



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-10	BOARD MEETING: February 16, 2016	PROJECT NO: 15-058	PROJECT COST: Original: \$1,115,000
FACILITY NAME: OSF Saint Elizabeth Medical Center Free Standing Emergency Center		CITY: Streator	
TYPE OF PROJECT: Substantive			HSA: II

PROJECT DESCRIPTION: The applicants are proposing the establishment of a Free Standing Emergency Center (FSEC) to be located at the discontinued HSHS St. Mary's Hospital building emergency department, located at 111 Spring Street, Streator, Illinois. The cost of the project is \$1,115,000 and the anticipated completion date is June 30, 2016.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants are proposing the establishment of a Free Standing Emergency Center (FSEC) to be located at the discontinued HSHS St. Mary's Hospital building emergency department, located at 111 Spring Street, Streator, Illinois. The cost of the project is \$1,115,000 and the anticipated completion date is June 30, 2016.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes to establish a health care facility (FSEC) as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960).
- On November 17, 2015 the State Board approved the discontinuation of Hospital Sisters Health System (HSHS) St. Mary's Hospital in Streator (E-017-15). HSHS subsequently donated the discontinued HSHS St. Mary's Hospital property to OSF Healthcare System. At the time of the donation OSF committed to establishing a FSEC at the discontinued HSHS St. Mary's Hospital property. In order to establish a FSEC in Streator the General Assembly amended the Emergency Medical Services Systems Act (210 ILCS 50/32.5 (a-15)) effective December 4, 2015 that stated:
- *"Notwithstanding any other provision of this Section, the Department shall issue an annual FEC license to a facility if the facility: (i) discontinues operation as a hospital within 180 days after the effective date of this amendatory Act of the 99th General Assembly with a Health Facilities and Services Review Board project number of E-017-15; (ii) has an application for a permit to establish an FEC from the Health Facilities and Services Review Board that is deemed complete by January 1, 2017; and (iii) complies with the requirements set forth in paragraphs (1)through (17) of subsection (a) of this Section."*

PURPOSE OF THE PROJECT:

- Per the applicants: *"The primary purpose of the project is to address the impact of the closure of HSHS St. Mary's, Streator by providing emergency services at its former location."*

PUBLIC HEARING/COMMENT:

- A public hearing was offered on this project, no hearing was requested. No letters of opposition were received by the State Board Staff. Letters of support were received.

NEED FOR THE PROJECT:

- **From the State Board Staff Review** it appears that the proposed FSEC will provide emergency care services to the residents of the proposed geographical service area (i.e.30 minute in all directions) and there appears to be sufficient demand for the services within the proposed GSA with the closure of St. Mary's Hospital in Streator. In addition there appears to be service access issues in this geographic service area because the US Department of Health and Human Services has determined that Streator is a Health Professional Shortage Area and all emergency departments in the 30 minute radius of Streator is at the State Board's target occupancy of 2,000 visits per station.

CONCLUSIONS:

- The applicant has successfully all seventeen (17) criteria required by State Board Rules.

STATE BOARD STAFF REPORT
OSF Saint Elizabeth Medical Center Free Standing Emergency Center
Project #15-058

APPLICATION SUMMARY/ CHRONOLOGY	
Applicants(s)	Ottawa Regional Hospital & Healthcare Center d/b/a OSF Saint Elizabeth Medical Center, OSF Healthcare System
Facility Name	OSF Saint Elizabeth Medical Center Freestanding Emergency Center
Location	111 Spring Street, Streator, Illinois
Permit Holder	Ottawa Regional Hospital & Healthcare Center d/b/a OSF Saint Elizabeth Medical Center
Operating Entity	Ottawa Regional Hospital & Healthcare Center d/b/a OSF Saint Elizabeth Medical Center
Owner of Site	Ottawa Regional Hospital & Healthcare Center
Proposal	Establish a six (6) station Free Standing Emergency Center
GSF	12,476 GSF
Financial Commitment	February 16, 2017
Application Received	December 8, 2015
Application Deemed Complete	December 8, 2015
Review Period Ends	February 8, 2016
Review Period Extended by the State Board Staff?	No
Can the applicant request a deferral?	Yes

