

DOCKET NO: A - 34	BOARD MEETING: June 12-13, 2007	PROJECT NO: 07-008	PROJECT COST: Original \$1,215,500 Current:
FACILITY NAME: St. James Hospital and Health Centers- Chicago Heights		CITY: Chicago Heights	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicant proposes to increase the size of its comprehensive rehabilitation unit from 20 to 30 beds through the renovation of existing space within the hospital. The applicant also proposes to concurrently discontinue 10 medical/surgical beds upon the approval of this project. The total proposed gross square feet (GSF) for the renovated unit will be 8,391 GSF. The total estimated project cost is \$1,215,500.

STATE AGENCY REPORT

Sisters of St. Francis Health Services, Inc., d/b/a
St. James Hospital and Health Centers-Chicago Heights
Chicago Heights, Illinois
Project #07-008

I. The Proposed Project

The applicant proposes to increase the size of its comprehensive physical rehabilitation unit ("Rehab") from 20 to 30 beds through the renovation of existing space within the hospital. The applicant also proposes to concurrently discontinue 10 medical/surgical beds upon the approval of this project. The total proposed GSF for the renovated unit will be 8,391 GSF. The total estimated project cost is \$1,215,500.

II. Summary of Findings

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

III. General Information

The applicant is Sisters of St. Francis Health Services, Inc., d/b/a St. James Hospital and Health Centers-Chicago Heights. The hospital is located in Chicago Heights in the A-04 hospital planning area and in the HSA VII Comprehensive Physical Rehabilitation planning area. There are 12 other providers of Rehab service in HSA VII. The State Agency notes the State Board April 15, 2007 update to its Inventory of Healthcare Facilities and Services and need Determination ("Inventory") shows a computed excess of 136 Rehab beds in the planning area.

This is a substantive project, which is subject to both a Part 1110 and Part 1120 review. An opportunity for a public hearing was offered on this project; however, no hearing was requested. Additionally, the State Agency did not

receive public comments on this project. Project obligation will occur after permit issuance. The anticipated project completion date is July 31, 2008.

Table One outlines the average length of stay (“ALOS”), average daily census (“ADC”) and utilization for St. James Hospital and Health Centers-Chicago Heights for January 1, 2005 - December 31, 2005. The State Agency notes the 2005 data was furnished by the Illinois Department of Public Health’s Annual Hospital Questionnaire.

TABLE ONE St. James Hospital and Health Centers - 2005 Utilization Data						
Service	Authorized Beds	Admissions	Patient Days	ALOS	ADC	Occupancy
Med/Surg	307	10,085	46,255	4.7	129.7	42.3%
Pediatric	10	15	177	11.8	.5	4.8%
ICU	20	619	2,896	4.7	7.9	39.7%
Obstetrics	24	1,432	3,510	2.6	10.0	41.7%
Rehabilitation *	16	482	5,258	10.9	14.4	90.0%
TOTALS	377	12,633	58,096	5.2	162.6	43.1%

* In January 2006, hospital increased the number of Rehab beds from 16 to 20 under the State Board’s “10 bed 10% rule.”

Table Two displays the applicant’s patients by payment source. The State Agency notes the data in Table Two is for calendar year 2005 and is supplied by IDPH profiles.

TABLE TWO St. James Hospital and Health Centers - Payor Mix Information		
Payment Source	2005 Admissions	Percentage
Other Public	26	0.2%
Charity Care	70	0.6%
Private Pay	364	2.9%
Medicaid	1,904	15.1%
Insurance	4,259	33.7%
Medicare	6,010	47.6%
TOTALS	12,633	100.0%

IV. The Proposed Project - Details

The applicant proposes to increase the size of its Rehab unit from 20 to 30 beds through the renovation of existing space within the hospital. The total proposed GSF for the renovated unit will be 8,391 GSF. The unit’s existing space comprises

5,891 GSF. Through this project, 6,391 GSF will be modernized and 2,000 GSF will remain as is. The total estimated project cost is \$1,215,500.

