



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: <b>H-03</b>	BOARD MEETING: September 17, 2019	PROJECT NO: 19-021	PROJECT COST:
FACILITY NAME: The Rehabilitation Institute of Southern Illinois		CITY: Shiloh	Original: \$30,998,250
TYPE OF PROJECT: Substantive			HSA: VI

**PROJECT DESCRIPTION:** The Applicants (Encompass Health Corporation, Metro-East Services, Inc., Memorial Regional Health Services, Inc., BJC Health System, and the Rehabilitation Institute of Southern Illinois, LLC) propose to establish a 40-bed freestanding comprehensive Physical rehabilitation hospital in Shiloh, Illinois. The cost of the project is \$30,998,250 and the expected completion date is March 31, 2021.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The Applicants (Encompass Health Corporation, Metro-East Services, Inc., Memorial Regional Health Services, Inc., BJC Health System, and the Rehabilitation Institute of Southern Illinois, LLC) propose to establish a 40-bed freestanding comprehensive physical rehabilitation (REHB) hospital in 47,749 GSF of space, located at 2001 Frank Scott Parkway East, Shiloh. The cost of the project is \$30,998,250 and the expected completion date is March 31, 2021.

### **BACKGROUND:**

- Encompass Health (f/k/a HealthSouth Rehabilitation) owns/operates 130 inpatient rehabilitation hospitals in the United States and Puerto Rico, accounting for approximately 20% of the licensed acute rehabilitation beds in the nation. BJC Healthcare is a Missouri-based non-profit health care provider.
- Encompass Health Corporation owns and operates comprehensive physical rehabilitation facilities in the Illinois/Missouri area: VanMatre Encompass Health Rehabilitation Hospital, Rockford, and The Rehabilitation Center of St. Louis. BJC Healthcare owns and operates hospitals in Missouri and Illinois. The facilities are Barnes-Jewish Hospital, St. Louis, and St. Louis Children's Hospital. BJC Healthcare owns/operates the following Illinois facilities: Alton Memorial Hospital, Memorial Hospital of Belleville, and Memorial Hospital East in Shiloh.
- The Applicants are requesting to establish a 40-bed freestanding comprehensive rehabilitation hospital in a 47,749 GSF in Shiloh, in close proximity to its sister-facility, Memorial Hospital-East. The single-story facility will contain all-private rooms and be the only freestanding rehabilitation hospital in HSA-XI.

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

- The proposed project is classified as substantive and is before the State Board because the project proposes to establish a health care facility.

### **PUBLIC HEARING/COMMENT:**

- No public hearing was requested. Seventeen (17) letters of support and no letters of opposition were received by the State Board Staff.

### **SUMMARY:**

- The State Board defines Comprehensive Physical Rehabilitation *"as a category of service provided in a comprehensive physical rehabilitation facility providing the coordinated interdisciplinary team approach to physical disability under a physician licensed to practice medicine in all its branches who directs a plan of management of one or more of the classes of chronic or acute disabling disease or injury. Comprehensive physical rehabilitation services can be provided only by a comprehensive physical rehabilitation facility 77 IAC 1100.220]."* A licensed comprehensive physical rehabilitation hospital is not required to maintain an emergency department [77 IAC 250.710].
- As mentioned above this project proposes to establish a 40-bed freestanding comprehensive rehabilitation hospital in Shiloh (HSA XI). The August 2019 Inventory Update shows a need for an additional 7 rehabilitation beds. The proposed project will be the first freestanding comprehensive inpatient rehabilitation facility in the service area.
- **Board Staff Notes** there is an Application under review to establish another freestanding comprehensive physical rehabilitation hospital in the service area (HSA XI). Anderson Rehabilitation Hospital seeks to establish a 34-bed physical rehabilitation hospital in 49,371 GSF of space in Edwardsville. Project #19-026 will also be heard at today's meeting.

- The Applicants addressed a total of 19 criteria and have not met the following:

<b>State Board Standards Not Met</b>	
<b>Criteria</b>	<b>Reasons for Non-Compliance</b>
77 ILAC 1110.120 (a) – Size of the Project	The State Board Standard for a comprehensive physical rehabilitation room is 660 GSF per room. The 40 beds proposed by the Applicant are 895 GSF per bed. The Applicants exceed the State Board Standard by 235 GSF per bed. [ See page ten of this report]
77 ILAC 1110.205 (b) – Planning Area Need	The number of beds requested (40-beds) exceed the number of beds needed (7-beds) in this Planning Area.
77 ILAC 1110.205 (f) – Performance Requirement-Bed Capacity	The Applicants are establishing a 40-bed comprehensive rehabilitation facility. The State Board Standard for these facilities is 100 beds.

