



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: C-01	BOARD MEETING: April 30, 2019	PROJECT NO: E-004-19	PROJECT COST:
FACILITY NAME: Westlake Hospital		CITY: Melrose Park	Original: \$0
TYPE OF PROJECT: Exemption			HSA: VII

PROJECT DESCRIPTION: The Applicants propose to discontinue a 230-bed acute care hospital (Westlake Hospital) in Melrose Park, Illinois. There is no cost to this project.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION

- The Applicants propose to discontinue a 230-bed acute care hospital (Westlake Hospital) in Melrose Park, Illinois. There is no cost to this project.

BACKGROUND

- In April of 1998 the State Board approved Westlake Hospital for a change of ownership to Resurrection Health Care Corporation for approximately \$52 million from Westlake Health System.
- In June of 2010 the State Board approved Westlake Hospital for a change of ownership. Resurrection Health Care Corporation sold the hospital to Vanguard Health System, Inc. for approximately \$20 million.
- In September 2013 the State Board approved Westlake Hospital for a change of ownership. Vanguard Health System, Inc. merged with Tenant Healthcare Corporation resulting in the need for a change of ownership.
- In October 2018 the State Board approved the sale of Westlake Hospital to SRC Hospital Investments II, LLC and Pipeline-Westlake Hospital, LLC.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The proposed project is before the State Board because the project discontinues a health care facility (20 ILCS 3960)

PUBLIC HEARING/COMMENT:

- A public hearing was held on March 11, 2019 from 2pm-8pm at the Bugler Park Community Center in Melrose Park, Illinois. The Hearing Officers were Ms. Courtney Avery – Administrator of the State Board, Jeannie Mitchell, General Counsel to the State Board and Ann Guild, Compliance Manager. There were 604 individuals in attendance. Three individuals spoke in support of the project and 60 spoke in opposition. 536 individuals registered in opposition to the closure and one individual registered in support.
- On March 7, 2019 the Village of Melrose Park filed a complaint in the Circuit Court of Cook County.

SUMMARY:

- As required by statute an exemption shall be approved by the State Board when all of the information required by the State Board has been submitted.
- The Applicants have provided all of the information required by the State Board.

STATE BOARD STAFF REPORT
Project #E-004-19
Westlake Hospital

APPLICATION/ CHRONOLOGY/SUMMARY	
Applicants(s)	SRC Hospital Investments II, LLC, Pipeline-Westlake Hospital, LLC d/b/a Westlake Hospital
Facility Name	Westlake Hospital
Location	1225 West Lake Street, Melrose Village
Exemption Holder	SRC Hospital Investments II, LLC, Pipeline-Westlake Hospital, LLC d/b/a VHS Westlake Hospital
Operating Entity/Licensee	Pipeline-Westlake Hospital, LLC d/b/a Westlake Hospital
Owner of Site	Westlake Properties Holdings, LLC
Application Received	February 21, 2019
Anticipated Completion Date	45 days after State Board Approval

I. Project Description

The Applicants (SRC Hospital Investments II, LLC, Pipeline-Westlake Hospital, LLC d/b/a Westlake Hospital) propose to discontinue a 230-bed acute care hospital (Westlake Hospital) in Melrose Park, Illinois. There is no cost to this project.

II. 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.

1. The Applicants stated that there have been no adverse actions taken against any Illinois facility owned or operated by SRC II or Pipeline-Westlake during the three (3) years prior to the filing of this Certificate of Exemption. In making this certification, I am relying on information previously furnished to the Illinois Health Facilities & Services Review Board by the previous owner of Westlake Hospital (attached). [Application for Permit page 239-240]
2. Pipeline-Westlake Hospital, LLC d/b/a Westlake Hospital ("Westlake") and SRC Hospital Investments I, LLC ("SRC," and together with Westlake, the "Applicants") does hereby permit the Health Facilities & Services Review Board ("HFSRB") and the Department of Public Health ("DPH") access to any documents necessary to verify the information submitted in the Applicants' Discontinuation Exemption Application. Such documents may include but are 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.

3. The site is owned by Westlake Property Holdings, LLC and evidence of this can be found at pages 33-69 of the Application for Permit.
4. Illinois Certificate of Good Standing has been provided at pages 30-31 of the Application for Permit for both for profit 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.
5. SRC Hospital Investments II, LLC owns 100% of Pipeline-Westlake Hospital, LLC. Those with 5% of more ownership interest in SRC Hospital Investments II, LLC are:
 - SRC Healthcare Investments I, LLC 27.28%
 - Mokuleia, LLC 27.28%
 - TWG Partners, LLC 13.60%
 - DFP Opco LLC 9.52%
 - Deerfield Private Design Fund IV, L.P. 9.52%

III. Discontinuation

The Applicants are asked to provide the following information for the discontinuation of a hospital.

