



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: C-02	BOARD MEETING: November 14, 2017	PROJECT NO: #E-037-17	PROJECT COST:
FACILITY NAME: Centegra Hospital – McHenry		CITY: McHenry	Original: \$0
TYPE OF PROJECT: Exemption (substantive)			HSA: VIII

DESCRIPTION: The applicants (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) are proposing to discontinue a twenty-two (22) bed comprehensive physical rehabilitation category of service at Centegra Hospital – McHenry, 4201 Medical Center Drive, McHenry, Illinois

I. Exemption

The applicants (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) are proposing an exemption from the certificate of need review. The Illinois Health Facilities Planning Act directs the State Board to issue an exemption from the certificate of need review if the following are met:

*“An exemption **shall be approved** when information required by the Board by rule is submitted. Projects eligible for an exemption, rather than a permit, include, but are not limited to, change of ownership of a health care facility, **discontinuation of a category of service**, and discontinuation of a health care facility, other than a health care facility maintained by the State or any agency or department thereof or a nursing home maintained by a county.*

*Upon a finding that an application to **discontinue a category of service is complete** and provides the requested information, as specified by the State Board, an exemption shall be issued. No later than 30 days after the issuance of the exemption, the health care facility must give written notice of the discontinuation of the category of service to the State Senator and State Representative serving the legislative district in which the health care facility is located. No later than 90 days after a discontinuation of a category of service, the applicant must submit a statement to the State Board certifying that the discontinuation is complete.” (20 ILCS 3960/8.5/a-5)*

The regulations require the State Board to issue an exemption from the CON review if

- the categories of service and the number of beds that are to be discontinued are identified.
- the anticipated date of discontinuation for each identified service or for the entire facility is provided.
- the anticipated use of the physical plant and equipment after the discontinuation occurs has been provided.
- the anticipated disposition and location of all medical records pertaining to the services being discontinued, and the length of time the records will be maintained has been provided.
- the reasons for the proposed discontinuation has been provided.
- the impact on access has been provided.
- a safety net impact statement has been provided.
- an opportunity for a public hearing and written comment has been published.
- evidence of notice to the local media of the discontinuation has been provided.

II. PUBLIC HEARING/COMMENT:

A public hearing was held on this project as well as Project #E-036-17, #17-036 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 recorded their attendance at these hearings. There was no opposition to this project (Project #E-037-17). Mr. Dan Lawler represented the applicants. Dr. Brian Sager, Mayor of Woodstock provided supporting testimony for this project.

III. Summary of Findings

The applicants have provided all of the information required by the State Board.

IV. General Information

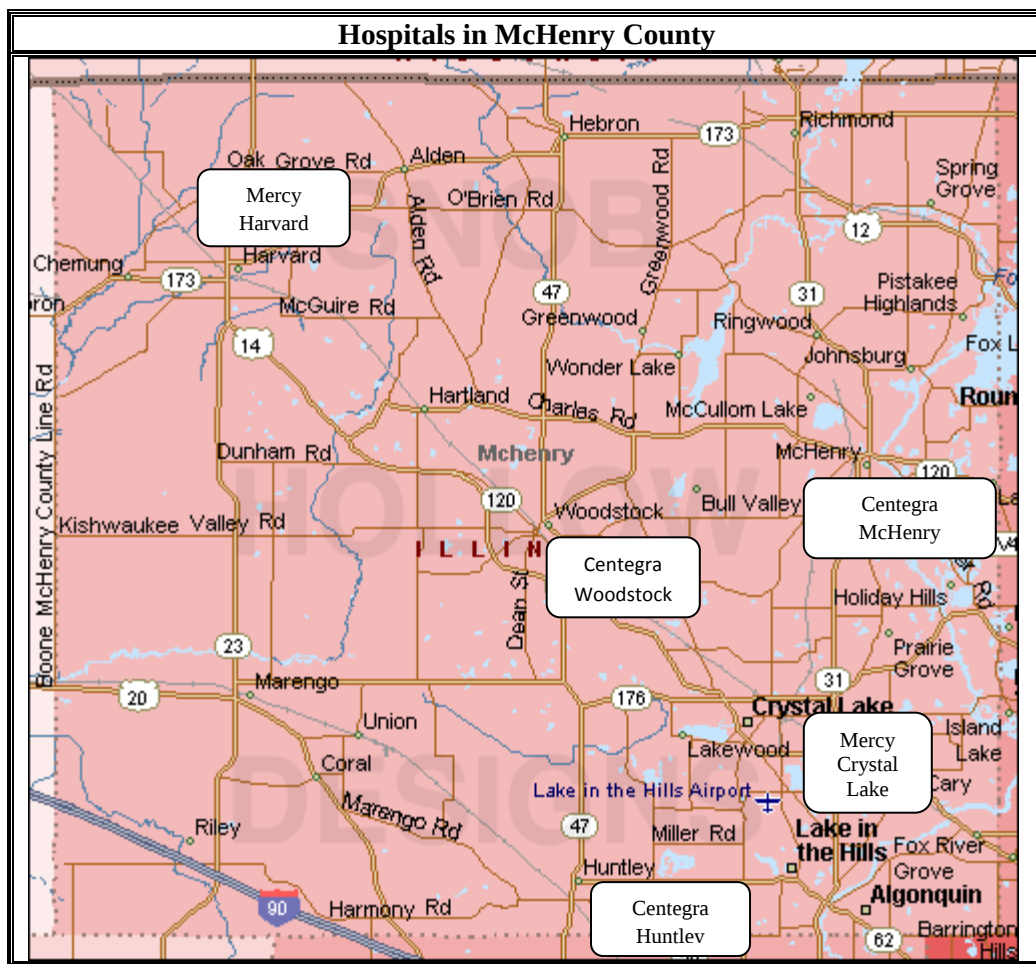
The applicants are Memorial Medical Center — Woodstock d/b/a Centegra Hospital — Woodstock, Centegra Health System, Northern Illinois Medical Center d/b/a Centegra Hospital – Huntley, and Northern Illinois Medical Center d/b/a Centegra Hospital – McHenry. Centegra Health System (CHS), is a not-for-profit 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 corporation. The licensee and the owner of the site is Northern Illinois Medical Center d/b/a Centegra Hospital – McHenry. The proposed discontinuation will be completed on November 14, 2017 upon approval of the State Board. The Application for Exemption for Centegra Hospital – McHenry (#E-037-17) was called complete on August 17, 2017. There is no cost to this project.

