<table>
<thead>
<tr>
<th>DOCKET NO:</th>
<th>BOARD MEETING:</th>
<th>PROJECT NO:</th>
<th>PROJECT COST:</th>
</tr>
</thead>
<tbody>
<tr>
<td>A - 8</td>
<td>May 3-4, 2005</td>
<td>05-001</td>
<td>Original: $97,996,945</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Current:</td>
</tr>
<tr>
<td>FACILITY NAME:</td>
<td>CITY:</td>
<td></td>
<td>HSA: VIII</td>
</tr>
<tr>
<td>Provena St. Joseph’s Hospital</td>
<td>Elgin</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TYPE OF PROJECT:** Substantive

**PROJECT DESCRIPTION:** The applicants propose constructing a new four-story addition to the hospital with a basement to accommodate 102 private medical surgical beds, a cardiac testing area, a gift shop, administrative office space, as well as a lobby and entrance to the hospital. In addition, the applicants will add two beds to their ICU and three beds to their Rehabilitation categories of service. The applicants also propose to discontinue the 10-bed pediatric category of service and decrease the number of med/surg beds by 45.

The State Agency notes the applicants base the proposed modernization of this facility on population growth projections for the next five years. This information can be found at pages 69–169 of the application. Under current State Board rules, the State Agency is unable to accept projected utilization data for modernization and addition of beds. The State Agency can accept projected utilization data when addressing the variance to bed need criterion (77 IAC 1110.530(b) and 1110.630(b)). The applicants addressed the variance for the proposed increase in ICU and Rehabilitation beds. The State Agency, however, was unable to make a positive finding for these criteria.
STATE AGENCY REPORT

Provena Health,
Provena Hospitals and
Provena St. Joseph Hospital
Elgin, Illinois
Project #05-001

I. The Proposed Project

The applicants propose constructing a new four-story addition to the hospital with a basement to accommodate 102 private medical surgical beds, a cardiac testing area, a gift shop, administrative office space, as well as a lobby and entrance to the hospital. In addition, the applicants will add two beds to their ICU and three beds to their Rehabilitation categories of service. The applicants also propose to discontinue the 10-bed pediatric category of service and decrease the number of med/surg beds by 45.

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 Provena Health, Provena Hospitals and Provena Saint Joseph Hospital-Elgin (“PSJH-E”). The hospital is located in Elgin (Kane County) in HSA VIII. The hospital is in the A-11 acute care, the 8-A-11 acute mental illness (“AMI”) and the HSA VIII rehabilitation service planning areas. There is one other hospital in A-11 (Sherman Hospital). There are four hospitals within 45 minutes travel time of the applicants’ facility (see Table One).

The Illinois Department of Public Health’s (“IDPH”) Inventory of Health Care Facilities, Services and Need Determinations (dated April 15, 2005) indicates a computed excess of 279 med/surg-pediatric, 11 ICU and 13 rehabilitation beds in A-11. The Inventory indicates a computed need for 27 additional obstetric (“OB”) beds in A-11. Further, the Inventory indicates a computed need of six additional AMI beds for the 8-A-11 planning area.
The State Board’s target utilization for the med/surg service is: 80% for hospitals with 1-100 med/surg beds; 85% for hospitals with 101-199 med/surg beds and 90% for hospitals with 200 or more med/surg beds. The target utilization rate for the ICU service is 60% regardless of the number of ICU beds in the facility. Finally, the target utilization rate for the rehab beds is 85% and 75% for OB beds for a bed compliment of 11-25 beds.

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Location (County)</th>
<th>HPA</th>
<th>Miles from Applicants’ Facility</th>
<th>Travel Time from Applicants’ Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sherman Hospital</td>
<td>Elgin (Kane)</td>
<td>A-11</td>
<td>4</td>
<td>12 minutes</td>
</tr>
<tr>
<td>Delnor Community Hospital</td>
<td>Geneva (Kane)</td>
<td>A-12</td>
<td>11</td>
<td>17 minutes</td>
</tr>
<tr>
<td>Provena Mercy Center</td>
<td>Aurora (Kane)</td>
<td>A-12</td>
<td>20</td>
<td>35 minutes</td>
</tr>
<tr>
<td>Rush Copley Memorial Hospital</td>
<td>Aurora (Kane)</td>
<td>A-12</td>
<td>28</td>
<td>57 minutes</td>
</tr>
</tbody>
</table>

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

Project obligation will occur after permit issuance. The anticipated project completion date is April 30, 2010.

A public hearing was held on this project on April 5, 2005. There were 69 individuals in attendance at the public hearing. Of the individuals in attendance, 52 supported the project. No one testified in opposition to the project. A letter from Sherman Hospital was received by the State Agency questioning the assumptions made in the application for permit. Sherman Hospital is not opposing the project, however.

IV. **The Proposed Project – Details**

The applicants propose constructing a new four-story addition to the hospital with a basement to accommodate 102 private medical surgical beds, a cardiac testing area, a gift shop, administrative office space, as well as a lobby and entrance to the hospital. In addition, the applicants will add two beds to their ICU and three beds to their Rehabilitation categories of service. The applicants also propose to discontinue the 10-bed pediatric category of service and decrease the number of med/surg beds by 45.

Table Two outlines the average length of stay (“ALOS”), average daily census (“ADC”) and utilization for PSJH-E from April 1, 2003 to March 31, 2004. This information was provided by the applicants.
Table Two
Facility Bed Capacity

<table>
<thead>
<tr>
<th>Service</th>
<th>Current Beds</th>
<th>Proposed Beds</th>
<th>Admissions</th>
<th>Patient Days</th>
<th>ALOS</th>
<th>ADC</th>
<th>Utilization</th>
<th>Utilization *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Med/Surg</td>
<td>147</td>
<td>102</td>
<td>4,498</td>
<td>22,106</td>
<td>4.9</td>
<td>60.6</td>
<td>41.2%</td>
<td>59.4%</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>10</td>
<td>0</td>
<td>172</td>
<td>364</td>
<td>2.1</td>
<td>1.0</td>
<td>10.0%</td>
<td>0.00%</td>
</tr>
<tr>
<td>OB</td>
<td>20</td>
<td>20</td>
<td>1,056</td>
<td>2,006</td>
<td>2.0</td>
<td>5.5</td>
<td>27.5%</td>
<td>27.5%</td>
</tr>
<tr>
<td>ICU</td>
<td>13</td>
<td>15</td>
<td>354</td>
<td>2,035</td>
<td>5.8</td>
<td>5.6</td>
<td>42.9%</td>
<td>37.3%</td>
</tr>
<tr>
<td>AMI</td>
<td>30</td>
<td>30</td>
<td>1,531</td>
<td>7,165</td>
<td>4.7</td>
<td>19.6</td>
<td>65.4%</td>
<td>65.4%</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>31</td>
<td>34</td>
<td>704</td>
<td>8,634</td>
<td>12.3</td>
<td>23.7</td>
<td>76.3%</td>
<td>69.7%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>251</strong></td>
<td><strong>201</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Utilization based on proposed beds.

