



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-07	BOARD MEETING: November 14, 2017	PROJECT NO: 17-036	PROJECT COST: Original: \$3,964,676
FACILITY NAME: Memorial Medical Center - Woodstock d/b/a Centegra Hospital – Woodstock		CITY: Woodstock	
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicants (Memorial Medical Center - Woodstock d/b/a Centegra Hospital – Woodstock, Northern Illinois Medical Center d/b/a Centegra Hospital – McHenry, Northern Illinois Medical Center d/b/a Centegra Hospital – Huntley and Centegra Health System) are proposing to establish a twenty-two (22) bed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock as a relocation of this category of service and its authorized bed capacity from Centegra Hospital – McHenry at a cost of \$3,964,676. The expected completion date is September 30, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Memorial Medical Center - Woodstock d/b/a Centegra Hospital – Woodstock, Northern Illinois Medical Center d/b/a Centegra Hospital – McHenry, Northern Illinois Medical Center d/b/a Centegra Hospital – Huntley and Centegra Health System) are proposing to establish a twenty-two (22) bed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock as a relocation of this category of service and its authorized bed capacity from Centegra Hospital – McHenry at a cost of \$3,964,676. The expected completion date is September 30, 2019.
- This application was submitted simultaneously with an application for a Certificate of Exemption (#E-037-17) to discontinue the twenty-two (22) bed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry.
- The applicants note Exemption #E-037-17 is contingent upon the approval of this project (#17-036). Should the State Board not approve the proposed project the applicants will relinquish exemption #E-037-17.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are before the State Board because the applicants are proposing to establish a category of service as defined by the State Board.

PUBLIC HEARING/COMMENT:

- A public hearing was held on this project as well as Project #E-036-17, #E-037-17, and #17-037 on October 2, 2017 in Woodstock, Illinois. State Board Members Ms. Maryanne Murphy and Ms. Kathy Olson represented the State Board at these four (4) hearings. Approximately two hundred forty (240) individuals registered their attendance throughout the day at these four (4) hearings. There was no opposition to this project. Mr. Dan Lawler represented the applicants. Dr. Brian Sager, Mayor of Woodstock provided supporting testimony for this project.

SUMMARY

- It appears that the applicants have demonstrated a need for the proposed project and that the services proposed are appropriate. The applicants have provided documentation that the proposed twenty-two (22) bed comprehensive physical rehabilitation is needed in the HSA VIII Comprehensive Physical Rehabilitation Planning Area and there is sufficient demand for the proposed service as the applicants as the applicants have relied upon historical utilization and a modest growth in days of approximately 1% annually.

STATE BOARD STAFF REPORT
Memorial Medical Center - Woodstock d/b/a Centegra Hospital – Woodstock
Project #17-036

APPLICATION SUMMARY/CHRONOLOGY	
Applicants(s)	Memorial Medical Center - Woodstock d/b/a Centegra Hospital – Woodstock, Northern Illinois Medical Center d/b/a Centegra Hospital – McHenry, Northern Illinois Medical Center d/b/a Centegra Hospital – Huntley and Centegra Health System
Facility Name	Memorial Medical Center - Woodstock d/b/a Centegra Hospital – Woodstock
Location	3701 Doty Road, Woodstock, Illinois
Permit Holder	Memorial Medical Center - Woodstock d/b/a Centegra Hospital – Woodstock,
Operating Entity/Licensee	Memorial Medical Center - Woodstock d/b/a Centegra Hospital – Woodstock,
Owner of the Site	Memorial Medical Center - Woodstock d/b/a Centegra Hospital – Woodstock,
GSF	18,896 GSF
Application Received	August 17, 2017
Application Deemed Complete	August 17, 2017
Completion Date	September 30, 2019
Financial Commitment	September 30, 2019
Can applicants request a deferral?	No
Review Period Extended by the State Board Staff?	No

I. Project Description

The applicants (Memorial Medical Center - Woodstock d/b/a Centegra Hospital – Woodstock, Northern Illinois Medical Center d/b/a Centegra Hospital – McHenry and Centegra Health System) are proposing to establish a twenty-two (22) bed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock as a relocation of this category of service and its authorized bed capacity from Centegra Hospital – McHenry at a cost of \$3,964,676. The expected completion date is September 30, 2019.

II. State Board Findings

- A.** State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B.** State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

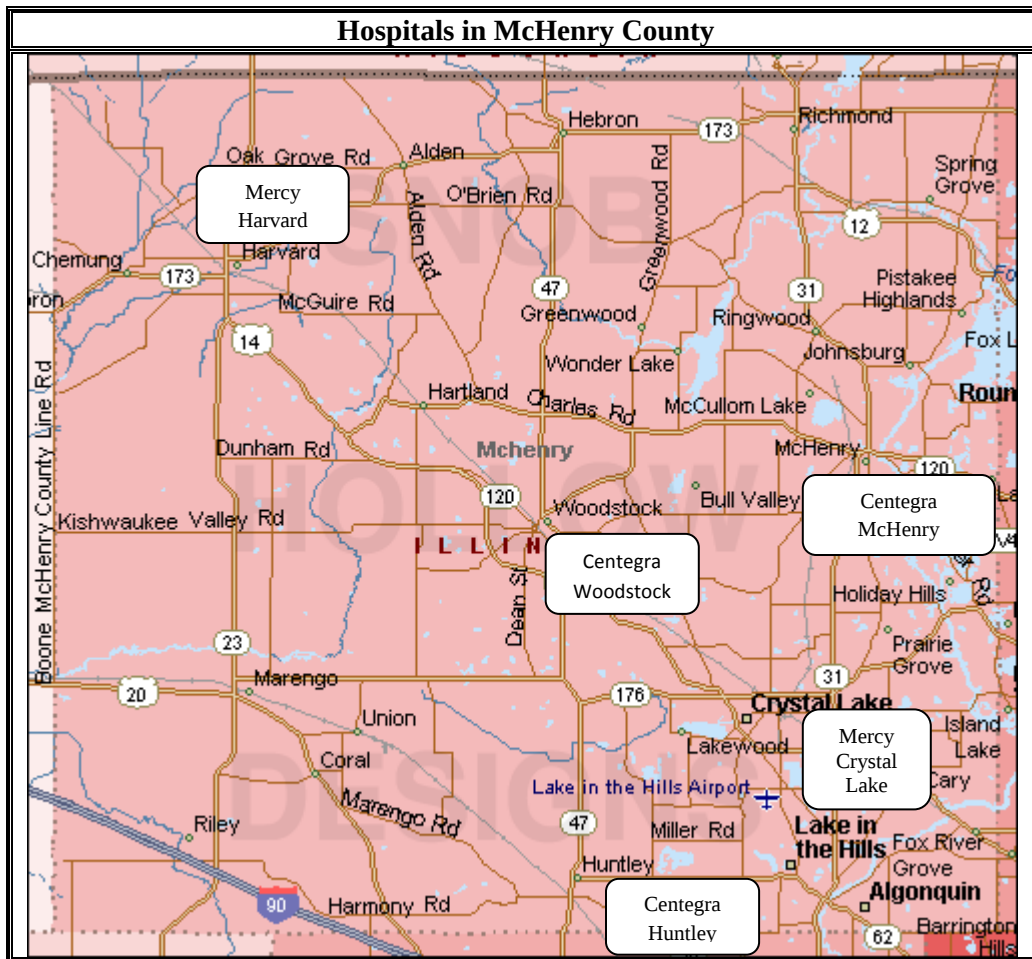
III. General Information

The applicants are Memorial Medical Center — Woodstock d/b/a Centegra Hospital — Woodstock, Centegra Health System, and Northern Illinois Medical Center d/b/a Centegra Hospital – McHenry and Northern Illinois Medical Center d/b/a Centegra

Hospital – Huntley. Centegra Health System (CHS), is a not-for-profit corporation, was incorporated for charitable, educational, and scientific purposes to support health and human services by providing management assistance. Northern Illinois Medical Center (NIMC) and Memorial Medical Center (MMC) are both not-for-profit corporations. The licensee and the owner of the site is Memorial Medical Center — Woodstock d/b/a Centegra Hospital — Woodstock.

