

<b>DOCKET ITEM NUMBER:</b> G-1	<b>BOARD MEETING:</b> October 22-24, 2007	<b>PROJECT NUMBER:</b> 06-026
<b>PERMIT HOLDERS(S):</b> Condell Health Network, d/b/a Condell Medical Center		
<b>FACILITY NAME and LOCATION:</b> Condell Medical Center, Libertyville		

**Project Description:**

On July 18, 2006, the State Board approved Project #06-026. The permit authorized the construction of a seven-level bed tower to add 68 medical surgical ("M/S") beds and ancillary and support services in 214,009 gross square feet ("GSF") of space and the modernization of approximately 22,000 GSF of existing space in the West Wing of the hospital.

**STATE AGENCY REPORT**  
**PERMIT ALTERATION REQUEST**

Project #06-026

PROJECT SUMMARY	
Permit holders(s)	Condell Health Network and Condell Medical Center
Facility Name	Condell Medical Center
Location	Libertyville, Illinois
Alteration Received	September 6, 2007

**I. Project Description and Background Information**

On July 18, 2006, the State Board approved Project #06-026. The permit authorized the construction of a seven-story bed tower to add 68 medical surgical ("M/S") beds and ancillary and support services in 214,009 gross square feet ("GSF") of space and the modernization of approximately 22,000 GSF of existing space in the West Wing of the hospital.

The State Agency notes the project is not obligated. Per 77 IAC 1130.720, obligation must occur by January 19, 2008. Also, construction on the project has not commenced. To date, approximately \$3,194,706 (or 3.1% of the approved permit amount) has been expended on the project.

The permit's required completion date is June 1, 2010. In this alteration request, the permit holders state the completion date will be changed to December 31, 2010. The State Agency notes there is no provision for changing a project's required completion date within the State Board's alteration rules. Therefore, the permit holders will need to apply for a renewal to request a change in completion date according to the "Renewal of a Permit" criterion (77 IAC 1130.740).

**II. The Proposed Alteration**

A. The following proposed alterations require State Board approval:

1. The permit holders request an increase in the permit amount by \$5,181,902 from \$103,638,048 to \$108,819,950, which is an increase of 5%.
2. The permit holders request a decrease in the project's square footage. The total project will decrease by 50,163 GSF from 236,576 GSF to 186,413 GSF. This is a decrease of approximately 21%. The clinical new construction portion of the project will decrease by 10,439 GSF

(10%), from 100,018 GSF to 89,579 GSF. The clinical modernization portion of the project will decrease by 6,452 GSF (72%), from 8,950 GSF to 2,498 GSF.

- B. The other components of the project (number of beds, services provided, etc.) will NOT change as a result of this alteration.
- C. Reason(s) for the Proposed Alteration:

According to the permit holders, this Alteration request is due to the need to eliminate the project's energy center as a result of objections from the Village of Libertyville. Upon review of eliminating the energy center, the permit holders concluded that a different bed tower plan would allow for less disruptive construction and more adaptable inpatient space.

Table One shows the project's costs as originally approved, the costs resulting from the permit Alteration request and the resulting difference.

TABLE ONE Condell Medical Center Alteration Project Costs and Sources of Funds				
Use of Funds	Original Permit	Alteration Request	Difference	Percent Change
Preplanning Costs	\$986,427	\$1,469,182	\$482,755	49.0%
Site Survey, Soil Investigation	\$75,000	\$57,264	(\$17,736)	(24.0%)
Site Preparation	\$200,000	\$288,781	\$88,781	44.0%
Off Site Work	\$2,835,000	\$4,881,433	\$2,046,433	72.0%
New Construction	\$58,642,661	\$63,770,000	\$5,127,339	9.0%
Modernization	\$4,048,158	\$2,097,741	(\$1,950,417)	(48.0%)
Contingencies	\$6,552,582	\$6,691,661	\$139,079	2.0%
A & E Fees	\$3,664,696	\$4,353,564	\$688,868	19.0%
Consulting & Other Fees	\$2,865,324	\$2,865,324	\$0	0.0%
Equipment	\$13,568,200	\$11,635,000	(\$1,933,200)	(14.0%)
Bond Issuance Expense	\$2,500,000	\$2,625,000	\$125,000	5.0%
Net Interest Expense	\$7,700,000	\$8,085,000	\$385,000	5.0%
<b>TOTALS</b>	<b>\$103,638,048</b>	<b>\$108,819,950</b>	<b>\$5,181,902</b>	<b>5.0%</b>
Source of Funds	Original Permit	Alteration Request	Difference	Percent Change
Bond Issues	\$103,638,048	\$108,819,950	\$5,181,902	5%
<b>TOTALS</b>	<b>\$103,638,048</b>	<b>\$108,819,950</b>	<b>\$5,181,902</b>	<b>5%</b>

Table Two shows the clinical and non-clinical components of the Alteration request.

