



STATE OF ILLINOIS

## HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

<b>DOCKET NO:</b> H-08	<b>BOARD MEETING:</b> March 10, 2015	<b>PROJECT NO:</b> 14-066	<b>PROJECT COST:</b> Original: \$3,040,000
<b>FACILITY NAME:</b> MacNeal Hospital		<b>CITY:</b> Berwyn	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA: VII</b>

**PROJECT DESCRIPTION:** The applicants (Tenet Healthcare Corporation, and VHS of Illinois, Inc. d/b/a MacNeal Hospital) are proposing to establish a 12-bed Comprehensive Physical Rehabilitation unit on the campus of MacNeal Hospital, Berwyn. The cost of the project is \$2,566,215. **The anticipated project completion date is December 31, 2015.**

## EXECUTIVE SUMMARY

### **PROJECT DESCRIPTION:**

- The applicants (Tenet Healthcare Corporation and VHS of Illinois d/b/a MacNeal Hospital) is proposing to establish a 12-bed comprehensive physical rehabilitation unit on the campus of MacNeal Hospital, in Berwyn. The rehabilitation unit will consist of 7,825 GSF of modernized space, and involve the discontinuation/transition of 12 medical/surgical beds to rehabilitation at the acute care hospital. The cost of the project is \$2,566,215. **The anticipated project completion date is December 31, 2015.**
- The unit will consist of 12 beds, and be located in existing modernized space used for medical/surgical beds, on the hospital campus in Berwyn.
- The establishment of the 12-bed rehabilitation unit will not increase the number of rehabilitation beds in the planning area, due to the applicants commitment to discontinue 12 rehabilitation beds from the 40-bed rehabilitation unit at Westlake Hospital, its sister facility in Melrose Park.
- The applicants note the project results from the merger between Vanguard Health System and Tenet Healthcare Corporation, in September 2013, and the ensuing need to address a continuity of care between MacNeal Hospital, Westlake Hospital, West Suburban Hospital, and Weiss Memorial Hospital.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- This project is before the State Board because the project proposes to establish a category of service as required by Illinois Health Facilities Planning Act.

### **PURPOSE:**

- The applicants are proposing to establish a 12-bed comprehensive physical rehabilitation unit on the campus of MacNeal Hospital, Berwyn, in an effort to establish a continuity of care for patients served by the recently acquired VHS facilities, and improve services for the residents in Northern Cook County and (HSA-07). The applicants propose to increase access to rehabilitation services for patients admitted to MacNeal Hospital, through the conversion of 12 medical/surgical beds to rehabilitation. The applicants note the discontinuation of 12 of the 40 rehabilitation beds at Westlake Hospital, will result in there being **no increase in the number of rehabilitation beds in the service area.**

### **PROJECT SUPPORT/OPPOSITION/PUBLIC HEARING:**

- A public hearing was offered in regard to the proposed project, but one was not requested. The project file contains letters in support of the project. No letters of opposition were received by the State Board Staff. Letters of support were received from:
  - State Representative Emanuel Welch
  - State Representative Elizabeth Hernandez
  - Esther Corpuz, Chief Executive Officer, Alivio Medical Center
  - Anthony Griffin, Executive Director, Berwyn Development Corporation
  - Elizabeth A Pechous, President, Berwyn Public Health District, Board of Health
  - David Levy, MD
  - Manjula Khandelwal, MD
  - Thomas Smith, DO

- Robert J. Urso, President and CEO PCC Community Wellness Center
- Elba Arandra Suh, Executive Director, National Latino Education Institute
- Deborah C. Sitz, Executive Director, Solutions for Care

**NEED:**

- The State Board's Need Methodology estimates that by CY 2015 there will be a calculated excess of 85 Comprehensive Physical Rehabilitation (rehab) beds in the HSA-07 (includes Dupage and Suburban Cook County) comprehensive rehabilitation planning area. However, the applicants contend the proposed project involves the discontinuation of 12 rehabilitation beds, from the 40-bed complement at its sister-facility, Westlake Hospital Melrose Park, and that the proposed project will not contribute to the current bed excess in HSA-07.
- Board Staff identified twelve hospitals offering inpatient rehabilitation services within a 30-minute radius, and notes all facilities operating beneath the State Board Target Occupancy of 85%.
- The applicants contend if the proposed project should be approved that Westlake Hospital, Melrose Park, will discontinue 12 rehabilitation beds from its 40-bed complement, in an effort to better serve its rehabilitation patients at all VHS facilities, and not contribute to a current excess of rehabilitation beds in HSA-07.

