Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

by FedEX

January 27, 2020

Mr. Mike Constantino
c/o Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

RE: Javon Bea Hospital-Rockton Avenue Campus
Establishment of a Subacute Care Unit
Project 19-056

Dear Mike:

Enclosed please find revised copies of the Narrative Description, Purpose of Project/Attachment 12 and Utilization/Attachment 15 sections of the above-referenced CON application.

I do not believe that the revisions contained in these documents change the project's scope, number of beds, physical size, or cost.

Should you have any questions, please don't hesitate to contact me.

Sincerely,

Jacob M. Axel
President

enclosures (3)

675 North Court, Suite 210
Palatine, Illinois 60067

Phone (847) 776-7101
Fax (847) 776-7004

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms, NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The applicants propose the establishment of a small seventeen bed subacute unit, through the renovation of a currently-vacant former pediatrics unit on the third floor of the "B" wing of Javon Bea Hospital-Rockton Avenue Campus, located on the West Side of Rockford, and reflects Mercyhealth's continued commitment of investment in this legacy facility and the surrounding neighborhood.

The proposed subacute unit is one element of Mercyhealth's nationally-recognized vertically integrated system of care and is modeled on its long-standing Transitional Care Center in Janesville, Wisconsin, a CMS 5-star ranked facility. Caring for patients in this type of facility reduces expenses for government payors, results in better care coordination, and achieves better outcomes and patient satisfaction for at-risk patients.

Admission to the unit will routinely be limited to patients discharged from a Mercyhealth acute care unit and in need of short-term care, prior to returning either to a private residence or being admitted to a long-term care facility ("SNF"). When medically ready for discharge from an acute care unit, certain patients continue to require services that are only available in a hospital setting (e.g. frequent imaging, daily physician evaluation, psychiatric medication stabilization. etc.) These patients are no longer acute enough to require or justify continued care on an acute care unit, but are not medically ready to be discharged to rehabilitation hospitals, a SNF, or their own home. Additional patients are remaining in acute care beds for non-medical reasons (e.g. the lack of a payor source for skilled care, delays in the approval by third party payors for skilled care or a sufficient length of skilled care, the need for expensive or complicated medications or treatments, social issues, etc.). Therefore, certain patients "fall through the cracks" and remain in an acute care bed for lack of a viable alternative. These patients would be better served at a lower cost in Mercyhealth's proposed subacute unit.

It is the expressed and stated intention of Merchealth to admit only those residents into the subacute care unit for whom the hospital cannot find appropriate placement in a SNF in the greater Winnebago and Boone County area.

It shall be the responsibility and obligation of the hospital to exhaust its efforts to find initial placement into an existing SNF for eligible long-term care residents. No resident may be transferred into the proposed subacute care unit, if an existing SNF in the area is willing to accept such a resident.

It is the expressed and stated intension of Mercyhealth to admit specific resident types described as including but not limited to:

- residents without payer source but only after contacting the Department of Health and Family Services ("HFS") to request expedited provisional eligibility to be granted to permit the transfer to occur and the Department denies said request;
- residents without Determination of Need ("DON") scores, but only after contacting the Department on Aging to secure said assessment, and the Department fails to assess in 24 hours; and

- Medicaid only residents with highly skilled diagnoses, medical prescription drug needs and cost, and only if a bed in a clinical unit of an area SNF that provides the required care is unavailable.

Once the condition or circumstance which precluded placement into a SNF has been resolved Mercyhealth shall be obligated to immediately transfer any such resident to a SNF willing to accept said resident.

Patients residing in a SNF prior to admission to the hospital will generally not be admitted to the proposed unit, unless 1) requested by the SNF, 2) medically necessary for the patient, or 3) it is the expressed preference of the patient. The projected average length of stay on the unit is approximately 14 days, and patients with anticipated lengths of stay substantially longer will not be admitted to the unit.

The beds will operate under the hospital's IDPH license, and will be categorized as skilled care beds. As a result, and because skilled care is a HFSRB-designated category of service, the proposed project is classified as "substantive."

PURPOSE OF PROJECT

The purpose of the proposed project is to ensure that patients are placed in the most appropriate treatment setting. Specifically, the establishment of a subacute care unit will allow the transfer of certain patients from Mercyhealth acute care (typically Medical/Surgical) beds, to a short-term level of care appropriate to their needs. The proposed subacute care unit is one element of Mercyhealth's nationally-recognized vertically-integrated system of care, and is modeled on its long-standing Transitional Care Center in Janesville, Wisconsin, a CMS 5-star rated facility. Caring for patients in this setting will reduce expenses for government payors, reduce post-discharge Emergency Department visits and re-admissions, and result in better care coordination and patient satisfaction for at-risk patients. As such, the health care and well-being of the service area population will be improved.