**STATE BOARD STAFF REPORT**  
**Project #19-021**  
**The Rehabilitation Institute of Southern Illinois, Shiloh**

<b>APPLICATION/ CHRONOLOGY/SUMMARY</b>	
Applicants(s)	The Rehabilitation Institute of Southern Illinois, LLC BJC Health System d/b/a BJC HealthCare Memorial Regional Health Services, Inc. Metro East Services, Inc. Encompass Health Corporation
Facility Name	The Rehabilitation Institute of Southern Illinois
Location	2001 Frank Scott Parkway East, Shiloh
Permit Holder	The Rehabilitation Institute of Southern Illinois, LLC
Operating Entity/Licensee	The Rehabilitation Institute of Southern Illinois, LLC
Owner of Site	Progress East Healthcare Center
Application Received	May 20, 2019
Application Deemed Complete	June 7, 2019
Financial Commitment Date	March 31, 2021
Anticipated Completion Date	March 31, 2021
Approved for Expedited Review?	Yes
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

**I. Project Description**

The Applicants (Encompass Health Corporation, Metro-East Services, Inc., Memorial Regional Health Services, Inc., BJC Health System, and the Rehabilitation Institute of Southern Illinois, LLC) propose to establish a 40-bed freestanding comprehensive physical rehabilitation hospital in 47,479 GSF of space, in Shiloh. The cost of the project is \$30,998,250 and the expected completion date is March 31, 2021.

**II. Summary of Findings**

- A.** State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1110.
- B.** State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1120.

**III. General Information**

The Applicants are Encompass Health Corporation, Metro-East Services, Inc., Memorial Regional Health Services, Inc., BJC Health System, and the Rehabilitation Institute of Southern Illinois, LLC. Encompass Health Services. The applicants propose to build a freestanding 40-bed inpatient comprehensive physical rehabilitation hospital in Shiloh, Illinois, in proximity to Memorial Hospital-East, a 94-bed acute care hospital owned/operated by the applicants (BJC Healthcare). The single-story facility will consist

of 47,749 GSF of space, contain all private rooms, and will be the first freestanding comprehensive physical rehabilitation hospital in the service area (HSA XI). HSA XI contains 10 general hospitals, with a total of 36 rehabilitation beds. The 2017 Illinois Hospital Summary reports an average occupancy of 55.5% for these beds in the service area. The August 2019 Inventory Update shows a need for 7 additional Rehabilitation beds in the planning area.

#### IV. Project Details

The Applicants note the single-story facility will be comprised of 47,749 GSF of space. 35,812 GSF will be designated as clinical while the remaining space (11, 937 GSF), will be designated as non-clinical. The two main applicants, BJC Healthcare and Encompass Health Corporation are both nationally-ranked healthcare providers with specialization in reference to comprehensive physical rehabilitation. The applicants note the proposed project will address not only the need for 7 rehabilitation beds in the planning area, but also address the out-migration of rehabilitation patients to St. Louis, Missouri for inpatient rehabilitation services.

#### V. Health Service Area

The Hospital will be located in the HSA XI Health Service Area and Comprehensive Physical Rehabilitation Planning Area. This Planning Area is comprised of the Illinois counties of Madison, St. Clair, Clinton, and Monroe. These counties comprise the Metro-East St. Louis area. There are 10-hospitals in the HSA XI Health Service Area of which two (2) maintain comprehensive physical rehabilitation units. There is a calculated need for 7 inpatient rehabilitation beds<sup>2</sup> in this Planning Area as of August 2019. The hospitals are listed in Table One below.

<b>TABLE ONE</b>		
<b>Hospitals in the HSA XI Comprehensive Physical Rehabilitation Planning Area</b>		
<b>Hospital</b>	<b>Beds</b>	<b>Rehab Beds</b>
Alton Memorial Hospital, Alton	209	0
Anderson Hospital, Maryville	154	20
Gateway Regional Medical Center, Granite City	338	0
Memorial Hospital, Belleville	222	0
Memorial Hospital-East, Shiloh	94	0
OSF St. Anthony's Health Center, Alton	140	0

<sup>2</sup> The HSA XI bed need is calculated by dividing the State's total patient days for Comprehensive Physical Rehabilitation by the State's estimated total population to get an overall use rate. This overall rate is multiplied by 0.6 (60%) to establish the *State minimum utilization rate*. The *actual utilization rate* for the planning area is calculated by dividing area base year patient days for Comprehensive Physical Rehabilitation by the planning area total estimated base year population. The actual utilization rate is compared to the State minimum use rate; the *planned use rate* is the greater of the two. The planned use rate is multiplied by the area projected total population five (5) years from the base year to calculate the projected patient days for the planning area. The patient days are divided by 365 to find the Average Daily Census, which is divided by 0.85 (85% utilization target) to determine the projected number of Comprehensive Physical Rehabilitation beds needed in the planning area.