**FINDINGS:**

- The applicants addressed a total of 13 criterion and did not meet the following:

<b>State Board Standards Not Met</b>	
<b>Criteria</b>	<b>Reasons for Non-Compliance</b>
77 IAC 1110.630(b) – Planning Area Need	There is a calculated excess of 85 comprehensive rehabilitation beds in the HSA -07 comprehensive planning area, as well as underutilized facilities in a 30-minute radius.
77IAC 1110.630(c) – Unnecessary Duplication of Services/Maldistribution/Impact of Project on Area Providers/	There is a calculated excess of 85 comprehensive rehabilitation beds in the HSA -07 comprehensive planning area, as well as underutilized facilities in a 30-minute radius.

**STATE BOARD STAFF REPORT**  
**MacNeal Hospital**  
**PROJECT #14-021**

<b>APPLICATION CHRONOLOGY</b>	
Applicant	Tenet Healthcare Corporation VHS of Illinois d/b/a MacNeal Hospital
Facility Name	MacNeal Hospital
Location	Berwyn, IL
Application Received	December 18, 2014
Application Deemed Complete	December 18, 2014
Operating Entity/Licensee	VHS of Illinois, Inc.
Owner of the Site	VHS of Illinois, Inc.
Can Applicants Request a Deferral?	Yes

**I. The Proposed Project**

The applicants are proposing to establish a 12-bed Comprehensive Physical Rehabilitation Unit in existing space on the campus of MacNeal Hospital, Berwyn and the proposed discontinuation of 12 comprehensive rehabilitation beds at Westlake Hospital. The estimated cost of the project is \$2,566,215. The anticipated project completion date is December 31, 2015.

**II. Summary of Findings**

- A. The State Board Staff finds the proposed project **DOES NOT** appear to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

**III. General Information**

The applicants are Tenet Healthcare Corporation and VHS of Illinois d/b/a MacNeal Hospital. MacNeal Hospital is located at 3249 South Park Avenue, Berwyn, Illinois in the HSA VII Service Area. HSA VII includes suburban Cook and DuPage Counties in Illinois. There are 12 hospitals in the HSA 07 Comprehensive Rehabilitation Planning Area: Adventist Hinsdale Hospital-Hinsdale, Advocate Christ Medical Center - Oak Lawn, Advocate Lutheran General Hospital-Park Ridge, Alexian Brothers Medical Center - Elk Grove Village, Evanston Hospital - Evanston, Franciscan St. James Health-Chicago Heights Chicago Heights, Ingalls Memorial Hospital - Harvey, Loyola University Medical Center/Foster G. McGaw - Maywood, Marianjoy Rehabilitation Center-Wheaton, Oak Forest Hospital - Oak Forest, Rush Oak Park Hospital - Oak Park, Westlake Hospital-Melrose Park.

The licensee operating entity and owner of the site is VHS of Illinois, Inc. Currently, there are thirteen acute care hospitals within a 30-minute radius that provide inpatient

physical rehabilitation service (See Table Six). The December 2014 Revised Bed Determination indicates a calculated excess of 85 Rehabilitation beds in HSA-07 Comprehensive Rehabilitation Health Planning Area CY 2015. Target occupancy for comprehensive rehabilitation beds is 85%. The State Board need methodology projected the 2015 population in the HSA 7 comprehensive rehabilitation planning area times the average usage rate in HSA 7 to determine the projected number of comprehensive rehabilitation days by CY 2015. The projected number of comprehensive rehabilitation days is divided by 365 days to determine average daily census. The average daily census is divided by the target occupancy (85%) to determine the number of beds needed in the HSA 7 comprehensive rehabilitation planning area by CY 2015.

The estimated start-up costs/operating deficit for this project is \$630,000. This is a substantive project subject to a Part 1110 and Part 1120 review. Project obligation will occur after permit issuance.

#### **IV. Summary of Support and Opposition Letters**

A public hearing was offered for the proposed project, but none was requested. The project file contains no letter of support for or in opposition to the project.

#### **V. The Proposed Project - Details**

The applicant is proposing to establish a 12-bed Comprehensive Rehabilitation Unit in 7,825 GSF of modernized space, on the campus on MacNeal Hospital. The applicant proposes to eliminate 12 medical/surgical beds to accommodate the 12 bed unit, reducing the medical surgical bed count at MacNeal Hospital from 350 to 338. The applicant has also committed to discontinuing 12 rehabilitation beds at Westlake Hospital, in Melrose Park, to prevent adding to the current excess bed inventory in the planning area. The cost of project is \$2,566,215, and the proposed project completion date is December 31, 2015.

#### **VI. Project Costs and Sources of Funds**

The applicant is funding this project in its entirety with cash and securities totaling \$2,566,215. Debt is not being used to fund this project, and all incurred costs are classified as being clinical.