TABLE TWO Condell Medical Center Alteration Request Project Clinical and Non-Clinical Cost Components			
Use of Funds	Clinical Portion	Non-Clinical Portion	Total Project
Preplanning Costs	\$719,899	\$749,283	\$1,469,182
Site Survey, Soil Investigation	\$28,059	\$29,205	\$57,264
Site Preparation	\$141,503	\$147,278	\$288,781
Off Site Work	\$2,391,902	\$2,489,531	\$4,881,433
New Construction	\$37,466,490	\$26,303,510	\$63,770,000
Modernization	\$624,500	\$1,473,241	\$2,097,741
Contingencies	\$3,840,324	\$2,851,337	\$6,691,661
A & E Fees	\$2,515,879	\$1,837,685	\$4,353,564
Consulting & Other Fees	\$1,318,474	\$1,546,850	\$2,865,324
Equipment	\$8,895,224	\$2,739,776	\$11,635,000
Bond Issuance Expense	\$1,286,250	\$1,338,750	\$2,625,000
Net Interest Expense	\$3,961,650	\$4,123,350	\$8,085,000
<b>TOTALS</b>	<b>\$63,190,154</b>	<b>\$45,629,796</b>	<b>\$108,819,950</b>
Source of Funds	Clinical Portion	Non-Clinical Portion	Total Project
Bond Issues	\$63,190,154	\$45,629,796	\$108,819,950
<b>TOTALS</b>	<b>\$63,190,154</b>	<b>\$45,629,796</b>	<b>\$108,819,950</b>

### III. Applicable Rules

77 IAC 1130.750 specifies that a permit is valid only for the project as defined in the application and any change to the project subsequent to permit issuance constitutes an Alteration to the project.

77 IAC 1130.750(a)(4) Allowable alterations that require HFPB action are any decrease in square footage greater than 5% of the project.

77 IAC 1130.750(a)(5) Allowable alterations that require HFPB action are any increase in the cost of the project not to exceed 5% of the total project cost.

77 IAC 1130.750(a)(6) Allowable alterations that require HFPB approval are any increase in the amount of funds to be borrowed for those permit holders that have not documented a bond rating of "A" or better.

### IV. Summary of State Agency Findings

The State Agency finds the proposed Alteration does **not** appear to be in conformance with all applicable review criteria for Part 1110.

The State Agency finds the proposed Alteration does **not** appear to be in conformance with all applicable review criteria for Part 1120.

### V. Bed Related Review Criteria

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. These criteria were also not applicable in the original State Agency Report ("OSAR").

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

The original permit approved the addition of 68 M/S beds. This Alteration does not change the number of approved beds. This criteria is not affected by the proposed alteration and; therefore, not applicable. The State Agency notes the permit holders were in conformance with this criterion in the original State Agency report ("OSAR").

THE STATE AGENCY FINDS THE ADDITION OF BEDS TO EXISTING FACILITIES CRITERIA (77 IAC 1110.320(c)) IS NOT APPLICABLE TO THE PROPOSED ALTERATION.

**VI. Modernization Review Criteria**

A. Criterion 1110.420(a) - Modernization of Beds

The original permit approved the addition of 68 M/S beds. This Alteration does not change the number of approved beds. This criteria is not affected by proposed alterations and; therefore, not applicable. The State Agency notes the permit holders was not in conformance with this criterion in the OSAR.

THE STATE AGENCY FINDS THAT THE MODERNIZATION OF BEDS CRITERION (77 IAC 1110.420(a)) IS NOT APPLICABLE TO THE PROPOSED ALTERATION.

B. Criterion 1110.420(b) - Modern Facilities

The criterion reads as follows:

"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."

### M/S Beds

The proposed Alteration impacts the M/S area because the permit holders propose a change in the GSF of the M/S unit. The permit holders propose a reduction of 2,000 GSF of modernization and a reduction of 5,867 GSF in new construction, for a total unit size of 42,397 GSF. The permit holders were approved for the addition of 68 M/S beds, which makes a facility total of 214 beds. The permit holder was not found to be in conformance with this criterion in the OSAR. The State Agency notes the facility experienced an 84% occupancy rate for the M/S service in 2006 (based on IDPH's 2006 hospital profile).

