<table>
<thead>
<tr>
<th>DOCKET NO:</th>
<th>BOARD MEETING:</th>
<th>PROJECT NO:</th>
<th>PROJECT COST:</th>
<th>FACILITY NAME:</th>
<th>CITY:</th>
<th>TYPE OF PROJECT:</th>
<th>HSA:</th>
</tr>
</thead>
</table>

**DESCRIPTION:** The applicants (Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital and Advocate Health Care Network) propose to modernize a Level I Trauma Center/Emergency Department, the Surgery Center, PACU, and add 8 observation beds. In addition, a new loading dock, a materials management support function, and mechanical upgrades will be modernized. The estimated cost of the project is $39,642,456. The anticipated project completion date is September 30, 2016.
EXECUTIVE SUMMARY

PROJECT DESCRIPTION:
- The applicants (Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital and Advocate Health Care Network) propose to modernize a Level I Trauma Center/Emergency Department, the Surgery Center, PACU, and add 8 observation beds. In addition, a new loading dock, a materials management support function, and mechanical upgrades will be modernized. As part of this modernization the applicants are proposing increasing the number of emergency stations from 33 to 40 stations and increasing the number of surgery rooms from 24 to 26 rooms. Eight observation beds and recovery stations will also be added. The estimated cost of the project is $39,642,456. The anticipated project completion date is September 30, 2016.
- Advocate Lutheran General Hospital is a 638-bed teaching, research and referral hospital. The Hospital's service area reaches from the northwest side of Chicago and O'Hare Airport to Aurora, Rockford and the Wisconsin border; to the south/southeast to the Logan Square and North Center neighborhoods of Chicago; to the east to just east of I90/I94. It is also home to Advocate Children's Hospital Park Ridge.
- In November 2005, the Illinois Health Facilities and Services Review Board approved the Hospital's application (Permit #05-037) to construct a replacement bed tower and increase the complements of medical surgical and intensive care beds to 313 and 61 beds respectively at a cost of approximately $239 million. The bed tower opened in the fall of 2009.

WHY THE PROJECT IS BEFORE THE STATE BOARD:
- The project is before the State Board because the project is by or on behalf of a health care facility and is in excess of the capital expenditure minimum of $12,182,576.

PURPOSE OF THE PROJECT:
According to the applicants “The proposed expansion of trauma and surgical capacity will improve the health care and well-being of the service area population by:
• Enhancing the ability to provide patient-centered care supporting the goals of population health - improving outcomes while reducing cost;
• Addressing the shortage of operating rooms to improve access for high complexity surgical cases;
• Addressing the shortage of trauma/emergency stations to improve access, and
• Allowing new life-saving technology to be implemented to improve quality outcomes.”

NEED FOR THE PROJECT:
- To determine need for the modernization of the emergency and surgery departments the applicant must provide documentation the modernization is necessary due to increased patient demand.

- Advocate Lutheran General Hospital is the sole Level I Trauma Center in Illinois EMS Region 9; it serves as the Resource Center to 12 Level II Trauma Centers and to local fire and EMS departments. The Hospital has 3 dedicated trauma rooms that must always be available for incoming trauma cases. The Hospital is proposing to increase the number of adult and pediatric general emergency stations from 30 to 37 or to increase the total number of emergency
services from 33 to 40 treatment sites. In addition, Advocate Lutheran General Hospital is proposing to add 2 operating rooms, 2 Phase I recovery rooms and 8 observation rooms. Historical utilization of the operating rooms justifies the addition of the proposed 2 rooms. The project meets licensure requirements for recovery rooms. There are no utilization guidelines for observation rooms. Historical utilization of the Hospital’s general emergency treatment rooms will justify 32 rooms, but not the 40 that are being proposed by the applicants. However, the applicants provided projections of future need through CY 2018, the second full year after project completion.

- **The State Board Staff Notes regarding projections.** Advocate Lutheran General Hospital applied generally accepted health care projection methodologies to determine future need for general emergency treatment stations. They used current utilization to show that current census in the emergency department exceeds available stations 12 hours per day by as many as 10 patients. According to the applicant, these patients must be treated in hallways or they leave without being seen. They also applied a methodology developed by the American College of Emergency Physicians that quantifies factors that influence the need for stations including the high proportion of pediatric, senior as well as behavioral health/mental illness patients, the high proportion of patients that are admitted and the Hospital’s role as a teaching hospital. Finally, the applicants reviewed recent health care literature that assessed the likely impacts of the Affordable Care Act. The State Board Staff’s review of these projections leads us to believe that they are reasonable and attainable.

**COMPLIANCE:**
- The applicants have had no adverse actions in the past three years and are in compliance with all of the State Board’s reporting requirements.

**PUBLIC HEARING/COMMENT**
- An opportunity for a public hearing was offered on this project; however, no hearing was requested. The State Board Staff has not received any opposition letters. A number of letters of support were included in the application to permit.

- **Frank Kaminski, Chief of Police stated in support** Advocate Lutheran General Hospital (ALGH) is recognized as a Level I Trauma Center serving north and northwestern parts of Illinois. It also is designated as the "Presidential Hospital" by the Secret Service when the President is in the area. As a result, ALGH's emergency room receives a high volume of patients. Unfortunately, its current ER facility is totally inadequate to meet their demanding needs as a Level I Trauma Center. Since the Park Ridge Police Department works closely with LGH Security, it has been brought to my attention by my staff how at times the ER is overcrowded. This overcrowding creates a public safety hazard for patients and staff. This new renovation will address the overcrowding issue and make the space more conducive to public safety. Therefore, I support Phase I renovation and look forward to seeing these improvements.

- **Allan H. Cohen PHD stated in support** “I am writing in support of Advocate Lutheran General Hospital's project to expand/reconfigure its emergency and surgical departments as part of its continuous improvement and evaluation activities. Lutheran General is a community resource that should be maintained and operated at the highest level. While there is a closer and
very good hospital to my home in Glenview, Illinois (Glenbrook Hospital) the scope and quality of Lutheran General led my family to have two of our children born there in 1987 and 1995. More recently, when my niece was hit by a car, the Emergency Response Team chose to bring her to Lutheran General because of its Head Trauma Unit's capabilities, rather than the closer hospital. I have been so enthusiastic about Lutheran General as a community resource that when asked to join the governing council, I accepted immediately. In summary, Advocate Lutheran General Hospital is a very important resource to the extended surrounding community and its continual commitment to maintaining a high level of excellence should be supported.”

