

<b>DOCKET ITEM:</b> D-2	<b>BOARD MEETING:</b> August 12-13, 2008	<b>PROJECT NUMBER:</b> 06-038
<b>PERMIT HOLDER(S):</b> Regency Hospital Company, LLC Regency Hospital of Rockford, LLC		
<b>FACILITY NAME and LOCATION:</b> Regency Hospital of Rockford, Rockford		

**STATE AGENCY REPORT**  
**SECOND PERMIT RENEWAL REQUEST**

**I. Background**

On September 12, 2006, the State Board approved Project #06-038. The permit authorized the construction of a 44-bed Long-Term Acute Care Hospital (LTACH) in 38,160 gross square feet ("GSF") of space. The State Agency notes the project is not yet obligated and the current required completion date is March 31, 2009. On December 13, 2007, the State Board approved the first permit renewal, extending the completion date fifteen months, from December 31, 2007, to March 31, 2009. In the latest permit renewal request, the permit holders request a fourteen-month extension from March 31, 2009, to May 30, 2010. The State Agency also notes the permit holder also submitted an obligation extension request in conjunction with the second permit renewal request. The obligation extension request would extend the obligation period 1.5 months, from March 12, 2009, to April 30, 2009. The permit holders submitted a check for \$1,000.00 to address the \$500.00 filing fee for the two actions. The State Agency notes the applicant cannot request a second obligation extension under 77IAC 1130.730.

The State Agency notes that on December 29, 2007 President Bush signed the Medicare, Medicaid and SCHIP Extension Act of 2007. This act institutes a 3-year moratorium on the establishment of new LTACHs, LTACH Satellites, and increased beds for LTACHs or LTACH Satellites. Three exceptions to the moratorium on establishment exist: (1) an LTAC that began its qualifying period for Medicare payment as an LTAC on, or before, December 29, 2007; (2) LTACHs that have a binding, written agreement with an outside, unrelated party for the actual construction, renovation, lease, or demolition for a long-term care hospital, and have expended, before December 29, 2007, at least 10% of the estimated cost of the project (or, if less, \$2,500,000); or (3) LTACHs that have obtained an approved Certificate of Need (in states requiring such Certificate) on, or before, December 29, 2007.

**II. Findings**

The State Agency notes this is the second renewal request for this project and it appears the permit holders have submitted all of the information required in Section 1130.740 for a permit renewal.

### III. The Permit Renewal Request

- A. Requested Completion Date: The permit holders request a completion date of May 30, 2010. This would extend the project's completion date by fourteen months, from March 31, 2009 to May 30, 2010.
- B. Status of the Project and Components Yet to be Finished: The permit holders state much work has been completed on the project, to include:
- Completion and submittal of Architectural/Mechanical, Electrical, and Plumbing Construction documents to the City of Rockford and the State of Illinois for review.
  - Purchase of the land, located at 1390 Milford Road, Rockford.
  - Distribution of A&E documents to contractors. Contractor bids have been received, and will be awarded, pending final CMS determination of the relevant moratorium provisions.

To date, \$428,870 (or 3% of the permit amount) has been expended on the project, leaving \$12,040,536 (or 97% of the permit amount), available for completion.

- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state the following events occurred, which delayed completion of the project:
- The applicants cite issues surrounding the moratorium and the uncertain timing of a favorable advance determination from CMS has led them to apply for both the permit renewal and obligation extension.
- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate the project will continue to be funded as originally approved (credit line through GE Capital Corporation).
- E. Anticipated Final Cost of the Project: The permit holders estimate the final cost of the project will be within the permit amount of \$12,469,406.

**IV. Project Description & Other Background Information**

The permit authorized the construction of a Long-Term Acute Care Hospital ("LTACH") at 1390 North Milford Road, in Rockford. The new facility will contain 38,160 GSF, have 44 long-term M/S beds, and have an estimated project cost of \$12,469,406.

Permit Issuance Date:	September 12, 2006
Original Project Completion Date:	December 31, 2007
Extended Completion Date (first renewal):	March 31, 2009
Project Obligation Date:	March 12, 2009
Proposed Project Completion Date:	May 30, 2010

**V. Applicable Rules for Permit Renewal Requests**

77 IAC 1130.740 specifies that a permit holder may request a change in the approved project completion date by applying for a permit renewal.

77 IAC 1130.740(b) states that failure to complete a project or to renew a permit within the prescribed timeframes will subject the permit holder to the sanctions and penalties provided in the Act and this Subpart.

77 IAC 1130.740(c) states that a permit renewal will commence on the expiration date of the original or renewed completion period.

77 IAC 1130.740(d) states that the State Board must be in receipt of a permit renewal request at least 45 days prior to the expiration date of the completion period, and include the following: 1) the requested completion date; 2) a status report on the project detailing what percent has been completed and a summary of project components yet to be finished and the amount of funds expended on the project to date; 3) a statement as to the reasons why the project has not been completed; and 4) confirmatory evidence by the permit holder's authorized representative that the project's costs and scope are in compliance with what the State Board approved and that sufficient financial resources are available to complete the project.

77 IAC 1130.740(e) states IDPH will review the request and prepare a report of its findings. If the findings are that the request is in conformance with all HFPB

criteria, and if this is the first request for this project, then the request, IDPH's findings, and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFPB, will approve, deny or refer the request to the HFPB for action. If IDPH finds that all criteria are not positive or, if this is not the first request for this project, or if the Chairman refers this to HFPB for action, then HFPB will evaluate the information submitted to determine if the project has proceeded with due diligence (as defined in 77 IAC 1130.140). Denial of a permit renewal request constitutes HFPB's Notice of Intent to Revoke a permit and the permit holder will be afforded an opportunity for an administrative hearing.

**VI. Other Information**

Appended to this report are the following: the permit holders' documents for a second permit renewal, the permit holders' documents for the first permit renewal, and a copy of the Original State Agency Report.