I. Project Description

The applicants are proposing the establishment of a Free Standing Emergency Center (FSEC) to be located at the discontinued HSHS St. Mary's Hospital building emergency department, located at 111 Spring Street, Streator, Illinois. The FSEC will be owned and operated by OSF Saint Elizabeth Medical Center located in Ottawa. The proposed center will have six (6) emergency department bays and a treatment area for lower acuity patients with space for observation if necessary in a total of 12,476 GSF of space. The anticipated cost of the project is \$1,115,000.

II. Summary of Findings

- A.** The State Board Staff finds the proposed project appears 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

OSF Healthcare System (OSF) is an Illinois not-for-profit corporation. OSF currently owns and operates nine (9) hospitals and other healthcare-related entities. OSF consists of the following hospitals in Illinois:

- OSF Saint Anthony's Health Center, Alton, Illinois (SAHC)
- OSF Saint Anthony Medical Center, Rockford, Illinois (SAMC)
- OSF Saint James-John W. Albrecht Medical Center, Pontiac, Illinois (SJJAMC)
- OSF St. Joseph Medical Center, Bloomington, Illinois (SJMC)
- OSF Saint Francis Medical Center, Peoria, Illinois (SFMC)
- OSF St. Mary Medical Center, Galesburg, Illinois
- OSF Holy Family Medical Center, Monmouth, Illinois (HFMC),
- OSF Saint Luke Medical Center, Kewanee, Illinois
- Ottawa Regional Hospital & Healthcare Center d/b/a OSF Saint Elizabeth Medical Center

On April 17, 2012, the State Board approved the change of ownership of Ottawa Regional Hospital & Healthcare Center to OSF.

The proposed FSEC will be located in the HSA II Hospital Service Area and the C-02 Hospital Planning Area. HSA II consists of the following counties: Bureau, Fulton, Henderson, Knox, LaSalle, Marshall, McDonough, Peoria, Putnam, Stark, Tazewell, Warren, and Woodford. Planning Area C-2 consists of LaSalle, Bureau, and Putnam Counties; Stark County Townships of Elmira and Osceola. This is a substantive project subject to a 1110 and 1120 review.

IV. Project Details

The proposed FSEC will be owned and operated by OSF Saint Elizabeth Medical Center located in Ottawa with six (6) emergency department bays and a treatment area for lower acuity patients with space for observation if necessary in a total of 12,476 GSF of space. The anticipated cost of the project is \$1,115,000. OSF will provide 24/7 urgent care services at the site with a physician board certified in emergency medicine on staff at all times. Other services provided on site will include ambulatory services such as physician office space, imaging, laboratory services, PT/OT/ST and cardiology diagnostic testing.

Should this project (#15-058) be approved OSF is planning on relocating the FSEC to a newly constructed building for outpatient services. A permit will be required for construction of that building and relocation of the FSEC.

V. Project Costs and Sources of Funds

The applicants are funding this project with cash of \$875,000 and the fair market value of donated space of \$240,000. Estimated start-up costs and operating deficit is \$4,300,000.

TABLE ONE			
Project Costs and Sources of Funds			
	Clinical	Non Clinical	Total
Movable or Other Equipment	\$725,000		\$725,000
Other Costs to Capitalized		\$150,000	\$150,000
FMV of Donated Space	\$240,000		\$240,000
Total	\$965,000	\$150,000	\$1,115,000
Cash	\$725,000	\$150,000	\$875,000
FMV of Donated Space	\$240,000		\$240,000
Total	\$965,000	\$150,000	\$1,115,000

VI. Background of Applicant

A) Criterion 1110.530 (b) (1) (3) – Background of the Applicants

The applicants have provided the necessary information required by this criterion at *pages 40-50 of the Application for Permit*. The applicants have attested that they have not had any adverse actions for the past (3) years before the submission of this application at any of the health care facilities owned and operated by OSF. OSF has provided authorization to the State Board and Illinois Department of Public Health to access documents necessary to verify information submitted, including official, licensing or certification records of Illinois or other states or records of certification agencies.