FINANCIAL AND ECONOMIC FEASIBILITY:
- The applicants have an “AA” rating from Standard & Poors and Fitch and Aa2 from Moody’s. There are sufficient resources available to fund the project. Standard & Poors stated the following:

“The stable outlook reflects our view of AHCN's continued market leadership, extensive physician network, and solid financial profile. Given the heightened capital spending during the next few years, a higher rating is unlikely, However, we could consider raising the rating in response to continued strong operations and a sustained improvement in unrestricted liquidity to roughly 325 days' cash on hand (as the service area is highly competitive and given the recent Chicago area market trend of consolidation). Given our view of AHCN's strong market position, consistent financial profile, and good financial flexibility, we are also unlikely to lower the rating during the next year or two. However, we could consider lowering the rating if AHCN's debt service coverage declines to and remains at approximately 4x or if operational liquidity decreases to and stabilizes at about 200 days' cash. Although we believe that AHCN could absorb Sherman Health into its credit profile, we will more fully evaluate that transaction as it is finalized. We do not anticipate any additional new money debt issuances during the next one to two years. “

CONCLUSION:
- The applicants addressed a total of 10 criteria and failed to meet the following:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Reason for Non Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criterion 1110.3030 – Clinical Service Areas Other than Categories of Service - Necessary Modernization – Emergency Department</td>
<td>The extent of the modernization being proposed for the emergency department is not warranted based upon historical utilization. The applicants can justify 32 rooms and not the 40 rooms being requested.</td>
</tr>
</tbody>
</table>
STATE BOARD STAFF REPORT
Advocate Lutheran General Hospital
PROJECT #13-026

<table>
<thead>
<tr>
<th>Applicants</th>
<th>Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital and Advocate Health Care Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility Name</td>
<td>Advocate Lutheran General Hospital</td>
</tr>
<tr>
<td>Location</td>
<td>Chicago</td>
</tr>
<tr>
<td>Application Received</td>
<td>March 17, 2013</td>
</tr>
<tr>
<td>Application Deemed Complete</td>
<td>March 31, 2013</td>
</tr>
<tr>
<td>Can Applicants Request Another Deferral?</td>
<td>Yes</td>
</tr>
</tbody>
</table>

I. **The Proposed Project**

The applicants (Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital and Advocate Health Care Network) propose to modernize a Level I Trauma Center/Emergency Department, the Surgery Center, PACU, and add 8 observation beds as well as a new loading dock, a materials management support function, and mechanical upgrades. The estimated cost of the project is $39,642,456. **The anticipated project completion date is September 30, 2016.**

II. **Summary of Findings**

A. **The State Board Staff finds the proposed project DOES NOT appear to be in conformance with the provisions of Part 1110.**

B. **The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.**

III. **General Information**

The applicants are Advocate Health and Hospitals Corporation d/b/a Advocate Lutheran General Hospital and Advocate Health Care Network. Advocate Lutheran General Hospital is located at 1775 Dempster Street, Park Ridge, Illinois in the HSA VII service area and the A-7 Hospital Planning area that includes the Cook County Townships of Maine, Elk Grove, Schaumburg, Palatine and Wheeling. There are four additional hospitals in the A-07 hospital planning area; Alexian Brothers Medical Center, Elk Grove Village, Holy Family Hospital, Des Plaines, Northwest Community Hospital, Arlington Heights, and St. Alexius Medical Center, Hoffman Estates.
The operating entity/licensee is Advocate Lutheran General Hospital. The owner of the site is Advocate Health and Hospitals Corporation. This is a non substantive project subject to a Part 1110 and 1120 review. Project obligation will occur after permit issuance. **CY 2011 Hospital Profile information is attached at the end of this report.**

### IV. Support and Opposition Comments

An opportunity for a public hearing was offered on this project; however, no hearing was requested. The State Board Staff has not received any opposition letters. A number of letters of support were included in the application for permit.

### V. Safety Net Impact Statement/Charity Care

The applicants provided a Safety Net Impact Statement at pages 150-156 of the application for permit. The applicants stated the following in part

“In 2011, the Advocate system provided more than $571 million in charitable care and services. This represents a $109 million increase over 2010. Advocate Lutheran General Hospital certifies that the following charity care and community benefits information is accurate and complete and in accordance with the Illinois Community Benefits Act, and certifies the amount of care provided to Medicaid patients is consistent with the information published in the Annual Hospital Profile.”

Per the applicants “ALGH's Level I Trauma Center/Emergency Department and Surgery Department provide substantial care to the uninsured and underinsured population; these services are safety nets to the community. Of the total number of trauma and emergency patients, 31.5 percent were either Medicaid (23.1 percent), charity care (7.2 percent), or uninsured (self pay) (1.2 percent). Advocate Lutheran General Hospital is the sole Level I Trauma Center among 12 hospitals in Illinois EMS Region 9, which spans a large geography as far north as McHenry and as far west as Aurora. ALGH also serves as a resource hospital to local fire and EMS departments to train paramedics on how to care for acutely ill patients. The Hospital's Level I Trauma Center extends the emergency safety net across a broad geographic area.”

<table>
<thead>
<tr>
<th>TABLE ONE</th>
<th>Advocate Lutheran General Hospital</th>
<th>Safety Net and Charity Care Information per PA 96-0031</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHARITY CARE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Charity (# of patients)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inpatient</td>
<td>683</td>
<td>654</td>
</tr>
<tr>
<td>Outpatient</td>
<td>3,460</td>
<td>2,570</td>
</tr>
<tr>
<td>Total</td>
<td>4,143</td>
<td>3,224</td>
</tr>
<tr>
<td>Charity (cost in dollars)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

Page 6
TABLE ONE

Advocate Lutheran General Hospital
Safety Net and Charity Care Information per PA 96-0031

<table>
<thead>
<tr>
<th></th>
<th>Inpatient</th>
<th>Outpatient</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,957,600</td>
<td>$2,862,400</td>
<td>$8,820,000</td>
</tr>
<tr>
<td></td>
<td>$6,429,800</td>
<td>$2,866,600</td>
<td>$9,296,400</td>
</tr>
<tr>
<td></td>
<td>$9,057,000</td>
<td>$4,395,000</td>
<td>$13,452,000</td>
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</tbody>
</table>

MEDICAID

<table>
<thead>
<tr>
<th>Medicaid (# of patients)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient</td>
<td>4,033</td>
<td>4,606</td>
<td>4,595</td>
</tr>
<tr>
<td>Outpatient</td>
<td>28,732</td>
<td>42,195</td>
<td>47,038</td>
</tr>
<tr>
<td>Total</td>
<td>32,765</td>
<td>46,801</td>
<td>51,633</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Medicaid (revenue)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient</td>
<td>$37,325,227</td>
<td>$46,817,417</td>
<td>$43,182,356</td>
</tr>
<tr>
<td>Outpatient</td>
<td>$3,970,866</td>
<td>$5,567,901</td>
<td>$5,775,944</td>
</tr>
<tr>
<td>Total</td>
<td>$41,296,093</td>
<td>$52,385,318</td>
<td>$48,958,300</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>% of Medicaid Revenue to Net Revenue</th>
<th>6.59%</th>
<th>8.05%</th>
<th>7.34%</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Net Patient Revenue</th>
<th>$626,393,509</th>
<th>$651,033,839</th>
<th>$667,042,998</th>
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<tbody>
<tr>
<td>Amount of Charity Care</td>
<td>$32,294,000</td>
<td>$33,391,000</td>
<td>$37,847,000</td>
</tr>
<tr>
<td>Cost of Charity Care</td>
<td>$8,820,000</td>
<td>$9,295,900</td>
<td>$13,452,000</td>
</tr>
<tr>
<td>% of charity care expense to net revenue</td>
<td>1.41%</td>
<td>1.43%</td>
<td>2.02%</td>
</tr>
</tbody>
</table>

