



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET ITEM: C-03	BOARD MEETING: June 4, 2019	EXEMPTION NUMBER: #E-017-19
EXEMPTION APPLICANT(S): Galesburg Hospital Corporation d/b/a Galesburg Cottage Hospital and Quorum Health Corporation		
FACILITY NAME and LOCATION: Galesburg Cottage Hospital, Galesburg, Illinois		

STATE BOARD STAFF REPORT
DISCONTINUATION OF A CATEGORY SERVICE
EXEMPTION REQUEST

I. The Exemption Application

The Applicants (Quorum Health Corporation and Galesburg Hospital Corporation d/b/a Galesburg Cottage Hospital) propose the discontinuation of a 10-bed obstetric category of service at Galesburg Cottage Hospital, 695 North Kellogg Street, Galesburg Illinois (#E-017-19). A Safety Net Impact Statement and Charity Care Information have been provided as required. Impact Letters were sent to hospitals within 21-miles of Galesburg Cottage Hospital that maintain obstetric services. The expected completion date is July 5, 2019.

II. Applicants

Quorum Health Corporation and its subsidiaries provide hospital and outpatient healthcare services in markets across the United States. As of December 31, 2018, Quorum owned or leased 27 hospitals in rural and mid-sized markets, which are located in 14 states and have a total of 2,604 licensed beds [Source: 10-K filing <http://www.quorumhealth.com/about-us/corporate-governance/sec-filings/>] Quorum Health Corporation owns eight hospitals in Illinois including Galesburg Cottage Hospital.

TABLE ONE
Hospitals Owned by Quorum Health Corporation in Illinois

	City	Beds ⁽¹⁾
Crossroads Community Hospital	Mt. Vernon	47
Galesburg Cottage Hospital	Galesburg	143
Gateway Regional Medical Center	Granite City	338
Heartland Regional Medical Center	Marion	106
MetroSouth Medical Center	Blue Island	314
Red Bud Regional Hospital	Red Bud	25
Union County Hospital	Anna	25
Vista Medical Center	Waukegan	228

1. Beds as of December 31, 2017

Galesburg Hospital Corporation d/b/a Galesburg Cottage Hospital is an Illinois domestic corporation incorporated in the State of Illinois on February 27, 2004. The hospital is located at 695 N. Kellogg Street, Galesburg, Illinois in Knox County in Health Service Area HSA II and the C-03 Hospital Planning Area. HSA II includes the Illinois Counties of Bureau, Fulton, Henderson, Knox, LaSalle, Marshall, McDonough, Peoria, Putnam, Stark, Tazewell, Warren, and Woodford. The C-03 Hospital Planning Area includes Henderson, Warren and Knox Counties. The hospital corporation is in Good Standing with the Illinois Secretary of State (page 15 of the exemption application), is licensed by the IDPH (page 28 of the exemption application) and is accredited by the Joint Commission

(page 29 of the exemption application).

III. Applicable Rules

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.

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 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)]

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 at 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*

III. State Board Staff Analysis

Galesburg Cottage Hospital proposes to discontinue a 10-bed obstetric category of service including one C-Section room and ten level II nursery stations/bassinettes. No final plans have made of the use of the vacated space and the equipment will be used in other areas of the hospital, sent to other Quorum facilities, sold or discarded. The medical records will be maintained in accordance with all federal and state legal requirements.

According to the Applicants *“The primary reasons for proposing the discontinuation of the hospital's obstetrics program are the loss of an obstetrician from the medical staff and low utilization. The hospital currently has, in recent years, had two obstetricians on its Medical Staff. One of those obstetricians ceased practicing in the community, effective April 23, 2019, leaving the hospital with only one obstetrician practicing at the hospital. With only 349 babies being delivered at the hospital in 2018, an anticipation that the loss*

of an obstetrician from the Medical Staff will result in a reduction in the number of babies delivered at the hospital, and another, more active obstetrics program being available in the community, the discontinuation of the program will result in the elimination of an unnecessary duplication of service, without adversely impacting access for area residents.”