Table Three shows the utilization for all hospitals within A-11 and Kane County for calendar years (“CY”) 2000-2003.

Table Three
Utilization of Facilities within A-11 and Kane County

<table>
<thead>
<tr>
<th>Provena Saint Joseph Hospital - Elgin</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical/Surgical</td>
<td>35.80%</td>
<td>36.90%</td>
<td>38.10%</td>
<td>37.10%</td>
<td>36.98%</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>26.20%</td>
<td>12.80%</td>
<td>9.10%</td>
<td>10.10%</td>
<td>14.55%</td>
</tr>
<tr>
<td>OB</td>
<td>33.20%</td>
<td>33.80%</td>
<td>32.20%</td>
<td>30.20%</td>
<td>32.35%</td>
</tr>
<tr>
<td>ICU</td>
<td>70.60%</td>
<td>73.00%</td>
<td>42.80%</td>
<td>47.20%</td>
<td>58.40%</td>
</tr>
<tr>
<td>AMI</td>
<td>12.00%</td>
<td>51.60%</td>
<td>58.30%</td>
<td>69.20%</td>
<td>47.78%</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>82.50%</td>
<td>86.20%</td>
<td>72.00%</td>
<td>93.60%</td>
<td>83.58%</td>
</tr>
<tr>
<td>LTC</td>
<td>74.50%</td>
<td>78.40%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>38.23%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Delnor Community Hospital - Geneva</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical/Surgical</td>
<td>60.60%</td>
<td>62.60%</td>
<td>69.50%</td>
<td>71.20%</td>
<td>65.98%</td>
</tr>
<tr>
<td>OB</td>
<td>9.90%</td>
<td>55.00%</td>
<td>60.80%</td>
<td>59.10%</td>
<td>46.20%</td>
</tr>
<tr>
<td>ICU</td>
<td>51.70%</td>
<td>51.70%</td>
<td>67.10%</td>
<td>63.70%</td>
<td>58.55%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Provena Mercy Hospital - Aurora</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical/Surgical</td>
<td>46.50%</td>
<td>62.60%</td>
<td>34.40%</td>
<td>53.50%</td>
<td>49.25%</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>5.90%</td>
<td>0.00%</td>
<td>36.00%</td>
<td>10.00%</td>
<td>12.98%</td>
</tr>
<tr>
<td>OB</td>
<td>46.50%</td>
<td>55.00%</td>
<td>68.50%</td>
<td>55.40%</td>
<td>56.35%</td>
</tr>
<tr>
<td>ICU</td>
<td>39.10%</td>
<td>51.70%</td>
<td>86.60%</td>
<td>31.00%</td>
<td>52.10%</td>
</tr>
<tr>
<td>AMI</td>
<td>28.80%</td>
<td>0.00%</td>
<td>26.30%</td>
<td>25.30%</td>
<td>20.10%</td>
</tr>
</tbody>
</table>
Table Four outlines the payor mix for PSJH-E for the period CY 2000 - 2003. The State Agency notes that the payor mix provided at page 44 of the application is not consistent with information provided to the State Agency in the Annual Hospital Questionnaires for CY 2000-2003. The payor mix information provided in the application is based upon discharge data. Information provided by the applicants for the IDPH annual questionnaire is based upon admission data. The hospital charity care policy is outlined at pages 45-49 of the application.

Table Four
Payor Mix

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>3,157</td>
<td>3,338</td>
<td>3,272</td>
<td>3,295</td>
<td>41.85%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>1,601</td>
<td>1,544</td>
<td>1,344</td>
<td>1,381</td>
<td>17.54%</td>
</tr>
<tr>
<td>Other Public</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>0.03%</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,435</td>
<td>3,153</td>
<td>2,888</td>
<td>3,034</td>
<td>38.54%</td>
</tr>
<tr>
<td>Private Pay</td>
<td>204</td>
<td>250</td>
<td>215</td>
<td>70</td>
<td>2.06%</td>
</tr>
<tr>
<td>Charity Care</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>93</td>
<td>1.18%</td>
</tr>
<tr>
<td>Total</td>
<td>8,397</td>
<td>8,285</td>
<td>7,727</td>
<td>7,873</td>
<td>11.52%</td>
</tr>
</tbody>
</table>

The State Agency did not collect charity care information until CY 2002. Information obtained from the IDPH Annual Questionnaire

V. Project Costs and Sources of Funds

The total project cost is $97,996,945. The applicants will fund the project with cash and securities ($47,728,077) a bond issue ($47,728,076) and a lease with a fair market value (“FMV”) of $2,540,792. Table Five displays cost and sources of funds information.
Table Five

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 Costs</td>
<td>$365,700</td>
<td>$243,800</td>
<td>$609,500</td>
</tr>
<tr>
<td>Site Survey and Soil Investigation</td>
<td>$30,000</td>
<td>$20,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$1,129,895</td>
<td>$753,263</td>
<td>$1,883,158</td>
</tr>
<tr>
<td>New Construction Contracts</td>
<td>$28,152,282</td>
<td>$19,156,865</td>
<td>$47,309,147</td>
</tr>
<tr>
<td>Modernization Contracts</td>
<td>$14,381,032</td>
<td>$5,525,491</td>
<td>$19,906,523</td>
</tr>
<tr>
<td>Contingencies</td>
<td>$3,802,450</td>
<td>$2,534,967</td>
<td>$6,337,417</td>
</tr>
<tr>
<td>A &amp; E Fees</td>
<td>$2,811,524</td>
<td>$1,874,349</td>
<td>$4,685,873</td>
</tr>
<tr>
<td>Consulting and Other Fees</td>
<td>$1,772,176</td>
<td>$1,181,451</td>
<td>$2,953,627</td>
</tr>
<tr>
<td>Movable or Other Equipment</td>
<td>$7,882,010</td>
<td>$2,713,898</td>
<td>$10,595,908</td>
</tr>
<tr>
<td>Bond Issuance Expense</td>
<td>$675,000</td>
<td>$450,000</td>
<td>$1,125,000</td>
</tr>
<tr>
<td>FMV of Leased Space</td>
<td>$0</td>
<td>$2,540,792</td>
<td>$2,540,792</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$61,002,069</td>
<td>$36,994,876</td>
<td>$97,996,945</td>
</tr>
</tbody>
</table>

