

DOCKET NO: A - 8	BOARD MEETING: April 8-9, 2008	PROJECT NO: 07-053	PROJECT COST: Original: \$251,477,099 Current: \$250,898,451
FACILITY NAME: Advocate Hospital - Lake County		CITY: Round Lake	
TYPE OF PROJECT: Substantive			HSA: VIII

STATE AGENCY REPORT WITH UPDATED TRAVEL ASSESSMENTS
REPORT UPDATED 4/3/08

PROJECT DESCRIPTION: The applicants propose to establish a new 144-bed acute care hospital in Round Lake, Illinois. The facility will contain 308,540 (“GSF”) gross square feet of space. The hospital will contain 108 medical/surgical (“M/S”), 20 obstetric (“OB”) and 16 intensive care (“ICU”) beds. In addition, the applicants propose to offer cardiac catheterization at the facility. The total estimated project cost is \$250,898,451.

On October 11, 2007 the applicants’ modified the project by decreasing the cost by \$578,648 or .23% of the total project cost. There was no reduction in the GSF of the project. This decrease in the project’s cost was a Type B modification and not subject to another opportunity for a public hearing (per 77 IAC 1130.650(b)).

STATE AGENCY REPORT

Version with updated travel assessments

Advocate Hospital - Lake County
Project #07-053

APPLICATION SUMMARY	
Applicant(s)	Advocate Hospital - Lake County, Advocate Health and Hospitals Corporation and Advocate Health Network
Facility Name	Advocate Hospital Lake County
Location	Round Lake, Illinois
Application Received	March 16, 2007
Application Deemed Complete	March 30, 2007
Scheduled Review Period Ended	July 27, 2007
Review Period Extended by the State Agency	No
Public Hearing Requested?	Yes
Public Hearing Held?	Yes
Applicants' Deferred Project?	No
Can Applicants Request Another Deferral?	No
Applicants' Modified the Project?	Yes

I. The Proposed Project

The applicants propose to establish a new 144-bed acute care hospital. This facility will contain 308,540 GSF with 108 M/S, 20 OB and 16 ICU beds. In addition, the applicants propose to offer cardiac catheterization at the hospital. The total estimated project cost is \$250,898,451.

The State Agency notes the project was scheduled for State Board consideration at the December 2007 meeting. At this meeting, the State Board deferred the project (per 77 IAC 1130.655(e)). Subsequently, the project was scheduled for the January 2008 State Board meeting. At this meeting, the State Board again deferred the project (per 77 IAC 1130.655(e)) to the April 2008 State Board meeting in order to incorporate the new Inventory and the revised 1100 rules.

II. Summary of Findings

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

III. General Information

The applicants are Advocate Health and Hospitals Corporation and Advocate Health Network. The operating entity/licensee is Advocate Health and Hospitals Corporation. Wilson-120, LLC owns the site. Advocate Health Network includes Advocate Bethany Hospital (Chicago), Advocate Christ Hospital (Oak Lawn), Advocate Good Samaritan Hospital (Downers Grove), Advocate Good Shepherd Hospital (Barrington), Advocate Illinois Masonic Hospital (Chicago), Advocate Lutheran General Hospital (Park Ridge), Advocate South Suburban Hospital (Hazel Crest) and Advocate Trinity Hospital (Chicago). The proposed facility will be located at Illinois Route 120 and Wilson Road, in an unincorporated area of Lake County (HSA VIII). The hospital will also be located in the A-9 hospital planning area ("HPA"), which consists of Lake County. There are six acute care hospitals in A-9. Finally, the hospital will be located in the HSA VIII cardiac catheterization planning area.

Table One list these six hospitals as well as hospitals within a 45 minute travel time of the proposed site. The 45 minute travel time is in reference to 77 IAC 1110.320(b)(4) - Allocation of Additional Beds Criterion. The table contains data on authorized beds for the M/S, OB and ICU services; respective occupancy rates and distance and travel times. The State Agency notes authorized bed and utilization data were obtained from IDPH's 2006 hospital profiles; while distance and travel times obtained from Map Quest. Travel times taken from Map Quest were adjusted to reflect changes to 77 IAC 1100 effective March 19, 2008. These new rules allow Map Quest times to be adjusted by 1.15 for counties in the Chicago Metropolitan Area. These counties include Cook (excluding Chicago) DuPage, Will, Kendall, Kane, McHenry, Lake, and Aux Sable Township of Grundy County, plus the counties of Winnebago, Peoria, Sangamon and Champaign. See 77 IAC 1100.510 (d) Normal Travel Time Determination. The table is sorted based on travel time from the applicants' proposed facility. Hospitals within the A-9 planning area are bolded.