Information provided by the applicants

VII. The Proposed Project - Details

The applicants are proposing to expand and modernize several key services including the Level I Trauma Center/Emergency Department, the Surgery Center, PACU, and add 8 observation beds. In addition to clinical services - more specifically Level I Trauma/Emergency Services and Surgery, this initial phase also includes investment in infrastructure in anticipation of future phases of development as capital becomes available and certificate of need approvals are granted. This infrastructure includes a new loading dock, a materials management support function, and mechanical upgrades. The Hospital is proposing to increase the number of treatment areas (trauma rooms and treatment stations) from 33 to 40. The 3 existing trauma rooms and 12 adult treatment rooms will remain "as is." Nine (9) pediatric treatment stations and administrative/teaching space will be developed in existing modernized space. The remainder of the department will be in new construction and will include a new entry and drop off area, reception/registration, adult patient waiting and 16 additional adult treatment stations and an Observation Unit. A dedicated parking lot with from 60 to 70 parking spaces for emergency patients will also be developed. In addition the Hospital is proposing to add 2 operating rooms in new construction and 2 Phase I recovery stations in modernized space.
**Temporary Structure**

The expansion of the Level I Trauma Center/Emergency Department at Advocate Lutheran General Hospital ("ALGH," "Hospital") requires that the existing emergency waiting room be demolished to make way for the construction of new treatment stations and an Observation Unit. The applicants’ state “the project team including ALGH leadership, the architects and the representatives of the construction company reviewed several possible options for keeping the existing waiting room operational during construction, but because of the construction requirements and the limitations of the site, they were all rejected.

However, the team identified a vacated kitchen and dining room located in space adjacent to the Emergency Department. With a limited amount of modernization, this space can be made code and life safety compliant and be suitable for patient waiting at a feasible cost. The team determined that the alternative of choice is to reuse the vacated kitchen and dining room as a temporary structure for Emergency Department support. At the completion of the Project, the temporary structure will remain as is, but not for clinical occupation until some future phase of Master Plan implementation. The cost of modernizing has been included in "Other Costs To Be Capitalized.”

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

The proposed project is being funded with cash and bond financing. Table Two outlines the project’s costs and uses of funds. The applicants are also purchasing a parcel of real estate for $225,000 as part of this project. The land purchase agreement is included in your package of material along with the fair market appraisal of the property. Itemization of costs listed below can be found at page 43.

<table>
<thead>
<tr>
<th>TABLE TWO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Costs and Sources of Funds</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Clinical</th>
<th>Non Clinical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preplanning</td>
<td>$31,692</td>
<td>$81,493</td>
<td>$113,185</td>
</tr>
<tr>
<td>Site Survey</td>
<td>$27,000</td>
<td>$123,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$315,540</td>
<td>$1,437,460</td>
<td>$1,753,000</td>
</tr>
<tr>
<td>New Construction</td>
<td>$6,053,744</td>
<td>$16,276,020</td>
<td>$22,329,764</td>
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<tr>
<td>Modernization</td>
<td>$393,378</td>
<td>$162,698</td>
<td>$556,076</td>
</tr>
<tr>
<td>Contingencies</td>
<td>$661,158</td>
<td>$2,457,588</td>
<td>$3,118,746</td>
</tr>
<tr>
<td>Architectural and Eng. Fees</td>
<td>$617,274</td>
<td>$1,587,276</td>
<td>$2,204,550</td>
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<tr>
<td>Consulting Fees</td>
<td>$355,663</td>
<td>$914,563</td>
<td>$1,270,226</td>
</tr>
<tr>
<td>Movable or Other Equipment</td>
<td>$2,101,000</td>
<td>$1298974</td>
<td>$3,399,974</td>
</tr>
<tr>
<td>Bond Issuance Expense</td>
<td>$100,737</td>
<td>$259,038</td>
<td>$359,775</td>
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</table>
TABLE TWO
Project Costs and Sources of Funds

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Clinical</th>
<th>Non Clinical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Interest Expense During Construction</td>
<td>$559,919</td>
<td>$1,439,792</td>
<td>$1,999,711</td>
</tr>
<tr>
<td>Other Costs to be Capitalized</td>
<td>$668,486</td>
<td>$1,718,963</td>
<td>$2,387,449</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,885,591</strong></td>
<td><strong>$27,756,865</strong></td>
<td><strong>$39,642,456</strong></td>
</tr>
</tbody>
</table>

Sources of Funds

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Securities</td>
<td>$10,860,460</td>
</tr>
<tr>
<td>Bond Financing</td>
<td>$28,781,996</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$39,642,456</strong></td>
</tr>
</tbody>
</table>

IX. Cost/Space Requirements

Table Three displays the project’s cost/space requirements for the clinical and non clinical portions of the project. The definition of non-clinical as defined in the Planning Act [20 ILCS 3960/3] states, “non-clinical service area means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving treatment at the health care facility.”

TABLE THREE
Cost Space Requirements

<table>
<thead>
<tr>
<th>Department/Area</th>
<th>Cost</th>
<th>Existing</th>
<th>Proposed</th>
<th>New Const.</th>
<th>Mod.</th>
<th>As Is</th>
<th>Vacated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Department</td>
<td>$6,344,529</td>
<td>15,552</td>
<td>19,680</td>
<td>7,252</td>
<td>882</td>
<td>11,546</td>
<td></td>
</tr>
<tr>
<td>Observation Unit</td>
<td>$3,308,949</td>
<td>0</td>
<td>4,242</td>
<td>4,242</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Class C Surgery</td>
<td>$2,076,412</td>
<td>34,540</td>
<td>37,202</td>
<td>2,417</td>
<td>245</td>
<td>34,540</td>
<td></td>
</tr>
<tr>
<td>Phase I Recovery</td>
<td>$155,701</td>
<td>4,887</td>
<td>5,087</td>
<td>0</td>
<td>200</td>
<td>4,887</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$11,885,591</strong></td>
<td><strong>54,979</strong></td>
<td><strong>66,211</strong></td>
<td><strong>13,911</strong></td>
<td><strong>1,327</strong></td>
<td><strong>50,973</strong></td>
<td><strong>0</strong></td>
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<tr>
<td>Non Clinical</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td>$5,096,160</td>
<td>13,590</td>
<td>20,109</td>
<td>3,901</td>
<td>5,502</td>
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<tr>
<td>Storage Processing Distribution</td>
<td>$3,613,944</td>
<td>5,683</td>
<td>6,670</td>
<td>6,670</td>
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<td>Public Amenities</td>
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<td>7,640</td>
<td>7,640</td>
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<tr>
<td>Building Component</td>
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<td>4,313</td>
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<tr>
<td>Crawl Space</td>
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<td>23,200</td>
<td>23,200</td>
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<td></td>
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<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$27,756,865</strong></td>
<td><strong>21,743</strong></td>
<td><strong>61,932</strong></td>
<td><strong>45,724</strong></td>
<td><strong>5,502</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
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</tbody>
</table>
### TABLE THREE
Cost Space Requirements