Table Three displays the project’s cost/space requirements.

TABLE THREE						
Project’s Cost / space Chart						
				Amount of Proposed GSF That Is:		
Department	Cost	Existing GSF	Proposed Total GSF	New	Remodeled	As Is
Rehab	\$1,215,500	5,891	8,391	0	6,391	2,000

V. Project Costs and Sources of Funds

The project will be totally funded with cash and securities. Table Four displays the project’s cost information.

TABLE FOUR	
Project’s Cost Information	
Source of Funds	Amount
Preplanning	10,000
Modernization	800,000
Contingencies	75,000
A & E Fees	87,500
Consulting and Other Fees	65,000
Moveable Equipment	150,000
Other (Information System)	28,000
TOTALS	\$1,215,500

VI. Criteria 1110.630 - Comprehensive Physical Rehabilitation Beds

A. Criterion 1110.630 (a) – Facility Size

The criteria states:

- “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 applicant proposes to add beds to an existing facility and an already established category of service. The applicant's Rehab unit currently has 20 beds.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE FACILITY SIZE CRITERION (77 IAC 1110.630(a)).

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

The criteria states:

- "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."

Excluding the applicant's services, there are 12 providers of Rehab service in the planning area. Thus, the applicant cannot document the requirements of subsection (b)(1)(A). The applicant did not provide documentation that providers had restrictive admission policies. Thus, the applicant cannot document compliance with the requirements of (b)(1)(B). The State Board's Inventory update shows a computed excess of 136 Rehab beds in the planning area. Thus, the applicant cannot document compliance with the requirements of (b)(1)(C).

To analyze travel time assessments, the State Agency determined the providers within a 45-minute travel time of the applicant's proposed project. Table Five list Rehab providers within 45 minutes travel time, their planning area, number of authorized Rehab beds and utilization.

The State Agency notes the facilities are listed in the table based on travel time that was determined by Map Quest.

TABLE FIVE Rehab Providers within a 45-minute travel time of the Applicant's Facility						
Facility	City	HSA	Distance (miles) (1)	Travel Time (minutes) (1)	Authorized Rehabilitation Beds (2)	Utilization (3)
St. James Hospital (4)	Chi Hts	7	0	0	20	72%
Ingalls Memorial	Harvey	7	8.3	13	53	74%
Oak Forest Hospital	Oak Forest	7	12.2	16	64	31%
Christ Hospital	Oak Lawn	7	19.1	25	37	88%
Silver Cross	Joliet	9	27.6	32	17	78%
Holy Cross Hospital	Chicago	6	27.2	34	34	34%
Michael Reese Hosp	Chicago	6	30.3	35	38	53%
Mercy Hospital	Chicago	6	29.6	35	24	48%
Provena St Joseph	Joliet	9	31.9	35	32	54%
Rush Univ Med Ctr	Chicago	6	33.8	37	66	50%
Univ of Ill Med Ctr	Chicago	6	32.4	37	18	64%
Hinsdale Hospital	Hinsdale	7	30.1	37	32	34%
Riverside Medical Ctr	Kankakee	9	36.9	37	24	65%
St Mary of Nazareth	Chicago	6	34.9	39	15	74%
Schwab Rehab (5)	Chicago	6	35.2	39	95	55%
Rehab Inst of Chicago	Chicago	6	34.6	40	165	82%
Foster G. McGaw Hosp	Maywood	7	35.6	41	24	91%
Lincoln Park Hospital	Chicago	6	36.2	42	24	27%
IL Masonic Med Ctr	Chicago	6	37.2	44	24	71%

(1) Determined by using MapQuest
 (2) Obtained from the April 16, 2007 Inventory of Health Care Facilities and Services and Need Determination
 (3) Obtained from the CY2005 Illinois Department of Public Health's Annual Hospital Questionnaire
 (4) Based on 2005 Annual Hospital Questionnaire admissions and April 16, 2007 Inventory of Beds
 (5) Schwab is a Rehabilitation Hospital

As seen in Table Five, there are 19 providers of Rehab service within a 45-minute travel time. Based on 2005 data, two providers operated their Rehab service above the State Board's target utilization rate of 85%. Thus, the applicant cannot document the requirements of (b)(1)(D) of the criterion.