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

VII. Purpose, Safety Net Impact, Alternatives

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

The applicants stated the following:

“The primary purpose of the project is to address the impact of the closure of HSHS St. Mary's, Streator by providing emergency services at its former location. The building meets life safety code requirements and the former ED space will be used to meet the demands for emergency and urgent care services within the community via a freestanding emergency center. This proposed freestanding emergency center is part of a transition of services planned, with OSF Healthcare System providing robust outpatient services within Streator through various physician office practices and clinics, and emergency services coordinated with OSF Saint Elizabeth Medical Center, which provides inpatient care to the general service area.” See Application for Permit pages 51-67.

B) Criterion 1110.230 (b) - Safety Net Impact

The applicants stated the following:

“To the applicants knowledge the impact on safety net services will be positive in that this project will maintain them. The applicants do not have knowledge regarding cross subsidization of services.” See Application for Permit pages 121-124.

TABLE TWO Safety Net Impact Historical Data OSF St. Elizabeth Hospital			
	2012 ⁽¹⁾	2013	2014
Revenue	\$27,804,284.00	\$63,540,771.00	\$64,037,594.00
Charity			
Inpatient	199	60	57
Outpatient	366	651	167
Total	565	711	224
Charity			
Inpatient	\$1,167,687	\$862,484	\$738,796
Outpatient	\$1,745,027	\$1,895,771	\$1,093,808
Total	\$2,912,714	\$2,758,255	\$1,832,604
% or Net Revenue	10.48%	4.34%	2.86%
Medicaid			
Inpatient	806	442	1,052
Outpatient	5,153	12,755	16,712
Total	5,959	13,197	17,764
Medicaid			
Inpatient	\$2,398,932	\$3,542,195	\$3,410,687
Outpatient	\$4,901,016	\$5,031,023	\$5,000,730
Total	\$7,299,948	\$8,573,218	\$8,411,417
% or Net Revenue	26.25%	13.49%	13.14%
1 Net Revenue figure is for the last five (5) months of the Fiscal Year as the result of the OSF assuming control of the Hospital.			

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

The applicants stated the following:

“While OSF always contemplated providing urgent care services in Streator, it determined the provision of emergency services via an FSEC, would both optimize the building as an asset and provide access to necessary emergency services within the community, avoiding a 25 plus minute ambulance trip to Ottawa for emergency services. The option of offering only urgent care services without an FEE would cost nothing. However, it also would do nothing to support access to emergency services to residents of Streator. Urgent care services do not address the types of medical conditions the FSEC will be able to address. An FSEC is the best option (and chosen one) for the

healthcare of the community. A joint venture would not be appropriate for this project, and was not considered. Utilizing other health care providers is not an alternative, as it would do nothing to alleviate the lack of emergency services in Streator, Illinois. As mentioned, the ambulance trip to OSF Saint Elizabeth's is in the best of circumstances a 20 minute trip. The costs associated in transfer and the delay in the provision of care would not be beneficial to the community's health, or cost savings." See Application for Permit Page 68.

VIII. Project Size, Project Utilization, Assurances

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

The proposed size of the project is ten thousand seven hundred thirty four (10,734) GSF for a six station FSEC. The State Board Standard is one thousand one hundred seventy (1,170) GSF per station or seven thousand twenty (7,020) GSF. The applicants exceed the State Board Standard by three thousand seven hundred fourteen (3,714) GSF of space. **The applicants stated the following:** *The existing GSF is the former emergency department space utilized by HSHS St. Mary's, Streator, and is built out with a 650 GSF nursing stations, 80 GSF decontamination area, 104 GSF EMS area, and the patient care rooms are 1,400 GSF each. There is also 1,500 GSF for storage and soiled utility.*" See Application for Permit page 69.