<table>
<thead>
<tr>
<th>Department/Area</th>
<th>Cost</th>
<th>Existing</th>
<th>Proposed</th>
<th>New Const.</th>
<th>Mod.</th>
<th>As Is</th>
<th>Vacated Space</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>$39,642,456</td>
<td>76,722</td>
<td>128,143</td>
<td>59,635</td>
<td>6,829</td>
<td>0</td>
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X. **1110.230 - Project Purpose, Background and Alternatives**

A. **Criterion 1110.230(a) - Background of Applicant**

The criterion reads as follows:

1) An applicant must demonstrate that 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. [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFPB shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").

The applicants provided a list of all health care facilities currently owned and/or operated by the applicants, including licensing, certification and accreditation identification numbers, a certified listing from the applicants of any adverse action taken against any facility owned and/or operated by the applicants during the three years prior to the filing of the application, and authorization permitting IHFSRB and the Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted. **Advocate Christ Medical Center is currently not in compliance with Medicare Conditions of Participation.** Below is the list of Advocate Hospitals.

### TABLE FOUR
Advocate Hospitals

<table>
<thead>
<tr>
<th>Facility</th>
<th>City</th>
<th>Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advocate BroMenn Medical Center</td>
<td>Normal</td>
<td>221</td>
</tr>
<tr>
<td>Advocate Christ Medical Center</td>
<td>Oak Lawn</td>
<td>690</td>
</tr>
<tr>
<td>Advocate Condell Medical Center</td>
<td>Libertyville</td>
<td>273</td>
</tr>
<tr>
<td>Advocate Eureka Hospital</td>
<td>Eureka</td>
<td>25</td>
</tr>
<tr>
<td>Advocate Good Samaritan Hospital</td>
<td>Downers Grove</td>
<td>333</td>
</tr>
</tbody>
</table>
### TABLE FOUR

<table>
<thead>
<tr>
<th>Facility</th>
<th>City</th>
<th>Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advocate Good Shepherd Hospital</td>
<td>Barrington</td>
<td>169</td>
</tr>
<tr>
<td>Advocate Illinois Masonic Medical Center</td>
<td>Chicago</td>
<td>408</td>
</tr>
<tr>
<td>Advocate Lutheran General Hospital</td>
<td>Park Ridge</td>
<td>638</td>
</tr>
<tr>
<td>Advocate South Suburban Hospital</td>
<td>Hazel Crest</td>
<td>284</td>
</tr>
<tr>
<td>Advocate Lutheran General Hospital</td>
<td>Chicago</td>
<td>193</td>
</tr>
</tbody>
</table>

B. **Criterion 1110.230(b) - Purpose of the Project**

The criterion reads as follows:

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

The criterion requires that the applicants address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve.

The Emergency Department currently has 3 trauma rooms and 30 general adult and pediatric treatment stations. Because of the high census, patients are often treated in hallways or other available spaces. Emergency department overcrowding may place current and future patients at risk; decrease quality and satisfaction with care; strain limited Emergency Department resources and especially staff; increase ambulance delays or diversions; and decrease the department's surge capacity. Further, overcrowding detracts from patient dignity and privacy and makes HIPAA compliance very difficult.

The Hospital's Surgery Department currently has 24 operating rooms; the rooms are undersized to support required equipment and staff, especially for the increasing volume of very complex procedures. The Hospital's Advanced Surgical Services Institute is uniquely oriented to the provision of complex surgical services for adults and children. Areas of differentiation include orthopedic/spine, cardiovascular, neurosurgery, and cancer surgery. The Hospital's surgery program includes leading-edge capabilities in minimally invasive (robotic) surgery.

The Hospital is proposing to increase the number of trauma rooms/emergency treatment stations from 33 to 40. These additional stations are needed for adult as well as dedicated pediatric emergency services. The proposed expansion of trauma and surgical capacity will improve the health care and well-being of the service area population by:

- Enhancing the ability to provide patient-centered care supporting the goals of
population health - improving outcomes while reducing cost
• Addressing the shortage of operating rooms to improve access for high complexity surgical cases
• Addressing the shortage of trauma/emergency stations to improve access, and
• Allowing new life-saving technology to be implemented to improve quality outcomes.

C. Criterion 1110.230(c) - Alternatives to the Proposed Project

The criterion reads as follows:

“The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

1) Alternative options shall be addressed. Examples of alternative options include:
   A) Proposing a project of greater or lesser scope and cost;
   B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
   C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
   D) Other considerations.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.”

The following alternatives to the proposed project were considered and found to be infeasible and less desirable than the alternative that is the subject of this CON application.

1. Alternative 1 - Utilize Other Health Resources or Joint Ventures with Other Providers
Advocate Lutheran General Hospital is a 638-bed tertiary/quaternary care, teaching and research hospital for adults and children. The Hospital rejected using other local hospitals for the following reasons:

   1. Other local hospitals have neither the Level I Trauma capabilities nor do they have the same advanced surgical competence that is available at ALGH. At the Hospital, highly trained staff and technology are always in readiness to accept patients.
2. In some instances when an emergency patient could be transferred, that transfer is undesirable because referral to another facility separates them from their primary care and specialist physicians, disrupts continuity of care, and introduces risk of error during transition from one facility to another.

3. The Hospital supports large graduate medical and other clinical education programs. These students and the continuation of these programs depend on having patients with certain injury/disease status present to meet the educational requirements of their respective specialties. If current and future patients were to be referred to other facilities, the extensive and needed educational programs at the Hospital would be compromised.

4. ALGH is involved in research in the Emergency Department including a study related to brain injury patients. There is also research related to the Surgery Department including a study related to surgically implanted devices to monitor patients for cardiac arrest and neuroendocrine response - robotic assisted surgery vs. laparoscopic surgery. The Hospital's patients would not be a part of these studies if they were referred to other facilities.

5. The Hospital rejected joint venturing because the proposed modernized facilities will be operated as part of the premises licensed under The Illinois Hospital Licensing Act. Consequently, a joint venture would necessarily involve a joint venture with the entire Hospital; this is not a feasible option.

