

<b>DOCKET NO:</b> A-	<b>BOARD MEETING:</b> August 12-13, 2008	<b>PROJECT NO:</b> 08-037	<b>PROJECT COST:</b> Original:\$30,349,000
<b>FACILITY NAME:</b> Methodist North at Allen Road		<b>CITY:</b> Peoria	
<b>TYPE OF PROJECT:</b> Non-substantive			<b>HSA: II</b>

**PROJECT DESCRIPTION:** The applicants propose to construct a medical office building with 79,500 gross square feet which will house imaging, retail pharmacy, physical therapy and physician offices.

## STATE AGENCY REPORT

Methodist Health Services Corporation  
The Methodist Medical Center of Illinois  
Methodist Services,  
Peoria MOB Owners, LLC.  
DASCO Companies, LLC.  
Peoria, Illinois  
Project #08-037

Applicants(s)	Methodist Health Services Corporation, The Methodist Medical Center of Illinois, Methodist Services, Peoria MOB Owners, LLC., DASCO Companies, LLC.
Facility Name	Methodist North at Allen Road
Location	Peoria, IL
Application Received	May 15, 2008
Application Deemed Complete	May 23, 2008
Scheduled Review Period Ended	July 22, 2008
Review Period Extended by the State Agency	No
Public Hearing Requested?	No
Applicants' Deferred Project?	No
Can Applicants Request a Deferral?	Yes
Applicants' Modified the Project?	No

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

The applicants propose to construct a medical office building with 79,500 gross square feet ("GSF") which will house imaging, retail pharmacy, physical therapy and physician offices.

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

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

### **III. General Information**

The applicants are Methodist Health Services Corporation, The Methodist Medical Center of Illinois, Methodist Services, Inc., Peoria MOB Owners, LLC., and DASCO Companies, LLC. The medical office building will be located in Peoria (HSA II). The hospital is located in the C-01 Hospital Planning Area. The C-01 Hospital

Planning Area includes: Woodford, Peoria, Tazewell, and Marshall Counties; Stark County Townships of Goshen, Toulon, Penn, West Jersey, Valley, and Essex.

There are five other providers of acute care service in C-01. The hospitals are Greater Peoria Specialty Hospital-Peoria, Hopedale Hospital-Hopedale, Pekin Memorial Hospital - Pekin, Proctor Community Hospital-Peoria, and St. Francis Medical Center-Peoria. This is a non-substantive Category B project, which is subject to both a Part 1110 and Part 1120 review. An opportunity for a public hearing was offered on this project however, no hearing was requested. The State Agency did not receive any public comments on this proposal. Project obligation will occur after permit issuance. The anticipated project completion date is February 28, 2010.

Table One outlines the average length of stay ("ALOS"), average daily census ("ADC") and utilization for Methodist Medical Center January 1, 2006 - December 31, 2006. The State Agency notes the 2006 data was furnished by the Illinois Department of Public Health's ("IDPH") 2006 Annual Hospital Questionnaire. Table Two outlines the average length of stay ("ALOS"), average daily census ("ADC") and utilization for Methodist Medical Center January 1, 2007 - December 31, 2007 and .

TABLE ONE Methodist Medical Center Utilization Data - Calendar Year 2006							
Service	Authorized Beds	Admissions	Patient Days	ALOS	ADC	Occupancy	Standard
Med/Surg	158	9,442	41,539	4.5	116.3	73.6	90%
Pediatric	12	354	888	3.3	3.2	26.4	65%
ICU	36	2,197	6,619	3.0	18.1	50.4	60%
Obstetrics	16	1,786	4,831	11.8	11.5	84.2	78%
LTC	24	356	4,210	11.8	11.5	48.1	90%
AMI	68	2,225	16,971	7.6	46.5	68.4	85%
Rehab	39	632	8,384	13.3	23.0	58.9	85%
<b>TOTAL</b>	<b>353</b>	<b>16,201</b>	<b>83,442</b>				

Source: Illinois Department of Public Health's ("IDPH") 2006 Annual Hospital Questionnaire.