### Respiratory Therapy

The permit holders were approved for 5,126 GSF of new space. The Alteration requests an additional 218 GSF of new space for a total of 5,344 GSF. The State Board standard is 20.5 procedures per GSF. The permit holders can justify 5,769 GSF based on 2006 data (118,259 procedures / 20.5 procedures / GSF = 5,769 allowable GSF). The permit holders were found to be in conformance with this criterion in the OSAR.

### Physical Therapy, Occupational Therapy, Speech Therapy

The permit holders were approved for 6,124 GSF of new space. The Alteration requests an additional 1,308 GSF for a total of 7,432 GSF. The State Board standard is 29.3 GSF per bed. The permit holders cannot justify 7,432 GSF (214 M/S beds x 29.3 GSF per bed = 6,228 allowable GSF). The permit holders were found to be in conformance with this criterion in the OSAR.

Nuclear Medicine

The permit holders were approved for four treatment rooms. The Alteration does not change the number of treatment rooms; therefore, the criterion is not applicable.

Cardiac Catheterization Laboratory, Patient Monitoring

The permit holders propose to eliminate the expansion of these areas from the project with this Alteration. Therefore, the criterion is not applicable.

Non-Invasive Cardiology/Pulmonary Function, Cardiac Recovery, Sleep Lab, Staff Support, Family Support,

The proposed Alteration does not impact these areas.

THE STATE AGENCY FINDS THE PROPOSED ALTERATION DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE MODERNIZATION OF BEDS CRITERION (77 IAC 1110.420(a)).

C) Criterion 1110.420(c) - Major Medical Equipment

This criteria is not affected by proposed alterations and; therefore, not applicable. The State Agency notes this criterion was not applicable in the OSAR.

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

A. Criterion 1110.520(a) - Unit Size

This criteria is not affected by the proposed Alteration and; therefore, not applicable. The State Agency notes the permit holders was in conformance with this criterion in the OSAR.

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

This criterion is not affected by the proposed Alteration and; therefore, is not applicable. The State Agency notes the permit holders were not in conformance with this criterion in the OSAR.

**VIII. Cardiac Catheterization Review Criteria**

- A) Criterion 1110.1330(a) - Peer Review
- B) Criterion 1110.1330(b) - Establishment or Expansion of Cardiac Catheterization Service
- C) Criterion 1110.1330 (c) Unnecessary Duplication of Services
- D) Criterion 1110.1330 (d) - Modernization of Existing Cardiac Catheterization Equipment
- E) Criterion 1110.1330 (e) - Support Services
- F) Criterion 1110.1330 - Laboratory Location
- G) Criterion 1110.1330(g) - Staffing
- H) Criterion 1110.1330 (h) - Continuity of Care
- I) Criterion 1110.1330 (i) - Multi-Institutional Variance

The permit holders propose to eliminate the expansion of the department in this Alteration, which now makes these criteria not applicable.

**IX. General Review Criteria**

- A. Location - Criterion 1110.230(a)
- B. Background of Applicant - Criterion 1110.230(b)

These criteria are not affected by proposed Alteration and are therefore not applicable.

- C. Alternatives - Criterion 1110.230(c)

The criterion states:

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



In the original application, the permit holders considered five alternatives; Do Nothing, Modernize Existing Space, Build an Addition, Build a facility west of the main hospital, Expansion to the Southwest of the main Hospital Facility. The permit holders provided a cost for each alternative except the second alternative. The permit holders rejected these alternatives in favor of the project. The permit holders were found not to be in conformance due to the inability to address the variance for the addition of beds. The State Agency found that using underutilized space at existing facilities within the planning area would be a more appropriate alternative.

The permit holders state this Alteration is needed due to the Village of Libertyville not approving the energy center which caused the following to occur: a delay in the project, revised plans and an increase in project costs. However, the permit holders cannot justify the size of the M/S unit and the Physical Therapy / Occupational Therapy / Speech Therapy areas with this Alteration.

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

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

The original project was approved to add 68 M/S beds. The Alteration does not request a change to these beds. This criteria is not affected by proposed alterations and; therefore, not applicable.

E. Size of Project - Criterion 1110.230(e)

The criterion states:

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

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

- C) the proposed project involves the conversion of existing bed space and the excess square footage results from that conversion; or
  - D) the proposed project includes the addition of beds and the historical demand over the last five year period for private rooms has generated a need for conversion of multiple bed rooms to private usage.
- 2) When the State Board has established utilization targets for the beds or services proposed, the applicant must document that in the second year of operation the annual utilization of the beds or service will meet or exceed the target utilization. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians) and the provision of new procedures which would increase utilization."

