**PROJECT DESCRIPTION:** The State Board is being asked to consider the establishment of a 120-bed skilled nursing facility providing long term care, residential, and vocational training for special populations age 22-64, with traumatic brain injury and/or sever multiple injuries, known as “polytraumas.” The total project cost is $20,062,095. The applicants are before the State Board because the project proposes the establishment of a category of service as defined by the State Board.

**Summary**

For the establishment of a new General Long Term Care facility the applicants must provide evidence that at least 50% of the residents of the proposed facility will come from within the planning area (Service to Planning Area Residents), there is sufficient residents to justify the number of beds being requested (Service Demand), the proposed number of beds is necessary to improve access (Service Access), the number of beds proposed will not result in an Unnecessary Duplication of Service or Maldistribution, and the number of beds proposed is in conformance with the calculated bed need (Planning Area Need).

The purpose of this project is to provide long term care and rehabilitation services to veterans returning from war with traumatic brain injury or severe multiple injuries (“polytraumas”) and the local population. However the applicants state the proposed facility will not be serving anyone age 65 or older and documentation from the Department of Veterans Affairs states that “while there are no specific demand projections for returning veterans needing residential polytrauma and or TBI services, it is expected to continue to be a very small number.” In addition the State Agency notes in Illinois in order to qualify for Medicaid coverage you have to reside in Illinois and be 65 years or older. Younger than 65 years of age you must be classified as either blind or disabled for at least 12 months in order to qualify for nursing home care. In order to qualify for Medicare coverage Type A benefits in a long term care facility you must be 65 years of age or older.

The applicants have provided evidence that 2/3rd of the residents will come from the planning area (Service to Planning Area Residents) and referrals from 13 physicians indicate that 54 residents will be referred monthly to the facility. If these referrals materialize there would be sufficient demand to warrant the number of beds being requested (Service Demand).
There is a calculated excess of long term care beds in this planning area (6 beds) *(Planning Area Need)* and the existing facilities within 30 minutes are operating at an average occupancy of 79%, which is below the State Board’s target occupancy of 90% *(Unnecessary Duplication of Service)*. In addition there is no absence of service in the planning area and there has been no evidence provided that there is access limitation based upon payor status *(Service Access)*. Based upon the average current utilization, 295 long term care beds within 30 minutes of the proposed location at the State Board’s target occupancy of 90% are available for use to accommodate the demand identified. **There has been no request for a public hearing and the State Agency has not received any letters of support. Letters of opposition were received by the State Agency.**
I. The Proposed Project

The applicants propose to establish a 120-bed skilled care facility for individuals age 22 – 64, providing long-term rehabilitation from traumatic brain injury and/or severe multiple injuries known as “polytraumas”. The proposed one-story nursing facility will contain 74,737 GSF of space, and contain all private, one-bed, skilled nursing rooms. The total project cost is $20,062,095.

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 does not appear to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Partners for Caring Development, Inc., Transitional Living Services, and Revere Healthcare, Ltd. Partners for Caring Development, Inc. is the owner of the site and the operator / licensee. The facility will be located 254 Elm Street, Rockford, (HSA I), in the Winnebago County Planning Area. Based on the State Board’s December, 2010 update to its Inventory of Healthcare Facilities and Services and Need Determination (“Inventory”), there is an excess of six LTC beds in the Winnebago County planning area. This is a substantive project, which is subject to both Parts 1110 and 1120 review. Project obligation
will occur after permit issuance. The anticipated project completion date is March 31, 2012.

Summary of Support and Opposition Comments

No public hearing was requested and no letters of support were received by the State Agency. An opposition letter was submitted by Rosewood care Center that stated in part that the proposed facility “the CON application suggest the lack of facilities and programs in the Rockford area to address the needs of TBI (traumatic brain injury). However there is no data to support this conclusion. In an area where average yearly occupancy levels at 77.83% or lower, a majority of the skilled nursing facilities, including Rosewood Care Center, remain more than adequately equipped with the necessary services and programs to effectively treat TBI cases while enabling those of all ages to access the appropriate means of financial coverage. In particular, Rosewood Care Center has been successful in the follow-up treatment and care of TBI cases after completion of intensive rehabilitation programs at Van Matre HealthSouth Rehabilitation Hospital that also specializes in brain and spinal cord injuries.”

