

DOCKET NO: A-7	BOARD MEETING: June 8-9 2010	PROJECT NO: 10-014	PROJECT COST: Original: \$21,139,500 Current: \$
FACILITY NAME: West Suburban Medical Center		CITY: Oak Park	
TYPE OF PROJECT: Non-Substantive			HSA: VII

**PROJECT DESCRIPTION:** The applicants are proposing a change of ownership for West Suburban Medical Center a 234 bed acute care hospital located in Oak Park. The cost of the project is \$21,139,500. **The applicants are before the State Board because they are proposing a change of ownership as defined by the State Board.**

**The State Agency notes the following:** Vanguard Health Systems, Inc., an investor owned health system, is purchasing two hospitals from Resurrection Health Care Corporation – a not for profit corporation. These two hospitals are Westlake Hospital (Project #10-013) located in Melrose Park and West Suburban Medical Center (Project #10-014) located in Oak Park. Vanguard Health System, Inc. currently owns two additional hospitals in Illinois: MacNeal Hospital (Berwyn) and Weiss Memorial Hospital (Chicago). The Asset Purchase Agreement signed by both parties and contingent on the approval of the Illinois Health Facility and Services Review Board states that the purchase price of these two hospitals is \$40 million dollars. Additional costs for consulting, CON fees, and legal fees are not included in the purchase price but are included in the over all cost of the project. Allocation of the purchase price between the two hospitals is based upon the ratio of the number of beds at each hospital to the total number of beds for both hospitals. The purpose of the project is to maintain the financial viability of Resurrection Health System and continue to provide health care services for the patients currently served by the two hospitals. Vanguard Health System believes the benefit to their health system will be the expanding of its Chicago-area system from two to four hospitals and the inherent benefits associated with a larger critical mass of hospitals and patients. Vanguard believes economies of scale as being critical in order for a hospital system to achieve long term sustainability when desiring to provide care to all and without regard to financial or reimbursement status. With the acquisition of these two hospitals Vanguard’s three of four Chicago hospitals will be within five miles of one another, allowing for sharing of overhead services and thereby improving efficiencies.

**STATE AGENCY REPORT**  
**West Suburban Medical Center**  
**#10-014**

<b>APPLICATION SUMMARY</b>	
Applicant	Vanguard Health Systems Vanguard Health Management, Inc., Vanguard Health Financial Corporation, LLC, VHS West Suburban Medical Center Inc. Resurrection Health Care Corporation, West Suburban Medical Center
Facility Name	West Suburban Medical Center
Location	Oak Park Illinois
Application Received	March 18, 2010
Application Deemed Complete	March 25, 2010
Scheduled Review Period Ended	May 24, 2010
Review Period Extended by the State Agency?	No
Public Hearing Held?	Yes
Applicants' Deferred Project?	No
Can Applicants Request Another Deferral?	Yes
Applicants' Modified the Project?	No

**I. The Proposed Project**

The applicants are proposing a change of ownership for West Suburban Medical Center, a 234 bed acute care hospital located in Oak Park. The cost of the project is \$21,139,500.

**II. Summary of Findings**

- A. The State Agency finds the proposed project appears to be in conformance with the provisions of Part 1110.**
- B. The State Agency finds the proposed project appears to be in conformance with the provisions of Part 1120.**

**III. General Information**

The applicants are Vanguard Health Systems, Inc., Vanguard Health Management, Inc., Vanguard Health Financial Corporation, LLC., VHS West Suburban Medical Center Inc., Resurrection Health Care Corporation, and West Suburban Medical Center Medical Center. The operating entity licensee will be VHS West Suburban Medical Center, Inc. The owner of the site will be Vanguard Health Systems, Inc. The hospital is located at 3 Erie Court, Oak Park,

Illinois in Cook County (HSA VII) in the A-06 hospital planning area. HSA VII consists of DuPage County and Suburban Cook County. There are six additional general hospitals located in A-06. These hospitals are Gottlieb Memorial Hospital (Melrose Park), Kindred Hospital-Chicago (Northlake), Loyola University Medical Center (Maywood), MacNeal Hospital (Berwyn), Rush Oak Park Hospital (Oak Park), and Westlake Hospital (Melrose Park).

