



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: C-02	BOARD MEETING: October 22, 2019	PROJECT NO: E-038-19	PROJECT COST:
FACILITY NAME: Elmhurst Memorial Hospital		CITY: Elmhurst	Original: \$0
TYPE OF PROJECT: Exemption			HSA: VII

PROJECT DESCRIPTION: The Applicants (Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare, Edward-Elmhurst Healthcare) propose to discontinue a 6-bed pediatric category of service at Elmhurst Memorial Hospital in Elmhurst, Illinois. There is no cost to this project. The expected completion date is November 30, 2019.

Heath Facilities Planning Act (20 ILCS 3960/6)

(b) *The State Board shall establish by regulation the procedures and requirements regarding issuance of exemptions. An exemption shall be approved when information required by the Board by rule is submitted. Projects eligible for an exemption, rather than a permit, include, but are not limited to, change of ownership of a health care facility and discontinuation of a category of service.*

EXECUTIVE SUMMARY

PROJECT DESCRIPTION

- The Applicants (Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare, Edward-Elmhurst Healthcare) propose to discontinue a 6-bed pediatric category of service at Elmhurst Memorial Hospital in Elmhurst, Illinois. There is no cost to this project. The expected completion date is November 30, 2019.

BACKGROUND

- In 2013 the State Board approved a change of ownership of Elmhurst Memorial Hospital to Edward Hospital. At that time the Applicants entered into a Member Substitution Agreement¹ in which Edward Health Services Corporation, the parent and sole corporate member of Edward Hospital, became the sole corporate member and parent company of Elmhurst Memorial Healthcare, and the indirect corporate member of Elmhurst Memorial Hospital and the remaining Elmhurst Memorial subsidiaries, creating an integrated health system.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The proposed project is before the State Board because the project discontinues a category of service (20 ILCS 3960).

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and no letters of support or opposition were received by the State Board.

SUMMARY:

- The Applicants have provided all the information required by the State Board.

BOARD STAFF FINDS THE PROPOSED DISCONTINUATION OF A CATEGORY OF SERVICE IN CONFORMANCE WITH CRITERIA 77 ILAC 1130.500 AND 77 ILAC 1130.525

¹. In a membership substitution model, typically the buyer will become the sole equity holder (or "membership interest" in nonprofit language) of the seller. As a result, the buyer will achieve full ownership and control of the seller. Think of this relationship much like that of a parent company and subsidiary, where the parent ultimately retains senior controls of the subsidiary. In connection with a member substitution transaction, the bylaws of each of the buyer and seller will be amended and restated in order to reflect the new governance structure and to provide for reserve powers that rest with the buyer. Oftentimes, the seller may negotiate with the Buyer to have a limited minority number of board seats on the buyer's board. In either a membership substitution or asset sale, there are generally three forms of economic consideration that the buyer provides to the seller of a hospital: (1) a purchase price, (2) assumption of liabilities, and (3) a commitment to spend capital in the future. Together, the sum of these must equate to "fair market value." The mixture of these forms varies based on the capital structure of the target and objectives of the parties. In a nonprofit to nonprofit membership substitution, a purchase price is rarely paid, instead the Seller is relieved of its financial liabilities and secures a commitment to invest capital in the future. In many cases, nonprofit Buyers are now the highest bidders in sale processes due to: (1) the high use of financial leverage, and (2) the strategic importance of growth. [source: becker hospital review]

STATE BOARD STAFF REPORT
Project #E-038-19
Elmhurst Memorial Hospital

APPLICATION/ CHRONOLOGY/SUMMARY	
Applicants(s)	Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare, Edward-Elmhurst Healthcare
Facility Name	Elmhurst Memorial Hospital
Location	155 E. Brush Road, Elmhurst, Illinois
Exemption Holder	Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare, Edward-Elmhurst Healthcare
Operating Entity/Licensee	Elmhurst Memorial Hospital
Owner of Site	Elmhurst Memorial Hospital
Application Received	August 8, 2019
Anticipated Completion Date	November 30, 2019

I. Project Description

The Applicants propose to discontinue a 6-bed pediatric category of service². There is no cost to this project. The expected completion date is November 30, 2019.