The applicant states some area providers on occasion had a peak capacity that exceeded the State Agency target utilization rate, or did not staff all of their approved beds, or are located at a distance making it unfeasible to access public transportation or provide continuity of care.

As noted, the applicant cannot document adherence to any of the conditions of the criterion. As a result, a positive finding cannot be made.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ACCESS VARIANCE TO BED NEED CRITERION (77 IAC 1110.630 (b)).

C. Criterion 1110.630 (b) - Staffing Requirements

The criteria states:

- "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 year 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.

The State Agency notes this project proposes to add Rehab beds to an existing unit. The applicant provided attestation that the current unit is fully staffed with all the professional personnel identified in this criterion and it is anticipated that they will be retained.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE STAFFING REQUIREMENTS CRITERION (77 IAC 1110.630(b)).

VII. Criteria 1110.320 - Bed Related Review Criteria

A. 1110.320(a) - Establishment of Additional Hospitals

This criterion is not applicable to the project.

THE STATE AGENCY FINDS THE ESTABLISHMENT OF ADDITIONAL HOSPITALS CRITERION (77 IAC 1110.320(a)) IS NOT APPLICABLE TO THE PROJECT.

B. 1110.320(b) - Allocation of Additional Beds

This criterion is not applicable because the applicant is not proposing to establish a category of service.

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

The criteria states:

- "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 applicant attests to having a utilization rate of 86.9% for its Rehab service for the 12-month period ending October 2006. This rate is based on the 20-bed unit. Further based on the 2005 Annual Hospital Questionnaire, the hospital experienced a utilization rate of 90%. This was based on the facility's 16-bed unit. Thus, the applicant has documented compliance with the requirements of subsection (c)(1)(A).

Table Six compares the applicant's ALOS to other providers in the A-04 hospital planning area and the HSA VII Rehab planning area. Based on all providers in A-04, the ALOS for Med/Surg is 4.8, Pediatrics 4.5, Obstetrics 2.2, ICU 4.5 and AMI 8.1. The applicant's ALOS for these services is 4.7, 11.8, 2.6, 4.7 and 10.9 respectively. The applicant's ALOS exceeds the planning area's ALOS for Pediatrics and AMI. Further, the ALOS for Rehab service in HSA VII is 13.2; while the applicant's is 10.9. Thus, the applicant's ALOS for this service is less than the planning area. The applicant did not provide information on why some of its services' ALOS exceeded the planning area (application pages 49-50). As a result, a positive finding cannot be made.

