



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-08	BOARD MEETING: December 10, 2019	PROJECT NO: 19-049	PROJECT COST:
FACILITY NAME: CGH Medical Center City of Sterling		CITY: Sterling	Original: \$3,374,270 Altered: \$3,319,270
TYPE OF PROJECT: Substantive			HSA: I

DESCRIPTION: The Applicants propose to establish a 10-bed Acute Mental Illness (AMI) unit of the campus of CGH Medical Center, a 98-bed acute care hospital in Sterling. The cost of the project is \$3,319,270. The expected completion date is November 30, 2020.

Board Staff notes: The Applicants submitted a Type B modification on November 8, 2019, to alter three-line items under Project Costs and Sources of Funds, resulting in a reduction of \$55,000 (1.6%) from the overall project cost.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (CGH Medical Center and The City of Sterling) (“MIRA”) propose to establish a new 10-bed acute mental illness (AMI) unit in existing space on the campus of CGH Medical Center, in Sterling. The cost of the project is \$3,319,270. The expected completion date is November 30, 2020.
- This project will provide inpatient AMI services to the population served by CGH Medical center, and the residents of Whiteside County
- The proposed project will involve modernization of existing space in the hospital and meet a growing need for AMI services in Whiteside County.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicant propose to establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).

PUBLIC HEARING/COMMENT:

- A public hearing was offered regarding the proposed project, but none was requested. The application and project file include 85 letters of support for the project from a variety of individuals and organizations.
 - Tony McCombie, State Representative, 71st District
 - Patrick Phelan, President/CEO Sinnissippi Centers
 - Michael J. Born, President/CEO SwedishAmerican Health System
 - Beth Fiorini, Public Health Administrator/CEO Whiteside County Health Department
 - Maggie Wike, Resident, Sterling, IL.
 - Tim Morgan, Police Chief, Sterling Police Department
 - Tammy Nelson, Police Chief, Rock Falls Police Department
 - William P. Westcott, Mayor, City of Rock Falls
 - Charles “Skip” Lee, Mayor, City of Sterling
 - John Booker, Sheriff, Whiteside County
 - Diana Verhulst, CEO, United Way of Whiteside County
 - Ryan Venema, EMT-P, Director of CGH Ambulance Services
 - Kris Noble, Executive Director, Sauk Valley Area Chamber of Commerce
 - CGH Medical Center Staff, 72 Form Letters in support of the proposed project
- No letters of opposition were received in regard to this project.

SUMMARY:

- The Applicants propose to establish a 10-bed adult inpatient behavioral health hospital to fill a need that results in adult patients having to wait an excessive period before receiving admission for needed care at nearby hospitals. By renovating approximately 5,595 GSF of space in a former patient care unit on the hospital’s campus, the Applicants propose to re-introduce AMI services to an area in need.
- There are 21 Acute Mental Illness Planning Areas in the State of Illinois and as of September 2019 there is a calculated excess of 1,130 AMI beds in the State of Illinois. There is a calculated need for 1 additional AMI beds in HSA-01, the location of the proposed hospital. There are three hospitals in HSA-01 that maintain inpatient AMI services, and only 1 on Health Planning Area B-03. Of the 76 AMI beds in HSA-01, only 14 are in Planning area B-03, and all are classified as being adult AMI beds.
- The geographical service area for this project is a 21-mile radius. There are 14 inpatient AMI Beds in this 21-mile GSA. As a result, an unnecessary duplication of service or maldistribution of service

in this service area, as the only other hospital in the area, Katherine Shaw Bethea Hospital, maintains a 14-bed AMI unit that is currently operating at 39.4% capacity.

