



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET ITEM: C-01	BOARD MEETING: July 27, 2021	PROJECT NUMBER: #E-011-21
APPLICANT(S): Woodlake Specialty Hospital LLC and Woodlake Pacific Holdings LLC		
FACILITY NAME and LOCATION: Woodlake Specialty Hospital LLC, Melrose Park, Illinois		

DESCRIPTION: The Applicants [Woodlake Specialty Hospital LLC and Woodlake Pacific Holdings LLC propose to re-establish a 230-bed hospital f/k/a Westlake Hospital, 1225 West Lake Street, Melrose Park, Illinois.

STAFF REPORT
ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
CHANGE OF OWNERSHIP
Woodlake Specialty Hospital LLC
#E-011-21

Project Number	#E-011-21 – Woodlake Specialty Hospital LLC
Applicants	Woodlake Specialty Hospital LLC and Woodlake Pacific Holdings LLC.
Hospital Address	1225 West Lake Street, Melrose Park, Illinois
Date Received	June 1, 2021
Type	Change of Ownership Application [re-establishment]

DESCRIPTION: The Applicants [Woodlake Specialty Hospital LLC and Woodlake Pacific Holdings LLC] propose to re-establish a 230-bed hospital f/k/a Westlake Hospital, 1225 West Lake Street, Melrose Park, Illinois.

This Application proposes to “reestablish” the former Westlake Hospital as a 230-bed Hospital. The General Assembly authorized the use of the exemption process to accomplish this reestablishment. Under the exemption process an Applicant does not have to demonstrate need for the proposed project nor can the State Board deny the application if all the information has been submitted as required by the State Board.

A **public hearing** was conducted **VIRTUALLY** on June 26, 2021. We received a letter of opposition from RML Specialty Hospital and one letter of support from the Bankruptcy Trustee. The transcript from this public hearing and information received on this project can be found at: <https://www2.illinois.gov/sites/hfsrb/Projects/Pages/Woodlake-Specialty-Hospital,-Melrose-Park--E-011-21.aspx>

I. Timeline of Events of Westlake Hospital

On October 30, 2018 the State Board approved a change of ownership of the 230-bed Westlake Hospital to Pipeline-Westlake Hospital, LLC. [#E-052-18]

On April 30, 2019 the State Board approved the discontinuation of the 230-bed Pipeline Westlake Hospital, LLC d/b/a Pipeline Westlake Hospital. [E-004-19]

On August 6, 2019 Pipeline Westlake Hospital files for Chapter 7 Bankruptcy.

On November 6, 2019 Pipeline Westlake Hospital, LLC surrenders Hospital license to the Illinois Department of Public Health.

In April 2020 to meet the public health emergency the Federal Emergency Management Agency contracted to spend approximately \$16.5 million to update Westlake Hospital as an Alternative Care Facility. [Source Federal Procurement Data System]

On September 14, 2020 Woodlake Pacific Holdings LLC purchases the real property assets and other assets including land and building of Westlake Hospital at a cost of \$11,450,000 from the trustee in the Bankruptcy Court. Per the Applicants the purchase agreement is contingent on the approval of this exemption application.

PA 102-0003 effective April 4, 2021 amended the Planning Act to allow for the reestablishment of Westlake Hospital through the filing of a certificate of exemption¹. The Act required that the Hospital commit to the following:

- establish the same number of total authorized beds.
- spend at least \$20,000,000 to re-establish the previously discontinued general acute care hospital, which would include the cost of land acquisition, building acquisition, new construction, and new equipment.
- adopt and maintain for at least a period of 2 years a charity care policy that is no less restrictive than was in place at the previously discontinued general acute care hospital.
- accept Medicaid and Medicaid managed care patients.
- maintain ownership of the re-established general acute care hospital for no less than 5 years.
- been issued a new general acute care hospital license from the Department of Public Health.

On May 20, 2021 Woodlake Pacific Holdings LLC and Woodlake Specialty Hospital LLC entered a 20-year lease.

¹ 20 ILCS 3960/6 (b) requires that when all the information required by the State Board has been submitted the exemption must be approved.