**TABLE ONE**  
**Hospitals in the HSA XI Comprehensive Physical Rehabilitation**  
**Planning Area**

<b>Hospital</b>	<b>Beds</b>	<b>Rehab Beds</b>
St. Elizabeth's Hospital, O'Fallon	144	16
St. Joseph Hospital, Highland	25	0
St. Joseph's Hospital, Breese	70	0
Touchette Regional Hospital, Centreville	137	0
Total Beds HSA XI	1,533	36

Source: 2017 Inventory of Hospital Services

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

The Applicants are funding this project with cash and securities in the amount of \$30,998,250.

**TABLE TWO**  
**Project Costs and Sources of Funds**

<b>Use of Funds</b>	<b>Reviewable</b>	<b>Non-Reviewable</b>	<b>Total</b>	<b>% of Total</b>
Site Preparation	\$790,524	\$263,508	\$1,054,032	3.4%
New Construction Contracts	\$13,381,403	\$5,901,343	\$19,282,746	62.2%
Contingencies	\$1,338,140	\$590,135	\$1,928,275	6.3%
Architectural/Engineering Fees	\$1,100,291	\$366,764	\$1,467,055	4.7%
Consulting and Other Fees	\$933,708	\$311,236	\$1,244,944	4%
Movable and Other Equipment	\$3,648,489	\$1,216,163	\$4,864,652	15.7%
Other Costs to be Capitalized	\$808,409	\$348,137	\$1,156,546	3.7%
Total Uses of Funds	\$22,000,964	\$8,997,286	\$30,998,250	100.00%

**Sources of Funds:**

Cash and Securities	\$22,000,964	\$8,997,286	\$30,998,250	100.00%
Total Sources of Funds	\$23,248,687	\$7,749,563	\$30,998,250	100.00%

## VI. Background of the Applicants

### A) Criterion 1110.110 (a) (1) & (3) – 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 had no *adverse action*<sup>3</sup> taken against any facility they own or operate, or a certified listing of any adverse action taken.

1. The Applicants attest that there has been no adverse action taken against any of the health care facilities owned or operated by the Applicants. [Application for Permit page 130-132]
2. 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 connection to the Applicants' certificate of need to complete shell space authorized by permit #13-069. 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 pages 130-132]
3. Licensure and Accreditation has been provided by the Applicants for the health care facilities owned and operated by the Applicants at pages 133-143 of the Application for Permit and additional information provided.
4. The site is owned by BJC Healthcare and evidence of this can be found at pages 71-113 of Application for permit #19-021 Ground Lease Agreement between BJC Healthcare and The Rehabilitation Institute of Southern Illinois, LLC.
5. Certificates of Good Standing has been provided at pages 67-70 of the Application for Permit for all applicants. A certificate of good standing is a legal **status** conferred by a state on a company incorporated within its jurisdiction that allows it to conduct business legitimately. The **status** is granted based on the company's current **standing** related to required state filings, fees and tax obligations.

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<sup>3</sup>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. Purpose of Project, Safety Net Impact Statement and Alternatives**

The following three (3) criteria are informational; no conclusion on the adequacy of the information submitted.

### **A) Criterion 1110.110 (b) 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.**

According to the Applicants the project will meet a documented need for Rehabilitation beds in the service area. The August 2019 Bed Need Determination shows a need for 7 additional comprehensive rehabilitation beds. This combined with recent closures of rehabilitation units and out-migration to Missouri for services increases that calculated need to 43 beds. The applicants have determined that the out-migration of rehabilitation patients from HSA-11 equals the number of patients seeking inpatient rehabilitation services in the service area, and the number of residents traveling outside the service area is increasing. The applicants propose to stem this trend of out-migration through the establishment of a 40-bed freestanding comprehensive physical rehabilitation hospital. The proposed facility will not only stem the outward migration but provide high-quality and cost-effective care to residents of HSA XI.

### **B) Criterion 1110.110 (c) - Safety Net Impact Statement**

**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.**

This project is a new collaboration between BJC Healthcare and Encompass Health. Projected Charity Care and Safety Net data for the first two years of operation are provided in Table Three.

<b>TABLE THREE</b>		
<b>Projected Safety Net/Charity Care Information</b>		
<b>The Rehabilitation Institute of Southern Illinois</b>		
<b>Projected Charity Care</b>		
Projected Year	2021	2022
Net Patient Revenue	\$14,662,100	\$18,901,300
Amount of Charity care (charges)	\$230,463	\$297,114
Cost of Charity Care	\$145,780	\$169,419
% of Net Patient Revenue	1.0%	0.9%
<b>Projected Safety Net Data</b>		
<b>Charity Care</b>		
Inpatient Number of Patients	9	12
Outpatient Number of Patients	0	0
<b>TOTAL</b>	<b>9</b>	<b>12</b>
Cost Inpatient	\$145,780	\$169,419
Cost Outpatient	\$0	\$0