As identified in Table One, there are 18 facilities within the 30-minute drive time of the proposed facility. Occupancy was obtained from the Long Term Care Profiles for Calendar Year 2009. The table shows occupancy rate for this facility and the star rating per the Center for Medicare & Medicaid Services (CMMS).

<table>
<thead>
<tr>
<th>Facility Name</th>
<th>Star Rating(2)</th>
<th>City</th>
<th>Planning Area</th>
<th>LTC Beds</th>
<th>Adj. Time</th>
<th>Miles</th>
<th>Occ % (90%)</th>
<th>Met Occ. Standard?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rockford Nursing &amp; Rehab Ctr.</td>
<td>1</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>97</td>
<td>6</td>
<td>1.8</td>
<td>63.2%</td>
<td>No</td>
</tr>
<tr>
<td>Amberwood Nursing &amp; Rehab Ctr.</td>
<td>1</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>162</td>
<td>6</td>
<td>2</td>
<td>56.1%</td>
<td>No</td>
</tr>
<tr>
<td>Peterson Ctr. for Health</td>
<td>4</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>129</td>
<td>9</td>
<td>3.4</td>
<td>89.3%</td>
<td>No</td>
</tr>
<tr>
<td>Provena St. Anne Ctr.</td>
<td>2</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>179</td>
<td>11</td>
<td>5.2</td>
<td>84.5%</td>
<td>No</td>
</tr>
<tr>
<td>Fairhaven Christian Retirement Ctr.</td>
<td>5</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>96</td>
<td>11</td>
<td>5.4</td>
<td>90.7%</td>
<td>Yes</td>
</tr>
<tr>
<td>Asta Care Ctr. of Rockford</td>
<td>1</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>130</td>
<td>12</td>
<td>3.7</td>
<td>76.9%</td>
<td>No</td>
</tr>
<tr>
<td>River Bluff Nursing Home</td>
<td>4</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>304</td>
<td>12</td>
<td>4</td>
<td>76.1%</td>
<td>No</td>
</tr>
<tr>
<td>East Bank Ctr.</td>
<td>1</td>
<td>Loves Park</td>
<td>Winnebago</td>
<td>54</td>
<td>13</td>
<td>5.3</td>
<td>59%</td>
<td>No</td>
</tr>
<tr>
<td>Alpine Fireside Health Ctr.</td>
<td>4</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>66</td>
<td>13</td>
<td>5.7</td>
<td>67%</td>
<td>No</td>
</tr>
<tr>
<td>Willows Health Care</td>
<td>4</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>91</td>
<td>14</td>
<td>4</td>
<td>89.5%</td>
<td>No</td>
</tr>
<tr>
<td>Fairview Nursing Plaza</td>
<td>1</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>213</td>
<td>14</td>
<td>4.9</td>
<td>91.4%</td>
<td>Yes</td>
</tr>
<tr>
<td>Provena Cor Mariae Ctr.</td>
<td>4</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>73</td>
<td>14</td>
<td>5.7</td>
<td>88.8%</td>
<td>No</td>
</tr>
<tr>
<td>Alden-Alma Nelson Manor</td>
<td>1</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>268</td>
<td>16</td>
<td>5.5</td>
<td>66.4%</td>
<td>No</td>
</tr>
<tr>
<td>Rosewood Care Ctr.</td>
<td>2</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>120</td>
<td>17</td>
<td>6.3</td>
<td>62.6%</td>
<td>No</td>
</tr>
</tbody>
</table>
TABLE ONE
Facilities Within a 30-minute Drive Time(1)

<table>
<thead>
<tr>
<th>Facility Name</th>
<th>Star Rating(2)</th>
<th>City</th>
<th>Planning Area</th>
<th>LTC Beds</th>
<th>Adj. Time</th>
<th>Miles</th>
<th>Occ % (90%)</th>
<th>Met Occ. Standard?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alden-Park Strathmoor</td>
<td>1</td>
<td>Rockford</td>
<td>Winnebago</td>
<td>189</td>
<td>18</td>
<td>6</td>
<td>79.9%</td>
<td>No</td>
</tr>
<tr>
<td>Maple Crest Care Ctr.</td>
<td>4</td>
<td>Belvidere</td>
<td>Boone</td>
<td>86</td>
<td>26</td>
<td>14.5</td>
<td>94%</td>
<td>Yes</td>
</tr>
<tr>
<td>Neighbors Rehab Ctr.</td>
<td>2</td>
<td>Byron</td>
<td>Ogle</td>
<td>101</td>
<td>28</td>
<td>15.8</td>
<td>91%</td>
<td>Yes</td>
</tr>
<tr>
<td>Northwoods Care Ctr.</td>
<td>5</td>
<td>Belvidere</td>
<td>Boone</td>
<td>113</td>
<td>30</td>
<td>18.6</td>
<td>92.5%</td>
<td>Yes</td>
</tr>
</tbody>
</table>

1) Facility list, beds and drive time provided by the applicants; MapQuest and Profiles are cited as sources.
2) Time adjusted per 77 IAC 1100.510 (d)
3) Star rating obtained from HHS website: www.medicare.gov. NA indicates Not Available.