TABLE ONE

Facilities within 45 minutes of the proposed site

#	NAME	CITY	HPA	2006 Authorized Beds and Utilization						Distance (miles)	Travel Time (minutes) Adjusted per 77 IAC 1100.510
				Beds			Utilization				
				M/S	ICU	OB	M/S	ICU	OB		
1	Northern Illinois Medical Ctr	McHenry	A-10	94	18	19	90.8%	64.9%	45.0%	9.9	18.4
2	Advocate Good Shepherd Hosp	Barrington	A-09	113	18	24	82.0%	80.9%	59.5%	12.2	18.4
3	Condell Medical Center (1)	Libertyville	A-09	214	25	26	84.0%	83.4%	69.8%	12	21.85
4	Lake Forest Hospital	Lake Forest	A-09	74	10	23	75.8%	63.3%	80.0%	19	31.05
5	Memorial Medical Center New	Woodstock	A-10	60	12	14	93.5%	81.6%	58.9%	19.1	34.5
6	Vista Medical Center East	Waukegan	A-09	256	16	29	36.6%	88.2%	45.8%	17.1	36.8
7	St. Alexius Medical Center	Schaumburg	A-07	239	29	28	51.2%	64.1%	76.5%	21.6	37.95
8	Northwest Community Hosp	Arlington Heights	A-07	336	60	44	66.9%	42.0%	54.5%	26.1	40.25
9	Highland Park Hospital	Highland Park	A-09	138	17	25	59.3%	62.1%	59.8%	24.3	40.25
10	Alexian Brothers Med Ctr	Elk Grove Village	A-07	257	36	28	75.1%	64.0%	83.6%	30.1	42.55
11	Midwestern Regional Med Ctr (3)	Zion	A-09	91	4	0	34.4%	86.9%	-	24.7	43.7
12	Holy Family Hospital (2) (3)	Des Plaines	A-07	220	18	0	19.0%	10.4%	-	25.8	44.85
13	Adventist Glenbrook Hospital (3)	Glenview	A-08	131	12	0	86.5%	81.1%	-	29.9	44.85

- (1) Project #06-026 to construct addition and add 68 M/S beds. Project completion date is June 1, 2010.
- (2) Holy Family Hospital is seeking designation as a Long Term Acute Care Hospital (LTACH).
- (3) Midwestern Regional Medical Center, Holy Family Hospital and Adventist Glenbrook Hospital do not have OB beds.
- (4) Travel times taken from Map Quest and adjusted by 1.15x to reflect changes to 77 IAC 1100.530

Source: Bed and utilization data - 2006 IDPH profiles, distance and travel times - Map Quest.

Table Two outlines the planned bed capacity at the hospital.

TABLE TWO	
Proposed Bed Capacity	
Category of Service	Beds Proposed
Medical-Surgical	108
Obstetrics	20
Intensive Care	16
TOTAL	144

This is a Category B substantive project subject to both a Part 1110 and Part 1120 review. This project was received by the State Agency on March 16, 2007 and deemed complete on March 30, 2007. Project obligation will occur after permit issuance. The anticipated project completion date is December 31, 2010. The Illinois Department of Public Health's March 2008 Inventory of Healthcare Facilities and Services and Need Determination ("Inventory") shows a computed excess of 209 M/S-Peds and 10 OB beds in the A-9 planning area. There is a computed need for 24 additional ICU beds in the planning area.

A public hearing was held for this project on June 5, 2007. The number of individuals who attended the hearing was approximately 180. There were approximately 110 individuals who registered their support for the project and approximately 70 individuals who registered their opposition. The transcript and written comments from this hearing are included in the State Board's packet of material. Additionally, the State Agency received letters of support and opposition for this proposal.

IV. The Proposed Project - Details

The applicants propose a 144-bed acute care hospital containing 308,540/GSF with a project cost of \$250,898,451. The applicants' facility will contain 108 M/S beds, 20 OB beds, and 16 ICU beds. Additionally, the hospital will offer cardiac catheterization. The cost of the land is \$5,825,000 and the projected start up costs is \$3,925,820.

V. Project Costs and Sources of Funds

The project is being funded with cash and securities of \$23,313,848, a bond issue of \$215,032,462 and leases with a fair market value ("FMV") of \$12,552,141. Table Three outlines the project's sources and uses of funds. The State Agency

notes the project contains both clinical and non-clinical components. The clinical components comprise 72.7% of the project's cost and 62.5% of the proposed GSF; while the non-clinical components comprise 27.3% of the cost and 37.5% of the GSF.

TABLE THREE
Cost of the Project

Use of Funds	Modified Clinical	Modified Non-Clinical	Modified Amount	Original Amount	Difference	% Difference
Preplanning Costs	\$266,736	\$133,264	\$400,000	\$400,000	\$0	0.00%
Site Survey and Soil Investigation	\$263,402	\$131,598	\$395,000	\$395,000	\$0	0.00%
Site Preparation	\$3,975,395	\$1,986,145	\$5,961,540	\$5,961,540	\$0	0.00%
Off Site Work	\$4,717,228	\$2,356,772	\$7,074,000	\$7,074,000	\$0	0.00%
New Construction Contracts	\$77,666,685	\$38,803,006	\$116,468,469	\$116,468,469	\$0	0.00%
Contingencies	\$7,318,654	\$3,783,293	\$11,101,947	\$11,646,969	(\$545,022)	-4.68%
A & E Fees	\$4,873,487	\$2,443,203	\$7,316,690	\$7,350,316	(\$33,626)	-0.46%
Consulting and Other Fees	\$1,842,406	\$920,484	\$2,762,890	\$2,762,890	\$0	0.00%
Movable or Other Equipment	\$36,680,653	\$1,773,831	\$38,454,484	\$38,454,484	\$0	0.00%
Bond Issuance Expense	\$2,867,887	\$1,432,823	\$4,300,709	\$4,300,709	\$0	0.00%
Net Interest Expense	\$20,624,869	\$10,304,378	\$30,929,247	\$30,929,247	\$0	0.00%
FMV of Lease Space	\$12,469,456	\$82,685	\$12,552,141	\$12,552,141	\$0	0.00%
Other Costs to be Capitalized	\$8,789,030	\$4,391,082	\$13,181,334	\$13,181,334	\$0	0.00%
TOTALS	\$182,355,888	\$68,542,564	\$250,898,451	\$251,477,099	(\$578,648)	-0.23%
Source of Funds	Modified Clinical	Modified Non-Clinical	Modified Amount	Original Amount	Difference	% Difference
Cash and Securities			\$23,313,848	\$23,313,848	\$0	0.00%
Bond Proceeds			\$215,032,462	\$215,032,462	\$0	0.00%
Leases FMV			\$12,552,141	\$12,552,141	\$0	0.00%
TOTALS			\$250,898,451	\$251,477,099	(\$578,648)	-0.23%