- The Applicants supplied one referral letter from Dr. David Kavanaugh, M.D., Medical Director, Department of Emergency Medicine at CGH Medical Center, attesting to the presentation of over 900 patients to its Emergency Department (ED) for Mental Health-related issues, with 689 of these patients being referred to other healthcare facilities, anywhere from 90 to 126 miles away.
- In the same referral letter, the Applicants supplied a listing of projected AMI referrals (1,118), to hospitals, some as far as 200 miles away, from the Applicant facility. The Applicants predict that at least 50% (559), of these patients would be admitted to the AMI unit at CGH, once completed.
- The Applicant addressed a total of 14 criteria and have not met the following:

Criterion	Reasons for Non-Compliance
77 ILAC 1110.210 (b)(1) – Planning Area Need	The one hospital in the 21-mile radius, as well as the other two hospitals in HSA-01 have historical and current utilization below the State standard of 85% (See Table One).
77 ILAC 1110.210(c) Unnecessary Duplication/Maldistribution	All hospitals in the HSA as well as the 21-mile radius are currently operating beneath the State standard, which suggests unnecessary duplication of service.

STATE BOARD STAFF REPORT
Project 19-049
CGH Medical Center

APPLICATION/CHRONOLOGY/SUMMARY	
Applicant	CGH Medical Center City of Sterling
Facility Name	CGH Medical Center
Location	100 East Lefevre Road, Sterling
Permit Holder	CGH Medical Center
Operating Entity	CGH Medical Center
Owner of Site	City of Sterling
Total GSF	5,595
Application Received	October 2, 2019
Application Deemed Complete	October 3, 2019
Review Period Ends	December 2, 2019
Financial Commitment Date	December 10, 2020
Project Completion Date	November 30, 2020
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	No
Expedited Review?	Yes

I. Project Description

The Applicants (CGH Medical Center and the City of Sterling) propose to establish a 10-bed adult Acute Mental Illness (AMI) category of service in existing clinical space on the campus of CGH Medical Center, Sterling. The cost of the project is \$3,319,270. The expected completion date is November 30, 2020.

II. Summary of Findings

- A. State Board Staff finds the proposed project is not in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project is in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicants are CGH Medical Center and the City of Sterling. CGH Medical Center is a component unit of the City of Sterling, and not a separate legal entity. The City of Sterling maintains final control over hospital operations and is considered a local government entity. The State of Illinois does not recognize municipalities as corporate entities and does not issue Certificates of Good Standing for government-based entities. Being a government entity, CGH Medical Center is not incorporated and is not required to file an annual report with the State. The property and building in which the Applicant is located is owned and controlled by the City of Sterling.

IV. Acute Mental Illness¹ Health Planning Area

The proposed facility will be in the HSA 1/B-03 AMI Planning Area. The State Board does not distinguish between children and adolescent and adult and geriatric ages when calculating the need for AMI beds. The utilization target for acute mental illness unit or facility is 85%.

The B-03 AMI Planning Area for this project includes Whiteside County, Lee County townships of Palmyra, Nelson, Harmon, Hamilton, Dixon, South Dixon, Marion, East Grove, Nachusa, China, Amboy, May, Ashton, Bradford, Lee Center, and Sublette. Carroll County Townships of York, Fairhaven, Wysox, and Elkhorn Grove. Ogle County townships of Eagle Point, Buffalo, Pine Creek, Woosung, Grand Detour, Oregon, Nashua, Taylor, Pine Rock, and Lafayette.

As of October 2019, there are 76 AMI beds in the Health Service Area (HSA), with a calculated need for 77 AMI beds. There is one hospital in this Planning Area with AMI Beds. Katherine Shaw Bethea Hospital provided adult AMI care in 2018 with their 14-bed AMI unit operating at 39.4% capacity. No other hospital in this AMI Planning Area provides AMI care.

Psychiatric hospitals provide the most intensive level of treatment, offering 24-hour care in a secure unit of a treatment facility or hospital. This treatment option is best for those with severe mental health issues, who need constant monitoring for the sake of their own (or others) safety and well-being. The main goal of inpatient treatment is to stabilize symptoms while developing a continuing treatment plan so that the patient can receive the needed care in a less intensive setting. Length of stays at a psychiatric hospital are generally short-term, usually ranging from a few days to a week. The Applicants note the Whiteside Community Health Plan identified mental health admissions as the modality experiencing the highest admissions, and aside from the patients who received treatment at Bethea Hospital, were left to admit to hospitals 54 miles away, in Rockford.