IV. The Proposed Project – Details

The applicants propose to establish a skilled nursing facility, offering long term care, residential, and vocational training for traumatic brain injury and polytrauma patients between the ages of 22 to 64 years old. The entire facility will comprise 74,737 GSF of space, and will consist of 120 skilled nursing beds each in its own room. The applicants note the facility will meet functional needs of staff without sacrificing quality of life features. The total project cost is $20,062,095.

V. Project Costs and Sources of Funds

The total estimated project cost is $20,062,095 and will be funded in its entirety through a mortgage. Table Two displays the project’s cost and sources of funds information, making the distinction between clinical and non-clinical costs.

TABLE TWO
Project Costs and Sources of Funds

<table>
<thead>
<tr>
<th>Use of Funds</th>
<th>Clinical</th>
<th>Non-Clinical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preplanning</td>
<td>$282,539</td>
<td>$182,461</td>
<td>$465,000</td>
</tr>
<tr>
<td>New Construction Contracts</td>
<td>$8,312,086</td>
<td>$5,367,868</td>
<td>$13,679,954</td>
</tr>
<tr>
<td>Contingencies</td>
<td>$674,840</td>
<td>$435,805</td>
<td>$1,110,645</td>
</tr>
<tr>
<td>Architectural/Engineering Fees</td>
<td>$457,165</td>
<td>$295,233</td>
<td>$752,397</td>
</tr>
<tr>
<td>Movable or Other Equipment</td>
<td>$420,467</td>
<td>$271,533</td>
<td>$692,000</td>
</tr>
<tr>
<td>Net Interest Expense During Const.</td>
<td>$292,261</td>
<td>$188,739</td>
<td>$481,000</td>
</tr>
<tr>
<td>Other Costs to be Capitalized</td>
<td>$769,170</td>
<td>$496,723</td>
<td>$1,265,893</td>
</tr>
<tr>
<td>Total</td>
<td>$11,208,527</td>
<td>$7,238,362</td>
<td>$18,446,889</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
</tr>
<tr>
<td>$12,189,943</td>
</tr>
<tr>
<td>$7,872,152</td>
</tr>
<tr>
<td>$20,062,095</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>$12,189,943</td>
</tr>
<tr>
<td>$7,872,152</td>
</tr>
<tr>
<td>$20,062,095</td>
</tr>
</tbody>
</table>

VI. Cost/Space Requirements

Table Three displays the project’s cost/space requirements for the skilled care portion of the proposed project. The clinical portion comprises approximately
61% of the GSF and 60.7% of the cost. The total clinical and non-clinical costs identified in Table Three coincide with the clinical and non-clinical new construction costs identified in Table Two (Pg. 4).

<table>
<thead>
<tr>
<th>Department/Area</th>
<th>Total Cost</th>
<th>Existing GSF</th>
<th>Proposed GSF</th>
<th>Amount of GSF That Is:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>New Const</td>
</tr>
<tr>
<td>CLINICAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursing</td>
<td>$8,312,086</td>
<td></td>
<td>45,411</td>
<td>45,411</td>
</tr>
<tr>
<td>Total Clinical</td>
<td>$8,312,086</td>
<td></td>
<td>45,411</td>
<td>45,411</td>
</tr>
<tr>
<td>NONCLINICAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office/Admin</td>
<td>$5,367,868</td>
<td></td>
<td>29,326</td>
<td>29,326</td>
</tr>
<tr>
<td>Total Nonclinical</td>
<td>$5,367,868</td>
<td></td>
<td>29,326</td>
<td>29,326</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$13,679,954</td>
<td></td>
<td>74,737</td>
<td>74,737</td>
</tr>
</tbody>
</table>

VII. Section 1110.230 - Background Project Purpose and Alternatives

A. Criterion 1110.230(a) - Background of Applicants

The Criterion states:

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

2) Examples of facilities owned or operated by an applicants include:

A) The applicants, Partnership ABC, owns 60% of the shares of Corporation XYZ, which manages the Good Care Nursing Home under a management agreement. The applicants, Partnership ABC, owns or operates Good Care Nursing Home.
B) The applicants, Healthy Hospital, a corporation, is a subsidiary of Universal Health, the parent corporation of Healthcenter Ambulatory Surgical Treatment Center (ASTC), its wholly-owned subsidiary. The applicants, Healthy Hospital, owns and operates Healthcenter ASTC.