VI. Charity Care

The applicants indicate they will retain their existing charity care policies that are in place for all Advocate facilities at the new location. A copy of charity care information for Advocate Health Care Network was submitted in the application (see pages 220 - 257).

VII. Cost Space Requirements

Table Four displays the project's clinical cost/space requirements.

TABLE FOUR		
Project's Clinical Cost Space Requirements		
Department / Area	GSF	Cost
Medical Surgical Beds	67,677	\$ 24,702,105
Critical Care Beds	14,208	\$7,104,000
LDR- C Section	10,110	\$ 5,055,000
Post Partum Beds	11,592	\$5,042,520
Newborn Level II Nursery	2,075	\$1,110,125
Surgery	13,904	\$6,117,760
Recovery	2,012	\$ 804,800
Emergency	14,105	\$6,558,825
Diagnostic Radiology	8,896	\$3,513,920
MRI	1,448	\$ 600,920
Nuclear Medicine	2,248	\$977,880
Cardiac Cath	2,693	\$1,252,245
Occupational and Physical Therapy	1,121	\$224,200
Lab and blood bank	2,634	\$763,860
Morgue	318	\$106,530
Inpatient Pharmacy	2,294	\$768,490
Respiratory Therapy	950	\$285,000
Central Sterile	3,375	\$1,215,000
Social and Family Services	1,474	\$294,800
Patient Registration	763	\$152,600
Food Services	7,560	\$3,288,600
Antenatal Testing	567	\$283,500
Critical Decision Unit	5,084	\$2,033,600
Vascular lab	912	\$305,520
GI/Endoscopy	2,032	\$812,800
Prep Recovery	7,192	\$2,409,320
Cardiac Diagnostic	3,011	\$1,008,685
Inpatient Dialysis	648	\$217,080
Case Cart Stapling	1,825	\$657,000
Contingency		\$7,318,654
TOTALS	192,728	\$84,985,339

VIII. Travel Study

The applicants retained HDR Engineering to develop and produce a travel time study to identify hospitals within 30 and 45 minutes travel time to the proposed site.

Under the State Board's rules (77 IAC 1110.230(a)(2)), travel times are based upon "normal driving conditions." The State Agency notes the applicants provided travel times for the hospitals located within 30 and 45 minutes. Travel times were recorded to and from existing hospitals and to and from the proposed project's site during the morning commuter peak (7am-9am), evening commuter peak (4pm-6pm) and off-peak periods. Two of these drive times are considered "peak driving times." The State Agency has consistently stated that it does not consider peak drive times as an estimate of travel times to be under "normal driving conditions." See pages 28-36 of the application for the results of this study.

To determine travel times, the State Agency used Map Quest and adjusted those times by 1.15 to reflect the new 77 IAC 1100.510 rules. Based upon that review, there are **three** hospitals within 30 minutes travel time of the proposed site and 13 hospitals within 45 minutes (see Table One).

IX. Bed Related Review Criteria

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

The criterion states:

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

The proposed hospital will be located in Lake County, which is within a Metropolitan Statistical Area ("MSA"). The criterion requires that, for the establishment of a new hospital, a minimum of 100 M/S beds be proposed. The applicants propose 108 M/S beds, which is in conformance with the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ESTABLISHMENT OF ADDITIONAL HOSPITALS CRITERION (77 IAC 1110.320(a)).

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

This criterion states:

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

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

The applicants indicate that access will be improved with the establishment of this facility. Specifically, the applicants’ state:

- Increase in the population in Lake County. According to the applicants, there has been a 16% increase in the population from the 2000 census to the 2007 population projection.
- Difficulty of the residents within the proposed service area to travel to existing service providers due to weaknesses in the infrastructure in Northern Lake County (see pages 84-93 of the application).

