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HEALTH FACILITIES &
SERVICES REVIEW BOARD

May 31, 2016

Ms. Courtney Avery
Illinois Health Facilities and Services Review Board
525 West Jefferson, 2nd Floor
Springfield, Illinois 62761

Re: #15-044

Dear Ms. Avery:

The additional information submitted by the applicants for the above referenced project does nothing to address the concerns raised by the Illinois Health Facilities & Services Review Board ("HFSRB") when it issued an "Intent to Deny" on February 16, 2016. To the contrary, the information confirms the negative impact the facility will have on other area providers of care (Crossroads, Crystal Pines, Florence and The Springs at Crystal Lake and Fair Oaks), and the lack of need for the types of services proposed. To be clear, the services proposed (subacute rehab) in a LTC setting are not innovative or new to the service area. The Springs, 10 minutes from the proposed site, offers the same services in a dedicated facility. Other area providers offer the services in distinct units as well. In addition, the supplemental material continues the applicants' pattern of providing inaccurate and contradictory information. While we have submitted a comprehensive response to the supplemental information, key "take aways" are as follows:

Crossroads:

Private Rooms	4
Rehab Beds	32 of 115 total
Medicaid (2015)	60%
Percent of Rehab Referrals from Centegra	75%
Current Utilization (based on beds set up and staffed)	84%

Crystal Pines:

Private Rooms	7
Rehab Beds	24 of 108 total

Medicaid (2015)	65%
Percent of Rehab Referrals from Centegra	50%
Current Utilization (based on beds set up and staffed)	83%

Florence:

Private Rooms	10
Rehab Beds	31 of 56 total
Medicaid (2015)	50%
Percent of Rehab Referrals from Centegra	80%
Current Utilization (based on beds set up and staffed)	90%

The Springs:

Private Rooms	20
Rehab Beds	97 of 97 total
Medicaid (2015)	1%
Percent of Rehab Referrals from Centegra	80%
Current Utilization (based on beds set up and staffed)	56%

Fair Oaks:

Private Rooms	20
Rehab Beds	43 of 51 total
Medicaid (2015)	15%
Percent of Rehab Referrals from Centegra	65%
Current Utilization	87%
Percent of beds in use (setup and staffed 2016 to date)	100%

- The Springs at Crystal Lake, 10 minutes from Centegra offers the exact services the proposed facility offers. While it is 27 years old it has invested $1.3M in capital over the past 2 years. In fact the $7.2M has been spent on improvements in the last 2 years at area facilities. The applicant erroneously stated the total capital spent by opposition facilities over the past 3 years. It missed or ignored $4.4 M spent by Fair Oaks in 2015 (the number is on its cost report filed with CMS). Also, the applicant failed to note, or does not know, that Crossroads, which has 60% Medicaid utilization, is modernizing its distinct rehab unit and creating a separate entrance and parking for it.

- The above 5 facilities are within the 30 minute service area, have rehab beds for LTC patients, and all are underutilized. None have seen growth over the past few years, despite a 10% increase in population from 2010-2015 in people over 65 years of age.

- Lengths of stay are decreasing due to government and private payer mandates. As a result, if there is growth in the future, it will be offset by shorter ALOS. Interestingly, the applicants initially stated ALOS would be 13 (when they said they would serve over 1,000 patients). After they decreased the number of expected patient referrals to 500 plus opposition questioned how they could be at target utilization. Staff queried this as well, and now in response to staff's question on same the applicants have said ALOS will be 28. This is unreasonable. The current average ALOS at the Springs which also offers only subacute rehab is between 10-15 days.

- Short term rehab stays are almost all paid for by Medicare, because most people who need rehab care after discharge from an acute care stay are 65 or older. Medicare and private pay patients support LTC facilities in providing care to Medicaid insureds. The proposed facility will skim the Medicare patients from existing area facilities that have combined served the area for over 30 years. It will impede access to Medicaid residents and create problems for existing facilities with respect to revenue for capital investments.

Inconsistencies In Application.

- The applicants state the existing facilities are old which is why they are underutilized, and point to deficiency notices. They fail to note that the two closest facilities to the proposed site spent over $6M in capital improvements over the past 4 years and have 4 and 5 star ratings from CMS (Fair Oaks and The Springs).

- The applicants claim the proposed facility is unique because it will have onsite radiology, lab and dialysis services. In fact it will have only bedside radiology (which all area facilities have) and the lab will be Centegra's lab. Further two other area facilities offer dialysis on site, and to others it is always available at bedside via contract with one of the dialysis providers.

- The applicants state the proposed facility will have rehab staff available 7 days a week and post discharge follow up, which other facilities do not offer. The Springs, 10 minutes from the proposed site, has rehab staff available 7 days a week and post discharge follow up. The applicants also said existing facilities do not have a gym. In fact all of the facilities offering rehab have a gym. The Springs gym is 1000 GSF and Fair Oaks is 1200 GSF (see attached picture of Fair Oaks gym).