Examples of the types of patients that will benefit from this level of care are medical patients with complications who may not need the skill level of a long term acute care hospital ("LTACH"), but require patients requiring multiple ambulance transports per week to be seen by specialists, patients with infusion needs such as frequent albumin/blood products, daily physician visits and evaluations, and patients requiring complex post-operative or wound care. The hospital's discharge planning department routinely has difficulties in the placement of these types of short-stay patients in skilled care facilities, and they are in essence "falling through the cracks" clinically speaking. Additionally, the hospital routinely needs to "hold" patients in a Medical/Surgical bed for non-clinical reasons, such as delays in securing third party approval for skilled care, a patient's lack of a payment source for skilled care, or a variety of social issues (i.e. sex offenders, patients with criminal backgrounds, etc.) making placement in a skilled care facility difficult. Patients who resided in a skilled nursing facility ("SNF") immediately prior to admission to the hospital for acute care, or patients typically admitted to a long term care

hospital, will not be admitted to the proposed subacute care unit unless 1) requested by the SNF, 2) admission is medically necessary for the patient, or 3) it is the expressed preference of the patient. The anticipated average length of stay for the proposed unit is 14 days, and lengths of stay exceeding three weeks will be rare.

As health systems and hospitals are required to assume greater responsibility for the management of a patient's hospitalization and the total cost of care (including that mandated by the Affordable Care Act and other federal programs), and as reimbursement for traditional skilled care facilities is changing, hospitals are experiencing a greater need to match patients' treatment setting to their clinical needs. In the case of Javon Bea Hospital, which experiences high occupancy rates, particularly mid-week, the ability to "free-up" Medical/Surgical beds sooner, is an additional benefit.

The applicants anticipate that the origin of patients to be transferred to the proposed subacute care unit will be very similar to the origin of patients transferred from Javon Bea Hospital to a skilled care facility for a short-term stay. An analysis of that patient origin, for the twelve-month period ending June 30, 2019, is provided in the table on the following page.

ZIP Code	City	%
61103	Rockford	12.8%
61101	Rockford	11.4%
61115	Machesney Park	6.6%
61102	Rockford	5.0%
61107	Rockford	4.4%
61114	Rockford	4.1%
61032	Freeport	3.8%
61088	Winnebago	3.8%
61111	Rockford	3.6%
61072	Rockton	3.5%
61109	Rockford	3.5%
61073	Roscoe	3.1%
61104	Rockford.	3.1%
61108	Rockford	3.1%
61063	Pecatonia	2.5%
60033	Harvard	2.2%
61071	Rock Falls	1.6%
61054	Mount Morris	1.3%
61080	South Beloit	1.3%
61065	Poplar Grove	1.2%
	other, under 1.0%	18.1%
		100.0%

ATTACHMENT 12

UTILIZATION

The proposed project has a very limited prospective patient population, that being Javon Bea Hospital ("JBH") patients no longer requiring inpatient acute care, but needing care that is often not accessible through local skilled care facilities/nursing homes. (Note: Patients residing in skilled care facilities at the time of admission to JBH will generally not be admitted to the proposed subacute care unit.)

The utilization projection presented in this ATTACHMENT is the result of 1) JBH's experience and difficulties in attempting to transfer patients having certain needs to area skilled care facilities, and 2) the experience of JBH's parent, Mercy Health Corporation ("Mercyhealth") in the successful operation of its CMS ranked 5-star transitional care facility, Mercyhealth Transitional Care Center in Janesville, Wisconsin.

The proposed subacute facility will be utilized by patients who have complex medical needs that may require immediate access to a physician and/or other specialized care providers on a 24-hour basis. Mercyhealth's goal is to provide a place for patients who are ready to be discharged from the hospital, but are not yet stable enough to receive care in a rehabilitation hospital, skilled nursing facility, or at home. The applicants aim to provide an integrated care center for complex patients until they are able to be safely discharged to one of these environments. Listed below are some of the key services Mercyhealth can provide to patients via its subacute unit that are not available in the other settings:

- On-site access to clinical specialists, including Cardiology, Neurology, Wound Care including negative pressure therapy, etc.

- On-site access to 24-hour physician oversight for patients unable to meet the required skill level for admission to a Long Term Acute Care Hospital
- Access to a wide variety of ancillary diagnostics, such as imaging and laboratory services, without having to leave the facility

The clinical and non-clinical difficulties experienced by JBH discharge planners in transferring patients to clinically-appropriate facilities in the community result from issues such as:

- patients requiring frequent diagnostic modalities, such as imaging
- patients needing to be closely monitored by certain medical specialists
- patients not yet able to tolerate three hours of daily therapy, therein delaying admission to a rehabilitation unit
- patients with a variety of social issues, such as sex offenders or patients with a criminal background.

Based on JBH's experience, as well as the experience of Mercyhealth's Janesville facility, the greatest difficulties associated with the transfer of patients from the hospital to a skilled care facility arise with patients no longer needing acute care, but having multiple and complex diagnoses and clinical conditions. This is not meant to suggest that local skilled care facilities do not accept patients of the groupings noted above, but rather, difficulties are experienced in the transfer of patients, particularly for the most medically-complex patients, or for patients having non-medical complicating issues. Janesville data suggests that approximately 82% of SCU admissions will be such patients, with the remaining admissions being for some other clinical or non-clinical reason resulting in difficulties in placement.

Over the past two years, an average of 454 of the types of patients described above have been transferred from JBH to area skilled care facilities, when a clinically-appropriate facility is available.

Based on the information provided above, JBH's FY2018 and FY2019 discharges, and a projected average length of stay of 14 days, consistent with that experienced at the Janesville SCU, the applicants project the following utilization and bed need:

total patients from 11 patient groupings above	454
75% to proposed SCU	341
patients, other than 11 groupings	76
projected admissions	417
average length of stay (days)	14
projected patient days	5,838
average daily census	15.99
bed need at 95% occupancy	17