Source 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>Cash and Securities</td>
<td>$30,501,035</td>
<td>$17,227,042</td>
<td>$47,728,077</td>
</tr>
<tr>
<td>Bond Issues</td>
<td>$30,501,034</td>
<td>$17,227,042</td>
<td>$47,728,076</td>
</tr>
<tr>
<td>Leases</td>
<td>$0</td>
<td>$2,540,792</td>
<td>$2,540,792</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$61,002,069</td>
<td>$36,994,876</td>
<td>$97,996,945</td>
</tr>
</tbody>
</table>

VI. Cost/Space Requirements

Table Six displays the project’s cost space requirements for the clinical portion of the project.

Table Six

Cost Space Requirements

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Present</th>
<th>Proposed</th>
<th>New</th>
<th>Renovated</th>
<th>As Is</th>
<th>Vacated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnostic Radiology</td>
<td>$4,451,949</td>
<td>18,585</td>
<td>25,571</td>
<td>9,156</td>
<td>7,220</td>
<td>9,195</td>
<td>1,845</td>
</tr>
<tr>
<td>Cardiac Testing</td>
<td>$2,535,542</td>
<td>7,318</td>
<td>7,318</td>
<td>0</td>
<td>0</td>
<td>1,140</td>
<td></td>
</tr>
<tr>
<td>Cardiac Cath</td>
<td>$946,543</td>
<td>3,798</td>
<td>3,798</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,520</td>
</tr>
<tr>
<td>Surgery</td>
<td>$4,788,530</td>
<td>24,937</td>
<td>7,140</td>
<td>9,872</td>
<td>7,925</td>
<td>3,798</td>
<td></td>
</tr>
<tr>
<td>ICU</td>
<td>$2,274,493</td>
<td>9,100</td>
<td>15,711</td>
<td>0</td>
<td>8,947</td>
<td>6,764</td>
<td>4,500</td>
</tr>
<tr>
<td>Medical Surgical</td>
<td>$21,708,059</td>
<td>66,828</td>
<td>66,828</td>
<td>0</td>
<td>0</td>
<td>42,533</td>
<td></td>
</tr>
<tr>
<td>Recovery</td>
<td>$2,364,357</td>
<td>3,920</td>
<td>3,920</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Labor Delivery- Recovery</td>
<td>$1,370,721</td>
<td>7,250</td>
<td>5,900</td>
<td>0</td>
<td>5,500</td>
<td>400</td>
<td>3,000</td>
</tr>
<tr>
<td>New Born Nursery</td>
<td>$636,073</td>
<td>3,170</td>
<td>3,170</td>
<td>0</td>
<td>0</td>
<td>1,650</td>
<td></td>
</tr>
<tr>
<td>OB Beds</td>
<td>$1,399,970</td>
<td>12,541</td>
<td>12,541</td>
<td>0</td>
<td>8,606</td>
<td>3,935</td>
<td>5,037</td>
</tr>
<tr>
<td>Physical Occupational</td>
<td>$1,183,969</td>
<td>5,346</td>
<td>5,346</td>
<td>0</td>
<td>0</td>
<td>3,086</td>
<td></td>
</tr>
<tr>
<td>Rehab Beds</td>
<td>$2,063,195</td>
<td>15,711</td>
<td>15,711</td>
<td>0</td>
<td>15,711</td>
<td>0</td>
<td>12,625</td>
</tr>
<tr>
<td>Women's Center</td>
<td>$612,363</td>
<td>3,000</td>
<td>3,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pre-Admission Testing</td>
<td>$0</td>
<td>2,865</td>
<td>2,865</td>
<td>0</td>
<td>0</td>
<td>2,865</td>
<td>0</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$46,335,764</td>
<td>201,184</td>
<td>201,184</td>
<td>94,362</td>
<td>75,738</td>
<td>31,084</td>
<td>80,734</td>
</tr>
</tbody>
</table>
The State Agency notes it was unable to reach assurance on the GSF provided by the applicants for the clinical portion of the project, with the difference being 23,412 GSF. In correspondence dated April 14, 2005, the applicants stated “The square footage on the two charts shown as Attachment INFO-7 when added together do account for all of the square footage involved in this project and do not leave any space unoccupied. The confusion regarding the square footage figures stems from the fact that some space now classified as clinical space will be converted for use as non-clinical space when this project is completed. Therefore, both charts must be looked at in order to account for all of the existing space and the proposed new construction.”

It is still unclear from the information provided if the applicants have understated or overstated the clinical portion of the project. It was also unclear from the application if the applicants are utilizing all of the 80,734 GSF of vacated space.

VII. **Non Clinical**

The non-clinical portion of the project comprises 37.75% of the total cost of the project and 36.4% of the total GSF of the project. Our review of the non-clinical portions of the project indicates that all departments meet the definition of non-clinical as defined in the Act [20 ILCS 3960/3]. That definition states, “non-clinical service area means an area for the benefit of the patients, visitors, staff or employees of a health care facility and **not directly related** to the diagnosis, treatment, or rehabilitation of persons receiving treatment at the health care facility.”

VIII. **Discontinuation**

A. **Criterion 1110.130 - Discontinuation**

The applicant must provide the following:

1) the reasons for the discontinuation;
2) the anticipated or actual date of discontinuation or the date the last person was or will be discharged or treated, as applicable;
3) the availability of other services or facilities in the planning area that are available and willing to assume the applicant’s workload without conditions, limitations, or discrimination;
4) a closure plan indicating the process used to provide alternative services or facilities for the patients prior to or upon discontinuation; and
5) the anticipated use of the physical plant and equipment after discontinuation has occurred and the anticipated date of such use.

