



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-02	BOARD MEETING: November 17, 2015	PROJECT NO: 15-039	PROJECT COST: Original: \$407,195,769
FACILITY NAME: Rockford Memorial Hospital-Riverside Campus		CITY: Rockford Township	
TYPE OF PROJECT: Substantive			HSA: I

PROJECT DESCRIPTION: The applicants' (Interstate Alliance, Inc. d/b/a MercyRockford Health System, and Rockford Memorial Hospital) are proposing to establish a one hundred eighty-eight (188) bed acute care hospital in Rockford Township, Illinois. The anticipated project cost is \$407,195,769. **The anticipated project completion date is June 30, 2019.**

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants' (Interstate Alliance, Inc. d/b/a MercyRockford Health System, and Rockford Memorial Hospital) are proposing to establish one hundred eighty-eight (188) bed acute care hospital in Rockford Township, Illinois. The anticipated project cost is \$407,195,769. **The anticipated project completion date is June 30, 2019.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes to establish a health care facility (hospital) as required by 20 ILCS 3090 (3).

PURPOSE OF THE PROJECT:

- The purpose of the project is to establish a one hundred eighty-eight (188) bed acute care hospital in Rockford Township, Illinois.

PUBLIC HEARING/COMMENT:

- A public hearing was conducted on September 17, 2015. There were one hundred seventy-four (174) individuals that registered in attendance at the public hearing, one hundred fourteen (114) registered their support and fourteen (14) registered their opposition. Nine (9) individuals did not express an opinion or were neutral.

CONCLUSIONS:

- The applicants addressed 29 criteria and have failed to meet the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.234 (b) – Projected Utilization	The applicants are basing projected utilization on the historical utilization at the Rockton Avenue location. Historical utilization will not justify the number of medical surgical, intensive care, and obstetric beds. In addition historical utilization does not justify the open heart surgery category of service, the number of C-Section rooms, and the number of endoscopy rooms.
Criterion 1110.530 (c) (1) (2) (3) (5) – Planning Area Need/ Medical Surgical Pediatric/Obstetric Intensive Care Beds	There is an excess of two hundred eighty-three (283) medical/surgical/pediatric beds, forty (40) obstetric beds, and a need for six (6) intensive care beds in the B-01 Hospital Planning Area. The twenty-six (26) intensive care beds exceed the calculated need by twenty (20) intensive care beds in the B-01 Hospital Planning Area. There are no access issues within 45 minutes of the proposed hospital because all of the facilities are currently not operating at the State Board's target occupancy.
Criterion 1110.530 (d) (1) (2) (3) – Unnecessary	There are four facilities within 30 minutes of the

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Duplication of Service/Maldistribution of Service/Impact on Other Facilities	proposed facility. None of the four (4) facilities is operating medical surgical, pediatric, or obstetric beds at the State Board's target occupancy. Only one (1) of the four (4) facilities is operating ICU beds at the target occupancy of 60%.
Criterion 1110.530 (g) – Minimum Bed Capacity Medical Surgical, Pediatric, Intensive Care, and Obstetric in an MSA	The proposed facility will be located in the Rockford MSA. The applicants are proposing to establish eighty-four (84) medical surgical beds in the MSA. The minimum bed capacity is 100 medical surgical beds in an MSA.
Criterion 1110.1230 (b) –Establishment of Open Heart Category of Surgery	Historical utilization at the Rockford Memorial Hospital Campus does not warrant the establishment of the Open Heart Surgery Category of Service
Criterion 1110.1230 (c) – Unnecessary Duplication of Service Open Heart Surgery	Thirteen (13) of the nineteen (19) open heart surgery services within 90 minutes are not operating at 200 surgeries per year as required by State Board Rule.
Criterion 1110.3030 (a) – Clinical Services Other than Categories of Service	Historical utilization at the Rockton Avenue campus does not justify the two (2) C-Section suites, and the three (3) endoscopy rooms,

STATE BOARD STAFF REPORT
Project #15-039
Rockford Memorial Hospital-Riverside Avenue Campus

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	Interstate Alliance, Inc. d/b/a MercyRockford Health System, Rockford Memorial Hospital
Facility Name	Rockford Memorial Hospital-Riverside Campus
Location	I-90/39 & East Riverside Blvd, Rockford Township, Winnebago County
Permit Holder	Interstate Alliance, Inc. d/b/a MercyRockford Health System
Operating Entity	Rockford Memorial Hospital
Owner of Site	Rockford Memorial Hospital
Beds	84 medical surgical beds, 20 obstetric beds, 12 pediatric beds, 46 neonatal intensive care beds, and 26 intensive care beds
Total Gross Square Feet	450,803 GSF
Application Received	August 18, 2015
Application Deemed Complete	August 19, 2015
Financial Commitment Date	November 15, 2017
Completion Date	June 30, 2020
Review Period Ends	October 18, 2015
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes
Public Hearing Date	September 17, 2015

I. The Proposed Project

The applicants' (Interstate Alliance, Inc. d/b/a MercyRockford Health System, and Rockford Memorial Hospital) are proposing to establish one hundred eighty-eight (188) bed acute care hospital in Rockford Township, Illinois. The anticipated project cost is \$407,195,769. **The anticipated project completion date is June 30, 2019.**

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 Interstate Alliance, Inc. d/b/a MercyRockford Health System and Rockford Memorial Hospital. Rockford Memorial Hospital is a 391 acute care hospital located at 2400 North Rockton Avenue in Rockford, Illinois. This is a substantive project subject to an 1110 and 1120 review. Project financial commitment will occur after project completion.

IV. **B-01 Hospital Planning Area**

Rockford Memorial Hospital is located in the HSA I Health Service Area and the B-01 hospital planning area. HSA I consists of the Illinois Counties of Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago and the **B-01 Hospital Planning Area** consists of Boone and Winnebago Counties; DeKalb County Townships of Franklin, Kingston, and Genoa; Ogle County Townships of Monroe, White Rock, Lynnville, Scott, Marion, Byron, Rockvale, Leaf River and Mount Morris.

The State Board has **calculated an excess** of two hundred eighty-three (283) medical surgical pediatric beds, forty (40) obstetric beds, and a **need** for six (6) intensive care beds in the B-01 Hospital Planning Area by CY 2018. In addition there is a need for eleven (11) acute mental illness beds in the Acute Mental Illness Planning Area I. There is no bed need calculation for neonatal intensive care beds. There are four (4) acute care hospitals in the B-01 Hospital Planning Area: Rockford Memorial Hospital, Swedish American Hospital, Swedish American Medical Center-Belvidere, and OSF Saint Anthony Medical Center.

The Illinois Department of Public Health is estimating a compounded annual growth in the population in the B-01 Planning Area of less than 1% for the years 2013-2018. The compounded annual growth for ages 65-74 is approximately 4% and the 75 and over population is 2.8% compounded annually.

The B-01 Planning Area has seen a compounded annual decrease in the number of medical surgical pediatric patient days of 1.7%, intensive care patient days of 4.13%, and a compounded annual decrease in outpatient visits of 2.15% and a compounded annual increase in emergency care visits of 2.64% from CY2010 to CY2014.

Rockford Memorial Hospital - Rockton Campus has seen a compounded annual decrease in the number of inpatient days in medical surgical beds of 1.2% for the period CY2010-CY2014, a decrease in intensive care inpatient days of 2.51% during this same period and a compounded annual increase in acute mental illness days of 8.52% and an increase in emergency department visits of 3.31% compounded annually. Surgery rooms have seen the number of hours decrease at an annual compounded rate of approximately 1%.

V. Project Details

The applicants are proposing a one hundred eighty-eight (188) bed acute care facility in approximately 450,803 GSF of space on 7 levels in Rockford Township, Illinois.

Category of Service	Beds
Medical Surgical	84
Obstetrics	20
Pediatrics	12
Intensive Care	26
Neonatal Intensive Care	46
Total	188

The lower level of the facility will contain food service, mechanical space, central sterile supply and the laboratory. The first floor will contain the lobby and retail space, a ten station (10) emergency department, a six (6) station convenient care unit, and a fourteen (14) room imaging department. The ten (10) operating rooms will be located on the second floor with fifteen (15) PACU/Recovery stations and forty-three (43) shared recovery stations. The twenty (20) bed obstetric unit and the four (4) room Labor/Delivery/Recovery unit will be located on the third floor. The forty-six (46) bed neonatal intensive care unit, the eight (8) bed pediatric intensive care unit and the twelve (12) bed pediatric unit will located on the fourth floor. The fifth floor will contain the eighteen (18) adult intensive care unit and private room medical surgical units. The sixth floor will contain private room medical surgical units. The seventh floor will be for mechanical space.

V. Project Costs and Sources of Funds

The applicants are funding this project with cash of \$15 million and a bond issue of \$392,195,769. Estimated start-up costs are \$1,500,000.

TABLE ONE			
Project Costs and Sources of Funds			
	Clinical	Non Clinical	Total
Preplanning	\$3,086,000	\$1,367,000	\$4,453,000
Site Survey and Soil Investigation	\$94,400	\$55,600	\$150,000
Site Preparation	\$2,639,534	\$1,755,986	\$4,395,520
Off Site Work	\$4,992,818	\$3,321,541	\$8,314,359
New Construction Contracts	\$110,166,058	\$73,289,503	\$183,455,561
Contingencies	\$5,508,303	\$3,332,162	\$8,840,465
Architectural/Engineering Fees	\$6,220,000	\$3,670,000	\$9,890,000
Consulting and Other Fees	\$5,788,872	\$3,851,128	\$9,640,000
Movable or Other Equipment	\$94,387,495	\$23,596,874	\$117,984,369
Bond Issuance Expense	\$2,389,255	\$1,589,485	\$3,978,740
Net Interest Expense	\$31,967,158	\$21,266,597	\$53,233,755
Other Costs to Capitalized	\$1,717,445	\$1,142,555	\$2,860,000
	\$268,957,338	\$138,238,431	\$407,195,769

TABLE ONE			
Project Costs and Sources of Funds			
	Clinical	Non Clinical	Total
Cash and Securities			\$15,000,000
Bond Issue			\$392,195,769
Total			\$407,195,769

VI. Costs Space Requirements

The table below documents the cost by department area and gross square footage for the proposed new hospital.

