



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET ITEM: C-09	BOARD MEETING: August 6, 2019	EXEMPTION NUMBER: #E-030-19
APPLICANTS: UnityPoint Health, Methodist Health Services Corporation, Progressive Health System, and Pekin Memorial Hospital		
FACILITY NAME and LOCATION: Pekin Memorial Hospital, Pekin		

STATE BOARD STAFF REPORT
DISCONTINUATION OF A CATEGORY SERVICE
EXEMPTION REQUEST

I. The Exemption Application

The Applicants (UnityPoint Health, Methodist Health Services Corporation, Progressive Health System, and Pekin Memorial Hospital) propose the discontinuation of the 12-bed obstetric category of service at Pekin Memorial Hospital. Additionally, the hospital will be discontinuing ten Level 1 nursery stations, two Level II nursery stations, three labor-delivery-recovery rooms, and one C-section room. There is no cost to this project. The expected completion date is September 17, 2019.

In 1993, the Iowa Methodist Medical Center, Blank Children's Hospital and Iowa Lutheran Hospital merged to form Iowa Health System. In 2013, the hospital system was renamed Iowa Health System dba UnityPoint Health and is based in West Des Moines, Iowa. UnityPoint Health facilities are located throughout Iowa, Illinois and Wisconsin. In June of 2019 UnityPoint Health, signed a letter of intent to merge with Sanford Health, a larger health system based in South Dakota (source: becker).

TABLE ONE
Hospitals in Illinois owned by UnityPoint Health

Hospital	City	Beds ⁽¹⁾
Pekin Memorial Hospital	Pekin	107
Proctor Community Hospital	Peoria	210
The Methodist Medical Center of Illinois	Peoria	329
UnityPoint Health – Moline	Moline	38
UnityPoint Health – Rock Island	Rock Island	327
Memorial Hospital Association	Carthage	18

1. As of December 31, 2017

II. Hospital – Obstetric Category of Service

Pekin Memorial Hospital is a 107-bed acute care hospital located at 600 South 13th Street, Pekin, Illinois in the HSA II Health Service Area and the C-01 Hospital Planning Area. The HSA II Health Service Area includes the Illinois Counties of Bureau, Fulton, Henderson, Knox, LaSalle, Marshall, McDonough, Peoria, Putnam, Stark, Tazewell, Warren, and Woodford. The C-01 Hospital Planning Area includes Woodford, Peoria, Tazewell, and Marshall Counties; Stark County Townships of Goshen, Toulon, Penn, West Jersey, Valley and Essex. There is a calculated excess of 86 obstetric beds in the C-01 Hospital Planning Area.

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

TABLE TWO
Pekin Memorial Hospital
12-Bed Obstetric Category of Service
(CY2017-CY2013)

Year	2017	2016	2015	2014	2013
Beds	12	12	12	12	12
Admissions	408	437	465	483	478
Days	898	980	1,046	1,117	1,117
ADC	2.46	2.68	2.87	3.06	3.06
ALOS	2.20	2.24	2.25	2.31	2.34
Occ %	21%	22%	24%	26%	26%
Number of Births	369	408	446	460	433
Number of Lived Births	369	408	444	453	431
Level 1					
Beds	10	10	10	18	18
Days	676	709	782	769	814
Level 2					
Beds	2	2	1	1	1
Days	55	66	42	73	74
Level 2+					
Beds	0	0	1	1	1
Days	0	0	33	75	41
C-Section					
Room	1	1	1	1	1
C-Sections Performed	0	84	118	118	134
LDR Rooms	3	3	3	3	3

1. Information from Hospital Profiles

III. Discontinuation

The Applicants are discontinuing the service to consolidate obstetrical services on the Methodist Medical Center of Illinois campus in Peoria, Illinois. Methodist Medical Center has a 22-bed obstetric category of service that operated at 53% utilization in CY 2017. Both Methodist Medical Center and Pekin Memorial Hospital are both owned by UnityPoint Health. Methodist Medical Center is approximately 12 miles from Pekin Memorial Hospital.