TABLE TWO Methodist Medical Center Utilization Data - Calendar Year 2007							
Service	Authorized Beds	Admissions	Patient Days	ALOS	ADC	Occupancy	Standard
Med/Surg	158	8328	39973	4.9	112.8	71.4%	90%
Pediatric	12	307	785	2.6	3.4	28.3%	65%
ICU	36	2157	6346	4.6	17.4	48.4%	60%

Obstetrics	16	2425	6375	2.6	18.0	112.4%	78%
AMI	68	2379	18531	7.8	50.8	74.7%	85%
Rehab	39	639	8340	13.1	22.8	58.6%	85%
<b>TOTAL</b>	<b>353</b>	<b>16,015</b>	<b>84,582</b>				

Source: Information provided by the applicants in response to IDPH 2007 Hospital Questionnaire  
 Long term care category of service discontinued approved by the State Board at the May 2007 State Board Meeting

Table Three displays Methodist Medical Center patients by payment source. The State Agency notes the data in Table Two is for calendar year 2007 and is supplied by IDPH 2007 Annual Hospital Questionnaire.

<b>TABLE THREE</b>		
<b>2007 Payor Source Distribution</b>		
<b>Payment Source</b>	<b>Admissions</b>	<b>Percentage</b>
Charity Care	719	4.6%
Insurance	4,128	26.7%
Medicaid	6,841	20.5%
Medicare	3,179	44.2%
Other Public	52	.3%
Private Pay	553	3.6%
<b>TOTALS</b>	<b>15,472</b>	<b>100%</b>
Source: IDPH 2007 Annual Hospital Questionnaire		

**IV. The Proposed Project - Details**

The applicants propose to construct a medical office building with 79,500 gross square feet which will house imaging, retail pharmacy, physical therapy and physician offices. The proposed project will be located on six acres in North Peoria with a purchase price of \$1,369,000. The six acre site is owned by Methodist Services, Inc a subsidiary of Methodist Health Services Corporation. Methodist Services, Inc. and Peoria MOB Owners, LLC will sign a 50 year ground lease upon approval of the application for permit. Methodist Services, Inc., will rent physician office space, and Heartland Home Health Care, Inc., (a subsidiary of Methodist Health Services Corporation) will operate a retail pharmacy. The Methodist Medical Center of Illinois will occupy space for an imaging center. The MOB will be owned by Peoria MOB Owners, LLC which is currently owned 100% by DASCO Companies, LLC. It is the intent of DASCO Companies, LLC to make available to physician tenants 49% of the ownership of the MOB. DASCO will maintain 51% of the ownership of the MOB.

The project's GSF is 79,500 GSF of space where 24,425 GSF (31%) is considered clinical and 55,075 GSF (69%) is considered non-clinical. Table Four lists the project's cost and space allocation per GSF.

<b>TABLE FOUR</b>						
<b>Project Cost/Space Allocation</b>						
<b>Department</b>	<b>Cost</b>	<b>Existing GSF</b>	<b>Proposed Total GSF</b>	<b>Amount of Proposed GSF That Is:</b>		
				<b>New</b>	<b>Remodeled</b>	<b>As Is</b>
Therapy	823,945	NA	3,278	3,278	0	0
Medical Outpatient Imaging	\$14,844,450	17,890	18,587	18,587	0	0
Retail Pharmacy	\$741,440	NA	2,560	2,560	0	0
<b>Clinical</b>	<b>\$16,409,835</b>	<b>17,890</b>	<b>24,425</b>	<b>24,425</b>		
Physician Offices	\$10,130,015	34,268	38,605	38,605	0	0
Conference Center	\$1,096,035	NA	4,225	4,225	0	0
Lobby/Mech. Support	\$2,713,115	NA	12,245	12,245	0	0
Non-Clinical	13,939,165	34,268	55,075	55,075		
<b>Total</b>	<b>\$30,349,000</b>		<b>79,500</b>	<b>79,500</b>	<b>0</b>	<b>0</b>

**V. Project Costs and Sources of Funds**

The applicants propose to construct a medical office building with 79,500 GSF which will house imaging, retail pharmacy, physical therapy and physician offices. The total estimated project cost is \$30,349,000. The proposed project will be funded with cash and a mortgage. The project has both clinical and non-clinical components. Of the total project cost, \$16,409,835 (54%) is considered clinical; while \$13,939,165 (46%) is considered non-clinical. Table Five displays the project's cost information.