<b>TABLE ONE</b>	
<b>Project Costs and Sources of Funds</b>	
<b>USE OF FUNDS</b>	<b>CLINICAL</b>
Preplanning Costs	\$35,000
Modernization Contracts	\$1,705,850
Contingencies	\$78,250
Architectural/Engineering Fees	\$195,000
Consulting & Other Fees	\$100,000
Moveable & Other Equipment	\$452,115
<b>TOTAL USES OF FUNDS</b>	<b>\$2,566,215</b>

TABLE ONE Project Costs and Sources of Funds	
SOURCE OF FUNDS	CLINICAL
Cash and Securities	\$2,566,215
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$2,566,215</b>

## VII. Cost Space Chart

The applicant is proposing the modernization of 7,825 GSF of clinical space for this service.

TABLE TWO Cost Space Chart					
Department	Cost	Proposed GSF	Modernized Space	As Is	Vacated
Rehabilitation	\$2,566,125	7,825	7,825	0	0
Total Clinical	\$2,566,125	7,825	7,825	0	0

## VIII. Section 1110.230 - Project Purpose, Safety Net Impact and Alternatives

### A) Criterion 1110.230 (b) - Purpose of the Project

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

The applicants note the purpose of the proposed project stems from the absence of a comprehensive physical rehabilitation unit at MacNeal Hospital. In the past, patients hospitalized at MacNeal requiring rehabilitation service (stroke patients, orthopedic surgery patients), had to be transported to another hospital, resulting in a compromised continuity of care, accessibility issues, and difficulty for physicians who must follow their patients to a different facility. The proposed project of establishing a 12-bed comprehensive physical rehabilitation unit at MacNeal Hospital, will alleviate these hardships, which affected approximately 240 patients per year. The applicants note the proposed project will serve the residents of Berwyn and surrounding communities, which contain a large Hispanic/Latino population. The applicants note MacNeal Hospital is a fully bilingual hospital.

### B) Criterion 1110.230(b) - Safety Net Impact Statement

*All health care facilities, with the exception of skilled and intermediate long-term care facilities licensed under the Nursing Home Act [210 ILCS 45], shall provide a safety net impact statement, which shall be filed with an application*

*for a substantive project (see Section 1110.40). Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]*

The applicant stated the following:

*“MacNeal Hospital provides a broad spectrum of safety net services to the community it serves, and has done so for many years. These safety net services-ranging from an Emergency Department treating in excess of 60,000 patients a year to community-based screening and disease prevention programs-are critical to the community, including a large Latino community that looks to MacNeal and its community-based clinical partners such as Alvivio Medical Center as their primary sources for medical care. Approximately 40% of MacNeal’s patients are Latino, and MacNeal operates a bilingual facility. During 2013, 2.4% of the patients admitted to MacNeal were categorized as “charity care” and 21.3% of the patients admitted were Medicaid recipients. The proposed project is limited to the establishment of a comprehensive physical rehabilitation unit at MacNeal Hospital, and does not involve the discontinuation of a facility or category of service. Therefore, the project will not have an impact on any traditional safety net services.”*

Board staff notes the applicants provided safety net information for the period from October 1, 2013, through June 30, 2014, for MacNeal, Westlake, Weiss Memorial Hospital, and West Suburban Medical Center, their first year of operation under Tenet Healthcare Corporation. Table Three contains Safety Net Information for MacNeal Hospital.

<b>TABLE THREE</b>	
<b>Safety Net Information per PA 96-0031</b>	
	<b>October 2013 – June 2014</b>
<b>Net Revenue</b>	<b>\$180,174,000</b>
Amount of Charity Care (charges)	\$10,120,821
Cost of Charity Care	\$1,717,503
<b>Charity Care % of Net Revenue</b>	<b>.95%</b>
<b>CHARITY (# of Patients)</b>	<b>10/2013-6/2014</b>
Inpatient	180
Outpatient	1,565
<b>TOTAL</b>	<b>1,845</b>
<b>CHARITY (Cost in Dollars)</b>	<b>10/2013-6/2014</b>
Inpatient	\$851,377
Outpatient	\$866,126
<b>TOTAL</b>	<b>\$1,717,503</b>
<b>MEDICAID (# of Patients)</b>	<b>10/2013-6/2014</b>
Inpatient	2,556
Outpatient	35,060
<b>TOTAL</b>	<b>37,616</b>
<b>MEDICAID (revenue)</b>	<b>10/2013-6/2014</b>
Inpatient	\$16,212,591

<b>TABLE THREE</b>	
<b>Safety Net Information per PA 96-0031</b>	
	<b>October 2013 – June 2014</b>
Outpatient	\$9,657,817
<b>TOTAL</b>	<b>\$25,880,408</b>
<b>Medicaid % of Net Revenue</b>	<b>14.3%</b>
Information provided by the applicant	

- C) **Criterion 1110.230 (c) - Alternatives to the Proposed Project**  
**The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.**

The applicant considered the following four options:

**“Alternative 1- Do Nothing/Continue to Transfer Patients to Other Hospitals**  
The applicants rejected this alternative, due to the continuance in lack of continuity, decreased patient access, and hardship incurred on the medical staff to follow their patients from one hospital to another. No costs were identified with this alternative.