2. **Alternative 2 - Develop a Project of Greater Scope and Cost**

The updated Strategic Facility Master Plan was completed in the Spring of 2012 and included a 4-phase plan including:

1. Phase 1 - Expansion of the Emergency Department, Surgery and Phase 1 Recovery and relocation of clinical service areas, including Class B procedure rooms
2. Phase 2 - Additional limited expansion of Surgery and relocation of some imaging Services
3. Phase 3 - Further expansion of Surgery as well as of Phase I and II Recovery, and
4. Phase 4 Further consolidation of interventional services.

The project cost for this multi-phase undertaking was estimated to be $44.6 million. Although this project had many merits including meeting current and projected need, enhancing outcomes, and potentially reducing operating costs, the price tag exceeded the budget for the Project. For that reason, the greater project was rejected and phased approaches to implementing the Strategic Master Facility Plan were investigated.

3. **Alternative 3 - Develop a Project of Lesser Scope and Cost**

The next alternative focused on a multi-phase project that could be developed with a first phase that would address the most pressing issues the shortage of key rooms and square footage in Surgery and the Emergency Department.

The third alternative envisioned increasing surgery with a minimum number of large operating rooms to accommodate the growth in orthopedic/spine and robotic surgery. It
was determined that two rooms would meet short-term requirements. It was also
determined that low acuity emergency patients might be treated in another setting on the
campus. This low acuity fast track/Immediate Care function would be developed in a
new structure. The new facility was to relieve the main Trauma Center/Emergency
Department by relocating appropriate low acuity patients to the new building and
enabling faster treatment for more acutely ill patients in the Hospital. A proposed site
was chosen; the fast track/Immediate Care function would be connected to the Nesset
Pavilion (outpatient building) on the North Campus. However, this remote fast-
track/Immediate Care building was rejected for the following reasons.

1. Experience at other providers that have tested this 2-site emergency department
   concept has proven that it is very confusing for patients and leads to moving
   patients across the campus to the proper level of care and in the process delaying
   treatment and adding cost.
2. Multiple locations would result in higher operating costs.

4. **Alternative 4 - Develop the Project of Choice**

   The project of choice is the subject of this application and includes constructing 2 new
   operating rooms and modernizing space for 2 Phase I recovery rooms. It also includes
   expanding the Emergency Department from 33 to 40 trauma rooms/treatment stations,
   developing a new Observation Unit in the Emergency Department, providing a new
   drop off, and parking for emergency patients. Much of the existing emergency
department and the ambulance canopy will remain "as is".

   Alternative 4 is the Project of choice for the following reasons:

   1. Alternative 4 meets the needs of Advocate Lutheran General Hospital's high
      acuity trauma and emergency service as well as its highly specialized surgery
      program.
   2. By being integrated with the current Emergency Department, Surgery
      Department, and PACU, the new spaces will contribute to continuity of care.
   3. The expansion of the existing Level I Trauma Center/Emergency Department
      and Surgery provides space to continue to train health professionals and benefits
      more patients who will be part of the Hospital's research initiatives.
   4. The new space is being constructed so that future phases of the Master Plan
      can be implemented over time as capital funds become available.
   5. With only 1 access point, emergency patients will not be confused when they
      arrive at the Advocate Lutheran General Hospital campus seeking emergency
      services
   6. This alternative will not require concurrent major construction on two
      different sites on the ALGH campus (which the fast track/Immediate Care center
      would). Multiple construction sites on a hospital campus are very disruptive for
      inpatients, outpatients, staff and visitors.
   7. The proposed project will allow patients to stay in the community with their
      primary care physician and specialists as well as with their families and support
      groups.

**XI. 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space Criteria**
A) Criterion 1110.234 (a) - Size of Project

The Criterion states:

“The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;
3) The project involves the conversion of existing bed space that results in excess square footage.”

**Size**

The table below identifies modernized space for the functions for which the State Board maintains space standards. The applicants have met the requirements of this criterion.

<table>
<thead>
<tr>
<th>Department/Area</th>
<th># of Rooms Stations</th>
<th>Proposed</th>
<th>State Standard</th>
<th>Met State Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical Services</td>
<td></td>
<td>Total/GSF Per Room/GSF</td>
<td>Per Room/GSF</td>
<td>Total/GSF</td>
</tr>
<tr>
<td>Emergency Department</td>
<td>40</td>
<td>19,680</td>
<td>492</td>
<td>900</td>
</tr>
<tr>
<td>Observation Unit</td>
<td>8</td>
<td>4,242</td>
<td>530</td>
<td>No Standard</td>
</tr>
<tr>
<td>Class C Surgery</td>
<td>26</td>
<td>37,202</td>
<td>1,431</td>
<td>2,750</td>
</tr>
<tr>
<td>Phase I Recovery</td>
<td>27</td>
<td>5,087</td>
<td>188</td>
<td>180</td>
</tr>
</tbody>
</table>

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT CRITERION (77 IAC 1110.234(a)).

B) Criterion 1110.234 (b) - Project Services Utilization

The criterion states:

“This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFPB has not established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100. The applicant shall document that, in the second year of operation, the annual utilization of the service
or equipment shall meet or exceed the utilization standards specified in Appendix B.”

The State Board does not have utilization standards for observation beds and recovery stations. The number of recovery rooms is based upon the number of surgery rooms. The applicants can justify a total of 104 recovery rooms (4 recovery rooms for every surgery suite). The applicants are proposing a total of 8 observation beds and have provided documentation that 8 observation beds will be fully utilized by 2018.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT SERVICES UTILIZATION CRITERION (77 IAC 1110.234(b)).

C) Criterion 1110.234 (c) - Unfinished or Shell Space

This criterion applies to those projects that result in unfinished or shell space, which does not pertain to this project.

XII. Section 1110.3030 – Clinical Service Area Other than Categories of Service

A) Service Modernization

The applicant shall document that the proposed project meets one of the following:

1) Deteriorated Equipment or Facilities

The proposed project will result in the replacement of equipment or facilities that have deteriorated and need replacement. Documentation shall consist of, but is not limited to: historical 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) Necessary Expansion

The proposed project is necessary to provide expansion for diagnostic treatment, ancillary training or other support services to meet the requirements of patient service demand. 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.

3) Utilization

A) Major Medical Equipment

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

B) Service or Facility
Projects involving the modernization of a service or facility shall meet or exceed the utilization standards for the service, as specified in Appendix B. The number of key rooms being modernized shall not exceed the number justified by historical utilization rates for each of the latest two years, unless additional key rooms can be justified per subsection (c)(2) (Necessary Expansion).

C) If no utilization standards exist, the applicant shall document in detail its anticipated utilization in terms of incidence of disease or conditions, or population use rates.

Necessary Expansion

1. Emergency Department

Advocate Lutheran General Hospital is a Level I Trauma Center/comprehensive emergency service providing the highest level of trauma/emergency services to children and adults 24 hours a day.

The applicant currently has 33 treatment room/stations. Of these 3 are trauma rooms and 30 are general treatment stations.