<b>TABLE FIVE</b>			
<b>Project Cost and Sources of Funds</b>			
<b>Use of Funds</b>	<b>Clinical</b>	<b>Non-Clinical</b>	<b>Total</b>
Preplanning	\$112,980	\$167,020	\$280,000
Site Survey / Soil Investigation	\$34,300	\$50,700	\$85,000
Site Preparation	\$387,360	\$572,640	\$960,000
Off Site Work	\$272,360	\$402,640	\$675,000
New Construction	\$5,730,390	\$8,469,610	\$14,200,000
Contingencies	\$401,030	\$592,970	\$994,000

<b>TABLE FIVE</b>			
<b>Project Cost and Sources of Funds</b>			
<b>Use of Funds</b>	<b>Clinical</b>	<b>Non-Clinical</b>	<b>Total</b>
A & E Fees	\$367,190	\$542,810	\$910,000
Consulting and Other Fees	\$464,025	\$685,975	\$1,150,000
Moveable Equipment	\$7,895,000	\$0	\$7,895,000
Net Interest Expense	\$403,500	\$596,500	\$1,000,000
Other Costs to be Capitalized*	\$341,700	\$1,858,300	\$2,200,000
<b>TOTAL COSTS</b>	<b>\$16,409,835</b>	<b>\$13,939,165</b>	<b>\$30,349,000</b>
<b>Sources of Funds</b>			
Cash and Securities			\$9,955,000
Mortgage			\$20,394,000
<b>TOTAL SOURCES OF FUNDS</b>			<b>\$30,349,000</b>
*The costs to be capitalized are for builder's risk insurance, signage, furniture and minor moveable equipment.			

**VI. Criterion 1110.420 - Modernization Review**

**A) Criterion 1110.420 (a) - Modernization of Beds**

The applicant must document that the number of beds proposed in each category of service affected does not exceed the number of beds needed to support the facility's utilization in each service proposed at the appropriate modernization target as found in Part 1100. (Utilization shall be based upon the latest 12-month period for which data are available.)

The proposed project does not propose the modernization of beds; therefore this criterion is not applicable to this project.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE MODERNIZATION OF BEDS CRITERION (77 IAC 1110.420 (a)).

**A. Criterion 1110.420(b) - Modern Facilities**

The criterion states:

“The applicants must document that the proposed project meets one of the

following:

- 1) The proposed project will result in the replacement of equipment or facilities which have deteriorated and need replacement. Documentation shall consist of, but it not limited to: historic utilization data, downtime or time spent out-of-service due to operational failures, upkeep and annual maintenance costs, and licensure or fire code deficiency citations involving the proposed project.
- 2) The proposed project is necessary to provide expansion for diagnostic treatment, ancillary training, or other support services to meet the requirements of existing services or services previously approved to be added or expanded. Documentation shall consist of but is not limited to: historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project.”

The applicants propose to construct a medical office building with 79,500 GSF which will house outpatient imaging, a retail pharmacy, physical therapy and physician offices. The facility’s rentable area is 67,255 net square feet of space. Of this amount Methodist Medical Center of Illinois will occupy 18,587 feet for diagnostic radiology. Corporate affiliates of Methodist Health Services Inc. will occupy 35,721/feet for the retail pharmacy, a conference center, and physician offices. Professional Therapy Associates will lease 3,278 feet of space. Approximately 90% of the space will be rented.

The applicants outline three reasons for the need for the proposed relocation of the outpatient diagnostic services and the need to develop the medical office building.

1. The current building housing the outpatient imaging department is a multipurpose building built in 1985 and located on the hospital campus. This building will be converted into an information technology center as part of an overall hospital campus renovation plan.
2. The current location of the diagnostic imaging center creates a maldistribution of imaging services due to all imaging being consolidated on the main hospital campus. The hospital location results in patients in the hospital’s service area having to travel greater distances and is inconvenient to those patients.
3. Replacement of the outpatient imaging department on the hospital

campus is necessary to accommodate the program due to the integration of non-invasive cardiology with diagnostic radiology.