B) **Criterion 1110.234 (b) – Projected Utilization**

The applicants are relying upon the historical utilization at the discontinued St. Mary's Hospital in Streator to justify the proposed six (6) station FSEC facility to be located at the site of the discontinued hospital. The average number of visits at St Mary's Hospital's emergency department for the period CY 2010-CY 2014 is 11,307 visits as reported to the State Board. The State Board Standard is 2,000 visits per room for a total of 12,000 visits per year for a six (6) station FSEC. See Application for Permit page 70.

TABLE THREE					
Historical Utilization of St. Mary's Hospital Emergency Department					
CY	2010	2011	2012	2013	2014
ER visits ⁽¹⁾	10,284	11,155	11,018	12,174	11,902
1. St Mary's Hospital - Streator Historical Volume Source: Annual Hospital Questionnaire Information submitted by St. Mary's Hospital-Streator					

The State Board Size Standard does not accommodate the unique nature of this project. The proposed FSEC will be located in donated space that exceeds the State Board Standard and will provide emergency services to a community that recently lost their acute care hospital. Given these circumstances the State Board Staff believes the criteria have been successfully addressed.

THE STATE BOARD STAFF FIND THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA SIZE OF THE PROJECT, PROJECTED UTILIZATION (77 IAC 1110.234 (a) (b))

IX. **Freestanding Emergency Center Medical Services**

A) Criterion 1110.3230 (a) – Location and Licensing Requirements

All projects for an FSEC must comply with the licensing requirements established in the Emergency Medical Services (EMS) Systems Act [210 ILCS 50/32.5], including the requirements that the proposed FSEC is located:

- A) *in a municipality with a population of 75,000 or fewer inhabitants;*
- B) *within 20 miles of the hospital that owns or controls the FEC; and*
- C) *within 20 miles of the Resource Hospital affiliated with the FEC as part of the EMS system (Section 32.5(a) of the Emergency Medical Services (EMS) Systems Act). "Resource Hospital" means the hospital that is responsible for an Emergency Medical Services (EMS) System in a specific geographic region, as defined in the Emergency Medical Services (EMS) Systems Act.*

The applicant shall certify that it has reviewed, understands and plans to comply with all of the following requirements:

- A) The requirements of becoming a Medicare provider of freestanding emergency services; and
- B) The requirements of becoming licensed under the Emergency Medical Services Systems Act [210 ILCS 50].

The proposed FSEC will be located at 111 Spring Street, Streator, Illinois. Streator, Illinois has a population of 13,422 (2013 census estimate). OSF Saint Elizabeth Medical Center in Ottawa will own and control the FSEC. OSF Saint Elizabeth Medical Center is approximately eighteen (18) miles and twenty-five to thirty-five (25-35) minutes from the proposed FSEC in Streator.

The applicants have provided the necessary assurance *at page 107 of the Application for Permit* that the proposed FSEC will be a Medicare provider of freestanding emergency services and will comply with the requirements of becoming licensed under the Emergency Medical Systems Act [210 ILCS 50/32.5].

B) Criterion 1110.3230 (b) - Area Need – Establishment

The State Board does not have a calculated need methodology for FSEC services. The proposed geographic service area for the proposed FSEC is thirty (30) minutes in all directions. The applicants provided patient origin information for the emergency department of the discontinued hospital in Streator (HSHS St. Mary's Hospital) because the applicants are anticipating the patient origin for the proposed FSEC to be similar to the emergency department of the discontinued hospital (HSHS St. Mary's Hospital). In the Table below is a partial listing of patient origin by zip code at HSHS St. Mary's Hospital Emergency Department for the past three (3) fiscal years (FY 2012, FY 2013,

FY 2014) and through the third quarter of FY 2015. (See application for permit pages 96-106 for a complete listing of patient origin by zip code)

