



STATE OF ILLINOIS  
**HEALTH FACILITIES AND SERVICES REVIEW BOARD**

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<b>DOCKET NO:</b> <b>H-04</b>	<b>BOARD MEETING:</b> September 22, 2020	<b>PROJECT NO:</b> 20-029	<b>PROJECT COST:</b> Original: \$2,344,740
<b>FACILITY NAME:</b> Birth Center of Chicago		<b>CITY:</b> Chicago	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA: VI</b>

**PROJECT DESCRIPTION:** The Applicants (Birth Center of Chicago, LLC and Birth Partners, Inc.) are proposing to establish a 2-room free-standing birthing center in Chicago, Illinois. The anticipated cost of the project is \$2,344,740. The anticipated completion date is May 1, 2022.

## EXECUTIVE SUMMARY

### **PROJECT DESCRIPTION:**

- The Applicants (Birth Center of Chicago, LLC and Birth Partners, Inc.) are proposing to establish a 2-room free-standing birthing center in Chicago, Illinois. The anticipated cost of the project is \$2,344,740. The anticipated completion date is May 1, 2022.

### **ALTERNATIVE HEALTH CARE MODEL**

- In 2009 the General Assembly approved (PA 96-0699) the birth center model category of service as a demonstration program under the Alternative Health Care Delivery Act [210 ILCS 3]. The purpose of the demonstration project is to evaluate the birth center model for quality factors, access and the impact on health care costs. Each applicant approved for the category of service will be required to periodically submit data necessary for evaluating the model's effectiveness. The General Assembly authorized the establishment of 10 birth center alternative health care models in the demonstration program including:
  - 4 located in the combined Cook, DuPage, Kane, Lake, McHenry and Will counties;
  - 3 located in municipalities with a population of 50,000 or more not located in an area described above; and
  - 3 located in rural areas.
- In each of the geographic groups identified above, one birth center shall be owned or operated by a hospital and one birth center shall be owned and operated by a federally qualified health center ("FQHC").
- The **first 3 birth centers** authorized to operate by the Department shall be in or predominantly serve the residents of a health professional shortage area as determined by the United States Department of Health and Human Services. There shall be no more than 2 birth centers authorized to operate in any single health planning area for obstetric services as determined under the Illinois Health Facilities Planning Act. If a birth center is located outside of a health professional shortage area, (i) the birth center shall be located in a health planning area with a demonstrated need for obstetrical service beds, as determined by the Health Facilities and Services Review Board or (ii) there must be a reduction in the existing number of obstetrical service beds in the planning area so that the establishment of the birth center does not result in an increase in the total number of obstetrical service beds in the health planning area.
- The proposed project (Project #20-029) will be the **third birth center** to be proposed in the Cook, DuPage, Kane, Lake, McHenry and Will counties. To date none of the birth centers have been owned or operated by a hospital.
- The proposed birth center (Project #20-029) is the **fourth birth center** to be proposed in the State under the Alternative Health Care Model.
  - The **First** Application (Permit #12-084), PCC South Family Health Center, Berwyn, was approved on February 5, 2013, and was completed on December 31, 2014. PCC South Family Health Center is a FQHC.
  - The **Second** Application (Project #15-006) Bloomington-Normal Birthing Center was approved April 21, 2015 and was completed on September 23, 2017.
  - The **Third** Application (Permit #20-003), Burr Ridge Birthing Center was approved February 25, 2020.
- Birth Centers are licensed by the Illinois Department of Public Health. (See 77 ILAC 265.1250).

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

- This project is before the State Board because the project proposes to establish a health care facility as defined by Illinois Health Facilities Planning Act.

### **PUBLIC HEARING/COMMENTS**

- A public hearing was offered on this project; however, no hearing was requested. Letters of support were included in the Application for Permit (pages 178-182) and were from
  - Jennifer Jaume
  - Ticol Health Services
  - Sarah Stetina
  - Anne Nicholson Weber
  - Victoria Michonski

No letters of opposition were received by the State Board.

### **SUMMARY:**

- The State Board does not have a need methodology for birthing centers, nor size or utilization standards for this category of service. Also, financial viability and cost standards have not been developed for this category of service.
- The proposed birthing center is in a Health Professional Shortage Area<sup>1</sup>. The location of the proposed facility is in the A-01 Hospital Planning Area which is in the City of Chicago. The A-01 Hospital Planning Area includes the City of Chicago Community Areas of Uptown, Lincoln Square, North Center, Lakeview, Lincoln Park, Near North Side, Edison Park, Norwood Park, Jefferson Park, Forest Glen, North Park, Albany Park, Portage Park, Irving Park, Dunning, Montclare, Belmont Cragin, Hermosa, Avondale, Logan Square, O'Hare and Edgewater.
- There is **a calculated excess of 122 Obstetric Beds** in the A-01 Planning Area.
- All the requirements of Part 1110 and Part 1120 have been addressed by the Applicants as required.

