

DOCKET NO: A -	BOARD MEETING: May 20-21, 2008	PROJECT NO: #07-153	PROJECT COST: Original: \$785,745,988
FACILITY NAME: The University of Chicago Medical Center		CITY: Chicago	Current:
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The applicant proposes a major modernization of the hospital in new construction to house general surgical rooms, a GI Procedure Unit, Interventional Radiology, other Radiology imaging, 180 medical-surgical beds, 60 ICU beds, preparation / recovery, central sterile processing, pharmacy and respiratory therapy. The project entails 1,194,607 gross square feet of new construction. The applicant will reduce medical-surgical beds by 27 beds (for a total of 300 M/S beds) and increase ICU beds by 22 beds (for a total of 114 ICU beds). The overall change in the number of beds will be a reduction of five beds, for a total of 575 beds. The total cost of the project is \$785,745,988.

The State Agency notes that of the 23 criteria required to be addressed by the applicant as part of this submittal, one related to the Master Design Project, 13 related to the need for the project and nine related to the financial and economic feasibility of the project. From the State Agency's review of the application, it was determined that five of the criteria were not applicable. Of the remaining 18 criteria, the applicant did not successfully address four criteria, including:

- Criterion 1110.230 (d) - Need for the Project
- Criterion 1110.230 (e) - Size of the Project
- Criterion 1110.420 (a) - Modernization of Beds
- Criterion 1110.310 (c) - Reasonableness of Project Costs

STATE AGENCY REPORT

The University of Chicago Medical Center
Project #07-153

APPLICATION SUMMARY	
Applicant	The University of Chicago Medical Center
Facility Name	The University of Chicago Medical Center
Location	Chicago, Illinois
Application Received	December 7, 2007
Application Deemed Complete	December 21, 2007
Scheduled Review Period Ended	April 19, 2008
Review Period Extended by the State Agency?	No
Public Hearing Requested?	No
Applicant' Deferred Project?	No
Can Applicant Request Deferral?	No
Applicant' Modified the Project?	No

I. The Proposed Project

The applicant proposes a major modernization of the hospital in new construction to house general surgical rooms, a GI Procedure Unit, Interventional Radiology, other Radiology imaging, 180 medical surgical ("M/S") beds, 60 intensive care ("ICU") beds, preparation / recovery, central sterile processing, pharmacy and respiratory therapy. The project entails 1,194,607 gross square feet ("GSF") of new construction. The applicant will reduce M/S beds by 27 (for a total of 300 M/S beds) and increase ICU beds by 22 (for a total of 114 ICU beds). The total cost of the project is \$785,745,988.

II. Summary of Findings

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

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

Items For State Board Consideration

On July 19, 2006, the State Board approved a Master Design Project (Project #06-024) for this applicant. That master design project was for planning and design only and did not contain any construction elements. Project #06-024 was reviewed to determine the financial and economic feasibility of the master design project itself, and the need for the proposed master plan for future construction or modification projects. Findings concerning the need for beds and services and

financial feasibility made during the review of the master design project are applicable only for the master design project. Approval by the State Board of the master design project does not obligate approval or positive findings on this application for permit. This application is subject to the review criteria and bed need in effect at the time of State Board review.

Shell Space

The State Agency also notes that as part of this project, the applicant proposes shell space on the third and fourth levels and a portion of the lower level of the new construction. The total GSF proposed for shell space is 198,478 GSF. The applicant states the shell space is being constructed to meet future needs and will be enclosed by the exterior building shell. Otherwise, this area will be unfinished inside. According to the applicant, the construction of shell space at the same time as the present facility is constructed, while adding to overall immediate construction costs, will lower total expenditures over the long-term. The applicant states the main reasons for creating the shell space are the location and cost savings associated with constructing this space as part of this project. At the present time, it is the applicant's intent to use one of the two full levels to add inpatient beds. The other full level would likely be used for the consolidation of cardiac diagnostic and treatment services. The lower level will likely be used for Radiation Oncology. The applicant states it will submit an application for permit for the development of any and all shell space, regardless of whether or not the use would be reviewable by the State Board. See pages 180-187 of the application for a complete discussion of the shell space issue.

III. General Information

The applicant is The University of Chicago Medical Center ("Medical Center"). Effective August 7, 2006, the University of Chicago Hospitals was renamed the University of Chicago Medical Center. The Medical Center is a 580-bed acute care facility located in the A-03 acute care planning area (HSA VI). The Medical Center consists of the following facilities: Bernard A. Mitchell Hospital (the primary adult inpatient care facility), University of Chicago Comer Children's Hospital (facility devoted to the medical needs of children), Chicago Lying-in Hospital (a maternity and women's hospital), and Duchossois Center for Advanced Medicine ("DCAM" an outpatient care facility). The Medical Center also operates various outpatient clinics and treatment areas in the Chicago area.

Including the applicant's hospital, there are 10 facilities in the A-03 planning area that provide acute care services. The April 2008 update to the Inventory of Health Care Facilities and Services and Need Determination ("Inventory")

indicates a computed excess of 1,187 M/S-Pediatric and 144 Obstetric (“OB”) beds. The update also indicates a computed need for 11 additional ICU beds. The State Board does not have a bed need methodology for neonatal intensive care (“NICU”) beds. There are 673 NICU beds in the HSA 6,7,8,9 planning area. There is also a computed excess of 25 acute mental illness (“AMI”) beds in the HSA 6-A-03 Planning Area.

This is a substantive project subject to both Parts 1110 and 1120 review. Project obligation will occur after permit issuance. An opportunity for a public hearing was offered, but no hearing was requested. In addition, no letters of support or opposition were received by the State Agency regarding this project. The anticipated project completion date is December 31, 2016.

Table One lists the applicant’s beds, occupancy rates, average length of stay (“ALOS”) and average daily census (“ADC”), for the period October 1, 2006-September 30, 2007. This information was provided by the applicant. Table Two provides this information for calendar year 2006 and was obtained from IDPH’s 2006 hospital profile. The State Agency notes the State Board approved Project #07-141 on January 15, 2008, which allowed the Medical Center to discontinue its AMI service. This project was completed on February 2, 2008.