The applicants propose to discontinue the 10-bed pediatric category of service. The applicants stated that the reason for discontinuation is the service’s low
utilization for the past several years. The service averaged 14.6% utilization between CY 2000-2003. Thus, the service is not financially supportable. According to the applicants, care for pediatric aged patients will continue to be provided in the medical surgical units. The existing space will be remodeled to house other hospital services. No explanation by the applicants was given on what those services would be. The unit will be discontinued upon the completion of the proposed bed tower.

It does not appear that closure of the pediatric unit will have an adverse impact upon services provided within the planning area. There are other facilities within the planning area and Kane County that can assume the workload currently being provided by the applicants. The State Agency notes that Sherman Hospital, located in Elgin, has capacity to assume the additional workload as indicated by their historical utilization. However, there was no indication by the applicants what facilities would assume their workload. From historical utilization data reviewed by the State Agency for CY 2000-2003, it appears there is sufficient capacity within the planning area to accommodate the applicants’ workload.

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

IX. Establishment of Additional Beds or Substantial Change in Bed Capacity

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

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

These criteria are not applicable to this project.

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

1) The applicant must document that the addition of beds is necessary. Documentation shall consist of evidence that:
   A) existing inpatient bed services over the latest 12-month period have averaged at or above the target occupancy; or
   B) when occupancy levels over that period fall below the target occupancy, the services affected cannot be converted to provide the needed bed space due to architectural or programmatic considerations.

2) An applicant proposing to add beds while operating an acute care service (for purposes of this subsection, acute care services means: M-S, OB, Pediatrics, ICU, Acute Mental Illness, and Burn services) must document the appropriateness of the length of stay in existing services. Documentation shall consist of a comparison of patient length of stay with
other providers within the planning area. An applicant whose existing services have a length of stay longer than that of other area providers must document that the severity or type of illness treated at the applicant facility is greater.

The applicants must document for the latest 12 months for which data is available that existing inpatient bed service has averaged at or above the target occupancy. For both the ICU and rehabilitation services, which the applicants propose to increase beds, the average 12-month utilization is below the target occupancy as required by this criterion. For the ICU service, the target utilization is 60%. The applicants operated this service at 42.9%. For the rehabilitation service, the target utilization is 85%. The applicants operated this service at 76.3% (see Table Two). The applicants cannot justify the addition of beds for these two services.

The applicants are required to provide average length of stay comparisons of patient length of stay with other providers within the planning area. The applicants provided a narrative (page 199 of the application), which indicates the average length of stay is comparable with other providers. However, data supporting this statement was not provided. The State Agency is unable to make a positive finding based upon this statement

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

X. Modernization

A. Criterion 1110.420(a) - Modernization of Beds

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

1. Medical Surgical Beds

The applicants propose to decrease the number of med/surg beds from 147 to 102, which is a decrease of 45 beds. For this service, historical utilization for CY 2000-2003 averaged 37.0%. For the most recent 12 months for which data is available, the applicants’ utilization was 41.2%. The State Board’s target utilization for the modernization of med/surg beds is 85%. Based upon historical utilization, the applicants can justify 72 med/surg beds. The number of beds proposed exceeds the number
needed to support the facility’s utilization. The State Agency is unable to make a positive finding.

2. Intensive Care Beds

The applicants propose to increase ICU beds from 13 to 15, which is an increase of 2 beds. For this service, historical utilization for CY 2000 - 2003 averaged 58.4%. For the most recent 12 months for which data is available, utilization was 42.9%. There was no explanation given by the applicants for the low utilization for the most recent 12-month period. The State Board’s standard for the modernization of ICU beds is 60%. Based upon historical utilization, the applicants can justify nine ICU beds. The number of beds proposed exceeds the number needed to support the facility’s utilization. The State Agency is unable to make a positive finding.

3. Rehabilitation Beds

The applicants propose to increase the rehabilitation unit from 31 to 34 beds, which is an increase of three beds. Historical utilization for this service averaged 83.6% between CY 2000 - CY 2003. For the most recent 12 months for which data is available, utilization was 76.3%. The State Board’s target utilization for the modernization of rehabilitation beds is 85%. Based upon historical utilization, the applicants can justify 28 beds. The number of beds proposed exceeds the number needed to support the facility’s utilization. The State Agency is unable to make a positive finding.

4. Obstetric Beds

The applicants propose to modernize this unit. However, no increase or decrease in the number of beds is proposed. For this service, historical utilization for CY 2000-2003 averaged 32.4%. For the most recent 12 months for which data is available, utilization was 27.5%. The applicants’ historical utilization can justify eight OB beds. For hospitals with 11 – 25 OB beds, the State Board’s target utilization is 75%. The State Agency is unable to make a positive finding.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE ABOVE CRITERION.
B) Criterion 1110.420(b) – Modern Facility

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

1) The proposed project will result in the replacement of equipment or facilities which have deteriorated and need replacement. Documentation shall consist of, but is not limited to: historical utilization data, downtime or time spent out-of-service due to operational failures, upkeep and annual maintenance costs, and licensure or fire code deficiency citations involving the proposed project.

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

The applicants propose to modernize the following services:

1. **Medical Surgical Beds**

   The applicants will expand this department to allow for all private rooms. The applicants base this expansion on the increasing population in the service area, demand for private rooms by the public, HIPPA requirements, needs of the patient’s family and staffing shortages. The State Board’s target utilization for the modernization of med/surg beds is 85%. Over the past four years (2000-2003), the applicants averaged 37% utilization for its med/surg beds. For the most recent 12-month period for which data is available, the applicants experienced 41.2% utilization for this service. The applicants maintain they will achieve 85% utilization in the first full year after project completion. Achieving target utilization for the proposed number of beds would require the hospital to increase its med/surg utilization by over 40% (or approximately 10% per year) by the year 2010 (the first full year after project completion). Historical utilization does not justify the modernization of these beds (see pages 215-216 of the application - Attachment Mod - 3 for a detailed explanation).