II. General Information

The Applicants [Woodlake Specialty Hospital LLC and Woodlake Pacific Holdings LLC] propose to re-establish a 230-bed hospital f/k/a Westlake Hospital, 1225 West Lake Street, Melrose Park, Illinois. Woodlake Specialty Hospital LLC will be the operating entity licensee and Woodlake Pacific Holdings LLC will be the owner of the site and will lease the building to the hospital. The Hospital is a 7-level building with a basement and will occupy approximately 270,000 gross square feet of space. All rooms will be private rooms with toilets and showers in each room. The table below outlines the categories of service and the number of beds proposed for Woodlake Specialty Hospital and the categories of service and beds at the discontinued Westlake hospital:

TABLE ONE		
Categories of Service	Woodlake Specialty Hospital [Proposed]	Westlake Hospital [Discontinued]
	Number of Beds	
Medical Surgical	0	111
Pediatric	0	5
OB/GYN	0	24
ICU	6	12
Acute Mental Illness	80	50
Long Term Care	60	0
LTAC	44	0
Rehabilitation	40	28
Total	230	230

Woodlake Specialty Hospital LLC will also maintain a standby emergency department and have 2 general radiology units, 2 portable X-Ray units, 2 Ultrasound units, 1 CT Unit and 1 MRI Unit.

III. Project Uses of Funds

The Applicants will be funding the construction, contingency, A&E Fees and consulting and other fees with cash. The acquisition of the building and land has been paid for in cash to the Bankruptcy Trustee. The Equipment Lease is for five years between Woodlake Specialty Hospital LLC and Cane Investment Partners LLC [a private equity firm] at an effective interest rate of 6% and is contingent upon the approval of this exemption application [A listing of the equipment can be found at pages 132-135 of the Exemption Application].

TABLE TWO	
Project Costs and Sources of Funds	
Modernization Contracts	\$18,900,000
Contingencies	\$1,420,000
A&E Fees	\$300,000
Consulting and Other Fees	\$250,000
Leased Equipment	\$11,072,895
Acquisition of Building and Land	\$11,450,000
Total Uses of Funds	\$43,392,895

IV. Health Service Area

The proposed Hospital is in the HSA VII Health Service Area and the A-06 Hospital Planning Area HSA VII includes Suburban Cook and DuPage Counties and the A-06 Hospital Planning Area includes Cook County Townships of River Forest, Oak Park, Cicero, Berwyn, Riverside, Proviso, Leyden and Norwood Park. The US Census Bureau estimates the population in Melrose Park to be 24,700 in July 2019. According to the US Census Bureau 17.2 % of the population that live in Melrose Park live in poverty. **The State Board has calculated**

- **an excess of 20 ICU Beds** in the A-06 ICU Planning Area
- **an excess of 96 Acute Mental Illness beds** in the 7A-06 AMI Health Planning Area.
- **an excess of 99 rehabilitation beds** in the HSA VII Health Service Area.
- **an excess of 131 LTAC beds** in the HSA 6, 7, 8, and 9 LTAC Planning Ae.
- **a need for 184 long term care beds** in the 7-D Long Term Care Planning Area.

At the conclusion of this report is a table listing the health care facilities that provide the services being proposed by Woodlake Specialty Hospital and those facilities 2019 occupancy.

V. Exemption

Woodlake Specialty Hospital LLC is a new Illinois Corporation and Woodlake Pacific Holdings LLC is a new Delaware Corporation. Both entities are owned equally by Mark Tress, Chaim Rottenberg, and Stephen Werdiger. The two entities are affiliates of Intensive Specialty Hospital LLC a Louisiana hospital with two campuses: Shreveport, Louisiana and the other in Bossier City, Louisiana. Per the Application these two hospitals have long term acute care, rehabilitation, acute mental illness, and skilled care inpatient services. In addition to the Louisiana facilities, the three principles own and operate Layhill Nursing and Rehabilitation Center (Silverspring, Maryland); Shady Grove Nursing and Rehabilitation Center (Shady Grove, Maryland); and Sunview Medical Center (West Palm Beach, Florida). They also own multiple buildings that house healthcare facilities (but in those cases, they are the landlord and not the operator).