Per 77 IAC 1110.40 this is a non-substantive project subject to both Parts 1110 and 1120 review. Project obligation will occur after permit issuance. The anticipated project completion date is December 31, 2010.

**Summary of Support and Opposition Comments**

A public hearing was held on this project on April 26, 2010. 550 individuals were in attendance. 43 individuals testified in support of the project, 12 individuals testified in opposition to the project. The State Agency also received over 11,000 signature petitions in support of the transfer of ownership. Those in support of the project emphasized that Resurrection Health Care will be unable to continue operation of the hospital as it exists today and no other potential purchaser has expressed an interest in acquiring the hospital. The option of transferring ownership of the hospital to Vanguard will allow the hospital to continue provide patient care to individuals in this community.

Those in opposition to the project urged the Illinois Health Facilities and Services Review Board to require Vanguard Health System to make a ten year commitment to keep the hospital open, make a commitment to provide health care needs to uninsured and Medicaid clients, make a commitment to not eliminate existing services, and commit to maintain current staff and compensation packages.

Table One lists the applicant’s beds, occupancy rates, average length of stay (“ALOS”), average daily census (“ADC”) for calendar year 2009 and was provided by the applicants.

TABLE ONE West Suburban Medical Center Utilization Data CY 2009								
Service	Authorized Beds <sup>(1)</sup>	Admissions	Patient Days	ALOS	ADC	Occupancy	Target Occupancy	Target Occupancy Met?
Med/Surg	135	5,696	23,310	4.1	63.9	47.0%	85%	No
Obstetrics	20	2,272	5,093	2.24	14.0	70.0%	75%	No
Pediatric	5	75	174	2.3	1	20.0%	65%	No

TABLE ONE West Suburban Medical Center Utilization Data CY 2009								
Service	Authorized Beds <sup>(1)</sup>	Admissions	Patient Days	ALOS	ADC	Occupancy	Target Occupancy	Target Occupancy Met?
Intensive Care	24	1,469	5,209	3.5	14.3	59.6%	60%	No
Long term care	50	793	12,061	15.2	33.1	66.2%	85%	No
<b>Total</b>	<b>234</b>	<b>10,305</b>	<b>45,847</b>					

Source: Information provided by the applicants

<sup>(1)</sup> Bed numbers based upon Authorized beds as of April 22, 2009

Tables Two and Three display the applicants' payment source information by number of patients and by net revenue. Payment source information was obtained from the IDPH 2008 Annual Hospital Questionnaire.

TABLE TWO West Suburban Medical Center Payment Source by Patient Number <sup>(1)</sup>				
Payment Source	Inpatient		Outpatient	
	Number of Patients	Percentage	Number of Patients	Percentage
Medicare	3,625	34.2%	64,502	32.7%
Medicaid	2,861	27.0%	40,319	20.5%
Other Public	2	0.0%	117	.1%
Other Insurance	3,547	33.4%	73,401	37.3%
Private Pay	315	3.0%	15,464	7.8%
Charity Care	263	2.4%	3,219	1.6%
<b>Total</b>	<b>10,613</b>	<b>100.00%</b>	<b>197,022</b>	<b>100.00%</b>

1. Information taken from 2008 Annual Hospital Questionnaire

TABLE THREE West Suburban Medical Center Payment Source by Net Revenue <sup>(1)</sup>						
Payment Source	Inpatient		Outpatient		Total	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Medicare	\$40,226,998	46.1%	\$10,442,796	13.4%	\$50,669,794	30.6%
Medicaid	\$16,967,892	19.4%	\$14,554,805	18.6%	\$31,522,697	19.1%
Other Public	0	0.0%	0	0.0%	0.0	0.0%
Other Insurance	\$22,214,290	25.4%	\$39,720,470	50.8%	\$61,934,760	37.4%
Private Pay	\$7,917,030	9.1%	\$13,483,896	17.2%	\$21,400,926	12.9%
<b>Total</b>	<b>\$87,326,210</b>	<b>100.00%</b>	<b>\$78,201,967</b>	<b>100.00%</b>	<b>\$165,528,177</b>	<b>100.00%</b>
Charity Care Expense <sup>(2)</sup>	\$952,712	1.1%	\$1,315,386	1.7%	\$2,268,098	1.4%