C) Dr. Wellcare is the applicants. His wife is the director of a corporation that owns a hospital. The applicants, Dr. Wellcare, owns or operates the hospital.

D) Drs. Faith, Hope and Charity own 40%, 35% and 10%, respectively, of the shares of Healthfair, Inc., a corporation, that is the applicants. Dr. Charity owns 45% and Drs. Well and Care each own 25% of the shares of XYZ Nursing Home, Inc. The applicants, Healthfair, Inc., owns and operates XYZ Nursing Home, Inc.

3) The applicants shall submit the following information:
A) A listing of all health care facilities currently owned and/or operated by the applicants, including licensing, certification and accreditation identification numbers, as applicable;
B) A certified listing from the applicants of any adverse action taken against any facility owned and/or operated by the applicants during the three years prior to the filing of the application;
C) Authorization permitting HFPB and Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFPB.

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

The applicants provided a list of all health care facilities currently owned and/or operated by Revere Healthcare LTD, which is related to the
applicant by means of management contract. The applicants included licensing, certification and accreditation identification numbers, a certified listing from the applicant that no adverse action has been taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application, and authorization permitting the Agency and Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted.

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

The Criterion states:

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

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

   A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;

   B) The population's morbidity or mortality rates;

   C) The incidence of various diseases in the area;

   D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);

   E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).

2) The applicants shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).

3) The applicants shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicants shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.
4) For projects involving modernization, the applicants shall describe the conditions being upgraded. For facility projects, the applicants shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicants shall also include repair and maintenance records.

The applicants propose to address a need for skilled nursing services/rehabilitative services related to Traumatic Brain Injury (TBI), Spinal Cord Injury, Poly Traumatic Injuries (PTI), and Post Traumatic Stress Disorder (PTSD), in Winnebago County and the surrounding area. At the time of initial consideration (2007), the applicants identified a service need for 35 Chicago area veterans and approximately 3,000 injured veterans throughout the Midwest, who need rehabilitative service on both inpatient and outpatient levels. Although the proposed project is targeting veterans returning from the Afghanistan and Iraq wars, admission will be open to all young adults who meet the following:

- 18 Years or older.
- Medically stable, no longer requiring acute hospitalization.
- Can participate and benefit from services offered.
- Needs rehabilitation and nursing care to strive for independence.

The State Agency notes there are 18 facilities within the 30-minute drive time (adjusted) and 13 (72%) of these facilities have not achieved the State Board's target utilization of 90% (See Table 1).

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

The Criterion states:

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

1) Alternative options shall be addressed. Examples of alternative options include:
   A) Proposing a project of greater or lesser scope and cost;
   B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
   C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
   D) Other considerations.
2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.

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

The applicants considered the following alternatives:

1. **Do Nothing**

   The do nothing alternative is no longer an accepted alternative by the State Board. However, the applicants did address this alternative, and rejected it, based on the need for veterans of Iraq/Afghanistan wars, and Winnebago County residents to receive rehabilitative services for traumatic brain and spinal cord injuries.

2. **Purchase an Existing Facility**

   The applicants rejected this alternative, based on the fact that all of the licensed general long term care facilities in Rockford have been designed to serve the geriatric population. The applicants propose to serve the needs of returning veterans, who are in their upper 20s, requiring common areas and rooms designed for that age group. The applicants identified no costs with this alternative.

3. **Expand an Existing Facility**

   The applicants rejected this alternative because they do not own an existing facility. No costs were identified with this alternative.

4. **Purchase or Lease a Building to Convert**

   The applicants rejected this alternative, because there are currently no buildings in the Rockford area suitable for the proposed program. The applicants identified no costs with this alternative.