TABLE SIX ALOS of Providers in the A-04 Hospital Planning Area						
Facility	City	Average Length of Stay				
		Med/Surg	Peds	Obstetrics	ICU	Acute Mental Illness
Advocate South Suburban Hosp	Hazel Crest	4.4	NA	2.0	7.1	NA
Advocate Christ Hospital	Oak Lawn	5.3	3.9	2.7	5.9	7.2
Ingalls Memorial Hospital	Harvey	5.1	2.1	2.8	5.6	7.1
Lagrange Memorial Hospital	LaGrange	4.9	3.8	1.7	6.3	NA
Little Company of Mary Hospital	Evergreen Park	5.3	2.7	2.7	2.9	10.5
Palos Community Hospital	Palos Hgts	4.5	3.1	2.7	3.8	4.9
RML Health Providers	Hinsdale	39.5	NA	NA	NA	NA
St. Francis Hospital	Blue Island	5.2	5.8	2.7	4.1	NA
St. James Hospital & Health Ctr	Chicago Hgts	4.7	11.8	2.6	4.7	10.9
St. James Hospital & Health Ctr	Olympia Fields	4.2	2.9	2.6	6.1	NA
ALOS of Providers in the HSA VII Comprehensive Physical Rehabilitation Planning Area						
Facility	City	Authorized Beds	ALOS	Utilization		
Adventist Hinsdale Hospital	Hinsdale	32	9.6	33.8%		
Advocate Christ Medical Center	Oak Lawn	37	13.4	88.2%		
Advocate Lutheran Gen Hospital	Park Ridge	45	13.8	78.1%		
Alexian Brothers Medical Center	Elk Grove Village	66	13.3	70.2%		
Evanston Hospital	Evanston	24	12.5	56.9%		
Foster G. McGaw Medical Center	Maywood	24	11.8	91.4%		
Ingalls Memorial Hospital	Harvey	53	16.2	75.6%		
Marianjoy Rehabilitation Hosp	Wheaton	120	14.9	77.8%		
Oak Forest Hospital	Oak Forest	64	16.4	30.9%		
Rush Oak Park Hospital	Oak Park	37	12.7	30.3%		
St. James Hosp and Health Ctr	Chicago Heights	16	10.9	90.0%		
Westlake Community Hospital	Melrose Park	40	12.7	32.3%		
NA - Does not provider the category of service. Applicant had a 16-bed unit during 2005.						

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ADDITION OF BEDS TO EXISTING FACILITIES CRITERION (77 IAC 1110.320(c)).

VIII. Criterion 1110.420 - Modernization Review

A. Criterion 1110.420 (a) - Modernization of Beds

The criteria reads:

“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.)”

The applicant attests to having a utilization rate of 86.9% for the 12-month period ending October 2006 with their current inventory of 20 beds (application pages 49-50). Using 6,344 patient days and applying this to the proposed number of beds (30), results in a utilization rate of 42%. This is below the State Board's standard (85%). This calculated rate, however, assumes there will be no increase in admissions or patients days in the unit.

To address this criterion, the applicant also provided two physician referral letters (application pages 37-38). These letters stated that the additional beds at the hospital would alleviate the high utilization of the service and improve access for patients. Both physicians also stated that the expanded unit would result in approximately 300 new admissions each year. However, these letters do not conform to the criterion (i.e., need to be notarized, citing current source of referrals, etc.). As a result, the Stat Agency could not utilize them in assessing this criterion.

In addition, the applicant also provided a methodology for patient days and utilization for the expanded unit (application page 39). This methodology assumes there will be approximately 740 admissions to the unit in the second year of operation and 9,310 patient days. This results in a utilization rate of 85% (Average Daily Census - $9,310 / 365 = 25.5$, Average Length of Stay - $9,310 / 740 = 12.6$, Utilization - $25.5 / 30 = 85\%$). Should these assumptions materialize, the number of proposed beds would not exceed the number of beds needed to support the unit's target utilization. As a result, a positive finding can be made.

As part of this project, the applicant also proposes to decrease the number of Med/Surg beds by 10, from 307 to 297. For 2005, the hospital experienced a 42.3% utilization rate for this service. The reduction of 10 Med/Surg beds would result in a utilization rate of 43.7%.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE MODERNIZATION OF BEDS CRITERION (77 IAC 1110.420(a)).

B. Criterion 1110.420(b) - Modern Facilities

The criterion states:

“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 it not limited to: historic 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 applicant is proposing to modernize space to expand its Rehab unit from 20 to 30 beds. The applicant states that “the proposed project will expand St. James-Chicago Heights’ existing rehabilitation program. As such, ...the expansion is being proposed in response to increased utilization of the program.”