1. Information taken from 2008 IDPH Hospital Questionnaire  
 2. Charity Care Expense total shown as a percentage of Total Net Revenue

**IV. The Proposed Project - Details**

The applicants are proposing a change of ownership for West Suburban Medical Center a 234 bed acute hospital located in Oak Park. The total estimated project cost is \$21,139,500. West Suburban Medical Center is currently owned by Resurrection Health Care Corporation. Resurrection Health Care Corporation purchased this facility in March 2004 for a cost of \$36,800,000 million. Vanguard Health System is purchasing two hospitals (Westlake Hospital and West Suburban Medical Center) from Resurrection Health Care. The total price for these two hospitals and related property is \$40 million. There are additional capital costs for legal fees, CON fees, consulting fees, etc. that total \$739,500. The \$40 million was allocated based upon the total number of beds for each hospital as of December 17, 2009. The total beds for both hospitals are 459 beds. The amount allocated to West Suburban Medical Center is  $(234 \text{ beds} / 459 \text{ beds} = 51\% \times \$40,000,000 = \$20,400,000)$ .

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

Table Four shows the project's sources and uses of funds. The project is being funded with cash and securities of \$21,139,500.

TABLE FOUR	
Use of Funds	Total
Consulting and Other Fees	\$739,500
Purchase Price or Hospital	\$20,400,000
<b>Totals</b>	<b>\$21,139,500</b>
Source of Funds	
Cash and Securities	\$21,139,500
<b>Total</b>	<b>\$21,139,500</b>

**VI. 1110.230 - Background Project Purpose and Alternatives**

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

The criterion reads as follows:

- "1) An applicants 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 applicants , HFPB shall consider whether adverse action has been taken against the applicants , or against any health care facility owned or operated by the applicants , 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").

- 2) Examples of facilities owned or operated by an applicants include:
  - A) The applicants, Partnership ABC, owns 60% of the shares of Corporation XYZ, which manages the Good Care Nursing Home under a management agreement. The applicants , Partnership ABC, owns or operates Good Care Nursing Home.
  - B) The applicants, Healthy Hospital, a corporation, is a subsidiary of Universal Health, the parent corporation of Healthcenter Ambulatory Surgical Treatment Center (ASTC), its wholly-owned subsidiary. The applicants, Healthy Hospital, owns and operates Healthcenter ASTC.
  - C) Dr. Wellcare is the applicants. His wife is the director of a corporation that owns a hospital. The applicants, Dr. Wellcare, owns or operates the hospital.
  - D) Drs. Faith, Hope and Charity own 40%, 35% and 10%, respectively, of the shares of Healthfair, Inc., a corporation, that is the applicants. Dr. Charity owns 45% and Drs. Well and Care each own 25% of the shares of XYZ Nursing Home, Inc. The applicants , Healthfair, Inc., owns and operates XYZ Nursing Home, Inc.
- 3) The applicants shall submit the following information:
  - A) A listing of all health care facilities currently owned and/or operated by the applicants, including licensing, certification and accreditation identification numbers, as applicable;
  - B) 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;
  - C) Authorization permitting HFPB and Illinois Department of Public Health (IDPH) access to any documents necessary to

verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFPB.

- 4) **If, during a given calendar year, an applicants submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicants shall attest that the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicants are able to submit amendments to previously submitted information, as needed to update and/or clarify data.**

The applicants provided Joint Commission accreditation and State facility licenses as required. The applicants provided certification that no adverse action has been 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 Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted. Westlake Hospital or West Suburban Medical Center are not on IDPH State Monitoring. Weiss Memorial Hospital and MacNeal Hospital are out of compliance with Conditions of Participation for life safety issues. These two hospitals are being monitored by the Illinois Department of Public Health. A Plan of Correction has been submitted to the Illinois Department of Public Health for both hospitals and has been accepted. An extension of termination has been extended until December 15, 2010 for Weiss Memorial Hospital and April 15, 2011 for MacNeal Hospital. In addition there remains an outstanding compliance issue related to Vanguard Health System and the State Board

**Charity Care**

Charity care information was provided by the applicants for Westlake Hospital and West Suburban Medical Center. A safety net impact statement is not required for change of ownership applications.

