

DOCKET NO: A-17	BOARD MEETING: February 18, 2004	PROJECT NO: 03-085	PROJECT COST: Original: \$21,439,000
FACILITY NAME: Champaign County Nursing Home		CITY: Urbana	Current:
TYPE OF PROJECT: Substantive			HSA: IV

PROJECT DESCRIPTION: The applicant proposes to replace its existing 243-bed facility consisting of 209 nursing care beds and 34 sheltered care beds.

STATE AGENCY REPORT

Champaign County Nursing Home
Urbana, Illinois
Project #03-085

I. The Proposed Project

The applicant proposes to replace its existing 243-bed facility (Champaign County Nursing Home) with a new facility having the same number of beds—209 nursing care beds and 34 sheltered care beds. The facility will also house an adult day care program and a child day care program. The new facility is to be constructed adjacent to the present facility. The estimated project cost is \$21,439,000.

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.

III. General Information

The applicant is the Champaign County Board, which is the legal entity that presently owns and operates the Champaign County Nursing Home located at 1701 East Main Street in Urbana, Champaign County in HSA IV. The applicant proposes to construct, own, and operate a replacement general long-term care facility of 243 beds consisting of 209 nursing care beds and 34 sheltered care beds adjacent to the existing facility.

The facility is located in the general long-term nursing care Planning Area of Champaign County. Eight other facilities provide nursing care services in the Planning Area.

This is a substantive project that is subject to both a Part 1110 and Part 1120 review.

A public hearing was offered on the proposed project, but none was requested. In addition, no written comments were received by the State Agency regarding the proposed project.

Project obligation is to occur after permit issuance, and the anticipated project completion date is January 1, 2007.

The utilization data for the facility's 209 nursing care beds for the period of November 1, 2002 to November 1, 2003 was 92.2% occupancy with an average daily census of 192.7 and with an average length of stay of 139.6 days.

IV. The Proposed Project - Details

The applicant proposes to replace its existing 243 bed general long-term care facility by constructing a new single-story plus basement building of 133,406 gross square feet (GSF) adjacent to the existing facility. The new building will have the same bed allocation as the existing facility—209 nursing care beds and 34 sheltered care beds.

The applicant proposes to have 153 skilled and 56 intermediate care beds for a total of 209 nursing care beds. Fifteen of the intermediate care beds will be located in an Alzheimer's and related dementia unit. In addition, the replacement facility will have 34 sheltered care beds and an adult day care program and a child day care program. Table One details the space allocation for each of these components for the existing facility as well as for the replacement facility.

TABLE ONE		
Area	Existing GSF	Proposed GSF
Nursing Care	88,899	106,117
Sheltered Care	8,202	17,257
Adult/Child Day Care	8,509	10,032
TOTALS	105,610	133,406
Note: Figures have been rounded to the nearest GSF.		

Upon completion of construction, residents and staff will transfer to the replacement facility, and the existing building will no longer be utilized as a health care facility.

Pursuant to the provisions of the Planning Act, only the nursing care component of the overall project is subject to review and to permit requirements. Since the other components are an integral part of the facility and are not being constructed or financed independently, their costs and gross square footage are included as part of the overall project. However, since these components are not subject to permit requirements, there will not be a review or an analysis of need performed for these components.

The State Agency notes that the applicant has submitted this application and characterized the project as both a discontinuation of its existing facility and the establishment of a new facility. In addition, the applicant addressed the modernization review criteria. The State

Agency notes that the Planning Act and State Board rules specify that replacement of a facility on another site constitutes establishment of a new facility. However, replacement of an existing facility on an existing site does not constitute establishment of a new facility, but is considered modernization of an existing facility. Because the County already owns the 22-acre parcel where the existing facility is located and has provided a legal description delineating this area, and because the new facility is adjacent to the existing building, the State Agency is reviewing the project as modernization of an existing facility instead of a discontinuation and establishment project. This position is consistent with how similar applications have been reviewed and considered by the State Board in the past.

