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VIA HAND DELIVERY

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Courtney R. Avery
Administrator
Illinois Health Facilities and Services
Review Board
25 West Jefferson Street
2nd Floor
Springfield, IL 62761

Re: Project No. 15-044 Transformative Health of McHenry
Applicants' Response to Staff Report

Dear Ms. Avery:

This response is submitted on behalf of the applicants on the above Project No. 15-044, pursuant to Section 6(c-5) of the Illinois Health Facilities Planning Act (20 ILCS 3960/6(c-5) which grants applicants the right to submit a response to the facts and findings of the Staff Report.

The Staff has found that the applicants have successfully addressed 18 of 20 criteria, making it one of the most favorably reviewed long-term care projects before the Review Board in recent years. Moreover, the project should have received positive findings on the other two criteria as addressed below.

The Applicants Documented Compliance with the Service Accessibility Criterion

- The Board's Rule, Application Form and Staff Report all confirm that documentation of **at least one** of five accessibility factors is required by this Criterion. (*See* Attachment 1.)

- The Staff Report finds that the applicants documented **two** of the factors: (1) Medically Underserved Populations in the Planning Area, and (2) Restrictive Admission policies at area facilities. (Report at 16.)

- Because the applicants documented **at least one** of the factors, a positive finding should have been made for this Criterion.

The Applicants Documented Compliance with the Unnecessary Duplication Criterion

- The Criterion requires documentation that the project will not be an unnecessary duplication and will not reduce utilization of existing facilities within two years of project completion. (*See* Attachment 2.)

- The Staff found there is **a need for 127 beds** in McHenry County

- The Staff found there is **no surplus of beds** in McHenry County based on bed to population ratio.

- McHenry County's **bed to population ratio is second lowest** among all 95 statewide Planning Areas, and would remain second lowest even with the additional beds proposed by this Project. (*See* Attachment 3.)

- The Board's Inventory and Bed Need Projections show that Planning Area bed **occupancy will be above the target rate by 2018** even with the additional beds proposed by this Project. (*See* Attachment 4.)

- Because the Review Board's data and projections show: **(1)** A need for 127 additional beds; **(2)** No surplus beds based on bed/population ratios; and; **(3)** Planning Area beds will be above target occupancy by 2018, a positive finding should have been made for this Criterion.

Opposition Complaints of Adverse Impact are Contradicted by their own Cost Reports

- The Staff Report includes opposition statements that the proposed project will adversely impact their facilities. (Report at 3.)

- The opposing facilities state that this impact will be based on the **alleged loss of patient referrals** from Centegra Health System.

- In fact, CMS Cost Reports show that opposing facilities **admit only about half** of the Centegra patients that are referred to their facilities. (*See,* Attachment 5.)

- Because opposing facilities receive almost twice as many referrals of Centegra patients than they actually admit, **these facilities will not be adversely impacted by the proposed project.**

Please provide this Applicants' Response to Staff Report to the Members of the Review Board as it is timely submitted and is proper written comment under Section 6(c-5) of the Planning Act which grants applicants the right to submit a response to the facts and findings of the Staff Report.

Very truly yours,

BARNES & THORNBURG LLP

Daniel J. Lawler

DJL:dp
Enclosures

TITLE 77: PUBLIC HEALTH
CHAPTER II: HEALTH FACILITIES AND SERVICES REVIEW BOARD
SUBCHAPTER b: OTHER BOARD RULES
PART 1125 LONG-TERM CARE
SECTION 1125.570 SERVICE ACCESSIBILITY

Section 1125.570 Service Accessibility

The number of beds being established or added for each category of service is necessary to improve access for planning area residents.

a) Service Restrictions
The applicant shall document that at least one of the following factors exists in the planning area, as applicable:

1) The absence of the proposed service within the planning area;

2) Access limitations due to payor status of patients/residents, including, but not limited to, individuals with LTC coverage through Medicare, Medicaid, managed care or charity care;

3) Restrictive admission policies of existing providers;

4) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;

5) For purposes of this Section 1125.570 only, all services within the 45-minute normal travel time meet or exceed the occupancy standard specified in Section 1125.210(c).

b) Supporting Documentation
The applicant shall provide the following documentation, as applicable, concerning existing restrictions to service access:

1) The location and utilization of other planning area service providers;

2) Patient/resident location information by zip code;

3) Independent time-travel studies;

4) Certification of a waiting list;

5) Admission restrictions that exist in area providers;

6) An assessment of area population characteristics that document that access problems exist;

7) Most recently published IDPH Long Term Care Facilities Inventory and Data (see www.hfsrb.illinois.gov).