IV. HSA VIII Planning Area

The proposed project will be located in the HSA VIII Comprehensive Physical Rehabilitation Planning Area. HSA VIII includes the Illinois counties of Kane, Lake and McHenry Counties. [See Appendix I at the end of this report for the hospitals in McHenry County] There are areas within Planning Area HSA VIII that are identified by the federal government (Health Resources and Services Administration of the U.S. Department of Health and Human Services) as having Medically Underserved Populations. Within Planning Area HSA VIII (Kane, Lake, and McHenry Counties), there are forty-three (43) census tracts that have been designated as having a federally-designated Medically Underserved Area/Population, a designation that is made to document unusual local conditions and barriers to accessing health services. Three (3) of these census tracts are within McHenry County, nine (9) in Kane County and thirty-one (31) in Lake County. Within Planning Area HSA 8 (Kane, Lake, and McHenry Counties), there are forty-four (44) census tracts that have been designated as being Health Care Professional Shortage Areas for Primary Care. None of these census tracts are within McHenry County. [See Application for Permit pages 84-91]



V. Project Costa and Sources of Funds

The applicants are funding this project with cash in the amount of \$3,964,676. The estimated start-up costs are \$25,000.

TABLE ONE			
Project Costs and Sources of Funds			
USE OF FUNDS	Clinical	Total	% of Total
Preplanning Costs	\$46,000	\$46,000	1.16%
Modernization Contracts	\$3,081,149	\$3,081,149	77.72%
Contingencies	\$462,172	\$462,172	11.66%
Architectural/Engineering Fees	\$236,750	\$236,750	5.97%
Consulting and Other Fees	\$58,306	\$58,306	1.47%
Movable Equipment	\$80,299	\$80,299	2.03%
TOTAL USES OF FUNDS	\$3,964,676	\$3,964,676	100.00%

VI. Background of the Applicant

A) Criterion 1110.630(b)(1) to (3) – Background of the Applicant

To demonstrate compliance with this criterion, the applicants must provide

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
 2. A certified listing of any adverse action¹ taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
 3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
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1. The applicants provided copies of the licenses and JCHAO certification for the three (3) hospitals owned by Centegra Health System and one (1) ASTC. [see Application for permit pages 65-76]
 2. The applicants attest that no adverse actions have been taken against any facility owned and/or operated by the applicants in the three (3) years preceding filing of this application. Authorization permitting HFSRB and IDPH access to any documents necessary to verify information submitted has been provided at Application for Permit page 77.
 3. Evidence of Site Ownership (Title Insurance Commitment) was provided at page 33-52 of the Application for Permit.
 4. The applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.* [Application for Permit pages 57-60]
 5. The proposed location of the facility is in compliance with the Illinois State Agency Historic Resources Preservation Act which requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects consider the preservation and enhancement of both State owned and non-State owned historic resources* (20 ILCS 3420/1).
 6. All required reports have been provided to the State Board and the Illinois Department of Public Health as required.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANT (77 ILAC 1110.630(b) (1) to (3))

¹ Adverse Action" means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations.

VIII. Purpose of the Project, Safety Net Impact Statement, Alternatives to Proposed Project

These three (3) criteria are informational only. No determination on whether the applicant has met the requirements of the three (3) criteria is being made by the State Board Staff.

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

To demonstrate compliance with this criterion, the applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

The applicants stated the following:

“This project will improve the health care and result in increased well-being of the market area population by establishing the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock as a relocation of that category of service from Centegra Hospital - McHenry. This application for a Certificate of Need (CON) is being submitted simultaneously with an application for a Certificate of Exemption (COE) to discontinue the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry, which also has an authorized bed capacity of 22 beds. The Illinois Health Facilities Planning Act requires submission of a CON application to change the bed capacity of a hospital by relocating beds from one location to another (ILCS 3960/S(c)) as well as a CON application to establish a category of service, such as the Comprehensive Physical Rehabilitation Category of Service (ILCS 3960/12(8)(b)(2)). Both Centegra Hospital - McHenry and Centegra Hospital - Woodstock are located in the same planning area for the Comprehensive Physical Rehabilitation Category of Service, HSA VIII. The hospitals are located 9.6 miles apart, and the travel time between them is approximately 16 minutes when adjusted for normal travel times in accordance with the CON Rules (77 Ill. Adm. Code 1100.510(d)(2)). Both Centegra Hospital - McHenry and Centegra Hospital - Woodstock, together with Centegra Hospital - Huntley, are owned and operated by Centegra Health System, all of which are located in the same county, McHenry, and the same planning area for acute care services (Planning Area A-10). The hospitals have a unified medical staff, which permits members of their medical staffs to admit and treat patients at each of the three hospitals, and the three hospitals utilize a common medical record, which permits medical professionals to access and utilize the medical records at any of the hospitals. Centegra Hospital - McHenry is one of four hospitals in HSA VIII to offer the Comprehensive Physical Rehabilitation Category of Service, and the number of providers of this category of service will be unchanged after the relocation of this category of service to Centegra Hospital - Woodstock. The only provider of this category of service that is located within 45 minutes travel time of Centegra Hospital - Woodstock is Presence St. Joseph Hospital in Elgin, which is located 41 minutes away when adjusted for normal travel times in accordance with the CON Rules (77 Ill. Adm. Code 1100.510(d)(2)). This project will not have any impact on the calculated bed need for this category of service that has been determined by the Illinois Health Facilities and Services Review Board and Illinois Department of Public Health in the "Inventory of Health Care Facilities and Services and Need Determinations" because this project proposes to relocate all 22 authorized Comprehensive Physical Rehabilitation beds that are being discontinued at Centegra Hospital - McHenry.

The establishment of the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock as a relocation of the current Comprehensive Physical Rehabilitation Service at Centegra Hospital - McHenry will improve Centegra Health System's ability to provide Comprehensive Physical Rehabilitation Services to residents of HSA VIII, particularly of McHenry County, including the uninsured and underinsured residents of these areas, because it is part of the implementation of a comprehensive Facilities Plan for all three of Centegra Health System's hospitals. Centegra Health System has continuously evaluated where and how it provides services to

patients. The recent Facilities Plan reflects the impact of changing reimbursement rates, increasing bad debt at Centegra's facilities, and today's uncertain health care climate.