V. Project Costs and Sources of Funds

The total project cost is \$21,439,000 and is to be funded from cash and securities of \$937,010; from gifts and bequests of \$200,000; and from bond proceeds of \$20,113,790 and Leases of \$188,200. Table Two displays the total cost information as well as cost information for the project’s components. As stated previously, only the nursing care component is subject to review.

TABLE TWO				
Use of Funds	Nursing	Sheltered	Other	Total
Preplanning Costs	\$ 101,811	\$ 16,563	\$ 9,626	\$ 128,000
Site Survey & Soil Investigation	\$ 14,317	\$ 2,329	\$ 1,354	\$ 18,000
Site Preparation	\$ 1,428,220	\$ 232,351	\$ 135,029	\$ 1,795,600
New Construction Contracts	\$ 12,896,854	\$ 2,098,130	\$ 1,219,315	\$ 16,214,300
Contingencies	\$ 1,001,488	\$ 162,928	\$ 94,684	\$ 1,259,100
Architectural/Engineering Fees	\$ 890,848	\$ 144,928	\$ 84,224	\$ 1,120,000
Consulting and Other Fees	\$ 270,516	\$ 44,009	\$ 25,576	\$ 340,100
Movable Equipment	\$ 123,287	\$ 20,057	\$ 11,656	\$ 155,000
Bond Issuance Expense	\$ 165,602	\$ 26,941	\$ 15,657	\$ 208,200
FMV of Leased Equipment	\$ 149,694	\$ 24,353	\$ 14,153	\$ 188,200
Other Costs to be Capitalized	\$ 9,943	\$ 1,618	\$ 940	\$ 12,500
Total Use of Funds	\$ 17,052,581	\$ 2,774,207	\$ 1,612,213	\$ 21,439,000
Note: Some column and row totals do not sum due to rounding.				

VI. General Review Criteria

A. Criterion 1110.230(a) - Location

This criterion is not applicable since the project is for modernization (i.e., replacement) rather than establishment of a new facility. The State Agency notes, however, that the applicant has provided information that supports the criterion's requirements: (1) that the primary purpose of a proposed project is to provide care to residents of the planning area in which the facility will be located; and, (2) that the location selected will not create a maldistribution of services.

B. Criterion 1110.230(b) - Background of Applicant

The applicant certified that there have not been any adverse actions against the existing Champaign County Nursing Home during the last three years prior to filing the application. The applicant appears fit, willing, and able and has the qualifications, background and character to adequately provide a proper standard of health care service for the community.

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

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

The applicant considered the alternatives of doing nothing; utilizing other facilities in the area; modernizing the existing facility; and replacing the existing building with a new facility. The applicant provided information concerning the inefficiencies and obsolescence of the existing physical plant, the lack of sufficient alternative resources and facilities in the county to assume the experienced patient demand, and the high costs of modernizing and updating the existing facility to meet state-of-the-art nursing home standards. Although the Champaign County Planning Area is projected to have 95 excess nursing care beds, sufficient capacity to accommodate the County facility's historical caseload of an average daily census of 193 nursing care patients does not exist.

The applicant selected the alternative of replacement of the existing facility as the most feasible and appropriate alternative. A referendum was held on November 5, 2002 proposing two questions: (1) the issuance of \$20,000,000 in general obligation bonds for the purpose of constructing a new Champaign County Nursing Home, and (2) an authorization to levy and collect a tax at a rate of .03% for the purpose of maintaining a county nursing home. Both questions were approved and passed by an affirmative vote of 64% and 57.5% respectively.

The alternative of a replacement facility appears to be the most effective and least costly alternative for meeting the historical demand for nursing care beds and related services at the County's facility.

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

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

The replacement facility is to be constructed adjacent to the existing facility and is located in HSA IV in the Champaign County Long-term Care Planning Area. The latest update to the "Inventory of Health Care Facilities" (January 15, 2004) indicates 95 excess nursing care beds in this planning area. Since the proposed project is for replacement of an existing facility and does not involve an increase in the number of beds, the need for the project is subject to review pursuant to the modernization review criteria (refer to the Section VI of this Report).