5. **Construct a Smaller Facility**

   The applicants rejected this alternative, based on need to serve an area in the most cost-efficient method possible. The applicants state a smaller facility (80 beds), would still require certain common areas and spaces
whose construction would then be spread over fewer rooms. **The applicants identified no costs with this alternative.**

6. **Construct a New Facility**

The applicants chose this option, based on the perceived need for rehabilitative/skilled nursing services geared toward returning war veterans and young adults in the area suffering from traumatic brain injuries and polytrauma. The size of the proposed facility (74,737 GSF) will greatly improve access to rehabilitative services, based on its proximity to 3 VA hospitals, and the Rockford medical community. **Costs identified with this alternative:** $20,062,095.

VIII. **Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space – Review Criteria**

A) **Size of Project**

The Criterion states:

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

1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;

2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;

3) The project involves the conversion of existing bed space that results in excess square footage.”

Table Three shows the project’s cost and space allocation. The State standard is 435-713 BGSF per bed. The applicants are proposing 623 GSF per bed for the project. Using the proposed spatial parameters, the project conforms to the State standard.

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

B. **Project Services Utilization**
The criterion states:

“This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFPB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100. The applicants shall document that, in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in Appendix B.”

The applicants contend that, in the second year of operation, the annual utilization of the skilled care service shall meet or exceed the utilization standards (90%), based on the unmet rehabilitative needs of veterans/general population, and estimations of 13 local physicians to refer approximately 54 patients per month to the proposed facility (application pgs. 87-88).

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

IX. Section 1110.1730 - General Long Term Care

The criterion states:

A) Criterion 1110.1730 (b) - Planning Area Need
The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100 (formula calculation)
   A) The number of beds to be established for general long term care is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.
   B) The number of beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.”

2) Service to Planning Area Residents

The criterion states:

“A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project
will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

B) Applicants proposing to add beds to an existing general long term care service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.

C) Applicants proposing to expand an existing general long term care service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).”

3) Service Demand – Establishment of General Long Term Care

The criterion states:

“The number of beds proposed to establish a new general long term care service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest two-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new long term care (LTC) facility, the applicant shall submit projected referrals. The applicant shall document subsection (b) (3) (A) and subsection (b) (3) (B) or (C).

A) Historical Referrals

If the applicant is an existing facility and is proposing to establish this category of service, the applicant shall document the number of referrals to other facilities, for each proposed category of service, for each of the latest two years. Documentation of the referrals shall include: patient origin by zip code; name and specialty of referring physician; name and location of the recipient LTC facility.

B) Projected Referrals

An applicant proposing to establish a category of service or establish a new LTC facility shall submit the following:

i) Hospital referral letters that attest to the number of patients (by zip code of residence) who have received care at existing facilities located in the area during the 12-month period prior to submission of the application;

ii) An estimated number of patients the hospital will refer annually to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the hospital's experienced LTC caseload;

iii) Each referral letter shall contain the Chief Executive Officer's notarized signature, the typed or printed name of the referral resources, and the referral resource's address; and

iv) Verification by the hospital that the patient referrals have not been used to support another pending or approved CON
application for the subject services.

C) Projected Service Demand – Based on Rapid Population Growth

If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area (as experienced annually within the latest 24-month period), the projected service demand shall be determined as follows:

i) The applicant shall define the facility's market area based upon historical patient origin data by zip code or census tract;

ii) Population projections shall be produced, using, as a base, the population census or estimate for the most recent year, for county, incorporated place, township or community area, by the U.S. Census Bureau or IDPH;

iii) Projections shall be for a maximum period of 10 years from the date the application is submitted;

iv) Historical data used to calculate projections shall be for a number of years no less than the number of years projected;

v) Projections shall contain documentation of population changes in terms of births, deaths and net migration for a period of time equal to or in excess of the projection horizon;

vi) Projections shall be for total population and specified age groups for the applicant's market area, as defined by HFPB, for each category of service in the application; and

vii) Documentation on projection methodology, data sources, assumptions and special adjustments shall be submitted to HFPB.”

5) Service Accessibility

The criterion states:

“The number of beds being established or added for each category of service is necessary to improve access for planning area residents.

A) Service Restrictions

The applicant shall document that at least one of the following factors exists in the planning area, as applicable:

i) The absence of the proposed service within the planning area;

ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;

iii) Restrictive admission policies of existing providers;

iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human
Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;
v) For purposes of this subsection (b)(5) only, all services within the 45-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

B) Supporting Documentation
The applicant shall provide the following documentation, as applicable, concerning existing restrictions to service access:
i) The location and utilization of other planning area service providers;
ii) Patient location information by zip code;
iii) Independent time-travel studies;
iv) A certification of a waiting list;
v) Scheduling or admission restrictions that exist in area providers;
vi) An assessment of area population characteristics that document that access problems exist;
vii) Most recently published IDPH Long Term Care Questionnaire.”