The State Board’s target utilization for the M/S service is 80% (for hospitals with 1-100 M/S beds), 85% (for hospitals with 101-199 M/S beds) and 90% (for hospitals with 200 or more M/S beds). The target utilization for the ICU service is 60% regardless of the number of ICU beds in the facility. Finally, the target utilization for the OB service is 60% for hospitals with OB units with 1-10 beds, 75% for hospitals with OB units with 11-25 beds, and 78% for hospitals with OB units of 26 or more beds. Table One Above displays authorized beds and utilization for these services at the existing hospitals located within 45 minutes travel time of the proposed site. Information was gathered from the 2006 IDPH Hospital Profiles. There are 13 hospitals within a 45 minute travel time of the proposed facility.

As Table One illustrates, there are existing providers within 45 minutes travel time that are not at target utilization for the services proposed; therefore, the applicants do not meet the first and third requirements of the criterion.

The applicants indicate that Midwestern Regional Medical Center (Zion) is a specialty hospital with emphasis on cancer patients. The State Agency notes beds maintained by Midwestern Regional Medical Center are authorized as M/S and ICU. This hospital does not have CON authorized pediatric or OB beds. In addition, Adventist Glenbrook Hospital and Holy Family Medical Center do not have OB beds. Holy Family Medical Center (Des Plaines) is in the process of being approved as a long-term acute care hospital ("LTACH"). This hospital is authorized for 220 M/S beds and 18 ICU beds. Alexian Brothers Behavioral Health Hospital, located in Hoffman Estates, is authorized for 137 AMI beds and does not have M/S, ICU or OB beds. The applicants have not documented any restrictive admission policies that would limit access to the remaining facilities located within 45 minutes. Thus, the applicants do not meet the second requirement of this criterion.

The fourth requirement of the criterion is to document that travel times to existing providers is excessive (exceeding 45 minutes). As noted, there are 13 hospitals located within 45 minutes travel time which provide M/S and ICU services and 10 hospitals providing OB service. Since there are existing providers within 45 minutes travel time, the applicants do not meet the fourth requirement of this criterion. Since none of the requirements of the criterion are met, a positive finding cannot be made

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ALLOCATION OF ADDITIONAL BEDS CRITERION (77 IAC 1110.320(b)).

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

This criterion is not applicable since the project is for the establishment of a new facility.

X. **Review Criteria Relating to Med/Surg, Pediatric, OB and ICU**

A. 1110.520(a) - Unit Size

The criterion states:

"Unit Size - Review Criterion

1) Obstetrics

A) The minimum unit size for a new obstetric unit within a Metropolitan Statistical Area is 20 beds.

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

The applicants propose 108 M/S, 20 OB and 16 ICU beds. The hospital will be located within an MSA. This criterion states the minimum size in an MSA for an OB unit is 20 beds and four beds for an ICU unit. The applicants are in conformance with the review criterion. The State Agency notes there is no unit size standard for M/S beds.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE UNIT SIZE CRITERION (77 IAC 1110.520(a)).

B. Criterion 1110.520(b) - Variances to Bed Need

The criterion states:

- 1 “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 government funded or charity patients
 - iii) restrictive admission policies of existing providers
 - iv) the area population and existing care system exhibit indicators of median [medical] 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.”

Because the bed need estimates for the A-9 planning area do not substantiate a need for the number of beds proposed for M/S and OB services, the applicants addressed the Medically Underserved Variance and state that access to service is restricted in the planning area because:

- 1. the proposed service area of Advocate Hospital – Round Lake is characterized by rapidly increasing population;
- 2. development of transportation infrastructure has not kept

- pace with the rapid population growth in Northwest Lake County; and,
3. travel times to hospital services for residents of the area will continue to lengthen as population density increases and traffic congestion worsens (see pages 161 to 177 of the application for a complete discussion).

The applicants propose 108 M/S, 20 OB and 16 ICU beds. For HPA A-9, the current calculated bed need, as indicated in the March 2008 Inventory, indicates a computed excess of 209 M/S and 10 OB beds. The data also shows a computed need for 24 additional ICU beds.

Based on the requirements of the criterion and the material submitted by the applicants, the State Agency notes the following: 1) the proposed services are not absent in the A-9 planning area; 2) there is no evidence of limitations on government funded or charity patients; 3) there are no restrictive admission policies at existing providers that impact access; 4) there are no medical care problems indicated; 5) there is no indications of high infant mortality; 6) there is no indication that this area is designated as a Health Manpower Shortage Area; and, 7) residents are not traveling excessive distances (i.e., more than 45 minutes) to access needed services. As a result, it does not appear the applicants meet the requirements of the variance.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE VARIANCE TO BED NEED CRITERION (77 IAC 1110.520(b)).

XI. Section 1110.1330 - Cardiac Catheterization

A. 1110.1330(a) – Peer Review

The criterion states:

“Any applicant proposing the establishment or modernization of a cardiac catheterization unit shall detail in its application for permit the mechanism for adequate peer review of the program. Peer review teams will evaluate the quality of studies and related morbidity and mortality of patients and also the technical aspects of providing the services such as film processing, equipment maintenance, etc.”

The applicants indicate peer review for the cardiac catheterization service at Advocate Hospital - Lake County will be modeled after the cardiac catheterization peer review process at other Advocate hospitals, including Advocate Lutheran General Hospital and Advocate Good Shepherd Hospital. A complete discussion of this process can be found at pages 179-180 of the application. It appears the peer review program proposed by the applicants is in conformance with the requirements of the criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PEER REVIEW CRITERION (77 IAC 11110.1330(a)).