**TABLE SIX**  
**Proposed Equipment and Historical Utilization**

	Existing Equipment at Hospital Location	Proposed Equipment MOB Location	Total Proposed Equipment Hospital & MOB	State Standard Procedures/Visits	2007 Procedures/Visits	
MRI	3	1	3	2,000/Visits	6,574	
CT	2	1	3	2,000/Visits	22,500	
X-Ray	11	11	11	6,500/Procedures	53,566	
Mammography	4	2	6	2,000/Visits	16,270	
Ultrasound	5	1	5	2,000/Visits	10,294	
Nuclear Medicine	6	1	7	2,000/Visits	3,915	
Vascular Lab	4	1	4	No standard	5,846	
Echo	5	1	5	No standard	8,613	
EKG	12	1	12	No standard	22,971	
Stress	3	1	3	No standard	1,145	
DEXA (Bone Mineral Density)	1	1	1	No standard	1,109	
Total	56	22	60			

Source: Information provided by the applicants

The applicants have demonstrated that the proposed project is necessary to meet the needs of the patients the hospital serves; as well as to meet the requirements of the existing non-invasive cardiology and diagnostic radiology services. However the modernization of nuclear medicine appears excessive given the historical volume of the applicants. The applicants state “the number of nuclear medicine cameras within the hospital need to be maintained in order to accommodate the wide variety of testing performed. The cameras range in age for 13 to 33 years. Each camera has its unique ability with none being capable of performing all tests.” See page 79 of the application for permit. Given this constraint the proposed modernization appears warranted.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE MODERN FACILITIES CRITERION (77 IAC 1110.420 (b)).

C) Criterion 1110.420 (c) - Major Medical Equipment

Proposed projects for the acquisition of major medical equipment must document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition.

There is no major medical equipment as defined by the State Board being proposed as part of this project. This criterion is not applicable to this project.

THE STATE AGENCY FINDS THE CRITERION 77 IAC 1110.420 (c) MAJOR MEDICAL EQUIPMENT IS NOT APPLICABLE TO THIS PROJECT.

## VII. General Review Criteria

- A. Criterion 1110.230(a) - Location
- B. Criterion 1110.230(b) - Background of Applicants

This is a non-substantive outpatient building project where these criteria are not applicable to the project.

THE STATE AGENCY FINDS THE LOCATION AND BACKGROUND OF APPLICANTS CRITERIA ARE NOT APPLICABLE TO THE PROJECT.

- C. Criterion 1110.230(c) - Alternatives

The criterion states:

“The applicants 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 applicants 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.”

To address this criterion, the applicants considered three alternatives:

### 1. Do not use a developer to construct the facility

The applicants rejected this alternative due to the need to preserve capital that is to be used to fund a new hospital in the next two years and the belief that by using a developer results in a lower construction cost. The applicants estimate this cost to be \$30.3 million.

**2. Do nothing; replace imaging equipment in its current location**

The applicants rejected this alternative because the current hospital facility is insufficient in size, does not address physician office needs, the current hospital location result is less attractive to patients, and would require significant modification of the hospital's campus plan. The applicants estimate this cost to be \$8 million for the replacement of equipment.

**3. Build the facility in a different location**

The applicants rejected this alternative because an independent market assessment selected the proposed location. The applicants estimate this cost to be the "same cost as the preferred option".

The project cost is \$30.349 million. All alternatives are at a lower cost. However, the proposed project is necessary to provide expansion of services already approved to meet the requirements of the existing non-invasive cardiology and diagnostic radiology services. It appears that the alternative selected will meet the need to expand services.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ALTERNATIVES CRITERION (77 IAC 1120.230 (c)).

D. Criterion 1110.230(d) - Need for the Project

The criterion states:

- "1) If the State Board has determined need pursuant to Part 1100, the proposed project shall not exceed additional need determined unless the applicants meet the criterion for a variance.
- 2) If the State Board has not determined need pursuant to Part 1100, the applicants 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 applicants must document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition."

The State Board has not determined need for any of the services proposed by this project. The need for the project is based upon the need to address what the applicants believe to be a mal-distribution of imaging services in the hospital service area by the concentration of imaging services on the hospital main campus and the need to address modernization of the hospital in the future. Historical utilization for all but nuclear medicine justifies the pieces of equipment being requested. However, the applicants have sufficiently explained the need for additional nuclear medicine equipment at Criterion (77 IAC 1110.420 (b)) above. The need for the proposed project appears warranted.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE NEED FOR THE PROJECT CRITERION (77 IAC 1110.230 (d)).