TABLE FIVE CHARITY CARE Westlake Hospital						
	FY 2007	% of Net Revenue	FY 2008	% of Net Revenue	FY 2009	% of Net Revenue
Net Patient Revenue	\$103,772,000		\$101,844,649		\$96,100,142	
Amount of Charity Care (charges)	\$3,611,075	3.48%	\$2,979,348	2.93%	\$3,026,318	3.15%
Cost of Charity Care	\$1,153,016	1.11%	\$1,308,594	1.28%	\$855,805	0.89%

TABLE SIX CHARITY CARE West Suburban Medical Center						
	FY 2007	% of Net Revenue	FY 2008	% of Net Revenue	FY 2009	% of Net Revenue
Net Patient Revenue	\$193,524,000		\$165,528,177		\$164,375,698	
Amount of Charity Care (charges)	\$7,782,159	4.02%	\$7,700,102	4.65%	\$7,284,772	4.43%
Cost of Charity Care	\$2,579,008	1.33%	\$2,268,098	1.37%	\$2,290,447	1.39%

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

The criterion states:

“The applicants 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 applicants shall define the planning area or market area, or other, per the applicants definition.

- 1) The applicants shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:



- A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;
  - B) The population's morbidity or mortality rates;
  - C) The incidence of various diseases in the area;
  - D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);
  - E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).
- 2) The applicants shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).
  - 3) The applicants shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicants shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.
  - 4) For projects involving modernization, the applicants shall describe the conditions being upgraded. For facility projects, the applicants shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicants shall also include repair and maintenance records."

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

According to the applicants "the primary purpose of this project, which addresses a change of ownership are the desire of Resurrection Health Care to ensure that the communities served by West Suburban Medical Center retain access to health care services provided through West Suburban, and Resurrection Health Care's need to divest itself of selected assets in order to assure the continued viability of the health care system. The need to divest was identified through extensive internal strategic planning and outside analysis commissioned by Resurrection. Table Seven and Table Eight outlines the financial results for the two hospitals for FY 2007-FY 2009. Resurrection Healthcare experienced a total loss of

\$114 million from operations for both hospitals for the period FY 2007-FY 2009.

TABLE SEVEN Westlake Hospital								
	FY 2007	% of Net Revenue	FY 2008	% of Net Revenue	FY 2009	% of Net Revenue	Total	% of Net Revenue
Net Patient Revenue	\$103,772,000		\$101,844,649		\$96,100,142		\$301,716,791	
Income Loss from Operations	(\$12,410,000)	-11.96%	(\$35,498,000)	-34.86%	(\$836,000)	-0.87%	(\$48,744,000)	-16.16%

TABLE EIGHT West Suburban Medical Center								
	FY 2007	% of Net Revenue	FY 2008	% of Net Revenue	FY 2009	% of Net Revenue	Total	% of Net Revenue
Net Patient Revenue	\$193,524,000		\$165,528,177		\$164,375,698		\$523,427,875	
Income Loss from Operations	(\$22,492,000)	-11.62%	(\$13,525,000)	-8.17%	(\$29,231,000)	-17.78%	(\$65,248,000)	-12.47%
Information taken from Resurrection Health Care Audited Financial Statements for FY 2007-FY 2009								

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

The criterion states:

“The applicants 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 applicants shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available."

The applicants' considered the following alternatives for both Westlake Hospital and West Suburban Medical Center.

1. **Convert Westlake Hospital from an acute care hospital into a specialty center**

The applicants explored converting Westlake hospital to a Long Term Acute Hospital, a behavioral health center, and a rehabilitation hospital. This was rejected due to a lack of a clear patient need as well as cost concerns.

2. **Consolidate the two hospitals (Westlake Hospital and West Suburban Medical Center )**

This alternative was rejected due to capital and other costs and because profitability of the consolidated hospitals could not be assured. The approximate cost to this alternative is \$22-\$25 million.