There are two hospitals located in Galesburg. Galesburg Cottage Hospital, the subject of this exemption application, and OSF St. Mary’s Medical Center with 60 medical surgical beds, 5 pediatric beds, 9 ICU beds and 7 obstetric beds for a total of 81 acute care beds. In November of 2017 OSF St. Mary’s Medical Center began the modernization of the obstetric department at the hospital at an approximate cost of \$4.6 million. This modernization did not require approval of the State Board (Advisory Opinion dated November 11, 2017). In addition, this modernization did not add acute care beds. Subsequently OSF St. Mary’s Medical Center notified the State Board (Letter dated April 18, 2019) that with the announcement of the discontinuation of Obstetric services at Galesburg Cottage Hospital the modernization of the OB department at St. Mary’s Medical Center will need to be expanded to address the expected increase in utilization at OSF St. Mary’s Medical Center. OSF St. Mary’s Medical Center was notified by Galesburg Cottage Hospital of the discontinuation of the obstetric category of service in a letter dated April 12, 2019. [See page 25 of the Application for Permit]

The Illinois Health Facilities Planning Act (20 ILCS 3960/6) requires that
“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, discontinuation of a category of service, and discontinuation of a health care facility, other than a health care facility maintained by the State or any agency or department thereof or a nursing home maintained by a county.”

The Applicants stated:

“The proposed discontinuation of obstetrics services at Galesburg Cottage Hospital will not in the opinion of the applicants, have any material impact on access to essential safety net services in the community. Further, the applicants do not anticipate that the proposed discontinuation will have any material impact on other safety net providers.”

TABLE TWO
Information Required by 20 ILCS 3960/5.4

	2015	2016	2017
<u>Net Revenue</u>	\$76,041,819	\$75,800,250	\$67,670,428
<u>Charity Care</u>			
Inpatient	0	2	1
Outpatient	9	30	30
Total	9	32	31
<u>Charity Care at Cost</u>			
Inpatient	\$0	\$47,319	\$6,237
Outpatient	\$61,902	\$262,434	\$33,687
Total	\$61,902	\$309,753	\$39,924
% of Net Revenue	0.08%	0.41%	0.06%
<u>Medicaid</u>			
Inpatient	463	472	481
Outpatient	17,078	17,079	16,880
<u>Total</u>	17,541	17,551	17,361
Inpatient	\$7,757,195	\$6,632,368	\$8,736,792
Outpatient	\$3,721,794	\$8,018	\$1,966,812
<u>Total</u>	\$11,478,989	\$6,640,386	\$10,703,604
% of Net Revenue	15.10%	8.76%	15.82%

The Applicants have provided the required information for this exemption application.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH DISCONTINUATION OF A CATEGORY OF SERVICE OR HEALTH CARE FACILITY (77 ILAC 1130.500, 77 ILAC 1130.520 AND 77 ILAC 1110.290)

TABLE THREE
Galesburg Hospital Corporation d/b/a Galesburg Cottage Hospital
(CY 2016 - CY2017)

<u>2017</u>	<u>Beds</u>	<u>ALOS</u>	<u>ADC</u>	<u>Occ</u>	<u>2016</u>	<u>Beds</u>	<u>ALOS</u>	<u>ADC</u>	<u>Occ</u>
Medical Surgical	87	3.8	12.6	14.50%	Medical Surgical	87	3.9	14	16.10%
Pediatric	18	2.1	0.1	60.00%	Pediatric	18	0	0	0.00%
Intensive Care	12	3.7	3.8	31.20%	Intensive Care	12	3.6	3.9	32.20%
OB/GYN	10	2.2	2.6	26.30%	OB/GYN	10	2.4	2.6	25.60%
AMI	16	14.4	16.7	74.20%	LTC	34	13.5	9.6	28.30%
<u>Total</u>	<u>143</u>	<u>5.1</u>	<u>32.3</u>	<u>22.60%</u>	AMI	12	16.3	7.8	64.70%
					<u>Total</u>	<u>173</u>	<u>5.5</u>	<u>37.8</u>	<u>21.80%</u>