**Alternative 2 – Establish a 12-Bed Rehabilitation Unit in Other Locations Within the Hospital**

The applicants considered the option of establishing a 12-bed comprehensive Physical rehabilitation unit in a location of the hospital that would not require the conversion of 12 medical/surgical beds. While it was noted this option would not affect accessibility, quality of care, or operating cost, the need to provide a rehabilitation gym would increase the capital cost by approximately \$725,000. The applicants rejected this alternative.

**Alternative 3 – Establish a Larger Comprehensive Physical Rehabilitation Unit**

The applicants note this alternative was considered with the goal of attracting patients in need of rehabilitation services from other hospitals. While the accessibility and quality of care would be similar to other alternatives (including the one chosen), this alternative would increase the project cost by approximately \$60,000 per bed. The applicants rejected this alternative.

**Alternative 4 – Establish a 12-Bed Rehabilitation Unit and Discontinue 12 Rehabilitation Beds at Westlake Hospital, in Melrose Park (Option of Choice)**

The applicants chose to establish the 12-bed rehabilitation unit by converting 12-existing medical/surgical beds for rehabilitation service at MacNeal Hospital. In addition, the applicants opted to discontinue 12 rehabilitation beds from the existing 40-bed rehabilitation unit at Westlake Hospital, Melrose Park, to counter any negative effect the proposed project would have on the current overage of rehabilitation beds in HSA-07. The applicants found this to be the best use of



resources, while being mindful of the current excess of rehabilitation beds in the service area. Cost identified with this alternative: \$2,566,215.

**IX. Section 1110.234 - Project Scope and Size, Utilization**

**A) Criterion 1110.234 - Size of Project**

- 1) The applicant shall document that the physical space proposed for the project is necessary and appropriate.**

The following table shows the project's square footage versus the State Norms:

<b>TABLE FOUR Size of the Project</b>				
	Proposed GSF	State Standard		Difference
12 Bed Rehabilitation Unit	7,825 DGSF (652 DGSF/bed)	525-660 GSF//Bed	7,920 GSF (660 x 12)	95 DGSF or 8 GSF/Bed

The applicants are proposing to renovate 7,000 DGSF of existing hospital space and discontinue 12 medical/surgical beds, to establish 12 private patient rooms and associated support space for the rehabilitation unit on the second floor of the existing hospital. The applicants note the rehabilitation unit will share in the utilization of a 2,500 DGSF rehabilitation gym, currently utilized by the hospital's sub-acute care demonstration project, with 825 DGSF of gym space being dedicated solely to the rehabilitation unit. The total spatial allocation for the proposed project is 7,825 DGSF, or 652 GSF/bed. This meets the State Board Standard by 199 DGSF, or 8 DGSF per bed.

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

**B) Criterion 1110.234 (b) - Project Services Utilization**

**The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B.**

The applicant proposes to establish a 12-bed comprehensive rehabilitation unit on the campus of MacNeal Hospital, in Berwyn. The unit will be established in modernized existing space, and will consist of 12 private rooms, and a shared rehabilitation gym. The applicants project to admit 280 patients to the rehabilitation unit by its second year of operation, based on referral letters from 48 physicians, in-house referrals from the sub-acute care unit on the hospital campus, and historical referral data from MacNeal Hospital, discharging rehabilitation patients to intermediate care facilities (ICF), or skilled nursing

facilities (SNF). It appears the applicant has met the requirements of this criterion.

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

**X. Section 1110.630 – Comprehensive Physical Rehabilitation – Review Criteria**

**A) Criterion 1110.630 (b) - Background of Applicant**

**1) An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character to adequately provide a proper standard of health care service for the community.* [20 ILCS 3960/6**

The applicant has provided licensing information for MacNeal Hospital, as well as a listing of general and specialty hospitals owned/operated by Tenet. The applicants supplied Illinois licensure information, and accreditation information from JCHAO for its four hospitals in the metropolitan Chicago area. The applicants supplied notarized verification of having had no adverse actions taken against them in the three previous years, and authorization for the State Board to verify this information. It appears the applicants have met the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH BACKGROUND OF APPLICANT CRITERION (77 IAC 1110.630(b) (1-3)**

**B) Criterion 1110.630 (b) (1) - Planning Area Need**

**The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population.**

The applicant is proposing to establish a 12-bed Comprehensive Rehabilitation unit on the campus of MacNeal Hospital, in Berwyn. Berwyn is in HSA-07, which comprises DuPage and suburban Cook Counties.

To determine if there is a **calculated need** for comprehensive rehabilitation beds in the HSA-07 planning area the State Board Staff relied upon the December 2014 Bed Inventory update. That update indicated that there is a calculated excess of 85 comprehensive rehabilitation beds in the HSA-07 comprehensive rehabilitation planning area.

