

March 31, 2022

Debra Savage
Chairwoman
Illinois Health Facilities and Services Review Board
525 West Jefferson, Second Floor
Springfield, IL 62761

Dear Chairwoman Savage:

Blessing Health System ("Blessing") remains opposed to the Quincy Medical Group small format hospital proposal (Project 20-044) for many reasons, but significantly, Blessing's opposition highlights the public health and public policy dangers of the lack of regulations in Illinois for micro hospitals. The Planning Board and the State of Illinois should proactively address the role of the small format, limited service hospital in Illinois, before the healthcare of entire rural regions is undermined by such facilities.

Micro hospitals can be extremely valuable in both urban and rural communities that have limited access to emergency services, necessary stabilizing care and lower acuity medical care. Blessing is not opposed to the concept of the small format hospital; however, the Quincy/Adams County rural region that Blessing serves, and where Quincy Medical Group proposes a standalone micro hospital, does not lack convenient, sophisticated medical and hospital care. Blessing Hospital, with a trauma center, stroke center, chest pain center and 347 beds is a mere 1.9 miles from the proposed micro hospital and will be the default hospital for all patient transfers from the micro hospital, when higher levels of care are needed.

Importantly, the Illinois Hospital Association ("IHA") submitted a letter dated December 20, 2021, to the Planning Board expressing the concerns of its 200 member hospitals and 40 health systems over the lack of regulations for small format hospitals in Illinois. The letter suggests guidelines, which are supported by its Board of Trustees, that were "developed based on extensive discussions with and broad input from our members." Furthermore, the IHA suggests that clarity and specific regulations for small format hospitals is needed before any such projects are considered. Please find the IHA letter attached hereto.

Additionally, I am including a comprehensive article on the micro hospitals. This article highlights many of the same concerns that Blessing has about the QMG proposal, including the expensive lease deal that QMG is proposing, ("it doesn't make economic sense for a micro hospital to lease space") and the need for a micro hospital to either be owned by or partner with a full service-acute care hospital for continuity of care.

Blessing suggests that the Planning Board may want to consider the IHA offer, in its December letter, to work with the Board to develop reasonable guidelines and criteria for small format hospitals, before the Board approves an ill-conceived project that has the real ability to undermine the delivery of healthcare in rural Adams County Illinois.

Sincerely,



Diane Jacoby
Vice President and Chief Legal Officer
Blessing Health System
PO Box 7005
Quincy, IL 62305

December 20, 2021

Debra Savage
Chairwoman
Illinois Health Facilities and Services Review Board
525 West Jefferson, Second Floor
Springfield, IL 62761

Dear Chairwoman Savage:

On behalf of the Illinois Health and Hospital Association's more than 200 member hospitals and nearly 40 health systems, I write to you on the topic of small format hospitals and the role they play in the healthcare delivery system. There is no question that these types of facilities have been growing in popularity in other parts of the country and we are beginning to see their presence in Illinois. Given that two small format hospital applications have come before the Illinois Health Facilities and Services Review Board ("the Board") in recent years, one which was approved and one issued an intent to deny, IHA believes that additional clarity is necessary in the Health Facilities Planning Act and the Board's rules to appropriately consider such a facility. **As such, we respectfully request that the Board defer any Certificate of Need (CON) application for a small format hospital until appropriate regulations are developed, with stakeholder input, that clearly delineate guidelines and criteria for such facilities.**

Under current state law and regulations, including the Board's rules, a small format hospital must continue to meet the same criteria as any general acute care hospital. The reality is, however, that a small format hospital serves a different purpose within the healthcare delivery system and a community.

Small format hospitals are typically developed in more urban areas, specializing in low acuity care, surgery, and diagnostic services. Whether urban or rural, however, it is important that they be part of the integrated healthcare delivery system in collaboration with the broader healthcare community. Otherwise, there is great risk of creating a fragmented care delivery system that would lead to compromised outcomes with enhanced healthcare costs.

With the appropriate regulatory oversight, small format hospitals can be a critical component of the healthcare delivery system in service to a community. In recognition of the changes taking place in healthcare, and the need for transformative delivery models to assure access to care at the right time and in the right setting, the IHA Board of Trustees supported the following criteria for a small format hospital proposal:

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1. It must be owned by a hospital or health system with a general acute care hospital in Illinois;
2. It must be within 50 miles of the general acute care hospital which will serve as its point of transfer for higher acuity cases;
3. It must build upon the current CON criteria to show referrals from physicians affiliated with the hospital or health system;
4. It must establish "Basic Emergency Treatment Services" as outlined in rules;
5. It must be certified by federal CMS and accept public pay patients at the facility; and
6. It must go through the CON process to ensure it meets the appropriate and broader need criteria for the project.

These criteria were developed based on extensive discussions with and broad input from our members regarding the role of small format hospitals in Illinois, with the goal of ensuring they are developed in a way that best serves the patients and the broader community. Without such reasonable guidelines and criteria, there will continue to be no difference in Illinois regulation between a general acute care hospital with hundreds of beds, and a small format hospital with fewer than 25 beds, when in actuality their purpose is markedly different.

As the primary stakeholder on this important issue, we would welcome the opportunity to work with you to develop reasonable guidelines and criteria for small format hospitals. **Until these guidelines and criteria are put in place, however, we again urge you to defer any small format hospital CON application.**

Thank you for your attention to this important issue. We look forward to discussing this with you in the near future.

Sincerely,

A handwritten signature in black ink, appearing to read 'A.J. Wilhelmi', written in a cursive style.