The Applicants have certified that no adverse action has been taken against any facility owned and operated by the three principles or its individual hospitals directly or indirectly, within three years prior to the filing of this application. The Applicants have authorized the State Board as well as the Department to access to all documents to verify information submitted with this application for exemption.

The Board of Directors of the new hospital will consist of the following individuals:

- Hon. Thomas "Ned" Benigno, Deputy Illinois Secretary of State and Chief of Staff
- Hon. Andre Harvey, Mayor of Bellwood
- Dr. Glenn Kushner, Last President of the West Lake Hospital Medical Staff
- Dr. Martha Kushner, Melrose Park resident and community activist
- Doug Olson, Melrose Park Chamber of Commerce
- Hon. Anthony Sanchez, Village of Melrose Park Trustee
- Sergio Saurez, Entrepreneur, Philanthropist and Melrose Park resident
- Hon. Katrina Thompson, Mayor of Broadview
- Hon. Anthony Williams, Proviso Township Clerk

Per the Application, Dr. Glenn Kushner, the last President of the Medical Staff at Westlake Hospital prior to its closure has agreed to serve as the inaugural President of the Medical Staff at Woodlake Hospital. Dr. Kushner will also serve as the inaugural President of the Medical Executive Committee at Woodlake Hospital.

The Applicants have stated the following:

- The Applicants will adopt the same Medical Staff By-Laws that were in place at Westlake Hospital.
- The Applicants anticipate that they will have the same payer mix and charity care ratios as Westlake Hospital. Westlake Hospital had a Medicaid Inpatient Utilization Rate of 47%. Below is the number of patients and revenue by payor source and the average for the years 2014 to 2018. The numbers include both inpatient and outpatient.

TABLE THREE							
Westlake Hospital							
Number of Patients by Payor Source							
2015-2018							
Year	Medicare	Medicaid	Other	Ins	Self-Pay	Charity Care	Total
2018	5,348	2,750	0	33,183	1,622	966	43,869
2017	5,929	3,163	0	34,915	2,032	910	46,039
2016	6,383	3,391	0	33,886	2,790	835	47,285
2015	6,862	7,573	0	28,839	2,448	740	46,462
Ave	6,131	4,219	0	32,706	2,223	863	45,914
%	13.35%	9.19%	0.00%	71.23%	4.84%	1.88%	100.00%

TABLE THREE
Westlake Hospital
Number of Patients by Payor Source
2015-2018

Revenue by Payor Source 2015-2018							
Year	Medicare	Medicaid	Other	Ins	Self-Pay	Charity Care	Total
2018	\$14,282,282	\$10,082,036	\$0	\$27,306,659	\$539,662	\$1,265,782	\$52,210,639
2017	\$14,415,464	\$12,218,825	\$0	\$26,727,263	\$552,223	\$1,176,156	\$53,913,775
2016	\$19,112,416	\$8,388,207	\$0	\$31,379,993	\$3,129,286	\$902,016	\$62,009,902
2015	\$18,881,193	\$15,555,043	\$0	\$26,499,825	\$1,237,169	\$768,735	\$62,173,230
Ave	\$16,672,839	\$11,561,028	\$0	\$27,978,435	\$1,364,585	\$1,028,172	\$57,576,887
%	28.96%	20.08%	0.00%	48.59%	2.37%	1.79%	100.00%