II. Applicants

Elmhurst Memorial Hospital is a 264-bed acute care hospital located in Elmhurst, Illinois. Edward-Elmhurst Healthcare is the sole corporate member of Elmhurst Memorial Healthcare, who is the sole corporate member of the Hospital.

III. Health Service Area

There are 11 Health Service Areas in the State of Illinois. There are 40 medical-surgical and pediatric care planning areas that have been delineated by HFSRB contained within 11 Health Service Areas.

Elmhurst Memorial Hospital is in the HSA VII Health Service Area and the A-05 Hospital Planning Area. HSA VII includes Suburban Cook and DuPage County. The A-05 Hospital Planning Area includes the County of DuPage. There are currently six hospitals in this Hospital Planning Area. Five Hospitals currently provide pediatric service in this Hospital Planning Area.

² "Pediatric Facility" or "Distinct Pediatric Unit" means an entire facility or a distinct unit of a facility, where the nurses' station services only that unit, that provides a program of pediatric service and is designed, equipped, organized and operated to render medical-surgical care to the zero to 14 age population.

"Pediatric Service" means a category of service for the delivery of treatment pertaining to the non-intensive medical-surgical care of a pediatric patient (zero to 14 years in age) performed at the direction of a physician on behalf of the patient by physicians, dentists, nurses and other professional and technical personnel. Source: (77 ILAC 1100.220-Definitions)

TABLE ONE Pediatric Beds in the A-05 Hospital Planning Area			
Hospital	City	Beds ⁽¹⁾	Occupancy
Adventist Hinsdale Hospital	Hinsdale	18	22.07%
Northwestern Central DuPage Hospital	Winfield	22	67.78%
Edward Hospital	Naperville	7	84.77%
Elmhurst Hospital	Elmhurst	6	16.67%
1. Beds and occupancy data from 2017 Hospital Profile.			

TABLE TWO A-05 Hospital Planning Area Calculated Medical Surgical/Pediatric Beds		
Approved Medical Surgical/Pediatric Beds	Calculated Medical Surgical Pediatric Bed Need	Excess Beds
1,065	873	192
Source: State Board September 2019 Inventory Monthly Update		

IV. **Discontinuation**

Elmhurst Memorial Hospital has the following categories of service:

TABLE THREE Elmhurst Memorial Hospital		
Categories of Service	# Beds	# of Beds after discontinuation
Medical Surgical	196	196
Pediatric	6	0
Intensive Care	39	39
Obstetric	23	23
Total Beds	264	258

The Applicants stated the reason for the discontinuation is low census. The Applicants stated: *“With such low census, challenges have risen around recruiting staff with a desire to work with the pediatric population, difficulties in maintaining staffs’ competencies and skills sets in the pediatric field, and difficulties in operating the unit efficiently. Both nationally and locally, pediatric inpatient discharges have declined due to the continued improvements in disease management on the outpatient side. Children that do require inpatient care are often more acute and require specialized services. Thus, inpatient pediatric services are being centralized to a limited number of hospitals that are able to provide that expertise. Within the Edward-Elmhurst Health system, acute pediatric patients requiring inpatient services can be cared for at Edward Hospital, where there is ample*

staffing and expertise as a result of a larger patient census. Edward Hospital is approximately 17 miles from Elmhurst Hospital. [See page 23 of the Application for Permit]

Medical records and other pertinent information relating to pediatric inpatient services will be retained at the hospital, consistent with its record retention and maintenance policies. The Applicants state the reason for the discontinuation is insufficient volume and demand for the services at the hospital.