There has been an increase in the number of AMI beds in the State of Illinois of approximately 1.8% over the past 5-years. There has been no increase in the number of AMI beds in the B-03 Planning Area.

¹ Acute Mental Illness" means a crisis state or an acute phase of one or more specific psychiatric disorders in which a person displays one or more specific psychiatric symptoms of such severity as to prohibit effective functioning in any community setting. Persons who are acutely mentally ill may be admitted to an acute mental illness facility or unit under the provisions of the Mental Health and Developmental Disabilities Code [405 ILCS 5], which determines the specific requirements for admission by age and type of admission.

"Acute Mental Illness Facility" or "Acute Mental Illness Unit" means a facility or a distinct unit in a facility that provides a program of acute mental illness treatment service (as defined in this Section); that is designed, equipped, organized and operated to deliver inpatient and supportive acute mental illness treatment services; and that is licensed by the Department of Public Health under the Hospital Licensing Act [210 ILCS 85] or is a facility operated or maintained by the State or a State agency.

"Acute Mental Illness Treatment Service" means a category of service that provides a program of care for those persons suffering from acute mental illness. These services are provided in a highly structured setting in a distinct psychiatric unit of a general hospital, in a private psychiatric hospital, or in a State-operated facility to individuals who are severely mentally ill and in a state of acute crisis, in an effort to stabilize the individual and either effect his or her quick placement in a less restrictive setting or reach a determination that extended treatment is needed. Acute mental illness is typified by an average length of stay of 45 days or less for adults and 60 days or less for children and adolescents. Source: 77 ILAC 1100.220

TABLE ONE ⁽¹⁾
Hospitals with AMI Units in HSA-I

Hospital	City	Miles ⁽²⁾	2018	Historical Utilization of AMI Units				
			Beds	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018
Katherine Shaw Bethea Hospital	Dixon	13.1	14	60.5%	62%	55%	46%	39.4%
Swedish American Hospital	Rockford	53.8	42*	65%	72.8%	72.6%	62.3%	43.5%
Javon Bea Hospital	Rockford	63	20	56.4%	53.2%	51%	47.2%	48.2%
Total/Average			76	60.6%	62.6%	59.5%	51.8%	43.7%

1. Of the 42 AMI Beds at Swedish American Hospital, 12 are designated exclusively for adolescent AMI care
2. Miles determined by MapQuest
3. State Standard for AMI service: 85%

V. Project Details

The proposed adult AMI unit will be in an existing wing/unit of the original building that will be renovated specifically for AMI care. The project will entail 6,721 GSF of modernized space, with 5,595 GSF classified as clinical/patient care and the remaining 1,126 GSF designated as staff support areas. No new construction will occur, and the bed complement at CGH Medical center will increase from 98 beds, to 108 beds.

VI. Project Costs and Sources of Funds

The Applicants are funding this project in its entirety with cash in the amount of \$3,319,270. There are no estimated start-up costs as this facility is currently an operational General Hospital. Table Two illustrates the project costs submitted with the original application, and the proposed project costs after the Type B modification.