- The Applicants will adopt the same charity care policy that were in place at the former Pipeline Westlake Hospital at the time Pipeline Westlake Hospital closed.
- The Applicants will maintain those same charity care policies *for* no less than two years after the opening of Woodlake Specialty Hospital.
- The Applicants will adopt the same admission policies that were in place at the former Pipeline Westlake Hospital at the time Pipeline Westlake Hospital closed and will maintain those same admission policies for no less than two years after the opening of Woodlake Specialty Hospital. The Applicants state *“The Admission policies are from Vanguard Westlake Hospital and Woodlake Specialty Hospital will be adopting the admission policies from Vanguard Westlake Hospital. The Applicants have stated that if the actual admission policies from Pipeline Westlake Hospital can be found and are different from Vanguard Westlake Hospital admission policies Woodlake Specialty Hospital would adopt the Pipeline Westlake admission policies.”*
- Per the Applicants the entire premise of the proposed project is based on health equity. The loss of Westlake Hospital was devastating to the communities served by Westlake. According to the Applicants they have worked with local community leaders and former Westlake physicians to develop the project. According to the Applicants, legislation was literally passed and signed by the Governor to assist in the re-opening of Westlake. Multiple community residents and former Westlake physicians on the medical staff at Pipeline Westlake spoke in the favor of the Project at the Public Hearing. The Applicants will provide language assistance and a community relations committee will be formed.
- The Applicants will adopt a quality improvement plans that is the same or better than the quality improvement plans that were in place at Westlake Hospital.

VI. Documents:

The Medical Staff Bylaws and Charity Care Policies are from Pipeline Westlake Hospital; Woodlake Specialty Hospital will be adopting the Medical Staff Bylaws and Charity Care Policies from Pipeline Westlake Hospital. The transaction document provided is the purchase agreement of the Westlake property from the Bankruptcy Trustee.

- No Historical or Projected Financial Statements were provided as the Applicants are new entities and no historical information is available.
- Woodlake Specialty Hospital did provide a Quality Improvement Plan for the Hospital.

TABLE FOUR				
Health Care Facilities in the Planning Areas # of Beds and 2019 Utilization				
				2019
<u>Facilities</u>	<u>City</u>	<u>Beds</u>	<u>Miles</u>	<u>Occupancy</u>
Long Term Care Hospitals				
Kindred Hospital-Northlake	Chicago	94	3.1	30.70%
RML Specialty Hospital-Chicago	Chicago	86	8.8	72.40%
RML Specialty Hospital-Hinsdale	Hinsdale	115	14.2	71.90%
Presence Holy Family Medical Center	Des Plaines	129	14.6	60.80%
Kindred Hospital-Chicago	Chicago	133	15.7	32.90%
Comprehensive Physical Rehabilitation				
Loyola Health System at Gottlieb	Melrose Park	20	1.4	66.90%
MacNeal Hospital	Berwyn	12	7	66.90%
Adventist LaGrange Medical Center	LaGrange	18	10.3	86.60%
Alexian Brothers Medical Center	Elk Grove	72	14	81.00%
Lutheran General Hospital	Park Ridge	45	16.1	75.60%
Marianjoy Rehabilitation	Wheaton	113	19.1	83.30%
Northwest Community Hospital	Arlington Heights	33	21.6	73.90%
Advocate Christ Medical Center	Oak Lawn	37	23.5	83.40%
Evanston Hospital	Evanston	22	25.3	62.60%
Ingalls Memorial Hospital	Harvey	46	32.2	51.00%
Franciscan St. James Health-Olympia Fields	Olympia Fields	14	38.7	68.50%
Acute Mental Illness				
Loyola Health System at Gottlieb	Melrose Park	12	1.4	63.40%
Riveredge Hospital	Forest Park	210	3.4	53.80%
MacNeal Hospital	Berwyn	68	7	71.60%
Long Term Care				
Gottlieb Memorial Hospital	Melrose Park	32	1.4	71.70%
Presence Villa Scalabrini Nursing and Rehabilitation	Northlake	229	3.2	6.70%
Aperion Forest Park	Forest Park	232	3.4	0.00%
Oakridge Healthcare Center	Hillside	73	3.7	69.80%
Symphony Aria	Hillside	198	3.7	83.80%
Generations at Elmwood Park	Elmwood Park	245	3.8	71.80%
Berkeley Nursing & Rehabilitation Center	Oak Park	72	4.9	81.60%
Oak Park Oasis	Oak Park	204	4.9	11.90%
West Suburban Medical Center	Oak Park	50	4.9	38.20%
Westchester Health & Rehab	Westchester	120	5.3	74.30%
The Scottish Home	North Riverside	36	5.6	66.20%
The British Home	Brookfield	72	5.9	59.90%
Central Baptist Village	Norridge	120	6	90.50%
Norridge Gardens	Norridge	292	6	83.20%