◆Both Centegra Hospital - McHenry and Centegra Hospital - Woodstock are located in HSA VIII for the Comprehensive Physical Rehabilitation Category of Service. The hospitals are located 9.6 miles apart, and the travel time between them is approximately 16 minutes when adjusted for normal travel times in accordance with the CON Rules (77 Ill. Adm. Code 1100.510(d)(2)). After it is established, the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock will serve the same patient population and continue to provide the same Health Safety Net Services within HSA VIII as those currently provided by Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation Category of Service. Although the market area for this project is HSA VIII (Kane, Lake and McHenry Counties), the planning area this category of service, geographic market (service) area consists of ZIP codes located within McHenry County, either in whole or in part. Patient origin indicates that, during CY16, 97.5% of Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation patients resided in ZIP codes that are located within HSA VIII, either in whole or in part. Additionally, for the same time period, 86.4% of the Rehab patients resided in ZIP codes that are located within McHenry County, either in whole or in part.” [See Appendix I at the end of this report]

◆This project proposes to establish a Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock as a relocation of the existing Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry. The existing Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry will be discontinued when the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock becomes operational. The discontinuation of the Comprehensive Physical Rehabilitation Category of Service is proposed in a separate application for a Certificate of Exemption (COE) that is being submitted at the same time as this CON application for Centegra Hospital - Woodstock.

◆This project proposes to address the need for additional Comprehensive Physical Rehabilitation beds that will exist in Planning Area HSA VIII, the planning area for this category of service in which both Centegra Hospital -Woodstock and Centegra Hospital-McHenry are located, once Centegra Hospital - McHenry's application for a COE to discontinue its Comprehensive Physical Rehabilitation Category of Service is approved. The "Revised Bed Need Determinations" to the "Inventory of Health Care Facilities and Services and Need Determinations" promulgated by the Illinois Department of Public Health (IDPH) identified an excess of 3 Comprehensive Physical Rehabilitation Beds in HSA VIII as of May 3, 2017. When Centegra Hospital - McHenry receives a COE to discontinue its Comprehensive Physical Rehabilitation Category of Service with 22 authorized beds, there will be a bed need for 19 additional Comprehensive Physical Rehabilitation beds in Planning Area HSA VIII.

◆ This project proposes to address that bed need by proposing to establish a Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock with 22 authorized beds, which is the number of beds required to replace Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation Service and to operate that service at the occupancy target.

◆The proposed relocation of the Comprehensive Physical Rehabilitation Category of Service is part of a larger facilities plan for Centegra Health System. With changing reimbursements, increasing bad debt and today's uncertain health care climate, Centegra Health System has continuously evaluated where and how it provides services to patients. After careful consideration, Centegra has made the decision to shift all acute inpatient care from Centegra Hospital -Woodstock to Centegra Hospital - McHenry and Centegra Hospital - Huntley. In order to accommodate additional M/S and ICU patients at these facilities, Centegra is also making changes to increase overall M/S and ICU capacity for other system locations. In a letter dated July 10, 2017, Centegra Hospital - McHenry notified the Illinois Health Facilities and Services Review Board of an increase of 9 M/S beds and 9 ICU beds. Centegra Hospital - McHenry plans to use the vacated Inpatient Comprehensive Rehabilitation Unit space to accommodate the acute inpatient increases. The project proposes to address the need for Comprehensive Physical Rehabilitation Service for the residents of those areas within Planning Area HSA VIII that are identified by the federal government (Health Resources and Services Administration of the U.S. Department of Health and Human Services) as Medically Underserved Populations.”

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

To demonstrate compliance with this criterion the applicants must document

- 1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.**
- 2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.**

A Safety Net Impact Statement is required to be provided for all applications proposing to establish a category of service and/or health care facilities. The applicants provided the required information. See Appendix II at the end of this report.

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

To demonstrate compliance with this criterion the applicants must document all alternative considered by the applicants.

The following alternatives to the proposed project were considered and rejected by the applicants. The applicants stated the following:

◆ Do not discontinue the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry.

This alternative was determined to be infeasible because it would prevent Centegra Health System, the owner and operator of Centegra Hospital - McHenry, from implementing its comprehensive Facilities Plan. Centegra Hospital - McHenry, as well as the two other Centegra hospitals, Centegra Hospital - Woodstock and Centegra Hospital - Huntley, are located in McHenry County, which is part of HSA VIII, the planning area for the Comprehensive Physical Rehabilitation Category of Service. Centegra Health System has continuously evaluated where and how it provides services to patients. The recent Facilities Plan reflects the impact of changing reimbursement rates, increasing bad debt at Centegra's facilities, and today's uncertain health care climate. The discontinuation of Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation Category of Service will enable this hospital to increase its authorized Medical/Surgical (M/S) and Intensive Care beds in order to accommodate a significant portion of Centegra Hospital - Woodstock's current acute care caseload. It is necessary to do so in order to implement Centegra Health System's decision to discontinue all acute inpatient care at Centegra Hospital - Woodstock, shifting these caseloads to Centegra Hospital - McHenry and Centegra Hospital - Huntley.

If this alternative were to be implemented, Centegra Hospital - McHenry would not be able to accommodate a portion of Centegra Hospital - Woodstock's M/S and Intensive Care caseloads because it would not have space available to do so.

◆ Discontinue the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry, but do not establish the category of service at Centegra Hospital - Woodstock.

This alternative was determined to be infeasible for the following reasons.

Implementation of this alternative would create a bed need for 19 additional Comprehensive Physical Rehabilitation beds in the planning area (HSA VIII) and would leave McHenry County without any Comprehensive Physical Rehabilitation Category of Service.

Implementation of this alternative would leave many parts of McHenry County without access to Comprehensive Physical Rehabilitation Services because there is only one provider of this category of service within 45 minutes travel time of Centegra Hospital - McHenry and Centegra

Hospital - Woodstock, and that hospital (Presence Saint Joseph Hospital, Elgin) is experiencing 95% occupancy of its authorized Comprehensive Physical Rehabilitation beds.

IX. Size of the Project, Projected Utilization, and Assurance

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

To demonstrate compliance with this criterion the applicants must document that the size of the reviewable space is within the requirements of Part 1110 Appendix B.

The applicants are proposing twenty-two (22) beds in 13,874 dgsf of space or 631 dgsf per bed. This appears reasonable when compared to the State Board of 660 dgsf per bed or 14,520 dgsf.

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

B) Criterion 1110.234 (b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must document that the proposed project must be at target occupancy within two years after project completion.

The applicants believe the Comprehensive Physical Rehabilitation Category of Service will experience slight annual increases in inpatient utilization, both at its current location at Centegra Hospital - McHenry and also at its future location at Centegra Hospital – Woodstock because of projected population increases in McHenry County (part of HSA VIII, the planning area for this category of service, and the geographic service area in which a majority of Centegra Health System's patients reside).

This increase was based upon the Illinois Department of Public Health's (IDPH's) Office of Health Informatics, Illinois Center for Health Statistics population projections for the 10-year period of 2015 to 2025 in its "Population Projections, Table 3." This document estimated McHenry County's 2015 population to be 326,691 and projected that McHenry County's population will increase to 363,311 by 2025. These figures project 11.2% growth during the 10 year period, or a compounded annual growth rate of 1.07%. Target occupancy for the proposed service is eighty-five percent (85%).

The applicants projected the number of patient days using as a base year CY 2016 patient days at Centegra Hospital – McHenry and increasing the number of patient days by 1.07% annually. Based on this annual projected population increase of 1.07%, in Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation Service were increased by 0.535% (50% of the annual increase) for FY17. This was a projected increase in patient days to 6,591.