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<sup>1</sup> **Health Professional Shortage Area (HPSA)** means an area designated as having a shortage of primary medical care, dental, or mental health providers. The area may be geographic (a county or service area), demographic (low income population), or institutional (comprehensive health center, federally qualified health center, or other public facility).

## **STATE BOARD STAFF REPORT**

Birth Center of Chicago

Project #20-029

<b>APPLICATION/CHRONOLOGY</b>	
Applicant	Birth Center of Chicago, LLC, Birth Partners, Inc.
Facility Name	Birth Center of Chicago
Location	3832 N. Lincoln Avenue, Chicago, Illinois
Permit Holder	Birth Center of Chicago, LLC & Birth Partners, Inc.
Owner of the Site	LRDG, LLC
Operating Entity/Licensee	Birth Center of Chicago, LLC
Application Received	June 29, 2020
Application Deemed Complete	July 9, 2020
Review Period Ends	September 7, 2020
Financial Commitment	At time of Permit Issuance
Project Completion Date	May 1, 2022
Expedited Review Requested?	Yes
Can Applicants Request a Deferral?	Yes

### **I. The Proposed Project**

The Applicants (Birth Center of Chicago, LLC and Birth Partners, Inc.) are proposing to establish a free-standing birthing center in Chicago, Illinois. The anticipated cost of the project is \$2,344,740. The anticipated completion date is May 1, 2022.

### **II. Summary of Findings**

A) The State Board Staff finds the proposed project in conformance with Part 1110.

B) The State Board Staff finds the proposed project in conformance with Part 1120.

### **III. General Information**

The Applicants are Birth Center of Chicago, LLC and Birth Partners, Inc. Birth Center of Chicago, LLC is an Illinois Limited Liability Company. Birth Partners, Inc. owns 50% of Birth Center of Chicago, LLC. There is no land acquisition cost for this project. This is a substantive project subject to both a Part 1110 and Part 1120 review. The Applicants identified initial start-up costs of \$1.2 million, and financial commitment will occur at permit issuance.

#### IV. Health Service Area

The proposed project will be in Health Service Area VI – the City of Chicago and the A-01 Hospital Planning Area. There are five hospitals in the A-01 Hospital Planning Area that provide obstetric services. There is a **calculated excess of 122 obstetric beds** in this Planning Area. The State Board is estimating a female population in this planning area by 2022 of 437,310 and is estimating approximately 16,500 births in 2022 in this planning area.

**TABLE ONE**  
Hospitals with Obstetric Service in the A-01 Hospital Planning Area

Hospital	Beds	Utilization (1)	Miles	Minutes
Advocate Illinois Masonic Medical Center	44	36.90%	2.2	12
Northwestern Memorial Hospital	134	66.60%	6.8	22
Presence Resurrection Medical Center	17	47.30%	11.2	29
Presence Saint Joseph Hospital - Chicago	123	28.10%	3.5	14
Swedish Covenant Hospital	21	59.20%	2.6	15
Total Beds	339			

1. Target Occupancy  
a) 1-10 Obstetric beds in area 60%  
b) 11-25 Obstetric beds in area 75%  
c) 26 or more Obstetric beds in area 78%

#### IV. The Proposed Project - Details

The Applicants are proposing to establish a 2-room free-standing birthing center, in approximately 5,489 GSF of leased space, located at 3832 North Lincoln Avenue, Chicago, Illinois. The leased space will be transformed into a birth center in accordance with the IDPH licensing requirements, including two birthing rooms, designated space for prenatal visits and antepartum testing, a nurses station, separate clean and soiled linen rooms, conference/training space for community education services, private office space, on-call sleeping quarters, elevator and stair access for gurney traffic, and a waiting and kitchen area that is personal and home-like for family to gather during the labor experience.

#### V. Project Costs and Sources of Funds

The total estimated project cost is \$2,344,740. The project is to be funded with cash of \$11,392, pledges in the amount of \$1,500,000, mortgages of \$421,673 and tenant improvement allowances in the amount of \$411,675.