In 2012, the Hospital reported 62,544 treated patients including 1,118 trauma patients. Trauma rooms must always be available for incoming for trauma patients and other very high risk patients such as Stroke and Cardiac Cath Alerts, 98 percent of the Hospital’s patients (62,189) were treated in the 30 general emergency rooms. The utilization of the full complement of trauma/emergency rooms was 1,895 patients per room, the utilization of the general emergency rooms was 2,073 patients per room, or higher than the State Agency Standard of 2,000 visits per room. These numbers do not include patients who left without being seen.

The Hospital profiled current utilization and determined the average patient census in the emergency department for each hour of the day. Utilization between noon and midnight is much higher than during the nighttime and the early morning hours. Between noon and midnight, the average general emergency census exceeds the available 30 rooms—often by more than 10 patients. This overcrowding requires that patients be treated in hallways causing a chaotic and stressful situation for staff, patients and detracting from patient privacy and dignity. The Hospital also used a methodology developed by the American College of Emergency Physicians (ACEP). Both the current utilization profile and the ACEP methodology suggest the need for from 41 to 51 general treatment stations.
According to the applicant, demand for emergency treatment areas is anticipated to increase in the future because of:

- Hospital closures and consolidations with attendant reductions in emergency capabilities
- Population aging resulting in complex diseases requiring immediate care
- Increased numbers of mentally ill patients
- Lack of timely access to primary care providers, and
- Cumbersome preapproval admission insurance policies.

The applicant is proposing a total of 40 treatment stations/rooms. Of these, there will continue to be 3 trauma rooms for adults and children as well as 37 general treatment stations—9 pediatric and 28 adult. Based on current experience, and projected volumes, and the implementation of the ACA, the applicant believes that the utilization of the 40 proposed treatment stations will be 1,892 visits per room, or 93 percent of the State guideline on the day the expanded unit opens. (See Application pages 101-128.)

<table>
<thead>
<tr>
<th>TABLE FOUR</th>
<th>Emergency Department Historical Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>Total Visits</td>
<td>56,880</td>
</tr>
<tr>
<td>Total Treated Patients</td>
<td>55,552</td>
</tr>
</tbody>
</table>

Information on observation status provided by the applicants

### 2. Observation Unit

The applicants are proposing an 8 bed observation unit in the emergency department. The growth in the number of observation status patients would increase at the same rate as emergency visits or by 12.4 percent between 2012 and 2018.

The applicants state in 2012 that they had 5,315 patients with admissions as observation status. The applicants are projecting 5,974 admissions as observation patients in 2018. (5,315 x 12.4 percent = 5,974 admissions) Of the 5,974 patient observation status admissions, 60 percent would be admitted to the Observation Unit in the Emergency Department. See chart below for Utilization of Observation Beds. **The State Board does not have a standard for Observation Beds.**
<table>
<thead>
<tr>
<th>Year</th>
<th>Admitted to Observation Status</th>
<th>60% admitted in the Emergency Department</th>
<th>Total Hours</th>
<th>Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>992</td>
<td>595</td>
<td>8,928</td>
<td>13%</td>
</tr>
<tr>
<td>2009</td>
<td>2,006</td>
<td>1,204</td>
<td>18,054</td>
<td>26%</td>
</tr>
<tr>
<td>2010</td>
<td>2,752</td>
<td>1,651</td>
<td>24,768</td>
<td>35%</td>
</tr>
<tr>
<td>2011</td>
<td>3,001</td>
<td>1,801</td>
<td>27,009</td>
<td>39%</td>
</tr>
<tr>
<td>2012</td>
<td>5,315</td>
<td>3,189</td>
<td>47,835</td>
<td>68%</td>
</tr>
<tr>
<td>2018</td>
<td>5,974</td>
<td>3,584</td>
<td>53,766</td>
<td>77%</td>
</tr>
</tbody>
</table>

Information on observation status provided by the applicants

3. **Surgery**

Shown below is the Hospital's Surgery Department utilization for 2006 through 2012. This growth is the combined effect of additional surgery cases and longer average case times, including minimally invasive (robotic) surgery. This longer average procedure time is an indication of the increasing complexity of the surgery being performed at the hospital. The applicants are proposing 26 surgery rooms and historical utilization will justify the 29 operating rooms.

<table>
<thead>
<tr>
<th>TABLE SIX</th>
<th>Utilization of Surgery at ALGH, 2006-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>Cases</td>
<td>18,578</td>
</tr>
<tr>
<td>Hours</td>
<td>37,313</td>
</tr>
<tr>
<td>Hours per Case</td>
<td>2.01</td>
</tr>
</tbody>
</table>

XIII. **Section 1120.120 - Availability of Funds**

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The project will be funded with cash and securities of $11,529,796 and bond financing of $6,708,461. The applicants have sufficient funds to fund this project.

The applicants have an “AA” rating from Standard & Poors and Fitch and Aa2 from Moody’s. There are sufficient resources available to fund the project. Standard & Poors stated the following in relation to Advocate Health Care Network System (“AHCN”).

The “AA” long-term rating further reflects our view of AHCN’s:
• Good financial profile, with operating margins of more than 4% for the past four years and an unaudited operating margin of 4.25% through the first nine months of fiscal 2012, and consistently strong maximum annual debt service (MADS) of more than than 6x for the past several years;
• Robust balance sheet measures, as demonstrated by still light pro forma leverage of 25% and by solid liquidity and cash to pro forma debt equal to 285 days' cash on hand and 257%, respectively, as of Sept. 30, 2012;
• Continued leading 15.8% market share through the second quarter of 2012; and Position as Chicago's largest and most successfully integrated health delivery system, with approximately 3,200 licensed beds and more than 5,600 physicians, 4,150 of whom are affiliated with Advocate Physician Partners, a joint venture between Advocate and clinically and financially aligned physicians with the purpose of providing cost-effective health care to patients in the communities Advocate serves.

Partly offsetting the above strengths, in our view, are:
• AHCN's very strong competition in the greater Chicago market of both other systems and large academic medical centers;
• A market consolidation that could affect AHCN as an acquirer or with new ownership at a competing facility (AHCN) recently announced a non-binding letter of intent, or LOI, to acquire Sherman Health System in Elgin); and
• AHCN's heightened capital spending during the next few years as a few major projects are started and completed, which could dampen unrestricted liquidity growth during the short term.
Total long-term debt at Dec. 31, 2011 was $1.221 billion.

Outlook

The stable outlook reflects our view of AHCN’s continued market leadership, extensive physician network, and solid financial profile. Given the heightened capital spending during the next few years, a higher rating is unlikely. However, we could consider raising the rating in response to continued strong operations and a sustained improvement in unrestricted liquidity to roughly 325 days' cash on hand (as the service area is highly competitive and given the recent Chicago area market trend of consolidation). Given our view of AHCN's strong market position, consistent financial profile, and good financial flexibility, we are also unlikely to lower the rating during the next year or two. However, we could consider lowering the rating if AHCN's debt service coverage declines to and remains at approximately 4x or if operational liquidity decreases to and stabilizes at about 200 days’ cash. Although we believe that AHCN could absorb Sherman Health into its credit profile, we will more fully evaluate that transaction as it is finalized. We do not anticipate any additional new money debt issuances during the next one to two years.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1125.120).
XIV. 77 IAC 1120.130 - Financial Viability

a) Financial Viability Waiver
The applicant is NOT required to submit financial viability ratios if:

1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA), or its equivalent; or

HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

b) Viability Ratios
The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards. The latest three years' audited financial statements shall consist of:

1) Balance sheet;

2) Revenues and expenses statement;

3) Changes in fund balance; and
4) Changes in financial position.