Service	Authorized Beds	Proposed Beds	Admissions	Patient Days ²	ALOS	ADC	Authorized Bed Occupancy	Proposed Bed Occupancy
Medical Surgical	327	300	15,312	85,644	5.6	234.6	71.8%	78.2%
Pediatric	64	64	3,003	16,963	5.7	46.5	72.6%	72.6%
Obstetric	50	50	2,824	8,863	3.1	24.3	48.6%	48.6%
Intensive Care	92	114	3,890	27,545	7.2	75.5	82.0%	66.2%
Neonatal ICU	47	47	812	14,369	17.7	39.4	83.8%	83.9%
Acute Mental Illness ¹	16	0	345	3,506	10.2	9.6	60.0%	0.0%
TOTALS	596	575	26,186	156,890	6.0	429.8	72.1%	74.7%

1. State Board approved the discontinuation of the 16-bed AMI service at the January 2008 State Board Meeting (Project #07-141).
 2. Includes observation days.
 Source: Information provided by the applicant

Service	Authorized Beds	Proposed Beds	Admissions	Patient Days ²	ALOS	ADC	Authorized Bed Occupancy	Proposed Bed Occupancy
Medical Surgical	327	300	15,474	96,049	6.21	263.15	80.50%	87.72%
Pediatric	64	64	3,118	17,975	5.76	49.25	76.90%	76.90%
Obstetric	50	50	3,812	30,154	7.91	29.04	58.10%	58.10%
Intensive Care	92	114	3,196	10,601	3.32	82.60	89.80%	72.40%
Neonatal ICU	47	47	963	14,625	15.19	40.07	85.30%	85.30%
Acute Mental Illness ¹	16	0	363	3,951	10.88	10.82	67.70%	0.0%
TOTALS	596	575	26,926	173,355				

1. State Board approved the discontinuation of the 16-bed AMI service at the January 2008 State Board Meeting (Project 07-141).
 2. Includes observation days.
 Source: 2006 IDPH Hospital Questionnaire.

IV. The Proposed Project - Details

The applicant proposes a major modernization at the Medical Center in new construction to house general surgical rooms, a GI Procedure Unit, Interventional Radiology, other Radiology imaging, 180 M/S beds, 60 ICU beds, preparation / recovery, central sterile processing, pharmacy and respiratory therapy. The applicant will reduce M/S beds by 27 (for a total of 300 M/S beds) and increase ICU beds by 22 (for a total of 114 ICU beds). From this project, there will be 575 beds in the facility. The total cost of the project is \$785,745,988.

The new construction will have 13 levels. The lower level will contain shell space for future use for radiation oncology. Central sterile processing and support services will also be located on the lower level. A lobby will be located on the first level and will house family and support services. Level Two will contain support services, lab/pathology and the central pharmacy. The third and fourth levels will contain shell space. Presently, these two levels are intended for future inpatient bed services and cardiology respectively. The fifth level will contain imaging, GI procedures, preparation / recovery, clinical support and family and support services. Surgery, preparation and recovery, a satellite pharmacy, clinical support, family and support services will be located on the sixth level. A sky lobby will be located on the seventh level and will house family and support services. The eighth, ninth and tenth levels will contain inpatient beds. Levels 11 and 12 will contain mechanical and support services and level 13 will contain a helipad and cooling towers. See pages 33-92 of the application for a complete discussion, site and floor plans.

V. Proposed Sources and Uses of Funds

This project will be funded with cash and securities of \$185,745,988, gifts and pledges of \$100,000,000 and a bond issue of \$500,000,000. Table Three illustrates the proposed sources and uses of funds for the project. The State Agency notes the project has both clinical and non-clinical components. Clinical components comprise 42.7% of the project's total cost. Detail cost information can be found at pages 9-14 of the application.

Uses of Funds	Clinical	Non-Clinical	Total
Site Survey and Soil Investigation	59,925	110,075	170,000
Site Preparation	3,197,261	5,873,050	9,070,311
Offsite Work	31,992	58,766	90,758
New Construction Contracts	152,428,902	279,996,724	432,425,626
Contingencies	15,242,890	27,999,672	43,242,562
A & E Fees	7,536,308	13,843,448	21,379,756
Consulting and Other Fees	10,601,359	19,473,641	30,075,000
Movable or Other Equipment	117,374,450	50,513,826	167,888,276

TABLE THREE Project Cost Information			
Uses of Funds	Clinical	Non-Clinical	Total
Bond Issuance Expense	6,137,578	11,274,121	17,411,699
Net Interest Expense during Construction	15,967,074	29,329,926	45,297,000
Other Costs to be Capitalized	6,589,939	12,105,061	18,695,000
TOTALS	\$335,167,678	\$450,578,310	\$785,745,988
Sources of Funds			Total
Cash and Securities			185,745,988
Gifts and Bequests			100,000,000
Bond Issuance			500,000,000
TOTALS			\$785,745,988

VI. Payor Source

The applicant's current payor mix is outlined in Table Four. This information was provided obtained from the 2006 IDPH Annual Hospital Questionnaire.

TABLE FOUR University of Chicago Medical Center - Payor Mix for 2006													
	Medicare		Medicaid		Other Public		Other Insurance		Private Pay		Charity Care		Total
Inpatient	7,411	27.5%	10,013	37.2%	0	0.0%	9,136	33.9%	0	0.0	366	1.4%	26,926
Outpatient	136,922	27.1%	117,176	23.2%	0	0.0%	251,462	49.7%	0	0.0	104	0.0%	505,664

Source: 2006 IDPH Annual Hospital Questionnaire.

VII. Cost Space Requirements

The applicant proposes 386,593 GSF of clinical space in the new structure. This is 32.3% of the total GSF proposed (see pages 32-35 of the application). Table Five summarizes this information.

TABLE FIVE Clinical Cost / Space Requirements			
Department / Area	Existing	Proposed	Cost
Med/Surgical	125,427	196,998	94,394,535
Intensive Care	45,977	70,278	38,683,759
Surgery	58,099	100,747	72,853,222
Recovery	16,037	37,038	32,653,058
Pathology Lab	15,956	20,210	7,204,979
Central Sterile Processing	20,966	30,292	6,093,713
Radiology	71,911	108,333	56,538,472
GI Procedures	12,404	26,243	12,868,581
Pharmacy	14,918	26,520	6,371,778
Respiratory Therapy	2,650	4,609	928,905
Clinical Support	44,422	55,403	6,576,675
TOTALS	428,767	676,671	\$335,167,677

VIII. Review Criteria - Relating Only to Master design and Related Projects

- A. Criterion 1110.235(a) - Relationship to Previously Approved Master Design Projects.

The criterion states:

- “1) The applicant must document that any construction or modification project submitted pursuant to an approved master design project is consistent with the approved design permit. When such construction or modification represents a single phase of a multiple phase master plan, the applicant must document that the proposed phase is consistent with the approved master plan, and that any elements which will be utilized to support additional phases are justified under the approved master design permit. Documentation shall consist of:
- A) schematic architectural plans for all construction or modification approved in the master design permit;
 - B) the estimated project cost for the proposed project and also for the total construction/modification project approved in the master design permit;
 - C) an item by item comparison of the construction elements (i.e., site, number of buildings, number of floors, etc.) in the proposed project to the approved master design permit; and
 - D) a comparison of proposed beds and services to those approved under the master design permit.
- 2) Approval of a proposed construction or modification project that is but one phase in a multiple phase project does not obligate approval or positive findings on construction or modification projects in future phases. Future applications, including those involving the replacement or addition of beds, are subject to the review criteria and bed need in effect at the time of State Board review.”