The Applicants stated “Consolidating the programs into a single location at Methodist allows us to build upon our shared history of quality, safety and patient-centered care, while also being a good steward of our patients' limited healthcare dollars by eliminating costly duplication. This change will result in improved clinical quality and improved capabilities to manage adverse events & reduce risk. Methodist provides 24/7 Laborist and Anesthesia coverage in its obstetrical unit. The service is not available on the Pekin Memorial Hospital campus because the low patient volume will not economically support it. The savings from consolidation will allow Methodist to invest in its nursery, allowing women and infants access to enhanced newborn care, including Level 2 Special Care Nursery and 24/7 onsite obstetric and neonatologist coverage. The consolidation of obstetrical services on a single campus is expected to generate savings of \$1.6 million annually. At present, Pekin's OB program has a negative operating margin. Potential additional savings with reduction of pediatric newborn call is approximately \$100,000 (not included in the \$1.6M). Economies of scale produce sufficient savings to allow for investment on the Methodist campus and ensure that OB services are sustainable for the foreseeable future.”

IV. Safety Net Impact

The Applicants stated: “The discontinuation of obstetrics at Pekin is not expected to have any impact on safety net services. In 2018, Pekin served 350 OB patients representing an average daily census of 2.0 patients. Methodist Medical Center has the capacity to accommodate this volume without any impact on patient access. Additionally, there are 2 other hospitals within 45 minutes' drive time with excess OB capacity which serve the public without restrictions or limitations. The projected savings from the consolidation of obstetrical services on, the Methodist campus provides the resources required to not only subsidize government pay patients but to also reinvest in the program. Moreover, Methodist has an AA2 rated bond rating demonstrating more than sufficient financial capacity to provide charity care should the need arise. Because of the low volume of cases, discontinuation of obstetrical services will not have a material impact on any other provider. Methodist Medical Center has the capacity and desire to serve the patient population affected by the proposed discontinuation.”

TABLE THREE
Pekin Memorial Hospital
Safety Net Information

Net Patient Service Revenue	\$65,990,578	\$60,482,345	\$57,258,039
Charity	2016	2017	2018
Inpatient	6	3	2
Outpatient	479	121	88
Total	485	124	90
Inpatient	\$54,734	\$57,589	\$104,825
Outpatient	\$224,474	\$184,595	\$285,335
Total	\$279,208	\$242,184	\$390,160
Medicaid			
Inpatient	550	487	555
Outpatient	28,264	26,785	20,746
Total	28,814	27,272	21,301
Inpatient	\$1,739,254	\$1,154,422	\$1,984,278
Outpatient	\$8,388,002	\$8,289,463	\$6,673,417
Total	\$10,127,256	\$9,443,885	\$8,657,695
% of Charity Care to Net Patient Revenue	0.42%	0.40%	0.68%
% of Medicaid to Net Patient Revenue	15.35%	15.61%	15.12%

TABLE FOUR
Methodist Medical Center of Illinois
Safety Net Information

Net Patient Service Revenue	\$366,118,328	\$375,147,648	\$393,686,818
Charity			
Inpatient	922	577	958
Outpatient	5,540	5,342	7,008
Total	6,462	5,919	7,966
Inpatient	\$689,084	\$465,962	\$1,064,882
Outpatient	\$1,472,523	\$1,180,489	\$1,484,219
Total	\$2,161,607	\$1,646,451	\$2,549,101
Medicaid			
Inpatient	3,751	3,689	3,388
Outpatient	57,391	55,079	47,011
Total	61,142	58,768	50,399

TABLE FOUR
Methodist Medical Center of Illinois
Safety Net Information

Inpatient	\$35,368,916	\$36,647,446	\$36,869,411
Outpatient	\$40,126,990	\$38,343,315	\$31,969,828
Total	\$75,495,906	\$74,990,761	\$68,839,239
% of Charity Care to Net Patient Revenue	0.59%	0.44%	0.65%
% of Medicaid to Net Patient Revenue	20.62%	19.99%	17.49%

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)

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 as 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