2. **Intensive Care Beds**

   The applicants request to increase the number of ICU beds from 13 to 15. The space for this service will be expanded from 9,100 GSF to 15,711 GSF. The target occupancy for the modernization of ICU beds is 60%.
The average occupancy over the past four years for the ICU service is 58.4%. For the most recent 12-month period in which data is available, the applicants experienced 42.9% occupancy for this service. Based upon their historical utilization, the applicants cannot justify the proposed modernization (see page 217 of the application - Attachment Mod - 3 for a detailed explanation).

3. Rehabilitation Beds

The applicants propose to increase the number of rehabilitation beds from 31 to 34. This unit will be relocated from the 5th floor to the 4th floor of the hospital. The State Board’s target utilization for the modernization of rehabilitation beds is 85%. The applicants averaged 83.6% utilization for the period CY 2000-2003. For the most recent 12 months for which data is available, the applicants experienced a 76.3% utilization rate. The State Agency notes that for the latest 12 months, the applicants’ utilization is calculated upon a bed complement of 31. The applicants have not justified the modernization of this unit based upon historical utilization (see page 218 of the application - Attachment MOD - 3 for a complete discussion of the modernization of the rehabilitation unit).

4. Obstetric Beds

The applicants propose to modernize this unit. There is no proposed change in the bed complement, however. Average historical utilization does not support modernization of this unit. The applicants state that the units “lack of private rooms and the absence of the amenities commonly available at the newer facilities puts it at a competitive disadvantage.” The applicants’ historical utilization for CY 2000-2003 averaged 32.4%. For the most recent 12 months for which data is available, the applicants experienced 27.5% utilization. The applicants’ historical utilization can justify eight OB beds (see page 224 of the application - Attachment MOD - 3 for complete discussion.)

5. Cardiac Catheterization

The applicants’ two cardiac catheterization laboratories and the proposed electro-physiology service will be relocated from the first floor (adjacent to diagnostic radiology) to an area close to both the surgery and ICU departments. For the latest 12 months, 671 procedures were performed in the two cardiac catheterization laboratories. This exceeds the State Board’s minimum standard of 400 cardiac catheterization procedures per laboratory annually (see page 219 of the application - Attachment MOD -
6. **Diagnostic Radiology**

The department is being expanded from 18,585 GSF to 25,571 GSF. The latest 12 months’ workload for pieces of equipment identified below justifies the expansion. See Table Seven for historical workload and State Board standards. The applicants’ historical utilization justifies the number of units proposed (see pages 220-221 of the application - Attachment MOD - 3 for a complete discussion of the modernization of the diagnostic radiology unit).

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Existing Equipment</th>
<th>Proposed Equipment</th>
<th>Historical Workload</th>
<th>State Standard</th>
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<tr>
<td>CT Scan</td>
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<td>2</td>
<td>14,463</td>
<td>2,000 scans/equipment</td>
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<tr>
<td>General X Rays</td>
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<td>6</td>
<td>33,773</td>
<td>6,500 x-rays/equipment</td>
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<td>1</td>
<td>4,631</td>
<td>2,000 exams/equipment</td>
</tr>
<tr>
<td>MRI</td>
<td>1</td>
<td>1</td>
<td>4,051</td>
<td>2,000 exams/equipment</td>
</tr>
<tr>
<td>Mammography</td>
<td>3</td>
<td>3</td>
<td>4,631</td>
<td>2,000 exams/equipment</td>
</tr>
<tr>
<td>Gamma Cameras</td>
<td>2</td>
<td>3</td>
<td>6,461</td>
<td>2,000 exams/equipment</td>
</tr>
<tr>
<td>Ultrasound</td>
<td>3</td>
<td>5</td>
<td>8,700</td>
<td>2,000 exams/equipment</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>17</strong></td>
<td><strong>21</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. **Physical - Occupational Therapy**

This department is being relocated to an adjacent area of the hospital to allow for the increase in rehabilitation beds. The applicants’ historical workload of 45,713 treatments justifies the modernization of this department. The State Board’s standard is 7.5 treatments per GSF. The applicants’ historical utilization of 8.6 treatments per GSF justifies the modernization (see page 222 of the application - Attachment MOD-3 for a complete discussion of the modernization of the physical occupational therapy unit).

8. **Cardiac Testing and Cardiac Rehabilitation**

This department is being located to the first floor of the hospital in new construction. According to the applicants, the new Open Heart Surgery Unit has caused the increase in EKG volume. The applicants state that EKG volume increased from 18,000 exams in 2001 and 2002 to more than 22,400 exams in last 12 months. The State Board does not have need criteria in which to measure the modernization being proposed (see page
9. **Labor/Delivery/Recovery**

This department is being downsized from 7,250 GSF to 5,900 GSF in conformance with State Board norms. The applicants state the existing unit is antiquated and lacks adequate space and contains many small rooms with only 1 LDR compliant with licensure standards. For the latest 12 months for which data is available, the applicants performed 928 procedures and deliveries. The State Board does not have need criteria to measure the proposed modernization (see page 225 of the application - Attachment MOD - 3 for complete discussion).

10. **Women’s Health Center**

This department will occupy existing space and be adjacent to the LDR and Obstetric Units. It will be utilized for prenatal and antenatal testing, perinatal clinics, neonatal clinics, as well as educational space, lactation counseling and a lactation room. The State Board does not have need criteria in which to measure the proposed modernization (see page 226 of the application - Attachment MOD - 3 for complete discussion).

11. **Newborn Nursery**

The department will be remodeled and relocated to meet licensure requirements for its proximity to the OB unit. Also, this unit is being expanded from 1,650/GSF to 3,170/GSF to allow for more open space and to accommodate family members. The State Board does not have need criteria in which to measure the proposed modernization (see page 227 of the application - Attachment MOD - 3 for complete discussion).

12. **Surgery**

This department is being expanded from 16,255 GSF to 24,937 GSF and the number of operating rooms (“ORs”) will increase from 11 to 12. The applicants’ historical workload justifies nine ORs (based upon the State Board standard of 1,500 hours of surgery per OR) not the 12 proposed (see page 228 of the application – Attachment MOD – 3 for complete discussion).
13. **Recovery**

The number of recovery stations will increase from 25 to 43. Based upon the ratio of four recovery stations per approved OR, the applicants can justify 36 recovery stations (4 x 9 ORs = 36 recovery rooms). The applicants cannot justify the extent of the proposed modernization (see page 229 of the application – Attachment MOD – 3 for complete discussion).