<b>TOTAL</b>	<b>\$145,780</b>	<b>\$169,419</b>
<b>Medicaid</b>		
Inpatient Number of Patients	100	127
Outpatient Number of Patients	0	0
<b>TOTAL</b>	<b>100</b>	<b>127</b>
Net Revenue Inpatient	\$1,552,039	\$2,008,533
Net Revenue Outpatient	\$0	\$0
<b>TOTAL</b>	<b>\$1,552,039</b>	<b>\$2,008,533</b>

**C) Criterion 1110.110 (d) - Alternatives to the Project**

**To demonstrate compliance with this criterion the Applicants must document all alternatives to the proposed project that were considered.**

The Applicants considered three alternatives:

**1) Maintain Status Quo/Do Nothing**

The alternative of doing nothing was immediately rejected, because it would result in continual minimized access for in-state residents seeking inpatient rehabilitation services. This would result in foregoing much-needed rehabilitation services and out-of-state migration for those who wish to receive inpatient rehabilitation services. The applicants also note that doing nothing will encumber existing rehabilitation service providers with a growing need for the service, while the availability of said services remains stagnant. No project costs were identified with this alternative.

**2) Submit a CON Application for the Establishment of a Smaller Facility**

The applicants initially considered the establishment of a facility containing less than 40 beds but realized any facility under 40 beds would fail to meet the existing and predicted needs for rehabilitation services in the service area. Additionally, the applicants determined a smaller rehabilitation facility would be impractical, because a smaller facility would be cost prohibitive, and most likely result in a facility that lacks services required of a modern physical rehabilitation facility. Lastly, the applicants (BJC Healthcare and Encompass Health), did not consider a facility with less than 40 beds as a viable option for services in the region. No project costs were identified with this alternative.

**3) Project as Proposed**

The applicants note the project as proposed is the most cost-effective, patient centered alternative available to serve the rehabilitation needs of a growing population in need of these services. The applicants felt a 40-bed facility will enhance accessibility to rehabilitation services while maintaining the economies of scale to make this a viable alternative for all parties and stem the outward migration of physical rehabilitation patients to facilities in neighboring states. Cost identified with this alternative: \$30,998,250.

## VIII. Project Scope and Size, Utilization and Unfinished/Shell Space

### A) **Criterion 1110.120 (a) - Size of Project**

**To demonstrate compliance with this criterion the Applicants must document that the proposed size of the project is in compliance with Part 1110 Appendix B.<sup>45</sup>**

The Applicants are proposing 40-rehab beds in 35,812 gross square footage (GSF) of space or 895 GSF per bed. The State Board Standard is 660 per GSF per bed. The Applicants have exceeded the State Board Standard by 235 GSF per bed. The applicants attribute this overage to the inclusion of a large indoor therapy area, dedicated bariatric rooms, dedicated isolation rooms, and a dialysis unit (5,492 GSF). While the omission of this ancillary spatial configuration lowers the gross square foot calculation per bed (758 GSF), it does not result in a positive finding.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION SIZE OF PROJECT (77 ILAC 1110.120 (a))**

### B) **Criterion 1110.120 (b) – Projected Utilization**

**To demonstrate compliance with this criterion the Applicants must document that the proposed project will be at the target occupancy of 80% within two years after project completion.**

The Applicants have based the projected utilization on a projected need for 40 additional beds in the service area, based on patient out-migration data, and physician referral letters contained in the application.

The Applicants are estimating 1,138 patients to be referred to the proposed facility two years after project completion. Using an ALOS of 14.1 days the Applicants Can justify 51 beds, meeting the requirements of this criterion.

$$\begin{aligned} 1,138 \text{ patients} \times 14.1 \text{ days} &= 16,045 \text{ days} \\ 16,045 \text{ days} \div 365 \text{ days} &= 43.9 \text{ ADC} \\ 43.9 \text{ ADC} \div 85\% &= 51.7 \text{ beds} \end{aligned}$$

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<sup>4</sup> Reviewable space refers to the Clinical Service Area that is defined as a department or service that is directly *related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility* [20 ILCS 3960/3]. A clinical service area's physical space shall include those components required under the facility's licensure or Medicare or Medicaid Certification, and as outlined by documentation from the facility as to the physical space required for appropriate clinical practice.

<sup>5</sup> Non-reviewable space refers to a Non-clinical Service Area that is an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; newsstands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.120 (b))**

**C) Criterion 1110.120 (e) – Assurances**

**To demonstrate compliance with this criterion the Applicants must document that the proposed facility will be at target occupancy two years after project completion.**

The Applicants provided the necessary assurance that they will be at target occupancy within two years after project completion. The Applicants have met this requirement. (See Application for Permit page 213)

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.120 (e))**

**IX. Comprehensive Physical Rehabilitation**

**A) Planning Area Need**

**1) Criterion 1110.205 (b) – Planning Area Need**

**The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:**

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

**A) The number of beds to be established for each category of service is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.**

**B) The number of beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.**

There is a calculated need for 7 rehabilitation beds in the HSA XI Planning Area. The number of beds requested - 40 beds - exceed the calculated need by 33 beds.