B. Criterion 1110.1330(b) - Establishment or Expansion of Cardiac Catheterization Service

The criterion states:

“There shall be not additional adult or pediatric catheterization categories of service started in a health planning area unless:

- 1) the standards as outlined in 77 Ill. Adm. Code 1100.620 are met; unless
- 2) in the circumstances where area programs have failed to meet those targets, the applicant can document historical referral volume in each of the prior three years for cardiac catheterization in excess of 400 annual procedures (e.g., certification of the number of patients transferred to other service providers in each of the last three years).“

The proposed lab will be utilized for diagnostic catheterization and interventional angioplasty. There are 11 facilities in HSA VIII that provide cardiac catheterization service. Table Six documents cardiac catheterization utilization for 2006. Information is from IDPH’s 2006 Hospital Profiles.

TABLE SIX Providers of Cardiac Catheterization in HSA VIII			
Facility	City	Number of Units	2006 Utilization
Advocate Good Shepherd	Barrington	2	1,558
Condell Medical Center	Libertyville	4	3,021
Delnor Community Hospital	Geneva	1	750
Highland Park Hospital	Highland Park	3	1,240
Lake Forest Hospital ⁽¹⁾	Lake Forest	1	-
Northern Illinois Medical Center	McHenry	2	2,242

TABLE SIX Providers of Cardiac Catheterization in HSA VIII			
Facility	City	Number of Units	2006 Utilization
Provena Mercy	Aurora	4	1,960
Provena Saint Joseph Hospital	Elgin	3	774
Rush Copley Memorial Center	Aurora	2	1,301
Sherman Hospital	Elgin	4	1,749
Vista Medical Center East	Waukegan	2	758
1. Approved to establish cardiac cath service (Project 05-063); required completion date is January 31, 2008. Source: 2006 IDPH Hospital Profile			

According to the requirements of this criterion, if there is a planning area facility that did not provide 400 catheterizations in the most recent year, the applicants must document 400 direct referrals for catheterizations to other hospitals in each of the last three years. As see in Table Six, 10 of the 11 facilities authorized to perform cardiac catheterizations in the planning area exceeded 400 procedures in 2006. There is one facility, Lake Forest Hospital (Lake Forest) that is not meeting the utilization targets. The State Agency notes Lake Forest Hospital’s approved program has not been completed; therefore, projected utilization figures have not been realized.

The applicants did not provide evidence of referrals to the proposed service that would justify the volumes required to satisfy this criterion. Therefore, a positive finding cannot be made.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE EXPANSION OR ESTABLISHMENT OF CARDIAC CATHETERIZATION SERVICES CRITEIRON (77 IAC 11110.1330(b)).

C. Criterion 1110.1330(c) - Unnecessary Duplication of Services

The criterion states:

- “1) Any application proposing to establish cardiac catheterization services must indicate if it will reduce the volume of existing facilities below 200 catheterizations.
- 2) Any applicant proposing the establishment of cardiac catheterization services must contact all facilities currently providing the service within the planning area in which the applicant facility is located, to determine the impact the project will have on the patient volume at existing services. “

The applicant contacted 11 facilities within HSA VIII, requesting the impact the proposed project would have on the existing facility (see pages 190-200 of the application). A response was received from Condell Medical Center (Libertyville) stating an additional catheterization program in Lake County would be detrimental to Condell's program. As seen in Table Six, Condell performed 3,021 catheterization procedures in 2006.

Further, the State Board approved a cardiac catheterization program Lake Forest Hospital (Project #05-063). The project has a required completion date of January 31, 2008. Thus, the potential impact of the applicant's catheterization on Project #05-063 is unknown at this time.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH UNNECESSARY DUPLICATION OF SERVICES CRITERION (77 IAC 1110.1330(c)).

D. Section 1110.1330(d) - Modernization of Existing Cardiac Catheterization Equipment

The applicants propose the establishment of the cardiac catheterization laboratory; therefore, this criterion is not applicable.

E) Section 1110.1330(e) - Support Services

The criterion states:

- "1) Any applicant proposing the establishment of a dedicated cardiac catheterization laboratory must document the availability of the following support services;
- A) Nuclear medicine laboratory.
 - B) Echocardiography service.
 - C) Electrocardiography laboratory and services, including stress testing and continuous cardiogram monitoring.
 - D) Pulmonary Function unit.
 - E) Blood bank.
 - F) Hematology laboratory - coagulation laboratory.
 - G) Microbiology laboratory.
 - H) Blood Gas laboratory.
 - J) Clinical pathology laboratory with facilities for blood chemistry."

- 2) These support services need not be in operation on a 24 hour basis but must be available when needed.”

The applicants indicated (page 201 of the application) that required support services would be available on a 24 hour basis.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH SUPPORT SERVICES CRITERION (77 IAC 1110.1330(e)).