TABLE TWO			
Cost Space Requirements			
		Gross Square Footage	
Department Area	Cost	Proposed	New Construction
Reviewable			
Medical Surgical	\$59,170,614	54,327	54,327
ICU Adult	\$21,516,587	12,251	12,251
PICU	\$10,758,294	5,438	5,438
OB/GYN	\$10,650,711	14,336	14,336
Pediatrics	\$8,068,720	7,839	7,839
Cardiac Catheterization	\$7,961,137	3,578	3,578
LDRs	\$5,917,061	6,382	6,382
C-Section Suite	\$8,606,635	3,085	3,085
Newborn Nursery	\$2,689,573	1,132	1,132
OB Triage	\$3,227,488	2,976	2,976
NICU	\$5,648,104	24,363	24,363
Surgery/Operating Rooms	\$30,761,137	26,028	26,028
PACU/Surgical Recovery	\$3,496,445	3,447	3,447
Share Prep/Recovery	\$1,075,829	12,763	12,763
Shared Patient Holding	\$5,648,104	6,795	6,795
Emergency	\$10,758,294	8,924	8,924
Convenient Care	\$2,958,531	3,343	3,343
Inpatient Dialysis	\$2,420,616	1,463	1,463
Imaging	\$23,783,412	15,345	15,345
Interventional Radiology	\$8,337,677	3,506	3,506
Endo/Bronchoscopy	\$4,841,232	3,047	3,047
Respiratory Therapy	\$2,420,616	2,628	2,628
PT/OT	\$5,648,104	6,063	6,063
Lab	\$10,758,294	8,750	8,750
Morgue	\$806,872	812	812
Pharmacy	\$6,454,976	7,108	7,108
Ancillary Services Support	\$3,227,488	2,748	2,748
Inpatient Unit Support	\$1,344,787	1,289	1,289
Clinical Total	\$268,957,338	249,766	249,766

TABLE TWO			
Cost Space Requirements			
		Gross Square Footage	
Department Area	Cost	Proposed	New Construction
Non Reviewable			
Ambulance Garage	\$1,714,157	3,072	3,072
Lobby Public Areas	\$9,538,452	12,944	12,944
Education	\$1,893,867	3,085	3,085
BioMed Engineering	\$1,935,338	3,444	3,444
Sterile Processing	\$4,990,407	8,941	8,941
Hskp/Environment Services	\$2,267,110	4,063	4,063
Admitting	\$718,840	1,183	1,183
Administrative	\$1,727,980	2,820	2,820
Food Service Cafeteria	\$9,538,452	17,104	17,104
On-call Rooms	\$870,902	1,430	1,430
Main .Materials Mgt	\$5,792,190	10,384	10,384
Staff Areas	\$5,377,475	8,794	8,794
Retail	\$4,409,806	5,896	5,896
Medical Staff	\$801,783	1,304	1,304
Case Mgt/Social Services	\$1,119,731	1,840	1,840
General Circulation	\$59,717,620	82,716	82,716
Mechanicals	\$18,109,234	32,017	32,017
DGSF>>BGSF	\$7,715,087		
Non Clinical Total	\$138,238,431	201,037	201,037
Total	\$407,195,769	450,803	450,803

VII. Section 1110.530 – Background of Applicants

A) Criterion 1110.530 (b) (1) (3) - Background of Applicant

The applicants are Interstate Alliance, Inc. d/b/a MercyRockford Health System and Rockford Memorial Hospital. Interstate Alliance, Inc. is an Illinois not for profit corporation, incorporated under the laws of the state on October 24, 2014 and is in good standing with the Illinois Secretary of State. Interstate Alliance Inc. has been approved to transact business under the assumed corporate name of MercyRockford Health System. Rockford Memorial Hospital, is an Illinois not for profit corporation incorporated under the laws of the State of Illinois on December 15, 1883, and is in good standing with the Illinois Secretary of State.

The proposed location of the hospital is in compliance with the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) that no significant historic, architectural or archaeological resources are located within the proposed project location. In addition the proposed project is not in a flood plain zone per Executive Order #2006-05. The applicants have provided all of the necessary reports and data as required by the State Board and the Illinois facilities owned by the applicants are in currently in compliance with Medicare and IDPH licensing requirements.

The applicants have attested that they do not have any adverse actions against any facility owned and operated by the applicants during the three year period prior to the filing of this application, and authorizes the State Board and the Illinois Department of Public Health to access any information to verify documentation or information submitted in response to the requirements of Review Criterion 77 IAC 1110.530 (b) or to obtain any documentation or information which the State Board or the Illinois Department of Public Health finds pertinent to this application.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF APPLICANT (77 IAC 1110.530 (b) (1) (3))

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

A) Criterion 1110.230 (a) – Purpose of the Project

The applicants stated the following:

The purpose of the three inter-dependent projects addressed in this Certificate of Need application and the accompanying applications, is to provide for the continued delivery of needed health care services to the residents of the communities traditionally served by Rockford Memorial Hospital ("RMH"), and to support this goal through the operating of contemporary facilities. By doing so, the applicants will be providing health services that improve the health care and well-being of the market area population to be served. Through the projects, the applicants will be addressing the facility-related shortcomings of RMH, caused primarily by the facility's age.

As discussed in other sections of this application, the three inter-dependent projects propose a redistribution of inpatient and outpatient services between RMH-Riverside and RMH-Rockton Avenue campuses to ensure access to services, while limiting unnecessary duplication. Due to the close proximity of the two sites, and because of the "split" of services, the communities served by each hospital campus are anticipated to vary only slightly. When combined, however, the patient origin following the completion of the projects is anticipated to remain very similar to the 2014 patient origin, with one exception. One of the goals for the 2015 formation of MercyRockford Health System was to centralize specialty services. These specialty services are intended to be located at RMH-Riverside, because of its location on I-90/39, which links the traditional service areas of Rockford Health System and Mercy Health System. As a result, it is anticipated that selected patients, who have traditionally been referred from Mercy's Wisconsin service area to Madison or Milwaukee, will be referred to RMH-Riverside due to its convenient location. Few patients from Wisconsin have traditionally been admitted to RMH. Among the goals of the projects is improved patient satisfaction with the facilities and increased access to MercyRockford Health System services for patients from Wisconsin. The achievement of these goals will be measurable during the first year following the projects' completion.

The table below documents Rockford Memorial Hospital – Rockton Avenue patient origin of all patients (excluding admissions to the Level I nursery) admitted to Rockford Memorial Hospital – Rockton Avenue in 2014, identifying each ZIP Code contributing a minimum of 0.5% of the hospital's admissions during that period.

TABLE THREE				
Patient Origin 2014 Rockford Memorial Hospital ⁽¹⁾				
Zip Code	City	County	% of Patients	Planning Area
61103	Rockford	Winnebago	13.30%	B-01
61101	Rockford	Winnebago	11.80%	B-01
61102	Rockford	Winnebago	6.50%	B-01
61115	Machesney Park	Winnebago	6.10%	B-01
61111	Loves Park	Winnebago	5.10%	B-01
61107	Rockford	Winnebago	4.70%	B-01
61104	Rockford	Winnebago	4.10%	B-01
61109	Rockford	Winnebago	4.00%	B-01
61108	Rockford	Winnebago	3.70%	B-01
61073	Roscoe	Winnebago	3.40%	B-01
61114	Rockford	Winnebago	3.20%	B-01
61032	Freeport	Stephenson	2.80%	B-02
61008	Belvidere	Boone	2.40%	B-01
61072	Rockton	Winnebago	2.10%	B-01
61088	Winnebago	Winnebago	1.80%	B-01
61080	South Beloit	Winnebago	1.70%	B-01
61065	Poplar Grove	Boone	1.20%	B-02
61063	Pecatonica	Winnebago	1.10%	B-01
61010	Byron	Ogle	1.10%	B-02
61024	Durand	Winnebago	1.00%	B-01
61081	Sterling	Whiteside	1.00%	B-03
61021	Dixon	Lee	0.90%	B-03
61068	Rochelle	Ogle	0.80%	B-02
61061	Oregon	Ogle	0.80%	B-02
61342	Mendota	LaSalle	0.80%	C-02
61054	Mount Morris	Ogle	0.60%	B-02
61019	Davis	Stephenson	0.60%	B-02
61071	Rock Falls	Whiteside	0.60%	B-03
53511	Beloit	Wisconsin	0.50%	Wisconsin
1. Information provided by the applicants at page 77 of the application for permit				

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

The applicants stated the following:

“Rockford Memorial Hospital is a regional provider of safety net services, and through the proposed projects, to maintain services at RMH-Rockton Avenue while initiating services at RMH-Riverside, the ability to provide these services will be expanded. As examples of this expanded ability to provide safety net services, and among the

programmatic offerings that RMH has committed to through this and the accompanying CON applications, are:

- to maintain inpatient services at RMH-Rockton Avenue;
- to continue to operate a fully-staffed Emergency Department at RMH-Rockton Avenue;
- to continue to operate one of the region's two Level I Trauma Centers, with the program relocating to RMH-Riverside;
- to make space available on the RMH-Rockton Avenue campus for not-for-profit and community-based agencies that focus on the health care needs of the underserved or financially disadvantaged;
- to continue to operate the region's only NICU;
- to continue to operate with compliant and liberal financial assistance policies;
- to maintain its commitment to caring for the uninsured and Medicaid recipients.

RMH is the area's largest provider of inpatient charity care services (Source: 2013 IDPH Hospital Profiles), both in terms the number of patients admitted and percentage of admissions. In addition, during 2013, RMH's charity care as a percentage of net revenue was 3.4%. Because of RMH's commitment to continue to operate all of its current inpatient and outpatient services, either at RMH-Riverside, or RMH-Rockton Avenue, or in its many outpatient centers located throughout the service area, the proposed projects will not adversely impact access to safety net services. Rather, through the development of the RMH-Riverside site, overall access will be improved.”

TABLE FOUR Charity Care and Medicaid Information Rockford Memorial Hospital ⁽²⁾			
	2012	2013	2014
Net Patient Service Revenue	\$314,128,727	\$314,090,683	\$323,042,795
Charity Patients			
Inpatient	882	973	955
Outpatient	3,287	4,013	5,686
Total	4,169	4,986	6,641
Charity \$ ⁽¹⁾			
Inpatient	\$6,268,048	\$7,462,976	\$2,456,931
Outpatient	\$2,695,492	\$3,307,849	\$2,323,022
Total	\$8,963,540	\$10,770,825	\$4,779,953
Medicaid Patients			
Inpatient	2,980	3,130	3,986
Outpatient	29,389	26,658	37,749
Total	32,369	29,788	41,735
Medicaid \$			
Inpatient	\$48,892,458	\$52,797,975	\$63,083,993
Outpatient	\$10,703,084	\$11,050,751	\$20,692,507
Total	\$59,595,542	\$63,848,726	\$83,776,500
% Charity Care Net Revenue	2.85%	3.43%	1.48%
% Medicaid to Net Revenue	18.97%	20.33%	25.93%
1. 2014 reduction in charity care is off-set by increased Medicaid, and is a result of			

TABLE FOUR Charity Care and Medicaid Information Rockford Memorial Hospital ⁽²⁾			
	2012	2013	2014
the Implementation of the Affordable Care Act 2. Information provided by the applicants as part of the 2012-2014 Hospital Profiles			

A response to the Safety Net Impact Statement was received from OSF Saint Anthony Medical Center by the State Board Staff. This response is attached at the end of this report.