The State Agency compared this project to the master design project (Project #06-024) that was approved by the State Board in July 2006. The State Agency notes when Project #06-024 was approved, the State Board did not approve the beds or GSF proposed in this project. Through Project #06-024, the State Board authorized the applicant to expend funds in excess of the capital expenditure minimum for preplanning, site survey, consulting and A & E expenditures.

The State Agency notes the proposed project is similar to the Master Design project. Differences between the Master Design project and this

application include: 1) there is no longer a parking garage, 2) two levels and a portion of the lower level of the new construction are dedicated for shell space, and 3) there is an increase in total beds proposed. The master design proposal added 96 beds to the facility's total bed complement; however the current proposal reduces the number of total beds by five to 575 beds.

Also through this application, the master design project was reconfigured and refined to reflect concerns about parking inside the building. Initially, the project included an area for dedicated parking within the building. However, IDPH expressed concerns about life safety issues related to exhaust fumes and fire safety. Ultimately, IDPH determined that parking within the hospital building was unacceptable. Further, the United States Department of Homeland Security recommended against parking in a public building. The four levels of parking originally included in the master design project were eliminated and a bed floor was added. The applicant now proposes three levels for 240 beds versus two levels for 176 beds proposed as part of the Master Design application. The other significant change between the Master Design project and this application was the addition of two levels of shell space for future bed additions and consolidation of cardiology services and shell space in the structure's lower level for future Radiation Oncology services. Overall, this project proposes 198,478 GSF of shell space as new construction.

Based on the information submitted, it appears the applicant's proposal was modified to reflect concerns of the Illinois Department of Public Health and the United States Department of Homeland Security. It also appears the present proposal is substantially consistent with the approved Master Design project. See page 188-202 of the application for a complete discussion of the differences between the Master Design and the current proposal. Table Six summarizes this information.

Category	Master Design	Proposed Project	Difference
Cost	\$695,625,055	\$785,745,988	Increase of \$90,120,933
Size	1,158,694 GSF	1,194,607 GSF	Increase of 35,913 GSF
Site	57 th and Maryland Chicago, Illinois	57 th and Maryland Chicago, Illinois	No difference
Buildings	1	1	No difference
Levels	12	13	Increase of one level
Departments	9	11	Respiratory Therapy and Anatomic Lab added
M/S Beds	120	180	Increase of 60 beds
ICU Beds	56	60	Increase of four beds

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE RELATIONSHIP TO PREVIOUSLY APPROVED MASTER DESIGN CRITERION

IX. Bed Review Criteria

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

This criterion is not applicable to this project, since the applicant is modernizing an existing hospital.

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

The applicant is not proposing a new category of service; therefore this criterion is not applicable to this project.

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

The criterion states:

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

Intensive Care Unit

1. The applicant proposes a total of 60 ICU beds to be located in 12-bed units on the eighth, ninth and tenth levels of the new hospital

pavilion. From this project, 22 ICU beds will be added to the facility for a total of 114 ICU beds. For the most recent 12-month period, the applicant's ADC for its ICU service was 75.5 (see Table One). This level of utilization justifies 126 ICU beds at the target occupancy (75.5 ADC / 60% target utilization = 126 beds). The applicant request 114 ICU beds for the facility. The State Agency notes there is a computed need for 11 additional ICU beds in the planning area (based on the April 2008 Inventory update).

2. The applicant compared their average ICU length of stay to other academic medical centers in Chicago and the surrounding community. This group's ALOS was 4.0 versus the 4.9 ALOS for the applicant's ICU service. The applicant's contention for the difference is that data collection is failing to acknowledge differences between operating and other characteristics among these hospitals. Table Seven list the facilities the applicant used for a comparison. In addition, the table also compares the applicant to other providers in the planning area.

TABLE SEVEN		
Comparison of ICU Average Length of Stay		
Academic Medical Centers		
Facility	Location	ICU ALOS
Loyola University Medical Center	Maywood	3.2
Northwestern Memorial Hospital	Chicago	4.4
Rush University Medical Center	Chicago	4.1
University of Chicago Medical Center	Chicago	4.9
University of Illinois Medical Center	Chicago	6.3
Average for Facilities Listed		4.0
ICU Providers in the A-03 Planning Area		
Facility	Location	ICU ALOS
Advocate Trinity Hospital	Chicago	5.8
Holy Cross Hospital	Chicago	5.4
Jackson Park Hospital	Chicago	4.2
Mercy Hospital and Medical Center	Chicago	4.1
Michael Reese Hospital & Medical Center	Chicago	7.0
Provident Hospital	Chicago	7.6
Roseland Community Hospital	Chicago	4.8
South Shore Hospital	Chicago	5.8
St. Bernard Hospital	Chicago	6.7
University of Chicago Medical Center	Chicago	4.9
Average for Planning Area		6.5

Source: IDPH 2006 hospital profiles.

Based on the data in Table Seven, the applicant's ALOS for ICU is slightly higher than other academic medical centers. Based on the

data submitted and recognizing differences in operating characteristic among this academic group of hospitals, it appears the ALOS is reasonable. Also as shown in Table Seven, the applicant's ALOS for the ICU service is below the average ALOS for ICU providers in the A-03 planning area. See pages 206-208 of the application for complete discussion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ADDITION OF BEDS TO EXISTING FACILITIES CRITERION

X. Modernization

A) Criterion 1110.420(a) - Modernization of Beds

The criterion states:

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

1. Medical Surgical Beds

The applicant proposes the modernization of 180 M/S beds to be located in 28-bed units on the eight, ninth and tenth levels of the new hospital pavilion. The beds will be single patient rooms with 38 isolation rooms. The applicant proposes a reduction of 27 M/S beds for a total of 300 M/S beds at the facility. The applicant's current utilization for the number of beds proposed in the M/S category of service exceeds the number of beds needed to support the facility's utilization (235 ADC/88% target utilization = 267 M/S beds).

2. Intensive Care Beds

The applicant proposes the modernization of 38 ICU beds; while 22 ICU beds will be added for a total of 60 ICU beds at the new hospital pavilion. The applicant proposes a total of 60 ICU beds to be located in 12-bed units on the eighth, ninth and tenth levels of the new hospital pavilion. From this project, 22 ICU beds will be

added to the Medical Center for a total of 114 ICU beds. The applicant has documented the number of ICU beds proposed does not exceed the number of beds needed to support the facility's utilization for the ICU service. The applicant's current utilization (FY 2007) warrants the number of ICU beds requested (75.5 ADC/60% target utilization = 126 ICU beds). See pages 228-252 of the application for a complete discussion of this criterion.