3. **Lease Westlake Hospital for non-acute hospital use**

A plan was explored to lease Westlake Hospital to community organizations as a community health center. This plan was rejected because of the high risk that lease income would not be sufficient to allow Westlake to break even. This plan would also do nothing to mitigate the financial losses at West Suburban Medical Center. The approximate cost to this alternative is \$12.7 million.

4. **Close the hospitals and sell the property**

This alternative was rejected as highly undesirable if a sale was possible, since closure would significantly reduce access to health care services to residents of the hospital's communities, and result in significant job losses in the communities. Maintenance costs at the hospitals would continue until a buyer was found.

**VII. 1110.240 - Changes of Ownership, Mergers and Consolidations**

**A) Criterion 1110.240 (b) - Impact Statement**

**The applicant must submit an impact statement which details any proposed changes in the beds or services currently offered, who the anticipated operating entity will be, the reason for the transaction, any anticipated additions or reductions in employees, and a cost/benefit analysis of the transaction. The statement must reflect at least a two-year period following the date of the change of ownership, merger or consolidation.**

The applicants have attested that there will be no changes in the number of beds (234 beds) or the scope of services to be provided at West Suburban Medical Center. The hospital currently offers surgery (cardiovascular surgery), nursery, clinical laboratory, pharmacy, diagnostic imaging, cardiac catheterization, GI lab, emergency department, outpatient clinics, and physical occupational and speech therapy. The applicants attest that there will no changes in staffing for the first two years after completion of the project.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE IMPACT STATEMENT CRITERION (77 IAC 1110.240 (b)).**

**B) Criterion 1110.240 (c) - Access**

**The applicant must document any changes which may result in the restriction of patient admissions and document that no reductions in access to care will result from the transaction. Documentation shall consist of a written certification that the admission policies of the facilities involved will not become more restrictive and the submission of both the current formal admission policies of all institutions involved and the anticipated policy following completion of the project.**

The applicants have stated the admission policies currently in effect at MacNeal Hospital and Weiss Memorial Hospital two hospitals currently owned and operated by Vanguard Health System will be adopted by West Suburban Medical Center following the change of ownership. The policies to be used provide for financial assistance and charity care provisions to be made to patients having a household income equal to or less than 500% of the Federal Poverty Level. Full 100% write-offs are

provided to those having a household income of 200% or less or the Federal Poverty Level with a sliding scale used for those with an income level of more than 200% but less than 500% of the Federal Poverty Level. As a result the admission policies will not become more restrictive than those currently in place. The hospital will continue to admit Medicare and Medicaid recipients as well as patients in need of charity care. No agreements with private third party payors currently in place at West Suburban Medical Center are anticipated to be discontinued as a result of the proposed change of ownership.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ACCESS CRITERION (77 IAC 1110.240 (c)).**

**C) Criterion 1110.240 (d) - Health Care System**

- 1) The applicant must document that:**
  - A) the applicant's care system will not restrict the use of other area care providers; or**
  - B) the project improves access to services previously unavailable in the community because of the structure of the applicant's care system.**
- 2) Documentation must detail the current and proposed relationship with those health care or health related organizations which are to be owned (in whole or in part), affiliated, operated, or under management contract with the applicant and provide the following:**
  - A) all care system service providers and services offered including location, types of services, number of beds, and utilization levels for provided services over the last 12-month period; and**
  - B) the proposed relationship of the project to the care system. Data should include where referrals for categories of service not available at the proposed project will be made, how duplication of services will be resolved, time and travel factors involving referrals within the care system and any organization policies concerning the use of care system providers over other area providers.**

The applicants will continue to operate with an open Medical Staff model. The emergency department will maintain its current designative level "comprehensive". Because the current admission policies will not become more restrictive, patients will not be deflected from West Suburban Medical Center to other area facilities as result of the change of ownership. It is the intent of the applicants to maintain all referral agreements currently in place.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE HEALTH CARE SYSTEM CRITERION (77 IAC 1110.240 (d)).**

**VIII. 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 from the following sources, as applicable:**

- a) **Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:**
  - 1) **the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and**
  - 2) **interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;**
- b) **Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience. Provide a list of confirmed pledges from major donors (over \$100,000);**
- c) **Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;**
- d) **Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for**

the permanent financing proposed to fund the project, including:

- 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
  - 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
  - 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
  - 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
- e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
- f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
- g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.