**2) Criterion 1110.205 (b)(2) - Service to Planning Area Residents**

**A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.**

**B) Applicants proposing to add beds to an existing CPR service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.**

**C) Applicants proposing to expand an existing CPR service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).**

The applicants propose to establish a 40-bed freestanding comprehensive physical rehabilitation hospital in Shiloh, in proximity to the campus of its sister facility,

Memorial Hospital-East, Shiloh. The primary purpose for the establishment of this facility is to provide much-needed physical rehabilitation services to the residents of HSA-XI. The applicants provided various letters of support, some including historical discharge data of rehabilitation patients from area hospitals, and projected referral data once the project is completed. The applicants attest that 82% of the discharges identified in these letters originated from within the HSA-XI service area.

**3) Criterion 1110.205 (b) (3) - Service Demand –Establishment of Comprehensive Physical Rehabilitation**

**The number of beds proposed to establish CPR service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest 2-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and either subsection (b)(3)(B) or (C).**

The Applicants submitted a combination of support and referral letters for the proposed project on pages 189-199 of the application. Of the 8 letters contained in these pages, three contain referral information that identified patients from the service area who were deemed as eligible candidates for inpatient physical rehabilitation services, but were either discharged to long term care facilities, outpatient rehabilitation, or chose to forego rehabilitation services altogether. The three letters deemed as referral letters outlined historical utilization at their facility, of patients whose residency was within HSA XI.

To estimate the number of additional beds needed in HSAXI for the Planning Year (2024), the following methodology and assumptions were used:

- National actual Rehab Medicare utilization (13 discharges per 1,000 Medicare beneficiaries, which is the 75<sup>th</sup> percentile nationally) was the baseline or target discharge rate used to project HSA 11 Medicare FFS Rehab admissions.
- Total admissions (all payors) were projected by applying the statewide distribution of patients (*i.e.*, Medicare FFS as a percent of total admissions) to HSA 11 Medicare FFS Rehab admissions.
- Actual statewide average length of stay ("ALOS") for Rehab patients (all payors) was used to project HSA 11 Rehab days.
- Inventory of existing Rehab beds based on HPSRB reported 36 beds, which reflects the most recent bed closures.

As shown below, based on the national Medicare Rehab use rates, there is a projected net need for an additional 46 Rehab beds in 2024 to meet the needs of the residents in HSA 11 at that time.

<b>TABLE FOUR</b> <b>Calculations for HSAXI Bed Need Projections</b>	
Projected HSAXI Medicare Beneficiaries, 2024	123,076
Multiplied by HSAXI CY 17 Percent of Medicare FFS Beneficiaries	65.00%
Equals Total Projected Medicare FFS Beneficiaries, HSAXI	79,999
Multiplied by National CY 17 Rehab Admit Rate per FFS Beneficiaries	13
Equals Projected HSA XI Rehab Admits - Medicare FFS	1,040
Divided by Statewide % Rehab YTD18 Admits that are Medicare FFS	57.80%
Equals Projected HSA 11 Rehab Admits - All Payers, 2024	1,800
Multiplied by Current/ (CY 17) Illinois Rehab Patient Length of Stay	14.1
Equals Projected 2024 Rehab Days, HSAXI	25,380
Total HSA 11 Rehab Beds Needed at 100% Occupancy	70
Target Rehab Occupancy Rate	85.00%
Projected Gross Need for HSAXI Rehab Beds	82
Minus Existing Rehab Beds in HSAXI	36
Equals Projected Net Rehab Bed Need HSAXI	46
Source: Page 152 of the Application for Permit	

Table Five identifies the facility, their historical utilization, and their projected number of referrals to the proposed facility, once completed.

<b>TABLE FIVE</b> <b>Historical Utilization/Projected Referrals</b>		
<b>Facility/Location</b>	<b>Historical Utilization for Rehab</b>	<b>Projected Referrals to Rehab Institute</b>
Barnes Jewish Hospital, St. Louis*	227	350
Washington University School of Medicine, St. Louis	500	450
Memorial Hospital, Belleville/Memorial Hospital-East, Shiloh*	4,222	338
<b>TOTAL</b>	<b>4,949</b>	<b>1,138</b>
*Affiliated with Applicants		

**5) Criterion 1110.205 (b)(5) - Service Accessibility**

**A) Service Restrictions**

The applicant shall document that at least one of the following factors exists in the planning area:

- i) The absence of the proposed service within the planning area;

