \$2,471,196, or 7.00% of construction. This appears reasonable compared to the State standard of 10%-15%.

Architectural/Engineering Fees - These costs total \$2,464,800, or 6.52% of construction and contingency costs. These costs appear reasonable compared State standard of 3.25-7.10%.

Consulting and Other Fees - These costs total \$312,000, or less than 1% of construction and contingency costs. The State Board does not have standards for these costs. An explanation of these costs can be found at page 98 of the information submitted to the State Board.

Movable of Other Equipment - These costs total \$13,599,000. The State Board does not have standards for hospital-based equipment costs.

Bond Issuance Expense - These costs total \$2,277,600. The State Board does not have standards for these costs.

Net Interest Expense During Construction - These costs total \$1,521,000. The State Board does not have standards for these costs.

FMV of Equipment to Transferred - These costs total \$3,276,000. The State Board does not have standards for these costs.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION.

D. Criterion 1120.310(d) - Projected Operating Costs

The criterion states:

“The applicant must provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Direct costs mean the fully allocated costs of salaries, benefits, and supplies for the service.

The projected operating cost is \$2,639.14 per equivalent patient day. The State Board does not have standards for these costs. See page 99 of the application for permit for a complete discussion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION.

E. Criterion 1120.310(e) - Total Effect of Project on Capital Costs

The criterion states:

“The applicant must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later.”

The capital costs per equivalent patient day are \$948.59. The State Board does not have standards for these costs. See page 99 of the application for permit for a complete discussion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF PROJECT ON CAPITAL COSTS CRITERION.

F. Criterion 1120.310(f) - Non-Patient Related Services

This criterion is not applicable to this project.



**Ownership, Management and General Information**

**ADMINISTRATOR NAME:** Timothy A. Muntz  
**ADMINSTRATOR PHONE** 815.664.1633  
**OWNERSHIP:** SMP Health Systems  
**OPERATOR:** SMP Health Systems  
**MANAGEMENT:** Non-Government Church-related  
**FACILITY DESIGNATION/** Short Term Acute Care Hospital  
**CERTIFICATION:**  
**ADDRESS** 600 East First Street

**CITY:** Spring Valley

**COUNTY:** Bureau County

**Patients by Race**

White 99.5%  
 Black 0.2%  
 American Indian 0.0%  
 Asian 0.2%  
 Hawaiian/ Pacific 0.0%  
 Unknown: 0.0%

**Patients by Ethnicity**

Hispanic or Latino: 4.4%  
 Not Hispanic or Latino: 95.6%  
 Unknown: 0.0%  
 IDPH Number: 2576  
 HPA C-02  
 HSA 2

**Birthing Data**

Number of Deliveries: 343  
 Number of Live Births: 343  
 Birthing Rooms: 0  
 Labor Rooms: 0  
 Delivery Rooms: 1  
 Labor-Delivery-Recovery Rooms: 0  
 Labor-Delivery-Recovery-Postpartum Rooms: 6  
 C-Section Rooms: 0  
 CSections Performed: 0

**Newborn Nursery Utilization**

Level 1 Patient Days 689  
 Level 2 Patient Days 0  
 Level 2+ Patient Days 0  
 Total Nursery Patientdays **689**

**Organ Transplantation**

Kidney: 0  
 Heart: 0  
 Lung: 0  
 Heart/Lung: 0  
 Pancreas: 0  
 Liver: 0  
 Total: **0**

**Laboratory Studies**

Inpatient Studies 65,343  
 Outpatient Studies 117,197  
 Studies Performed Under Contract 182,540