Births

Number of Total Births	392
Number of Live Births	389
C- Sections	137

Births

Number of Total Births	368
Number of Live Births	366
C- Sections	104

<u>Total Revenue</u>	<u>\$63,910,368</u>	<u>100.00%</u>
Medicare	\$16,406,376	25.67%
Medicaid	\$10,703,104	16.75%
Other Public	\$0	0.00%
Private Insurance	\$29,018,854	45.41%
Private Pay	\$7,782,034	12.18%
Charity Care	\$39,924	0.06%

<u>Total Revenue</u>	<u>\$64,576,277</u>	<u>100.00%</u>
Medicare	\$11,666,368	18.07%
Medicaid	\$6,640,386	10.28%
Other Public	\$6,515,896	10.09%
Private Insurance	\$27,456,907	42.52%
Private Pay	\$12,296,720	19.04%
Charity Care	\$309,753	0.48%

Source: 2016 and 2017 Annual Hospital Profiles

<u>Ownership, Management and General Information</u>		<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	James Flynn	White	92.2%	Hispanic or Latino:	2.0%
ADMINISTRATOR PHONE	309-345-4567	Black	6.6%	Not Hispanic or Latino:	98.0%
OWNERSHIP:	Galesburg Hospital Corporation	American Indian	0.0%	Unknown:	0.0%
OPERATOR:	Galesburg Cottage Hospital	Asian	0.6%		
MANAGEMENT:	For Profit Corporation	Hawaiian/ Pacific	0.6%	IDPH Number:	5330
CERTIFICATION:		Unknown	0.2%	HPA	C-03
FACILITY DESIGNATION:	General Hospital			HSA	2
ADDRESS	695 North Kellogg Street	CITY:	Galesburg	COUNTY:	Knox County

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	Authorized CON Beds 12/31/2017	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Bed Occupancy Rate %
Medical/Surgical	87	87	24	1,217	4,612	0	3.8	12.6	14.5	14.5
0-14 Years				17	27					
15-44 Years				101	291					
45-64 Years				293	1,002					
65-74 Years				275	1,069					
75 Years +				531	2,223					
Pediatric	18	18	2	19	40	0	2.1	0.1	0.6	0.6
Intensive Care	12	12	8	373	1,369	0	3.7	3.8	31.3	31.3
Direct Admission				373	1,369					
Transfers				0	0					
Obstetric/Gynecology	10	10	8	430	960	0	2.2	2.6	26.3	26.3
Maternity				430	960					
Clean Gynecology				0	0					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	11	11	34	489	0	14.4	1.3	0.0	12.2
Swing Beds			0	0	0		0.0	0.0		
Total AMI	16			260	4,336	0	16.7	11.9	74.2	
Adolescent AMI		0	0	0	0	0	0.0	0.0		0.0
Adult AMI		16	16	260	4,336	0	16.7	11.9		74.2
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	143			2,333	11,806	0	5.1	32.3	22.6	

(Includes ICU Direct Admissions Only)

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	48.2%	20.6%	0.0%	28.5%	2.7%	0.0%	
	1125	481	0	665	62	1	2,334
Outpatients	30.9%	28.5%	0.0%	33.4%	7.3%	0.1%	
	18293	16880	0	19773	4299	30	59,275

<u>Financial Year Reported:</u>	1/1/2017 to	12/31/2017	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>					Charity Care Expense	Total Charity Care Expense
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals			
Inpatient Revenue (\$)	35.9%	27.5%	0.0%	28.7%	7.8%	100.0%		38,924	
	11,395,457	8,736,792	0	9,104,201	2,479,157	31,715,607	5,237		
Outpatient Revenue (\$)	15.6%	6.1%	0.0%	61.9%	16.5%	100.0%		Total Charity Care as % of Net Revenue	
	5,010,919	1,966,312	0	19,914,653	5,302,877	32,194,761	33,687	0.1%	