Projected Days for twenty-two (22) beds Comprehensive Physical Rehabilitation Service						
Year	CY 2016	FY 2017 ⁽¹⁾	FY2018	FY2019	FY2020 ⁽²⁾	FY2021
Days	6,556	6,591	6,662	6,733	6,823	6,878
ADC	17.96	18.05	18.25	18.45	18.64	18.84
Occ. ⁽³⁾	81.6%	82.1%	82.9%	83.9%	84.7%	85.6%
1. CY 2016 days inflated by .535% to adjust for ½ year. 2. FY 2020 leap year 366 days used to calculate patient days. 3. Target Occupancy is 85% for Comprehensive Physical Rehabilitation Service						

6,878 Days/365 Days = 18.84 Average Daily Census (ADC)
 18.84 ADC/22 Beds = 85.6% utilization

STATE BOARD STAFF FINDS THE PROPOSED CRITERION IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.234 (b))

C) Criterion 1110.234 (e) – Assurances

To demonstrate compliance with this criterion the applicants must document that the proposed service will be at target occupancy within two (2) years of project completion.

The applicants have provided the necessary assurance at page 132 of the application for permit.

STATE BOARD STAFF FINDS THE PROPOSED CRITERION IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.234 (b))

X. Comprehensive Physical Rehabilitation Beds

A) Criterion 1110.630 (b) (1) (3) – Background of the Applicants

This criterion has been addressed above.

B) Criterion 1110.630 (c) (1) (2) (3) (5) - Planning Area Need

To demonstrate compliance with this criterion the applicants must document that the number of beds to be established or added is necessary to serve the planning area's population based on the following:

1) 77 Ill. Adm. Code 1100 (Formula Calculation)

To demonstrate compliance with this sub-criterion the applicants must document the number of comprehensive physical rehabilitation beds that are needed in the planning area.

There is a calculated excess of five (5) comprehensive physical rehabilitation beds in the HSA VIII comprehensive physical rehabilitation planning area as of September 2017. However the applicants are proposing the relocation of twenty-two (22) beds from Centegra Hospital – McHenry to Centegra Hospital – Woodstock resulting in no increase in the number of comprehensive physical rehabilitation beds in this planning area.

2) Service to Planning Area Residents

To demonstrate compliance with this sub-criterion the applicants must document that the primary purpose of the project is to provided health care to the residents of the planning area.

This project is a relocation of the Comprehensive Physical Rehabilitation Category of Service from Centegra Hospital - McHenry to Centegra Hospital - Woodstock. Both hospitals are located in the same planning area for this category of service (HSA VIII) and share a service area. The primary purpose of this project will be to serve the same patients as have been served at Centegra Hospital - McHenry.

Patient origin data for Calendar Year (CY) 2016, indicates that 97.5% of the patients receiving Comprehensive Physical Rehabilitation Services at Centegra Hospital - McHenry resided in zip codes that are located in HSA VIII, either in whole or in part.

3) Service Demand – Establishment of Comprehensive Physical Rehabilitation

To demonstrate compliance with this sub-criterion the applicants must document that there is demand for the proposed project.

The projected referrals to the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry includes referral letters from the psychiatrists (the medical specialty for physicians with a specialty in Physical Medicine and Rehabilitation) who currently practice in the Comprehensive Physical Rehabilitation Service at Centegra Hospital - McHenry and will relocate

their practices to the Comprehensive Physical Rehabilitation Service at Centegra Hospital - Woodstock. During CY16, 477 of the 479 patients treated in Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation Category of Service were referred by the following admitting physicians, and these patients experienced a total of 6,544 patient days in the hospital's Comprehensive Physical Rehabilitation Unit.

- ◆ Dr. B.C. Shankara: 291 admissions, 3,850 patient days;
- ◆ Dr. Shandya Meesala: 186 admissions, 2,694 patient days

Two (2) additional physicians each referred 1 patient to the Comprehensive Physical Rehabilitation Category of Service, and these patients experienced a total of 12 days in the hospital's Comprehensive Physical Rehabilitation Unit.

Total Projected Utilization Based on Historic Utilization:
 $6,556 \text{ Patient Days} / 365 \text{ Days} = 17.96 = 81.6\%$

The Illinois Department of Public Health's (IDPH's) Office of Health Informatics, Illinois Center for Health Statistics has provided population projections for the 10-year period of 2015 to 2025.

McHenry County Projected Population Growth					
Census	Estimate Population	Projected Population			Annual Growth
4/1/2010	7/1/2010	7/1/2015	7/1/2020	7/1/2025	
308,760	309,229	326,691	345,056	363,311	1.07%
Source: Illinois Department of Public Health's (IDPH's) Office of Health Informatics, Illinois Center for Health Statistics. An estimate is a statistic about a whole population for a previous reference period which is based on data from a sample of the population, whereas a projection is a statistic indicating what a value would be if the assumptions about future trends hold true (often drawing upon past movements in a population as a guide for the assumptions). [Source: US Department of Commerce]					

This projected population increase (1.07%) will result in increased patient days in the Comprehensive Physical Rehabilitation Unit. When the projected population increase in McHenry County is considered, the Comprehensive Physical Rehabilitation Category of Service's patient days are projected to be 6,878 in FY21, the second full fiscal year of operation of this category of service at Centegra Hospital - Woodstock. This will result in Centegra Hospital - Woodstock having an average daily census of 18.84 in the Comprehensive Physical Rehabilitation Unit, which would justify 23 Comprehensive Physical Rehabilitation beds at 85% occupancy.

Projected Days for twenty-two (22) beds Comprehensive Physical Rehabilitation Service						
Year	CY 2016	FY 2017 ⁽¹⁾	FY2018	FY2019	FY2020 ⁽²⁾	FY2021
Days	6,556	6,591	6,662	6,773	6,823	6,878
ADC	17.96	18.05	18.25	18.55	18.64	18.84
Occ. ⁽³⁾	81.6%	82.1%	82.9%	84.3%	84.7%	85.6%
1. CY 2016 days inflated by .535% to adjust for ½ year. 2. FY 2020 leap year 366 days used to calculate patient days. 3. Target Occupancy is 85% for Comprehensive Physical Rehabilitation Service						

$6,878 \text{ Days} / 365 \text{ Days} = 18.84 \text{ Average Daily Census (ADC)}$
 $18.84 \text{ ADC} / 22 \text{ Beds} = 85.6\% \text{ utilization}$

5) Service Accessibility

To demonstrate compliance with this sub-criterion the applicants must document that the number of beds being established is necessary to improve access for planning area residents. The applicant must document one of the following:

- ◆ The absence of the proposed service within the planning area;
- ◆ Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;
- ◆ Restrictive admission policies of existing providers;
- ◆ The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;
- ◆ For purposes of this subsection (c)(5) only, all services within the 45-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

There are currently two hospitals located within the 45-minute normal travel time of Centegra Hospital - Woodstock that provides the Comprehensive Physical Rehabilitation Category of Service: Presence Saint Joseph Hospital in Elgin and Centegra Hospital - McHenry in McHenry.

Presence Saint Joseph Hospital in Elgin (40 beds) operated at 91.9% utilization in 2016. Centegra Hospital – McHenry (22) beds) operated at 81.4% utilization in 2016.

The applicants stated:

“This project will not have any impact on the occupancy of Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation Unit since it proposes to relocate this category of service from Centegra Hospital - McHenry to Centegra Hospital - Woodstock, as a result of which Centegra Hospital's Comprehensive Physical Rehabilitation Category of Service will be discontinued.

This project will also not have any impact on the occupancy of Presence Saint Joseph Hospital's Comprehensive Physical Rehabilitation Unit since the patients served by Centegra Hospital - Woodstock's Comprehensive Physical Rehabilitation Service will be patients who

currently receive care at Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation Unit."