C) Criterion 1110.230 (c) – Alternatives to the Project

The applicants considered the following alternative to the proposed project

Alternative 1: Construct a New Hospital on the Current Rockford Memorial Hospital Site

*The applicants commissioned AECOM, a firm with all required expertise, to evaluate the current RMH site, to determine if a new hospital could be constructed on the site, concurrent to the continued operation of the existing hospital. The determination was made that this alternative could not be accomplished in a reasonable fashion. Construction would require a phased program, involving demolition as well as construction, over a 6-8 year period, and with significant disruption to ongoing operations. **The estimated project cost of replacing RMH onsite is \$625-\$675M.** The quality of care associated with this alternative would be similar to that of the proposed project, the operating costs would be slightly less, and overall access in RMH's service area would be compromised with the operation of a single Emergency Department.*

Alternative 2, Total Renovation of Rockford Memorial Hospital

*An architectural and engineering evaluation of the current physical plant was conducted, and the determination was made that while some of the hospital's newer buildings could be renovated for continued use, given the ages of the buildings and the associated cost of doing so, this alternative did not appropriately address the purpose of the project. Due primarily to the age of the hospital and the design and construction standards that were in place at the time of construction (generally 1954- 1975), even with extensive renovation, many contemporary standards could not be met Examples of such include: ADA/ANSI standards that cannot be met, room heights that limit the installation of equipment, undersized elevators, and double-loaded corridors on nursing units that result in an inability to re-design units in an efficient and contemporary fashion. **The project costs associated with this alternative are estimated to be \$425-\$475M,** with the acknowledgement that numerous facility deficiencies, as discussed above, cannot be corrected. The operating costs associated with this project are anticipated to be similar to those of the proposed project, given that the mechanical systems associated with a renovated building would continue to be less efficient than those of a new building, and that the staffing costs would be slightly lower, due to eliminated duplication. The quality of care to be provided in conjunction with this alternative was anticipated to be virtually identical to that of the proposed.*

Alternative 3, Relocating Entire Hospital

*The total relocation of RMH to another site in the Rockford area was dismissed for two primary reasons. First, the applicants believe that the retaining of selective inpatient and outpatient services, and particularly a comprehensive Emergency Department, on the current RMH site would benefit the residents of the West Side of Rockford, which is core to the hospital's mission. Second, portions of the existing physical plant can continue to be used, with renovation, for inpatient and outpatient services. This alternative would add approximately \$40M in capital costs to the proposed project. These costs would be minimally offset by the staffing costs associated with the operating of two hospital facilities, as is being proposed. This alternative would compromise access to services, and particularly emergency services, if it were selected, and would result in the same level of quality of care as is anticipated under the proposed project. **The approximate capital cost of this alternative is approximately \$515.8 million.***

Alternative 4, Relocating to Southern Wisconsin

*The construction of a new hospital could be accomplished on land owned by Mercy Health System (a member of MercyRockford Health System) adjacent to 1-90/39 in southern Wisconsin. The benefit of doing so is the speed at which construction could be initiated, since Wisconsin does not require a CON-type review for such projects. While, and as discussed above, one of the purposes of the project is to centralize specialty services, which could be accomplished at a Wisconsin site; accessibility for Rockford residents (and traditional RMH patients residing to the south and west of Rockford) would be compromised. Although this is the most expeditious approach, it is not preferred since it does not meet all of the applicants' objectives. Depending on the scope of the project, the capital and operating costs would be similar to either the proposed project or Alternative 4, above. The quality of services to be provided would be identical to that of the proposed project and other alternatives. **The approximate capital cost of this alternative is approximately \$485.8 million.***

Alternative 5, Continued Use of RMH and the Relocating of Selected Services to a Second Site in the Rockford Area

This alternative represents the proposed project, and was selected for a variety of reasons: 1) it ensures the provision of high quality services in a contemporary setting, 2) it's dual-site approach maximizes accessibility to services, and particularly those of an urgent nature through the operation of two Emergency Departments, 3) it allows for the continued use of newer parts of RMH for traditional hospital services, 4) it provides space to be made available to not-for-profit agencies and organizations, 5) it minimizes unnecessary duplication, and 6) it is a cost-effective approach to addressing the need to provide high quality accessible services to RMH's entire service area in a contemporary setting. Information on the alternatives to the proposed project provided at pages 79-82 of the application for permit.

IX. Section 1110.234 – Project Size, Projected Utilization, Assurances

A) Criterion 1110.234 (a) – Size of the Project

The proposed project meets all of the size requirements in which the State Board has standards. See Section 1110 Appendix B and page 83-84 of the application for permit.

TABLE FIVE Size of the Project					
Departments/Area	Proposed Beds/Units/Stations	Proposed GSF	State Standard		Met Size Standard
			Room	Total	
Medical Surgical	84	54,327	660	55,440	Yes
Pediatric	12	7,839	660	7,920	Yes
Obstetric	20	14,336	660	14,520	Yes
Adult Intensive Care	18	12,251	685	12,330	Yes
Pediatric Intensive Care	8	5,438	685	5,480	Yes
Neonatal Intensive Care	46	24,363	568	26,128	Yes
Newborn Nursery	22	1,132	160	3,520	Yes
Labor Delivery Recovery	4	6,382	1,600	6,400	Yes
C-Section Suite	2	3,085	2,075	4,150	Yes
Surgical Suite	10	26,028	2,750	27,500	Yes
Endoscopy/Bronchoscopy	4	3,047	1,100	4,400	Yes
PACU/Surgical Recovery	15	3,447	320	4,800	Yes
Shared Outpatient Recovery ⁽¹⁾	43	12,763	530	22,800	Yes
Imaging		15,345		15,400	Yes
General Radiology	3		1,300	3,900	
CT	2		1,800	3,600	
MRI	2		1,800	3,600	
Ultrasound	3		900	2,700	
Angiography	2		1,800	3,600	
Nuclear Medicine	1		1,600	1,600	
Emergency Department	10	8,924	900	9,000	Yes
Convenient Care Center	6	3,343	800	4,800	Yes
Cardiac Catheterization	2	3,578	1,800	3,600	Yes
1. These stations will be used for cardiac catheterization, interventional radiology, endoscopy, and outpatient recover.					

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

B) Criterion 1110.234 (b) – Projected Utilization

The applicants have relied upon the historical utilization at the Rockford Memorial Hospital – Rockton Avenue campus to justify the projected utilization of the services being proposed for the Riverside Campus. Historical utilization does not justify the number of medical surgical and obstetric beds. In addition historical utilization does not justify the open heart surgery category of service, the number of C-Section rooms, and the number of endoscopy rooms. If the applicant does not meet the utilization standards

in Appendix B or if service areas do not have utilization standards in 77 Ill. Adm. Code 1100 an applicant can provide justification based upon “***other operational factors.***”

Related to the demand for the proposed number of med/surg beds the applicants stated “*is based upon the increasing age of the population in the B-01 Hospital Planning Area, seasonal fluctuations in patient admittance the average daily census is no longer a reasonable basis in which to gauge actual bed utilization. Midnight census---as a measure that has been used for decades---is no longer a reasonable basis on which to gauge actual bed utilization. In fact, mid-day census typically exceeds midnight census by approximately 20%. In addition unlike some hospitals, a separate observation unit will not be developed at RMH Riverside, since under this project observation patients will continue to occupy Medical/Surgical beds*”

Related to other services the applicants stated “*Anticipated utilization is generally based on the historical utilization of Rockford Memorial Hospital, understanding that the required facilities/equipment for some services (pediatrics, obstetrics-related services, NICU, cardiac catheterization, open heart surgery, and urological surgery) will be provided only at RMH-Riverside, while the other services will be provided on both the RMH-Riverside and RMH-Rockton Avenue campuses. Utilization impacted by the distribution of Medical/Surgical beds, such as general surgery, is based on the 84-70 bed distribution and the anticipated location of medical and surgical specialties and specialists' offices.*” See pages 90-93 of the application for permit.

TABLE SIX Projected Utilization				
Category of Service	Beds Proposed	Historical Utilization Patient Days	State Standard	Met State Standard
Medical Surgical Beds	84	22,079	75.00%	No
Pediatric Beds	12	3,567	65.00%	Yes
Intensive Care Beds	26	5,582	60.00%	Yes
Obstetric Beds	20	5,016	75.00%	No
Neonatal Intensive Care Beds	46	11,751	75.00%	Yes
	Rooms/Units Proposed	Hours/Procedures /Visits	State Standard	Met State Standard
Operating Rooms	10	14,895	1,500 Hours Per Room	Yes
Endoscopy Rooms	3	1,938	1,500 Hours Per Room	No
Bronchoscopy Rooms	1	1,319	1,500 Hours Per Room	Yes
C-Section Suite	2	549	800 Procedures Per Room	No
Labor/Delivery/Recovery	4	1,445	400 Births	Yes
Emergency Department	10	19,076	2,000 Visits Per Room	Yes
Cardiac Catheterization	2	2,039	400 Procedures per lab	Yes
Open Heart Surgery	1	99	200 surgeries per year	No
General Radiology	3	26,308	8,000 procedures per unit	Yes

TABLE SIX Projected Utilization				
Category of Service	Beds Proposed	Historical Utilization Patient Days	State Standard	Met State Standard
Nuclear Medicine	1	635	2,000 Visits Per Room	Yes
Ultrasound	3	9,766	3,100 Visits Per Room	Yes
Angiography	2	5,811	1,800 Visits Per Unit	Yes
CT	2	11,825	7,000 Visits Per Unit	Yes
MRI	2	4,754	2,500 Procedures Per Unit	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 IAC 1110.234 (b))

C) Criterion 1110.234 (e) – Assurances

The applicants provided assurance that the services being proposed will be at target occupancy by the second year after project completion.