<u>Birthing Data</u>			<u>Newborn Nursery Utilization</u>			<u>Organ Transplantation</u>		
Number of Total Births:	392		Level I	Level II	Level II+	Kidney:		0
Number of Live Births:	389	Beds	0	10	0	Heart:		0
Birthing Rooms:	0	Patient Days	752	15	4	Lung:		0
Labor Rooms:	0	Total Newborn Patient Days			771	Heart/Lung:		0
Delivery Rooms:	0					Pancreas:		0
Labor-Delivery-Recovery Rooms:	0					Liver:		0
Labor-Delivery-Recovery-Postpartum Rooms:	10					Total:		0
C-Section Rooms:	1	Inpatient Studies			71,467			
CSections Performed:	137	Outpatient Studies			174,686			
		Studies Performed Under Contract			21,812			

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	42	10	48	74	122	1.1	7.4
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	5	5	98	349	175	536	711	1.8	1.5
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	0	71	0	80	80	0.0	1.1
OB/Gynecology	0	0	0	0	149	199	47	331	378	0.3	1.7
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	0	0	0	496	0	259	259	0.0	0.5
Orthopedic	0	0	0	0	226	446	628	491	1119	2.8	1.1
Otolaryngology	0	0	0	0	1	0	1	0	1	1.0	0.0
Plastic Surgery	0	0	0	0	0	0	0	0	0	0.0	0.0
Podiatry	0	0	0	0	2	13	0	18	18	0.0	1.4
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	1	1	32	136	60	254	314	1.9	1.9
Totals	0	0	6	6	550	1720	959	2043	3002	1.7	1.2

SURGICAL RECOVERY STATIONS	Stage 1 Recovery Stations	6	Stage 2 Recovery Stations	10
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Dedicated and Non-Dedicated Procedure Room Utilization

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	2	2	121	684	66	705	771	0.5	1.0
Laser Eye Procedures	0	1	0	1	0	186	0	93	93	0.0	0.5
Pain Management	0	0	0	0	0	188	0	0	0	0.0	0.0
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0

Multipurpose Non-Dedicated Rooms

	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Emergency/Trauma Care

Certified Trauma Center	Yes
Level of Trauma Service	Level 1
Operating Rooms Dedicated for Trauma Care	1
Number of Trauma Visits:	41
Patients Admitted from Trauma	5
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	12
Persons Treated by Emergency Services:	13,813
Patients Admitted from Emergency:	1,135
Total ED Visits (Emergency+Trauma):	13,854

Free-Standing Emergency Center

Beds in Free-Standing Centers	0
Patient Visits in Free-Standing Centers	0
Hospital Admissions from Free-Standing Center	0

Outpatient Service Data

Total Outpatient Visits	59,245
Outpatient Visits at the Hospital/ Campus:	59,245
Outpatient Visits Offsite/off campus	0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	0
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Lab	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	0
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	0
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	0
EP Catheterizations (15+)	0

Cardiac Surgery Data

Total Cardiac Surgery Cases:	0
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	0
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

Diagnostic/Interventional Equipment

	Owned Contract		Examinations		
			Inpatient	Outpt	Contract
General Radiography/Fluoroscopy	6	0	3,028	12,589	0
Nuclear Medicine	1	0	68	486	0
Mammography	1	0	0	1,925	0
Ultrasound	2	0	178	1,505	0
Angiography	1	0			
Diagnostic Angiography			55	109	0
Interventional Angiography			0	72	0
Positron Emission Tomography (PET)	0	1	0	0	63
Computerized Axial Tomography (CAT)	2	0	931	3,257	0
Magnetic Resonance Imaging	1	0	81	1,190	0

Therapeutic Equipment

	Owned Contract		Therapies/Treatments
Lithotripsy	0	1	22
Linear Accelerator	0	0	0
Image Guided Rad Therapy			0
Intensity Modulated Rad Thrpy			0
High Dose Brachytherapy	0	0	0
Proton Beam Therapy	0	0	0
Gamma Knife	0	0	0
Cyber knife	0	0	0

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