There is an excess of 6 long term care beds in the Winnebago County planning area. The State Agency notes 13 (72%) of the 18 skilled care facilities within a 30-minute travel radius (adjusted) do not meet the State standard of 90% utilization (See Table 1). The applicants maintain these data are taken from facilities geared to serve older adults, and Warrior’s Gateway is a campus specifically designed to serve individuals suffering from polytrauma, traumatic brain injury, and post traumatic stress disorder, specifically, the young veterans of the Iraq/Afghanistan wars.

The applicants note the physical location of the proposed facility, and its primary service area being Winnebago County. Although the proposed project will serve an area encompassing three VA hospitals, the applicants anticipate two-thirds of the patient base to originate in Winnebago County.

The applicants base the need for this facility on physician referral letters (application p. 128-140), which document 54 patient referrals annually to the proposed facility. The applicants provided data from the March 2008 inventory and April 2010 LTC Bed Need update. The State Agency utilized the most current (December2010) bed need update, which shows excesses of LTC beds in both Winnebago (6 beds) and Stephenson (1 bed) Counties.

The applicants state the proposed 120-bed skilled nursing service is necessary for improving access to licensed skilled nursing beds in
Winnebago County, that serve veterans and the general population with polytrauma and/or traumatic brain injury. The applicants note the excess of skilled care beds in the Winnebago County Planning Area, but contend that many of the 18 facilities in the planning area are programmed to serve a geriatric population, and lack the appropriate components to effectively treat the identified population. The applicants identified appropriately qualified staff, specific equipment, common areas designed to serve a younger population, and programs/modalities designed to reacquaint residents to an independent living/employment scenario as potential restrictions to the proposed category of service.

The applicants have provided evidence that 2/3rd of the residents will come from the planning area and there is sufficient demand to warrant the number of beds being requested. However, there is an excess of long term care beds in this planning area and the existing facilities within 30 minutes are operating at 79% which is below the State Board’s target occupancy of 90%. In addition there is no absence of service in the planning area and there has been no evidence provided that there is access limitation based upon payor status. Based upon the average current utilization, 295 long term care beds are available for use to accommodate the demand identified. The State Agency is unable to make a positive finding on this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE PLANNING AREA NEED CRITERION (77 IAC 1110.1730 (b)(1)).

B) Criterion 1110.1730 (e) - Unnecessary Duplication/Maldistribution

The criterion states:

“1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:
   A) A list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site;
   B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and
   C) The names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.

2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the
identified area (within the planning area) has an excess supply of facilities, beds and services characterized by such factors as, but not limited to:
A) A ratio of beds to population that exceeds one and one-half times the State average;
B) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the occupancy standard established pursuant to 77 Ill. Adm. Code 1100; or
C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above occupancy standards.

3) The applicant shall document that, within 24 months after project completion, the proposed project:
A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and
B) Will not lower, to a further extent, the utilization of other area facilities that are currently (during the latest 12-month period) operating below the occupancy standards.”

The applicants provided information as required of items e)1) and e)2) of the criterion. The applicants identified 21 skilled care facilities in a 30-minute travel radius of the proposed facility. The State Agency conducted a similar review, and based on the 30-minute drive radius, plus the normal travel time determinations outlined in IL IAC 1100.510, only 18 facilities appeared to exist within the 30 minute drive radius. According to the 2009 Long Term Care profile, 13 (72%), of these facilities are not operating in excess of the State Occupancy Target. This, and the fact that excess beds exist in Winnebago County, creates the potential for the unnecessary duplication of services to exist.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION/MALDISTRIBUTION CRITERION (77 IAC 1110.1730 (e)).

C) Criterion 1110.1730(f) - Impact of Project on Other Area Providers

The criterion states:
“The applicant shall document that, within 24 months after project completion, the proposed project:”
A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

B) Will not lower, to a further extent, the utilization of other area facilities that are currently (during the latest 12-month period) operating below the occupancy standards.