- ii) 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;
  - iii) Restrictive admission policies of existing providers;
  - iv) 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;
  - v) For purposes of this subsection (b)(5) only, all services within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.
- i) There are two hospitals (See Table Six below) in the HSA XI Comprehensive Physical Rehabilitation Planning Area providing comprehensive physical rehabilitation service.
  - ii) No access limitations have been identified by the Applicants.
  - iii) No restrictive admission policies of existing providers have been identified by the Applicants.
  - iv) No evidence has been provided by the Applicants that 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

TABLE SIX			
Hospitals with Comprehensive Physical Rehabilitation Service in HSA XI			
Facility	City	Beds	Occupancy <sup>(1)</sup>
Anderson Hospital	Maryville	20	60.70%
SHHS St. Elizabeth Hospital	O'Fallon	16	76.80%
Total Beds		36	

1. Information from 2017 IDPH Profiles

The Applicants stated the two rehabilitation units are contained in existing acute care hospitals, and do not offer the specialized physical rehabilitation services promised of the proposed facility. The service area currently has a need for 7 additional rehabilitation beds, and notes that this need indicator is low, because 72.2% of the discharges from neighboring hospitals/rehabilitation facilities are patients originating from HSA XI. This perceived gap in rehabilitation services has resulted in area residents receiving less intensive rehabilitation care through long term care, home health care, or simply forego any prescribed rehabilitation regimen. Additionally, of the patients from HSA XI who choose to receive rehabilitation services in the service area, only 2.2% receive physical rehabilitation care, compared to 8% of patients of the same origin who were discharged from hospitals outside the service area (Missouri). It is also noted that 17% of the service area residents with diagnoses requiring physical rehabilitation services were discharged to skilled nursing facilities, compared to 11% in the State of Missouri.

Lastly, the applicants supplied a listing containing 76 zip codes from within the HSA XI service area with the number of rehab-appropriate discharges during the calendar year July 2017-June 2018 (application, pgs. 201-202). These collective data address a variance to the existing bed need in the service area, resulting in a positive finding for these criteria.



## **Summary**

There is a calculated need of 7-comprehensive rehabilitation beds as August 2019 in the HSAXI comprehensive rehabilitation planning area. The number of comprehensive physical rehabilitation beds being requested exceed the calculated need by 33 beds. There is no absence of service in the planning area, or evidence of restrictive admission policies at other area providers, or access limitations due to payor status or medical care problems of the area population. The Applicants have not met the requirements of the State Board.

## **STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 IAC 1110.205 (b) (2) (3)(5))**

### **B) Criterion 1110.205 (c)(1)(2)(3) – Unnecessary Duplication/Maldistribution of Service/Impact on Area Providers**

#### *Unnecessary Duplication/Maldistribution – Review Criterion*

1) *The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:*

A) *A list of all zip code areas that are located, in total or in part, within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site;*

B) *The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and*

C) *The names and locations of all existing or approved health care facilities located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) from the project site that provide the categories of bed service that are proposed by the project.*

2) *The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services characterized by such factors as, but not limited to:*

A) *A ratio of beds to population that exceeds one and one-half times the State average;*

B) *Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the occupancy standard established pursuant to 77 Ill. Adm. Code 1100; or*

C) *Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above occupancy standards.*

3) *The applicant shall document that, within 24 months after project completion, the proposed project:*

A) *Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and*

B) *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.*

For this criterion the geographical service area (GSA) is a 17-mile radius and the population within the 17-mile radius is 553,093. There two inpatient rehabilitation units in this 17-mile GSA; Anderson Hospital with 20 inpatient rehabilitation beds and HSHS St Elizabeth Hospital with 16 beds. There are 1,549 inpatient rehabilitation beds in the State of Illinois as of August 2019. The 2015 population



in the State of Illinois is estimated at 12,978,800 and 2020 population is estimated at 13,129,233.

The ratio of beds in the 17-mile GSA is .0651 beds per 1,000 population and the ratio of beds in the State of Illinois is .1193 beds per 1,000 population in 2015 and .1180 beds per 1,000 population in 2020.

<b>TABLE SEVEN</b>			
<b>Ratio of Beds to Population</b>			
Area	Population	Beds	Ratio of Beds per 1,000 population
17-mile GSA	553,093	36	0.0651
Illinois (2015 est.) <sup>(1)</sup>	12,978,800	1,549	0.1193
Illinois (2020 est.) <sup>(1)</sup>	13,129,233	1,549	0.1180
1. Source: Illinois Department of Public Health Office of Health Informatics Illinois Center for Health Statistics			

Based upon the ratio above there is not a maldistribution or surplus of bed in this 17-mile GSA.