E. Criterion 1110.230(e) - Size of the Project

The criterion states:

"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.”

The applicants are proposing to establish a medical office building to accommodate the relocation of imaging services. The applicants do not meet the size criterion for CT and nuclear medicine. Historical utilization justifies the number of equipment being proposed for all services but nuclear medicine. However, the applicants have sufficiently explained the need for additional nuclear medicine equipment at Criterion (77 IAC 1110.420 (b)) above.

<b>TABLE SEVEN</b>				
<b>Size of Project</b>				
Type of Equipment	Proposed # of Room/Equipment at MOB	Proposed GSF per Room/Equipment	State Standard GSF /Room/Equipment	Exceeds Standard
MRI	1	2,620	3,400/GSF	No
CT	1	2,728	1,386/GSF	Yes
X-Ray	1	1,196	1,386/GSF	No
Mammography	2	1,150	1,386/GSF	No
Ultrasound	1	1,217	1,386/GSF	No
Nuclear Medicine	1	1,247	1,135/GSF	Yes
Vascular Lab	1	1,249	No Standard	No
Echo	1	1,003	No Standard	No
EKG	1	1,003	No Standard	No
Stress	1	1,317	No Standard	No
DEXA	1	1,085	No Standard	No
<b>TOTAL</b>	<b>12</b>	<b>15,815*</b>		
Source: Information provided by the applicants				
* The imaging center includes space for physician offices.				

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT CRITERION (77 IAC 1110.230 (e))

**VIII. Review Criteria - Financial Feasibility**

- A) Criterion 1120. 210 - Financial Viability
  - 1) Viability Ratios  
 Applicants (including co-applicants) must document compliance with viability ratio standards detailed in Appendix A of this Part or address a variance. Applicants 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  
 Applicants 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.

The applicants are Methodist Health Services Corporation, The Methodist Medical Center of Illinois, Methodist Services, Peoria MOB Owners, LLC., and DASCO Companies, LLC. The applicants state that DASCO Companies, LLC, is a privately held development company with no long-term debt and limited fixed assets with no need to maintain cash due to limited liabilities. The facility will be constructed by a DASCO subsidiary, Peoria MOB Owners, LLC, which is a newly formed entity and who will be the landlord and responsible for all costs associated with construction. Methodist Medical Center is a wholly subsidiary of Methodist Health Services Corporation and audited consolidated financial statements were provided. Methodist Health Services Corporation meets all of the financial viability ratios as required.

TABLE EIGHT Methodist Health Services Corporation					
Ratio	State Standard	2005	2006	2007	2011
Current Ratio	>=1.5	4.4	4.2	3.7	4.6

Net Margin Percentage	>=3.5%	4.6	7.3	10.6	8.3
Percent Debt to Total Capitalization	<=60%	25.9	24.0	22.6	13.3
Projected Debt Service Coverage	>=1.75	4.7	5.6	7.5	7.0
Days Cash on Hand	>=90	158.6	165.5	174.6	223.3
Cushion Ratio	>=5	17.1	18.2	20.4	27.6
<b>DASCO Companies, LLC</b>					
<b>Ratio</b>	<b>State Standard</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2011</b>
Current Ratio	>=1.5	1.79	2.25	2.38	2.41
Net Margin Percentage	>=3.5%	12.09%	2.65%	2.58%	10.21%
Percent Debt to Total Capitalization	<=60%	N/A	N/A	N/A	N/A
Projected Debt Service Coverage	>=1.75	N/A	N/A	N/A	N/A
Days Cash on Hand	>=90	27	27	21	27
Cushion Ratio	>=5	N/A	N/A	N/A	N/A
<b>Peoria MOB Owners, LLC</b>					
<b>Ratio</b>	<b>State Standard</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2011</b>
Current Ratio	>=1.5	-	-	-	2.5
Net Margin Percentage	>=3.5%	-	-	-	5.4%
Percent Debt to Total Capitalization	<=60%	-	-	-	75.6%
Projected Debt Service Coverage	>=1.75	-	-	-	1.54
Days Cash on Hand	>=90	-	-	-	252
Cushion Ratio	>=5	-	-	-	0.39
Source: Information provided by the applicants					

DASCO did not meet the State Board requirements for Net Margin Percentage for 2006 and 2007 and the Days Cash on Hand for all years presented. Peoria MOB Owners did not meet the ratios for Percent Debt to Total Capitalization, Projected Debt Service, and Cushion Ratio for the 2011 projected.