The applicants are funding this project with cash and securities of \$21,139,500, and have provided audited financial statements providing evidence sufficient funds are available for this project.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120 (a)).**

**IX. 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 were not required to provide financial viability ratios because the project is being entirely funded by cash and securities. Audited financial statements were provided as required as evidence of the sufficiency of the amount of cash 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 FINANCIAL VIABILITY CRITERION (77 IAC 1120.130 (a)).**

**X. 1120.140 - Economic Feasibility**

**A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements**

**The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:**

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

- 2) That the total estimated project costs and related costs will be 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 to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; 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.

This project is being funded entirely by cash and securities. The applicants have met the requirements of this criterion.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF DEBT FINANCING CRITERION (77 IAC 1120.140 (a)).**

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

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

This project is being funded entirely by cash and securities. The applicants have met the requirements of this criterion.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1120.140 (b)).**

**C) Criterion 1120.140 (c) - Reasonableness of Project and Related Costs**

**The applicant shall document that the estimated project costs are reasonable and shall document compliance with the following:**

- 1) Preplanning costs shall not exceed the standards detailed in Appendix A of this Part.**
- 2) Total costs for site survey, soil investigation fees and site preparation shall not exceed the standards detailed in Appendix A unless the applicant documents site constraints or complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.**
- 3) Construction and modernization costs per square foot shall not exceed the standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.**

**HFSRB NOTE: Construction and modernization costs (i.e., all costs contained in construction and modernization contracts) plus contingencies shall be evaluated for conformance with the standards detailed in Appendix A.**

- 4) Contingencies (stated as a percentage of construction costs for the project's stage of architectural development) shall not exceed the standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.**

**HFSRB NOTE: Contingencies shall be limited in use for construction or modernization (line item) costs only and shall be included in construction and modernization cost per square foot**

calculations and evaluated for conformance with the standards detailed in Appendix A. If, subsequent to permit issuance, contingencies are proposed to be used for other component (line item) costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by HFSRB prior to that use.

- 5) New construction or modernization fees and architectural/engineering fees shall not exceed the fee schedule standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.
- 6) The costs of all capitalized equipment not included in construction contracts shall not exceed the standards for equipment as detailed in Appendix A unless the applicant documents the need for additional or specialized equipment due to the scope or complexities of the services to be provided. As documentation, the applicant must provide evidence that the costs are similar to or consistent with other projects of similar scope and complexity, and attest that the equipment will be acquired at the lowest net cost available, or 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.
- 7) Building acquisition, net interest expense, and other estimated costs shall not exceed the standards detailed in Appendix A. If Appendix A does not specify a standard for the cost component, the applicant shall provide documentation that the costs are consistent with industry norms based upon a comparison with previously approved projects of similar scope and complexity.
- 8) **Cost Complexity Index (to be applied to hospitals only)**  
The mix of service areas for new construction and modernization will be adjusted by the table of cost complexity index detailed in Appendix A.

Consulting and Other Fees - These costs total \$739,500. The State Board does not have a standard for this cost.

Acquisition Price - These costs total \$20,400,000. The State Board does

not have a standard for this cost.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1120.140 (c)).**

**D) Criterion 1120.140 (d) - Projected Operating Costs**

**The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.**

The applicants anticipate direct operating costs per treatment of \$3,635.86  
The State Board does not have a standard for these costs.

**THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT DIRECT OPERATING COSTS CRITERION (77 IAC 1120.140 (d)).**

**E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs**

**The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.**

The applicants anticipate the total effect of the Project on Capital Costs per treatment of \$313.08. The State Board does not have a standard for these costs.