14. **Preadmission Testing**

This department will be on the first floor of the hospital and serve as a clearinghouse for all pre-admission testing. This department will be expanded into 1,140 GSF of vacated space. The State Board does not have need criteria to measure the proposed modernization (see page 230 of the application - Attachment MOD – 3 for a complete discussion).

**Conclusion:**

The applicants cannot justify the extent of the modernization of the med/surg, OB, ICU, and rehabilitation units as well as the surgery and recovery areas based upon the facility’s historical utilization. In addition, the applicants have not provided evidence of changes in industry standards, changes in the scope of services offered, licensure or fire code deficiency citations involving the proposed project. 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 WITH THE REVIEW CRITERION.

C. **Criterion 1110.420(c) - Major Medical Equipment**

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

This criterion is not applicable to this project.

THE STATE AGENCY FINDS THE ABOVE-REFERENCED CRITERION IS NOT APPLICABLE TO THIS PROJECT.

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

A. **Criterion 1110.520(a) - Unit Size**
The applicants propose 102 med/surg, 20 OB and 15 ICU beds. The hospital is located within a metropolitan statistical area ("MSA"). This criterion states that in an MSA, the minimum unit size is 20 beds for an OB service and 4 beds for an ICU service. The applicants have met the requirements of this criterion.

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

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

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

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

Because the Inventory does not indicate a need for the proposed number of beds for the project in A-11, the applicants have addressed the High Occupancy Variance for ICU beds. The applicants propose to add two ICU beds. As of April 15, 2005, the Inventory calculates an excess of 11 ICU beds in the planning area.

The applicants’ response to this criterion is contained in Attachment Acute-1 (page 233 of the application). The applicants’ rationale for the proposed project is based upon population growth in Elgin and surrounding areas. As stated, the
The applicants propose increasing the 13-bed ICU unit by two beds for a total of 15 beds. Based upon historical utilization provided to the State Agency, the applicants cannot justify the modernization of this unit.

The applicants provided population projections (pages 69-169 of the application) and project an average annual increase in population in their service area of 2.6% to 3.0%. In addition, the applicants provided data by zipcode for both the primary and secondary service areas. These projections are based upon Claritas Demographics 2003, updated based upon the US Census data. It appears this projection of the population growth is reasonable and attainable. Based on the information provided, the State Agency believes the applicants have met the requirements of the variance.

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

XII. Review Criteria Relating to Comprehensive Rehabilitation Services

A. Criterion 1110.630(a) - Facility Size

1) The minimum freestanding facility size for comprehensive physical rehabilitation is a minimum facility capacity of 100 beds.
2) The minimum hospital unit size for comprehensive physical rehabilitation is 15 beds.

The applicants propose a 34-bed rehabilitation unit at the facility. The applicants have met the requirements of this criterion.

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

B. Criterion 1110.630(b) - Access Variance to Bed Need

1) The applicant must document that access to the proposed service is restricted in the planning area as documented by:
   A) the absence of the service within the planning area;
   B) limitations on governmentally funded or charity patients;
   C) restrictive admission policies of existing providers; or
   D) the project will provide service for a portion of the population who must currently travel over 45 minutes to receive service.
2) The applicant must also document that the number of beds proposed will not exceed the number needed to meet the health care needs of the
population identified as having restricted access at the target occupancy rate.

There is a computed excess of 13 rehabilitation beds within the HSA VIII planning area; therefore, the applicants must address the variance. The applicants propose to add three beds to their 31-bed unit for a total of 34 beds. There are three additional facilities within this planning area (St. Therese Medical Center - Waukegan, Northern Illinois Medical Center - McHenry, and Rush Copley Medical Center – Aurora) that provide this service. Thus, there is no absence of the service within the planning area. As a result, the applicants have not met the requirements of subsection (1)(A) of the criterion. The State Agency notes that Project #04-089 proposes the discontinuation of Provena Saint Therese Medical Center. This discontinuation would result in that facility’s discontinuation of its rehabilitation category of service.

Further, the applicants did not document limitations on governmentally funded or charity patients nor restrictive admission policies of existing providers. Thus, the applicants do not meet the requirements of subsections (1)(B) or (1)(C) of this criterion. The applicants state that the project is being proposed to provide service for a portion of the population who must currently travel over 45 minutes to receive services. According to the applicants, PSJH-E is the only rehabilitation program within Elgin and the northern half of Kane County. The State Agency concurs that other providers of the rehabilitation category of service within the planning area are more than 45 minutes drive time from the applicants’ facility. Thus, it appears the applicants meet the requirements of subsection (1)(D) of the criterion.

The final requirement of the criterion states that an applicant must document that the number of beds proposed will not exceed the number of beds needed to meet the health care needs of the population identified as having restricted access at the target occupancy rate. As stated, the State Agency concurs that other providers of the rehabilitation category of service are at least 45 minutes travel time from the applicants’ hospital. As previously referenced, however, there is a computed excess of 13 rehabilitation beds in the planning area. Further, the applicants’ historic utilization rate for this service for CYs 2000 – 2003 was 83.6%. For the most recent 12 months for which data is available, the applicants operated this service at 76.3% utilization. The State Board’s target utilization rate for this service is 85%. Also as referenced in this report under criteria 1110.420(a) and (b), the applicants cannot justify the modernization and expansion of this service. Since the applicants have not demonstrated that the current or expanded rehabilitation service will operate at the State Board’s target utilization, it cannot meet the requirements of subsection (2) of this criterion. As a result, it appears the applicants cannot meet the requirements of the variance.
THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE ABOVE CRITERION.