Net Margin Percentage is an indication of the amount of profit realized on every dollar of sales. Percent Debt to Total Capitalization is an indication of the capital invested by the owners and the funds provided by lenders. Projected Debt Service Coverage Ratio (otherwise known as the Times Interest Earned Ratio) is earnings before interest and taxes for a given reporting period divided by the period's interest payments. It measures a firm's ability to satisfy its annual borrowing costs from current operations. Days Cash on Hand indicates the number of days the facility could operate if no future revenue was provided. The Cushion Ratio indicates the amount of cash, short-term investments and unrestricted long-term investments remaining after paying all fixed-debt expenses.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1120.210 (a))

A. Criterion 1120.210(b) - Availability of Funds

The criterion states:

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

A review of the applicants’ financial statements indicates that sufficient resources are 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 (77 IAC 1120.210 (b))

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

The applicants are moving an existing imaging service to a new location; the proposed project does not establish a health care facility or category of service.

THE STATE AGENCY FINDS THE START-UP COSTS CRITERION (77 IAC 210(c)) IS **NOT** APPLICABLE TO THE PROJECT

**IX. Review Criteria - Economic Feasibility**

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

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 indicated that all available cash and securities are being used prior to borrowing. See page 34 of the application for permit.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1120.210 b))

B. Criterion 1120.310(b) - Terms 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."

Audited statements for Methodist Health Services Inc. were provided, verifying that funds were available for the proposed project. Certification was provided that the selected form of debt financing the project will be at

the lowest net cost available.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1120.310 (b))

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

The criteria 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 applicants 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 applicants 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 applicants 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 applicants 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 applicants 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 applicants 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 applicants 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.”

Preplanning Costs - This cost is estimated to be \$112,980, which is 1.8% of construction and contingencies. This appears reasonable when compared to the State Board standard of 1.8%.

Site Survey, Soil Investigation and Site Preparation - These costs are estimated to be \$421,660, or 6.88% of the clinical new construction and contingency costs. These costs appear high when compared to the State Board standard of 5%.

TABLE NINE Applicants' Proposed Site Survey, Soil Investigation and Site Preparation Costs		
Applicants' Proposed Cost	State Standard	Difference
\$421,660	\$306,571	\$115,089

New Construction and Contingencies - This cost is \$6,131,420 or \$251.03 per GSF. This appears high when compared to the adjusted State standard of

\$198.24 per GSF.

TABLE TEN New Construction and Contingencies		
Applicants' Proposed Cost	State Standard	Difference
\$6,131,420/\$251.03 GSF	\$4,842,012/\$198.24 GSF	\$1,289,408/\$52.79

Contingencies - This cost is estimated to be \$401,030, or 7% of new construction costs. This appears reasonable when compared to the State standard of 10%.

Architectural and Engineering Fees - This cost is \$367,190, or 5.99% of construction and contingencies. This appears unreasonable compared to the State standard of 3.10% - 6.75%.

Consulting and Other Fees - This cost is estimated to be \$464,025. The State Board does not have a standard for this cost.

Moveable Equipment - This cost is estimated to be \$7,895,000. The State Board does not have standard for this cost.

Net Interest Expense - This cost is estimated to be \$403,500. The State Board does not have standard for this cost.

Other Costs to be Capitalized - This cost is estimated to be \$341,700. The State Board does not have standard for this cost.

THE STATE AGENCY NOTES IT APPEARS THE PROPOSED PROJECT DOES **NOT** MEET THE REQUIREMENTS OF THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.310 (c))

- D. Criterion 1120.310(d) - Projected Operating Costs
- E. Criterion 1120.310(e) - Total Effect of the Project on Capital Costs

These criteria are not applicable since this project is not proposing inpatient related services.

