



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET ITEM: C-04	BOARD MEETING: August 6, 2019	EXEMPTION NUMBER: #E-025-19
APPLICANTS: Marion Hospital Corporation, Quorum Health Corporation		
FACILITY NAME and LOCATION: Marion Hospital Corporation d/b/a Heartland Regional Medical Center, Marion		

STATE BOARD STAFF REPORT
DISCONTINUATION OF A CATEGORY SERVICE
EXEMPTION REQUEST

I. The Exemption Application

The Applicants (Marion Hospital Corporation d/b/a Heartland Regional Medical Center and Quorum Health Corporation) propose the discontinuation of the 12-bed obstetric category of service at Heartland Regional Medical Center. Additionally, the hospital will be discontinuing twelve Level 1 nursery stations, four Level II nursery stations, five labor-delivery-recovery rooms, and one C-section room. The 12-obstetric beds will be converted to 12-medical surgical beds. There is no cost to this project. The expected completion date is September 7, 2019.

In August of 2015, Community Health Systems, Inc. formed a new, independent, publicly traded hospital company by spinning off a group of 38 hospitals and Quorum Health Resources, LLC, a leading hospital management and consulting firm. The hospitals that became a part of Quorum Health Corporation are primarily located in cities or counties having populations of 50,000 or less. Quorum Health Corporation owns the following hospitals in Illinois.

TABLE ONE
Hospitals in Illinois owned by Quorum Health Corporation

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

1. As of December 31, 2017

II. Hospital – Obstetric Category of Service

Heartland Regional Medical Center is a 106-bed acute care hospital located at 3333 N. Deyoung, Marion, Illinois in the HSA V Health Service Area and the F-06 Hospital Planning Area. The HSA V Health Service Area includes the Illinois Counties of Alexander, Bond, Clay, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Johnson, Lawrence, Marion, Massac, Perry, Pope, Pulaski, Randolph, Richland, Saline, Union, Wabash, Washington, Wayne, White, and Williamson. The F-06 Hospital Planning Area includes Franklin, Williamson, Johnson, and Massac Counties; Pope County Townships of Jefferson #4, Webster #5, Golconda #1

and Golconda #3. Table Two shows the utilization of the obstetric category of service and newborn nursery for the past five years at the Hospital.

TABLE TWO					
Obstetric Utilization					
CY 2013-2017					
Year	2017	2016	2015	2014	2013
<u>Obstetrics Beds</u>					
Beds	12	12	12	12	12
ALOS	2.4	2.6	2.3	2.1	2.1
ADC	4.5	5.6	5.4	5.3	5.3
Occupancy	37.80%	46.80%	45.20%	38.70%	43.90%
<u>New Born Nursery</u>					
Births					
Total Births	645	762	833	881	873
Live Births	639	756	833	875	864
Level 1					
Beds	12	12	12	12	12
Days	1,251	1,397	1,116	1,363	1,309
Level 2					
Beds	4	4	4	4	4
Days	56	121	247	105	260
Level 2+					
Beds	0	4	4	4	4
Days	0	145	231	8	5
C-Sections	173	224	258	288	269
LDR Rooms	5	5	5	5	5

III. Discontinuation

The Applicants are discontinuing the service because of the low utilization of the OB service as documented in Table Two above. The obstetrics unit includes twelve private patient rooms and these 12-rooms will be re-designated as medical/surgical rooms/beds, and the former postpartum unit will operate as an orthopedics unit, with the former nursery and the existing unit's support space serving as support and therapy space on the orthopedics unit. The five LDRs will be converted into observation rooms, and the C-Section room will be used as a surgical suite. The equipment will be used in other areas of the hospital moved to other hospitals owned by applicant Quorum Health, sold, or discarded.

Memorial Hospital of Carbondale (approximately 17 miles from Heartland) is the only provider of obstetrics services other than Heartland Regional Medical Center located within the HFSRB-designated geographic service area, and a notification letter has been sent to that hospital. A response was received from Memorial Hospital of Carbondale on

May 29, 2019, indicating no admission restrictions or limitations. The letter from Memorial Hospital of Carbondale is provided in the Application for Permit page 25.

The obstetrical areas of the hospital have 35 FTEs. All employees have been offered other positions at the hospital. The medical records of past patients will be retained by the hospital, consistent with licensure and accreditation requirements, as well as contemporary medical records retention practices and federal and state law.

IV. Safety Net Impact

The Applicants:

“While not designated by HFS as being a "Safety Net Hospital," Heartland Regional Medical Center is, and will continue to be a provider of safety net services to its community. The hospital primarily serves Marion and the surrounding communities and rural areas, which include a significant proportion of Medicaid recipients. During 2018, 26% of the patients admitted to the hospital were Medicaid recipients. Given that this proposal will not impact any non-obstetrical services provided by the hospital, and the low number (fewer than two per day) of patients admitted to the hospital's obstetrics unit in 2018; with another provider located in close proximity to the hospital, the proposed discontinuation will have minimal impact on accessibility to safety net services. Two other hospitals are located in the HFSRB designated geographic service area. However, and because of the low number of patients to be impacted by the proposed discontinuation, it is not believed that the proposed discontinuation will have a material effect on other hospitals' ability to provide safety net services.”

**TABLE TWO
Safety Net Impact
Heartland Regional Medical Center**

	2016	2017	2018
Net Revenue	\$106,229,986	\$107,493,477	\$125,956,140
<u>Charity Care</u>			
Inpatient	15	3	75
Outpatient	78	54	278
Total	93	57	353
Charity			
Inpatient	\$528,716	\$341,580	\$50,948
Outpatient	\$778,631	\$881,431	\$21,754
Total	\$1,307,347	\$1,223,011	\$72,702
	1.23%	1.14%	0.06%
	2016	2017	2018
<u>Medicaid</u>			
Inpatient	1,264	1,241	1,031
Outpatient	15,882	15,126	13,068
Total	17,146	16,367	14,099

Inpatient	\$18,953,503	\$12,655,263	\$10,868,439
Outpatient	\$12,734	\$452,731	\$4,228,560
Total	\$18,966,237	\$13,107,994	\$15,096,999
	17.85%	12.19%	11.99%

IV. **Applicable Rules**

A) Section 1100.530 - Obstetric Care Category of Service

- a) *Planning Areas*
Planning areas are the same as those for medical-surgical and pediatric care.
- b) *Age Groups*
 - 1) *For maternity care, female ages 15-44.*
 - 2) *For gynecological care within obstetrics units, female ages 15 and over.*
- c) *Facility Utilization Rates*
Facilities that provide an obstetrics service should operate those beds at or above an annual minimum occupancy rate of:
 - 1) *60% for facilities with a bed capacity of 1-10 beds;*
 - 2) *75% for facilities with a bed capacity of 11-25 beds;*
 - 3) *78% for facilities with a bed capacity of 26 or more beds.*
- d) *Bed Capacity*
Obstetrics bed capacity is the total number of obstetrics beds for a facility as determined by HFSRB pursuant to this Part

B) 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.

C) 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)]

D) Section 1110.290 - Discontinuation

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*

No opposition or support letters were received and there was no request for a public hearing. The Applicants have provided the required information for this exemption application.

The State Board shall establish by regulation the procedures and requirements regarding issuance of exemptions. An exemption shall be approved when information required by the Board by rule is submitted (20 ILCS 3960/6b).

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN 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)