- 1. Identify the categories of service and the number of beds, if any that are to be discontinued.*
- 2. Identify all of the other clinical services that are to be discontinued.*
- 3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.*
- 4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.*
- 5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued, and the length of time the records will be maintained.*
- 6. For applications involving the discontinuation of an entire facility, provide certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 90 days following the date of discontinuation.*
- 7. Provide attestation that the facility provided the required notice of the facility or category of service closure to local media that the health care facility would routinely notify about facility events. The supporting documentation shall include a copy of the notice, the name of the local media outlet, the date the notice was given, and the result of the notice, e.g., number of times broadcasted, written, or published. Only notice that is given to a local television station, local radio station, or local newspaper will be accepted.*

1. Westlake Hospital has been authorized for 111 medical surgical beds, 5 pediatric beds, 12 intensive care beds, 24 OB/GYN beds, 50 AMI beds, and 28 rehabilitation beds for a total of 230 acute care beds. In addition, the hospital also provides cardiac catheterization services, surgery, clinical laboratory services, occupational health services, orthopedic services, imaging and radiology, stroke care, and outpatient care. All of these services will be discontinued. The anticipated date of closure is approximately 45-days after State Board approval.

The Applicants plan to continue operating the medical office building in Melrose Park located on the Westlake Hospital campus. The medical office building located at 1111 Superior Street, Melrose Park, Illinois houses PCC Community Wellness Center a Federally Qualified Health Center. Fresenius Kidney Care Melrose Park (18 ESRD Stations) is also located in this medical office building on the campus of Westlake Hospital.

2. The Westlake campus will be marketed for sale. It is possible that some or all of the improvements on the campus will be demolished in connection with such a sale.

3. The Applicants plan to store all patient medical records at West Suburban Hospital in accordance with the Illinois Code of Civil Procedure and other applicable state and federal laws, rules, and regulations. West Suburban Hospital is also owned by the Applicants.
4. As documented by the Applicant all questionnaires and data required by HFSRB or IDPH (e.g, annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 90 days following the date of discontinuation. [Application for Permit pages 73-74]
5. The Applicant provided an attestation that the required notice of the facility closure to local media has been provided as required. [Application for Permit pages 75-79]
6. As shown in Table One below the Hospital has experienced an approximate 4% decrease in admissions annually and a 5% decrease in patient days annually. Emergency Department visits have been increasing approximately 1% annually and the number of surgery hours have decreased approximately 10% annually.

TABLE ONE
Westlake Hospital Utilization Data ⁽¹⁾
(CY2013-CY2017)

<i>Year</i>	2013		2014		2015		2016		2017	
<i>Beds</i>	242		242		230		230		230	
<i>Admissions</i>	5,298		5,473		5,404		4,759		4,473	
<i>Patient Days</i>	31,988		33,041		31,362		29,620		26,127	
<i>ALOS</i>	6.04		6.04		5.80		6.22		5.84	
<i>ADC</i>	87.64		90.52		85.92		81.15		71.58	
<i>Occupancy</i>	36.21%		37.41%		37.36%		35.28%		31.12%	
<i>Outpatient Visits</i>	40,080		41,091		41,059		42,526		42,476	
<i>Emergency Dept.</i>	18,920		18,360		18,862		19,839		19,640	
<i>Surgery Hours</i>	3,064		2,930		2,674		2,557		2,020	
<i>Year</i>	2013		2014		2015		2016		2017	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
<i>Medicare</i>	8,522	18.78%	5,898	13.08%	6,862	14.77%	6,383	13.50%	5,929	12.63%
<i>Medicaid</i>	13,841	30.50%	14,644	32.47%	7,573	16.30%	23,578	49.83%	22,831	48.6%
<i>Other Public</i>	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
<i>Private Insurance ⁽²⁾</i>	18,022	39.72%	21,115	46.81%	28,839	62.07%	13,699	29.00%	15,247	32.5%
<i>Private Pay</i>	3,906	8.61%	2,699	5.98%	2,448	5.27%	2,790	5.90%	2,032	4.33%
<i>Charity Care</i>	1,087	2.40%	751	1.66%	740	1.59%	835	1.77%	910	1.94%
<i>Total</i>	45,378	100.00%	45,107	100.00%	46,462	100.00%	47,285	100.00%	46,949	100.00%

1. Information taken from Annual Hospital Questionnaire submitted by the Hospital

2. Medicaid Managed Care was reported in private insurance for CY 2016 and CY 2017 and has been adjusted to reflect the correct reporting in this Table.