It appears that the applicants have demonstrated a need for the proposed project and that the services proposed are appropriate. The applicants have provided documentation that the proposed project will serve the residents of the HSAVIII Comprehensive Physical Rehabilitation Planning Area and it appears there is a demand for the relocated service based upon the referral letters provided by the applicants. It does appear the proposed project will maintain patient access in the planning area by relocating this service.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1110.630 (c)(1)(2)(3) (5))

C) Criterion 1110.630 (d) - Unnecessary Duplication/Maldistribution

To demonstrate compliance with this criterion the applicants must document

- 1) the project will not result in an unnecessary duplication.
- 2) the project will not result in maldistribution of services.
- 3) that, within 24 months after project completion, the proposed project:
 - ◆ Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and
 - ◆ Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

1) Unnecessary Duplication of Service

As documented above there are currently two (2) hospitals located within the 45-minute normal travel time of Centegra Hospital - Woodstock that provides the Comprehensive Physical Rehabilitation Category of Service: Presence Saint Joseph Hospital in Elgin and Centegra Hospital - McHenry in McHenry. Presence Saint Joseph Hospital in Elgin (40 beds) operated at 91.9% utilization in 2016. Centegra Hospital – McHenry (22 beds) operated at 81.4% utilization in 2016.

This project proposes to relocate a twenty-two (22) bed comprehensive physical rehabilitation service from one (1) hospital in the planning area (Centegra Hospital – McHenry) to Centegra Hospital – Woodstock. Based upon the documentation provided by the applicants an unnecessary duplication of service will not result should the proposed project be approved.

2. Mal-distribution of Service (Surplus of Beds)

There are a total of 701,844 individuals within the thirty (30) minute service area (see Table below). There are a total of twenty-two (22) comprehensive physical rehabilitation beds in this thirty (30) minute service area or one (1) bed per 31,902 individuals. The 2016 population in the State of Illinois is 12,801,539 (estimate). There are 1,638 comprehensive physical rehabilitation beds in the State of Illinois or one (1) bed per 7,816 individuals. The ratio of beds per population in the thirty

(30) minute service area is not 1.5 times the State of Illinois ratio. The ratio in the thirty (30) minute service area would need to be one (1) bed per 5,211 individuals to have a surplus of beds in this thirty (30) minute service area.

Population within thirty (30) Minutes		
Zip Code	City	2016 Population
60010	Barrington	45,273
60012	Crystal Lake	11,071
60013	Gary	26,735
60014	Crystal Lake	48,690
60021	Fox River Grove	5,426
60033	Harvard	14,010
60034	Hebron	2,188
60041	Ingleside	9,023
60050	McHenry	32,305
60051	McHenry	24,750
60071	Richmond	3,841
60072	Ringwood	1,312
60073	Round Lake	61,290
60081	Spring Grove	9,719
60084	Wauconda	16,800
60097	Wonder Lake	11,076
60098	Woodstock	32,909
60102	Algonquin	32,549
60110	Carpentersville	39,576
60118	Dundee	16,813
60123	Elgin	48,899
60124	Elgin	22,566
60135	Genoa	7,899
60136	Gilberts	7,731
60140	Hampshire	18,184
60142	Huntley	28,252
60152	Marengo	12,875
60156	Lake in the Hills	29,193
60180	Union	1,563
61008	Belvidere	34,018
61012	Capron	2,295
61038	Garden Prairie	1,482
61065	Poplar Grove	11,856

Population within thirty (30) Minutes		
Zip Code	City	2016 Population
Total Illinois		672,169
53128	Genoa City	8,947
53147	Lake Geneva	16,457
53148	Walworth	4,271
Total WI		29,675
Total		701,844

3. Impact on Other Providers

There will be no impact on other providers as the proposed project, if approved, will relocate the comprehensive physical rehabilitation service from Centegra Hospital-McHenry to Centegra Hospital – Woodstock.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 ILAC 1110.630 (d) (1) (2) (3))

D) Criterion 1110.630 (f) - Staffing

To demonstrate compliance with this criterion the applicants must document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and Joint Commission staffing requirements can be met.

The applicants stated the following:

Centegra Health System, the owner and operator of both Centegra Hospital - McHenry and Centegra Hospital - Woodstock considered the relevant clinical and professional staffing needs for the proposed project as well as licensure and Joint Commission staffing requirements. The proposed project is a relocation of an existing 22-bed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry to Centegra Hospital - Woodstock, a distance of 9.6 miles. Once the new Comprehensive Physical Rehabilitation Service becomes operational, all of the existing clinical and professional staff serving Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation Category of Service will be relocated to Centegra Hospital - Woodstock's Comprehensive Physical Rehabilitation Service. When the Comprehensive Physical Rehabilitation Service at Centegra Hospital - Woodstock becomes operational, it will continue to meet all licensing requirements set forth by the State of Illinois as well as all staffing standards established by the Joint Commission. [Application for Permit page 119-124 for complete discussion of this criterion]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.630 (f))

E) Criterion 1110.630 (g) - Performance Requirements

To demonstrate compliance with this criterion the applicants must document that

- 1) **The minimum freestanding facility size for comprehensive physical rehabilitation is a minimum facility capacity of 100 beds.**
- 2) **The minimum hospital unit size for comprehensive physical rehabilitation is 16 beds.**

The applicants are proposing the relocation of a twenty-two (22) bed comprehensive physical rehabilitation category of service from Centegra Hospital – McHenry to Centegra Hospital – Woodstock. The applicants have met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PERFORMANCE REQUIREMENTS (77 ILAC 1110.630 (g))

F) Criterion 1110.630 (h) - Assurances

To demonstrate compliance with this criterion the applicants must provide 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.

Michael Eesley, CEO Centegra Health System attested:

"I am an applicant representative of the co-applicants for this project (i.e., Memorial Medical Center -Woodstock d/b/a Centegra Hospital - Woodstock, Centegra Health System, Northern Illinois Medical Center d/b/a Centegra Hospital - Huntley and Northern Illinois Medical Center d/b/a Centegra Hospital - McHenry) who has signed the CON application that includes the establishment of the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock. In accordance with 77 Ill. Adm. Code 1110.630(h), I hereby attest to the understanding of the co-applicants for this project that, by the second year of operation after this project is completed, Centegra Hospital - Woodstock will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for the Comprehensive Physical Rehabilitation Category of Service. The occupancy standard for a hospital's Comprehensive Physical Rehabilitation Category of Service is 85% occupancy of the authorized beds on an annual basis (77 Ill. Adm. Code 1100.550(c))."

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCE (77 ILAC 1110.630 (h))

XI. Clinical Services Other Than Categories of Services

A) Criterion 1110.3030 (b) (1) (3) – Background of the Applicants

This criterion was addressed previously in this report.

B) Criterion 1110.3030 (c) – Need Determination - Establishment

To demonstrate compliance with this criterion the applicants must document how the need for the proposed service was determined by documenting:

- ◆ Service to Planning Area Residents
- ◆ Service Demand
- ◆ Impact on Other Providers in the Service Area

The proposed project proposes space for combined Rehabilitation Therapies: Physical Therapy, Occupational Therapy, and Speech Therapy. The space will be combined for all therapies to maximize flexibility and reduce the amount of space that would be needed if each therapy were to have its own dedicated space.

The proposed therapy space will be used to provide therapy for the inpatients in the Comprehensive Physical Rehabilitation Category of Service, and it will be located adjacent to the Comprehensive Physical Rehabilitation Nursing Unit. Dedicated space is needed for Rehabilitation Therapies for these patients since they are required to have three hours of therapy per day, at least five times per week.