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

Preplanning Costs	\$133,140	5.68%
Modernization Contracts	\$1,406,950	60.00%
Contingencies	\$126,750	5.41%
Architectural Engineering Fees	\$82,000	3.50%
Consulting and Other Fees	\$61,000	2.60%
Movable or Other Equipment (not in construction contracts)	\$334,900	14.28%
Other Costs to Be Capitalized	\$200,000	8.53%
<b>TOTAL USES OF FUNDS</b>	<b>\$2,344,740</b>	<b>100.00%</b>
Cash	\$11,392	0.49%
Pledges (Capital Contributions from Investors)	\$1,500,000	63.97%
Letter of Credit	\$421,673	17.98%
Other Funds and Source (Tenant Improvement Allowance)	\$411,675	17.56%
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$2,344,740</b>	<b>100.00%</b>

**VI. Background, Project Purpose, Safety Net Impact, and Alternatives - Informational**

**A. Criterion 1110.110 (a) - Background of Applicants**

The Applicants provided certificates of good standing for both Birth Center of Chicago, LLC and Birth Center, Inc. Birth Center of Chicago, LLC members are:

1. Birth Center, Inc. – 50%
2. Mr. Mike Bisbe – 10%
3. Dr. Jason and Aubrey Davis – 5%
4. Drs. Brian and Lisa Emm -5%
5. Dr. Olufemi (Femi) Abiodun – 5%
6. Wale Olowookere – 5%
7. Dr. Fortune Alabi - 5%
8. Dr. Dapo Afolabi – 5%
9. Dr. Omar Khokher – 5%
10. Scott Gordon – 5%

Additional information on the background of these members can be found at pages 90-91 of the Application for Permit. Birth Center, Inc. is owned 50% by Dr. Dele Ogunleye, and 50% by Laura Wiegand. Birth Center, Inc. controls or owns Birth Center of Bloomington-Normal, LLC, Burr Ridge Birth Center, LLC and Birth

Center of Chicago, LLC.

**B. Safety Net Impact Statement/Charity Care**

The Applicants have stated approximately ½ of 1% of net patient revenue will be charity care. The Applicants are required by the Act to be Medicare and Medicaid certified.

**C. Criterion 1110.110 (b) - Purpose of the Project**

The Applicants propose to establish a 2-room free-standing birth center.

According to the Applicants the purpose of the project is to offer an out of hospital birthing service to those who are low risk and who want to choose a safe alternative in a comfortable environment that minimizes the use of technology and is cost effective. The proposed birthing center will address the need to control the upward spiraling trend of healthcare costs without compromising quality of care

The Applicants consider their market area as having a larger radius than hospitals, according to studies shared by the American Association of Birthing Centers (AABC). Based on this study the expected market area for the Birth Center of Chicago is expected to *cover* Cook County and may reach into DuPage, Will. and Kane Counties.

The Applicants stated in part: *The cost of maternity and newborn care historically has been one of the biggest contributors to state-funded healthcare bills, according to research by the state as part of the legislative work leading up to the enactment of the Alternative Health Care Delivery Act. Ten years ago, the Illinois General Assembly, facing an ever-growing liability of unpaid hospital bills of its own enacted the "Alternative Health Care Delivery Act". The Act sanctioned a number of innovative healthcare delivery models, including freestanding birth centers designed to deliver high quality care in a "high touch/low cost" method of care. According to a study done in 2013, commissioned by Childbirth Connection, Catalyst for Payment Reform, and the Center for Health Care Quality and Payment Reform, the cost to Medicaid for a vaginal delivery is approximately \$9,000. Another study, authored by Howell in the Medicare & Medicaid Research Review in 2014, calculated the average costs of care for childbirth at a freestanding birth center to be \$2,780 less than that of a hospital, or a savings of nearly 30% per birth. And yet the most redeeming quality of the birthing center is that it is a safe alternative that delivers quality of care comparable to that of the hospital. According to the National Birth Center Study I, fetal and neonatal outcomes were similar as hospital births: Fetal mortality rate was 0.47 /1000; Neonatal mortality rate was 0.40/1000. (Application for Permit page 94)*

**D. Criterion 1110.110(c) - Alternatives to the Proposed Project**

The Applicants considered one alternative to the proposed project a joint venture with a hospital. Regarding a joint venture with a hospital the Applicants stated:

*“The majority of the owners of Birth Center of Chicago, LLC, in both Illinois and Colorado, is that many hospitals have not become fully aware of the difference between a free-standing birth center as described in the Alternative Health Care Act and a birth center (obstetrics unit) in the hospital. It is usually after partnering with a free-standing center that the hospital leadership understands the safe-guards and benefits of the free-standing birth center resource. Also, the legal opinion has always been concerning for the risk of Stark laws as it pertains to the anti-kickback statute. Since the free-standing birth center will be referring to hospitals for higher levels of care, it has been thought that's if there is a financial relationship it may fall foul of the antikick back statute. In conversations and presentations to hospital leaders and other healthcare teams, the owners of the Birth Center explain how a birth center could actually open up new markets, given the larger geographic draw of birth centers, and thus produce new volume for the hospital and new revenue to the hospital from those birth center patients who risk out of the out-of-hospital option. While the hospitals may lose a small percentage of their current local business to the birth center, they have the opportunity to gain business from those patients who come from outside the hospital's normal market seeking a birth center experience but who risk out, and therefore transfer into the hospital for higher level services. To date none of the area hospitals have expressed interest in a partnership at this time, for the reasons described above.”*

The Applicants chose the independent birth center model because the model offered a lower C-section rate, a lower cost of care, and comparable quality outcomes to non-birth center settings.

**VII. Project Scope and Size, Utilization and Unfinished/Shell Space – Review Criteria**

**A) Size of Project**

The State Board does not have gross square footage standards for free-standing birthing centers. The Applicants are proposing 5,489 gross square feet for the 2 room-birthing center.

**B. Criterion 1110.234 (b) - Project Services Utilization**

The State Board does not have a utilization standard for birthing centers. According to the Applicants, *“Based on market research projections and on industry and market data indicate the birth center in the proposed region of Cook County will draw a caseload of over 500 births by Year 2 and over 600 by Year 5. Given that*



*each room with appropriate staffing can support 250 births/year, and the market calculations show a demand of more than 600 births/year, the decision was made to size the proposed birth center with two rooms.”*

## **VIII. Birth Centers – Alternative Health Care Delivery Model**

### **b) Review Criteria**

#### **1. Location Requirements – Review Criteria**

The proposed birthing center will be located at 3832 N Lincoln Avenue Chicago, Illinois. The proposed facility is the fourth in this Alternative Health Care Model, and the third to qualify under *There shall be no more than 10 birth center alternative health care models in the demonstration program including: A total of 4 located in the combined Cook, DuPage, Kane, Lake, McHenry and Will counties.* The proposed Birth Center will be the **third center** to be located in the combined Cook, DuPage, Kane, Lake, McHenry, and Will counties.

#### **2. Service Provision to a Health Professional Shortage Area**

The proposed birth center will be in HSA-VI Health Service Area and the A-01 Hospital Planning Area. The location of the proposed facility is in a Health Professional Shortage Area.

#### **3) Admission Policies**

*A birth center may not discriminate against any patient requiring treatment because of the source of payment for services, including Medicare and Medicaid recipients. [210 ILCS 3/35]*

The Applicants provided a copy of its admissions policy (Application page 168-171), which is accompanied by a signed attestation that there will be no restrictions on admittance to the birth center because of payor source.

#### **4) Bed Capacity**

The Applicants propose two birthing rooms on the first floor of the facility. A birthing center may have no more than 10 birthing rooms.

#### **5) Staffing Availability**

The Applicants provided a narrative description of staffing for the proposed birthing center at page 63 of the Application. The Applicants stated the pool of candidates for the Birth Center is expected to come primarily from Cook County-based healthcare professionals, in order to keep commute time at a minimum

particularly for on-call duties. Candidates from area hospitals and medical offices will be the primary source for applicants. Bringing an alternative healthcare delivery model such as a birth center to the community will give a dedicated place for certified nurse midwives and clinical staff to practice their profession. To stimulate interest in potential applicants, the owners of Birth Center plan to hold a staffing outreach event. Currently, planners for this event have a list of over 100 interested attendees, representing midwives, nurses, doulas, lactation consultants as well as support professionals such as counselors, chiropractors, prenatal massage therapists, birth photographers, and birth related resources. In addition, many health providers for women and children, such as pediatricians, family practice providers, and OB/GYNs have expressed interest in attending this event.

#### **6) Emergency Surgical Backup**

*A birth center that is not operated under a hospital license shall be located within a ground travel time distance from the general acute care hospital with which the birth center maintains a contractual relationship, including a transfer agreement, as required under this paragraph, that allows for an emergency caesarian delivery to be started within 30 minutes of the decision a caesarian delivery is necessary. A birth center operating under a hospital license shall be located within a ground travel time distance from the licensed hospital that allows for an emergency caesarian delivery to be started within 30 minutes of the decision a caesarian delivery is necessary.*

The Applicants have signed a transfer agreement with Advocate Illinois Masonic Medical Center which is located approximately 12 minutes from the proposed birth center. Advocate Illinois Masonic Medical Center currently operates a 20-bed LEVEL III NICU Unit.