Javon Bea President and CEO Rockford Health System attested *“This letter is being written for inclusion in the Certificate of Need applications addressing the establishment of a new hospital on Rockford Memorial Hospital's property located at the intersection of 1-90/39 and East Riverside Boulevard in Rockford Township, Winnebago County, Illinois, and the modernization of Rockford Memorial Hospital's current campus, located at 2400 North Rockton Avenue, in Rockford, Illinois. Please be advised that it is my expectation and understanding that by the second year following the projects' completion, each of the IDPH-designated categories of service addressed in the filed Certificate of Need applications will be operating at the IHFSRB's target utilization rate, and that they will, at minimum, maintain this level of utilization thereafter.”*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCE (77 IAC 1110.234 (e))

X. Section 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care

A) Criterion 1110.530 (c) (1) (2) (3) (5) - Planning Area Need

1. Planning Area Need

The applicants are proposing eighty-four (84) medical surgical beds, twelve (12) pediatric beds, twenty (20) obstetric beds, and twenty-six (26) intensive care beds. There is a calculated excess of two hundred eighty-three (283) medical surgical/pediatric beds, forty (40) obstetric beds and a need for six (6) intensive care beds in the B-01 Hospital Planning Area. There is no need for additional medical surgical/pediatric and obstetric beds in the B-01 Hospital Planning Area. In addition the number of intensive care beds is in excess of the calculated need for intensive care beds.

2. Service to Planning Area Residents

The applicants believe the proposed hospital will serve a very similar patient population as the Rockford Memorial Hospital-Rockton Avenue campus in which over 50% of the patients reside within the B-01 Planning Area (See Table above at Criterion 1110.230 (a) Purpose of the Project).

3. Service Demand

To justify the number of beds (**demand**) being requested the applicants have relied upon the historical utilization at the Rockford Memorial Hospital – Rockton Avenue campus. The historical utilization will not justify the number of beds being requested for medical surgical and obstetric beds at the State Board’s target occupancy of 75% for medical surgical beds and obstetric beds.

4. Service Accessibility

There is no absence of these bed services (medical surgical, pediatric, intensive care, and obstetric), within 45 minutes of the proposed facility, nor access limitations due to payor status, or restrictive admission policies at existing providers in the B-01 Hospital Planning area. None of the providers within 45 minutes is at the State Board’s target occupancy for medical surgical, pediatric, and obstetric beds. OSF Saint Anthony Medical Center’s Intensive Care Unit is at State Board’s target occupancy of 60%. See Table below.

TABLE SEVEN ⁽¹⁾										
2013-2014 Average Historical Utilization of Hospitals within 45 minutes of Rockford Memorial Hospital – Riverside Campus										
Name	City	Time	Med-Surg.		ICU		Pediatric		Obstetric	
			Beds	Occ.	Beds	Occ.	Beds	Occ.	Beds	Occ.
Swedish American Hospital	Rockford	8	209	60.90%	30	51.00%	28	7.30%	34	58.90%
Rockford Memorial Hospital	Rockford	10	223	48.40%	32	53.40%	35	26.20%	35	41.20%
OSF Saint Anthony Medical Center	Rockford	11	190	60.80%	38	61.30%	13	49.00%	13	28.40%
SwedishAmerican Medical Center	Belvidere	22	34	1.00%						
Rochelle Community Hospital	Rochelle	41	12	54.30%	4	3.80%				
1. Utilization percentage is the average daily census for CY 2013-2014 divided by State Board’s authorized beds.										

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1110.530 (c) (1) (2) (3) (5))

B) Criterion 1110.530 (d) (1) (2) (3) - Unnecessary Duplication/Maldistribution of Service/ Impact on Other Providers

1. Unnecessary Duplication of Service

There are four facilities within 30 minutes of the proposed facility. None of the facilities is operating medical surgical, pediatric, or obstetric beds at the State Board’s target occupancy. Only one facility is operating intensive care beds at target occupancy (OSF

St. Anthony Hospital). It appears that an unnecessary duplication of service will result with the establishment of this facility.

2. Mal-distribution of Service

A mal-distribution of service is characterized as a surplus of beds in the B-01 planning area that is 1.5x times the State of Illinois ratio of beds to population. The ratio of medical surgical/pediatric beds to the planning area population is one (1) bed for every 522 residents compared to the State of Illinois ratio of one (1) bed for every 589 residents. The ratio of obstetric beds to the planning area population is one (1) bed for every 4,863 residents and the State of Illinois ratio is one (1) bed per every 4,693 residents. The intensive care bed ratio is one (1) bed for every 3,820 residents and the State of Illinois ratio is one (1) bed for every 3,691 residents.

3. Impact on Other Providers

Based upon the low utilization of existing providers in the planning area it would appear that another hospital will have an impact on other providers in the B-01 planning area. Impact letters were received from all of the hospitals listed in the Table Seven above and Centegra Hospital – McHenry.

Letters of Impact were received from the following hospitals.

SwedishAmerican/Belvidere stated:

“This letter responds to your letter to Dr. William Gorski dated July 13, 2015 and received on July 15, 2015 advising that Rockford Memorial Hospital ("RMH") intends to establish a second general hospital in Rockford in addition to the existing RMH general hospital located at 2400 North Rockton Avenue. The letter indicates that RMH is considering the relocation of service from RMH's existing facility to the proposed second facility, including obstetrics, pediatrics, open heart surgery, cardiac catheterization and Level III nursery. SwedishAmerican Medical Center/Belvidere\SAMC/Belvidere, located at 1625 South State Street in Belvidere, currently provides medical/surgical and emergency department services. SAMC/Belvidere is located just east of the City of Rockford and the location of the proposed new hospital on the east side of Rockford would place it closer to SAMC/Belvidere. Due to the limited information provided in your letter, it is impossible to determine the impact the proposed project would have on SAMC/Belvidere. We are concerned that the establishment of a fourth hospital in Rockford by RMH, even with the discontinuation of some services at RMH's existing facility, would adversely impact utilization at existing facilities. Among other concerns, it appears that the new hospital would require inclusion of an emergency department but your letter does not mention such a department or its size and number of stations. Also, we question whether RMH's current patient base could support the establishment and operation of a second, new RMH hospital in the Rockford region and this also raises concerns as to the impact of the proposed project on SAMC/Belvidere. As your impact July 13th letter does not provide sufficient information for us to fully assess the impact of the proposed project, we must await further details concerning the project to assess the full impact of the proposed project on SAMC/Belvidere.”

SwedishAmerican Hospital stated:

“SwedishAmerican Hospital is located within four miles of RMH's existing hospital and, while your letter does not provide an address for the proposed project, the referenced location "on the east side of Rockford" would place the new facility in very close proximity to SwedishAmerican. Due to the limited information provided in your letter, it is impossible to determine the impact the proposed project would have on SwedishAmerican Hospital. For example, your letter does not advise whether the same number of beds, stations and cath labs are proposed to be established or whether a greater or lesser number will be proposed. We are concerned that the establishment of a fourth hospital in Rockford by RMH, even with the discontinuation of some services at the existing facility, would adversely impact utilization of existing facilities. Among other concerns, it appears that the new hospital would require inclusion of, at the least, an intensive care unit for the cardiac patients and an emergency department. Also, we question whether RMH's current patient base could support the establishment and operation of a second, new RMH hospital in Rockford and this also raises concerns as to the impact of the proposed project on SwedishAmerican Hospital. As your July 13th letter of the proposed project does not provide sufficient information for us to fully assess the impact of the proposed project, we must await further details concerning the project to assess the full impact of the proposed project on SwedishAmerican Hospital.”

OSF Saint Anthony's Medical Center stated:

“Thank you for your letter of July 13, 2015 providing US an opportunity, per 77 IAC 1110.130, to address the impact your proposed project may have on OSF Saint Anthony Medical Center. We believe the overall project(s) your letter references may have a negative impact, but would like to note that the impact of discontinuing the services alone would have no negative impact because we have capacity at our hospital to absorb the volume in obstetrics, pediatrics, cardiac catheterization and open heart surgery. Parenthetically, while we do not offer Level III nursery services, discontinuing that service without replacing it, may have a negative impact on our community served. While discontinuing the services referenced above will not have a negative impact on Saint Anthony's we are concerned about the impact of the replacement campus you propose, which is per your correspondence integral to the discontinuation of services your letter references. The replacement hospital will necessarily have to be a fully licensed hospital per the Illinois Hospital Licensing Act. As such, it would be required to operate an emergency department and presumably will offer laboratory, pharmacy, imaging and pathology services all of which would be duplicative of services offered at your main campus, Saint Anthony's and other area providers. We also have a number of questions that are unanswered. It appears you plan to discontinue catheterization services at your existing hospital. Does this mean that you would be unable to provide care to someone who is seen at your emergency department who might require catheterization for diagnostic or interventional purposes? Would the EMS System be required to take all patients suffering a possible cardiac event to either Saint Anthony's or Swedish American or would your second campus become the primary emergency department among your proposed two hospitals? In summary, we believe the overall

project may have a negative impact on our services, and most likely will duplicate existing services. It is difficult to fully understand the extent of the impact given the information in your July 13 letter. We look forward to reviewing the Certificate of Need applications to discontinue your existing hospital services and establish a fourth hospital in Rockford, Illinois.”

Centegra Hospital – McHenry stated the following:

“We received your letter dated July 13, 2015 asking us to assess the impact of your proposal to discontinue the open heart and cardiac catheterization category of service at Rockford Memorial Hospital and to re-establish the services at a second hospital campus at the corner of 1-90 and Riverside Blvd to Centegra Hospital - McHenry. Your letter does not provide sufficient information to assess the impact of the proposed project on our facility. In order to assess the impact that your proposed hospital will have upon our existing open heart surgery and cardiac catheterization volumes, I respectfully request that you provide us with additional information:

- Referring physicians and cardiac surgeons performing the 197 open heart cases as well as the patient origin of each of these open heart surgery patients.*
- Referring physicians and invasive cardiologists performing the 4,077 cardiac catheterization procedures as well as the patient origin of each of these cardiac catheterization patients.*
- Projected geographic service area and other clinical services to be provided at the new second hospital campus.*
- The number of proposed cath labs at the new facility.*
- The street address of the new facility.”*

Rochelle Community Hospital provided two letters that stated the following:

“I am the Chief Executive Officer of Rochelle Community Hospital, located in Rochelle, Illinois, about 30 miles south of Rockford. RCB has a long-standing relationship with Rockford Memorial Hospital which has helped to insure access to high quality tertiary care for the communities our hospital serves. Of critical importance to our hospital and community are the regional pediatric and pediatric intensive care services provided by Rockford Memorial Hospital. Also key are the related neonatal and high risk obstetrical services provided by Rockford Memorial that insure access to Rochelle area residents. The planned relocation of these services to MercyRockford's Riverside campus, will improve convenience for patients and their families from the Rochelle area. Given that nearly two-thirds of Illinois Medicaid recipients are children, we believe that this improved access will materially and significantly benefit children who rely on Medicaid for their health care.”