HFSRB NOTE: To develop the above ratios, facilities shall use and submit audited financial statements. If audited financial statements are not available, the applicant shall use and submit Federal Internal Revenue Service tax returns or the Federal Internal Revenue Service 990 report with accompanying schedules. If the project involves the establishment of a new facility and/or the applicant is a new entity, supporting schedules to support the numbers shall be provided documenting how the numbers have been compiled or projected.

c) Variance

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

The applicants have an “AA” rating from Standard & Poors and Fitch and Aa2 from Moody’s. There are sufficient resources available to fund the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1125.130).

XV. Review Criteria - Economic Feasibility

A. Criterion 1110.140 - 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;
   B) or 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.

C) The project is classified as a Class B project. The co-applicants do not have a bond rating of “A”. No capital costs, except fair market value of leased space and used equipment, are being incurred by the co-applicants.”

The applicants have an “AA” rating from Standard & Poors and Fitch and Aa2 from Moody’s. There are sufficient resources available to fund the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING CRITERION (77 IAC 1120.140(a)).

B. Criterion 1120.140(b) - Conditions of Debt Financing

This 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 have an “AA” rating from Standard & Poors and Fitch and Aa2 from Moody’s. There are sufficient resources available to fund the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1125.800).

C. Criterion 1120.140(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.”

The State Agency notes only the clinical costs will be reviewed against the established standards in Part 1120. The State Agency calculated the State Board New Construction Standard using the third quartile of 2013 RS Means data adjusted for complexity by department/function. This number was then inflated by 3.0% per year until the Midpoint of construction.

**Preplanning** – These costs total $31,692 and are less than 1% of construction modernization contingencies and equipment costs. This appears reasonable when compared to the State Board Standard of 1.8%.

**Site Survey and Site Preparation** – These costs total $342,540 and are 4.82% of construction, modernization and contingencies. This appears reasonable when compared to the State Board Standard of 5%.

**New Construction and Contingencies** – These costs total $6,674,561 or $479.80. This appears reasonable when compared to the State Board Standard of $534.15

**Modernization and Contingencies** – These costs total $433,719 or $326.84. This appears reasonable when compared to the State Board Standard of $373.91.

**Contingencies** - These costs total $661,158 or 10.26% of construction and modernization costs. This appears reasonable compared to the State standard of 10%-15%.

**Architectural and Engineering Fees** - These costs total $617,274 or 8.68% of construction modernization and contingencies. This appears reasonable compared to the State standard of 5.87-8.81%

**Consulting or Other Fees** - These costs total $355,663. The State Board does not have standards for this cost.

**Equipment** - These costs total $2,101,000. The State Board does not have standards for these costs.

**Bond Issuance Expense** – These costs total $100,737. The State Board does not have standard for these costs.

**Interest Expense** – These costs total $559,919. The State Board does not have standard for these costs.

**Other Costs to be Capitalized** – These costs total $668,486. The State Board does not have a standard for these costs.
THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140(c)).

D. Criterion 1120.140(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 applicants project $2898.91 of annual operating costs per equivalent patient day for the first year of operation. The State Board does not have a standard for this cost.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1120.140(d)).

E. Criterion 1120.140(e) - Total Effect of the 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 applicants project $189.42 per adjusted patient day in annual capital costs for the first year of operation. The State Board does not have a standard for this cost.”

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.140(e)).
### Medical/Surgical

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Authorized CON Beds 12/31/2011</th>
<th>Peak Beds Setup and Staffed</th>
<th>Peak Census</th>
<th>Admissions</th>
<th>Inpatient Days</th>
<th>Observation Days</th>
<th>Average Length of Stay</th>
<th>Average Daily Census</th>
<th>CON Occupancy 12/31/2011</th>
<th>Staff Bed Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 Years</td>
<td>313</td>
<td>309</td>
<td>302</td>
<td>17,480</td>
<td>78,451</td>
<td>3,667</td>
<td>4.7</td>
<td>225.0</td>
<td>71.9</td>
<td>72.8</td>
</tr>
<tr>
<td>15-44 Years</td>
<td></td>
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<tr>
<td>45-64 Years</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>65-74 Years</td>
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<tr>
<td>75 Years +</td>
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</tbody>
</table>

### Pediatric

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Authorized CON Beds 12/31/2011</th>
<th>Peak Beds Setup and Staffed</th>
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<th>Admissions</th>
<th>Inpatient Days</th>
<th>Observation Days</th>
<th>Average Length of Stay</th>
<th>Average Daily Census</th>
<th>CON Occupancy 12/31/2011</th>
<th>Staff Bed Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 Years</td>
<td>48</td>
<td>48</td>
<td>47</td>
<td>2,209</td>
<td>8,632</td>
<td>768</td>
<td>4.3</td>
<td>25.8</td>
<td>53.7</td>
<td>53.7</td>
</tr>
</tbody>
</table>

### Intensive Care

<table>
<thead>
<tr>
<th>Facility</th>
<th>Authorized CON Beds 12/31/2011</th>
<th>Peak Beds Setup and Staffed</th>
<th>Peak Census</th>
<th>Admissions</th>
<th>Inpatient Days</th>
<th>Observation Days</th>
<th>Average Length of Stay</th>
<th>Average Daily Census</th>
<th>CON Occupancy 12/31/2011</th>
<th>Staff Bed Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Admission</td>
<td>61</td>
<td>61</td>
<td>58</td>
<td>5,059</td>
<td>13,415</td>
<td>178</td>
<td>2.7</td>
<td>37.2</td>
<td>61.1</td>
<td>61.1</td>
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<tr>
<td>Transfers</td>
<td></td>
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</tr>
</tbody>
</table>

### Obstetric/Gynecology

<table>
<thead>
<tr>
<th>Facility</th>
<th>Authorized CON Beds 12/31/2011</th>
<th>Peak Beds Setup and Staffed</th>
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<th>Staff Bed Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maternity</td>
<td>62</td>
<td>58</td>
<td>50</td>
<td>4,113</td>
<td>12,276</td>
<td>111</td>
<td>3.0</td>
<td>33.9</td>
<td>54.7</td>
<td>58.5</td>
</tr>
<tr>
<td>Clean Gynecology</td>
<td>3999</td>
<td>11,967</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