The applicants state the providers in the service area will not be negatively impacted because one-third of the projected patient population will be from outside the planning area. The remaining two-thirds of the projected patient population will be patients with clinical needs that require specialized care, rehabilitation, and vocational training that is currently unavailable at the existing facilities in the service area. The applicants note the majority of beds in the service area are designed to serve a geriatric population, and the proposed facility plans to serve a younger, more clinically complex population with special programmatic needs. However there are existing facilities in the planning area that have excess capacity that can accommodate the patients identified by this project in need of care. The State Agency is unable to make a positive finding regarding this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE IMPACT OF PROJECT ON OTHER AREA PROVIDERS (77 IAC 1110.1730 (f)).

D) Criterion 1110.1730 (g) – Staffing Availability

The criterion states:

“The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.”

The applicants provided a staffing plan and recruitment strategy for the proposed facility (application, p. 211). The applicants also provided a manpower study demonstrating the Winnebago County Planning Area contains a feasible source of labor for a skilled care facility.
THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SERVICE TO THE STAFFING AVAILABILITY CRITERION (77 IAC 1110.1730 (g)).

E) Criterion 1110.1730 (h) - Performance Requirements - Facility Size

The criterion states:

"The maximum size of a general long term care facility is 250 beds, unless the applicant documents that a larger facility would provide personalization of patient care and documents provision of quality care based on the experience of the applicant and compliance with IDPH's licensure standards (77 Ill. Adm. Code: Chapter I, Subchapter c – Long-Term Care Facilities) over a two-year period of time."

The applicants are proposing to establish a category of service and a skilled care facility with 120 beds, which is below the maximum size of 250 beds.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SERVICE TO THE FACILITY SIZE CRITERION (77 IAC 1110.1730 (h)).

F) Criterion 1110.1730 (i) - Community Related Functions

The criterion states:

"The applicant shall document cooperation with and the receipt of the endorsement of community groups in the town or municipality where the facility is or is proposed to be located, such as, but not limited to, social, economic or governmental organizations or other concerned parties or groups. Documentation shall consist of copies of all letters of support from such organizations."

The applicants provided 99 letters of support from community organizations, legislators, clinicians and citizens (See app. 215-320).

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SERVICE TO THE COMMUNITY RELATED FUNCTIONS CRITERION (77 IAC 1110.1730 (i)).

G) Criterion 1110.1730 (h) - Zoning

The criterion states:
“The applicant shall document one of the following:
1) The property to be utilized has been zoned for the type of facility to be developed;
2) Zoning approval has been received; or
3) A variance in zoning for the project is to be sought.”

The applicants provided a letter dated May 14, 2010 from the City of Rockford stating the property located at 254 Elm Street, Rockford, is zoned appropriately for the proposed project (Application pgs. 322-325).

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ZONING CRITERION (77 IAC 1110.1730 (j)).

H) Criterion 1110.1730 (k) - Assurances

The criterion states:

“1) The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.
2) For beds that have been approved based upon representations for continuum of care (subsection (c)) or defined population (subsection (d)), the facility shall provide assurance that it will maintain admissions limitations as specified in those subsections for the life of the facility. To eliminate or modify the admissions limitations, prior approval of HFPB will be required.

The applicants provided certification as required of the criterion on page 327 of the application.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES CRITERION (77 IAC 1110.1730 (k)(1)).

X. 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable:
a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:

1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and

2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;

b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience. Provide a list of confirmed pledges from major donors (over $100,000);

c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;

d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:

1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;

2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;

3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;

4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;

f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;

g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.

The total estimated project cost is $20,062,095 and the applicants will fund the entirety of the project through a Housing and Urban Development (HUD) insured tax free bond. The applicants also provided a letter from Chuck Freeburg, from William S. Blair & Company (application p. 336), agreeing to be the underwriter for the bond issues associated with this project.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120)

XI. 1120.130 - Financial Viability

a) Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:

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

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

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

   HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.
3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

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

1) Balance sheet;
2) Revenues and expenses statement;
3) Changes in fund balance; and
4) Changes in financial position.

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

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

The review criterion specifies that certain ratios be met as an indication of financial viability for applicants that do not have a bond rating of “A” or better. The applicants are Partners for Caring Development, Inc., Transitional Living Service, Inc., and Revere Healthcare, Ltd.. The owner
of the site and operator / licensee is Partners for Caring Development, Inc. Table Four provides financial ratio information for the applicants.