Criterion 1125.570 - Service Accessibility

1. Service Restrictions

   The applicant shall document that **at least one** of the following factors exists in the planning area, as applicable:

   - The absence of the proposed service within the planning area;
   - Access limitations due to payor status of patients/residents, including, but not limited to, individuals with LTC coverage through Medicare, Medicaid, managed care or charity care;
   - Restrictive admission policies of existing providers; or
   - The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population.

2. Additional documentation required:

   The applicant shall provide the following documentation, as applicable, concerning existing restrictions to service access:

   a. The location and utilization of other planning area service providers;

   b. Patient/resident location information by zip code;

   c. Independent time-travel studies;

   d. Certification of a waiting list;

   e. Admission restrictions that exist in area providers;

   f. An assessment of area population characteristics that document that access problems exist;

   g. Most recently published IDPH Long Term Care Facilities Inventory and Data (see www.hfsrb.illinois.gov).

APPEND DOCUMENTATION AS ATTACHMENT- 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

TABLE SEVEN Referral Sources to Transformative Health of McHenry		
Referring Facility/Physician	**Number of Referrals**	**% of Patients from McHenry County HPA**
Centegra Hospital-McHenry	1,107	87%
Centegra Hospital-Woodstock	500	
Dr. Joseph Emmons, M.D.*	59	92%
Dr. Karen Judy, M.D.*	167	86%
Dr Marcel Hoffman, M.D.*	368	90%
Dr. Thomas Thandupurakal, M.D.^	16	69%
Dr. Ifzal Bangash, M.D.>	124	90%
Dr. Daniel Huerta-de Hathaway>	8	88%
Dr. John Anderson, M.D.>	55	96%
Dr. Corey Black, M.D. CPC Specialist	2	100%
Dr. Prashant Sura, M.D. CPC Specialist	23	52%
Total/Average	**2,429**	**85%**
*Centegra Hospital-Woodstock ^CPC Fox Lake Internal Medicine >CPC McHenry Internal Medicine		

c. To determine if there is sufficient demand for the proposed long term care facility the State Board staff relies upon the referral letters provided by the applicants and the calculated bed need in the planning area.

To demonstrate compliance with 77 IAC 1125.540-Service Demand the applicants' provided referral letters with a total of 2,429 referrals. The applicants *"believe with the growth rate of the 65+ age cohort in McHenry County of 9.5%; and the belief that the number of referrals will remain constant over the next few years there will be sufficient demand for the proposed number of beds."* [See Application for Permit pages 119-132 and Supplemental Information provided by the Applicants on December 23, 2015]

Based upon the information provided by the applicants in the application for permit and the supplemental information it appears that the proposed project will serve the residents of McHenry County and that there is sufficient demand for the project based upon the calculated bed need and the referral letters provided by the applicants. These two findings remain unchanged from the Original State Board Staff Report.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN COMFORMANCE WITH THE REQUIREMENTS OF CRITERION PLANNING AREA NEED AND SERVICE DEMAND (77 IAC 1125.530 AND 77 IAC 1125.540)

B. Criterion 1125.570 - Service Accessibility

To determine if the number of beds being establish is necessary to **improve service access for planning area residents** the applicants must document that at least one of the following factors exists in the planning area.

1) The absence of the proposed service within the planning area;
2) Access limitations due to payor status of patients/residents, including, but not limited to, individuals with LTC coverage through Medicare, Medicaid, managed care or charity care;

TITLE 77: PUBLIC HEALTH
CHAPTER II: HEALTH FACILITIES AND SERVICES REVIEW BOARD
SUBCHAPTER b: OTHER BOARD RULES
PART 1125 LONG-TERM CARE
SECTION 1125.580 UNNECESSARY DUPLICATION/MALDISTRIBUTION

Section 1125.580 Unnecessary Duplication/Maldistribution

a) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:

1) A list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site;

2) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois); and

3) The names and locations of all existing or approved LTC facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.

b) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services characterized by such factors as, but not limited to:

1) A ratio of beds to population that exceeds one and one-half times the State average;

2) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the occupancy standard established pursuant to Section 1125.210(c); or

3) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above occupancy standards.

c) The applicant shall document that, within 24 months after project completion, the proposed project:

1) Will not lower the utilization of other area providers below the occupancy standards specified in Section 1125.210(c); and

2) Will not lower, to a further extent, the utilization of other area facilities that are currently (during the latest 12-month period) operating below the occupancy standards.