The modernization of the ICU beds is warranted based upon the applicant's current utilization. However, the extent of the modernization proposed for the M/S beds is not warranted based upon the applicant's historical utilization.

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

B) Criterion 1110.420(b) - Modern Facilities

The criterion states:

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

- 1) The proposed project will result in the replacement of equipment or facilities which have deteriorated and need replacement. Documentation shall consist of, but 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) The proposed project is necessary to provide expansion for diagnostic treatment, ancillary training, or other support services to meet the requirements of existing services or services previously approved to be added or expanded. Documentation shall consist of but is not limited to: historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project."

According to the applicant, this modernization is proposed in response to an aging and undersized facility. Also, the applicant states the proposed

project is necessary to meet the increasing demand for M/S, ICU, and interventional radiology, surgical and GI services.

1. Surgery

The applicant currently has 28 operating rooms (“ORs”). This includes 15 rooms located at the Surgery Brain Research Building, eight rooms located in the Duchossois Center for Advanced Medicine and five rooms located at Comer Children’s Hospital. The applicant proposes to replace the 15 ORs located at the Surgery Brain Research Building with a 24-OR suite to be located on the sixth level of the new hospital pavilion. At the conclusion of the project, the applicant will have 37 ORs at the Medical Center. The State Board’s utilization standard for an OR is 1,500 hours of surgery per year. Based on historic utilization, the applicant can justify the number of ORs requested. Table Eight displays the applicant’s OR utilization for calendar years 2005 – 2007. The State Agency notes the data for 2005 and 2006 was obtained from IDPH’s hospital profiles. The data for 2007 was furnished by the applicant. See pages 253-257 of the application for a complete discussion.

TABLE EIGHT Surgery Utilization for the 2005-2007			
Year	2005	2006	2007
Inpatient Hours	40,666	41,523	39,884
Outpatient Hours	17,718	20,189	21,386
Total Hours	58,384	61,712	61,270
Number of ORs Justified	39	42	41

Source: Data for 2005 and 2006 – IDPH hospital profiles; data for 2007 from the applicant.

2. GI Procedure

The applicant proposes 18 GI procedure rooms to be located on the fifth level of the new hospital pavilion. The current GI unit is located in the DCAM. According to the applicant, this facility was designed for 25 patients per day but now serves approximately 50 patients per day. The GI procedure rooms currently located at DCAM will be discontinued. Current workload and facility constraints at DCAM appear to warrant the modernization of the GI procedure rooms. See pages 269-272 of the application for a complete discussion.

3. Recovery (Surgical)

Preparation recovery stations to support the surgery operating rooms will be located on the sixth floor of the new hospital pavilion. Currently, there are 28 ORs served by 39 preparation/recovery stations at the facility. At the conclusion of the project, there will be 37 ORs and 75 preparation/recovery stations. From this project, 24 ORs and 50 preparation/recovery stations will be located in the new hospital pavilion. The modernization of the recovery stations appears to be warranted based upon the need for the modernization of the surgery department (37 ORs x 4 preparation recovery stations = 148 recovery stations).

4. Recovery (GI-Interventional radiology)

Preparation and recovery will be located on the fifth level to support interventional radiology and GI procedures in the new hospital pavilion. There will be 18 preparation recovery stations that will serve the seven interventional radiology labs being proposed in the new pavilion. The 18 GI procedure rooms in the new hospital pavilion will be supported by 35 preparation/recovery stations. There will be 128 preparation/recovery stations at the facility at the conclusion of this project. Based upon the FY 2007 surgical workload, the applicant has justified the total number of preparation recovery stations requested (41 ORs justified x 4 preparation recovery stations per OR = 164 preparation recovery stations). See page 258-260 of the application for a complete discussion.

5. Laboratory - Anatomic Pathology

Anatomic Pathology will be located on the second floor of the new hospital pavilion in 8,933 GSF of space. The space will contain areas for Surgical Pathology and Cytopathology. This lab will provide serves for interventional radiology and GI located on the fifth floor and the ORs located on the sixth floor of the new hospital pavilion respectively. The modernization of this department appears warranted based upon the current workload of the surgery and GI departments. See page 261-262 of the application for a complete discussion.

6. Central Sterile Processing

Central Sterile Processing will be located on the lower level and be connected to the surgery department located on the sixth floor by two sets of dedicated elevators on either side of the proposed new pavilion. The applicant states the two sets of dedicated elevators is in response to IDPH architects recommendation. The modernization of this department appears warranted based upon the current workload of the surgery and GI departments. See page 263-264 of the application for a complete discussion.

7. Radiology

Radiology will be located on the fifth level of the new hospital pavilion and include two CT rooms, one MRI room, two general radiographic rooms, one fluoroscopic room and seven interventional radiology rooms. A CT and MRI will be located in the new hospital pavilion's OR Department in the sterile zone on the sixth level of the new structure. Radiology facilities will also remain at Mitchell Hospital to serve patients admitted to that facility. Table Nine displays the applicant's radiology utilization for 2007. Based on this information, the applicant's proposed modernization is justified. See pages 265-268 of the application for a complete discussion.

TABLE NINE Applicant's Radiology Utilization					
	Existing Rooms	Proposed Rooms	2007 Utilization ¹	State Standard per Room	Rooms Justified Based on 2007 utilization
General Procedure	19	23	144,103	6,500 procedures	23
Interventional	5	7	15,843	400 procedures	40
CT Scanner	6	8	58,940	2,000 visits	30
Mammography	6	6	25,889	2,000 visits	13
MRI	6	7	16,232	2,000 visits	9
TOTALS	42	51			115
1. Includes both inpatient and outpatient visits / procedures.					

8. Pharmacy

The applicant proposes the pharmacy to be located on the second level of the new structure with smaller preparation areas in the OR and on the tenth floor Hematology/Oncology patient unit. Currently, pharmacy is located in seven different buildings with the main production facility and administrative offices located in the basement of the Mitchell Hospital. The consolidation and modernization of this service appears warranted based upon the

increased workload at the facility. See pages 273-275 of the application for a complete discussion.

9. **Respiratory Therapy**

The applicant proposes to locate respiratory therapy on the ninth level of the new pavilion. There will remain a satellite facility to serve patients in the Mitchell Hospital. The applicant based this modernization on an opportunity to avoid the 12-15 minute walk from the new hospital pavilion to Mitchell Hospital to receive respiratory care. Based on the applicant's information, the modernization appears warranted. See page 275 of the application for a complete discussion.

For all services proposed for modernization; it appears the modernization is warranted based upon current utilization, the age of the current structures and the proximity to beds and services proposed at the new pavilion.