To determine if the **primary purpose** of the project will be to provide necessary health care to residents of the area the applicant provided zip code information for the FY 2012 and FY 2013 discharges for the primary and secondary service area which documented that over 80% of the discharged patients came from the primary and secondary service area of the hospitals.

To determine if there is **demand** for the establishment of a comprehensive rehabilitation unit the applicant provided historic discharged data of patients being discharged to other inpatient comprehensive rehabilitation units, physician referral letters and a separate need analysis provided by RehabCare based on the needs of patients currently being discharged from the hospital.

In 2013, MacNeal Hospital discharged 267 inpatients to rehabilitation hospitals, and projects to refer 260 patients by the second year after project completion. In addition, the applicants note the operation of a sub acute care hospital model at MacNeal Hospital, under the Alternative Care Delivery Act. It is estimated that 15% to 20% of the patient base admitted to this sub acute care model are clinically eligible for admission to the rehabilitation unit, resulting in an additional 116 admissions to the unit annually. Lastly, the applicants note having discharged/referred an additional 2,152 patients to skilled nursing facilities (SNF), or Intermediate Care Facilities (ICF). The applicants estimate that 2% of the patients now admitted to the SNF and/or ICF facilities will utilize the proposed new unit. Consolidation of these three referral sources account for nearly 420 prospective admissions to the rehabilitation unit, resulting in an operational capacity that surpasses the State occupancy target of 85%.

<b>TABLE FIVE</b> <b>Summary of Discharges</b>				
Discharges	Patients	Average Length of Stay	Patient Days	Average Daily Census/ Utilization
Referrals 2% of the pm the Sub-Acute Care Unit/Transitional Care Unit	116	13.6	1,577.6	4.32
Physician Referral Letters	260	13.6	3,536	9.68
Discharges to Nursing Homes <sup>1</sup>	43	13.6		1.6
Total	419	13.6	5,113.6	15.6
1. Average length of stay based upon the HSA 07 average length of stay for comprehensive rehabilitation units 2012 data.				

Board Staff has determined that there are 13 hospitals in a 30-minute drive radius that provide inpatient comprehensive physical rehabilitation services (See Table Six). Of these 13, facilities, none reported having operated at or above the State standard, on the CY 2013 Hospital Profile. The applicants note the proposed project will not contribute to the current excess of rehabilitation beds in the planning area, based on the proposal to discontinue 12 of the 40 rehabilitation beds in service at its sister-facility, Westlake Hospital, Melrose Park.

<b>TABLE SIX</b> <b>Facilities within 30 minutes of the proposed service</b>					
Facility	City	Adjusted Time	Beds	Utilization	Met Occupancy

**TABLE SIX**  
**Facilities within 30 minutes of the proposed service**

Facility	City	Adjusted Time	Beds	Utilization	Met Occupancy
Loyola University/Foster McGaw	Maywood	11	32	77.5%	No
Rush Oak Park Hospital	Oak Park	12	36	11.2%	No
Schwab Rehabilitation Center	Chicago	12	81	67%	No
Rush University Medical Center	Chicago	14	59	48.6%	No
Adventist LaGrange Memorial Hospital	LaGrange	17	16	0.0%*	No
Mercy Hospital & Medical Center	Chicago	18	24	41.3%	No
U of I Medical Center	Chicago	18	18	72.4%	No
Westlake Hospital	Melrose Park	19	40	24.4%	No
St. Mary of Nazareth Hospital	Chicago	21	15	61.4%	No
Holy Cross Hospital	Chicago	25	34	41.8%	No
Rehabilitation Institute of Chicago	Chicago	25	242	67.5%	No
Advocate Illinois Masonic Medical Ctr.	Chicago	29	22	64.4%	No
Shriners' Hospital for Children	Chicago	29	6	46.4%	No
<b>Average Utilization</b>			<b>625</b>	<b>32.3%</b>	

Utilization data from 2013 Hospital Profiles

Adjusted time determined by Map Quest and adjusted per 77 IAC 1100.510 (d)

\*Newly Established Category of Service, No utilization data available

### **SUMMARY**

There is a calculated excess of 85 comprehensive rehabilitation beds by CY 2015 in the HSA-07 comprehensive rehabilitation planning area. However it appears there is demand for the service at the hospital based upon the number of patients discharged to other comprehensive rehabilitation units in the planning area and physician referral letters. There are 13 inpatient comprehensive rehabilitation care units within 30 minutes of the proposed 12 bed unit, and none are operating at the target occupancy of 85%. There is no absence of service in the planning area, or evidence of restrictive admission policies at other area providers, or access limitations due to payor status or medical care problems of the area population. The applicant cannot meet the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT TO BE IN CONFORMANCE OF PLANNING AREA NEED CRITERION (77 IAC 1110.630 (b))**

**D) Criterion 1110.630(c)(1,2,3)- Unnecessary Duplication/Maldistribution/ Impact of Project on Area Providers – Review Criterion**

**The applicant shall document that the project will not result in an unnecessary duplication or maldistribution and will not lower the utilization of other area providers.**

**Unnecessary Duplication** of service occurs when two or more facilities or programs are engaged in the same activities or provide the same services within the 30 minute service area. The applicants provided a list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the proposed site; the total population of the identified zip code areas and the names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.