“This letter is submitted as an amendment to the letter dated August 21, 2015 in reference to the above stated Projects proposed by MercyRockford Health System. In the letter dated August 21, it was stated that Rochelle Community Hospital is supportive of the relocation of pediatric (including pediatric intensive care), neonatal, high risk obstetrical and women's services to the new campus proposed by MercyRockford. We continue to support this initiative. However, it is now our understanding of the potential

relocation of additional services above and beyond what is mentioned in the previous paragraph. We feel this would be a duplication of services already provided in this area. We currently have a relationship with another tertiary care provider for emergent and higher levels of care than we provide in Rochelle, and do not see added benefit for our patient population.”

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION OF SERVICE/IMPACT ON OTHER PROVIDERS (77 IAC 1110.530 (d) (1) (2) (3))

C) Criterion 1110.530 (f) - Staffing Availability

The applicants have stated that staff will be transferred from its existing facility in the planning area to the proposed new facility for these bed services. The facility if approved will be Medicare certified therefore all appropriate staffing levels will have to be maintained.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING AVAILABILITY (77 IAC 1110.530 (f))

D) Criterion 1110.530 (g) – Minimum Bed Capacity - Medical Surgical, Pediatric, Intensive Care, and Obstetric in an MSA

The proposed facility will be located in the Rockford Metropolitan Statistical Area. The minimum bed capacity for a new medical-surgical category of service within a Metropolitan Statistical Area (MSA) is one hundred (100) beds, twenty (20) beds for obstetric category of service, four (4) beds for intensive care category of service, and four (4) beds for the pediatric category of service. The applicants are proposing eighty-four (84) medical surgical beds, twenty (20) obstetric beds, twelve (12) pediatric beds, and twenty-six (26) intensive care beds. The applicants’ proposal does not meet the minimum bed capacity for the medical surgical category of service.

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS NOT IN CONFORMANCE WITH THE CRITERION PERFORMANCE REQUIREMENTS (77 IAC 1110.530 (g))

E) Criterion 1110.530 (h) - Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

Javon Bea President and CEO Rockford Health System attested *“This letter is being written for inclusion in the Certificate of Need applications addressing the establishment of a new hospital on Rockford Memorial Hospital's property located at the intersection of 1-90/39 and East Riverside Boulevard in Rockford Township, Winnebago County, Illinois, and the modernization of Rockford Memorial Hospital's current campus, located at 2400 North Rockton Avenue, in Rockford, Illinois. Please be advised that it is my expectation and understanding that by the second year following the projects' completion, each of the IDPH-designated categories of service addressed in the filed Certificate of Need applications will be operating at the IHFSRB's target utilization rate, and that they will, at minimum, maintain this level of utilization thereafter.”*

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION ASSURANCES (77 IAC 1110.530 (h))

XI. Section 1110.930 - Neonatal Intensive Care

The applicants are proposing a 46 bed neonatal intensive care category of service at the new hospital. The applicants currently maintain a Level III neonatal intensive care unit at the Rockton Avenue campus, and presently this Level III unit is the only NICU in the region. The applicants have attested they will remain a Level III intensive care unit. Level III intensive care unit care for babies born at less than 32 weeks gestation as well as babies born with critical illness, at all gestational ages. These facilities offer prompt and readily available access to a full range of pediatric medical sub-specialties. They also offer a full range of respiratory support and perform advanced imaging. To be designated as a Level III hospital, a hospital has to apply to the Illinois Department of Public Health (IDPH) for designation and shall comply with all of the conditions prescribed by IDPH. The State Board does not have a bed need methodology for this category of service.

A) Criterion 1110.930 (a) - Staffing

The applicants have stated that all staff will transfer from the current Rockton Avenue location to the Riverside location if the proposed project should be approved.

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION STAFFING (77 IAC 1110.930 (a))

B) Criterion 1110.930 (b) - Letter of Agreement

The applicant must document that a letter of agreement with the regional perinatal center for neonatal intensive care services has been signed. Such a letter of agreement must fulfill the conditions for such letters found in the Regionalized Perinatal Health Care Code (77 Ill. Adm. Code 640) and be approved by the Department of Human Services. A copy of the letter shall serve as documentation. The Regional Perinatal Center will not provide a letter of agreement until such time as the project is built and operating.

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION LETTER OF AGREEMENT (77 IAC 1110.930 (b))

C) Criterion 1110.930 (c) - Need for Additional Beds

The applicant must document that the proposed neonatal intensive care beds are needed. The applicants are proposing a new service in Rockford Township, Illinois and not additional neonatal beds. This criterion is not applicable to this project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION NEED FOR ADDITIONAL BEDS (77 IAC 1110.930 (c))

D) Criterion 1110.930 (d) - Obstetric Service

The applicant must document the availability within the facility of an obstetric service capable of providing care to high-risk mothers. Documentation must include a detailed assessment of obstetric service capability. This requirement does not apply to a facility dedicated to the care of children.

According to the applicants the proposed obstetric service will accept high risk antepartum patients. (See page 92 of the application for permit)

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION OBSTETRIC SERVICE (77 IAC 1110.930 (d))

XII. Section 1110.1230 - Open Heart Surgery

A) Criterion 1110.1230 (a) - Peer Review

Per the applicants “Rockford Memorial Hospital operates a hospital-wide peer and quality review program that includes both the hospital's existing open heart surgery service and its existing cardiac catheterization service. That program is consistent with the standards of all applicable agencies and professional organizations, and addresses numerous topics including the credentialing and re-appointment processes, ongoing physician practice evaluations, focused professional practice evaluations of newly-appointed Medical Staff members, quality data and metrics review, case specific reviews, and corrective action plans as warranted. The peer review program will not change as a result of the proposed projects.” (See page 160 of the application for permit)

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION PEER REVIEW (77 IAC 1110.1230 (a))

B) Criterion 1110.1230 (b) - Establishment of Open Heart Surgery

The applicant must document that a minimum of 200 open heart surgical procedures will be performed during the second year of operation or that 750 cardiac catheterizations were performed in the latest 12 month period for which data is available. Anticipated open heart surgical volume must be documented by historical referral volume of at least 200 patients directly referred following catheterization at the applicant facility to other institutions for open heart surgery for each of the last two years.

The applicants stated “open heart surgery will be established at the Rockford Memorial Hospital – Riverside campus should the project be approved. The applicants performed 2,165 cardiac catheterization procedures in 2014 at the Rockford Memorial Hospital-Rockton Avenue location.”

The Rockton Avenue location’s open heart surgery program performed 110 open heart surgeries in CY 2014 and 87 open heart surgeries in CY 2013. The State Board standard is 200 open heart surgeries per year. The applicants have not met the requirements of the State Board.

While the applicants performed over 750 cardiac catheterization procedures at the Rockton Avenue location the applicants failed to perform the required 200 open heart procedures for 2013 and 2014. The applicants have not performed the required number of surgeries at the Rockton Avenue campus or have referred 200 surgeries to another program in the Open Heart category of service planning area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS NOT IN CONFORMANCE WITH THE CRITERION ESTABLISHMENT OF OPEN HEART (77 IAC 1110.1230 (b))

C) Criterion 1110.1230 (c) - Unnecessary Duplication of Services.

The applicant must document that the volume of any existing service within 90 minutes travel time from the applicant will not be reduced below 350 procedures annually for adults and 75 procedures annually for pediatrics. Documentation shall consist of proof of contact of all facilities within 90 minutes travel time currently providing open heart surgery to determine the projected impact the project will have on existing open heart surgery volume.

The facilities below have been approved for open heart surgery by the State Board. The applicants have provided evidence that all facilities were contacted as required. As can be seen by the table below of the nineteen (19) open heart surgery service within 90 minutes there are thirteen (13) are facilities that are not operating at target occupancy of 200 surgeries per year; therefore an unnecessary duplication of service will result with the establishment of the open heart category of service.

TABLE EIGHT Facilities within 90 minutes with Open Heart Surgery ⁽¹⁾				
NAME	CITY	HSA	Minutes	Total Cardiac Surgeries
Saint Anthony Medical Center	Rockford	1	11	212
Swedish American Hospital	Rockford	1	12	169
Rockford Memorial Hospital	Rockford	1	23	110
Presence Saint Joseph Hospital	Elgin	8	44	60
Advocate Sherman Hospital	Elgin	8	48	155
Northern Illinois Medical Center	McHenry	8	58	166
Alexian Brothers Medical Center	Elk Grove Village	7	59	244
Northwest Community Hospital	Arlington Heights	7	59	198
Provena Mercy Center	Aurora	8	64	161
Central DuPage Hospital	Winfield	7	68	253
Resurrection Medical Center	Chicago	6	68	186
Advocate Good Shepherd Hospital	Barrington	8	68	158
Lutheran General Hospital	Park Ridge	7	70	187
Good Samaritan Hospital	Downers Grove	7	74	313
Elmhurst Memorial Hospital	Elmhurst	7	75	168
Rush Copley Memorial Hospital	Aurora	8	77	103
Gottlieb Memorial Hospital	Melrose Park	7	77	78
Edward Hospital	Naperville	7	82	296
1. Surgery information taken from 2014 Hospital Profiles				

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS NOT IN CONFORMANCE WITH THE CRITERION UNNECESSARY DUPLICATION OF SERVICE (77 IAC 1110.1230 (c))

D) Criterion 1110.1230 (d) - Support Services

The applicants have stated “that all support services will be provided should the project be approved by the State Board. Rockford Memorial Hospital currently operates an open heart surgery category of service. With the filing of this application, the applicants attest that each of the support services identified in Section 1110. 1230 (d) will continue to be provided once the category of service relocates to RMH-Riverside, that each of those support services will continue to be provided in the same manner in which they are currently provided, and that each of the identified support services are available on a 24-hour basis. All services identified in the above-referenced Section will be provided either by on-site staff or through an "on-call" coverage system.” (See page 158 of the application)

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION SUPPORT SERVICES (77 IAC 1110.1230 (d))

E) Criterion 1110.1230 (e) - Staffing

Per the applicants stated “Rockford Memorial Hospital currently operates an open heart surgery category of service, and has a cardiac surgical team in place. With the filing of this application, the applicants attest that the cardiac surgical team, consistent with Section 1110.1230 (e) will remain in place and re-locate, along with the category of service; to RMH-Riverside should this project be approved. (See page 159 of the application for permit)

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION STAFFING (77 IAC 1110.1230 (e))

XIII. Section 1110.1330 - Cardiac Catheterization

A) Criterion 1110.1330 (a) - Peer Review

Per the applicants “Rockford Memorial Hospital operates a hospital-wide peer and quality review program that includes both the hospital's existing open heart surgery service and its existing cardiac catheterization service. That program is consistent with the standards of all applicable agencies and professional organizations, and addresses numerous topics including the credentialing and re-appointment processes, ongoing physician practice evaluations, focused professional practice evaluations of newly-appointed Medical Staff members, quality data and metrics review, case specific reviews, and corrective action plans as warranted. The peer review program will not change as a result of the proposed projects.” (See page 160 of the application for permit)

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION PEER REVIEW (77 IAC 1110.1330 (a))

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

The applicants are proposing to establish two (2) cardiac catheterization labs at the Riverside campus. Average historical (2013-2014) utilization at the Rockford Memorial Hospital – Rockton campus is 2,039 cardiac catheterization procedures. That utilization would justify the two (2) labs being proposed at 400 cardiac catheterizations per lab.