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

C) Criterion 1110.420(c) - Major Medical Equipment

The criterion states:

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

A listing of movable equipment can be found at pages 11-13 of the application. This equipment does not meet the definition of major medical equipment as defined at 77 IAC 1130.140. Thus, the criterion is not applicable to the proposed project.

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

The criterion states:

"A) Criterion 1110.530(a) - Unit Size

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

The applicant proposes 575 beds for the modernized facility. The applicant’s unit size for all bed services proposed has met the requirements of this criterion.

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

- B) Criterion 1110.530 (b) - Variances to Bed Need

The criterion states:

“The applicant must document one or more of the following.

- 1) High Occupancy Variance
 - A) The applicant must document that the applicant facility has experienced high occupancy. Documentation shall consist of evidence that the historical average annual occupancy rate has equaled or exceeded the target occupancy for the prior 24-month period.
 - B) The applicant must also document that the number of beds proposed will not exceed the number needed to reduce the facility's high occupancy to the target occupancy, or if the number of beds proposed exceeds the number of beds justified by the applicant’s historical workload, then projections may be used. Utilization projections must be based upon the following:
 - i) projections shall be based upon population projections from the U.S. Bureau of the Census;
 - ii) projections shall be for a maximum period of 5 years from the date the application is submitted;
 - iii) projections shall be zip code and age-specific; and

- iv) projections shall be based upon the applicant's service area as defined by historical patient origin, and shall not include projected changes in market share.

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

2) Medically Underserved Variance

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

From this project, the applicant proposes to have 22 additional ICU beds at the Medical Center (for a total of 114 ICU beds). The April 2008 Inventory update shows a computed need for 11 additional beds in the A-03 planning area. Since the applicant's proposed number of beds exceeds the computed need in the planning area, the applicant addressed the variance.

Under the criterion, the applicant must demonstrate the facility experienced a high occupancy (for the prior 24-month period) in the

category of service where additional beds are proposed. Data from the 2005 and 2006 hospital profiles shows the Medical Center experienced an occupancy of 62.9% and 89.8% in its ICU service respectively. The average occupancy for this time frame was 88.1%. Also as discussed under Criterion 1110.320(c) - Addition of Beds to Existing Facilities, the applicant can justify additional ICU beds at the Medical Center to allow it to reach target occupancy. Table Ten displays the applicant's average ICU data for 2005 and 2006. As demonstrated in the table, it appears the applicant has met the requirements of this criterion.

TABLE TEN ICU Beds Warranted at the Target Occupancy								
Service	Current Beds	Requested Beds	ADC 2005	ADC 2006	Average ADC 2005-2006	Target Occupancy	Average Occupancy 2005-2006	ICU Beds Justified at Target Occupancy
ICU	92	114	79.6	82.6	81.1	60%	88.1%	136

Source: 2005-2006 IDPH Hospital Questionnaires

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

XII. General Review Criteria

A. Criterion 1110.230(a) - Location

This criterion is not applicable to this project since the applicant is proposing the modernization of an existing hospital.

B. Criterion 1110.230(b) - Background of Applicant

The criterion states:

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

A listing of all health care facilities owned by the applicant has been provided along with proof of current licensure. In addition, a statement that no adverse actions have been taken against any facility owned by the applicant were provided. It appears the applicant has demonstrated it is fit, willing and able and has the qualifications, background and character

to adequately provide a proper standard of health care service for the community (application pages 96-104).

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

C. Criterion 1110.230(c) - Alternatives

The criterion states:

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

The applicant investigated seven alternatives to the proposed project (outlined in Attachment GRC #3, pages 105-120 of the application). The applicant states the “do nothing” alternative was never a viable option because of the need to address space and increased utilization at the present facility.

Alternative 1 - Wyler Site Fill – In. This was rejected because the proposal would produce an inefficient layout that would require surgery to be located on multiple floors.

Alternative 2 – Wyler Site New Building. This was rejected because surgery would be located on two levels and potential bed space would be limited.

Alternative 3 – South Garage New Building. This was rejected because it would not include room for radiology expansion and GI procedures.

Alternative 4 – New Hospital North of 57th Street. This option was rejected because of the high cost of construction and it would not be completed before 2015.

Alternative 5 – Drexel Avenue New Hospital. This option was rejected because of the narrow footprint, location of surgery on two levels and the lack of sufficient parking.

Alternative 6 – The master design proposal that was presented to the State Board as part of the Project 06-024 was reconfigured and refined to reflect concerns with parking inside the building. As noted, there were life safety concerns related to exhaust fumes and fire safety. IDPH’s Design Standards Unit concluded that parking in the hospital building was unacceptable. Further, the United States Department of Homeland Security recommended against parking inside a public building. The four levels of parking originally included in the project were eliminated and a bed floor was added. The applicant now proposes three levels of patient beds totaling 240 beds versus two levels and 176 beds that were proposed as part of the Master Design project. The other significant change was the addition of two levels of shell space plus 8,000 GSF below grade of shell space. According to the applicant, there will be an estimated savings of \$14 million with the shell space configuration.

Table Eleven outlines the alternatives considered by the applicant.

TABLE ELEVEN Alternatives to the Proposed Project					
Option	Plan	Benefits	Drawbacks	Square Footage	Estimated Cost
	Do Nothing	No Benefit	Does not address increased utilization at the facility		
1. Wyler Site Fill-In	Build-in courtyards, relocate research lab and faculty offices	Allows for 64 additional beds, more ORs, new adult ED and new Kitchen and Dining space	Tight Grid with a poor layout, multi-floor ORs, levels would not align to existing structures	515,900	\$557 Million
2. Wyler Site New Building	Demolish Wyler, re-use site, relocate research labs and offices, expand into courtyards	Allow for 54 additional beds, more ORs, new radiology, kitchen, dining and adult ER	Limits beds that can be added, exceeds estimated useful life of Mitchell building, results in ORs being on two levels and concentrates traffic.	603,300	\$508 Million
3. South Garage New Building	Demolish 1,800 space South Garage	Allows for 72 additional beds, more ORs, new kitchen and dining, new adult ED and decompresses Mitchell building	Parking relocated to distant location, des not address radiology other interventional space needs.	457,900	\$602 Million