1. This project is a relocation of the Comprehensive Physical Rehabilitation Category of Service from Centegra Hospital - McHenry to Centegra Hospital - Woodstock. Both hospitals are located in the same planning area for this category of service (HSA VIII) and share a service area. The primary purpose of this project will be to serve the same patients as have been served at Centegra Hospital - McHenry. Patient origin data for Calendar Year 2016, as shown in Appendix I, indicates that 97.5% of the patients receiving Comprehensive Physical Rehabilitation Services at Centegra Hospital - McHenry resided in zip codes that are located in HSA VIII, either in whole or in part, the majority of which are located in McHenry County.

2. The historical volume for inpatient utilization of the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry, as reported on the 2016 Illinois Department of Public Health's Annual Hospital Questionnaires, can be found in the chart below.

Inpatient Utilization Centegra Hospital - McHenry		
	CY 2015	CY 2016
Cases	507	479
Total Patient Days	6716	6,556

These patients require rehabilitation therapies that will be provided in the Rehabilitation Therapy Area. All inpatients in this category of service require three hours of therapy per day, at least five days per week.

Utilization for Rehabilitation Therapies for inpatients in Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation Nursing Unit during the past two years are reported below.

Rehabilitation Therapies for Inpatients		
	CY 2015	CY 2016
Physical Therapy	15,330	14,807
Occupational Therapy	10,517	10,169
Speech Therapy	4,921	5,214

In addition, consultations occurred for the following modalities for which utilization is not available: Vocational Consultations, Nutritional Consultations, Psychological Consultations and Social Services. As shown above in this report inpatient utilization of the Comprehensive Physical Rehabilitation Category of Service is projected to increase in future years due to projected population increases in McHenry County. It appears there will be increased utilization of Rehabilitation Therapies.

3. As discussed earlier in this report the relocation of services from Centegra Hospital – McHenry to Centegra Hospital – Woodstock both located in the HSA VIII planning area and owned by a common parent will have no impact on other providers in the planning area.

4. Projected utilization of these services is estimated below for the first two (2) years after project completion.

<u>Daily Patient Visits</u>	FY20*	FY21
Physical Therapy	15,411	15,533
Occupational Therapy	10,583	10,668
Speech Therapy	5,427	5,470
*2020 is leap year with 366 days		

It appears based upon the documentation provided by the applicants that the proposed physical therapy, occupational therapy and speech therapy is necessary and there is sufficient demand to justify the services proposed.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION CLINICAL SERVICES OTHER THAN CATEGORIES OF SERVICE NEED DETERMINATION - ESTABLISHMENT (77 ILAC 1110.3030 (c))

*“The **Purpose of the Act** shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. **Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.**” [20 ILCS 3960/2]*

X. Financial Viability

A) Criterion 1120.120 – Availability of Funds

To demonstrate compliance with this criterion, the applicants must provide evidence of the availability of funding for the proposed project.

The applicants are funding this project with cash and securities of \$3,964,676. It appears from a review of the Audited Financial Statements that the applicants have sufficient cash to fund this project.

Centegra Health System Audited Financial Statements FY 2016 (000)		
	2016	2015
Cash	\$30,919	\$29,785
Current Assets	\$190,401	\$129,916
Total Assets	\$750,411	\$681,166
Current Liabilities	\$88,476	\$74,231
LTD	\$373,565	\$346,344
Total Liabilities	\$499,422	\$437,696
Net Assets	\$250,989	\$243,270
Net Patient Revenue	\$468,025	\$423,734
Total Revenue	\$500,576	\$456,305
Expenses	\$496,275	\$453,285
Excess Revenues Gains	\$9,808	\$18,251

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 ILAC 1120.120)

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with this criterion, the applicants must document that they are in compliance with the financial ratios as published in Part 1120 Appendix A for the prior three (3) years and the first year after project completion or provide proof of an “A” or better Bond Rating.

The applicants are funding this project with cash and securities of \$3,964,676. No debt financing will be incurred as part of this project. The applicants have provided their 2016

Audited Financial Statements that indicates sufficient cash is available to fund this project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 1120.130)

XI. Economic Feasibility

A) Criterion 1120.140(a) - Reasonableness of Debt Financing

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

The applicants are funding this project with cash and securities of \$3,964,676. No debt financing will be incurred as part of this project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERIA REASONABLENESS OF DEBT FINANCING AND TERMS OF DEBT FINANCING (77 ILAC 1120.140(a) & (b))

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

To demonstrate compliance with this criterion, the applicant must document that the project costs are reasonable and are in compliance with Part 1120 Appendix A.

All costs associated with this project are clinical costs. The applicants are in compliance with all of the State Board Standards in Part 1120 Appendix A.

Uses of Funds	Total	State Board Standard	Project Costs	Met Standard	
		%/GSF	Total		
Preplanning Costs	\$46,000	1.50%	\$54,354	1.16%	Yes
Modernization Contracts and Contingencies	\$3,543,321	\$317.44/GSF	\$5,998,346	\$187.52/GSF	Yes
Contingencies	\$462,172	15.00%	\$462,172	15.00%	Yes
Architectural/Engineering Fees	\$236,750	10.54%	\$373,466	6.68%	Yes
Consulting and Other Fees	\$58,306	Not Applicable			
Movable Equipment	\$80,299				
<u>State Board Standards:</u>					
1.	Preplanning Costs are 1.5% of modernization, contingencies, and movable equipment.				
2.	Modernization Contracts and Contingencies are 70% of new construction costs of \$453.48.				
3.	Contingencies are 15% of modernization costs.				
4.	Architectural and Engineering Fees per the Illinois Capital Development Board Handbook.				

Itemization of Line Items Costs	
1. Preplanning Costs	
Architect Preliminary Design	\$6,000
Preplanning Analysis	\$15,000
CON Consultant Preplanning	\$15,000
Legal Planning	\$10,000
Total	\$46,000
2. Consulting and Other Fees	
CON Review Fee	\$8,706
Legal Fees	\$5,000
CON Consultant Fees	\$5,000
IDPH Plan Examination Fee	\$9,600
Project Management and Oversight	\$10,000
Other Consulting	\$20,000
Total	\$58,306
3. Movable or Other Equipment	
Medical Equipment	\$30,594
Fair Market Value of Existing Equipment	\$7,542
Furniture/Artwork	\$11,482
IT Equipment	\$20,000
Security	\$10,680
Total	\$80,298

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 ILAC 1120.140(c))

Reviewer Note: For the remaining two (2) criteria the State Board does not have standards. The applicant is required to provide the information and if the information is provided the two (2) criteria have been successfully addressed. Additionally, the instruction to the application requires that if the applicant believes a criterion is not applicable to a project, the applicant may state the criterion not applicable and provide an explanation for it.

D) Criterion 1120.140(d) – Projected Operating Cost

To demonstrate compliance with this criterion, the applicant must document the projected operating costs per equivalent patient day. For this project the applicant has provided the direct operating cost per treatment.

The projected direct annual operating costs for FY20 (first fiscal year at target utilization) for Comprehensive Physical Rehabilitation and the hospital are as follows:

Comprehensive Physical Rehabilitation

Operating expense per equivalent patient day for FY20 \$421

Centegra Hospital - Woodstock

Operating expense per equivalent patient day for FY20 \$983

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

To demonstrate compliance with this criterion, the applicant must document the effect the project will have on capital costs per treatment for this project. The State Board defines capital costs as depreciation, amortization and interest.