The Applicants note that the proposed project will not result in unnecessary duplication/maldistribution and will have minimal to no impact on area providers, due to the absence of specialized inpatient comprehensive rehabilitation facilities in the service area. The Applicants provided a 17-mile radius map, showing its relationship with the other two hospitals providing inpatient physical rehabilitation services. As previously noted, the existing 36 rehab beds are currently serving an area containing 49 zip codes, with a population of 553,093 residents. The Applicants applied these data to prove that the proposed 40-bed facility will not exceed the acceptable ratio for beds per 1,000 inhabitants over age 65 in the service area (application, p. 208). The Applicants acknowledge that while there is no viable deterrent to prevent patient out-migration for rehab services, or refusal to seek prescribed physical rehabilitation services, the proposed introduction of an additional 40 physical rehabilitation beds to the service area should not negatively affect the existing service providers.

The Applicants have successfully addressed this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH UNNECESSARY DUPLICATION/MALDISTRIBUTION OF SERVICE/IMPACT ON AREA PROVIDERS CRITERIA (77 IAC 1110.205 (b) (2) (3)(5))**

**B) Criterion 1110.205 (e) - Staffing**

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing a narrative explanation of how the proposed staffing will be achieved.

BJC Healthcare and Encompass Health currently employ innovative strategies to recruit and retain staff at their hospitals, and anticipated using these for recruitment purposes at the Rehabilitation Institute. A combination of competitive compensation and benefits, a national recruitment strategy, and relationships with local colleges and universities present them with an adequate supply of well-qualified Applicants for positions they seek to fill. Additionally, the Applicants staff retention efforts include continuing education, both live and web-based, and clinical career ladders for their clinical staff. Allocations for continuing education funding are maintained, and staff are encouraged to utilize them in their career enhancement. The recruitment strategies are nationwide, with affiliations with nursing, rehabilitation, and speech/language associations. The Applicants are confident the facility will be staffed to applicable standards by project completion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.205(e))**

**C) Criterion 1110.205 (f) - Performance Requirements – Bed Capacity Minimums**

- 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 propose to establish a 40-bed comprehensive physical rehabilitation facility, in accordance with the bed need in the planning area. The Applicants have not met the requirements of this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN NOT IN CONFORMANCE WITH CRITERION PERFORMANCE REQUIREMENTS (77 ILAC 1110.205(f))**

**E) Criterion 1110.205 (g) - Assurances**

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

The Applicants provided the necessary attestation as required at page 213 of the Application for Permit.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.205(e))**

**X. Financial Viability**

**A) Criterion 1120.120 – Availability of Funds**

The Applicants are to document the sources of financing for this project.

The Applicants are funding this project with cash/securities in the amount of \$30,998,250. Based upon BJC Healthcare and Encompass Healthcare Corporation audited financial statements the Applicants have enough resources to fund this project. Below is a summary of the projected financial information for Rehabilitation Institute Inc. The assumptions used in preparing the projected information can be found at pages 361-362 of the Application for Permit.

<b>TABLE EIGHT</b>		
<b>Rehabilitation Institute Inc.</b>		
<b>(in millions)</b>		
	2018	2017
Cash	\$52,800,000	\$58,800,000
Current Assets	\$1,155,700	\$1,076,900
Total Assets	\$10,152,000	\$10,021,300
Current Liabilities	\$1,366,900	\$1,343,900
LTD	\$1,696,100	\$1,640,700
Net Patient Revenue	\$5,094,300	\$4,799,200
Total Revenue	\$5,326,900	\$4,993,100
Total Expenses	\$5,267,500	\$4,838,800
Loss from Operations	\$0	\$0

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

**B) Criterion 1120.130 – Financial Viability**

The Applicants have qualified for the financial waiver as they have provided evidence that the funding for the project is from internal sources (cash). The applicant is NOT required to submit financial viability ratios if:

- 1) All project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or  
HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.
- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or  
HFSRB NOTE: MBIA Inc. is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.
- 3) The applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

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

**XI. Economic Feasibility**

**A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements**

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

The Applicants are funding this project with cash/securities in the amount of \$30,998,250. Based upon the audited financial statements the Applicants have enough resources to fund this project.

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

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

**Site Preparation Costs** are \$653,499 or 4.4% of new construction, and contingency costs. This appears reasonable when compared to the State Board Standard of 5.0%.

**New Construction Costs** are \$13,381,403 or \$373.65 per GSF. This appears reasonable when compared to the State Board Standard of \$400.74 per GSF (2020 construction mid-point).

**Contingencies Costs** are \$1,338,140 or 9.9% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

**Architectural and Engineering Costs** are \$1,100,291 and are 6.9% of the new construction and contingency costs. This appears reasonable when compared to the State Board Standard of the 5.76% – 8.66%.

**Consulting and Other Fees** are \$933,708. The State Board does not have a standard for these costs.

**Movable and Other Equipment** are \$3,648,489. The State Board does not have a standard for these costs.

**Other Costs to be Capitalized** are \$808,409. The State Board does not have a standard for these costs.

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

**D) Criterion 1120.140 (d) - Projected Operating Costs**

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

The operating costs per equivalent patient day is \$891.00. The State Board does not have a standard for these costs. The Applicants have met the requirements of this criterion.