THE STATE AGENCY FINDS THE REQUIREMENTS OF CRITERION (77 IAC 1120.310(d) THE PROJECTED OPERATING COSTS AND CRITERION 77 IAC 1120.310(e) TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS

ARE NOT APPLICABLE TO THE PROJECT

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

The criterion is not applicable since the hospital is not constructing the office building.

THE STATE AGENCY FINDS THE REQUIREMENTS OF THE NON-PATIENT RELATED SERVICES CRITERION (77 IAC 1120.310 (f) IS NOT APPLICABLE



**Ownership, Management and General Information**

**ADMINISTRATOR NAME:** W. Michael Bryant  
**ADMINSTRATOR PHONE** 309-672-5599  
**OWNERSHIP:** Methodist Health Services Corporation  
**OPERATOR:** Methodist Health Services Corporation  
**MANAGEMENT:** Non-Government Church-related  
**FACILITY DESIGNATION/** Disproportionate Share Hospital  
**CERTIFICATION:**  
**ADDRESS** 221 Northeast Glen Oak

**Patients by Race**

White 81.8%  
 Black 15.5%  
 American Indian 0.1%  
 Asian 0.2%  
 Hawaiian/ Pacific 0.0%  
 Unknown: 2.4%

**Patients by Ethnicity**

Hispanic or Latino: 0.9%  
 Not Hispanic or Latino: 97.6%  
 Unknown: 1.5%

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IDPH Number: 1594  
 HPA C-01  
 HSA 2

**CITY:** Peoria **COUNTY:** Peoria County

**Birthing Data**

Number of Deliveries: 1,910  
 Number of Live Births: 1,886  
 Birthing Rooms: 0  
 Labor Rooms: 3  
 Delivery Rooms: 2  
 Labor-Delivery-Recovery Rooms: 0  
 Labor-Delivery-Recovery-Postpartum Rooms: 10  
 C-Section Rooms: 2  
 CSections Performed: 594

**Newborn Nursery Utilization**

Level 1 Patient Days 4,251  
 Level 2 Patient Days 690  
 Level 2+ Patient Days 0  
 Total Nursery Patientdays **4,941**

**Organ Transplantation**

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

**Laboratory Studies**

Inpatient Studies 480,488  
 Outpatient Studies 524,383  
 Studies Performed Under Contract 18,072

**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>	158	133	137	137	8,328	39,973	1,208	4.9	112.8	71.4	82.4
0-14 Years					0	0					
15-44 Years					1,398	4,704					
45-64 Years					2,398	10,823					
65-74 Years					1,514	7,630					
75 Years +					3,018	16,816					
<b>Pediatric</b>	12	14	14	9	307	785	455	4.0	3.4	28.3	24.3
<b>Intensive Care</b>	36	24	24	24	2,157	6,346	19	3.0	17.4	48.4	72.7
Direct Admission					1,394	4,101					
Transfers					763	2,245					
<b>Obstetric/Gynecology</b>	16	30	30	30	2,425	6,375	192	2.7	18.0	112.4	60.0
Maternity					1,953	5,249					
Clean Gynecology					472	1,126					
<b>Neonatal</b>	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
<b>Long Term Care</b>	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
<b>Swing Beds</b>					0	0		0.0	0.0		
<b>Acute Mental Illness</b>	68	64	64	64	2,379	18,531	0	7.8	50.8	74.7	79.3
<b>Rehabilitation</b>	39	31	31	31	639	8,340	0	13.1	22.8	58.6	73.7
Dedicated Observation	0						0				
<b>Facility Utilization</b>	<b>329</b>	<b>296</b>			<b>15,472</b>	<b>80,350</b>	<b>1,874</b>	<b>5.3</b>	<b>225.3</b>	<b>68.5</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>	44.2%	20.5%	0.3%	26.7%	3.6%	4.6%	15,472
	6841	3179	52	4128	553	719	
<b>Outpatients</b>	35.8%	22.7%	0.3%	34.0%	5.1%	2.2%	204,856
	73367	46500	536	69583	10353	4517	