TABLE FOUR				
Zip Code of patients that visited St. Mary's Hospital – Streator				
	FY 2012	FY 2013	FY 2014	FY 2015 3Q
61364-Streator	9,922	9,932	9,834	9,815
61377-Wenona	343	317	270	260
61369-Toluca	268	277	266	227
61350-Ottawa	198	206	170	169
61319-Cornell	94	110	124	109
60470-Ransom	114	112	112	87
61325-Grand Ridge	85	101	93	60
61760-Minonk	89	47	66	52
61333-Long Point	84	71	66	60
Source: Application for Permit pages 96-106				

Based upon the zip code of the residents that received care at St. Mary's Hospital's emergency department provided by the applicants it appears that fifty percent (50%) of the projected patient volume will come from within the thirty (30) minute geographic service area.

The applicants are relying upon the historical utilization at the closed St. Mary's Hospital in Streator to justify the proposed 6 station FSEC facility to be located at the site of the closed hospital. The average number of visits at St Mary's Hospital's emergency department for the period CY 2010-CY 2014 is 11,307 visits which will justify the six (6) station FSEC.

There is one hospital within the proposed GSA and that is OSF St. Elizabeth Hospital in Ottawa that is approximately twenty seven (27) minutes from the proposed FSEC. OSF St. Elizabeth Hospital in Ottawa has nine (9) ER stations that had 18,498 visits in CY 2014 or 2,056 visits per station. It would appear that the all emergency departments within the thirty (30) minute radius are at capacity. Additionally the City of Streator has been identified as a Health Professional Shortage Area as determined by United States Department of Health and Human Services Health Resources and Services Administration.

It appears that the proposed FSEC will provide services to the residents of the proposed GSA (i.e.30 minute in all directions) and there appears to be sufficient demand for the services within the proposed GSA with the closure of St. Mary's Hospital in Streator. In addition there appears to be service access issues in this geographic service area because the US Department of Health and Human Services has determined that Streator is a Health Professional Shortage Area and all emergency departments in the 30 minute radius of Streator is at the State Board's target occupancy of 2,000 visits per station.

The applicants stated the following: “The area need results from the closure of HSHS St. Mary's Streator. The closest hospital is approximately 25 plus minutes away (OSF Saint Elizabeth) and further for those who live to the South and East of the St. Mary's address. There is no other hospital in the service area. OSF Saint Elizabeth's ED frequently operates at capacity with 9 treatment rooms and over 18,000 visits in 2014. It cannot accommodate the 12,000 ED visits seen at St. Mary's Streator. It is inefficient and costly for an ambulance to travel 25 minutes, when these patients could be taken to an FEC at the former St. Mary's site. In addition 80% or more patient visits to St. Mary's ED were patients from Streator zip codes. These patients would have to travel outside the Streator community for care if the FEC is not established. Adjacent to the FEC will be a fast track area. Patients will be triaged, medically screened and provided emergency care if appropriate. This will streamline wait times, reduce health care costs and provide access to emergency services to Streator residents as they have had in their community for over 100 years.”

C) Criterion 1110.3230 (c) (1) (2) (3) (4) - Unnecessary Duplication, Mal-distribution, Impact on Other Facilities, Request for Data from Other Facilities

There is one emergency department within 30 minutes of the proposed FSEC and that is OSF St. Elizabeth Hospital in Ottawa the Resource Hospital. CY 2014 workload for OSF St. Elizabeth Hospital's Emergency Department was 18,498 visits for the nine (9) station emergency department or approximately 2,056 visits per emergency room station. The State Board Standard is 2,000 visits per emergency department station.

It does not appear an unnecessary duplication of service or a mal-distribution of the service will result with the establishment of this FSEC because the one emergency department within 30 minutes is currently operating in excess of the State Board Standard. It also does not appear that the proposed FSEC will have a negative impact on the one emergency department because it is currently operating at the 80% State Board Standard and is the Resource Hospital for the proposed FSEC.