The projected annual capital costs for FY18 (first fiscal year at target utilization) for Comprehensive Physical Rehabilitation and the hospital are as follows:

Comprehensive Physical Rehabilitation

Capital costs per equivalent patient day for FY20 \$39

Centegra Hospital - Woodstock

Capital costs per equivalent patient day for FY20 \$212

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA DIRECT OPERATING COSTS AND EFFECT OF THE PROJECT ON CAPITAL COSTS (77 ILAC 1120.140(d) and 77 ILAC 1120.140(e))

A-10 Hospital Planning Area (McHenry County)													
Hospital	City	Health Service Area	Hospital Planning Area	County	CON Authorized 12/31/2016								
					Medical-Surgical	Intensive Care	Pediatric	Obstetrics/Gynecology	Long Term Care	Neonatal ICU	Rehab	Acute Mental Illness	Total CON Authorized Beds
Hospitals					291	53	0	31	45	0	22	34	476
Centegra Hospital - McHenry	McHenry	8	A-10	McHenry	116/73%	18/69.5%	0	23/37.8%	0	0	22/81.4%	0	179
Centegra Hospital - Woodstock	Woodstock	8	A-10	McHenry	60/59.8%	12/46.3%	0	0	0	0	0	34/70.8%	106
Centegra Hospital - Huntley ⁽¹⁾	Huntley	8	A-10	McHenry	100/13.4%	8/21.3%	0	20/9.0%	0	0	0	0	128
Mercy Harvard Memorial Hospital ⁽²⁾	Harvard	8	A-10	McHenry	15/29.1%	3/2.3%	0	0	45/56.6%	0	0	0	63
Mercy - Crystal Lake ⁽³⁾	Crystal Lake	8	A-10	McHenry	11	2	0	0	0	0	0	0	13
1. Centegra Hospital- Huntley – licensed as hospital July 2016, utilization data not for entire calendar year.													
2. Mercy Harvard Memorial Hospital approved to discontinue eleven (11) medical surgical beds and two (2) intensive care beds June 2017 as Permit #17-002.													
3. Mercy Hospital – Crystal Lake approved to establish thirteen (13) bed hospital in June 2017 as Permit #17-002.													

Appendix I
CY2016 Inpatient Origin

Community	Zip Code	#	County	% of Total	Cumulative
McHenry	60050	78	McHenry	16.28%	16.28%
Crystal Lake	60014	55	McHenry	11.48%	27.76%
McHenry	60051	45	McHenry	9.39%	37.16%
Woodstock	60098	43	McHenry	8.98%	46.13%
Wonder Lake	60097	28	McHenry	5.85%	51.98%
Fox Lake	60020	28	McHenry Lake	5.85%	57.82%
Crystal Lake	60012	21	McHenry	4.38%	62.21%
Spring Grove	60081	19	McHenry	3.97%	66.18%
Huntley	60142	19	McHenry	3.97%	70.14%
Cary	60013	14	McHenry Lake	2.92%	73.06%
Ingleside	60041	13	Lake	2.71%	75.78%
Round Lake	60073	12	Lake	2.51%	78.28%
Algonquin	60102	10	McHenry Kane	2.09%	80.37%
Antioch	60002	10	Lake	2.09%	82.46%
Richmond	60071	10	McHenry	2.09%	84.55%
Harvard	60033	10	McHenry Boone	2.09%	86.63%
Lake in the Hills	60156	7	McHenry	1.46%	88.10%
Island Lake	60042	6	McHenry Lake	1.25%	89.35%
Wauconda	60084	5	Lake	1.04%	90.39%
Barrington	60010	5	McHenry	1.04%	91.44%
Marengo	60152	5	McHenry	1.04%	92.48%
Hebron	60034	4	McHenry	0.84%	93.32%
Twin Lakes	53181	3	Kenosha	0.63%	93.94%
Lake Villa	60046	3	Lake	0.63%	94.57%
Union	60180	3	McHenry	0.63%	95.19%
Dundee	60118	2	Kane	0.42%	95.61%
Ringwood	60072	2	McHenry	0.42%	96.03%
Genoa City	53128	2	Walworth	0.42%	96.45%
Lake Zurich	60047	2	Lake	0.42%	96.86%
Mundelein	60060	2	Lake	0.42%	97.28%
Wadsworth	60083	1	Lake	0.21%	97.49%
Quincy	62301	1	Adams	0.21%	97.70%
Capron	61012	1	Boone	0.21%	97.91%
Waukegan	60087	1	Lake	0.21%	98.12%
Lake Geneva	53147	1	Walworth	0.21%	98.33%
Punta Gordo	33980	1	Charlotte	0.21%	98.53%
Lisman, AL	36912	1	Choctaw	0.21%	98.74%

**Appendix I
CY2016 Inpatient Origin**

Community	Zip Code	#	County	% of Total	Cumulative
Rockord	61102	1	Winnebago	0.21%	98.95%
Fox River Grove	60021	1	McHenry	0.21%	99.16%
Antioch, CA	94509	1	Contra Costa	0.21%	99.37%
Crystal Lake	60039	1	McHenry	0.21%	99.58%
Grayslake	60030	1	Lake	0.21%	99.79%
Vernon Hills	60061	1	Lake	0.21%	100.00%
Total		479		100.00%	

Appendix II

Safety Net Impact Statement

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

This project to establish the 22-bed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock will have no negative impact on essential safety net services in the community or in the planning area because this service will be a relocation of the existing 22-bed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry, which is in the same planning area (Health Service Area 8, HSA VIII). The project will improve safety net services in the area by providing a more modern and efficient Comprehensive Physical Rehabilitation service to the community.

Health Safety Net Services have been defined as services provided to patients who are low- income and otherwise vulnerable, including those uninsured and covered by Medicaid. (Agency for Healthcare Research and Quality, Public Health Service, U.S. Department of Health and Human Services, "The Safety Net Monitoring Initiative," AHRQ Pub. No. 03- P011, August, 2003).

This application for a Certificate of Need (CON) permit is being submitted simultaneously with an application for a Certificate of Exemption (COE) to discontinue the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry, which also has an authorized bed capacity of 22 beds.

Both Centegra Hospital - Woodstock and Centegra Hospital - McHenry are owned and operated by Centegra Health System and are located in the same planning area for the Comprehensive Physical Rehabilitation Category of Service (HSA VIII), the same geographic service area for this category of service (McHenry County), and the same planning area for acute care services (Planning Area A-10, McHenry County).

The hospitals are located 9.6 miles apart, and the travel time between them is approximately 16 minutes when adjusted for normal travel times in accordance with the CON Rules (77 Ill. Adm. Code 1100.510(d)(2)).

These hospitals, as well as Centegra Hospital - Huntley, are owned and operated by Centegra Health System. These three hospitals have a unified medical staff, which permits members of their medical staffs to admit and treat patients at each of the three hospitals. These hospitals utilize a common medical record, which permits medical professionals to access and utilize patients' medical records at any of the hospitals.

After the Comprehensive Physical Rehabilitation Category of Service is relocated to Centegra Hospital -Woodstock, it will serve the same patient population and continue to provide the same Health Safety Net Services within Health Service Area (HSA VIII) as those currently provided by Centegra Hospital - McHenry for this category of service. CY16 patient origin for the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry indicates that 97.5% of the patients resided in zip codes that are located entirely or in part within HSA VIII and that 86.4% of these Comprehensive Physical Rehabilitation patients resided in zip codes that are located either entirely or in part within McHenry County.