As noted previously, the applicant attests to having a utilization rate of 86.9% in the 12-month period ending October 2006. This exceeds the State Board’s target utilization of 85%. Further, the applicant projects increased utilization of the service once the project is complete. The projected utilization also indicates that the unit will exceed the target utilization rate. Thus, a positive finding can be made.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE MODERN FACILITIES CRITERION (77 IAC 1110.420(b)).

IX. General Review Criteria

- A. Criterion 1110.230(a) - Location

This criterion is not applicable as it pertains to the establishment of new facilities and services.

THE STATE AGENCY FINDS THE LOCATION CRITERION (77 IAC 1110.230(a)) IS NOT APPLICABLE TO THE PROJECT.

B. Criterion 1110.230(b) - Background of Applicant

The criterion states:

“The applicant shall demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6] In evaluating the fitness of the applicant, the State Board shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.”

The applicant is Sisters of St. Francis Health Services, Inc., d/b/a St. James Hospital and Health Centers-Chicago Heights. The applicant certifies it has not had any adverse actions taken by Medicare or Medicaid, or any State or Federal regulatory authority within the past three years. It appears the applicant is fit, willing and able and has the qualifications, background and character to adequately provide a proper standard of healthcare service for the community.

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

C. Criterion 1110.230(c) - Alternatives

The criterion states:

“The applicant must document that the proposed project is the most effective or least costly alternative. Documentation shall consist of a comparison of the proposed project to alternative options. Such a comparison must address issues of cost, patient access, quality, and financial benefits in both the short and long term. If the alternative

selected is based solely or in part on improved quality of care, the applicant shall provide empirical evidence including quantifiable outcome data that verifies improved quality of care. Alternatives must include, but are not limited to: purchase of equipment, leasing or utilization (by contract or agreement) of other facilities, development of freestanding settings for service and alternate settings within the facility.”

To address this criterion, the applicant considered two alternatives:

1. Do Nothing

The applicant rejected this alternative because they have experienced utilization rates that exceed the State Agency standard and; therefore, doing nothing would significantly diminish accessibility. This alternative has no cost.

2. Reduced Scope – Adding fewer than 10 beds

The applicant rejected this alternative because recent utilization rates justify their proposed number of beds, and therefore the need to add more beds would occur again in the near future causing additional modernization to be needed in the short term. The applicant estimates the cost of this alternative would be \$400,000 less costly than the cost of the proposed project.

Although the applicant has documented that the proposed number of beds would be appropriately utilized, there are underutilized providers within both a 45-minute drive time and in the planning area (see Tables Five and Six). Thus, a more cost-effective alternative would be to use existing providers.

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

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

The criterion states:

- “1) If the State Board has determined need pursuant to Part 1100, the proposed project shall not exceed additional need determined unless the applicant meets the criterion for a variance.
- 2) If the State Board has not determined need pursuant to Part 1100, the applicant must document that it will serve a population group in need of the services proposed and that insufficient service exists to meet the need. Documentation shall include but not be limited to:
 - A) area studies (which evaluate population trends and service use factors);
 - B) calculation of need based upon models of estimating need for the service (all assumptions of the model and mathematical calculations must be included);
 - C) historical high utilization of other area providers; and
 - D) identification of individuals likely to use the project.
- 3) If the project is for the acquisition of major medical equipment that does not result in the establishment of a category of service, the applicant must document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition.”

As noted, there is a computed excess of 136 Rehab beds in the planning area. Thus, the applicant cannot meet the requirements of (D)(1) of the criterion.

To address the second part of the criterion, the applicant provided a calculation justifying a utilization rate of 81% in the first year of operation and 85% during the second year. This calculation was derived from a model that includes the number of clinically appropriate discharges from St. James-Chicago Heights and its sister hospital, St. James-Olympia Fields, a conversion rate to identify the percentage of clinically appropriate patients actually admitted, a minor adjustment for admissions from other sources, the current (2006) average length of stay and the IDPH’s target utilization rate.