TABLE TWO
Original Submittal and Modification of Project Costs

Uses of Funds	Original Submittal			Modification			Difference
	Reviewable	Non-Reviewable	Total	Reviewable	Non-Reviewable	Total	
Preplanning Costs	\$28,512	\$5,738	\$34,250	\$28,512	\$5,738	\$34,250	\$0
Modernization	\$2,000,000	\$400,000	\$2,400,000	\$2,000,000	\$400,000	\$2,400,000	\$0
Contingencies	\$300,000	\$60,000	\$360,000	\$215,000	\$60,000	\$275,000	(\$85,000)
Architectural/Engineering Fees	\$241,432	\$48,588	\$290,020	\$236,432	\$48,588	\$285,020	(\$5,000)
Consulting & Other Fees	\$98,183	\$26,817	\$125,000	\$133,183	\$26,817	\$160,000	\$35,000
Movable or Other Equipment	\$137,356	\$27,644	\$165,000	\$137,356	\$27,644	\$165,000	\$0
Total Uses of Funds	\$2,805,483	\$568,787	\$3,374,270	\$2,750,483	\$568,787	\$3,319,270	(\$55,000)
Sources of Funds	Reviewable	Non-Reviewable	Total	Reviewable	Non-Reviewable	Total	Difference
Cash and Securities	\$2,805,483	\$568,787	\$3,374,270	\$2,750,483	\$568,787	\$3,319,270	(\$55,000)
Total Sources of Funds	\$2,805,483	\$568,787	\$3,374,270	\$2,750,483	\$568,787	\$3,319,270	(\$55,000)

VII. Background of the Applicant Purpose of the Project, Safety Net Impact, Alternatives to the Project

A) Criterion 1110.110 (a)(1)-(3) – Background of the Applicant

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 Applicant 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 Applicant have not had adverse action² taken against any facility they own or operate.*

1. The Applicants (City of Sterling and CGH Medical Center) are a government/municipal entity and does not own any other health care facility. The Applicant has attested that there has been no adverse action taken against any of the facilities owned or operated by the Applicant and have authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to access to any documents necessary to verify information submitted in connection to the Applicants' certificate of need. [Application for Permit page 47] A Certificate of Good Standing is not applicable, based on the Applicants governmental status. The Applicants did supply a copy of its Joint Commission accreditation on page 46 of the application.
2. The Applicant provided evidence that the site is not in a Special Flood Hazard Area in compliance Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas³ 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.*
3. The proposed location of the Hospital 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*

² ² **“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)

³ **Special Flood Hazard Area (SFHA) Definition** A term used by the Federal Emergency Management Agency (FEMA) in the National Flood Insurance Program (NFIP) to refer to the land area covered by the floodwaters of the base or 100-year flood (an area of land that has an approximate 1 percent probability of a flood occurring on it in any given year). <https://www.fema.gov/special-flood-hazard-area>

projects consider the preservation and enhancement of both State owned and non-State-owned historic resources (20 ILCS 3420/1).

B) Criterion 1110.110 (b) – Purpose of the Project

To demonstrate compliance with this criterion the Applicant 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 area, per the applicant's definition.

The Applicants noted: *“The purpose of the project is to improve the mental health of the population served by CGHMC by providing access to inpatient acute mental illness (AMI) services. These services are essential primary health care services for residents of Whiteside County. Relatedly, the 2015 Whiteside County Community Health Plan identified mental health admissions as the top category of hospital admission for a disease or injury and the most needed service that CGHMC patient base is unable to receive in the community. Unfortunately, other than those patients who were treated at the small Katherine Shaw Bethea program in the next county to the east, all other individuals who were able to access an inpatient admission received those services over 90 miles away. An inpatient AMI unit will allow patients presenting at CGHMC in behavioral crisis to remain in the community for treatment and facilitate family participation. Without an inpatient AMI unit, CGHMC can only attempt to keep patients safe and avoid harm to self and others while waiting for an AMI bed and cannot provide therapy needed for successful outcomes. Further, it would reduce the costs to the State of Illinois, by eliminating or significantly decreasing transportation costs associated with transferring patients to hospitals outside the community.”*

C) Criterion 1110.110(b) – Safety Net Impact Statement

To demonstrate compliance with this criterion the Applicant must document the safety net impact if any of the proposed project. Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

The Applicant provided the following:

“The of the proposed inpatient AMI unit will have a positive and material impact of bolstering essential safety net services in the community. Behavioral health services are essential to community wellness and many programs throughout the state that have been curtailed over the years based on financial constraints of other providers. Despite the fact that these services are considered part of the basic primary care offering, residents of CGHMC catchment area are now required to receive inpatient behavioral health services outside their community. As the mental health crisis expands, it has become obvious that this service needs to be provided at CGHMC. CGHMC accepts all community residents regardless of ability to pay. Patients with limited means may qualify for charity care.”