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

The applicant proposes to construct a single-story building plus partial basement containing a total of 113,406 gross square feet (GSF). As stated previously, only the nursing care component of the project is subject to review. The applicant has allocated 106,117 GSF to the nursing care component which equates to 507.7 GSF per bed. This amount exceeds the State Board's standard of 414 GSF per bed. The applicant maintains that the GSF should be reduced to eliminate several areas that have been excluded from the State Board's standard in the past. Space for these areas totals 3,965 GSF and includes a dental clinic, general store, chapel, library, elevator, stairs, and computer room. Adjusting for this space results in an allocation of 488.8 GSF per bed which still exceeds the standard.

The State Agency notes that the proposed project will have a private toilet room for each patient room and that all toilet rooms will be constructed to be in compliance with ADA requirements. The applicant also states that additional square footage results because of the project's design, including such factors as using a toe-to-toe concept in each semi-private room, having additional hallway space to provide for storage units, and having fewer residents per nursing station than required by minimum IDPH standards. While the State Agency concurs that these design features will require additional space, the amounts associated with such design features have not been quantified and an adjustment for such space has not been made.

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

VI. Modernization Review Criteria

A. Criterion 1110.420(a) - Modernization of Beds

This criterion specifies that an applicant may not replace more beds than what the facility's historical utilization will justify based upon the modernization occupancy targets specified in Part 1100. The applicant's utilization for the latest 12-month period prior to submission of the application (November 1, 2002 to November 1, 2003) was 70,335 nursing care patient days for an average daily census of 192.7 patients and an occupancy of 92.2%. The modernization occupancy target for nursing care beds is 85%. Based upon these figures, the applicant can justify replacement of 227 nursing care beds. The applicant is proposing to replace all of its 209 existing nursing care beds and not to increase its nursing care bed capacity. The applicant's historical utilization supports the number of nursing care beds that are proposed for replacement. The sheltered care component of the project is not subject to review, and the State Agency has not performed an analysis of the need for the number of beds being replaced.

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

B. Criterion 1110.420(b) - Modern Facilities

The existing facility was constructed in 1908 and has had several additions and renovations through the years. The last addition was construction in 1973.

The applicant submitted documentation including a master plan study and deferred maintenance report that detail the deterioration and obsolescence of the existing facility. The existing facility appears to be functionally obsolete and inefficient to operate. Among the deficiencies cited are inadequate sprinkler head systems, ventilation systems, inadequate fire separations, and splitting, cracking and deterioration in the exterior of the building. Based upon the documentation provided, the facility is in need of modernization. Replacement of the existing physical plant with a new structure appears to be the appropriate method of modernizing the facility.

The applicant also included an analysis of its ancillary and supporting services and the need to modernize and replace these areas as well as the inpatient bed areas. The replacement facility will contain all of the necessary support services and space to meet licensing requirements. Upon completion of the replacement facility, the old nursing home building will be partially demolished and the remaining space will be utilized by the County for other functions and social programs.

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

C. Criterion 1110.420(c) - Major Medical Equipment

Since the project does not involve the acquisition of major medical equipment, this criterion is not applicable.

VII. General Long-Term Care Review Criteria

A. Criterion 1110.1730(a) Facility Size
Criterion 1110.1730(b) Community Related Functions
Criterion 1110.1730(c) Zoning

Documentation and related materials regarding the above review criteria are contained within the application. The State Agency reviewed the applicant's responses and finds that the requirements of the review criteria appear to be met.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERIA.

B. Criterion 1110.1730(d) - Variances to Computed Nursing Care Bed Need

Since the project is for replacement of an existing facility, this criterion is not applicable. Need for the project is determined pursuant to the modernization review criteria.

C. Criterion 1110.1730(e) Staffing

Documentation and related materials regarding the above review criterion are contained within the application. The proposed project is for a replacement facility and existing staff will continue to work in the new facility. The State Agency finds the requirements of the review criterion appear to be met.