<b>TABLE NINE</b>	
<b>FY22 Operating Expenses:</b>	
Salaries	\$8,190,300
Benefits	\$2,096,700
Supplies	\$835,100
Total	\$11,122,100
Projected Patient Days	12,483
FY 22 Operating costs per Projected Patient Days	\$891.00

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 ILAC 1120.140(d))**

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

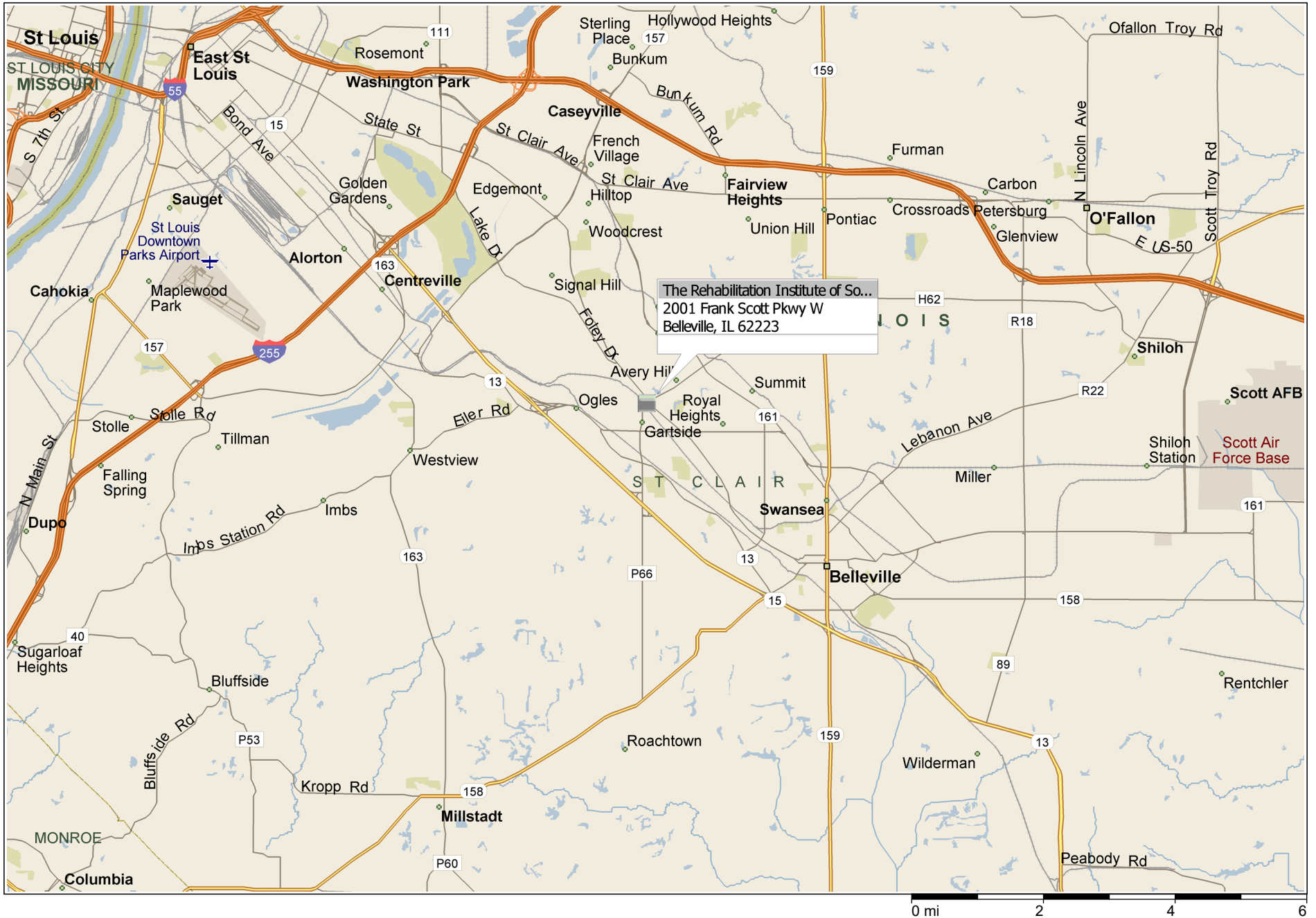
The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The total effect of the project on capital costs is \$119.25 per equivalent patient day. The State Board does not have a standard for these costs. The Applicants have met the requirements of this criterion.

<b>TABLE TEN</b>	
<b>FY22 Capital Costs</b>	
Depreciation, Amortization, Interest	\$1,488,600
Total Capital Costs	\$1,488,600
Projected Patient Days	12,483
Capital Costs per Project Patient Day	\$119.25

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 ILAC 1120.140(e))**

19-021 The Rehabilitation Institute of Southern Illinois - Shiloh



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