TABLE THREE CGH Medical Center Charity (self-pay) and Medicaid Information			
	2016	2017	2018
Net Revenue	\$46,748,551	\$134,731,682	\$48,023,865
CHARITY			
Charity (# of patients)	2,274	3,013	2,958
Charity (self-pay) Cost	\$2,252,225	\$2,441,474	\$2,979,227
% of Charity Care to Net Rev.	4.8%	1.8%	6.2%
MEDICAID			
Medicaid (Patients)	17,267	76,396	69,306
Medicaid (Revenue)	\$11,263,009	\$11,983,000	\$11,758,169
% of Medicaid to Net Revenue	24%	8.9%	24.5%
1. Charity Care/Medicaid includes both inpatient and outpatient data.			

D) Criterion 1110.110(c) – Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicant must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The Applicant considered two alternatives about the proposed project.

1. The do nothing alternative was rejected because the Applicants believe there is an unmet need for a community-based mental health facility in Sterling and the surrounding service area. While there is only a need for one additional AMI bed in the planning area, the Applicants find this to be misleading, due to most of the area being rural, and the size of the planning area.
2. Establish and Inpatient AMI Unit/Project as Proposed: The Applicants found this alternative as the most feasible, based on the need for inpatient behavioral health in the Sterling area, the need for mental health services in an area that is predominately rural, and in need of said services, and the availability of service space in CGH Medical Center, with minimal cost of transformation. The Applicants note that while Katherine Shaw Bethea Hospital does have inpatient AMI services, a 14-bed unit does little to adequately serve the number of patients presenting to CGHMC needing AMI services. Cost of this alternative: \$3,319,270.

VIII. Size of the Project, Project Utilization, Assurances

A) Criterion 1110.120 (a) – Size of the Project

To demonstrate compliance with this criterion the Applicant must document that the size of the project is in conformance with the State Board Standards published in Part 1110 Appendix B.

The Applicants propose a total of 10 Adult AMI beds in total of 5,595 GSF of clinical space. The State Board Standard is 560 GSF per bed or 5,600 GSF. The Applicants have met the size requirements of the State Board.

TABLE FOUR					
Size of the Project					
Reviewable	Room/Bed	Total GSF	State Standard		Met Standard?
			Per Room/Bed	Total	
Adult AMI	10 Beds	5,595	560 GSF	5,600 GSF	Yes
Staff Support (Non-Clinical)	N/A	1,126	N/A	N/A	N/A
TOTAL		6,721			

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 ILAC 1110.120 (a))

B) Criterion 1110.120 (b) – Projected Utilization

To demonstrate compliance with this criterion the Applicant must document that the proposed 24-stations will be at target occupancy of 80% within 2-years after project completion.

The Applicant expects to be at target occupancy (85%) by the second year after project completion which is November of 2022. A 10-bed facility to be at target occupancy of 85% would require 4,290 days or approximately 715 referrals with an average length of stay of 6 days.

$$\begin{aligned} 10 \text{ beds} \times 365 \text{ days} &= 3,650 \text{ days} \\ 715 \text{ referrals} \times 6 \text{ days} &= 4,290 \text{ days} \\ 3,650 \text{ days} \div 4,290 \text{ days} &= 85.00\% \end{aligned}$$

The State Board requires physician referral letters to estimate demand for the number of beds being requested.