BED/POPULATION RATIOS DEMONSTRATE THERE IS NO SURPLUS OF BEDS IN McHENRY COUNTY

PLANNING AREA	HSA	BEDS	POPULATION	BEDS PER 1000 PERSONS
Kendall	9	185	118,100	1.6
McHenry	**8**	**997**	**308,500**	**3.2**
6-B	6	4,194	1,042,000	4.0
Jackson	5	251	59,500	4.2
Will	9	2,905	683,300	4.3
6-C	6	4,784	1,070,600	4.5
Champaign	4	908	202,600	4.5
Boone	1	279	53,800	5.2
Bond	5	90	17,200	5.2
Grundy	9	265	50,400	5.3
7-A	7	3,441	617,700	5.6
7-D	7	2,880	493,100	5.8
Kane	8	3,084	522,900	5.9
Jasper	5	57	9,500	6.0
Alexander/Pulaski	5	83	13,300	6.2
McLean	4	1,090	172,000	6.3
Sangamon	3	1,271	199,400	6.4
Lake	8	4,502	705,900	6.4
7-C	7	6,002	930,400	6.5
DeKalb	1	742	104,100	7.1
Edwards/Wabash	5	129	18,100	7.1
Jo Daviess	1	163	22,300	7.3
Hardin/Pope	5	62	8,500	7.3
Monroe	11	250	33,300	7.5
Winnebago	1	2,220	293,200	7.6
STATE AVERAGE		**100,792**	**12,880,900**	**7.8**
Crawford	5	160	19,700	8.1
Madison	11	2,212	266,900	8.3
Rock Island	10	1,219	146,400	8.3
Williamson	5	555	66,600	8.3
Menard	3	106	12,600	8.4
St. Clair	11	2,251	267,900	8.4
Jefferson	5	336	38,500	8.7
Greene	3	119	13,500	8.8
Henderson/Warren	2	218	24,500	8.9
Tazewell	2	1,256	135,500	9.3
Vermilion	4	759	80,900	9.4
Bureau/Putnam	2	377	39,800	9.5
Peoria	2	1,765	186,300	9.5

Attachment 3

Perry	5	210	22,200	9.5
7-E	7	9,162	960,800	9.5
Clinton	11	357	37,400	9.5
Lee	1	342	35,400	9.7
Piatt	4	160	16,400	9.8
Franklin	5	383	39,100	9.8
Hancock	3	184	18,600	9.9
Henry	10	500	49,600	10.1
Wayne	5	169	16,400	10.3
Carroll	1	155	14,800	10.5
Johnson/Massac	5	299	28,000	10.7
Mercer	10	172	16,100	10.7
Ogle	1	565	52,400	10.8
McDonough	2	360	32,100	11.2
Cass	3	150	13,300	11.3
LaSalle	2	1,266	113,000	11.2
Macon	4	1,257	110,700	11.4
Mason	3	164	14,200	11.5
DeWitt	4	190	16,300	11.7
Douglas	4	233	19,800	11.8
Shelby	4	259	21,900	11.8
Fayette	5	261	22,000	11.9
6-A	6	7,192	601,000	12.0
Kankakee	9	1,368	110,900	12.3
Washington	5	178	14,400	12.4
Brown/Schuyler	3	179	14,300	12.5
Effingham	5	434	34,200	12.7
Marion	5	509	38,900	13.1
Christian	3	449	34,200	13.1
Stephenson	1	637	46,800	13.6
Livingston	4	518	38,000	13.6
Morgan/Scott	3	551	39,800	13.8
Whiteside	1	819	57,300	14.3
Coles/Cumberland	4	939	63,800	14.7
7-B	7	6,827	464,000	14.7
Randolph	5	490	33,000	14.8
Woodford	2	590	38,700	15.2
Clark	4	245	16,100	15.2
Gallatin/Hamilton/Saline	5	582	38,400	15.2
Macoupin	3	704	46,700	15.1
Clay	5	209	13,600	15.4
Calhoun/Pike	3	337	21,200	15.9
Logan	3	468	29,700	15.8
Jersey	3	369	22,600	16.3
Montgomery	3	480	29,300	16.4
Fulton	2	603	36,400	16.6
Edgar	4	299	18,000	16.6

Union	5	293	17,600	16.6
Iroquois	4	486	28,900	16.8
Knox	2	950	52,100	18.2
Richland	5	309	16,100	19.2
Lawrence	5	340	17,000	20.0
Adams	3	1,499	67,000	22.4
Marshall/Stark	2	427	18,200	23.5
White	5	351	14,600	24.0
Moultrie	4	361	14,900	24.2
Ford	4	434	13,900	31.2

Sources: IHFSRB Inventory of Health Care & Services & Need Determinations, August 3, 2015;
Long Term Care Facility Updates, May 11, 2016