Grove of Berwyn	Berwyn	145	6.4	77.50%
MacNeal Hospital	Berwyn	25	6.4	73.30%
Alden Town Manor Rehab & HHC	Cicero	249	8.9	74.50%
Cityview Multicare Center	Cicero	485	8.9	61.40%

June 9, 2021

Ira Bodenstein

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Ms. Courtney Avery
Board Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

**Re: Letter of Support – Woodlake Specialty Hospital, LLC
Certificate of Exemption Application E-011-021**

Dear Ms. Avery:

I am the duly appointed chapter 7 trustee for the bankruptcy estates of Pipeline – Westlake Hospital, LLC and Westlake Property Holdings, LLC¹ in those jointly administered bankruptcy cases styled as *In re Westlake Property Holdings, LLC*, pending the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the “Bankruptcy Court”) as Case No. 19-22878 (Jointly Administered) (collectively, the “Cases”). I submit this letter in support of the Certificate of Exemption application E-011-021 (the “Application”) filed with the Illinois Health Facilities and Services Review Board (the “Board”) by Woodlake Specialty Hospital LLC and Woodlake Pacific Holdings LLC (collectively, “Woodlake”).

I firmly believe that Woodlake’s proposed use of the facility formerly known as Westlake Hospital is in the best interests of, and supported by, the Village of Melrose Park and the community at-large. Westlake Hospital was discontinued shortly after the filing of the Cases when it surrendered its general acute care hospital license to the Illinois Department of Public Health on August 14, 2019. On October 5, 2020, the Bankruptcy Court entered an order approving the sale of the facility to Woodlake contingent upon the Board’s authorizing the re-establishment of a licensed healthcare facility at the site. In addition to the purchase price, an important consideration in my decision to agree to the sale with this contingency was my understanding that the Village of Melrose Park supported a sale of the site to an entity that would re-establish a needed healthcare facility in the community.

Woodlake’s proposed use of the facility as reflected in the Application meets that criteria. Woodlake has requested authorization for 230 authorized beds, 80 acute mental illness beds, 60 long term care beds, 44 long term acute care beds, 6 intensive care unit beds and 40 comprehensive rehabilitation beds. Importantly, Woodlake has also committed to serving all patients regardless of their ability to pay and will accept Medicare, Medicaid, and Medicaid Managed Care plans.

¹ The bankruptcy estate of Westlake Property Holdings, LLC shall be referred to herein as the “Estate.”

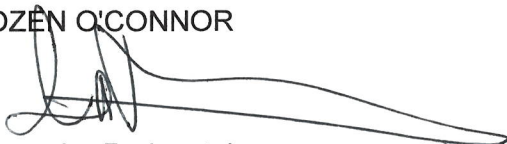
In addition, I support the expedited approval of the Application as in the best interests of all stakeholders, including the Estate, its creditors and the residents of the surrounding communities. First, any delay in approving the Application will postpone the commencement of the planned improvements at the facility. Those delays will further push back the reopening of a much needed healthcare facility in the community. Second, the Estate and its creditors have a substantial interest in the Board approving this project as soon as possible. Significant financial implications will result from further delay, all to the detriment of the creditors of the Estate. If the sale is unable to close prior to July 1, 2021, the Estate will incur sizeable additional penalties for unpaid real estate taxes which cannot be paid until the sale closes. Further, the existing insurance policies for the property do not extend beyond June 30, 2021, and new policies will be extremely expensive to procure. Any delay in the consideration and approval of the Application will also force the Estate to continue to incur significant operating expenses in order maintain the property.

For all of the foregoing reasons, I, as Trustee, on behalf of the creditors of the Estate, support the proposed transaction and the re-establishment of the facility as an operating hospital in the Village of Melrose Park. I therefore respectfully request that the Chair exercise its discretion and promptly approve the Application.