**Facility Utilization Data by Category of Service**

| Clinical Service            | Authorized CON Beds | Beds Setup 10/1/2007 | Peak Beds Setup and Staffed | Peak Census | Admissions   | Inpatient Days | Observation Days | Average Length of Stay | Average Daily Census | CON Occupancy Rate % | Staffed Bed: Occupancy Rate % |
|-----------------------------|---------------------|----------------------|-----------------------------|-------------|--------------|----------------|------------------|------------------------|----------------------|----------------------|-------------------------------|
| <b>Medical/Surgical</b>     | 118                 | 37                   | 37                          | 33          | 2,251        | 8,151          | 414              | 3.8                    | 23.5                 | 19.9                 | 63.4                          |
| 0-14 Years                  |                     |                      |                             |             | 0            | 0              |                  |                        |                      |                      |                               |
| 15-44 Years                 |                     |                      |                             |             | 264          | 570            |                  |                        |                      |                      |                               |
| 45-64 Years                 |                     |                      |                             |             | 547          | 1,735          |                  |                        |                      |                      |                               |
| 65-74 Years                 |                     |                      |                             |             | 431          | 1,549          |                  |                        |                      |                      |                               |
| 75 Years +                  |                     |                      |                             |             | 1,009        | 4,297          |                  |                        |                      |                      |                               |
| <b>Pediatric</b>            | 16                  | 6                    | 6                           | 3           | 69           | 147            | 24               | 2.5                    | 0.5                  | 2.9                  | 7.8                           |
| <b>Intensive Care</b>       | 6                   | 6                    | 6                           | 6           | 254          | 1,156          | 32               | 4.7                    | 3.3                  | 54.2                 | 54.2                          |
| Direct Admission            |                     |                      |                             |             | 254          | 614            |                  |                        |                      |                      |                               |
| Transfers                   |                     |                      |                             |             | 0            | 542            |                  |                        |                      |                      |                               |
| <b>Obstetric/Gynecology</b> | 15                  | 10                   | 10                          | 6           | 357          | 770            | 44               | 2.3                    | 2.2                  | 14.9                 | 22.3                          |
| Maternity                   |                     |                      |                             |             | 337          | 744            |                  |                        |                      |                      |                               |
| Clean Gynecology            |                     |                      |                             |             | 20           | 26             |                  |                        |                      |                      |                               |
| <b>Neonatal</b>             | 0                   | 0                    | 0                           | 0           | 0            | 0              | 0                | 0.0                    | 0.0                  | 0.0                  | 0.0                           |
| <b>Long Term Care</b>       | 33                  | 27                   | 27                          | 20          | 403          | 3,723          | 0                | 9.2                    | 10.2                 | 30.9                 | 37.8                          |
| <b>Swing Beds</b>           |                     |                      |                             |             | 75           | 360            |                  | 4.8                    | 1.0                  |                      |                               |
| <b>Acute Mental Illness</b> | 0                   | 0                    | 0                           | 0           | 0            | 0              | 0                | 0.0                    | 0.0                  | 0.0                  | 0.0                           |
| <b>Rehabilitation</b>       | 0                   | 0                    | 0                           | 0           | 0            | 0              | 0                | 0.0                    | 0.0                  | 0.0                  | 0.0                           |
| Dedicated Observation       | 0                   |                      |                             |             |              |                | 0                |                        |                      |                      |                               |
| <b>Facility Utilization</b> | <b>188</b>          | <b>86</b>            |                             |             | <b>3,409</b> | <b>14,307</b>  | <b>514</b>       | <b>4.3</b>             | <b>40.6</b>          | <b>21.6</b>          |                               |

(Includes ICU Direct Admissions Only)

**Inpatients and Outpatients Served by Payor Source**

|                    | Medicare | Medicaid | Other Public | Private Insurance | Private Pay | Charity Care | Totals  |
|--------------------|----------|----------|--------------|-------------------|-------------|--------------|---------|
| <b>Inpatients</b>  | 59.2%    | 9.2%     | 0.2%         | 28.7%             | 1.7%        | 1.1%         | 3,409   |
|                    | 2018     | 314      | 6            | 977               | 57          | 37           |         |
| <b>Outpatients</b> | 34.2%    | 10.4%    | 0.2%         | 51.5%             | 2.7%        | 1.0%         | 227,473 |
|                    | 77801    | 23630    | 403          | 117118            | 6170        | 2351         |         |

**Financial Year Reported:**

10/1/2006 to 9/30/2007

**Inpatient and Outpatient Net Revenue by Payor Source**

|                                | Medicare   | Medicaid  | Other Public | Private Insurance | Private Pay | Totals     | Charity Care Expense | Total Charity Care as % of Net Revenue |
|--------------------------------|------------|-----------|--------------|-------------------|-------------|------------|----------------------|--|
| <b>Inpatient Revenue (\$)</b>  | 50.6%      | 8.6%      | 0.1%         | 35.6%             | 5.1%        | 100.0%     | 211,281              | 558,385                                |
|                                | 11,279,421 | 1,919,657 | 21,011       | 7,933,254         | 1,145,195   | 22,298,538 |                      |  |
| <b>Outpatient Revenue (\$)</b> | 26.7%      | 6.3%      | 0.2%         | 60.2%             | 6.6%        | 100.0%     | 347,104              | 0.9%                                   |
|                                | 10,751,967 | 2,516,295 | 65,936       | 24,246,581        | 2,672,006   | 40,252,785 |                      |  |

