



STATE OF ILLINOIS

## HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

<b>DOCKET NO:</b> H-02	<b>BOARD MEETING:</b> October 26, 2021	<b>PROJECT NO:</b> 21-021	<b>PROJECT COST:</b> Original: \$5,608,900
<b>FACILITY NAME:</b> Northpointe Birth Center		<b>CITY:</b> Roscoe	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA: I</b>

**PROJECT DESCRIPTION:** The Applicant (Beloit Health System, Inc.) proposes to establish a 3-room free-standing birthing center in Roscoe, Illinois. The anticipated cost of the project is \$5,608,900. The anticipated completion date is December 31, 2023.

Information about this Application for Permit can be found at

<https://www2.illinois.gov/sites/hfsrb/Projects/Pages/NorthPointe-Birth-Center,-Roscoe---21-021.aspx>

## EXECUTIVE SUMMARY

### **PROJECT DESCRIPTION:**

- The Applicant (Beloit Health System, Inc.) proposes to establish a 3-room free-standing birthing center in 8,700 GSF of space in Roscoe, Illinois. The anticipated cost of the project is \$5,608,900. The anticipated completion date is December 31, 2023.

### **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").
- **Public Act 102-0414** amended the Alternative Health Care Delivery Act by increasing the number of birth centers in the State of Illinois. This Amendment allows 10 (rather than 4) birth centers in Chicago and the collar counties. These include additional sites on the south and west sides of Chicago. Two (rather than 1) birth center are to be owned or operated by a Federally Qualified Health Center. Additionally, one birth center is to be in the A-3 Hospital Planning Area<sup>1</sup>. One additional birth center is to be in East St. Louis in the F-1 Hospital Planning Area<sup>2</sup>. The total number of allowed birth centers has been increased from 10 to 17 birth centers.
- **Public Act 102-0518** created the Birth Center Licensing Act replaces licensing under the Alternative Health Care Delivery Act.
- 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

---

<sup>1</sup> **Planning Area A-3:** City of Chicago Community Areas of Douglas, Oakland, Fuller Park, Grand Boulevard, Kenwood, Near South Side, Washington Park, Hyde Park, Woodlawn, South Shore, Chatham, Avalon Park, South Chicago, Burnside, Calumet Heights, Roseland, Pullman, South Deering, East Side, Garfield Ridge, Archer Heights, Brighton Park, New City, West Elsdon, Gage Park, Clearing, West Lawn, West Englewood, Englewood, Chicago Lawn and Greater Grand Crossing.

<sup>2</sup> **Planning Area F-1:** Madison and St. Clair Counties; Monroe County Precincts 2, 3, 4, 5, 7, 10, 11, 14, 16, 17, 18, 19, 21, and 22; Clinton County Townships of Sugar Creek, Looking Glass, Germantown, Breese, St. Rose, Wheatfield, Wade, Sante Fe, Lake, Irishtown, Carlyle and Clement.

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 #21-021) 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 #21-021) is the **fifth 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.
  - The **Fourth** Application (Permit #20-029), Birth Center of Chicago was approved September 22, 2020.

#### **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 requested for this project, and was held on Monday, September 20, 2021, at 11:00am. There were 11 attendees speaking in support for the project, and 3 voicing their opposition. No letters of support or 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 location of the proposed facility is in the B-01 Hospital Planning Area which includes Boone and Winnebago counties, Dekalb County townships of Franklin, Kingston, and Genoa, and Ogle County townships of Monroe, White Rock, Lynnvill, Scott, Marion, Byron, Rockvale, Leaf River, and Mount Morris.
- There is **a calculated excess of 24 Obstetric Beds** in the B-01 Planning Area, per the September 2021 IDPH Inventory Update.
- All the requirements of Part 1110 and Part 1120 have been addressed by the Applicants as required.

**STATE BOARD STAFF REPORT**  
**Northpointe Birth Center**  
**Project #21-021**

<b>APPLICATION/CHRONOLOGY</b>	
Applicant	Beloit Health System, Inc.
Facility Name	NorthPointe Birth Center
Location	5605 East Rockton Avenue, Roscoe, Illinois
Permit Holder	Beloit Health System, Inc.
Owner of the Site	Beloit Health System, Inc.
Operating Entity/Licensee	Beloit Health System, Inc.
Application Received	July 26, 2021
Application Deemed Complete	July 28, 2021
Review Period Ends	November 25, 2021
Financial Commitment	At time of Permit Issuance
Project Completion Date	December 31, 2023
Expedited Review Requested?	Yes
Can Applicants Request a Deferral?	Yes

**I. The Proposed Project**

The Applicant (Beloit Health System, Inc.) is proposing to establish a free-standing birthing center in Roscoe, Illinois. The anticipated cost of the project is \$5,608,900. The anticipated completion date is December 31, 2023.