The applicants stated the following: “The service area is fairly rural in nature, and yet the closest area hospital's ED (OSF Saint Elizabeth's) is frequently at capacity in their ED. Further, the two other closest hospitals (Illinois Valley and OSF Saint James) are close to capacity in their ED. However, due to the fact Streator supported a 6 bay ED recently (at HSHS St. Mary's) and given residents concern about the closure of the hospital and loss of ED services, a FEC at the former Streator hospital location will maintain emergency services, reduce costs and improve morbidity. The size of the FEC is designed to accommodate historical volume, and nothing more.”

D) Criterion 1110.3230 (e) - Staffing Availability

The applicants stated the following: “The current staff providing services at St. Mary's will be or is already employed by the FEC to provide services. The FEC physicians will be Board Certified emergency physicians who either provided services at St. Mary's or

are contracted by OSF.” The State Board relies upon Medicare certification for the appropriate staffing of these facilities.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA LOCATION AND LICENSING REQUIREMENTS, AREA NEED, UNNECESSARY DUPLICATION OF SERVICE, MALDISTRIBUTION OF SERVICE, IMPACT ON OTHER FACILITIES, REQUEST FOR DATA FROM OTHER FACILITIES, STAFFING AVAILABILITY (77 IAC 1110.3230 (a) (b) (c) (1) (2) (3) (4) (e))

X. FINANCIAL

A) Criterion 1120.120 – Availability of Funds

The applicants are funding the project with \$825,000 in cash and the FMV of the donated space of \$240,000. The applicants have sufficient cash to fund the project as evidenced by the table below.

TABLE FIVE		
OSF Healthcare System and Subsidiaries		
Years ended September 30, 2014 and 2013		
(in thousands)		
	2014	2013
Cash	\$280,090	\$264,949
Current Assets	\$747,709	\$707,194
Total Assets	\$2,923,235	\$2,694,673
Current Liabilities	\$360,938	\$313,511
LTD	\$907,682	\$881,390
Total Liabilities	\$1,928,954	\$1,676,003
Net Patient Revenue	\$2,065,269	\$2,005,184
Total Revenues	\$2,096,826	\$1,998,700
Income from Operations	\$63,917	-\$5,998
Net Income	\$121,890	\$66,149
Source: OSF Audited Financial Statements		

B) Criterion 1120.130 (b) – Financial Viability Waiver

The applicants have qualified for the financial waiver because by providing evidence of an “A” or better bond rating at *pages 109-118 of the application for permit*.

XI. ECONOMIC FEASIBILITY

A) Criterion 1120.140 (a) – Reasonableness of Financing Agreement

B) Criterion 1120.140 (b) – Terms of Debt Financing

The applicants are funding the project with \$825,000 in cash and the FMV of the donated space of \$240,000.

C) Criterion 1120.140 (c) – Reasonableness of Project Costs

Only clinical costs are being reviewed as required.

Movable Equipment Costs are \$725,000. The State Board does not have a standard for these costs for a Free Standing Emergency Center. These costs include EKG Carts, pytis instruments, IV pumps, cardiac monitors).

FMV of Leased Space is \$240,000. The State Board does not have a standard for these costs for a Free Standing Emergency Center.

D) Criterion 1120.140 (d) – Projected Direct Operating Costs

The applicants are estimating \$359 per equivalent patient day direct operating costs for the Free Standing Emergency Center. *See Application for Permit page 120*

E) Criterion 1120.140 (e) – Projected Capital Costs

The applicants have attested that there is no capital costs related to this project. *See Application for Permit page 120*

THE STATE BOARD STAFF FIND THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA AVAILABILITY OF FUNDS, FINANCIAL VIABILITY, REASONABLENESS OF FINANCING ARRANGEMENTS, TERMS OF DEBT FINANCING, REASONABLENESS OF PROJECT COSTS, PROJECTED DIRECT OPERATING COSTS, PROJECTED CAPITAL COSTS (77 IAC 1120.120, 1120.130, 1120.140 (a) (b) (c) (d) (e))

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