There are thirteen hospitals within 30 minutes that have a total of 625 inpatient comprehensive rehabilitation beds and an average utilization of 32.3%. However, the applicants provided sufficient data to support adequate occupancy through physician referral letters and historical discharge data where rehabilitation patients were transferred from MacNeal Hospital, to area rehabilitation/skilled nursing facilities. The proposed project will not introduce additional beds to an already over bedded area, and it does not appear that a duplication of service will result.

**Maldistribution** exists when the identified area (within the planning area) has an excess supply of facilities or beds and services that exceeds one and one-half times the State Average.

The applicants' provided sufficient referral data to support the establishment of a 12-bed comprehensive physical rehabilitation unit at MacNeal Hospital, through physician referral letters, and historical discharge data of potential rehabilitation patients from MacNeal Hospital. The establishment of the proposed 12-bed rehabilitation unit will not result in maldistribution of service, based on the applicants proposal to discontinue 12 rehabilitation beds from the 40-rehabilitation bed complement at Westlake Hospital in Melrose Park, 19 minutes/6.8 miles away.

**Impact on Other Facilities** results when the proposed project will lower the utilization of other area providers below the occupancy standard of 85% or will lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

The applicants have provided sufficient data to show the proposed project will ensure adequate operational capacity after project completion, and that the project will not introduce additional beds to a currently-over-bedded planning area. However, it is the applicant's intent to retain its rehabilitation patient base, and not discharge/refer this population to area facilities, resulting in the potential for negative impact on already underutilized area facilities. A negative finding results for this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION OF SERVICE/MALDISTRIBUTION/IMPACT OF PROJECT ON OTHER AREA PROVIDERS CRITERION (77 IAC 1110.630(c) (1) (2) (3))**

- E) **Criterion 1110.630 (e) - Staffing Availability**
- F) **Criterion 1110.630 (f) - Performance Requirements**
- G) **Criterion 1110.730(g) -Assurances**

The applicant provided the necessary documentation to successfully address these criteria at pages 131-132 of the application for permit

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION STAFFING AVAILABILITY, PERFORMANCE REQUIREMENTS, AND ASSURANCES (77 IAC 1110.630 (f) (g) (h))**

- XI. **Section 1120.120 - Availability of Funds**
- XII. **Section 1120.130 - Financial Viability**
- XIII. **Section 1120.140 - Economic Feasibility**
  - A) **Criterion 1120.140 (a) - Reasonableness of Financing Arrangements**
  - B) **Criterion 1120.140 (b) - Conditions of Debt Financing**

The applicant is funding this project in its entirety with cash and securities (internally funded), totaling \$2,566,215. The applicant supplied proof of its financial viability through the submittal of its Form 10-K from February 2014 (application, p. 133). There is no debt associated with this project, and it appears that sufficient financial resources exist to fund the project internally and in its entirety.

<b>TABLE SEVEN</b> <b>Tenent Healthcare Corporation</b> <b>Audited Financial Statement</b> <b>(In Millions)</b>		
	2013	2012
Cash	\$113	\$364
Current Assets	\$3,710	\$2,681
PPE	\$7,691	\$4,293
Total Assets	\$16,130	\$9,044
Current Liabilities	\$2,928	\$1,763
LTD	\$10,690	\$5,158
Total Liabilities	\$15,005	\$7,810
Net Operating Revenue	\$11,102	\$9,119
Operating Expenses	\$10,439	\$8,370
Operating Income	\$663	\$749
Net Income	-\$104	\$133

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS, FINANCIAL VIABILITY, REASONABLENESS OF FINANCING ARRANGEMENTS, AND CONDITIONS OF DEBT FINANCING CRITERION (77 IAC 1120.120, 130, 140 (a)(b)).**

- C) **Criterion 1120.140 (c) - Reasonableness of Project and Related Costs**  
**The applicant shall document that the estimated project costs are reasonable and shall document compliance with the State Board Standards.**

The following line items are classified as clinical costs.

**Preplanning Costs** – These costs total \$35,000, and comprise 1.5% of the modernization, contingencies, and equipment costs. This appears reasonable when compared to the State Board Standard of 1.8%.

<b>TABLE EIGHT Preplanning Costs</b>	
Alternatives evaluation	\$10,000
Feasibility assessment	\$20,000
Other/Misc.	\$5,000

**Modernization and Contingency Costs** – These costs are \$1,784,100 or \$228.00 per GSF (\$1,784,100/7,825 GSF). This appears reasonable when compared to the State Board Standard of \$322.45.