#### **7) Education**

*A birth center shall offer prenatal care and community education services and shall coordinate these services with other health care services available in the community. [210 ILCS 3/35]*

The Applicants will use a group care model, sometimes referred to as Centering Pregnancy, for its prenatal and education initiatives. This consists of a group of women in similar gestational phases participating in discussions, and receiving care skills, and peer support, all under the supervision of a birthing center practitioner.

#### **8) Inclusion in Perinatal System**

- A) *At a minimum, the birth center's participation shall require a birth center to establish a letter of agreement with a hospital designated under the Perinatal System.***
- B) *A hospital that operated or has a letter of agreement with a birth center shall include the birth center under its maternity service plan under the***

***Hospital Licensing Act and shall include the birth center in the hospital's letter of agreement with its perinatal center. [210 ILCS 3/30]***

The Applicants have an agreement with Advocate Illinois Masonic Medical Center, that currently operates a Level III NICU unit. (Application for Permit pages 134-142).

**9) Medicare/Medicaid Certification**

***The applicant shall document that the proposed birth center will be certified to participate in the Medicare and Medicaid programs under titles XVIII and XIX, respectively, of the federal Social Security Act (42 USC 1395 and 1396).***

The Applicants state that the proposed Birth Center intends to seek certification for Medicare/Medicaid services, upon project completion (Application for Permit page 190).

**10) Criterion 1110.3130(j) – Charity Care**

***All birth centers shall provide charitable care consistent with that provided by comparable health care providers in the geographic area. [210 ILCS 3/30] The applicant shall provide to HFSRB a copy of the charity care policy that will be adopted by the proposed birth center.***

The Applicants supplied a copy of its Charity Care/Sliding Fee Discount Program (Application for Permit page 191-192).

**11) Criterion 1110.3130(k) – Quality Assurance – Review Criterion**

***Each birth center shall implement a quality assurance program with measurable benefits. [210 ILCS 3/30] The applicant shall provide to HFSRB a copy of the quality assurance program to be adopted by the birth center.***

The Applicants provided a copy of the Quality Assurance plan for the proposed Birthing Center (Application for Permit 193-196). The program outlines protocols for center staff to periodically review to monitor quality of care, rectify deficiencies, and increase overall outcomes for a positive patient experience. It appears the applicant has met the requirement of this criterion.

**X. 1120.120 - Availability of Funds**

**XI. 1120.130 - Financial Feasibility**

The Applicants are funding this project with capital of \$1.5 million from ten members of the Birth Center of Chicago, LLC. Nine of the ten members will contribute \$150,000 for 5% interest with the tenth member contributing \$300,000 for a 10% interest. The remaining amount will be funded from a letter of credit of \$421,673, a tenant improvement allowance of approximately \$411,675 and cash of \$11,392. Investors attestation can be found at pages 197-207.

**XII. Section 1120.140 - Economic Feasibility**

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

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

The facility will be in leased space of 5,489 GSF. The term of the lease is for 15-years at a cost of \$38 per GSF with increase of 10% in year 6 and 10% in year 11 with two 5-year renewal options. The letter of intent to lease the property can be found at pages 59-60 of the Application for Permit.

**C. Criterion 1120.140(c) - Reasonableness of Project Cost**

The State Board does not have project cost standards for birthing centers.

**Preplanning Costs** – These costs total \$133,140 and comprise 5.68% of the overall cost of the project.

**Modernization and Contingency Costs** – These costs are \$1,533,700 or \$279.14 per GSF.

**Contingency Costs** – These costs are \$126,750 or 9.10% of modernization costs.

**Architectural & Engineering Fees** – These costs total \$82,000 or 3.50% of the total costs.

**Consulting & Other Fees** - These costs total \$61,000 or 2.6% of total costs.

**Equipment not in Construction Contracts** – These costs are \$331,000 and are 2.6% of total costs.

**Other Costs to be Capitalized** are \$200,000 and are 8.5% of total costs and include minor equipment.

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

The applicant did not identify projected operating costs for this project. The State Board does not have a standard for these costs.

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

The applicant did not identify the total effect of the project on capital costs. The State Board does not have a standard for these costs.

## 20-029 Birth Center of Chicago