TABLE ELEVEN Alternatives to the Proposed Project					
Option	Plan	Benefits	Drawbacks	Square Footage	Estimated Cost
4 New Hospital North of 57 th Street	Build North of 57 th Street	Comprehensive, no investment in old building, no costs enabling projects	Clinically disconnected from remainder of Medical Center, requires property acquisition, parking would not be convenient, completion of campus redevelopment would be delayed	826,580	\$780 Million
5. Drexel Avenue New Hospital	Build along Drexel Avenue	Site is available. Good adjacency to Mitchell building	Floor plates would be too narrow, OR would be on two levels, no parking and limited program area	540,000	\$570 Million
6. Master Design	Build across Maryland Ave. south of 57 th street, 1000 parking spaces, 176 beds.	ORs would be on one floor, allows for expansion of radiology and GI procedures, parking would be adjacent to DCAM Center	Project would be complete in 2013, demolish parking garage, no expansion capability for future needs, project would result in vehicles being in the building which would cause noise, fumes, vibration, and potential fire hazard.	1,158,694	\$752 Million
7. Current Proposal	Build across Maryland Ave. south of 57 ^h street, no parking spaces, 2 shell levels, 240 beds	Allows for 64 additional beds and has expansion capability	Project would be complete in 2013. No parking nearby.	1,194,607	\$786 Million

Based on the information submitted, it appears the alternative chosen is the most cost-effective solution to meet the applicant's needs. The alternative selected appears to address the increased workload at the facility for all services previously approved or proposed for modernization. As noted, the number of beds proposed to be modernized for the M/S service appears excessive based on historic utilization. However if the applicant's current growth rate in the M/S service (1.4% per year) continues, the M/S beds at the Medical Center will be appropriately utilized by the second year after project completion (2015).

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

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

The criterion states:

"The project must be needed.

- 1) If the State Board has determined need pursuant to Part 1100, the proposed project shall not exceed additional need determined unless the applicant meets the criterion for a variance.
- 2) If the State Board has not determined need pursuant to Part 1100, the applicant must document that it will serve a population group in need of the services proposed and that insufficient service exists to meet the need. Documentation shall include but not be limited to:
 - A) area studies (which evaluate population trends and service use factors);
 - B) calculation of need based upon models of estimating need for the service (all assumptions of the model and mathematical calculations must be included);
 - C) historical high utilization of other area providers; and
 - D) identification of individuals likely to use the project.
- 3) If the project is for the acquisition of major medical equipment that does not result in the establishment of a category of service, the applicant must document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition."

1. The requirements of this criterion state that if the State Board has established need per 77 IAC 1100, the applicant shall not exceed additional need unless the requirements for a variance are met. As noted, there is a computed need for 11 additional ICU beds in the planning area. The applicant proposes to add 22 ICU beds to the Medical Center (for a total of 114 ICU beds). The number of ICU beds proposed exceeds the number of ICU beds needed in the A-03 Planning Area. However as reviewed under Criterion 1110.530(b) - Variances to Bed Need, the applicant successfully addressed the high occupancy variance. Therefore, the number of ICU beds proposed through this project is warranted.

Further, there is a computed excess of M/S beds in the A-03 Planning Area. Historically, the applicant has not met the State Board's target occupancy for the M/S service (88%). Therefore, the number of M/S beds proposed for modernization in this project is not warranted. To meet target occupancy for this service, the applicant would need 299 beds and not the 300 beds proposed. The State Agency notes, the applicant proposes to reduce the total number of M/S beds at the Medical Center by

27 (from 327 to 300). Thus, the applicant has not met the first requirement of the criterion.

2. For all other services (other than bed services) for which the State Board has established utilization criteria, the applicant's modernization is warranted. This determination is based upon the Medical Center's most recent utilization (FY 2007). As a result, the applicant has met the second requirement of this criterion.
3. The applicant is not proposing the acquisition of major medical equipment as defined by 20 ILCS 3960 and 1130.140 as part of this project.

While there appears to be sufficient justification for the proposed modernization, the number of beds proposed for M/S category of service is not warranted based upon the applicant's current utilization at the State Board's target occupancy. However if the applicant's current growth continues (1.4% annually) the M/S category of service will be at target occupancy by the 2015, the second year after project completion.

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

E) Criterion 1110.230(e) - Size of Project

The criterion states:

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

- 1) The proposed project cannot exceed the norms for project size found in Appendix B of this Part unless the additional square footage beyond the norm can be justified by one of the following:
 - A) the proposed project requires additional space due to the scope of services provided;
 - B) the proposed project involves an existing facility where the facility design places impediments on the architectural design of the proposed project;
 - C) the proposed project involves the conversion of existing bed space and the excess square footage results from that conversion; or

- D) the proposed project includes the addition of beds and the historical demand over the last five year period for private rooms has generated a need for conversion of multiple bed rooms to private usage.
- 2) When the State Board has established utilization targets for the beds or services proposed, the applicant must document that in the second year of operation the annual utilization of the beds or service will meet or exceed the target utilization. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians) and the provision of new procedures which would increase utilization.”
1. The applicant exceeds the size standards for M/S, ICU, surgery, recovery, central sterile, radiology and pharmacy. The applicant provided an explanation for these differences (see pages 126-179 of the application for a complete explanation). Table Twelve displays this information.

TABLE TWELVE Departmental Size ¹						
Department / Area	Beds / Rooms Proposed	Proposed GSF	State Standard		Difference	Exceed Standard
			GSF per Bed / Room	GSF Allowed		
Medical Surgical	180 Beds	141,552	401	72,180	69,372	Yes
Intensive Care Beds	60 Beds	49,173	603	36,180	12,993	Yes
Surgery	24 Rooms	61,389	2,078	49,872	6,731	Yes
Recovery	103 Rooms	37,038	180	18,540	18,498	Yes
Laboratory	240 Beds	8,254	36	8,640	(386)	No
Central Sterile Processing	240 Beds	9,296	18	4,320	4,976	Yes
Radiology		36,422		21,502	14,920	Yes
Procedure Rooms	5		1,386	6,930		
MRI	1		3,400	3,400		
Interventional Radiology	7		1,596	11,172		
GI Procedures	18 Rooms	13,839	No standard	No standard		
Pharmacy	240 Beds	11,602	12	2,880	8,722	Yes
Respiratory Therapy	240 Beds	1,959	8.9	2,136	(177)	No
Clinical Support ²		16,069	No standard	No standard		

1. Information obtained from application pages 125-126.
 2. Clinical support consists of offstage equipment workrooms, equipment storage and bed storage.

2. Table Thirteen illustrates the number of beds for each category of service to be modernized that are justified at a given growth rate at the State Board’s target occupancy by 2015, the second year after project completion. As illustrated

in the table, the applicant can justify the total number of beds proposed at a projected growth rate of 1% and 2% per year. Based on the applicant’s historic utilization and growth in patient days and admissions, this growth appears reasonable and attainable. For all other services proposed to be modernized, the applicant’s current volume for 2007 meets the State Board’s required utilization standards.