**Contingency Costs** – These costs are \$78,250 or 4.5% of modernization costs. These costs appear reasonable when compared to the State Board Standard of 10% - 15%.

**Architectural and Engineering Fees** – These costs are \$182,400 or 9.0% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 7.9% – 10.79%

<b>TABLE NINE <sup>(1)</sup> Architectural and Engineering Fees</b>	
Design	\$120,000
Alternatives assessments	\$7,000
Regulatory agency interaction	\$8,000
Equipment selection and planning	\$10,000
Interiors	\$20,000
Renovation monitoring	\$15,000
Other/Misc.	\$15,000
1. Includes Non-Clinical Costs	

**Consulting and Other Fees** – These costs total \$100,000. The State Board does not have a standard for these costs.

<b>TABLE TEN Consulting and Other Fees</b>	
CON-related	\$65,000

Permits, fees, and reviews	\$20,000
Other/Misc.	\$15,000

**Movable Equipment** – These costs are \$452,115. The State Board does not have a standard for these costs.

Board Staff finds the applicant has met the requirement of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1120.140(c)).**

- D) The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.**

The projected operating costs per equivalent patient day are \$33.36. The applicants have met this criterion.

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

- E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs**  
**The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.**

The total effect of the Project on Capital Costs is \$367.98 per equivalent patient day.

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



[illegible]

Copyright © and (P) 1988–2006 Microsoft Corporation and/or its suppliers. All rights reserved. <http://www.microsoft.com/mappoint/>  
Portions © 1990–2005 InstallShield Software Corporation. All rights reserved. Certain mapping and direction data © 2005 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2005 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc.

<u>Ownership, Management and General Information</u>				<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	J. Scott Steiner			White	48.4%	Hispanic or Latino:	36.8%
ADMINSTRATOR PHONE	708-783-2997			Black	12.0%	Not Hispanic or Latino:	61.0%
OWNERSHIP:	VHS of Illinois DBA as MacNeal Hospital			American Indian	0.0%	Unknown:	2.2%
OPERATOR:	VHS of Illinois DBA as MacNeal Hospital			Asian	0.5%		
MANAGEMENT:	For Profit Corporation			Hawaiian/ Pacific	0.0%	IDPH Number:	5082
CERTIFICATION:				Unknown	39.0%	HPA	A-06
FACILITY DESIGNATION:	(Not Answered)					HSA	7
ADDRESS	3249 South Oak Park Avenue	CITY: Berwyn	COUNTY: Suburban Cook County				

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	Authorized CON Beds 12/31/2013	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Bed Occupancy Rate %
Medical/Surgical	250	229	229	10,363	49,532	1,986	5.0	141.1	56.5	61.6
0-14 Years				219	1,614					
15-44 Years				1,748	5,588					
45-64 Years				2,966	12,431					
65-74 Years				1,807	9,365					
75 Years +				3,623	20,534					
Pediatric	10	10	10	799	3,254	445	4.6	10.1	101.3	101.3
Intensive Care	26	17	17	1,321	4,948	1	3.7	13.6	52.1	79.8
Direct Admission				920	3,184					
Transfers				401	1,764					
Obstetric/Gynecology	25	23	23	1,969	4,403	49	2.3	12.2	48.8	53.0
Maternity				1,854	4,202					
Clean Gynecology				115	201					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds			0	0	0		0.0	0.0		
Acute Mental Illness	62	62	62	2,676	17,628	2	6.6	48.3	77.9	77.9
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	373			16,727	79,765	2,483	4.9	225.3	60.4	

(Includes ICU Direct Admissions Only)

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	31.9%	21.3%	0.0%	40.8%	3.5%	2.4%	
	5344	3562	0	6830	590	401	16,727
Outpatients	16.2%	22.7%	0.0%	54.2%	5.4%	1.5%	
	32171	45052	0	107638	10733	2995	198,589
<u>Financial Year Reported:</u> 7/1/2012 to 6/30/2013 <u>Inpatient and Outpatient Net Revenue by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense
Inpatient Revenue ( \$ )	42.4%	12.5%	0.0%	44.5%	0.6%	100.0%	
	60,651,311	17,950,980	0	63,698,571	833,652	143,134,513	1,809,268
Outpatient Revenue ( \$ )	16.1%	12.2%	0.0%	71.7%	0.0%	100.0%	
	13,653,424	10,341,206	0	60,643,627	0	84,638,257	1,622,798
							Total Charity Care Expense 3,432,066
							Total Charity Care as % of Net Revenue 1.5%

<u>Birth Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>	
Number of Total Births:	1,753		Level I	Level II	Level II+	Kidney:	0
Number of Live Births:	1,745		Beds	30	5	Heart:	0
Birthing Rooms:	0		Patient Days	2,552	1,614	Lung:	0
Labor Rooms:	0		Total Newborn Patient Days		4,166	Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	0
Labor-Delivery-Recovery Rooms:	9					Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	25		Inpatient Studies		324,678	Total:	0
C-Section Rooms:	2		Outpatient Studies		173,027		
CSections Performed:	473		Studies Performed Under Contract		0		