The Applicants looked at their historical patient referral data from 2018, for AMI patients to other hospitals, from Dr. David Kavanaugh, M.D., Medical Director, Department of Emergency Medicine at CGH Medical Center (application, pgs. 266-270). The data compiled for 2018 shows a total of 1,118 patients being referred to other hospitals, both inside and outside of the planning area. The Applicants estimated conservatively that approximately 50% of these patients would be treated at CGHC after project completion, resulting in 3,354 patient days, and an operational capacity of 91.8% by the second year after project completion.

$$\begin{aligned} 10 \text{ beds} \times 365 \text{ days} &= 3,650 \text{ days} \\ 559 \text{ referrals} \times 6 \text{ days} &= 3,354 \text{ days} \\ 3,354 \text{ days} \div 3,650 &= 91.8\% \end{aligned}$$

Based upon the material provided the Applicants have met the requirements of this criterion.

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

C) Criterion 1110.120 (e) – Assurances

To demonstrate compliance with this criterion the Applicant must attest that the proposed project will be at target occupancy within 2-years after project completion.

The Applicant have provided the necessary attestation for this requirement on page 76 of the application.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1120.140 (e))

IX. Acute Mental Illness

A) Criterion 1110.210 (b) (1) 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.*

The proposed facility will be in Sterling in the HSA-I B-03 AMI Planning Area. Currently, there is a calculated need for one additional bed in this AMI Planning Area. The population in the B-03 AMI Planning Area is estimated at 665,800 (2017 Est.) and 2022 (702,200 Est.)⁴

$$76 \text{ existing AMI beds} - 77 \text{ AMI beds (calculated)} = -1 \text{ AMI Bed (Need)}$$

The State Board's AMI bed need methodology uses the model that at a minimum there should be 11 AMI beds per 100,000 population in each AMI planning area. There are 21 AMI Planning Areas in the State of Illinois. When the projected bed need is less than the minimum bed-need the minimum bed need is the projected bed need for that planning area. Using this methodology, in the B-03 planning area there will be a need for 8 additional AMI beds by the second year after project completion (2022). While these data do not justify the establishment of a 10-station

⁴ Source: Inventory of Health Care Facilities and Services and Need Determinations page E-9

AMI facility, the combination of a rural/expanded service area, and an inaccessibility to AMI programming in the service area suggests a need for the entire 10-bed complement at CGH Medical Center

2) Service to Planning Area Residents

“Applicant 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.”

The service area for this project is the Health Service Area I Planning Area. (See Table One Above)

The Applicant stated: *“According to the 2015 Whiteside County Community Health Plan, mental health issues affect a large portion of the community, as 35% of respondents reported they or a household member have been diagnosed with anxiety, 29.59% diagnosed with depression, and 11.69% diagnosed with bipolar disorder. Further, 28.88% of respondents reported multiple diagnoses. Despite the significant prevalence of the mental health in the community, mental health services were identified as the top needed services that community members were unable to receive. Based on 2012 national prevalence rates from the SAMHSA, nearly one in five (18.6%) or an estimated 8,260 Whiteside County residents 18 years or older were affected by a mental illness in the fiscal year ending June 30, 2014. Data from the Whiteside County Community Analysis 2015 shows psychoses was the leading cause of non-birth related hospitalizations for the fiscal year 2014, accounting for 394 discharges, and 3,643 patient days. Once a patient is screened and placement to an inpatient AMI unit is appropriate, a patient may be referred to 10 to 15 facilities in hope one facility has availability to admit the patient. Due to the lack of available AMI beds in the planning area, many patients are transferred to hospitals outside the community, some up to 100 miles away. The proposed behavioral health unit will address the need for inpatient AMI beds.”*

3) Service Demand – Establishment of AMI

The Applicants provided a referral letter from Dr. David Kavanaugh, M.D., Medical Director, Department of Emergency Medicine, CGH Medical Center, that identifies 1,118 AMI patients who presented to CGHMC in CY 2018, the distances traveled to receive inpatient AMI services, and the number expected to receive treatment in the second year at CGHMC, after project completion (2022). In the letter, the Applicants project to treat approximately 559 patients, which would meet the State standard (85%), for AMI services.