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<td>Partners For Caring Development, Inc.</td>
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<td>Current Ratio</td>
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<td>Net Margin Percentage</td>
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<td>Percent Debt to Total Capitalization</td>
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<td>Projected Debt Service Coverage</td>
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<td>Days Cash on Hand</td>
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<td>Cushion Ratio</td>
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<th>Revere Healthcare, LTD</th>
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<td>Ratio</td>
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Though an explanation was not provided, and incorporation papers indicate a corporation date of 2009, the State Agency assumes that Partners for Caring Development, Inc. is a new corporation established for the purposes of this project and therefore does not have historical ratios. As demonstrated, the data for cushion ratio and percent debt to total capitalization are out of compliance with the State Standard for this applicant. The financial data for Revere Healthcare, Ltd. contains inadequate ratios for Days Cash on Hand and The Cushion Ratio, and it appears that Transitional Living Services is not below the 80th percentile for Percent Debt to Total Capitalization, and not above the State standard for the Cushion Ratio.

The State Agency notes independent auditor’s reports were provided. However, no documentation was provided to demonstrate that the applicants have an “A” bond rating, and the applicants have not documented that another organization will assume the legal responsibility
to meet the debt obligations should the applicants default. As a result of the listed deficiencies, the applicants do not meet the requirements for this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO MEET THE REQUIREMENTS OF THE FINANCIAL VIABILITY CRITERION (77 IAC 1120.130)

XII. Review Criteria - Economic Feasibility

A. Criterion 1120.140(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;

   B) or borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60 day period. The applicant must submit a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to compliance with this requirement.

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

The total estimated project cost is $20,062,095 and the applicants will fund the project with a Housing and Urban Development (HUD) Insured Tax Free Bond for the entire amount of the loan. The applicants have attested that all cash and securities are being used prior to borrowing.
THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE REASONABLENESS OF FINANCING CRITERION (77 IAC 1120.140 (a))

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

This criterion states:

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

The total estimated project cost is $20,062,095 and the applicants will fund the entirety with a HUD insured tax free bond. A notarized statement was provided as per the criterion (application p. 340).

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1120.140 (b))

C. Criterion 1120.140(c) - Reasonableness of Project Cost

The criteria states:

“1) Construction and Modernization Costs

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

2) Contingencies
Contingencies (stated as a percentage of construction costs for the stage of architectural development) shall not exceed the standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. Contingencies shall be for construction or modernization only and shall be included in the cost per square foot calculation.
BOARD NOTE: If, subsequent to permit issuance, contingencies are proposed to be used for other line item costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by the State Board prior to such use.

3) Architectural Fees
Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

4) Major Medical and Movable Equipment
A) For each piece of major medical equipment, the applicants must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.
B) Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

5) Other Project and Related Costs
The applicants must document that any preplanning, acquisition, site survey and preparation costs, net interest expense and other estimated costs do not exceed industry norms based upon a comparison with similar projects that have been reviewed.”

The following costs pertain to the clinical portion of the proposed project:
Preplanning Costs – This cost is $465,400, or 4.9% of construction, contingencies and equipment. This appears high when compared to the State Standard of 1.8%.

New Construction and Contingencies – This cost is $8,986,926, or $197.90 per GSF. This appears reasonable compared to the adjusted State standard of $198.38 per GSF.

Contingencies – The amount of contingency cost allocated to the new construction component is $674,840, or 8.1% of construction costs. This appears reasonable when compared to the State standard of 10%.

Architectural and Engineering Fees - This cost is $457,165, or 5.0% of new construction and contingencies. This appears reasonable compared to the State standard of 5.76%-8.66%.

Movable or Other Equipment - This cost is $420,467. The State Board does not have a standard for this cost.

Net Interest Expense During Construction - This cost is $292,261. The State Board does not have a standard for this cost.

Other Costs To Be Capitalized - This cost is $769,170. The State Board does not have a standard for these costs.

It appears the applicants meet most criteria for reasonableness of project costs. However, the applicants were found to be over the compliance ratio for preplanning costs. Therefore, a positive finding cannot be made.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO MEET THE REQUIREMENTS OF REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140 (c))

D. Criterion 1120.140(d) - Projected Operating Costs

The criterion states:

“The applicants 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 cost means the fully allocated costs of salaries, benefits, and supplies for the service.”
The applicants state this cost will be $214.41 per patient day. The State Board does not have a standard for this cost.

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

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

The criterion states:

“"The applicants must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full 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 state this cost will be $51.31 per patient day. The State Board does not have a standard for this cost.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS REVIEW CRITERION (77 IAC 1120.140 (e)).