**Financial Year Reported:** 1/1/2007 to 12/31/2007

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

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense	Total Charity Care Expense
<b>Inpatient Revenue (\$)</b>	45.5%	16.8%	0.1%	33.0%	4.5%	100.0%	2,627,922	3,978,162
	74,517,183	27,579,049	211,741	54,130,184	7,448,250	163,886,407		
<b>Outpatient Revenue (\$)</b>	18.2%	5.8%	0.3%	66.1%	9.6%	100.0%	1,350,241	1.4%
	22,651,351	7,268,888	315,644	82,263,165	11,993,104	124,492,152		

\* Note: According to project # 07-007 approved on 5/1/2007, permit issued to discontinue 24 bed Skilled Nursing (Long-Term Care) category of service. Service was discontinued effective 5/1/2007.

**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	2	2	350	16	1955	60	2015	5.6	3.8
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	5	5	941	2630	2285	2549	4834	2.4	1.0
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	1	1	314	29	1140	60	1200	3.6	2.1
OB/Gynecology	0	0	0	0	512	945	1059	1058	2117	2.1	1.1
Oral/Maxillofacial	0	0	0	0	9	16	21	22	43	2.3	1.4
Ophthalmology	0	0	0	0	80	1275	196	1293	1489	2.5	1.0
Orthopedic	0	0	5	5	848	1491	2343	2662	5005	2.8	1.8
Otolaryngology	0	0	5	5	57	581	97	640	737	1.7	1.1
Plastic Surgery	0	0	0	0	38	1034	105	975	1080	2.8	0.9
Podiatry	0	0	0	0	16	88	17	140	157	1.1	1.6
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	2	2	384	855	773	916	1689	2.0	1.1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>20</b>	<b>3549</b>	<b>8960</b>	<b>9991</b>	<b>10375</b>	<b>20366</b>	<b>2.8</b>	<b>1.2</b>

<b>SURGICAL RECOVERY STATIONS</b>	Stage 1 Recovery Stations	10	Stage 2 Recovery Stations	15
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**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	4	4	1067	4959	551	2573	3124	0.5	0.5
<b>Laser Eye Procedures</b>	0	0	0	0	0	0	0	0	0	0.0	0.0
<b>Pain Management</b>	0	0	0	0	0	0	0	0	0	0.0	0.0
<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):	4
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	1

**Cardiac Catheterization Utilization**

Total Cardiac Cath Procedures:	8,595
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	4,312
Interventional Catheterizations (0-14):	0
Interventional Catheterizations (15+)	540
EP Catheterizations (15+)	308

**Emergency/Trauma Care**

Certified Trauma Center by EMS	<input checked="" type="checkbox"/>
Level of Trauma Service	<b>Level 1</b> N/A
	<b>Level 2</b> Adult
Operating Rooms Dedicated for Trauma Care	1
Number of Trauma Visits:	733
Patients Admitted from Trauma	57
Emergency Service Type:	Comprehensive
Persons Treated by Emergency Services:	56,405
Patients Admitted from Emergency:	6,874
Total ED Visits (Emergency+Trauma):	57,138

**Cardiac Surgery Data**

Total Cardiac Surgery Cases:	408
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	408
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	122

**Outpatient Service Data**

Total Outpatient Visits	176,549
Outpatient Visits at the Hospital/ Campus:	176,549
Outpatient Visits Offsite/off campus	0

**Diagnostic and Therapeutic Equipment**

Equipment	Hospital Owned			Examinations		
	Hospital Owned	Shared	Contracted	Inpatient	Outpatient	Contractual
General Radiography/Fluoroscopy	11	0	0	21,605	31,961	0
Nuclear Medicine	6	0	0	1,324	2,591	0
Mammography	4	0	0	32	16,238	0
Ultrasound	5	0	0	1,374	8,925	0
Angiography	2	0	0	2,335	1,395	0
Positron Emission Tomography (PET)	1	0	0	94	862	0
Computerized Axial Tomography (CAT)	2	0	0	6,851	15,649	0
Magnetic Resonance Imaging	3	0	0	1,071	5,503	0
<b>Treatment Courses</b>						
Lithotripsy	0	0	1	68		
<b>Radiation Therapy Equipment:</b>						
Linear Accelerator	2	0	0	350	0	0
Superficial/HDR	2	0	0	74	0	0