- F) Section 1110.1330(f) - Laboratory Location
The proposal is for the establishment of a cardiac catheterization laboratory; therefore, this criterion is not applicable.
- G) Section 1110.1330(g) - Staffing

The criterion states:

“It is the policy of the State Board that if cardiac catheterization services are to be offered that a cardiac catheterization laboratory team be established. Any applicant proposing to establish such a laboratory must document that the following personnel will be available:

- 1) Lab director board-certified in internal medicine, pediatrics or radiology with subspecialty training in cardiology or cardiovascular radiology.
- 2) A physician with training in cardiology and/or radiology present during examination with extra physician backup personnel available.
- 3) Nurse specially trained in critical care of cardiac patients, knowledge of cardiovascular medication, and understanding of catheterization equipment.
- 4) Radiologic technologist highly skilled in conventional radiographic techniques and angiographic principles, knowledgeable in every aspect of catheterization instrumentation, and with thorough knowledge of the anatomy and physiology of the cardiovascular system.
- 5) Cardiopulmonary technician for patient observation, handling blood samples and performing blood gas evaluation calculations.
- 6) Monitoring and recording technician for monitoring physiologic data and alerting physician to any changes.
- 7) Electronic radiologic repair technician to perform systematic tests and routine maintenance; must be immediately available in the event of equipment failure during a procedure.

- 8) Darkroom technician well trained in photographic processing and in the operation of automatic processors used for both sheet and cine film. "

The applicants indicate (pages 202 of the application) that the required team would be available for the provision of cardiac catheterization service. The necessary materials were provided to address the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING CRITERION (77 IAC 1110.1330(g)).

- H) Section 1110.1330(h) - Continuity of Care

The criterion states:

"Any applicant proposing the establishment, expansion or modernization of a cardiac catheterization service must document that written transfer agreements have been established with facilities with open-heart surgery capabilities for the transfer of seriously ill patients for continuity of care. "

The applicants have entered into a written agreement with Advocate Good Shepherd Hospital (Barrington), to transfer patients requiring open heart surgery or other advanced cardiac care services. The distance between the proposed facility and Advocate Good Shepherd Hospital is approximately 12.2 miles and 16 minutes travel time (see Table One).

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE CONTINUITY OF CARE CRITERION (77 IAC 1110.1330(h)).

- I) Section 1110.1330(i) "Multi-Institutional Variance" - Review Criteria

The applicants chose not to address this variance; therefore, this criterion is not applicable.

XII. General Review Criteria

- A. Criterion 1110.230(a) - Location

The criterion states:

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

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

The applicants provided a map (application page 26) outlining the intended primary and secondary service/market areas for the proposed facility. The primary service area has been identified by the following communities: Antioch (60002), Fox Lake (60020), Grayslake (60030), Ingleside (60041), Lake Villa/Lindenhurst (60046), Round Lake (60073) McHenry (60051) and Wadsworth (60083). The applicants anticipate 75% of patient admissions to originate from these eight zip codes. The secondary service area, which includes eight zip codes, is expected to account for 25% of admissions. These zip codes are Barrington (60010),

Gurnee (60031), Island Lake (60042), Lake Zurich, Libertyville (60048), McHenry (60050), Mundelein (60060), and Wadsworth (60083).

The applicants addressed the ratio of beds to population within 30 minutes travel time of the proposed project. The applicants state the estimated population of the 30 minute area of the proposed site is 453,356 (as of 2005).

The State Agency notes Map Quest (adjusted) identified three hospitals within 30 minutes travel time from the proposed site. These hospitals comprise 551 general (M/S, Pediatrics, ICU and OB) beds (see Table Seven). Based on this information, the bed to population ratio is 1:823 (453,356/551); while the State Average is 1:370. Thus, the bed to population ratio within 30 minutes travel time of the proposed site exceeds the one and one half times the State average.

TABLE SEVEN

Facilities within 30 minutes of the proposed site

#	NAME	CITY	HPA	2006 Authorized Beds and Utilization						Distance (miles)	Travel Time (minutes) adjusted per 77 IAC 1100.510
				M/S	ICU	OB	M/S	ICU	OB		
1	Northern Illinois Medical Ctr	McHenry	A-10	94	18	19	90.8%	64.9%	45.0%	9.9	18.4
2	Advocate Good Shepherd Hosp	Barrington	A-09	113	18	24	82.0%	80.9%	59.5%	12.2	18.4
3	Condell Medical Center (1)	Libertyville	A-09	214	25	26	84.0%	83.4%	69.8%	12.0	21.9
TOTALS				421	61	69					

1. Project #06-026 to construct addition and add 68 M/S beds. Project completion date is June 1, 2010.

Source: 2006 IDPH Hospital Questionnaire and Map Quest.

This criterion also states that maldistribution is typified by average utilization rates for facilities within 30 minutes travel time of the proposed project that are below the State Board's target occupancy. Table Seven displays facilities within 30 minutes travel time of the proposed project, along with their authorized beds, utilization rates, distance and travel times. The State Agency notes beds and utilization rates were obtained from IDPH's profiles; while distance and travel times were determined from Map Quest.

As seen in Table Seven, one of the three facilities with M/S beds achieved the target occupancy for 2006 (Northern Illinois Medical Center). All facilities offering ICU service achieved the target occupancy for 2006. Finally, there are three facilities providing OB service. However, none of the providers met the State standard. Further, the State Board's March 2008 Inventory indicates a

computed excess of 10 OB and 209 M/S beds. The Inventory, however, shows a computed need for 24 additional ICU beds in the A-9 planning area. Thus, it appears establishing an additional hospital at the applicants' designated location would result in a maldistribution of beds and services.