Implementation of this project (#E-037-17) is contingent upon receipt of a CON permit by Centegra Hospital - Woodstock (#17-036) for the establishment of the Comprehensive Physical Rehabilitation Category of Service with an authorized bed capacity of 22 beds. The discontinuation of Centegra Hospital - McHenry's Comprehensive Physical Rehabilitation Category of Service will occur when Centegra Hospital - Woodstock's Comprehensive Physical Rehabilitation Category of Service becomes operational, which is anticipated to occur by end of calendar year 2018.

V. Hospital Planning Area

Centegra Hospital-Woodstock is located in the A-10 Hospital Planning Area. The A-10 Planning Area is comprised of McHenry County. There are five (5) hospitals in the A-10 Hospital Planning Area. As of September 2017 there is an excess of fifty-eight (58) medical surgical beds, six (6) intensive care beds, nineteen (19) obstetric beds, five (5) comprehensive physical rehabilitation beds, and a need for four (4) acute mental illness beds in the A-10 Hospital Planning Area (McHenry County). The State Board is projecting a 1.07% annual increase in the population in McHenry County over the next ten (10) years.

McHenry County Population Projection					
	Census	Estimate	Projection		
Year		7/1/2010	2015	2020	2025
Population	308,760	309,229	326,691	345,056	363,311
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]					



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.													

VI. Background of the Applicants

A) Section III – Background of the Applicants

An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the applicants must provide

- A) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;**
- B) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;**
- C) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH 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 the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
- D) An attestation that the applicants have has been no *adverse action*¹ taken against the any facility owned or operated by applicants.**

The applicants have provided a list of all facilities owned/operated by the applicants including the licensing, certification and accreditation information. The applicants have attested that there has been no adverse action taken against any of the facilities owned or operated by the applicants during the three (3) years prior to filing the application. The applicants have authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connections the applicants' exemption. The authorization includes, but is not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit #17-036 - Page 77 **Staff Note** an applicant can provide Background of the Applicants information once per year when filing multiple applications]

¹ "Adverse action is defined as 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." (77 IAC 1130.140)

VII. Discontinuation

A) Criterion 1110.130 (a) – Discontinuation

To demonstrate compliance with this criterion the applicants must document the reasons for the discontinuation and the impact of services.

The applicants are proposing to discontinue the twenty-two (22) bed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry in order to relocate this category of service and its authorized bed capacity to Centegra Hospital - Woodstock,

This application for a Certificate of Exemption (COE) is being submitted simultaneously with a Certificate of Need (CON) application to establish the Comprehensive Physical Rehabilitation Category of Service with an authorized bed capacity of 22 beds at Centegra Hospital – Woodstock (Project #17-036). Centegra Hospital - McHenry and Centegra Hospital - Woodstock are located 9.6 miles apart, and the travel time between them is approximately sixteen (16) minutes when adjusted for normal travel times.

No other clinical services will be discontinued as part of this project. The twenty-two (22) bed Comprehensive Physical Rehabilitation Category of Service will be discontinued when the Centegra Hospital – Woodstock service becomes operational which is anticipated to occur by the end of calendar year 2018.