As noted, the applicant’s model documents that the expanded Rehab unit will be approximately utilized. However, the applicant was unable to successfully address the Access Variance to Bed Need (77 IAC 1130.630(b)) criterion. Further, there are other providers of the Rehabilitation service

within both a 45-minute drive time and the planning area that operated their service below the State Board's target occupancy (see Tables Five and Six). As a result, a positive finding cannot be made.

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

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

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."

The total GSF of the new unit will be 8,391 GSF, or 280 GSF per bed. This is within the State standard of 588 GSF per bed. Table Seven displays the projected utilization for the facility.

TABLE SEVEN			
Year	Beds	Expected Patient Days	Utilization
One	30	8,867	81%
Two	30	9,310	85%

The applicant projects it will have 9,310 patient days by the end of the second year of operation (2010). This results in a utilization rate of 85%, which meets the State Agency target utilization of 85%. The applicant provided a calculation justifying a utilization rate of 81% in year one and 85% in year two. This calculation was derived from a model that includes the number of clinically appropriate discharges from St. James-Chicago Heights and its sister hospital, St. James-Olympia Fields, a conversion rate to identify the percentage of clinically appropriate patients actually admitted, a minor adjustment for admissions from other sources, the current (2006) average length of stay and the IDPH's target utilization rate.

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

X. 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 applicant has documented an "A" bond rating.

THE STATE AGENCY FINDS THE FINANCIAL VIABILITY (77 IAC 1120.210(a)), AVAILABILITY OF FUNDS (77 IAC 1120.210(b)), AND START-UP COSTS CRITERIA (77 IAC 1120.210(c)), ARE NOT APPLICABLE TO THE PROJECT.

XI. Review Criteria - Economic Feasibility

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

This criterion is not applicable, as the applicant documented an "A" bond rating.

THE STATE AGENCY FINDS THE REQUIREMENTS OF THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1120.310(a)) IS NOT APPLICABLE TO THE PROJECT.

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

This criterion is not applicable, as the applicant attest it will use all cash and securities to finance this project.

THE STATE AGENCY FINDS THE REQUIREMENTS OF THE REASONABLENESS OF THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1120.310(b)) IS NOT APPLICABLE TO THE PROJECT.

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 \$10,000, or 1% of modernization, contingencies and equipment costs. This appears reasonable compared to the State standard of 1.8%.

Modernization - This cost is \$875,000, or \$136.91 per GSF. This appears reasonable compared to the adjusted State standard of \$241.50 per GSF.

Contingencies - This cost is \$75,000, or 9.4% of modernization. This appears reasonable compared to the State standard of 10% - 15%.

Architectural and Engineering Fees - This cost is \$87,500, or 10% of modernization and contingencies. This appears reasonable compared to the State standard of 4.60% - 11.60%.

Consulting and Other Fees - This cost is \$65,000. The State Agency does not have a standard for this cost.

Moveable Equipment - This cost is \$150,000. The State Board does not have a standard for hospital-based equipment costs.

Other Costs - This cost is \$28,000 for Information Systems. The State Agency does not have a standard for these costs.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE PROJECT COST CRITERION (77 IAC 1120.310(c)).

D. Criterion 1120.310(d) - Projected Operating Costs

The criterion states:

"The applicant must provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the

first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Direct costs mean the fully allocated costs of salaries, benefits, and supplies for the service.”

The applicant projects the operating cost per adjusted patient day to be \$46.88 for the Rehab unit and \$2,254.52 for the hospital (application page 60). The State Board does not have a standard for these costs.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1120.310(d)).

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

The criterion states:

“The applicant must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full 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.”