**THE STATE AGENCY 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)).**

**Ownership, Management and General Information**

**ADMINISTRATOR NAME:** Pat Shehorn  
**ADMINSTRATOR PHONE** 708-681-7201  
**OWNERSHIP:** West Suburban Medical Center  
**OPERATOR:** West Suburban Medical Center  
**MANAGEMENT:** Non-Government Church-related  
**CERTIFICATION:** None  
**FACILITY DESIGNATION:** Disproportionate Share Hospital  
**ADDRESS** Erie At Austin

**Patients by Race**

White 23.4%  
 Black 65.8%  
 American Indian 0.0%  
 Asian 0.5%  
 Hawaiian/ Pacific 0.0%  
 Unknown: 10.3%

**Patients by Ethnicity**

Hispanic or Latino: 4.2%  
 Not Hispanic or Latino: 85.4%  
 Unknown: 10.3%  
 IDPH Number: 2907  
 HPA A-06  
 HSA 7

**CITY:** Oak Park

**COUNTY:** Suburban Cook County

**Facility Utilization Data by Category of Service**

Clinical Service	Authorized CON Beds 4/22/2009	Authorized CON Beds 12/31/2008	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %		Staff Bed Occupancy Rate %
										as of 12/31/2008	as of 4/22/2009	
<b>Medical/Surgical</b>	135	135	106	106	6,446	27,384	1,795	4.5	79.9	59.2	59.2	75.4
0-14 Years					0	0						
15-44 Years					1,399	4,336						
45-64 Years					2,350	9,963						
65-74 Years					1,101	5,123						
75 Years +					1,596	7,962						
<b>Pediatric</b>	5	29	5	5	131	229	66	2.3	0.8	2.8	16.2	16.2
<b>Intensive Care</b>	24	24	24	23	1,592	4,486	29	2.8	12.4	51.5	51.5	51.5
Direct Admission					1,126	2,947						
Transfers					466	1,539						
<b>Obstetric/Gynecology</b>	20	20	20	20	2,140	4,446	353	2.2	13.1	65.7	65.7	65.7
Maternity					2,004	4,262						
Clean Gynecology					136	184						
<b>Neonatal</b>	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
<b>Long Term Care</b>	50	79	50	42	770	11,966	0	15.5	32.8	41.5	65.6	65.6
<b>Swing Beds</b>					0	0		0.0	0.0			
<b>Acute Mental Illness</b>	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
<b>Rehabilitation</b>	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
<b>Long-Term Acute Care</b>	0											
Dedicated Observation		0					0					
<b>Facility Utilization</b>	<b>234</b>	<b>287</b>			<b>10,613</b>	<b>48,511</b>	<b>2,243</b>	<b>4.8</b>	<b>139.1</b>	<b>48.5</b>		

(Includes ICU Direct Admissions Only)

**Inpatients and Outpatients Served by Payor Source**

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
	34.2%	27.0%	0.0%	33.4%	3.0%	2.5%	
<b>Inpatients</b>	3625	2861	2	3547	315	263	<b>10,613</b>
	32.7%	20.5%	0.1%	37.3%	7.8%	1.6%	
<b>Outpatients</b>	64502	40319	117	73401	15464	3219	<b>197,022</b>

**Financial Year Reported:**

7/1/2007 to 6/30/2008

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

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense	Total Charity Care Expense
	46.1%	19.4%	0.0%	25.4%	9.1%	100.0%		2,268,098
<b>Inpatient Revenue ( \$ )</b>	40,226,998	16,967,892	0	22,214,290	7,917,030	87,326,210	952,712	<b>Totals: Charity Care as % of Net Revenue</b>
	13.4%	18.6%	0.0%	50.8%	17.2%	100.0%		
<b>Outpatient Revenue ( \$ )</b>	10,442,796	14,554,805	0	39,720,470	13,483,896	78,201,967	1,315,386	<b>1.4%</b>

**Birthing Data**

Number of Deliveries: 2,175  
 Number of Live Births: 2,155  
 Birthing Rooms: 0  
 Labor Rooms: 0  
 Delivery Rooms: 0  
 Labor-Delivery-Recovery Rooms: 12  
 Labor-Delivery-Recovery-Postpartum Rooms: 2  
 C-Section Rooms: 2  
 CSections Performed: 453