TABLE FOUR
Elmhurst Memorial Hospital
Pediatric Utilization
2017-2013 ⁽¹⁾

	2017	2016	2015	2014	2013
Beds	6	6	6	6	6
Days	272	387	409	272	332
ALOS	4.1	4.3	4.4	4.1	2.2
ADC	1	1.1	1.1	1	1
Occupancy	12.4%	17.40%	18.6%	12.4%	15.2%

1. Source: State Board Profile Information.

The Applicants have contacted all the hospitals by certified mail within the geographical service area that provide the category of service proposed to be discontinued asking these hospitals what impact the proposed discontinuation will have on their hospital. No responses have been received to date.

V. Impact on Access

The Applicants do not believe the discontinuation of the Pediatric Service will have an adverse effect upon access to care for the residents of Elmhurst, Illinois or the broader community, the majority of whom are already seeking care for their children elsewhere. Impact letters were sent to six hospitals nearby notifying the hospitals of the discontinuation [page 24 Application for permit].

VI. Safety Net

The Applicants stated the following:

“The proposed discontinuation of inpatient pediatrics category of services will not have material impact on essential safety net services in the communities served by Elmhurst Memorial Hospital. Pediatric services are shifting away from inpatient care. Inpatient pediatric care that is necessary is moving toward hospitals with more specialized pediatric services. Edward Hospital is a part of Edward-Elmhurst Health, the same system that Elmhurst Memorial Hospital is a part of. Edward Hospital is located less than 20 miles away and offers a broad spectrum of inpatient pediatric care including a level 3 neonatal intensive care unit, a pediatric intensive care unit, a pediatric inpatient unit, pediatric hospitalists, pediatric intensivists and numerous pediatric subspecialists. Edward

Hospital operates under the same charity care policies and under the same third party contracts as Elmhurst Memorial Hospital. As a result, community members will not experience any barriers to admission at Edward Hospital as a result of the proposed discontinuation at Elmhurst Memorial Hospital. In addition, there are 6 hospitals located within 10 miles of Elmhurst Memorial Hospital that provide inpatient pediatric care, each with excess capacity. Due to the low number of pediatric admissions at Elmhurst Memorial Hospital, it is not anticipated that the proposed discontinuation will result in any substantive impact on any other provider.”

TABLE FIVE
Charity Care and Medicaid Information

Year	2015	2016	2017
Net Patient Revenue	\$379,832,414	\$389,231,156	\$418,514.78
Charity Care			
Inpatient	332	135	259
Outpatient	4,047	4,983	8,651
Total	4,379	5,118	8,910
Charity Revenue			
Inpatient	\$2,840,307	\$3,020,168	\$2,622,318
Outpatient	\$4,032,845	\$4,204,132	\$6,186,542
Total	\$6,873,152	\$7,224,300	\$8,808,860
% of Charity Care to Net Patient Revenue	1.81%	1.86%	2.10%
MEDICAID			
Inpatient	1,749	1,790	1,868
Outpatient	58,892	62,731	46,935
Total	60,641	64,521	48,803
Medicaid (revenue)			
Inpatient	\$17,493,937	\$15,317,321	\$17,181,897
Outpatient	\$17,341,121	\$17,211,789	\$26,195,506
Total	\$34,835,058	\$32,529,110	\$43,377,403
% of Medicaid to Net Patient Revenue	9.17%	8.36%	10.36%

VII. Applicable Rules

A) Section 1130.500 - General Requirements for Exemptions

Only those projects specified in Section 1130.410 are eligible for exemption from permit requirements. Persons that have initiated or completed such projects without obtaining an exemption are in violation of the provisions of the Act and are subject to the penalties and sanctions of the Act and Section 1130.790.

- a) **Application for Exemption**
Any persons proposing a project for an exemption to permit requirements shall submit to HFSRB an application for exemption containing the information required by this Subpart, submit an application fee (if a fee is required), and receive approval from HFSRB.
- b) **General Information Requirements**
The application for exemption shall include the following information and any additional information specified in this Subpart:
 - 1) the name and address of the applicant or applicants (see Section 1130.220);
 - 2) the name and address of the health care facility;
 - 3) a description of the project, e.g., change of ownership, discontinuation, increase in dialysis stations;
 - 4) documentation from the Illinois Secretary of State that the applicant is registered to conduct business in Illinois and is in good standing or, if the applicant is not required to be registered to conduct business in Illinois, evidence of authorization to conduct business in other states;
 - 5) a description of the applicant's organization structure, including a listing of controlling or subsidiary persons;
 - 6) the estimated project cost, including the fair market value of any component and the sources and uses of funds;
 - 7) the anticipated project completion date;
 - 8) verification that the applicant has fulfilled all compliance requirements with all existing permits that have been approved by HFSRB; and
 - 9) the application-processing fee.