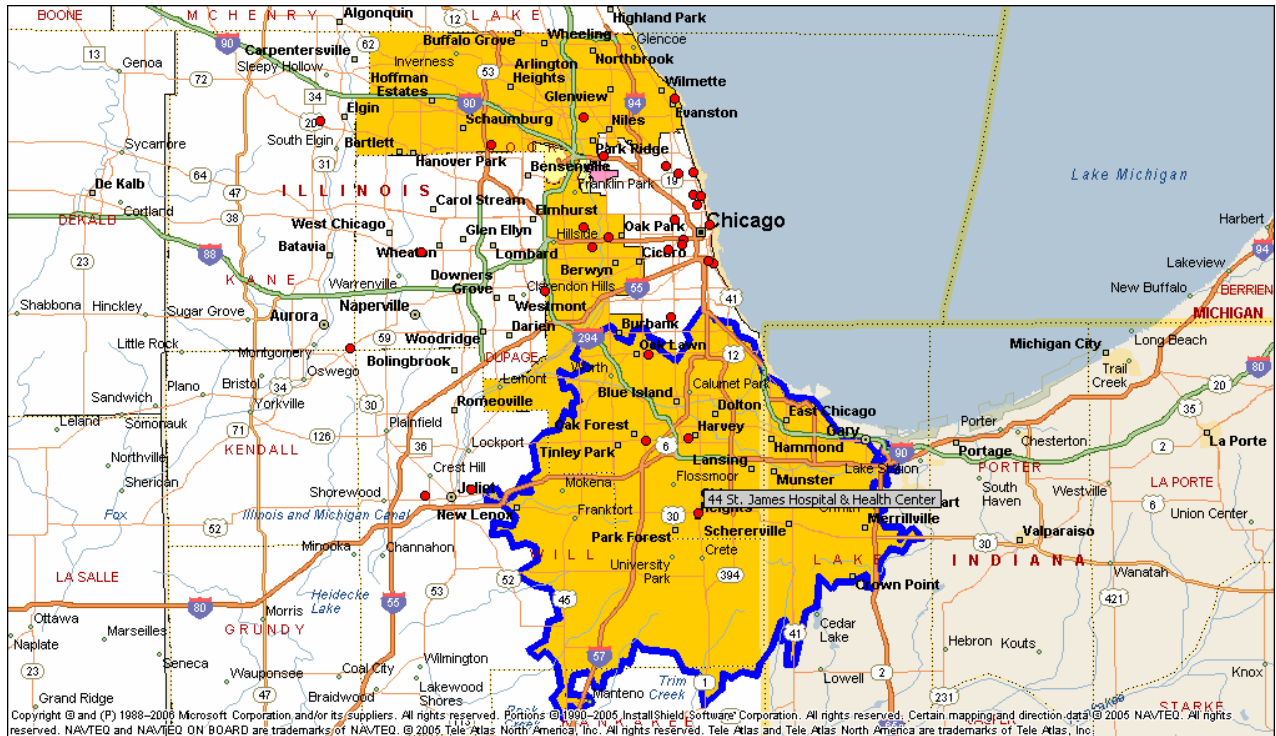
The applicant projects the capital cost per adjusted patient day to be \$0.90 for the Rehab unit and \$270.65 for the hospital. The State Board does not have a standard for this cost.

THE STATE AGENCY NOTES IT APPEARS THE APPLICANT MEETS THE REQUIREMENTS OF THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.310(e)).

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

This criterion is not applicable.

THE STATE AGENCY NOTES IT APPEARS THE NON-PATIENT RELATED SERVICES CRITERION IS NOT APPLICABLE (77 IAC 1120.310(f)).



Rehabilitation Providers within a 30-Minute Drive Time of the Applicant's Project

NAME	STREET	CITY	ZIP
Oak Forest Hospital	159th & Cicero Avenue	Oak Forest	60452-0000
Advocate Christ Hospital and Medical Center	4440 West 95th Street	Oak lawn	60453-0000
St. James Hospital & Health Center	4 East 14th St	Chicago Heights	60411-3483
Ingalls Memorial Hospital	One Ingalls Drive	Harvey	60426-0000