The Comprehensive Physical Rehabilitation Nursing Unit will be modernized into a 23-bed Medical/Surgical (M/S) Unit, which will include the relocation of fourteen (14) existing M/S beds from another nursing unit in the hospital and the addition of nine (9) additional M/S beds. The 9 additional M/S beds were added to the hospital using the ‘10%/20-bed Rule’. On July 10, 2017, Centegra Hospital – McHenry submitted a letter to the State Board requesting the increase. This project does not require a CON permit because the modernization costs are under the CON threshold of \$13,171,046.

All patient medical records will be retained as follows: the complete health records for adult patients will be retained for 10 years in accordance with 210 ILCS 85.6.17(c); the complete health records for minors will be retained for 10 years after the patient's age of majority in accordance with 210 ILCS 85.6.17(c).

All medical records pertaining to the Comprehensive Physical Rehabilitation Category of Service are and will continue to be stored with the hospital's medical records for all Centegra Health System hospitals. Medical records from prior to April 2012 are housed off- site at a HIPAA-compliant storage company. Medical records created since April 2012 are maintained in an electronic format and the electronic health records are kept on secure HIPAA-compliant computer servers located off-site.

The proposed relocation of the Comprehensive Physical Rehabilitation Category of Service from Centegra Hospital - McHenry to Centegra Hospital - Woodstock is being

proposed as part of the implementation of a comprehensive Facilities Plan for Centegra Health System. 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. After careful consideration, Centegra Health System has made the decision to shift all acute inpatient care at Centegra Hospital - Woodstock to Centegra Hospital - McHenry and Centegra Hospital - Huntley. An application for a COE at Centegra Hospital-Woodstock that proposes to discontinue its M/S and Intensive Care Categories of Service is being submitted simultaneously with this application for a COE and the CON application to establish the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock. As a result of the discontinuation of Centegra Hospital - Woodstock's M/S and Intensive Care Categories of Service, Centegra Hospital - McHenry and Centegra Hospital - Huntley will need to accommodate additional M/S and ICU patients.

The discontinuation of the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry will not have an adverse effect upon access to care for residents of HAS VIII, including McHenry County. As stated above the applicants are proposing to relocate this twenty-two (22) bed category of service to Centegra Hospital - Woodstock that is also located in the HSA VIII Comprehensive Physical Rehabilitation Planning Area. The two (2) hospitals are approximately sixteen (16) minutes apart.

The applicants sent an impact letter to the only other provider of comprehensive physical rehabilitation service within forty-five (45) minutes (Presence St. Joseph Hospital of Elgin). To date no response has been received.

VII. Safety Net Impact Statement

A) 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 exemptions proposing the discontinuation of categories of service and/or health care facilities. The applicants provided the following:

Appendix I

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 discontinue the 22-bed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital-McHenry will have no negative impact on essential safety net services in the community or in the planning area because Centegra is contemporaneously seeking to establish a 22-bed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital-Woodstock, which is in the same planning area. The projects 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).

Both Centegra Hospital - McHenry and Centegra Hospital - Woodstock are owned and operated by Centegra Health System and are located in the same planning area for the Comprehensive Physical Rehabilitation Category of Service (Health Service Area 8), the same geographic service area for this category of service, and the same planning area for acute care services (Planning Area A-10).

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. The 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 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.

The CON application to establish a Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock includes patient origin for CY16, which indicates that 97.5% of the current Comprehensive Physical Rehabilitation patients at Centegra Hospital - McHenry resided in ZIP codes that are located entirely or in part within HSAVIII 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. There are residents of HAS 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.

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

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

Appendix I Safety Net Impact Statement

Clinics (<https://1/bhw.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.

This project will not impact 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, will not result in any change in providing the 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 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.

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

As noted above in the response to Question 1, both Centegra Hospital - McHenry and Centegra Hospital - Woodstock are owned and operated by Centegra Health System. The 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 Category of 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 discontinue the Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - McHenry in order to relocate this category of service to Centegra Hospital - Woodstock.

This project will have no impact on safety net providers in the community. Centegra Hospital – McHenry is the only provider of the Comprehensive Physical Rehabilitation Category of Service in McHenry County, and the relocation of this category of service to Centegra Hospital - Woodstock will result in that hospital being the only provider of this category of service in McHenry County.

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).

Appendix I

Safety Net Impact Statement

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.

Documentation that the physiatrists will transfer their caseloads to the proposed Comprehensive Physical Rehabilitation Category of Service at Centegra Hospital - Woodstock will be found in Centegra Hospital - Woodstock's CON application to establish the Comprehensive Physical Rehabilitation Category of Service, which is being submitted at the same time as this application and is undergoing CON review at the same time.

Appendix I
Safety Net Impact Statement

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	\$2,400,936

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

E-037-17 Centegra Hospital - McHenry