C) Criterion 1110.630(c) Staffing Requirements

1) The applicant must document that personnel possessing proper credentials in the following categories are available to staff the service:
   A) Medical Director - Medical direction of the facility shall be vested in a physician who is a doctor of medicine licensed to practice in all of its branches and who has had three years of post-graduate specialty training in the medical management of inpatients requiring rehabilitation services.
   B) Rehabilitation Nursing - Supervisors, for all nurses participating as part of the rehabilitation team, must be available on staff and shall have documented education in rehabilitation nursing and at least one year of rehabilitation nursing experience.
   C) Allied Health - The following allied health specialists must be available on staff:
      i) Physical Therapist - Graduate of a program in physical therapy approved by the American Physical Therapy Association.
      ii) Occupational Therapist - Registered by the American Occupational Therapy Association or graduate of an approved educational program, with the experience needed for registration. Educational programs are approved by the American Medical Association's council on Medical Education in collaboration with the American Occupational Therapy Association.
      iii) Social Worker
   D) Other Specialties - The following personnel must be available on staff or on a consulting basis:
      i) Speech Pathologist;
      ii) Psychologist;
      iii) Vocational Counselor or Specialist;
      iv) Dietician;
      v) Pharmacist;
      vi) Audiologist;
      vii) Prosthetist and Orthotist; and
      viii) Dentist.

2) Documentation shall consist of:
   A) letters of interest from potential employees;
   B) applications filed with the applicant for a position;
C) signed contracts with required staff; or
D) a narrative explanation of how other positions will be filled.

This is an ongoing program at the facility and staff is in place. According to the applicants, additional staff will be recruited through the normal recruitment process. The applicants have met the requirements of this criterion.

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

XIII. Cardiac Catheterizations

A) Criterion 1110.1330 (a) - Peer Review

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 facility has an ongoing peer review program. This program has been in place since the service was initiated.

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

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

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

These criteria are not applicable to this project.

THE STATE AGENCY FINDS THE ABOVE-REFERENCED CRITERIA ARE NOT APPLICABLE TO THIS PROJECT.

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

No proposed project for the modernization of existing equipment providing cardiac catheterization services will be approved unless the applicant documents that the minimum utilization standards (as outlined in 77 Ill. Adm. Code 1100.620) are met.
The applicants have two catheterization laboratories and will continue to operate the units upon completion of the project. In CY 2003, the applicants performed in excess of 480 catheterizations. For the latest 12 months, the applicants performed 671 catheterization procedures. The applicants are performing in excess of the 400 procedures per unit as required by the rule.

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

E) Criterion 1110.1330 (e) - Support Services
F) Criterion 1110.1330 (f) - Laboratory Location
G) Criterion 1110.1330 (g) - Staffing

These criteria are not applicable to this project.

THE STATE AGENCY FINDS THE ABOVE-REFERENCED CRITERIA ARE NOT APPLICABLE TO THIS PROJECT.

H) Criterion 1110.1330(h) - Continuity of Care

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 currently have an open-heart service in place at the hospital.

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

I) Criterion 1110.1330 (i) – Multi Institutional Variance

This criterion is not applicable to this project.

THE STATE AGENCY FINDS THE ABOVE-REFERENCED CRITERION IS NOT APPLICABLE TO THIS PROJECT.
XIV. General Review Criteria

A. Criterion 1110.230(a) – Location

The applicants are not establishing a new health care facility or category of service nor is it acquiring major medical equipment. Therefore, this criterion is not applicable.

THE STATE AGENCY FINDS THE ABOVE-REFERENCED CRITERION IS NOT APPLICABLE TO THIS PROJECT.

B. Criterion 1110.230(b) – Background

The applicants provided licensure and certification information as required (pps. 27-42 of the application). The applicants certified they have not had any adverse actions within the past three years. The applicants provided representations that the State Agency can access any and all information regarding the applicants to help determine whether any adverse actions have been taken against the applicants.

The State Agency notes, however, that the applicants no longer retain a tax-exempt status for their hospital in Urbana. In supplemental information provided for review, the applicants stated, “that the Illinois Department of Revenue refused to renew this property tax exemption, and the Department affirmed that recommendation in February 2004. Provena Health filed a formal request to the Illinois Department of Revenue for an administrative hearing as part of the appeals process in January 2005. A decision regarding this appeal will be made sometime later this year”.

A loss of tax-exempt status adversely affects the Urbana hospital’s financial condition and possibly the health system if the health system is forced to contribute funds to support the Urbana entity. Based upon documentation provided by the applicants, it appears the applicants are fit, willing and able and have the background and character to adequately provide a proper standard of health care service to the community.

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

C. Criterion 1110.230(c) - Alternatives

The applicants must document the proposed project is the most effective or least costly alternative.
The applicant considered the following options:

1. Do Nothing
2. Construct a New Replacement Hospital
3. Build a smaller addition to the facility
4. Modernize the existing hospital without additional space

The do nothing alternative was rejected according to the applicants for the following reasons:

1. age of the current facility
2. lack of sufficient space to accommodate the number of rooms needed to serve the projected workload
3. licensure and certification requirements that require more space and electrical and mechanical systems upgrades
4. high degree of computerization now required for patient care areas
5. need to provide larger rooms and larger storage space.

The second alternative was rejected because it was not reasonable nor the most cost effective alternative given the amount of space needing to be constructed and the fact that many sections of the existing building have many years of useful life. The third alternative was rejected because it did not meet the needs of the service area and growing population. The fourth alternative was rejected because the existing building is too small to accommodate the standard of care being demanded by the service area.

The alternative of constructing a new patient tower was selected because it allows the hospital to meet today’s standard of care and allows the departments to expand without complete relocation. According to the applicants, the building of a new bed tower will increase the productivity of staff, improve patient access, and provide for the future needs of the community.

The applicants are unable to justify the modernization proposed based upon historical utilization. Therefore, it appears the better alternative would be to add a smaller addition to the facility.

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

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

The applicants must document the need for the project.
The applicants have not justified the extent of the modernization proposed as documented above. Therefore, a positive finding cannot be made.

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

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

The applicants must document that the size of a proposed project is appropriate and utilization will meet or exceed the State Agency norm by the second year of operation.

1. Size

The applicants exceed the size standard for med/surg, ICU, and Pediatric Beds. Also, the proposed size of the Cardiac Catheterization laboratory is too large. The applicant provided reasons for these differences (pps. 54-57 of the application). Table Eight displays this information.