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

VIII. Review Criteria - Financial Feasibility

A. Criterion 1120.210(a) - Financial Viability

This review criterion specifies that certain ratios be met as an indication of financial viability for those applicants that do not have a bond rating of "A" or better. If the viability ratios are not met, applicants are to address a variance that documents

another organization will assume the legal responsibility of meeting any debt obligations should the applicant default. The applicant has submitted documentation of an “A” bond rating for Champaign County from Moody’s Investors Service.

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

B. Criterion 1120.210(b) - Availability of Funds

The applicant proposes to fund the project from cash and securities of \$937,010, gifts and bequests of \$200,000, from bond proceeds of \$20,113,790 and leases of \$188,200. While the applicant has not provided documentation regarding the \$200,000 from gifts and bequests as required by the criterion, the County’s financial statements indicate sufficient cash is in the nursing home account to cover this amount should it not be received. Sufficient resources appear available to fund the project.

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

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

This criterion is not applicable since the project is for replacement of an existing facility.

IX. Review Criteria - Economic Feasibility

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

This criterion is not applicable since the applicant has documented a bond rating of “A” or better pursuant to Criterion 1120.210.

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

The applicant will be financing the project through the issuance of general obligation bonds and will also be leasing equipment for the facility such as photocopiers, kitchen dishwasher, and laundry equipment. The applicant submitted certifications that attest that the selected form of debt financing will be at the lowest net cost available and that leasing of equipment has been and is more advantageous than purchasing.

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

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

The State Agency’s analysis of the reasonableness of project cost has been conducted only for those costs that have been allocated to the nursing care component of the project.

Preplanning Costs - These costs total \$101,811 or 0.7% of new construction, contingencies and equipment costs. This amount meets the State standard of 1.8% or less.

Site Survey/Soil Investigation and Site Preparation - The costs are \$14,317 for site survey and \$1,428,220 for site preparation for a total of \$1,442,537 and amounts to 10.4% of construction and contingencies. The amount exceeds the State standard of 5% or less. Under the State standard, the applicant would be allowed \$694,917 for this expense. The applicant exceeds the standard by \$747,620. Table Three displays the State Agency’s findings.

TABLE THREE		
Applicant’s Site Survey / Site Prep Cost	State Standard	Difference
\$ 1,442,537	\$ 694,917	\$ 747,620

Construction Contracts and Contingencies - The costs of construction and contingencies are \$13,898,342, which is \$130.97 per GSF. This amount appears reasonable compared to the adjusted State standard of \$137.31 per GSF based upon the third quartile as provided in the “Means Building Construction Cost Data” that is utilized as the State standard.

Contingencies - The contingency allocation is \$1,001,488 or 7.8% of construction costs. This amount meets the State standard of 10% or less.

Architects and Engineering Fees - These costs total \$890,848, or 6.5% of construction and contingency costs. This amount is within the Capital Development Board’s fee structure of 3.8% - 8.7% that is utilized as the State standard.

Consulting and Other Fees - These costs are \$270,516 and include consultant and professional fees, permits and building fees, CON application fee, document printing, and project and salvage expense.

Movable or Other Equipment - Equipment costs total \$272,981 or \$1,306 per bed. This amount appears low but meets the adjusted State standard of \$5,958 or less (\$5,139 for base year 2000 annually inflated by 3% through 2006, the year the facility is projected to achieve target occupancy).

Other Costs to Capitalized - These costs are \$9,943 for fiber system and connection construction.

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

D. Criterion 1120.310(d) - Projected Operating Costs

The applicant has provided the projected annual operating costs that amount to \$112.92 per day for the first full year after project completion.

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

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

The applicant has provided the projected capital cost per patient day that amounts to \$7.77 per day for the first full year after project completion.

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

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

The applicant stated the adult day care and child day care programs are totally self-supporting and no additional costs will be shifted to the residents of the facility.

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