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION ESTABLISHMENT OF CARDIAC CATHETERIZATION (77 IAC 1110.1330 (b))

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

The planning area for cardiac catheterization service is the health service area. The proposed hospital is in the HSA I Health Service Area. All facilities in the health service area have met the target utilization of 400 cardiac catheterizations per lab as required by this criterion.

TABLE NINE					
Facilities in HSA I with cardiac cath. service ⁽¹⁾					
NAME	CITY	HSA	# of Labs	Procedures	Number of Labs Justified
Saint Anthony Medical Center	Rockford	1	4	2,478	7
Swedish American Hospital	Rockford	1	4	2,829	8
Rockford Memorial Hospital	Rockford	1	2	2,165	5
Kishwaukee Community Hospital	DeKalb	1	2	429	2
Freeport Memorial Hospital	Freeport	1	1	530	2
Katherine Shaw Bethea Hospital	Dixon	1	1	656	2
CGH Medical Center	Sterling	1	1	1,124	3
1. Procedures provided by hospitals 2014 Hospital Profiles					

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION UNNECESSARY DUPLICATION OF SERVICE (77 IAC 1110.1330 (c))

D) Criterion 1110.1330 (e) - Support Services

The applicants stated the following: *“Rockford Memorial Hospital-Rockton campus currently operates a cardiac catheterization category of service. With the filing of this application, the applicants attest that each of the support services identified in Section 1110.1330(e) will continue to be provided once the category of service relocates to RMH-Riverside, that each of those support services will continue to be provided in the same manner in which they are currently provided, and that each of the identified support services are available on a 24-hour basis. All services identified in the above-referenced Section will be provided either by on-site staff or through an "on-call" coverage system.”* (See page 163 of the application for permit)

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION SUPPORT SERVICES (77 IAC 1110.1330 (e))

E) Criterion 1110.1330 (f) - Laboratory Location

According to the applicants the location of the labs will be adjacent for safety purposes and staffing efficiency. (See page 164 of the application for permit)

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION LABORATORY LOCATION (77 IAC 1110.1330 (f))

F) Criterion 1110.1330 (g) - Staffing

The applicants stated the following: *Rockford Memorial Hospital currently operates cardiac catheterization category of service, and has a cardiac catheterization team in place. With the filing of this application, the applicants attest that the cardiac catheterization team, consistent with Section 1110.1330 (g) will remain in place and re-locate, along with the category of service, to RMH-Riverside. (See page 165 of the application for permit)*

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION STAFFING (77 IAC 1110.1330 (g))

G) Criterion 1110.1330 (h) - Continuity of Care

The applicants stated the following: *“Rockford Memorial Hospital currently operates an open heart/cardiovascular surgery category of service and that service will re-locate to RMH-Riverside as a component of this project. When, and as needed, patients are transported to the hospital's surgical suite from the cardiac catheterization laboratory. Very rarely are patients transferred directly to another hospital for cardiovascular surgery immediately following a catheterization procedure. RMH-Riverside will have a dedicated cardiovascular operating room, and at all times, an operating room that could be used for cardiovascular surgery will be available.” (See page 166 of the application for permit)*

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE CRITERION CONTINUITY OF CARE (77 IAC 1110.1330 (h))

XIV. Section 1110.3030 – Clinical Service Areas Other Than Categories of Service

A) Criterion 1110.3030 (c) - Need Determination

- 1) Service to the Planning Area Residents
- 2) Service Demand
- 3) Impact of the Proposed Project on Other Area Providers
- 4) Utilization

The applicants have stated they believe the patient population will be similar as that of the Rockton Avenue location. Over 50% of the patients will come from within the B-01 Hospital Planning Area. Service demand for the clinical services other than categories of service is based upon the two (2) years historical utilization at the Rockton Avenue

campus. From the State Board Staff review of the historical utilization it appears that these services will have an impact on other providers in the B-01 Hospital Planning Area.

1. Operating Rooms

The surgical suite will be located on the second floor of the proposed hospital and will consist of 10 Class C operating rooms. Eight (8) of the ORs will be designated as "general" rooms, one (1) will be designated as a cardiovascular operating room, and one will be used only for urology procedures.

2. Endoscopy/Bronchoscopy Rooms

A four (4) room endoscopy/bronchoscopy suite will be provided at the Riverside campus with one of the rooms being used exclusively for bronchoscopy. Two year average endoscopy utilization is 1,938 hours. The State Board Standard is 1,500 hours per room. The applicant can justify 2 endoscopy room and the one bronchoscopy room.

TABLE TEN					
	Proposal	State Board Standard	Historical Hours	Number of Rooms Justified	Met Standard
Operating Rooms	10	1,500 hours	14,895	10	Yes
Procedure Rooms	4	1,500 hours			
Endoscopy	3	1,500 hours	1,938	2	No
Bronchoscopy	1	1,500 hours	1,319	1	Yes

3. PACU/Recovery Stations:

The applicants are proposing ten (10) Stage I recovery stations and forty-eight (48) Stage 2 recovery stations to be located on the second floor of the proposed hospital in approximately 3,447 GSF of space. The State Board does not have a standard for the number of PACU/Recovery Rooms for hospital projects.

4. Emergency Department

The Emergency Department will be located on the first floor in 8,924 GSF of space and will consist of ten (10) stations, three (3) of which will be designated as trauma rooms, and according to the applicants this department will be designated as a Level I Trauma Center.

TABLE ELEVEN					
	Proposal	State Board Standard	Historical Visits	Number of Rooms Justified	Met Standard
Emergency Department	10 Rooms	2,000 Visits	19,706 Visits	10 Rooms	Yes

5. Convenient Care Center

The applicants are proposing a six (6) station convenient care center adjacent to the emergency center on the first floor of the proposed hospital. The State Board does not have a standard for this clinical service.

6. General Radiology and Fluoroscopy Rooms

Three (3) general radiology and fluoroscopy rooms will be located on the first floor of the proposed new hospital. Historical utilization of approximately 26,000 procedures (inpatient and outpatient) annually will justify the three rooms being proposed by the applicants.

7. CT (computerized tomography)

Two (2) CT units are being proposed at the new hospital on the first floor of the hospital. Two year average utilization is 11,884 visits. The State Board Standard is 7,000 visits per unit. Historical utilization will justify the two units.

8. MRI

Two (2) MRI units will be located at the Riverside campus. Two year average utilization is 4,777 procedures per unit. The State Board Standard is 2,500 procedures per unit. Historical utilization will justify the two units.

9. Ultrasound

Three (3) ultrasound units will be located at the Riverside Campus. Average two (2) year average utilization will justify of approximately 13,000 visits per unit. The State Board Standard is 3,100 visits per unit. The applicants can justify these three (3) units.

10. Angiography

Three (3) angiography (special procedures) rooms will be located at the Riverside campus. The State Board Standard is 1,800 visits per unit. Two year average utilization is 8,716 visits. The applicants can justify the 3 units.

11. Nuclear Medicine

One (1) nuclear medicine unit will be provided at the Riverside campus. Historical utilization will justify the one (1) unit being proposed.

TABLE TWELVE				
Department	State Standard per room	Proposed Rooms	Calculated Utilization	Met State Board Criteria
Radiology Imaging	8,000 procedures	3	26,306	Yes
CT	7,000 visits	2	11,884	Yes
MRI	2,500 procedures	2	4,777	Yes
Ultrasound	3,100 visits	3	12,988	Yes
Nuclear Medicine	2,000 Visits	1	629	Yes
Angiography	1,800 Visits	3	8,716	Yes

12. Labor Delivery Recovery (LDR)

Four (4) LDRs are included in the project. Births at the Rockton Avenue campus have averaged 1,445 births (2013-2014). The State Board Standard is 400 births per LDR. The applicants have justified the number of LDR's being proposed.

13. C-Section Rooms

Two Caesarian Section rooms are being proposed for the new hospital. Average C-Sections performed over the past two years has been 550. The State Board Standard is 800 C-Sections per room. The applicants stated that the two rooms being provided are due to the hospital's history of having its two C- Section rooms occupied simultaneously.

14. Other

Laboratory, inpatient dialysis, pharmacy, wound care, respiratory therapy, physical therapy, occupational therapy will also be provided at the Riverside campus.

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT NOT IN CONFORMANCE WITH THE CRITERION CLINICAL SERVICES OTHER THAN CATEGORIES OF SERVICE (77 IAC 1110.1330 (c) (1) (2) (3) (4))

XV. Financial Viability

A) Criterion 1120.120 - Availability of Funds

The applicants are funding this project with cash of \$15,000,000 and a bond issue of \$392,195,769. A review of the Hospital's audited financial statements indicates sufficient cash is available to fund the cash portion of the project. The applicants have provided evidence of an A3 bond rating from Moody's Investor Services. This rating stated in part *"MercyRockford Health System currently has no bond debt outstanding, however, Mercy Alliance Inc., Wisconsin (Mercy) and Rockford Health System, Illinois which merged in January, 2015 to form MercyRockford Health System each have bond debt outstanding which remains separately secured at this time. The initial A3 issuer rating reflects the scale and market presence of the combined legacy health systems (Mercy and Rockford), good balance sheet resources and proven management team as evidenced by already improving margins. While MercyRockford Health System's debt profile currently does not include any direct debt obligation, our rating is a forward view of MercyRockford Health System's plan to become the sole corporate member of every entity that is currently a subsidiary of Mercy or Rockford, consolidate all existing debt under a newly created MRHS obligated group and fund clinical integration and operational expansion with debt that will be parity to the planned MercyRockford Health System obligated group. The rating is constrained by the historically weak operations of Rockford, risks inherent with integration and operational improvement initiatives, as well as the likelihood of sizable capital building plans which would materially elevate MercyRockford Health System's leverage in CY 2016."*

TABLE THIRTEEN Rockford Health System Audited Financial Statement December 31 (dollars in thousands)			
Rockford Health System			Rockford Memorial Hospital
	2014	2013	2014
Cash	\$45,085	\$46,244	\$40,078
Current Assets	\$102,975	\$165,573	\$121,155
Total Assets	\$547,843	\$542,730	\$351,371
Current Liabilities	\$83,251	\$77,718	\$50,315
LTD	\$85,691	\$88,071	\$57,724
Net Patient Service Revenue	\$385,543	\$358,093	\$308,202
Total Revenue	\$441,813	\$428,913	\$368,512
Expenses	\$443,644	\$428,250	\$332,736
Excess of Revenues over Expenses	\$4,513	\$19,165	\$35,776

TABLE FOURTEEN Mercy Alliance, Inc. Audited Financial Statements June 30 (Dollars in thousands)		
	2014	2013
Cash	\$22,326	\$13,284
Current Assets	\$141,088	\$122,359
Total Assets	\$726,088	\$677,694
Current Liabilities	\$89,086	\$83,945
Long Term Debt	\$213,017	\$218,178
Total Liabilities	\$325,595	\$329,196
Operating Revenue	\$527,133	\$502,633
Operating Expenses	\$518,128	\$489,585
Operating Income	\$9,005	\$13,048
Excess of Revenues over expenses	\$22,740	\$23,565

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS (77 IAC 1120.120)

B) Criterion 1120.130 –Financial Viability

The applicants have qualified for the financial waiver because of the “A3” bond rating provided by Moody’s Investors Services. No financial viability ratios are required.