HFSRB NOTE: If a person or project cannot meet the requirements of exemption, then an application for permit may be filed.

B) Section 1130.525 - Requirements for Exemptions Involving the Discontinuation of a Health Care Facility or Category of Service

- a) **Submission of Application for Exemption**
Prior to any person discontinuing a health care facility or category of service, the person shall submit an application for exemption to the HFSRB, submit the required application-processing fee (see Section 1130.230), and receive approval from HFSRB.
- b) **Application for Exemption**
The application for exemption is subject to approval under Section 1130.560, and shall include a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.130. The application shall be available for review on the premises of the health care facility.
- c) **Opportunity for Public Hearing**
Upon a finding that an application to close a health care facility or discontinue a category of service is complete, the State Board shall publish a legal notice on 3 consecutive days in a newspaper of general circulation in the area or community to be affected and afford the public an opportunity to request a hearing. If the application is for a facility located in a Metropolitan Statistical Area, an additional legal notice shall be published in a newspaper of limited circulation, if one exists, in the area in which the facility is located. If the newspaper of limited circulation is published on a daily basis, the additional legal notice shall be published on 3 consecutive days. The legal notice shall also be posted on the Health Facilities and Services Review Board's web site and sent to the State Representative and State Senator of the district in which the health care facility is located. [20 ILCS 3960/8.5(a-3)]

C) Section 1110.290 - Discontinuation – Review Criteria

These criteria pertain to the discontinuation of categories of service and health care facilities.

a) Information Requirements – Review Criterion

The applicant shall provide at least the following information:

- 1) Identification of the categories of service and the number of beds, if any, that are to be discontinued;
- 2) Identification of all other clinical services that are to be discontinued;
- 3) The anticipated date of discontinuation for each identified service or for the entire facility;
- 4) The anticipated use of the physical plant and equipment after discontinuation occurs;
- 5) The anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be retained;
- 6) For applications involving discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or the Illinois Department of Public Health (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 60 days following the date of discontinuation.

b) Reasons for Discontinuation – Review Criterion

The applicant shall document that the discontinuation is justified by providing data that verifies that one or more of the following factors (and other factors, as applicable) exist with respect to each service being discontinued:

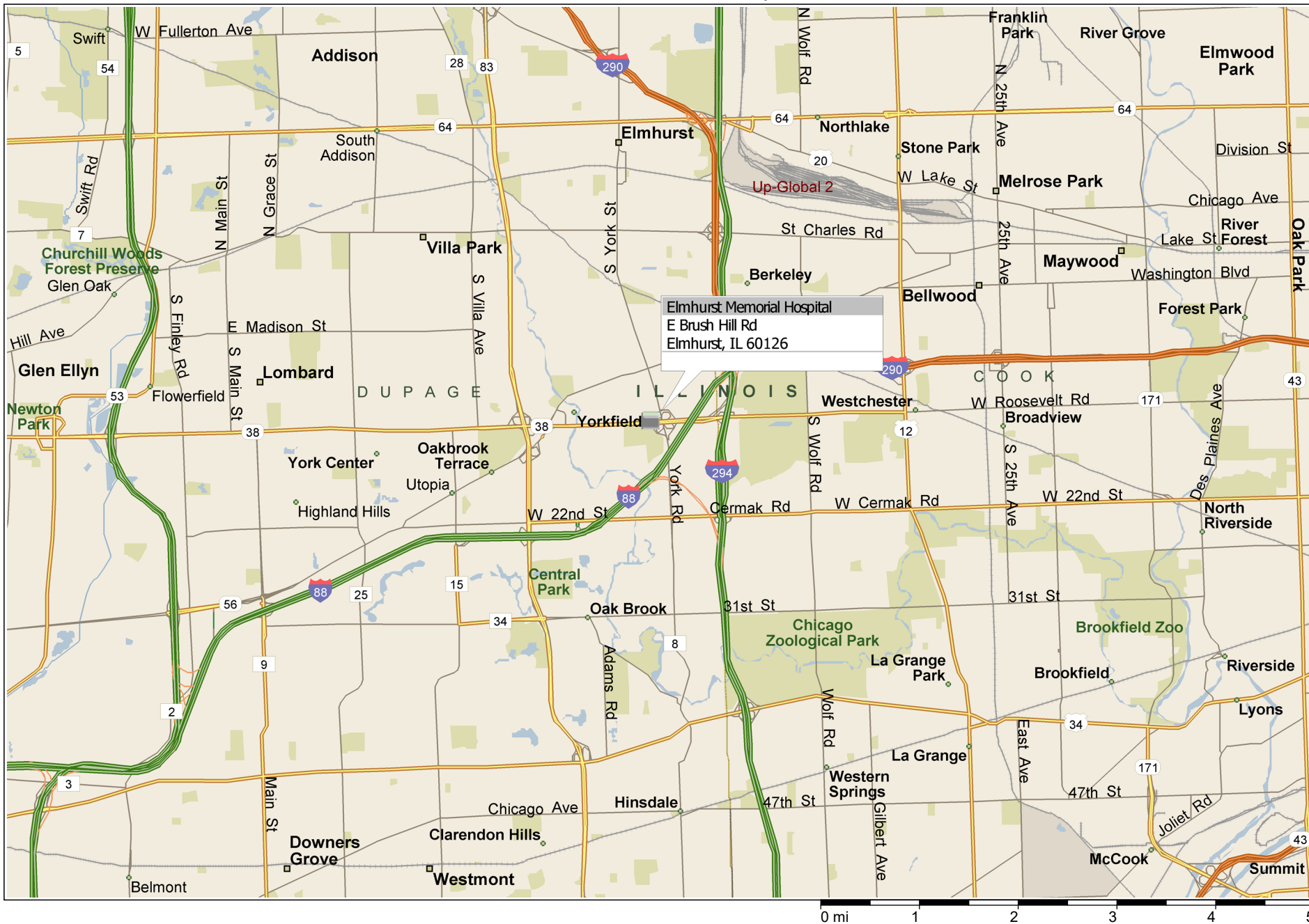
- 1) Insufficient volume or demand for the service;
- 2) Lack of sufficient staff to adequately provide the service;
- 3) The facility or the service is not economically feasible, and continuation impairs the facility's financial viability;
- 4) The facility or the service is not in compliance with licensing or certification standards.

c) Impact on Access – Review Criterion

The applicant shall document whether the discontinuation of each service or of the entire facility will have an adverse impact upon access to care for residents of the facility's market area. The facility's market area, for purposes of this Section, is the established radii outlined in 77 Ill. Adm. Code 1100.510(d). Factors that indicate an adverse impact upon access to service for the population of the facility's market area include, but are not limited to, the following:

- 1) The service will no longer exist within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the applicant facility;
 - 2) Discontinuation of the service will result in creating or increasing a shortage of beds or services, as calculated in the Inventory of Health Care Facilities, which is described in 77 Ill. Adm. Code 1100.70 and found on HFSRB's website;
 - 3) Facilities or a shortage of other categories of service as determined by the provisions of 77 Ill. Adm. Code 1100 or other Sections of this Part.
- d) The applicant shall provide copies of notification letters sent to other resources or health care facilities that provide the same services as those proposed for discontinuation and that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d). The notification letter must include at least the anticipated date of discontinuation of the service and the total number of patients that received care or the number of treatments provided (as applicable) during the latest 24 month period.

E-038-19 Elmhurst Memorial Hospital - Elmhurst



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