TABLE THIRTEEN Projected Utilization for different growth factors at the State Board’s Target Occupancy ¹									
				2015	2015	2015	2015	2015	2015
Service	Beds Requested	2006 ADC	Target Occupancy	% Growth					
				1%	2%	3%	4%	5%	6%
M/S	300	263	88%	287	307	329	352	376	402
ICU	114	76	60%	135	146	156	167	179	191

1. Assumes straight line growth.

XIII. Financial Feasibility Criteria

A. Criterion 1120.210(a) - Financial Viability

The criterion states:

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

1) Viability Ratios

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

2) Variance for Applications Not Meeting Ratios

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

The applicant did not provide evidence of a Bond Rating of A or better. Therefore, three years of audited financial information and projected

financial information (for the year 2015) were been provided. Table Fourteen displays the applicant’s financial ratio information. As seen from the table, the applicant has met all of the ratio standards.

TABLE FOURTEEN Financial Ratio Information					
Ratio	State Standard	Historical			Projected
		2005	2006	2007	2015
Current Ratio	>=1.5	4.3	4.0	4.8	10.2
Net Margin Percentage	>=3.5%	12.4%	8.5%	12.9%	11.5%
Percent Debt to Total Capitalization	<=80%	39%	38%	32%	26%
Projected Debt Service Coverage	>=1.75	9.5	6.3	8.6	5.8
Days Cash on Hand	>=45	266	263	285	658
Cushion Ratio	>=5	33.2	27.5	31.8	43.5

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY REVIEW CRITERION.

B. Criterion 1120.210(b) - Availability of Funds

The criterion states:

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

The applicant is funding this project with cash of \$185.7 million, \$100 million in gifts and bequests, and a \$500 million tax exempt bond issue through the Illinois Educational Facilities Authority. A review of the financial statements indicates sufficient cash is available to fund the cash portion of the project. A history of fundraising at the University of Chicago Medical Center was provided (page 283 of the application) indicating the applicant has had previous success in raising necessary funds. The bond issue will have a fixed interest rate of 3.856% for \$325 million and a rate of 5% for the remaining \$175 million. The anticipated issue date is February 2009. Information regarding the bond issue was prepared by J.P. Morgan Securities, Inc. and can be found at pages 288-301 of the application. Based on the information submitted, it appears the applicant has met the requirements of this criterion.

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

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

This criterion is not applicable to this project.

XIV. Economic Feasibility Criteria

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

The criterion states:

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

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

The applicant provided a notarized letter signed by two authorized representatives of the applicant certifying that borrowing is less costly than the liquidation of existing investments (page 305 of the application).

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

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

The criterion states:

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

The applicant provided a notarized letter attesting to the requirements of this criterion (see page 306 of the application).

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

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

The criterion states:

“1) Construction and Modernization Costs

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

2) Contingencies

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

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

- 3) Architectural Fees
Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.
- 4) Major Medical and Movable Equipment
 - A) For each piece of major medical equipment, the applicant must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.
 - B) Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.
- 5) Other Project and Related Costs
The applicant must document that any preplanning, acquisition, site survey and preparation costs, net interest expense and other estimated costs do not exceed industry norms based upon a comparison with similar projects that have been reviewed.”

The State Agency only the project’s clinical costs will be compared to the established State Board standards. A complete itemization of the project’s clinical costs can be found at pages 329-330 of the application.

Site Preparation - These costs are \$3,257,186, or 1.94% of construction and contingency costs (\$167,671,791). This appears reasonable compared to the State standard of 5%.

Off Site Work - These costs total \$31,992. The State Board does not have standard for these costs.

New Construction Costs and Contingencies - These costs total \$167,671,791, or \$433.71 per GSF ($\$167,671,791 / 386,593\text{GSF} = \433.72). This appears high compared to the adjusted State standard of \$430.70 per GSF. Under the standard, the applicant would be allowed \$166,505,605 for this cost. The applicant exceeds the standard by \$1,166,189, or .7%. Table Fifteen displays the State Agency’s finding.

The applicant states higher construction costs are attributable to construction cost inflation. Specifically, the applicant states that State Board’s 3% per year adjustment is too low considering construction costs in the Chicago market. Based on the applicant’s information, construction inflation in the Chicago area is currently between 7% and 8%. The applicant provided a detailed explanation for the difference in the State Agency standard and the actual costs of this project at pages 308-328 of the application.

TABLE FIFTEEN		
New Construction and Contingency Costs		
Applicant’s Total Construction Costs	Adjusted State Standard	Difference
\$167,671,791	\$166,505,605	\$1,166,186
Applicant’s Construction Costs per GSF	Adjusted State Standard per GSF	Difference per GSF
\$433.72	\$430.70	\$3.02

Contingencies - These costs total \$15,242,890, or 9.9% of construction. This appears reasonable compared to the State standard of 10%.

Architectural/Engineering Fees - These costs total \$7,536,308, or 4.5% of construction and contingency costs. These costs appear reasonable compared State standard of 2.3%-5.8%.

Consulting and Other Fees - These costs total \$10,601,359, or 6.3% of construction and contingency costs. The State Board does not have standards for these costs.

Movable of Other Equipment - These costs total \$117,374,450. The State Board does not have standards for hospital-based equipment costs.

Bond Interest Expense - These costs total \$6,137,578. The State Board does not have standards for these costs.

Net Interest Expense During Construction - These costs total \$15,967,074. The State Board does not have standards for these costs.

Other Costs to be Capitalized - These costs amount to \$6,589,939. The State Board does not have standards for these costs.

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

D. Criterion 1120.310(d) - Projected Operating Costs

The criterion states:

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

The projected operating costs per department per equivalent patient day were provided at page 331 of the application. The State Board does not have standards for these costs.

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

The criterion states:

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

The capital costs per equivalent patient day are \$162.00. The State Board does not have standards for these costs.

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

This criterion is not applicable to this project.

Ownership, Management, and Other General Information:

Ownership: The University of Chicago Medical Center
 Operator: The University of Chicago Medical Center
 Management: Non-Government Other Non-Profit
 Facility Type:
 Address: 5841 South Maryland IDPH Number: 3897
 City: Chicago HPA A-03
 County: Suburban Cook (Chicago) HSA 6

Patients by Race

White 31.9%
 Black 54.1%
 American Indian 0.1%
 Asian 0.6%
 Hawaiian/ Pacific 0.0%
 Unknown: 13.2%