While it appears the purpose of the facility will be to serve the residents of the planning area, the applicants have not documented that the beds and services will be appropriately distributed.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE LOCATION CRITERION (77 IAC 1110.230(a)).

B. Criterion 1110.230(b) - Background of Applicants

The criterion states:

"The applicant shall 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 fitness of the applicant, the State Board shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application."

The applicants provided licensure and certification information as required. The applicants certified that they have not had any adverse actions within the past three years. The applicants appear fit, willing and able and have the qualifications, background and character to adequately provide a proper standard of healthcare service for the community. The applicants provided zoning and property ownership information as required at pages 37-38 of the application for permit.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE BACKGROUND OF APPLICANT CRITERION (77 IAC 1110.230(b)).

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 applicants provided information on the alternatives for this project at pages 57-83 of the application for permit.

The applicants considered four alternatives:

1. Do Nothing
2. Develop an ambulatory care facility and medical office center
3. Develop a free standing emergency center
4. Partner with another health care provider to address the needs of Northwest Lake County

The applicants rejected the first alternative (do nothing) because it did not address the acute care health care needs of the northwest Lake County.

The second alternative (develop an ambulatory care facility and medical office center) was dismissed by the applicants as being inconsistent with the needs of its patient population.

According to the applicants, the third alternative (develop a free standing emergency center) would not improve access or provide clinical services at the greatest cost benefit.

The last alternative, (to partner with another health care provider) was rejected because no health care provider other than Lake County Health Department is interested in a joint venture.

Tale Eight summarizes the identified alternatives.

TABLE EIGHT Alternatives to the Proposed Project							
	Description	Community Need	Access	Quality	Construction and Cost	Benefit to Proposed Service Area.	Status
1	Do Nothing	Status Quo	Same	Same	-	None	Reject
2	Develop ambulatory care facility and medical office building	Partially Met	Partially Enhanced	Same	\$15-20 million	Marginal	Reject
3	Develop free standing emergency department	Partially Met	Partially Enhanced	Same	\$25-30 million	Marginal	Reject
4	Develop a facility in partnership with another health care provider	Met	Met	Same	Unknown	Significant	Reject no interest
5	Establish Hospital in Round Lake	Fully met	Fully enhanced	Improved	\$250,898,451	Significant	Accept

As stated, there is a computed excess of M/S and OB beds in the planning area and facilities within 30 minutes travel time have not achieved target utilization for all services proposed. Since the applicants have not documented the new hospital is needed to serve an underserved population, it does not appear the project is the most effective or least costly alternative for meeting the health care needs of the area.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ALTERNATIVES CRITERION (77 IAC 1110.230(c)).

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

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

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

The applicants provided information regarding the need for this project at pages 84-136 of the application.

Justification for the project included the ratio of hospital beds to population and access to hospital services in North Lake County; population growth in North Lake County, especially in the 65+ population and the inadequate infrastructure and traffic congestion in the area which negatively impacts access to hospital services. Further, the applicant states the proposed location will meet the needs of Lake County's fastest growing communities.

As stated, the State Board's March 2008 Inventory shows a computed excess of 209 M/S and 10 OB beds and a computed need for 24 additional ICU beds in the A-9 planning area. Since the applicants have not justified the need for the proposed number of M/S and OB beds pursuant to the variance requirement, the establishment of additional beds in the planning area has not been justified.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE REVIEW CRITERION NEED FOR THE PROJECT 1110.230 (d).

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

This criterion states:

"The applicants 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 applicants 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. Size

The State Agency identified the departments involved in this project that are considered clinical and that have GSF standards established by the State Board. Table Nine displays those departments' gross square footage and a comparison to State Board's standards. All of the departments meet the State standards for which the State Board has established guidelines with the exception of the following: M/S, ICU, Pharmacy, Post-Partum Beds, Surgery, Central Sterile and Prep/Recovery.

TABLE NINE Departments/Functions of the Proposed Project Compared to State Standards						
Department	Beds/Rooms	Standard per Bed / Room	Proposed	State Standard	Difference	Exceeds Standard
Medical Surgical Beds	108	401 GSF/BED	67,677	43,308	24,369	Yes
Critical Care Beds (ICU)	16	603 GSF/BED	14,208	9,648	4,560	Yes
LDR- C Section	12	1,119 GSF/BED	10,110	13,825	-3,715	No
Post Partum Beds	20	476 GSF/BED	11,592	9,520	2,072	Yes
Newborn Level II Nursery	20	152 GSF/ROOM	2,075	3,040	-965	No
Surgery	6	2,078 GSF/ROOM	13,904	12,468	1,436	Yes
Recovery Beds	12	180 GSF/BED	2,012	2,160	-148	No
Emergency	20	744.6 GSF/ROOM	14,105	14,892	-787	No
Diagnostic Radiology	7	1,386 GSF/UNIT	8,896	9,702	-806	No
MRI	1	3,400 GSF/UNIT	1,448	3,400	-1,952	No
Nuclear Medicine	2	1,135 GSF/TX ROOM	2,248	2,270	-22	No
Cardiac Cath	2	1,596 GSF/LAB	2,693	3,192	-499	No