A. Size

Table Three shows the previously proposed size and the size requested by the Alteration.

TABLE THREE Condell Medical Center Alteration Size Comparison				
Departments	Approved GSF	Alteration GSF	Standard	Alteration
Respiratory Therapy	5,126 GSF	5,344 GSF	20.5 procedures / GSF	22.13 procedures / GSF
PT, OT, Speech Therapy	6,124 GSF	7,432 GSF	29.3 GSF per M/S bed	34.72 GSF per M/S bed
Medical Surgical (214)	116,093 GSF	114,082 GSF	401 GSF / bed	533 GSF / bed
Nuclear Medicine	4,667 GSF	4,656 GSF	2.9 procedures / GSF	2.8 procedures / GSF
Cardiac Recovery (20 to 15 rooms)	3,900 GSF	1,727 GSF	180 GSF / room	115 GSF / room
Cardiac Cath Laboratory	5,823 GSF	0 GSF	1,596 GSF / lab	N/A
Cardiac Recovery Support Space	11,357 GSF	11,197 GSF	No standard	N/A
Non-Invasive Cardiology	10,559 GSF	5,943 GSF	No standard	N/A
Sleep Lab/EEG	4,380 GSF	5,702 GSF	No standard	N/A
Staff Support	11,879 GSF	10,126 GSF	No standard	N/A
Family Support	8,394 GSF	7,790 GSF	No standard	N/A
Patient Monitoring	1,072 GSF	0 GSF	No standard	N/A

As seen in Table Three, the permit holders exceed the State Board standard for PT/OT/Speech and M/S unit size. The permit holders were also not in conformance with the M/S unit size in the OSAR.

B. Utilization

The permit holders were in conformance with this portion of the criterion in the OSAR.

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

**X. Review Criteria - Financial Feasibility**

**A. Criterion 1120.210(a) - Financial Viability**

The criterion states:

“1) Viability Ratios

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

2) Variance for Applications Not Meeting Ratios

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

The permit holders request an increase in the permit amount by \$5,181,902 (from \$103,638,048 to \$108,819,950), which is an increase of 5%. The permit’s required completion date is June 1, 2010. In this alteration request, the permit holders state the completion date will be changed to December 31, 2010. Therefore, the proposed Alteration applies to the Financial Viability portion of the criteria.

Table Four displays the financial ratio information for the permit holders (Condell Health Network) and the hospital.

TABLE FOUR					
Financial Ratio Information - Condell Health Network					
Ratio	Sate Standard	2003	2004	2005	2011
Current Ratio	1.5 or more	2.0	2.1	2.4	1.5
Net Margin Percentage	2.50% or more	6.9	4.7	4.9	3.2
Percent Debt to Total Capitalization	80% or less	45.0	49.8	47.1	45.4
Projected Debt Service Coverage	1.50 or more	5.5	3.0	3.2	2.6
Days Cash on Hand	75 days or more	27	63	64	110
Cushion Ration	3 or more	2.5	3.2	3.4	6.0
Financial Ratio Information - Condell Medical Center					
Ratio	Sate Standard	2003	2004	2005	2011
Current Ratio	1.5 or more	2.2	2.2	2.4	1.5
Net Margin Percentage	2.50% or more	7.7	5.3	5.6	3.6
Percent Debt to Total Capitalization	80% or less	47.0	51.6	49.1	46.5
Projected Debt Service Coverage	1.50 or more	6.6	2.7	2.8	2.4
Days Cash on Hand	75 days or more	30	69	68	117
Cushion Ration	3 or more	3.3	3.2	3.2	6.0

The permit holders do not meet the Days Cash on Hand and Cushion Ratios for 2003, 2004, and 2005. The hospital does not meet the Days Cash on Hand for 2003, 2004, and 2005. This was also stated in the OSAR.

As noted in the OSAR, the permit holders' stated the Cash on Hand and Cushion Ratios were low due to the use of cash and securities to fund capital improvement projects.

The Cushion Ratio indicates the amount of cash, short-term investments and unrestricted long-term investments remaining after paying all fixed-debt expenses. Days Cash on Hand indicates the number of days the facility could operate if no future revenue was provided.

The permit holders have not documented that another organization will assume the legal responsibility to meet the debt obligations should they default. As a result, the permit holders do not meet the requirements of the variance. The permit holders were not in conformance with this criterion in the OSAR.