**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 Applicant is Beloit Health System, Inc. Beloit Health System, Inc. is incorporated in Wisconsin, and licensed as a general not-for-profit organization in Illinois. Birth Partners, Inc. owns 100% 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 \$5,608,900, and financial commitment will occur at permit issuance.

#### IV. Health Service Area

The proposed project will be in Health Service Area I and the B-01 Hospital Planning Area. There are three hospitals in the B-01 Hospital Planning Area that provide obstetric services. There is a **calculated excess of 24 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 B-01 Hospital Planning Area				
Hospital	Beds	Utilization (1)	Miles	Minutes
Javon Bea Hospital Riverside Campus	20	103.5%	11.7	17
OSF Saint Anthony Medical Center	13	22.8%	17.2	26
SwedishAmerican Hospital	34	34.2%	15.5	28
Total Beds	67			
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 Applicant is proposing to establish a 3-room free-standing birthing center, in approximately 8,700 GSF of space, on the NorthPointe Wellness Campus located at 5605 East Rockton Road, Roscoe, Illinois. The space will be transformed into a birth center in accordance with the IDPH licensing requirements, including three 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, 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 \$5,608,900. The project is to be funded in its entirety with cash and securities.

<b>TABLE TWO</b>		
Project Costs and Sources of Funds		
Site Preparation/Soil Investigation	\$20,000	0.8%
New Construction Contracts	\$4,364,000	75.1%
Contingencies	\$509,900	9.8%
Architectural Engineering Fees	\$415,000	8.2%
Consulting and Other Fees	\$75,000	1.4%
Movable or Other Equipment (not in construction contracts)	\$225,000	4.7%
TOTAL USES OF FUNDS	\$5,808,900	100.00%
Cash & Securities	\$5,808,900	100%
TOTAL SOURCES OF FUNDS	\$5,808,900	100.00%

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

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

The Applicant is Beloit Health System. Beloit Health System is licensed in the State of Wisconsin to operate Beloit Memorial Hospital, a 256-bed acute care hospital. The Applicant is licensed to operate various clinical care sites located in Beloit, Clinton, Darien, and Janesville, Wisconsin. Additional information on the background of these members can be found at pages 67-74 of the Application for Permit.

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

The Applicant provided a copy of its Financial Assistance Policy on pages 213-222 of the application. 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 3-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 proposed facility will be the first birth center in the B-01 Hospital Planning Area, which encompasses Winnebago County in its entirety. The Applicant notes the center will be located in a medically underserved/healthcare shortage area.

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

The Applicants considered three alternatives in addition to the proposed project. They are:

**1) Build a Birth Center of Smaller Scope**

The Applicant reports having conducted market research in the region and sought advice from industry experts which recommended a 2-3 room facility which would support approximately 250 births annually per room. Initial research of the project indicated the facility will perform approximately 400 birthing procedures annually, which confirms the need for nothing smaller than a 3-room facility.

**2) Enter a Joint Venture with Nearby Hospitals/Health Systems**

The Applicant cites research performed in 1998 which suggests similar morbidity and mortality between the birth center model and the traditional care model. The research also suggests that a freestanding birth center may provide quality perinatal care in a more holistic, lower cost setting than traditional perinatal providers, which resulted in the Applicants rejection of this alternative.

**3) Rely on Existing Health Care Resources/Do Nothing**

This option was preliminarily reviewed and rejected based on three identified factors present in the consideration whether to establish a freestanding birth center at all. Lower C-section rates, lower cost of care, and comparable quality outcomes. Its these three factors that compelled the Applicant to reject his alternative and pursue the option chosen.

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 8,700 gross square feet for the 3 room-birthing center and cites its reasoning for these spatial dimensions stem from research and advice received from industry experts.

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

The State Board does not have a utilization standard for birthing centers. The Applicant proposes to provide 400 birthing procedures annually by the 5th year of operation and notes the potential for growth beyond these predictions is very possible.

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

**b) Review Criteria**

**1. Location Requirements – Review Criteria**

The proposed birthing center will be located at 5605 East Rockton Road, Roscoe, Illinois. The proposed facility is the fifth in the State to qualify under this Alternative Health Care Model.