4) Service Accessibility

The number of beds being established or added for each category of service is necessary to improve access for planning area residents. The applicant shall document the following:

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 76 AMI beds in HSA-01 with a calculated need for 1 additional AMI bed in this planning area.
- ii) No access limitations due to payor status has been identified by the Applicant.
- iii) No restrictive admission policies of existing providers have been identified.
- iv) The Applicants cite remoteness in the 21-mile GSA, and the need to refer patients to AMI facilities up to 100 miles away. However, a 14-bed AMI unit exists in Katherine Shaw Bethea Hospital (See Table One), that has historically performed under the State Board standard of 85%.
- v) All the hospitals in HSA-01 have AMI facilities operating beneath the State Board standard.

Summary

The Applicants note that HSA-01 consists of 9 counties in northern Illinois, of which seven are predominately rural, and the HSA currently has a need for one additional AMI bed. The county in which CGHMC is located (Whiteside County), has a higher than average population in need of mental health services, and this at-need population often bypasses the closest hospital with AMI services, Katherine Shaw Bethea Hospital (Dixon), for access to AMI programming in the Rockford metropolitan area (Winnebago County), which is approximately 55 miles away. Board staff notes that of the three hospitals in the Service area, none have reported operational capacity more than the State Board standard (85%), which suggests there is no need for additional Ami bed in the service area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PLANNING AREA NEED (77 ILAC 1110.210 (b))

B) Criterion 1110.210 (c) - Unnecessary Duplication/Maldistribution

This criterion references the 10-mile geographical service area (GSA) and not the larger A-04 AMI Planning Area. As stated below there are no AMI beds in this 10-mile GSA.

- 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, bed 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.*

The Applicants estimated a population of 97,307 residents in the 21-mile radius (Application, p. 65), and 14 AMI beds within the 21-mile GSA. There are 4,298 AMI beds in the State of Illinois. The population in the State of Illinois is estimated at 12,851,684 (2018 IDPH Estimate). The ratio of AMI beds to population in the State of Illinois is 1 bed for every 2,290 residents. The bed to population ratio for the service area is 1 bed for every 6,950 residents, which illustrates that no unnecessary duplication of service or maldistribution of service exists in this 21-mile GSA. However, the one operational AMI unit in the proposed 21-mile service area has historical operational volume that does not meet the State Board Standard, and the introduction of additional AMI beds in the service area will contribute to

unnecessary duplication of services and have a negative impact on other providers in the service area, resulting in a negative finding for this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 ILAC 1110.210 (c))

C) Criterion 1110.210 (e) Staffing Availability

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.

The Applicants state the proposed AMI unit will be staffed in accordance with all State and Medicare staffing requirements but did not go into detail on the staffing numbers or qualifications of its staff or management. Regardless, the applicants have met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING AVAILABILITY (77 ILAC 1110.210 (e))

D) Criterion 1110.210 (f) Performance Requirements

- 1) *The minimum unit size for a new AMI unit within an MSA is 20 beds.*
- 2) *The minimum unit size for a new AMI unit outside an MSA is 10 beds.*

The Applicant is proposing a 10-bed AMI unit in the Sterling, Illinois service area, which is outside any Metropolitan Statistical service area. The Applicant has met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PERFORMANCE REQUIREMENTS (77 ILAC 1120.210 (f))

E) Criterion 1110.210 (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 Applicant have provided the necessary attestation on page 76 of the application.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN
CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.210
(g))**

X. Financial Viability

A) Criterion 1120.120 – Availability of Funds

Applicant shall document that financial resources will be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of enough financial resources.

Purpose of the Act

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 (20 ILCS 3960).

The Applicant is funding this project in its entirety with cash in the amount of \$3,319,270 with no estimated start-up costs and operating deficit. The Applicants provided Audited Financial Statements for CGH Medical Center for fiscal years ending April 30, 2019, 2018, and 2017.