THE STATE AGENCY FINDS THE PROPOSED ALTERATION DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1120.210(a)).

C. Criterion 1120.210(b) - Availability of Funds

The criterion states:

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

The permit holders stated the altered project would be funded with the same bond proceeds as noted in the OSAR. The State Agency notes the permit holders were in conformance with this criterion in the OSAR.

THE STATE AGENCY FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.210(b)).

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

As with the original SAR, this is not applicable to the project since it does not establish a new service or facility.

THE STATE AGENCY FINDS THAT THE START-UP COSTS CRITERION (77 IAC 1120.210(c)) IS NOT APPLICABLE TO THE PROPOSED ALTERATION.

**XI. Review Criteria - Economic Feasibility**

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

The permit holders are not proposing to alter the financing arrangements of this project. Therefore, these criteria are not applicable to the alteration request.

C. Criterion 1120.310(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 applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. For all other projects, construction and modernization costs per square foot shall not exceed the adjusted (for inflation, location, economies of scale and mix of service) third quartile as provided for in the Means Building Construction Cost Data publication unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

2) Contingencies

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

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

3) Architectural Fees

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

4) Major Medical and Movable Equipment

A) For each piece of major medical equipment, the applicant must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

B) Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

5) Other Project and Related Costs

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

Preplanning Costs – This cost is \$719,899, which is 1.7% of construction, modernization and contingency. This appears reasonable compared to the State standard of 1.8%.

Site Survey, Soil Investigation and Site Preparation – These costs total \$169,562, or .40% of construction, modernization and contingency. This appears reasonable compared to the State standard of 5.0%.

Offsite Work – These costs total \$2,835,000. The State Board does not have a standard for these costs.

Construction and a proportionate share of Contingencies – These total \$41,202,628, or \$459.96 per GSF. This appears high compared to the adjusted State standard of \$441.63 per GSF. Under the standard, the clinical new construction cost could be \$39,560,774. The alteration exceeds the standard by \$1,641,854, or 4.2%. Table Four displays the State Agency’s finding.

TABLE FOUR		
Permit Holders’ Proposed Construction Cost per GSF	Adjusted State Standard per GSF	Difference per GSF
\$459.96	\$441.63	\$18.33
Permit Holders’ Proposed Construction Cost	Adjusted State Standard	Difference
\$41,202,628	\$39,560,774	\$1,641,854

Modernization and a proportionate share of Contingencies – These total \$728,686, or \$291.71 per GSF. This appears reasonable compared to the State standard of \$309.14 per GSF.

Contingencies - This totals \$3,840,324, or 10.08% of construction and modernization. This appears reasonable compared to the State standard of 10 - 15%.

Appropriate Share of Architectural and Engineering Fees for New Construction - These total \$2,447,625, or 5.9% of construction and contingencies. This appears reasonable compared to the State Board standard of 2.7% - 6.15%.

Appropriate Share of Architectural and Engineering Fees for Modernization - These total \$68,254 or 1.5% of modernization and contingencies. This appears reasonable compared to the State Board standard of 4.05%-9.6%.

Consulting and Other Fees - These costs total \$1,318,474. The State Board does not have a standard for these costs.

Equipment - These costs total \$8,895,224. The State Board does not have a standard for hospital-based equipment costs.

Bond Issuance Expense - These costs are \$1,286,250. The State Board does not have a standard for these costs.

Net Interest Expense During Construction - These costs total \$3,961,650. The State Board does not have a standard for these costs.

The State Agency notes that the permit holders were in conformance with these criteria in the OSAR.

THE STATE AGENCY FINDS THE PROPOSED ALTERATION DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.310(c)).

E. Criterion 1120.310(d) - Projected Operating Costs

The criterion states:

“The applicant must provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill.



Adm. Code 1100, whichever is later. Direct cost means the fully allocated costs of salaries, benefits, and supplies for the service.”

The permit holders project \$2,155 in projected operating cost per equivalent patient day for the first full year after project completion. The permit holders estimated a Projected Operating Cost of \$2,108 per equivalent patient day in the OSAR. The alteration increases the projected operation cost by \$47.00, or 2.2%. The State Board does not have a standard for this cost.

THE STATE AGENCY FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1120.310(d)).

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

The criterion states:

“The applicant must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full 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 permit holders project capital costs per equivalent patient day of \$308. The permit holders estimated project capital costs per equivalent patient day of \$224 in the OSAR. The alteration increases this cost by \$84.00, or 37.5%. The State Board does not have a standard for this cost.

THE STATE AGENCY FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.310(e)).