Planning Area: McHenry

Facility Name	City	County/Area	General Nursing Care Beds	General Nursing Care 2013 Patient Days
ALDEN TERRACE OF MCHENRY REHAB	MCHENRY	McHenry County	316	68,917
CENTEGRA SPECIALTY HOSPITAL WOODSTOCK	WOODSTOCK	McHenry County	0	4,629
11/12/2014 14-038 Received permit for discontinuation of 40 bed Skilled Nursing (Long-Term Care) category of service.				
CROSSROADS CARE CENTER WOODSTOCK	WOODSTOCK	McHenry County	115	35,416
CRYSTAL PINES REHAB & HCC	CRYSTAL LAKE	McHenry County	114	36,830
FAIR OAKS HEALTH CARE CENTER	CRYSTAL LAKE	McHenry County	51	14,912
3/29/2013 Bed Change Facility added 5 Nursing Care beds. Facility now has 51 Nursing Care beds.				
FLORENCE NURSING HOME	MARENGO	McHenry County	56	16,481
HEARTHSTONE MANOR	WOODSTOCK	McHenry County	75	19,390
MERCY HARVARD HOSPITAL CARE CENTER	HARVARD	McHenry County	45	7,466
SPRINGS AT CRYSTAL LAKE	CRYSTAL LAKE	McHenry County	97	18,930
VALLEY HI NURSING HOME	WOODSTOCK	McHenry County	128	44,228
		Planning Area Totals	**997**	**267,199**

HEALTH SERVICE AREA	AGE GROUPS	2013 Patient Days	2013 Population	2013 Use Rates (Per 1,000)	2013 Minimum Use Rates	2013 Maximum Use Rates
008	0-64 Years Old	457,316	1,361,900	335.8	201.5	537.3
	65-74 Years Old	354,924	103,900	3,416.0	2,049.6	5,465.6
	75+ Years Old	1,364,262	71,500	19,080.6	11,448.4	30,528.9

	2013 PSA Patient Days	2013 PSA Estimated Populations	2013 PSA Use Rates (Per 1,000)	2013 HSA Minimum Use Rates	2013 HSA Maximum Use Rates	2018 PSA Planned Use Rates	2018 PSA Projected Populations	2018 PSA Planned Patient Days	Planned Average Daily Census	Planned Bed Need (90% Occ.)	Beds Needed
0-64 Years Old	26,755	272,500	98.2	201.5	537.3	201.5	291,200	58,670			
65-74 Years Old	41,276	22,600	1,826.4	2,049.6	5,465.6	2,049.6	29,700	60,873			
75+ Years Old	199,168	13,400	14,863.3	11,448.4	30,528.9	14,863.3	16,800	249,703			
						Planning Area Totals		**369,246**	**1,011.6**	**1,124**	**127**

Attachment 4

AREA PROVIDERS RECEIVE ALMOST TWICE AS MANY CENTEGRA PATIENT REFERRALS THAN THEY ACTUALLY ADMIT

Figure 1 below shows the total number of individual patients referred to individual skilled nursing facilities ("SNF") in the project's service area from Centegra Hospital - McHenry and Centegra Hospital - Woodstock, and the number of individual patients actually admitted by those SNFs. All of the data included in the following chart were reported to the Centers for Medicare & Medicaid Services "(CMS") by each of the PSA providers and by the Centegra hospitals as part of the standard 2014 CMS annual reporting guidelines.

Service Area SNFs	Referrals of Centegra Patients to SNF	Admissions of Centegra Patients to SNF	Patients Referred but Not Admitted	% Referrals Not Admitted
Alden Terrace of McHenry Rehab	120	63	57	48%
Crossroads Care Center	156	72	84	54%
Crystal Pines Rehab & Health Center	116	63	53	46%
Fair Oaks Rehab & Skilled Nursing	228	118	110	48%
Hearthstone Manor	181	86	95	52%
The Springs at Crystal Lake	519	297	222	43%
Wauconda Healthcare & Rehab	147	64	83	56%
Valley Hi Nursing Home	127	76	51	40%
Hillcrest Retirement Village	12	0	12	100%
Florence Nursing Home	38	24	14	37%
Total	**1,644**	**863**	**781**	**48%**

Figure 1

As shown in Figure 1, while 1,644 Centegra patients were referred to facilities within the PSA, those providers only admitted 863 individual patients, or 52% of the Centegra patients referred. **PSA providers did not admit 781 Centegra patients referred to them.**

Source: The 2014 CMS Cost Reports of the listed facilities compiled by Definitive Healthcare LLP, a provider of healthcare data whose services are relied upon in the ordinary of business by healthcare businesses. http://www.definitivehc.com