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE FINANCIAL VIABILITY (77 IAC 1120.130)

XVI. Economic Feasibility

A) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements
B) Criterion 1120.140 (b) – Terms of Debt Financing

The applicants stated “*This letter is provided as a response to Section 1120.140.b, and as an affirmation that, in the opinion of the applicants, the conditions of debt proposed to partially finance two projects proposed for Rockford Memorial Hospital's site located to the southeast of the intersection of 1-90/39 and East Riverside Boulevard in Rockford Township, Winnebago County, Illinois, are reasonable. As of the filing of the required Certificate of Need applications, it is anticipated that approximately \$446,000,000 will be incurred through the issuance of bonds, with an anticipated interest rate of 4.96% and term of 30 years. It is the applicants' opinion that the combination of debt and equity financing identified in the CON applications represents the lowest net cost reasonably available to the applicants at this time, and the most advantageous funding scenario available to the applicants.*” See page 59 of the application for permit. The financing appears reasonable and per the applicant the financing will be at the lowest net cost available to the applicants.

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 1120.140(a) (b))

Criterion 1120.140 (c) – Reasonableness of Project Costs

Itemization of project costs include both reviewable and non-reviewable costs

Preplanning Costs are \$3,086,000 and are 1.47% of new construction, contingencies and movable equipment of \$210,061,856. This appears reasonable when compared to the State Board Standard of 1.8%. These costs include the following:

Evaluation of alternatives	\$400,000
Initial programming	\$1,300,000
Site assessment	\$100,000
CON-related	\$200,000
Financial feasibility assessments	\$400,000
Utilities assessments	\$200,000
Cost estimating	\$450,000
Legal/bond counsel	\$400,000
Equipment planning	\$300,000
Environmental impact	\$100,000
Misc/other	\$603,000
Total	\$4,453,000

Site Survey Soil Investigation and Site Preparation costs are \$2,733,934 and are 2.36% of new construction and contingency costs of \$115,674,361. These costs appear reasonable when compared to the State Board standard of 5.0%. These costs include the following:

Soil investigation/load testing	\$100,000
Surveys	\$50,000
Excavation	\$3,160,919
Erosion barrier/seeding	\$350,719
Landscaping	\$56,550
Other/misc.	<u>\$837,332</u>
Total	\$4,405,520

Off Site Work Costs are \$4,492,818. The State Board does not have a standard for these costs. These costs include the following:

Parking/walk-way/roadway paving	\$5,338,402
Utilities-related	<u>\$2,975,957</u>
Total	\$8,314,359

New Construction and Contingencies are \$115,674,361 and are \$463.13 per GSF. This appears reasonable when compared to the State Board Standard of \$562.68 per GSF.

Architectural and Engineering Fees are \$6,220,000 and are 5.3% of the new construction and contingency costs. This appears reasonable when compared to the State Board Standard of 3.59-5.39%. These costs include the following:

Design	\$9,000,000
Document preparation	\$200,000
Interface with agencies	\$100,000
Project monitoring	\$200,000
Other	<u>\$390,000</u>
Total	\$9,890,000

Consulting and Other Fees are \$5,788,872. The State Board does not have a standard for these costs. These costs include the following:

Project Management	\$5,600,000
Interior design	\$500,000
IT planning and consulting	\$650,000
CON application fee	\$100,000
Legal	\$200,000
Financing-related	\$300,000
Medical equipment planning	\$550,000
Commissioning	\$300,000
Re-location related	\$750,000
Food services planning	\$75,000
Signage/graphics design	\$65,000
Traffic planning/engineer	\$50,000
Other	<u>\$500,000</u>
Total	\$9,640,000

Movable or Other Equipment Costs are \$94,387,495. The State Board does not have a standard for these costs. An itemization of these costs can be found at pages 45-69 of the application for permit.

Bond Issuance Expense is \$2,389,255. The State Board does not have a standard for these costs.

Net Interest Expense During Construction is \$31,967,158. The State Board does not have a standard for these costs.

Other Costs to be Capitalized is \$1,717,445. The State Board does not have a standard for these costs. These costs include the following:

Bridge/connector	\$2,610,000
Helipad	\$250,000
Total	\$2,860,000

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(c))

D) Criterion 1120.140 (d) - Direct Operating Costs

The applicants are projecting \$5,498.45 per equivalent patient day as direct operating costs for the hospital. The direct operating costs appear reasonable when compared to previously approved project. .

Equivalent Patient Days	29,978
Salaries	\$97,634,621
Benefits	\$34,316,257
Medical Supplies	\$32,881,507
Total	<u>\$164,832,385</u>
Per/Equivalent Patient Day	\$5,498.45

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE DIRECT OPERATING COSTS (77 IAC 1120.140(d))

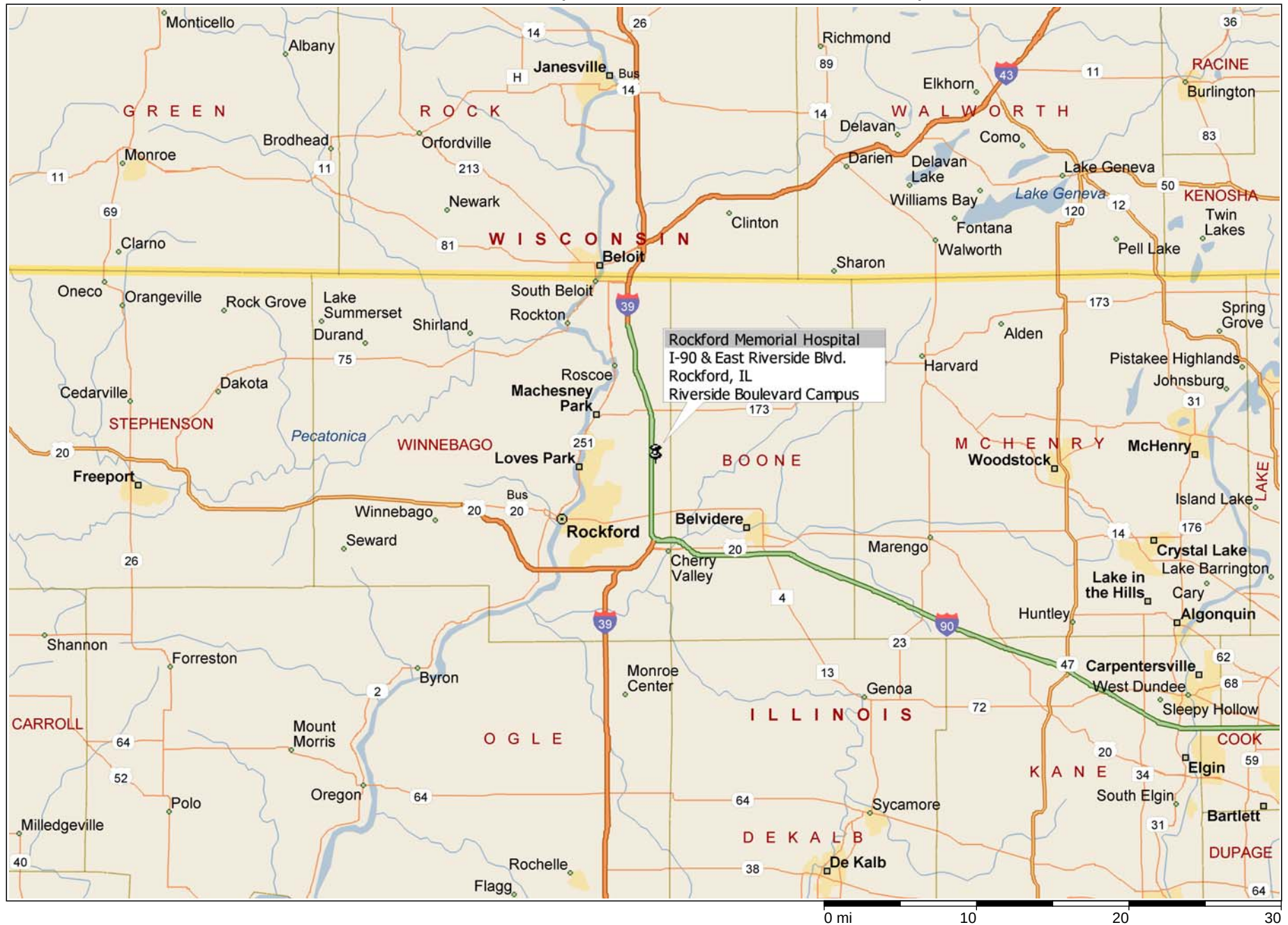
E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

The applicants are projecting \$1,044.04 per equivalent patient day as the effect of the project on capital costs. These costs appear reasonable when compared to previously approved projects.

Equivalent Patient Days	29,978
Interest Depreciation	
Amortization	<u>\$31,298,367</u>
Per/Equivalent Patient Day	\$1,044.04

THE STATE BOARD STAFF FINDS THE PROPOSED PROEJCT IS IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140(e))

15-039 Rockford Memorial Hospital, Riverside Boulevard Campus - Rockford





SAINT ANTHONY MEDICAL CENTER

VIA OVERNIGHT DELIVERY

October 27, 2015

Ms. Courtney R. Avery
Administrator
Health Facilities and Services Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761

**Re: Response to Safety Net Impact Statement
Rockford Memorial Hospital
Project Nos. 15-038 and 15-039**

Dear Ms. Avery:

OSF Saint Anthony Medical Center in Rockford submits this Response to the Safety Net Impact Statement filed by MercyRockford in connection with its Certificate of Need ("CON") applications for a new hospital and reconfiguration of its existing hospital. MercyRockford proposes to eliminate many critical health care services from its current location in the underserved west side of Rockford and replicate those services to the east side of Rockford. MercyRockford's Safety Net Impact Statement (the "Statement") is a one-page cursory summary that does not describe the full impact of its proposed move nor does it satisfy the requirements of the Illinois Health Facilities Planning Act (the "Planning Act") for a Statement.