**Surgery and Operating Room Utilization**

| Surgical Specialty | Operating Rooms |            |          |          | Surgical Cases |             | Surgical Hours |             |             | Hours per Case |            |
|--------------------|-----------------|------------|----------|----------|----------------|-------------|----------------|-------------|-------------|----------------|------------|
|                    | Inpatient       | Outpatient | Combined | Total    | Inpatient      | Outpatient  | Inpatient      | Outpatient  | Total Hours | Inpatient      | Outpatient |
| Cardiovascular     | 0               | 0          | 0        | 0        | 0              | 0           | 0              | 0           | 0           | 0.0            | 0.0        |
| Dermatology        | 0               | 0          | 0        | 0        | 0              | 0           | 0              | 0           | 0           | 0.0            | 0.0        |
| General            | 0               | 0          | 4        | 4        | 163            | 189         | 410            | 311         | 721         | 2.5            | 1.6        |
| Gastroenterology   | 0               | 0          | 0        | 0        | 0              | 0           | 0              | 0           | 0           | 0.0            | 0.0        |
| Neurology          | 0               | 0          | 0        | 0        | 0              | 0           | 0              | 0           | 0           | 0.0            | 0.0        |
| OB/Gynecology      | 0               | 0          | 0        | 0        | 164            | 79          | 413            | 131         | 544         | 2.5            | 1.7        |
| Oral/Maxillofacial | 0               | 0          | 0        | 0        | 0              | 0           | 0              | 0           | 0           | 0.0            | 0.0        |
| Ophthalmology      | 0               | 0          | 0        | 0        | 0              | 59          | 0              | 98          | 98          | 0.0            | 1.7        |
| Orthopedic         | 0               | 0          | 0        | 0        | 379            | 767         | 954            | 1266        | 2220        | 2.5            | 1.7        |
| Otolaryngology     | 0               | 0          | 0        | 0        | 30             | 375         | 76             | 619         | 695         | 2.5            | 1.7        |
| Plastic Surgery    | 0               | 0          | 0        | 0        | 0              | 0           | 0              | 0           | 0           | 0.0            | 0.0        |
| Podiatry           | 0               | 0          | 0        | 0        | 0              | 0           | 0              | 0           | 0           | 0.0            | 0.0        |
| Thoracic           | 0               | 0          | 0        | 0        | 0              | 0           | 0              | 0           | 0           | 0.0            | 0.0        |
| Urology            | 0               | 0          | 1        | 1        | 135            | 389         | 340            | 642         | 982         | 2.5            | 1.7        |
| <b>Totals</b>      | <b>0</b>        | <b>0</b>   | <b>5</b> | <b>5</b> | <b>871</b>     | <b>1858</b> | <b>2193</b>    | <b>3067</b> | <b>5260</b> | <b>2.5</b>     | <b>1.7</b> |

|                                   |                           |   |                           |   |
|-----------------------------------|---------------------------|---|---------------------------|---|
| <b>SURGICAL RECOVERY STATIONS</b> | Stage 1 Recovery Stations | 1 | Stage 2 Recovery Stations | 7 |
|-----------------------------------|---------------------------|---|---------------------------|---|

**Dedicated and Non-Dedicated Procedure Room Utilization**

| Procedure Type                          | Procedure Rooms |            |          |       | Surgical Cases |            | Surgical Hours |            |             | Hours per Case |            |
|---|-----------------|------------|----------|-------|----------------|------------|----------------|------------|-------------|----------------|------------|
|   | Inpatient       | Outpatient | Combined | Total | Inpatient      | Outpatient | Inpatient      | Outpatient | Total Hours | Inpatient      | Outpatient |
| <b>Gastrointestinal</b>                 | 0               | 0          | 1        | 1     | 0              | 1618       | 0              | 3479       | 3479        | 0.0            | 2.2        |
| <b>Laser Eye Procedures</b>             | 0               | 0          | 0        | 0     | 0              | 0          | 0              | 0          | 0           | 0.0            | 0.0        |
| <b>Pain Management</b>                  | 0               | 0          | 1        | 1     | 0              | 552        | 0              | 1187       | 1187        | 0.0            | 2.2        |
| <b>Cystoscopy</b>                       | 0               | 0          | 0        | 0     | 0              | 0          | 0              | 0          | 0           | 0.0            | 0.0        |
| <b>Multipurpose Non-Dedicated Rooms</b> |                 |            |          |       |                |            |                |            |             |                |            |
| <b>None</b>                             | 0               | 0          | 0        | 0     | 0              | 0          | 0              | 0          | 0           | 0.0            | 0.0        |
| <b>None</b>                             | 0               | 0          | 0        | 0     | 0              | 0          | 0              | 0          | 0           | 0.0            | 0.0        |