### Neonatal

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Authorized CON Beds 12/31/2011</th>
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<th>Average Daily Census</th>
<th>CON Occupancy 12/31/2011</th>
<th>Staff Bed Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 Years</td>
<td>54</td>
<td>54</td>
<td>46</td>
<td>451</td>
<td>12,658</td>
<td>0</td>
<td>28.1</td>
<td>34.7</td>
<td>64.2</td>
<td>64.2</td>
</tr>
</tbody>
</table>

### Long Term Care

<table>
<thead>
<tr>
<th>Facility</th>
<th>Authorized CON Beds 12/31/2011</th>
<th>Peak Beds Setup and Staffed</th>
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<th>CON Occupancy 12/31/2011</th>
<th>Staff Bed Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 Years</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Swing Beds

<table>
<thead>
<tr>
<th>Facility</th>
<th>Authorized CON Beds 12/31/2011</th>
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<th>CON Occupancy 12/31/2011</th>
<th>Staff Bed Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 Years</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Facility Utilization Data by Category of Service

<table>
<thead>
<tr>
<th>Facility</th>
<th>Authorized CON Beds 12/31/2011</th>
<th>Peak Beds Setup and Staffed</th>
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<th>CON Occupancy 12/31/2011</th>
<th>Staff Bed Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 Years</td>
<td>638</td>
<td>29,586</td>
<td>149,321</td>
<td>4,724</td>
<td>5.2</td>
<td>422.0</td>
<td>36.1</td>
<td>154.4</td>
<td>5.2</td>
<td>66.15</td>
</tr>
</tbody>
</table>

(Includes ICU Direct Admissions Only)
### Advocate Lutheran General Hospital

#### Park Ridge

**Source:** 2011 Annual Hospital Questionnaire, Illinois Department of Public Health, Health Systems Development.

#### Emergency/Trauma Care

- **Persons Treated by Emergency Services:** 59,449
- **Patients Admitted from Emergency:** 14,954
- **Operating Rooms Dedicated for Trauma Care:** 1
- **Patients Admitted from Trauma:** 920
- **Number of Trauma Visits:** 977
- **Emergency Service Type:** Comprehensive
- **Number of Emergency Room Stations:** 33
- **Persons Treated by Emergency Services:** 59,449
- **Patients Admitted from Emergency:** 14,954
- **Total ED Visits (Emergency+Trauma):** 60,426

#### Comprehensive Emergency Service Type

- **Level of Trauma Service:**
  - Adult
  - Pediatric

- **Number of Trauma Visits:**
  - 977

- **Patients Admitted from Trauma:**
  - 920

- **Emergency Service Type:**
  - Comprehensive

- **Number of Emergency Room Stations:**
  - 33

- **Persons Treated by Emergency Services:**
  - 59,449

- **Patients Admitted from Emergency:**
  - 14,954

- **Total ED Visits (Emergency+Trauma):**
  - 60,426

---

### Cardiac Catheterization Labs

<table>
<thead>
<tr>
<th>Cardiac Catheterization Labs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cath Labs (Dedicated+Nondedicated labs):</td>
</tr>
<tr>
<td>Cath Labs used for Angiography procedures</td>
</tr>
<tr>
<td>Dedicated Catheterization Labs</td>
</tr>
<tr>
<td>Dedicated Interventional Catheterization Labs</td>
</tr>
<tr>
<td>Dedicated EP Catheterization Labs</td>
</tr>
</tbody>
</table>

### Cardiovascular Surgery Data

- **Total Cardiac Cath Procedures:** 2,024
  - Diagnostic Catheterizations (0-14): 31
  - Diagnostic Catheterizations (15+): 925
  - Interventional Catheterizations (0-14): 6
  - Interventional Catheterization (15+): 581
  - EP Catheterizations (15+): 481

- **Total Cardiac Cath Procedures:** 2,024
  - Diagnostic Catheterizations (0-14): 31
  - Diagnostic Catheterizations (15+): 925
  - Interventional Catheterizations (0-14): 6
  - Interventional Catheterization (15+): 581
  - EP Catheterizations (15+): 481

### Cardiac Surgery Data

- **Total Cardiac Surgery Cases:** 137
  - Pediatric (0 - 14 Years): 6
  - Adult (15 Years and Older): 131

- **Coronary Artery Bypass Grafts (CABGs):** performed total Cardiac Cases : 96

#### Outpatient Service Data

- **Total Outpatient Visits:** 296,251
  - Outpatient Visits at the Hospital/ Campus: 296,251
  - Outpatient Visits Offsite/off campus: 0

---

### Diagnostic/Interventional

#### Equipment

- **General Radiography/Fluoroscopy:** 32
  - Owned: 32
  - Contract: 0
  - Inpatient: 50,161
  - Outpatient: 44,106

- **Nuclear Medicine:** 8
  - Owned: 0
  - Contract: 8
  - Inpatient: 2,017
  - Outpatient: 4,537

- **Mammography:** 7
  - Owned: 0
  - Contract: 7
  - Inpatient: 0
  - Outpatient: 30,545

- **Ultrasound:** 11
  - Owned: 0
  - Contract: 11
  - Inpatient: 4,242
  - Outpatient: 17,330

- **Angiography:** 2
  - Owned: 0
  - Contract: 2
  - Diagnostic Angiography: 4,420
  - Interventional Angiography: 2603

- **Positron Emission Tomography (PET):** 1
  - Owned: 0
  - Contract: 1
  - Inpatient: 0
  - Outpatient: 450

- **Computerized Axial Tomography (CAT):** 5
  - Owned: 0
  - Contract: 5
  - Inpatient: 17,061
  - Outpatient: 20,854

- **Magnetic Resonance Imaging:** 4
  - Owned: 0
  - Contract: 4
  - Inpatient: 5,958
  - Outpatient: 12,623

#### Examinations

- **Diagnostic/Interventional:**
  - Owned: 32
  - Contract: 0
  - Inpatient: 50,161
  - Outpatient: 44,106

#### Treatment Equipment

- **Lithotripsy:** 0
  - Owned: 0
  - Contract: 0

- **Linear Accelerator:** 4
  - Owned: 0
  - Contract: 4

- **Image Guided Rad Therapy:** 0
  - Owned: 0
  - Contract: 0

- **Intensity Modulated Rad Thrp:** 0
  - Owned: 0
  - Contract: 0

- **High Dose Brachytherapy:** 1
  - Owned: 0
  - Contract: 1

- **Proton Beam Therapy:** 0
  - Owned: 0
  - Contract: 0

- **Gamma Knife:** 0
  - Owned: 0
  - Contract: 0

- **Cyber knife:** 0
  - Owned: 0
  - Contract: 0

#### Therapies/Treatments

- **Lithotripsy:** 922
- **Linear Accelerator:** 11,421
- **Image Guided Rad Therapy:** 3373
- **Intensity Modulated Rad Thrp:** 3129
- **High Dose Brachytherapy:** 184
- **Proton Beam Therapy:** 0
- **Gamma Knife:** 0
- **Cyber knife:** 85

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