<table>
<thead>
<tr>
<th>Medical/Surgical</th>
<th>Total GSF</th>
<th>State Standard</th>
<th>Proposed Size</th>
<th>Difference</th>
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<tbody>
<tr>
<td></td>
<td>66,828</td>
<td>401 GSF/Bed</td>
<td>655 GSF/Bed</td>
<td></td>
</tr>
<tr>
<td>Intensive Care</td>
<td>15,711</td>
<td>603 GSF/Bed</td>
<td>1,047 GSF/Bed</td>
<td>444 GSF/Bed</td>
</tr>
<tr>
<td>Obstetric Beds</td>
<td>12,541</td>
<td>476 GSF/Bed</td>
<td>627 GSF/Bed</td>
<td>151 GSF/Bed</td>
</tr>
<tr>
<td>New Born Nursery</td>
<td>3,170</td>
<td>152 GSF/Bed</td>
<td>151 GSF/Bed</td>
<td>7 GSF/Bed</td>
</tr>
<tr>
<td>Rehabilitation Beds</td>
<td>15,711</td>
<td>588 GSF/Bed</td>
<td>462 GSF/Bed</td>
<td>(125 GSF/Bed)</td>
</tr>
<tr>
<td>Cardiac Cath.</td>
<td>3,798</td>
<td>1,596 GSF/lab</td>
<td>1,266 GSF/lab</td>
<td>(330 GSF/Bed)</td>
</tr>
<tr>
<td>Diagnostic Radiology</td>
<td>25,571</td>
<td>1,386 GSF/room</td>
<td>1,217 GSF/room</td>
<td>(185 GSF/Room)</td>
</tr>
<tr>
<td>LDR*</td>
<td>5,900</td>
<td>4.6 GSF/procedure</td>
<td>4.5 GSF/procedure</td>
<td>(130 GSF)</td>
</tr>
<tr>
<td>Physical Occupational Therapy**</td>
<td>5,346</td>
<td>7.5 GSF/procedure</td>
<td>8.5 Treatments/GSF</td>
<td>(749 GSF)</td>
</tr>
<tr>
<td>Surgery</td>
<td>24,937</td>
<td>2,078 GSF/OR</td>
<td>2,078 GSF/OR</td>
<td>0</td>
</tr>
<tr>
<td>Recovery</td>
<td>8,488</td>
<td>180 GSF/Station</td>
<td>197 GSF/Station</td>
<td>17 GSF/Station</td>
</tr>
<tr>
<td>Women's Center</td>
<td>3,000</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Pre-Admission Testing</td>
<td>2,865</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Cardiac Testing and Rehab</td>
<td>7,318</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

* Based upon 1,300 projected births
** Based upon 45,713 treatments
2. **Utilization**

Given the historical utilization of this facility, it does not appear that the facility will be fully utilized within the first year after project completion. It does not appear the services being modernized will be fully utilized in the first full year after project completion.

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

XV. **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

These criteria are not applicable, as the applicants have documented proof of an “A” bond rating (see pps. 252-255 of the application).

THE STATE AGENCY FINDS THAT THE ABOVE-REFERENCED CRITERIA ARE NOT APPLICABLE TO THIS PROJECT.

XVI. **Review Criteria - Economic Feasibility**

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

This criterion is not applicable as the applicants documented proof of an “A” bond rating.

THE STATE AGENCY FINDS THAT THE ABOVE-REFERENCED CRITERION IS NOT APPLICABLE TO THIS PROJECT.

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

The applicants are funding a portion of the project with a bond issue and a lease. The applicants provided no terms for the lease or the bond issue. A certification letter was provided (page 256 of the application) certifying that the selected form of debt financing related to the modernization will be at the lowest net cost available and leases related to equipment leases will be less costly than purchasing new equipment. The applicant did not submit documentation as to the FMV of the lease as required by 77 IAC 1190.40(b).
THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERION.

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

Preplanning Costs - These costs are $365,700 or .67% of the construction, ($28,152,282) modernization ($14,381,032), contingencies ($3,802,450) and equipment costs ($7,882,010) that total $54,217,774. This appears reasonable compared to the State standard of 1.8%.

Site Survey, Soil Investigation and Site Preparation - These costs total $1,159,895, or 2.5% of construction ($28,152,282), modernization ($14,381,032) and contingency costs ($3,802,450). This appears reasonable compared to the State standard of 5%.

Construction and Contingencies - Construction ($28,152,282) and a proportionate share of contingencies ($2,516,795) total $30,669,077, or $ 325.02 per GSF. This appears reasonable compared to the adjusted State standard of $377.77 per GSF.

Modernization and Contingencies – Modernization ($14,381,032) and proportionate contingencies ($1,285,655) total $15,666,687, or $206.85 per GSF. This appears reasonable compared to the adjusted State standard of $264.44 per GSF.

Contingencies - This cost is $3,802,450, or 8.9% of construction and modernization costs of $42,533,314. This appears reasonable compared to the State standard of 10% -15%.

Architectural and Engineering Fees - These costs total $2,811,524, or 6.1% of construction, modernization and contingency costs ($46,335,764). This amount does not meet the Capital Development Board’s fee structure of 2.50% - 6.00%. Under the standard, the applicants would be allowed $2,780,146 for this expense. The applicants’ proposal exceeds the standard by $31,378. Table Nine displays the State Agency’s finding.

<table>
<thead>
<tr>
<th></th>
<th>Applicants’ A &amp; E Fees</th>
<th>State Standard</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,811,524</td>
<td>$2,780,146</td>
<td>$31,378</td>
</tr>
</tbody>
</table>

Consulting or Other Fees - These costs total $1,772,176 and are listed on page 259 of the application. The State Board does not have a standard for these costs.
Equipment - These costs total $7,882,010. The applicants provided a breakdown of equipment costs on pages 263-335 of the application for permit. No one item exceeds the Major Medical Equipment threshold of $6,425,245.

Bond Issuance Expense – These costs total $675,000. The State Board does not have a standard for these costs.

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

D. Criterion 1120.310(d) - Projected Operating Costs

The applicants project $1,061.77 of annual operating costs per equivalent patient day for FY 2010. This is the year the project will be completed, not the first full year after project completion as required by the criterion. Calculations are provided at page 262 of the application.

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

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

The applicants project $142.94 per equivalent patient day in annual capital costs for FY 2010. This is the year the project will be completed, not the first full year after project completion as required by the criterion. Calculations are provided at page 262 of the application.

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

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

This criterion is not applicable.

THE STATE AGENCY FINDS THE ABOVE-REFERENCED CRITERIA IS NOT APPLICABLE TO THIS PROJECT.

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