**Cardiac Catheterization Labs**

|  |   |
|--|---|
| Total Cath Labs (Dedicated+Nondedicated labs): | 0 |
| Cath Labs used for Angiography procedures      | 0 |
| Dedicated Diagnostic Catheterization Labs      | 0 |
| Dedicated Interventional Catheterization Labs  | 0 |
| Dedicated EP Catheterization Labs              | 0 |

**Emergency/Trauma Care**

|   |                               |
|---|-------------------------------|
| Certified Trauma Center by EMS            | <input type="checkbox"/>      |
| Level of Trauma Service                   | <b>Level 1</b> <b>Level 2</b> |
|   | N/A                      N/A  |
| Operating Rooms Dedicated for Trauma Care | 0                             |
| Number of Trauma Visits:                  | 0                             |
| Patients Admitted from Trauma             | 0                             |
| Emergency Service Type:                   | Comprehensive                 |
| Persons Treated by Emergency Services:    | 10,983                        |
| Patients Admitted from Emergency:         | 1,740                         |
| Total ED Visits (Emergency+Trauma):       | <b>10,983</b>                 |

**Cardiac Catheterization Utilization**

|   |   |
|---|---|
| Total Cardiac Cath Procedures:          | 0 |
| Diagnostic Catheterizations (0-14)      | 0 |
| Diagnostic Catheterizations (15+)       | 0 |
| Interventional Catheterizations (0-14): | 0 |
| Interventional Catheterizations (15+)   | 0 |
| EP Catheterizations (15+)               | 0 |

**Cardiac Surgery Data**

|  |   |
|--|---|
| Total Cardiac Surgery Cases:   | 0 |
| Pediatric (0 - 14 Years):  | 0 |
| Adult (15 Years and Older):  | 0 |
| Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases : | 0 |

**Outpatient Service Data**

|  |                |
|--|----------------|
| Total Outpatient Visits                    | <b>227,473</b> |
| Outpatient Visits at the Hospital/ Campus: | 135,726        |
| Outpatient Visits Offsite/off campus       | 91747          |

**Diagnostic and Therapeutic Equipment**

| Equipment                           | Hospital Owned |        |            | Examinations |            |             |
|-------------------------------------|----------------|--------|------------|--------------|------------|-------------|
|                                     | Hospital Owned | Shared | Contracted | Inpatient    | Outpatient | Contractual |
| General Radiography/Fluoroscopy     | 6              | 0      | 0          | 4,174        | 11,392     | 0           |
| Nuclear Medicine                    | 1              | 0      | 0          | 300          | 1,436      | 0           |
| Mammography                         | 1              | 0      | 0          | 2            | 2,745      | 0           |
| Ultrasound                          | 4              | 0      | 0          | 1,505        | 3,655      | 0           |
| Angiography                         | 0              | 0      | 0          | 0            | 0          | 0           |
| Positron Emission Tomography (PET)  | 0              | 0      | 1          | 3            | 169        | 0           |
| Computerized Axial Tomography (CAT) | 1              | 0      | 0          | 1,325        | 3,524      | 0           |
| Magnetic Resonance Imaging          | 0              | 0      | 1          | 125          | 1,754      | 0           |
| <b>Treatment Courses</b>            |                |        |            |              |            |             |
| Lithotripsy                         | 0              | 0      | 1          | 76           |            |             |
| <b>Radiation Therapy Equipment:</b> |                |        |            |              |            |             |
| Linear Accelerator                  | 0              | 0      | 0          | 0            | 0          | 0           |
|                                     | 0              | 0      | 0          | 0            | 0          | 0           |