**Surgery and Operating Room Utilization**

<b><u>Surgical Specialty</u></b>	<b><u>Operating Rooms</u></b>				<b><u>Surgical Cases</u></b>		<b><u>Surgical Hours</u></b>			<b><u>Hours per Case</u></b>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	1	0	0	1	85	1	592	2	594	7.0	2.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	2	2	1115	1218	2600	1941	4541	2.3	1.6
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	1	1	132	185	437	313	750	3.3	1.7
OB/Gynecology	0	0	1	1	331	810	882	1033	1915	2.7	1.3
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	1	1	3	1277	4	1057	1061	1.3	0.8
Orthopedic	0	0	2	2	739	958	1694	1331	3025	2.3	1.4
Otolaryngology	0	0	1	1	152	392	322	605	927	2.1	1.5
Plastic Surgery	0	0	1	1	38	336	227	647	874	6.0	1.9
Podiatry	0	0	0	0	92	279	105	394	499	1.1	1.4
Thoracic	0	0	1	1	34	2	116	5	121	3.4	2.5
Urology	0	0	1	1	253	791	288	672	960	1.1	0.8
<b>Totals</b>	<b>1</b>	<b>0</b>	<b>11</b>	<b>12</b>	<b>2974</b>	<b>6249</b>	<b>7267</b>	<b>8000</b>	<b>15267</b>	<b>2.4</b>	<b>1.3</b>
<b><u>SURGICAL RECOVERY STATIONS</u></b>				Stage 1 Recovery Stations		13	Stage 2 Recovery Stations		12		

**Dedicated and Non-Dedicated Procedure Room Utilization**

<b><u>Procedure Type</u></b>	<b><u>Procedure Rooms</u></b>				<b><u>Surgical Cases</u></b>		<b><u>Surgical Hours</u></b>			<b><u>Hours per Case</u></b>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	6	6	1463	5604	2268	5604	7872	1.6	1.0
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	1	1	0	13582	0	13582	13582	0.0	1.0
Cystoscopy	0	0	1	1	328	671	930	1902	2832	2.8	2.8
<b><u>Multipurpose Non-Dedicated Rooms</u></b>											
Minor	0	1	0	1	0	7	0	5	5	0.0	0.7
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

**Emergency/Trauma Care**

Certified Trauma Center	Yes
Level of Trauma Service	<b>Level 1</b>
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	Adult
Number of Trauma Visits:	13
Patients Admitted from Trauma	12
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	2
Persons Treated by Emergency Services:	62,006
Patients Admitted from Emergency:	9,229
Total ED Visits (Emergency+Trauma):	<b>62,019</b>

**Free-Standing Emergency Center**

Beds in Free-Standing Centers	0
Patient Visits in Free-Standing Centers	0
Hospital Admissions from Free-Standing Center	0

**Outpatient Service Data**

Total Outpatient Visits	<b>198,589</b>
Outpatient Visits at the Hospital/ Campus:	198,589
Outpatient Visits Offsite/off campus	0

**Cardiac Catheterization Labs**

Total Cath Labs (Dedicated+Nondedicated labs):	<b>3</b>
Cath Labs used for Angiography procedures	1
Dedicated Diagnostic Catheterization Lab	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

**Cardiac Catheterization Utilization**

Total Cardiac Cath Procedures:	<b>1,522</b>
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	820
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	372
EP Catheterizations (15+)	330

**Cardiac Surgery Data**

Total Cardiac Surgery Cases:	<b>98</b>
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	98
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	76

**Diagnostic/Interventional Equipment**

<b><u>Examinations</u></b>		<b><u>Therapeutic Equipment</u></b>		<b><u>Therapies/</u></b>	
<b><u>Owned</u></b>	<b><u>Contract</u></b>	<b><u>Owned</u></b>	<b><u>Contract</u></b>	<b><u>Treatments</u></b>	

General Radiography/Fluoroscopy	17	0	16,047	50,350	0
Nuclear Medicine	3	0	2,852	3,464	0
Mammography	4	0	0	18,553	0
Ultrasound	9	0	5,021	21,376	0
Angiography	3	0			
Diagnostic Angiography			492	521	0
Interventional Angiography			201	235	0
Positron Emission Tomography (PET)	0	1	0	0	383
Computerized Axial Tomography (CAT)	3	0	3,617	18,929	0
Magnetic Resonance Imaging	3	0	1,229	6,361	0

Lithotripsy	0	0	0
Linear Accelerator	0	0	0
Image Guided Rad Therapy			0
Intensity Modulated Rad Thrp			0
High Dose Brachytherapy	0	0	0
Proton Beam Therapy	0	0	0
Gamma Knife	0	0	0
Cyber knife	0	0	0