If you have any questions or need any additional information regarding the project, please feel free to contact me via email at ibodenstein@cozen.com or by phone at (312) 474-1647. Thank you for your consideration.

Sincerely,

COZEN O'CONNOR



By: Ira Bodenstein

IB



5601 South County Line Road
Hinsdale, Illinois 60521

630-286-4000
rmlspecialtyhospital.org

July 7, 2021

Ms. Courtney Avery
Board Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

SENT VIA FEDERAL EXPRESS AND FACSIMILE TO (217) 785-4111

**RE: Written Comment – Woodlake Specialty Hospital
Certificate of Exemption Application E-011-21**

Dear Ms. Avery:

I am the President and Chief Executive Officer of RML Specialty Hospital (“RML”), a long-term acute care hospital (“LTACH”) with two campuses in the Chicago metropolitan area (one near the Illinois Medical District on the west side of Chicago and one in suburban Hinsdale, Illinois). I submit this written comment for your consideration with respect to the Certificate of Exemption application E-011-21 (the “Application”) recently filed with the Illinois Health Facilities and Services Review Board (the “Board”) by Woodlake Specialty Hospital LLC and Woodlake Pacific Holdings LLC (collectively, “Woodlake”).

RML supports efforts being made to identify viable options for future use of the facility formerly known as Westlake Hospital to meet the health care needs of the community in and around the Village of Melrose Park, including short-term acute, acute mental illness, comprehensive physical rehabilitation, and/or long-term (skilled nursing) care needs. However, we firmly believe that Woodlake’s proposed use of the facility as a partial-LTACH (as outlined in its Application) is ill-advised, impractical, and inconsistent with current regulatory requirements. Specifically, Woodlake’s request for authorization of 44 long-term acute care (“LTAC”) beds runs afoul of current regulations within the State of Illinois that prohibit the operation of both short and long-term acute care beds within the same facility. This prohibition is intended to prevent the inappropriate transfer of patients between certain care settings within the same facility for reimbursement-maximization purposes.

Ms. Courtney Avery
July 7, 2021
Page 2

In addition, the applicable designated planning area (i.e., the combination of Health Service Areas 6, 7, 8, and 9) currently has a significant excess supply of LTAC beds. The Board's own 2019 *Inventory of Health Care Facilities and Services and Need Determinations* for such planning area calculated an excess capacity of 35% for the LTAC category of service (i.e., 226 excess beds out of 652 existing beds). This excess-capacity situation contributed to the recent closure (as reflected in the June 30, 2021 addendum to the Board's *Inventory of Health Care Facilities*) of Kindred Chicago Central Hospital (a 95-bed LTACH in Chicago), thereby reducing the excess capacity for such planning area's LTAC category of service to a still-significant 24% (i.e., 131 excess beds out of 557 existing beds). Aside from a slight increase observed during the height of the COVID-19 pandemic, demand for LTAC beds across the Chicago area has been steadily declining for the past several years; with this downward trend expected to continue for the foreseeable future, the authorization of any new LTAC beds to be operated by Woodlake would only further increase excess capacity in our planning area, as well as jeopardize the long-term financial viability of our own (as well as the other Chicago area LTACHs') existing operations (especially with regard to RML's west-side Chicago campus, which is a *Medicaid High Volume Provider*, given its relatively-close proximity to Woodlake's proposed new facility).

For the reasons explained above, I respectfully request that the Board not approve the Application as submitted (i.e., without excluding the authorization of LTAC beds, which are neither permissible as proposed by State regulation nor needed by the Board's own assessment). The authorization of additional LTAC beds in Health Service Areas 6, 7, 8, and 9 would provide no additional benefit to the community and merely increase the number of excess beds that already exist.

If you have any questions and/or would like additional information regarding my position with respect to the Application, please feel free to contact me via email at jprister@rmlsh.org or by phone at (630) 286-4120. Thank you in advance for your consideration.

Sincerely,



James R. Prister
President and Chief Executive Officer