Patients by Ethnicity

Hispanic or Latino: 3.9%
 Not Hispanic or Latino 96.1%
 Unknown: 0.0%

Facility Utilization Data by Category of Service

Clinical Service	Authorized CON Beds	Beds Setup 10/1/2006	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Beds Occupancy Rate %
Medical/Surgical	327	311	311	305	15,474	93,597	2,452	6.2	263.1	80.5	84.6
0-14 Years					20	53					
15-44 Years					4,523	24,492					
45-64 Years					5,848	36,805					
65-74 Years					2,635	17,179					
75 Years +					2,448	15,068					
Pediatric	64	61	64	60	3,118	16,324	1,651	5.8	49.2	76.9	76.9
Intensive Care	92	92	92	92	3,812	29,946	208	7.9	82.6	89.8	89.8
Direct Admission					3,812	18,679					
Transfers					0	11,267					
Obstetric/Gynecology	50	44	49	49	3,196	10,375	226	3.3	29.0	58.1	59.3
Maternity					3,196	10,375					
Clean Gynecology					0	0					
Neonatal	47	47	47	47	963	14,622	3	15.2	40.1	85.3	85.3
Long Term Care	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds					0	0		0.0	0.0		
Acute Mental Illness	16	16	16	16	363	3,948	4	10.9	10.8	67.7	67.7
Rehabilitation	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	14						1637				
Totals	596	571			26,926	168,812	6,181	6.5	479.4		
Minus ICU Transfers					0						
Facility Utilization	596	571			26,926	168,812	6,181	6.5	479.4		

Inpatient and Outpatient Information by Payor Source

	Medicare	Medicaid	Other Public	Other Insurance	Private Pay	Charity Care	Totals
Inpatients	27.5% 7411	37.2% 10013	0.0% 0	33.9% 9136	0.0% 0	1.4% 366	26926
Outpatients	27.1% 136922	23.2% 117176	0.0% 0	49.7% 251462	0.0% 0	0.0% 104	505664

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	1	1	813	20	4822	43	4865	5.9	2.2
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	20	7	0	27	3469	2475	13056	5697	18753	3.8	2.3
Gastroenterology	0	0	0	0	14	38	41	54	95	2.9	1.4
Neurology	0	0	0	0	1342	427	5933	1165	7098	4.4	2.7
OB/Gynecology	0	0	0	0	3051	693	3484	1078	4562	1.1	1.6
Oral/Maxillofacial	0	0	0	0	1	2	4	5	9	4.0	2.5
Ophthalmology	0	0	0	0	37	1046	108	1858	1966	2.9	1.8
Orthopedic	0	0	0	0	1190	1732	4253	3557	7810	3.6	2.1
Otolaryngology	0	0	0	0	607	1747	1857	3229	5086	3.1	1.8
Plastic Surgery	0	0	0	0	692	418	2865	1170	4035	4.1	2.8
Podiatry	0	0	0	0	0	0	0	0	0	0.0	0.0
Thoracic	0	0	0	0	263	84	1107	177	1284	4.2	2.1
Urology	0	0	0	0	934	1054	3993	2156	6149	4.3	2.0
Totals	20	7	1	28	12413	9736	41523	20189	61712	3.3	2.1

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

28

Stage 2 Recovery Stations

23

Surgical Utilization - Procedure Rooms

<u>Room Type</u>	<u>Inpatient Rooms</u>	<u>Outpatient Rooms</u>	<u>Combined Rooms</u>	<u>Total Rooms</u>	<u>Inpatient Cases</u>	<u>Outpatient Cases</u>	<u>Inpatient Hours</u>	<u>Outpatient Hours</u>	<u>Total Hours</u>
<i>Gastrointestinal</i>	0	0	10	10	2305	9372	1	1	2
<i>Laser Eye Procedures</i>	0	0	2	2	5	563	1	1	2
<i>Pain Management</i>	0	0	1	1	52	3957	1	1	2
<i>C-Section Procedures</i>	0	0	0	0	0	0	0	0	0
<i>Cystoscopy</i>	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

Birth Data

Organ Transplantation

Cardiac Catheterization Labs

Number of Deliveries:	2,862	Kidney:	89	Multi-Purpose Catheterization Labs	5
Number of Live Births:	2,845	Heart:	32	Dedicated Diagnostic Catheterization Labs	0
Birthing Rooms:	0	Lung:	3	Dedicated Interventional Catheterization Labs	0
Labor Rooms:	4	Heart/Lung:	0	Dedicated EP Catheterization Labs	2
Delivery Rooms:	4	Pancreas:	21	Total Catheterization Labs	7
Labor-Delivery-Recovery Rooms:	10	Liver:	23		
Labor-Delivery-Recovery-Postpartum Rooms:	0	Total:	168		
C-Section Rooms:	0				

Newborn Nursery Utilization

Cardiac Catheterization Utilization

Level 1 Patient Days	4,999			Diagnostic Catheterizations (0-14)	401
Level 2 Patient Days	5,159			Diagnostic Catheterizations (15+)	1,909
Level 2+ Patient Days	0			Interventional Catheterizations (0-14):	142
Total Nursery Patientdays	10158			Interventional Catheterization (15+)	499
				EP Catheterizations	1,602

Cardiac Surgery Data

Pediatric (0 - 14 Years):	271
Adult (15 Years and Older):	640
Total:	911
Coronary Artery Bypass Grafts (CABGs):	150

Emergency Service Data

Comprehensive

Emergency Service Type:	Comprehensive
Persons Treated by Emergency Services:	79,534
Patients Admitted from Emergency:	10,412

Trauma Care

Level of Trauma Service	Level 1
Operating Rooms Dedicated for Trauma Care	0

Outpatient Service Data

Persons Treated by Outpatient Services:	410,575
Patients Admitted from Outpatient Services:	1,666

Laboratory Studies

Inpatient Studies	2,615,000
Outpatient Studies	2,232,000
Studies Performed Under Contract	205,000

Diagnostic and Therapeutic Equipment

Examinations

<u>Equipment</u>	<u>Hospital Owned</u>	<u>Shared</u>	<u>Contracted</u>	<u>Inpatient</u>	<u>Outpatient</u>	<u>Contractual</u>
<i>General Radiography/Fluoroscopy</i>	18	0	0	83,758	58,935	0
<i>Nuclear Medicine</i>	9	0	0	2,054	11,970	0
<i>Mammography</i>	6	0	0	103	25,786	0
<i>Ultrasound</i>	20	0	0	7,481	25,152	0
<i>Angiography</i>	5	0	0	8,873	7,495	0
<i>Positron Emission Tomography (PET)</i>	1	0	0	87	904	0
<i>Computerized Axial Tomography (CAT)</i>	6	0	0	17,601	35,166	0
<i>Magnetic Resonance Imaging</i>	6	0	0	3,370	10,877	0

Treatment Courses

<i>Lithotripsy</i>	0	0	0	0		
<u>Radiation Therapy Equipment:</u>						
<i>Linear Accelerator</i>	3	0	0	943		
	0	0	0	0		

Contractors for Equipment

Type of Equipment

Contractor

* Note: According to an "Abandonment" project # 05-028, approved on 3/21/2006, University of Chicago Medical Center abandoned the addition of 35 ICU beds. The number of authorized ICU beds is now 92 instead of 127 beds.