TABLE FIVE CGH Medical Center/City of Sterling Audited Financial Statements April 30th			
	2019	2018	2017
Cash	\$43,459,406	\$35,025,524	\$45,194,546
Current Assets	\$80,462,176	\$72,048,515	\$87,843,893
Total Assets	\$240,349,317	\$227,593,533	\$2019,459,282
Current Liabilities	\$33,957,867	\$33,073,114	\$32,807,482
Total Liabilities	\$118,374,299	\$108,481,321	\$228,410,556
Total Assets	\$240,349,317	\$227,593,533	\$219,459,282
Net Patient Service Revenue	\$231,228,557	\$223,550,158	\$211,501,930
Total Revenue	\$238,989,572	\$226,440,175	\$214,385,473
Total Expenses	\$217,554,079	209,302,399	\$196,013,596
Operating Income	\$10,897,582	\$8,922,040	\$8,691,670
Investment Income	3,288,479	\$2,444,570	\$1,742,533
Excess of Revenues over Expenses	\$139,483,898	\$126,084,609	\$116,891,758

The Applicants have met the requirement of this criterion.

**THE 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

Applicant that are responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.

The Applicants are funding the project in its entirety with cash and securities totaling \$3,319,270. Audited financial statements were supplied for FY 2017, 2018, and 2019 (See Table Five). The Applicant has met the requirements of this criterion.

THE 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 Financing Arrangements

An Applicant must document the reasonableness of financing arrangements.

The Applicants provided a letter stating that the total estimated project costs and related costs will be funded in total with cash, and no loans or financing will be sought. This criterion is inapplicable to this project.

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

Applicant with projects involving debt financing shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;*
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;*
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.*

The Applicants provided a letter, attesting that the entirety of the project financing will be with cash and securities. The Applicant has met the requirements of these criteria.

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

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

The applicant shall document that the estimated project costs are reasonable.

By Statute only clinical costs (reviewable costs) are considered in evaluating the reasonableness of project costs. (20 ILCS 3960/3). The clinical space is 5,595 gross square feet.

Preplanning Costs – These costs total \$28,512, which is 1.2% of the modernization, contingencies, and equipment costs of \$2,352,356. This appears reasonable when compared to the State Board standard of 1.8%.

Modernization and contingency costs are \$2,215,000 or \$395.89 per gross square feet. This appears reasonable when compared to the State Board Standard of \$397.43 per GSF. (\$2,215,000/5,595 GSF = \$395.89).

Contingency Costs are \$215,000 or 10.75% of modernization costs of \$2,000,000. This appears reasonable when compared to the State Board Standard of 10-15%.

Architectural/Engineering Fees are \$236,432 or 10.7% of modernization and contingency costs of \$2,215,000. This appears reasonable when compared to the State Board Standard of 9.65% to 14.49%

Consulting and Other Fees – These costs total \$133,183. The State Board does not have a standard for these costs.

Movable or Other Equipment is \$137,356. The State Board does not have a standard for this cost.

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

D) Criterion 1120.140 (d) – Direct 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 Applicant has provided the operating costs per patient day is \$610.72 should this project be approved. The State Board does not have a standard for this cost.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION DIRECT 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 Applicant has provided the total effect of the project on capital costs per patient day is \$83.23 should this project be approved. The State Board does not have a standard for this cost.

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

A map of the Sterling, IL area. The map shows the CGH Medical Center located at 100 E Lefevre Rd, Sterling, IL 61081. The map includes major roads such as W Sterling Rd, Palmyra Rd, and Moline Rd. It also shows the locations of several towns and villages, including Coleta, Penrose, Palmyra, Dixon, Woodland Shores, Nelson, Rock Falls, and Yeoward Addition. The map is labeled with 'ILLINOIS' and 'WHITESIDE'. A scale bar at the bottom indicates distances from 0 to 10 miles.