A.J. Wilhelmi
President & CEO

Cc: April Simmons
General Counsel, Health Facilities and Services Review Board

Ann Guild
Compliance Analyst, Health Facilities and Services Review Board

Here's how micro-hospitals are shaking up healthcare industry



Above: Abrazo Cave Creek Hospital. [BUSINESS NEWS](#) | 23 Nov, 2021 | [REBECCA L. RHOADES](#)

The rural town of Cave Creek, located about 10 miles north of Phoenix has long attracted motorcycle enthusiasts, genuine cowboys and folks who enjoy living off the land. But this rugged lifestyle comes with hazards, and until recently, when residents would experience broken bones, snake bites or other serious injuries, they would have to be transported to Scottsdale or Phoenix to receive treatment.

In July, Cave Creek welcomed its first full-service medical facility — and, even though the town prides itself on its old-timey appeal, entered into a new era of healthcare services: the rise of the micro-hospital.

According to a report by the University of Southern California Sol Price School of Public Policy, micro-hospitals are small-scale inpatient facilities, typically between 20,000 square feet and 50,000 square feet and with three to 25 beds, in small community settings.

READ ALSO: [Ranking Arizona: Top 10 hospitals for 2021](#)

“A micro-hospital is what we like to call a neighborhood hospital,” says Naman Mahajan, CEO of [Abrazo Scottsdale Campus](#) and its new Cave Creek facility, [Abrazo Cave Creek Hospital](#). “It has an ER service, operating room and inpatient beds. It is licensed as a full-service hospital — just on a smaller scale. Typically it partners with a larger full-service acute care hospital.”

Abrazo Cave Creek Hospital offers eight inpatient beds, a 13-bed emergency department (ED), an operating room, a pharmacy, a laboratory and a full-range of imaging services. “Just about anything you would go to an acute care hospital for, we offer it at our Cave Creek location,” Mahajan explains. “If a patient needs a more advanced level of care, such as stroke intervention or a cardiac catheterization, we can medically stabilize them within their community and safely transport them to one of our larger suburban hospitals for specialized treatment.”

Community growth

Micro-hospitals are a recent addition to Greater Phoenix. The region’s first such facility, [Dignity Health](#) Arizona General Hospital, opened its doors in Laveen in 2015. Part of the Southwest’s Dignity Health system, the 39,000-square-foot hospital features 16 inpatient and 10 ED beds, two operating rooms and much more.

Phoenix ER & Medical Hospital, debuted in Chandler in March 2019. The 14,000-square-foot state-of-the-art independent facility (developed by Texas-based Nutex Health, it is not part of any Valley healthcare system) offers three private inpatient rooms and a full-service ED.

Abrazo soon followed with its first micro-hospital in Mesa in October 2019, and it opened Abrazo Surprise Hospital one year later, in October 2020.

“Micro-hospitals often are part of larger health systems, but not always,” notes Jane Hanson, president and CEO of Dignity Health Arizona General Hospital. “Either way, the No. 1 thing

about them is that they can quickly stand up in rural underserved areas that need health care services.”

In addition to shorter construction times, the financial investment required to develop a micro-hospital is much smaller than what is needed to build a large-scale facility. “It takes a lot of time and a lot of money for health systems to open up 400-, 500-, 600-bed hospitals. It’s a big ordeal,” Hanson points out.

Many health systems are adopting what Hanson refers to as “modular construction” of micro-hospitals. “You start with an ED with maybe eight beds attached to it,” she explains. “But you construct the facility with the capability of adding operating rooms, additional floors or more inpatient beds as community needs increase.”

Mahajan notes that all three of Abrazo’s micro-hospitals are similar in size and operations. “That is intentional,” he says. “Our model starts with a good footprint, but it provides us with the ability at each of our facilities to expand as the community grows, whether that be on the ED side or the patient side, or even adding a professional or medical office building.”

Trisha Talbot, managing principal of Doc Properties, a real estate advisory firm that specializes in healthcare facilities, notes that most micro-hospitals, both independent and system-owned, own the land on which they’re built, as well as the actual structure itself.

“It doesn’t make economic sense for a micro-hospital to lease space. The cost of the tenant improvements alone to build out such specialized requirements would be too expensive,” she says. “Depending on the size of the hospital, they want about 3 to 5 acres on which to build, and that works here because we have such urban sprawl.”

Easing the Burden

In the few short months since it opened, Abrazo Cave Creek Hospital handled more than 2,500 patient cases. Of those, 90% would have had to come into one of the larger urban facilities had the micro-hospital not been available.

“We’re already having challenges accommodating the number of people coming into our acute care hospitals because of the COVID-19 pandemic,” Mahajan says. “If patients can stay within their communities and receive emergency and inpatient care, it allows our larger facilities to focus on the patients in their own communities, and it alleviates the burden on our already taxed ERs.”

Talbot agrees. "In general, hospitals need to focus on trauma and acute care," she says. "Micro-hospitals pride themselves on providing aid quickly and being transparent in their pricing. If a patient don't need a specialized treatment, it makes sense for both the health system and the patient to have a lower-cost option for care."

As Greater Phoenix continues to grow in size and population, the development of micro-hospitals will continue. Nutex hints at a new facility to be announced later this year, and both Abrazo and Dignity Health continue to look for future opportunities as our borders expand farther west and north.

"Micro-hospitals are demand-driven and mission-critical," Talbot states. "They're one facet of commercial real estate sector that is going to remain strong."