- The applicant claims Valley Hi has high utilization because it is newer (built in 2005). Valley Hi is a traditional LTC facility and had high utilization in its older facility as well. Interestingly, while it is the newest of the facilities in the area, it had more deficiencies noted

than the older buildings, belying applicants assumption older facilities are somehow less than optimal.

- The applicants responded to HFSRB staff request for information with documentation that the rent for the facility was not determined, but in its application it stated the FMV of the lease was $1.6M.

- Despite being pushed to do so, the applicants refuse to provide referral letters that note where historical referrals have gone, knowing it will show the dramatic negative impact on area facilities.

- The applicants lowered the initial number of referrals from Centegra from what was in the application initially and then in the supplemental materials (probably to try to ameliorate the obvious negative impact on area facilities that now care for these patients). The application initially stated ALOS would be 13 days but when challenged on whether the reduced numbers of referrals at a 13 day ALOS would allow the proposed facility to meet utilization targets, applicants now claim the anticipated ALOS will be 28 days. In reality the typical ALOS for subacute rehab is 13-14 days, and the new facility will divert most of Centegra's referrals for rehab patients. This is an important point because Centegra is the only hospital in the area.

- The applicants claim that due to the stated Board need in McHenry County **all** facilities will be at target utilization within 2 years of it commencing operations. This ignores (1) historical utilization at existing facilities which has remained static and generally below the Board's target; (2) the stated need relates to general long term care and not the specialty rehab (short stay) care the applicants propose and (3) the need in McHenry County is not where the applicants propose their facility but rather in other MUAs within McHenry County.

The many misleading and outright inaccuracies the applicants provide raise questions about their intent and/or knowledge of the service area and area providers.

Negative Findings.

The applicants argue that the State Board staff erroneously determined the project did not meet criterion 1125.570 (Service Area Accessibility) because the applicants need only meet one of five criteria within that subsection. The applicants say they met the criterion because there are census tracts within McHenry County that are medically underserved. McHenry County is a big county and these tracts are not within the 30 minute service area of the proposed facility. **So, the applicants are incorrect in stating that MOUs in the County means they meet the criterion. Further the location of the facility proposed is not in one of the MOUs.** It is incorrect to state that the HFSRB staff was wrong to render a negative finding on this criterion because there are multiple facilities within the 30 minute proposed service are that are underutilized. One such facility is 10 minutes away from the proposed facility and offers the exact services proposed.

The applicants also say that the Board's projected need for beds in McHenry County belies the negative impact. **The bed need is for long term care generally, and not specific to subacute rehab services which is what the proposed facility is going to provide. Interestingly there is no need for acute rehab beds in the service area.** The applicants note population growth projections to support the projected bed need. However, despite projected population growth of 10% in the age cohort 65 and older in McHenry County from 2010 to 2015, the utilization of area facilities has remained static. Obviously, population growth in and of itself does not always translate to need for care.

The Proposed Facility Will Skim Top Paying Medicare Discharges from Centegra Hospital.

The proposed facility will not offer traditional long term care services. Rather, it will offer short term stays to mostly patients 65 and over requiring rehabilitation services post discharge to help them gain activities of daily living prior to going home. These patients no longer need acute hospital care, but are not quite ready to go home. Given changes in reimbursement and lengths of stay, the goal is to get a patient home as soon as he or she is considered able to engage in essential activities of daily living, taking into account the home environment (e.g. stairs, a companion at home, etc.) In the past, individuals would and could stay in a long term care setting until they felt comfortable to go home, meaning they might be more than able to engage in activities of daily living. Those days have past, as payers will no longer pay for extended stay and the general thought is that most patients will recover more quickly at home, as long as they are considered able, again, to navigate their home setting from a physical activity standpoint. These patients are, for the most part, Medicare or private pay patients who are discharged directly from the hospital to a long term care facility that offers subacute rehabilitative services. The social services department of the hospital (in this case Centegra, the only hospital in the area) typically will work with the patient and patient's family to arrange for placement among local area providers. In this case, the applicants note their location on Centegra's campus and that they will provide a "continuum of care". Translated, this means they will take almost all of Centegra's discharges in this patient population. **As an example, The Springs at Crystal Lake receives 80% of its patients requiring these types of services from Centegra. If these discharges are diverted to the proposed facility, it will be devastated.**

There is a business relationship between Centegra and the proposed facility – a ground lease worth well over a million dollars to Centegra. Given this, and its proximity to the Hospital there is every reason to suspect a multitude of Centegra discharges which currently go to existing area facilities that are underutilized will be diverted to the proposed facility. As stated, in 2015 the referrals from Centegra comprised a significant number of patients for these facilities.
There is no question the loss of these patients will have a negative impact on area facilities that have capacity.