Projected patient origin for Centegra Hospital - Woodstock's Comprehensive Physical Rehabilitation Service, which is expected to remain the same after this category of service is relocated from Centegra Hospital - McHenry, indicates that the geographical service area for this category of service is McHenry County, which is entirely within HSA VIII.

There are residents of HSA VIII who are low-income and otherwise vulnerable, as documented by their residing in Medically Underserved Areas and/or Populations and by Centegra Hospital - McHenry's payor mix. The

payor mix for Comprehensive Physical Rehabilitation patients is anticipated to remain the same when this category of service is relocated to Centegra Hospital - Woodstock.

Medically Underserved Areas and Medically Underserved Populations are designated by the federal government (Health Resources and Services Administration of the U.S. Department of Health and Human Services) based on the Index of Medical Underservice. Designated Medically Underserved Areas (MUAs) and Medically Underserved Populations (MUPs) are eligible for certification and funding under federal programs such as Community Health Center (CHC) grant funds, Federally Qualified Health Centers (FQHCs), and Rural Health Clinics (<https://bhwh.hrsa.gov/shortage-designation/muap>) (Health Resources and Services Administration, U.S. Department of Health and Human Services).

A number of census tracts in HSA VIII have been designated by the Governor as having a federally-designated Medically Underserved Population, a designation that is made to document unusual local conditions and barriers to accessing personal health services. Within HSA VIII, there are 43 census tracts that have this designation, 3 of which are located within McHenry County. A map identifying these census tracts can be found starting on Page 7 of Attachment 12.

This project will have a positive impact on essential safety net services in HSA VIII for those patients requiring inpatient care in the Comprehensive Physical Rehabilitation Category of Service because the relocation of this category of service to Centegra Hospital - Woodstock, which is in the same planning area and same geographic service area as Centegra Hospital-McHenry, will not result in any change in providing much needed services to patients residing in these areas and to those living elsewhere who require safety net services.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

Centegra Hospital - McHenry is currently one of four providers of the Comprehensive Physical Rehabilitation Category of Service in HSA VIII and the sole provider of this category of service in McHenry County. The relocation of this category of service to Centegra Hospital - Woodstock will not change the number of providers of this category of service in the planning area. As a result of this relocation, Centegra Hospital - Woodstock will be the only provider of this category of service in McHenry County.

This project will not have an impact on the ability of another provider or health system to cross-subsidize safety net services because this CON proposes to relocate the Comprehensive Physical Rehabilitation Service with its 22 authorized beds from Centegra Hospital- McHenry to Centegra Hospital - Woodstock.

As noted above in the response to Question 1, both Centegra Hospital - Woodstock and Centegra Hospital - McHenry are owned and operated by Centegra Health System. These hospitals, as well as Centegra Hospital - Huntley, have a unified medical staff, which permits members of their medical staffs to admit and treat patients at each of the three hospitals. These hospitals utilize a common medical record, which permits medical professionals to access and utilize patients' medical records at any of the hospitals.

After this category of service is relocated to Centegra Hospital - Woodstock, the same safety net services will continue to be provided for Comprehensive Physical Rehabilitation patients as are currently provided at Centegra Hospital - McHenry. This project will not have any impact on the calculated bed need for this category of service that has been determined by the Illinois Health Facilities and Services Review Board and Illinois Department of Public Health in the "Inventory of Health Care Facilities and Services and Need Determinations" because it proposes to relocate the Comprehensive Physical Rehabilitation Service and all 22 of its beds that are being discontinued at Centegra Hospital - McHenry to Centegra Hospital - Woodstock.

3. How the discontinuation of a facility or service might Impact the remaining safety net providers in a given community, if reasonably known by the applicant.

This application seeks approval to establish the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock as a relocation of this category of service from Centegra Hospital -

McHenry. This project will have no impact on safety net providers in the community. Centegra Hospital - Woodstock will continue to be the only provider of the Comprehensive Physical Rehabilitation Category of Service in McHenry County after this category of service is relocated from Centegra Hospital - McHenry. Both hospitals are located in the same health service area for the Comprehensive Physical Rehabilitation Category of Service, and the two hospitals are located approximately 9.6 miles apart with a travel time between them of approximately 16 minutes when adjusted for normal travel times in accordance with 77 Ill. Adm. Code 1100.510(d)(2). Both hospitals are owned and operated by Centegra Health System, and the two hospitals have a unified medical staff with physicians holding privileges at both hospitals, so the physiatrists who currently admit and treat Comprehensive Physical Rehabilitation patients in the Comprehensive Physical Rehabilitation Unit at Centegra Hospital - McHenry will continue to admit and treat their patients in the Comprehensive Physical Rehabilitation Unit at Centegra Hospital - Woodstock.

- A copy of Centegra Health System's 2016 Report to the Community is appended to this attachment starting on Page 10.

- During FY2016, Centegra Health System provided more than \$5,000,000 in community benefits (excluding charity care, government sponsored indigent health care and bad debt), an increase from FY2015.

- Examples of community benefits that will continue to be provided by Centegra Health System are:

- Support groups (e.g. for stroke patients)
- Concussion education for local schools
- Clinical education for occupational physical therapy students
- Free physician lectures
- Free screenings
- Free education events and materials

d. Centegra Health System was a core team member of the 2017 McHenry County Healthy Community Study, which is a collaborative effort with the McHenry County Department of Health and in which many community organizations participated. Centegra has also participated in the prior studies.

e. Centegra Health System has been an active participant in the McHenry County Health Department's MAPP (Mobilizing for Action through Planning and Partnerships), an ongoing effort which is currently in its action phase.

Centegra Hospital -McHenry CHARITY CARE			
	FY14	FY15	FY16
Net Patient Revenue	\$247,541,588	\$268,241,543	\$314,958,842
Amount of Charity Care (charges)	\$16,612,923	\$11,336,629	\$8,516,834
Cost of Charity Care	\$4,817,748	\$3,280,820	\$2,400,945

Centegra Hospital -Woodstock CHARITY CARE			
	FY14	FY15	FY16
Net Patient Revenue	\$130,979,938	\$123,892,358	\$130,641,946
Amount of Charity Care (charges)	\$8,897,081	\$7,292,581	\$5,655,030
Cost of Charity Care	\$2,766,992	\$2,267,993	\$1,646,558

Centegra Hospital – McHenry MEDICAID			
Medicaid(# of patients)	FY 2014	FY 2015	FY 2016
Inpatient	996	357	317
Outpatient	11,587	4,598	3,993
Total	12,583	4,955	4,310
Medicaid (revenue)			
Inpatient	\$12,673,813	\$9,043,877	\$8,392,044
Outpatient	\$6,567,812	\$5,269,774	\$6,747,810
Total	\$19,241,625	\$14,313,651	\$15,139,854

Centegra Hospital – Woodstock MEDICAID			
Medicaid(# of patients)	FY 2014	FY 2015	FY 2016
Inpatient	655	206	310
Outpatient	8,952	2,368	2,053
Total	9,607	2,574	2,363
Medicaid (revenue)			
Inpatient	\$5,527,251	\$4,065,703	\$8,082,053
Outpatient	\$4,313,244	\$1,661,784	\$4,536,983
Total	\$9,840,495	\$5,727,487	\$12,619,036

17-036 Centegra Hospital Woodstock - Woodstock