According to the Planning Act, "support for safety net services must continue to be [a] central tenet of the Certificate of Need process." 20 ILCS 3960/2. "Safety net services" are defined as services provided by health care providers 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(b). MercyRockford's proposed new hospital on the east side and resulting relocation of numerous critical services, such as a Level I Trauma Center, Open Heart Surgery and Cardiac Catheterization Services, away from the west side is contrary to the Planning Act's intent to support safety net services.

I. IMPACT ON THE WEST SIDE COMMUNITY AND ITS RESIDENTS

MercyRockford plans to eliminate many critical health care services at its west side location and move those services to the east side of Rockford, eight miles away from its current location. The proposed move would have a devastating effect on west side residents who depend on those services. MercyRockford is located on the west side of Rockford in proximity to a large federally-designated Health Professional Shortage Area (HPSA). In addition, the area Healthy Community Study reflects that nearly 50% of the population of Winnebago County is medically

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underserved and most of this population is on Rockford's west side. Many of the community's residents are elderly or indigent, and do not have ready access to transportation. MercyRockford's potential move will reduce access to health care services for west side residents.

A. MercyRockford's Proposed Move Of Critical Services, Including The Level I Trauma Center

Despite the fact that the west side of Rockford is located in a HPSA and is medically underserved, MercyRockford plans to move a number of critical services out of the community, including:

- Level I Trauma Center;
- Cardiac Catheterization Services;
- Open Heart Surgical Services;
- Pediatric ICU;
- Neonatal ICU; and
- Obstetrics.

The elimination of these critical services on the west side will have a harmful effect on the community. Level I Trauma Centers provide immediate, comprehensive care for every kind of injury, and MercyRockford proposes relocating it to the east side. The remaining emergency department on the west side will not even constitute a Level II Trauma Center—MercyRockford plans to seek designation as a comprehensive emergency department, and its emergency department will be reduced from 31 to 17 treatment stations. These changes constitute a severe reduction of services and capabilities compared to a Level I or Level II Trauma Center. In addition, there is no evidence in MercyRockford's Statement or CON applications that it has consulted with IDPH about this serious shift in emergency services in the Rockford community.

IDPH defines Level I Trauma Centers as hospitals participating in an approved EMS system and designated by IDPH to provide optimal care to trauma patients and provide all essential services in-house, 24 hours per day, including:

- 24-hour in-house staffing by trauma surgeons, emergency medicine physicians and anesthesiologists;
- Prompt availability of care in such specialties as: (i) Orthopedic surgery; (ii) Neurosurgery; (iii) Critical care; (iv) Radiology; (v) Internal medicine; (vi) Pediatric; (vii) Plastic surgery; (viii) Oral and maxillofacial (jaws and face); and
- Resources to welcome and treat patients who are referred by non-Level I Trauma Centers throughout northern Illinois or from other nearby communities, such as Winnebago, Seward and Pecatonica.

Currently, if west side residents are involved in emergencies such as car accidents or gunshot wounds, they would be rushed to MercyRockford. If MercyRockford moves its Level I Trauma Center to the east side, patients with life-threatening emergencies would need to travel at least 25 more minutes in an ambulance to MercyRockford's proposed east side Level I Trauma Center.

As noted in IDPH's *Trauma Center Feasibility Study*, the geographic proximity to a trauma center is important because proximity correlates with prehospital transport time. The farther away a patient is from a trauma center, the longer it may take to travel to the trauma center, and "longer transport times often contribute to a higher mortality."¹ MercyRockford is moving critical emergency services out of the community.

In addition to moving the Level I Trauma Center, MercyRockford plans to move the region's only NICU to the east side of Rockford, as well as leaving the west side with no cardiac catheterization or open heart surgical services. These changes will reduce access for a community that is already medically underserved and will harm Rockford's safety net.

B. MercyRockford Is Significantly Curtailing Emergency Services On The West Side

MercyRockford is reducing its emergency room stations on the west side from 31 to 17, and moving 10 stations to the east side. The majority of Rockford Memorial's patients, however, remain on the west side. Not only are trauma services being removed, but the remaining emergency department will be undersized based on the proximity of the population. In fact, Rockford Memorial's 2014 ED visits at the west side location were 54,338 which justified 28 stations compared to the 17 stations the MercyRockford is leaving on the west side. This is a critical reduction of necessary services, especially given the reduction of physicians and physician services on the west side.

It is not reasonable to assume that patients from the west side will easily make the additional 20 minute drive to a new emergency department located far on the east side. Consequently, the patient demand will continue at the west side location, with little movement to the proposed east side campus. In spite of the addition of immediate care capabilities at the west side location, the facility will not be large enough to accommodate the volumes on the west side. As a result, wait times will be severely extended for patients needing treatment. Should west side patients alternatively seek treatment at other facilities, namely SwedishAmerican and, to a lesser extent OSF Saint Anthony those facilities will encounter increases in emergency room visits that their facilities are not currently designed to handle.

Further, the percentage of people utilizing public transportation is very high on the west side, as demonstrated by the Rockford Area Transportation Study. Public transportation is not a satisfactory way to transport patients that need emergency treatment. Mercy has offered to provide

¹ Illinois Department of Public Health, *Trauma Center Feasibility Study*, Jan. 2, 2015, 2, available at http://dph.illinois.gov/sites/default/files/publications/Trauma_Center_Feasibility_Study.pdf.

shuttle service. However, patients will still need to get to the west side for transport to the east side location. A shuttle bus is not a satisfactory means of transportation for patients needing emergency treatment. The alternatives are extremely long waits at the west side Campus or an expensive ambulance trip.

Notwithstanding that emergency rooms are not intended to be a source of obtaining primary care, the reality is that with the reduction of physician services on the west side, more people will likely utilize the emergency department thereby exacerbating things further for the west side.

C. MercyRockford's Community Benefit Plan

MercyRockford published a 2014-2017 Implementation Plan for its Community Benefit Plan, nowhere disclosing its proposal to discontinue critical health services on the west side of Rockford by moving those services to the east side. In fact, in describing its strategy to improve the general health of individuals living in the primary service area, the Community Benefit Plan states that MercyRockford will "continue to develop and offer various access sites and venues for primary care (adult and pediatric) medical services." Instead, MercyRockford proposes a major shift of its services to a new hospital in a less needy area, thereby reducing access sites and making care more difficult for residents of its primary service area.

MercyRockford also states that it will maintain commitment to the women and children of the community as the "exclusive provider of comprehensive tertiary services (including perinatal, maternal, neonatal and pediatric intensive care services) and ensure excellent outcomes for mothers, infants, and children." MercyRockford does not reveal that it plans to move its pediatric ICU and neonatal ICU to the east side of Rockford, thereby reducing access to its services for west side residents, contrary to its statement to "maintain commitment" to the women and children of its community.

D. Impact On Other Providers In Rockford

The proposed new MercyRockford hospital will be located in a different area of the city, likely drawing patients away from the existing providers in the area. The resulting losses will reduce the ability of the existing hospitals to cross-subsidize safety net services that they currently provide to the community. In addition, west side residents will need to travel to other providers who are closer to the west side, shifting long established patient treatment patterns in the Rockford area.

II. MERCYROCKFORD'S FAILURE TO COMPLY WITH THE ACT'S REQUIREMENTS FOR SAFETY NET IMPACT STATEMENTS

The Planning Act sets forth a number of requirements for applicants to include in Safety Net Impact Statements, including a certification describing the amount of charity care provided by the applicant for the three years prior to the application.

MercyRockford's Statement fails to provide a certification describing the amount of charity care provided over the past three years. Instead, MercyRockford touts itself as the largest area provider of inpatient charity care services in 2013, but it is not actually the largest provider of charity care services in Rockford. In fact, of Rockford's three hospitals, MercyRockford has the lowest average percentage of net revenue dedicated to charity care over the past three years shown in the below table. MercyRockford's total charity care as a percentage of net revenue fell a full two percentage points between CY 2013 and CY 2014.

MercyRockford's new parent entity, Mercy Alliance, Inc., has a history of providing a low level of charity care services in the community. Mercy's Harvard Memorial Hospital reported only 0.2% of charity care as a percentage of net revenue in 2014. The below table further illustrates the charity care services provided by Rockford Memorial Hospital, OSF Saint Anthony Medical Center, SwedishAmerican Hospital, and Mercy Harvard Memorial Hospital over the past three years.

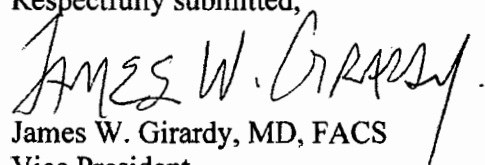
Charity Care Services			
Year	Hospital	Total Charity Care Expense	Total Charity Care as % of Net Revenue
CY 2014	Rockford Memorial Hospital	\$4,779,953	1.4%
	OSF Saint Anthony Medical Center	\$6,924,818	2.1%
	Swedish American Hospital	\$8,666,418	2.2%
CY 2013	Rockford Memorial Hospital	\$10,770,825	3.4%
	OSF Saint Anthony Medical Center	\$10,933,026	3.4%
	Swedish American Hospital	\$11,128,034	3.1%
CY 2012	Rockford Memorial Hospital	\$8,963,540	2.9%
	OSF Saint Anthony Medical Center	\$8,825,481	2.8%
	Swedish American Hospital	\$12,000,213	3.4%
Average Over Last 3 Years	Rockford Memorial Hospital	\$8,171,439	2.6%
	OSF Saint Anthony Medical Center	\$8,894,442	2.8%
	Swedish American Hospital	\$10,598,222	2.9%
CY 2014	Mercy Harvard Memorial Hospital	\$57,976	0.2%
CY 2013		\$150,919	0.7%
CY 2012		\$307,687	1.3%
Average Over Last 3 Years		\$172,194	0.7%

Ms. Courtney R. Avery
October 27, 2015
Page 7

Conclusion

MercyRockford's Statement glosses over key components to safety net services, such as increasing accessibility and reducing barriers to services. The reason that the Statement does not focus on those points is because the proposed new hospital and reconfigured existing hospital will harm the region's safety net and limit access to health care services for Rockford's west side.

Respectfully submitted,

A handwritten signature in black ink, reading "James W. Girardy". The signature is written in a cursive, flowing style with a large initial "J" and a long, sweeping underline.

James W. Girardy, MD, FACS
Vice President
Chief Surgical Officer