TABLE NINE Departments/Functions of the Proposed Project Compared to State Standards						
Department	Beds/Rooms	Standard per Bed / Room	Proposed	State Standard	Difference	Exceeds Standard
Occ Phy Therapy		23 GSF/MS BED	1,121	2,948	-1,827	No
Lab and blood bank	144	36 GSF/BED	2,634	5,184	-2,550	No
Morgue	1	432/GSF ROOM	318	432	-114	No
Inpatient Pharmacy	144	12.3 GSF/BED	2,294	1,728	566	Yes
Respiratory Therapy	144	8.9 GSF/BED	950	1,282	-332	No
Central Sterile	144	18 GSF/BED	3,375	2,592	783	Yes
Vascular lab	1	1,386 GSF/LAB	912	1,386	-474	No
GI/Endo	1	2,078 GSF/ROOM	2,032	2,078	-46	No
Prep Recovery	24	180 GSF/BED	7,192	4,320	2,872	Yes
Cardiac Diagnostic	4	1,386 GSF/LAB	3,011	5,544	-2,533	No
Inpatient Dialysis	NA	NA	648	NA	NA	NA
Case Cart Stapling	NA	NA	1,825	NA	NA	NA

2. Utilization

According to the applicants, the facility is expected to achieve target utilization within two years after project completion. Documentation of expected utilization for all services can be found at pages 130-136 of the application. If the expected growth in the population materializes, the applicants will meet the required utilization requirements of this criterion.

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

XIII. Review Criteria - Financial Feasibility

- A. Criterion 1120.210(a) - Financial Viability
- B. Criterion 1120.210(b) - Availability of Funds
- C. Criterion 1120.210(c) - Start-Up Costs

The applicants provided evidence of an "A" bond rating at pages 217-219 of the application for permit. Therefore, these criteria are not applicable.

XIV. Review Criteria - Economic Feasibility

- A. Criterion 1120.310(a) - Reasonableness of Financing Arrangements
- B. Criterion 1120.310(b) - Conditions of Debt Financing

The applicants provided evidence of an "A" bond rating at pages 217-219 of the application for permit. Therefore, the criteria are not applicable.

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

The criterion states:

1) Construction and Modernization Costs

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

2) Contingencies

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

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

3) Architectural Fees

Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides

evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

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

The State Agency notes only the clinical costs will be reviewed against the established standards in Part 1120. The State Agency calculated the State Board Construction Standard using the second quarter of 2007 RS Means data and adjusted for complexity by department/function and inflating by 3% per year until project conclusion (December 31, 2010).

Preplanning Costs - These costs total \$266,736, or less than 1% of construction, contingencies and equipment costs (see page 215 for a description of these costs). This appears reasonable compared to the State standard of 1.8%.

Site Survey, Soil Investigation and Site Preparation - These costs total \$4,238,797, or 4.98% of construction, and contingency costs (see page 215 for a description of these costs). This appears reasonable compared to the State standard of 5%.

Off Site Work - These costs total \$4,717,228 (see page 215 for a description of these costs). The State Board does not have standards for these costs.

New Construction and Contingencies - These costs total \$84,985,339, or \$440.96 per GSF. This appears reasonable compared to the adjusted State standard of \$440.96 per GSF.

Contingencies - These costs total \$7,318,654 or 9.42% of construction costs. This appears reasonable compared to the State standard of 10%.

Architectural and Engineering Fees - These costs total \$4,873,487, or 5.73% of construction and contingencies. This appears reasonable compared to the State standard of 2.3-5.80%.

Consulting or Other Fees - These costs total \$1,842,406 and include interior design, construction administration, contract project manager, and plan review. See page 215 of the application for a complete description of these costs. The State Board does not have standards for this cost.

Equipment - These costs total \$36,680,653. The applicants identified that none of the equipment proposed represents major medical equipment, which exceeds the State Board's threshold. Also, the State Board does not have an equipment standard for hospital-based projects. See page 214 for the complete breakdown of new and leased equipment.

Bond Issuance Expense - These costs total \$2,867,887. The State Board does not have standards for these costs.

Net Interest Expense during Construction - These costs total \$20,624,869. The State Board does not have standards for these costs.

FMV of lease Equipment - These costs total \$12,469,456. The State Board does not have standards for these costs.

Other Costs to be Capitalized - These costs total \$8,789,030. See page 216 for a description of these costs. The State Board does not have standards for these costs.

THE STATE AGENCY FINDS THE PROPOSED APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.310(c)).

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 applicants project \$1,285.66 of annual operating costs per equivalent patient day for the first year of operation. See page 211 of the application for permit. The State Board does not have a standard for this cost.

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

The criterion states:

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

The applicants project \$392.34 per adjusted patient day in annual capital costs for the first year of operation. See page 211 of the application for permit. The State Board does not have a standard for this cost.

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

The applicant must document that projects involving non-patient related services (medical office buildings) will be self-supporting and not result in increased charges to patients or that increased charges to patients are justified based upon such factors as, but not limited to, a cost benefit or other analysis which demonstrates that the project will improve the applicant's financial viability.

This criterion is not applicable.