IV. Reasons for Discontinuation

The Applicants have stated that the demand for services at Westlake Hospital over the past three years is consistent with the national and local trends discussed above. Inpatient admissions, outpatient treatment, and emergency department visits all have declined at Westlake. The continuously-reducing demand for services at Westlake corresponds with significant over-bedding in Westlake's service area. Westlake is located in Hospital Planning Area HPA A-06 and Health Service Area HSA 07. As of the date of this report the A-06 Hospital Planning Area has the following number of beds. As can be seen by Table Two should the discontinuation be approved there will be an excess of medical surgical, obstetric, AMI, and rehabilitation beds. Twenty intensive care beds will be needed.

**TABLE TWO
A-06 Hospital Planning Area Need or (Excess) beds**

Category	Existing Beds	Calculated Need	Need (Excess)	Westlake Hospital Discontinuation	Upon Approval Need (Excess)
Medical Surgical & Pediatric Beds	1,128	655	-473	116	-357
Intensive Care Beds	221	226	8	12	20
Obstetric Beds	99	62	-37	24	-13
Acute Mental Illness Beds	340	211	-129	50	-79
Rehabilitation Beds	442	372	-70	28	-42
Total				230	

According to the Applicants the hospital is not economically feasible, and continuing operations will impair Pipeline's ability to be successful in the greater Chicago market. The hospital has operated at a loss since at least 2015. In the 48 months spanning from January 2015 through December 2018, Westlake operated at a loss in all but 10 of those months. In the 36 months spanning from January 2016 through December 2018, Westlake operated at a loss in all but four of those months. In the 24 months spanning from January 2017 through December 2018, the Hospital operated at a loss in all but one of those months. In 2018, operating losses at Westlake exceeded \$14 Million, and are projected to grow for as long as the hospital continues to operate. Within 2018, these losses accelerated greatly during the second half of the year. A summary of Westlake's annual net operating losses from 2015-2018 is summarized below:

TABLE THREE	
Net Operating Loss	
Year	Loss
2015	-\$2,188,834
2016	-\$3,161,185
2017	-\$8,991,125
2018	-\$14,768,757

The Applicants state further:

“The Applicants declining demand has impacted Westlake’s market share among area hospitals. In a 2018 Market Share Analysis prepared by Insight Analytics, Westlake’s market share was ranked last among the ten hospitals in Westlake’s primary service area. A leading cause of Westlake’s economic struggles has been the reimbursement and government funding climate in Illinois. In 2018, the General Assembly made significant changes to the Illinois Hospital Assessment Payments & Charity Care Tax Credit program. These changes are anticipated to result in Westlake receiving \$4 Million less per year in State funding. This dramatic loss of government funding, when coupled with Illinois Medicaid reimbursement that frequently does not cover costs, practices by some Medicaid managed care entities that result in payment delays and denials, and the prevalence of bad debt among self-pay patients, creates an inhospitable funding environment that has had a crippling effect on Westlake. Westlake’s financial losses are compounded by necessary capital improvements. The original physical plant was constructed in 1925, with its last addition (excluding the MOB) constructed in 1988. Like other hospitals of its age, Westlake has capital needs in order to run as an acute care facility, including a \$10 Million investment in a new electronic medical records system.”

There are five additional hospitals in the A-06 Hospital Planning Area. They are

TABLE FOUR
Hospitals in the A-06 Hospital Planning Area

Hospital	City	Miles	Minutes
Gottlieb Memorial Hospital	Melrose Park	2	6
Loyola University Medical Center	Maywood	3	11
MacNeil Hospital	Berwyn	7	23
Rush Oak Park Hospital	Oak Park	3.1	12
West Suburban Medical Center	Oak Park	4	14

1. Gottlieb Memorial Hospital, Loyola University Medical Center, and MacNeil Hospital are owned by Trinity Health Corporation.

The Applicants intend to consolidate services at West Suburban Medical Center located in Oak Lawn. This medical center is owned by the Applicants. West Suburban Medical Center is located 4 miles from Westlake Hospital.