Also important to note is the applicants mixed numbers on utilization and length of stay. In its application, the applicants state the average length of stay will be approximately 13 days and it will see over one thousand patients – that number of patients allows the applicants to meet target utilization for the beds proposed. However, in later submitted material, presumably to mute the opposition claims of negative impact, the applicants state they will take only 20-30% of

Centegra's discharges (belying the alleged continuum of care argument made in its supplemental submission). The 20-30% number is approximately 550 patients. If this is the case, with a 13 day ALOS, there is no way the facility could operate at the required utilization target for 98 beds. In response to HFSRB questions the applicants said the ALOS may be 28 days. It is important the HFSRB inquire as to which of these numbers is correct regarding percentage of referrals from Centegra and the ALOS for those referrals. If the first number stated in the application of 1,000 plus patients is correct than the facility will operate at target utilization, but will devastate area facilities by diverting all of the Centegra discharges that currently go to them. If the second number is correct, there still will be a negative impact, and the proposed facility will come nowhere close to meeting target utilization for 98 beds.

The fact is, if the facility is approved, a majority of Centegra's discharges will go to it, as stated in the original application and the supplemental material referencing a "continuum of care" for Centegra's patients. Area facilities that are already below target utilization will see even fewer patients. There simply is no need for the proposed facility at this time.

Area Facilities Provide The Same Quality Services The Applicants Propose.

Unfortunately the applicants "go negative" by claiming the area facilities are old and provide poor care. The latter is 100% inaccurate. At the HFSRB meeting on 02/16 the Board inquired as to what the applicants proposed that was really different or innovative. In the supplemental material, the applicants response, in a nutshell is that the facility will be new (it is true it will be newer than existing facilities, and there is no reason to believe it will not be nice), and that it will have a pub and a putting green. These "differences" do not justify approving a facility that will devastate other area providers. All area providers have a gym, many have private rooms and bathrooms with showers and all have the capabilities to provide the same care proposed by the applicants.

The applicants note various distinctive features, which in fact are not so distinctive, as referenced below:

- "Our facilities are purpose-built to treat high acuity patients in a short-term and transitional healthcare environment designed with the express purpose of promoting healing and wellness and to get patients or residents functional and to return them back to work or home as quickly as possible." **RESPONSE:** So are the other facilities offering rehab services.
- "The design includes the provision of 100% private rooms to limit the transfer of disease and aid in the comfort of the patient. Our private rooms allow patients to receive the proper amounts of rest needed to recover with total privacy and the maintenance of dignity." **RESPONSE:** Many of the facilities in the area have private rooms and/or due to utilization offer privacy as the double rooms are occupied by only one patient.
- "All private rooms include attached bathrooms that are fully equipped with a toilet, sink, and shower to further aid in the prevention of disease, and improve comfort for the patient. Private rooms and baths also help protect patients' statutory privacy rights."

RESPONSE: All facilities offer attached bathrooms. Although not all have showers in each room, many do.

- "Therapy gyms provide larger than average square footage per patient to allow patients to receive the full range of mobility therapy during rehab to aid in their recovery and in most cases will provide more than double the current space of existing providers in the PSA." **RESPONSE:** All facilities have a gym, and the Springs is 1,000 GSF and Fair Oaks is 1,200 GSF.
- "Because the therapy gym is new, all equipment is also new and state of the art." **RESPONSE:** Equipment at area facilities is updated and modern.
- "Occupational therapy has kitchens and bathrooms built into the therapy gyms provide practical training to help patients continue their healing at home and lessen the risk of hospital readmission from an accident." **RESPONSE:** This service is provided at The Springs, 10 minutes at most from the proposed facility.
- "Multiple dining areas with an onsite chef allow patients access to high quality, made to order, meals to provide the proper nutrition to heal. The restaurant style dining also allows family and friends the ability to easily eat with the patient taking stress off of the entire family." **RESPONSE:** Patients order off a menu at all facilities and all have dining rooms where families and friends can dine with patients. The Springs has an onsite Chef and prepares menus offering patient choice.

The Proposed Facility Will Hinder Access for Medicaid Recipients

Crossroads Care Center provides care to a significant Medicaid population and is within the 30 minute proposed service area. This facility also offers rehab services and in fact is currently modernizing this service and will be providing a separate entrance for it. It relies on Medicare and private pay residents to assist it in meeting its financial margins, in order to serve the 60% Medicaid patients it serves. If Medicare patients are diverted to the proposed facility, it as well as other area Medicaid providers, will have to curtail services and improvements, hindering access to quality care for Medicaid recipients.

We urge you to again turn down the proposed facility. The applicants have provided no information that should ameliorate the negative findings or concerns of the Board that resulted in the initial Intent to Deny vote.

Respectfully Submitted,

Clare Connor Ranalli

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