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

A) *The first 3 birth centers authorized to be operated by IDPH shall be in or predominantly serve the residents of a health professional shortage area, as determined by the U.S. Department of Health and Human Services. [210 ILCS 3/30] The applicant shall document whether the proposed site is in or will predominantly serve the residents of a health professional shortage area.*

B) *If a birth center is located outside of a health professional shortage area:*

i) *the birth center shall be 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 shall 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. [210 ILCS 3/30]*

The proposed birth center will be in HSA-I Health Service Area and the B-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 160-164), which is accompanied by a signed attestation that there will be no restrictions on admittance to the birth center because of payor source (application, p. 160).

**4) Bed Capacity**

The Applicants propose three birthing rooms to support nearly 96 births in its first year of operation and expects this utilization to grow to 400-450 births annually

by the 3<sup>rd</sup> to 5<sup>th</sup> year of operation. The Applicants provided capacity calculations and market demands that support a 3-room design (application, p. 96). 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 96 of the Application. The Applicants stated the pool of candidates for the Birth Center is expected to come primarily from Winnebago County-based healthcare professionals, 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. Currently, Beloit Health System has an integrated HR department that offers competitive salary and benefit packages and reports a very low turnover rate of its employees. The Applicants report having received several support letters from the community and health care professionals that are excited for the birth center and would assist in networking for candidates.

### **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 Beloit Health System, in which they share a campus for Emergency surgical services, and it is noted that a 20-bed neonatal unit exists on the campus of MercyHealth Javon Bea Hospital, in Rockford (15.7 miles/26 minutes).

### **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 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. This model promotes greater client engagement, personal empowerment, and community-building. The center's leadership and practitioners support working with local agencies to connect patients to necessary resources for physical, emotional, and financial well-being.

**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 a signed patient transfer agreement with Beloit Health System. (Application for Permit pages 161-164).

**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 195).

**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 196-205).

**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 206-210). 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 in its entirety with cash and securities totaling \$5,808,900. The Applicants supplied proof of an A-Bond Rating from FitchRatings Service Inc. (November 2019), and Audited Financial Statements

for Beloit Health System, to affirm financial viability. The Applicants have met the requirements of this criterion.

<b>TABLE THREE</b> <b>Beloit Health System</b> <b>Years ended December 2019, 2020</b> <b>(dollars in millions)</b>		
	<b>2020</b>	<b>2019</b>
Cash	\$61,569,911	\$13,193,894
Current Assets	\$111,556,362	\$69,623,224
Total Assets	\$336,333,997	\$298,367,868
Current Liabilities	\$65,673,310	\$29,244,889
LTD	\$72,082,116	\$77,352,776
Total Liabilities	\$20,301,046	\$16,194,212
Net Patient Revenue	\$224,436,877	\$243,320,727
Total Revenues	\$242,221,006	\$251,572,582
Income from Operations (Loss)	\$325,515	(\$174,818)
Non-Operating Income (Loss)	\$9,524,359	\$11,524,892
Excess of Revenues and Gains (deficit)	\$9,849,874	\$11,350,074
Source: Beloit Health System Audited Financial Statements, see project file		

## **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 8,700 GSF of space on the campus of Beloit Health System, and on property owned by Beloit Hospital. Proof of property ownership can be found on page 53 of the Application for Permit.

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

This criterion requires the submittal of clinical costs exclusively, and the totality of these costs (clinical) are listed below. The State Board does not have project cost standards for birthing centers.

**Site Preparation Costs** – These costs total \$10,060 and comprise .36% of the overall clinical costs of the project.

**New Construction and Contingency Costs** – These costs are \$2,450,042 or \$281.61 per GSF.

**Contingency Costs** – These costs are \$254,950 or 11.6% of clinical new construction costs.

**Architectural & Engineering Fees** – These costs total \$208,745 or 7.4% of the total clinical costs.

**Consulting & Other Fees** - These costs total \$37,725 or 1.3% of total clinical costs.

**Equipment not in Construction Contracts** – These costs are \$113,175 and are 4% of total clinical costs.

**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.

## 21-021 NorthPointe Birth Center - Roscoe



Copyright © and (P) 1988–2012 Microsoft Corporation and/or its suppliers. All rights reserved. <http://www.microsoft.com/mappoint/>

Certain mapping and direction data © 2012 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2012 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc. © 2012 by Applied Geographic Solutions. All rights reserved. Portions © Copyright 2012 by Woodall Publications Corp. All rights reserved.