TABLE FIVE
2017 West Suburban Medical Center Utilization

Category of Service	Beds	Utilization
Medical Surgical	135	41.80%
Pediatric	5	1.40%
Intensive Care	24	38.40%
OB/GYN	20	53.10%
LTC	50	52.80%
Total	234	

V. Impact on Access

The Applicants do not believe that discontinuing services at Westlake will have an adverse impact on access to care for the Westlake primary service area. The Applicants plan to continue to operate the medical office building in Melrose Park at the location of the FQHC- PCC Community Wellness Center. The Applicants are offering PCC Wellness a grant of \$100,000 per year for a five-year period, pursuant to a Memorandum of Understanding [see Application for Permit page 10] between the Applicants and PCC Wellness. PCC Wellness continues to provide outpatient services to the local community, and to support expansion of prenatal, behavioral health and other outpatient services needed by the community. The Applicants also are committing to an investment of at least \$2.5 million over five years for enhanced ambulatory and outpatient care in Melrose Park (which includes the PCC Wellness grant). **State Board Staff Notes:** PCC Community Wellness Center was approved by the State Board to establish a birthing center in Berwyn [Permit #12-084]

The Applicants will provide shuttle services from the Westlake campus to West Suburban Medical Center and River Forest for at least two years following the discontinuation of services at Westlake. West Suburban Medical Center operates a River Forest Medical Campus approximately 2.2 miles from the Westlake Hospital campus.

Safety Net Impact Statement

“The discontinuation of services at Westlake will have no known adverse impact on essential safety net services to the community. Due to the proximity of PCC Wellness to Westlake, medically underserved individuals in the Melrose Park community will continue to receive needed outpatient services. Similarly, Westlake is in close proximity (1.7 miles) to the North Avenue location of ACCESS Community Health Network, a system of FQHCs providing a range of services such as OB/GYN, family medicine, midwifery, breast and cervical cancer screenings, lost-cost family planning, immunization services, and HIV universal testing and services to over 183,000 individuals and families, including over 30,000 uninsured patients. Consolidating Westlake's under-utilized hospital operations at West Suburban will lessen any impact of the discontinuation on safety net services. The discontinuation will not adversely impact the ability of another provider or health care system to cross-subsidize safety net services. HPA-06 is over-bedded in the medical/surgical and pediatric, OB/GYN and acute mental illness categories of service, and HSA 7 is over-bedded in the physical rehabilitation category of service. Discontinuation of beds at Westlake in these service categories will not result in under-bedding.

While HPA-06 is presently under-bedded in the intensive care service category, the Applicants have demonstrated the manner in which West Suburban and other local facilities have the capacity to absorb intensive care needs of the local community. The services provided by PCC Wellness, ACCESS, and River Forest, coupled with the Applicant's commitment to make a sizeable investment in outpatient care delivery in Melrose Park, will also minimize the impact of the discontinuation on other providers or health care systems to cross-subsidize safety net services.

The discontinuation will not adversely impact the remaining safety net providers in the community or in HPA-06. As discussed in the Narrative Description, the Applicants have agreed to provide PCC Wellness with a significant five-year grant to expand the range of services that PCC Wellness offers to the Melrose Park community. Further, Pipeline is open to exploring a relationship with ACCESS to support safety net service delivery.”

TABLE SIX
Safety Net Information

Year	2016	2017	2018
Net Revenue	\$62,009,902	\$53,913,776	\$52,210,640
Charity			
Inpatient	50	68	105
Outpatient	785	842	774
Total	835	910	879
Inpatient	\$290,316	\$464,315	\$766,910
Outpatient	\$611,700	\$711,841	\$792,043
Total	\$902,016	\$1,176,156	\$1,558,953
Medicaid			
Inpatient	551	443	10,321
Outpatient	2,840	2,720	18,060
Total	3,391	3,163	28,381
Inpatient	\$7,112,986	\$11,816,863	\$15,909,006
Outpatient	\$1,275,221	\$401,962	\$3,823,185
	\$8,388,207	\$12,218,825	\$19,732,191
Medicaid Managed Care			
Inpatient	1,847	1,795	1,529
Outpatient	18,340	17,873	15,700
Total	20,187	19,668	17,229
Inpatient	\$8,402,542	\$7,528,816	\$6,292,533
Outpatient	\$3,680,742	\$2,996,485	\$3,357,622
Total	\$12,083,284	\$10,525,301	\$9,650,155

The Applicants note that previously reported Medicaid Volume for 2016 and 2017 has been recalculated to include Medicaid Managed Care.

E-004-19 Westlake Hospital, Melrose Park