**Newborn Nursery Utilization**

Level 1 Patient Days 3,666  
 Level 2 Patient Days 835  
 Level 2+ Patient Days 0  
 Total Nursery Patientdays **4,501**  
**Laboratory Studies**  
 Inpatient Studies 294,760  
 Outpatient Studies 598,453  
 Studies Performed Under Contract 20,414

**Organ Transplantation**

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

\* Note: Outpatient mammography services transferred ownership from West Suburban Medical Center to Resurrection Ambulatory Care Services, effective February 18, 2008. On 4/22/2009, Board approved the voluntary reduction of 53 beds within Peds and LTC category of service. The total bed count for the facility is 234 beds

**Surgery and Operating Room Utilization**

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	289	206	797	379	1176	2.8	1.8
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	8	8	1022	1353	1555	1248	2803	1.5	0.9
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	0	0	0	0	0	0.0	0.0
OB/Gynecology	0	0	0	0	234	412	497	395	892	2.1	1.0
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	0	0	1	573	2	451	453	2.0	0.8
Orthopedic	0	0	0	0	391	594	849	737	1586	2.2	1.2
Otolaryngology	0	0	0	0	12	86	12	72	84	1.0	0.8
Plastic Surgery	0	0	0	0	21	76	80	168	248	3.8	2.2
Podiatry	0	0	0	0	6	91	5	121	126	0.8	1.3
Thoracic	0	0	0	0	35	3	87	4	91	2.5	1.3
Urology	0	0	0	0	123	325	207	376	583	1.7	1.2
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>8</b>	<b>2134</b>	<b>3719</b>	<b>4091</b>	<b>3951</b>	<b>8042</b>	<b>1.9</b>	<b>1.1</b>

<b>SURGICAL RECOVERY STATIONS</b>	Stage 1 Recovery Stations	16	Stage 2 Recovery Stations	25
-----------------------------------	---------------------------	----	---------------------------	----

**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	3	3	584	3564	405	2489	2894	0.7	0.7
<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>										
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

**Cardiac Catheterization Labs**

Total Cath Labs (Dedicated+Nondedicated labs):	2
Cath Labs used for Angiography procedures	1
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

**Cardiac Catheterization Utilization**

Total Cardiac Cath Procedures:	565
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	460
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	96
EP Catheterizations (15+)	9

**Emergency/Trauma Care**

Certified Trauma Center by EMS	<input type="checkbox"/>
Level of Trauma Service	<b>Level 1</b> (Not Answered)
	<b>Level 2</b> (Not Answered)
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	0
Patients Admitted from Trauma	0
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	22
Persons Treated by Emergency Services:	43,513
Patients Admitted from Emergency:	6,129
Total ED Visits (Emergency+Trauma):	43,513

**Cardiac Surgery Data**

Total Cardiac Surgery Cases:	51
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	51
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	40

**Outpatient Service Data**

Total Outpatient Visits	195,785
Outpatient Visits at the Hospital/ Campus:	159,194
Outpatient Visits Offsite/off campus	36,591

**Diagnostic/Interventional Equipment**

**Examinations**

	Owned		Contract			Radiation Equipment			Therapies/
	Inpatient	Outpatient	Inpatient	Outpatient	Contract	Owned	Contract	Treatments	
General Radiography/Fluoroscopy	7	0	7,229	31,528	0				
Nuclear Medicine	3	0	996	2,249	0	Lithotripsy	0	0	
Mammography	1	0	171	1,371	0	<b>Radiation Therapy Equipment</b>			
Ultrasound	8	0	2,804	13,907	0	Linear Accelerator	1	1	
Diagnostic Angiography	0	0	897	2,136	0	Proton Beam Therapy	0	0	
Interventional Angiography	1	0		708	0	Gamma Knife	0	0	
Positron Emission Tomography (PET)	0	0	0	0	0	Cyber knife	0	0	
Computerized Axial Tomography (CAT)	2	1	2,051	12,344	0				
Magnetic Resonance Imaging	1	0	428	2,476	0				

# 10-014 West Suburban Medical Center - Oak Park

