

On behalf of our member institutions, The Association of Safety-net Community Hospitals (“Association”) looks forward to working with the Department and the Hospital Transformation Review Committee (“Committee”) to develop a workable series of “goals, objectives, policies, standards, payment models, or criteria” for Phase 2 of the Hospital Transformation Program (“Transformation”). Given the many pressures on the healthcare delivery system, we believe Transformation is an important conversation at this time, particularly for safety-net hospitals.

Our Association has discussed Transformation on many occasions throughout the years and a significant take-away from these discussions is that Transformation is very much a hospital-by-hospital proposition. Although all safety-net hospitals face the systematic pressures of inadequate funding and a completely dysfunctional managed care system, each hospital faces sufficiently unique pressures so as to defy the ability to impose a “one-size-fits-all” solution set. In addition, with respect to the City of Chicago, there is a great variation in dynamics from South to West to North. In particular, the South Side lends itself to a regional approach.

In anticipation of the rules being developed and finalized, each of our member hospitals has begun to examine Transformation and to develop models that will best serve their communities. To that end, a few themes have begun to develop that will require examination throughout the Transformation process:

1. Repurposing and/or replacing beds: This requires a thorough examination of the entire service delivery process in the impacted community to determine if large scale capital projects are appropriate and sustainable, such as creating emergency centers and behavioral/mental health centers. It also requires examination on the impact on the community with respect to job training and replacement and economic impact.
2. Inner-city hospitals, particularly those in the most challenging communities with respect to crime and other socio-economic factors, face significant challenges in attracting and sustaining physicians, nurses and other healthcare professionals. To that end, it is necessary to identify needs and services and other factors, specifically including funding, related to achieving sustaining levels and quality of such professional services.
3. In addition to the challenges of attracting healthcare professionals, certain safety-net hospitals are experiencing unique challenges related to high acuity and the impact of delivering such services to a high volume of Medicaid patients without adequate recognition of the associated costs. This issue will require an examination of the current payment structure, with modeling focused specifically on high volume, high acuity safety-net hospitals.

However, before moving much further ahead we have identified a series of questions and concerns for which we seek the guidance of the Department and the Committee. Our hope is to obtain as much clarity as possible and as soon as possible in order to allow our member hospitals to expedite the planning process.

These various questions and concerns include those set forth below:

1. Data: During the development of the most recent hospital assessment, we alerted the IHA and Legislature that the data sets were significantly flawed. Further, our Association requested data from the Department and was denied and the IHA, as the only party with whom data was shared, did not provide sufficient transparency. For Transformation to succeed, it is necessary for all participants to have accurate, reliable data sets and to have this data be completely transparent. If nothing else, prior to investing hundreds of millions of dollars, one of the goals of Transformation should be predictability of outcomes and you cannot have predictability without accurate data.
2. Given the flaws in the data described above, it will be difficult for hospitals to design Transformation models until they are able to determine if the projections made in developing the most recent hospital assessment are accurate.
3. Managed-care: For at least the past four years, our Association's primary concern has been the dysfunctional Medicaid managed care program. We have delivered multiple papers to the Department and the Legislature, we have met with the Department on numerous occasions to express our concerns and we have met with individual members of the Legislature and testified before various committees. Our list of significant issues continues to grow, while the list of items in the "solution" column remains sparse; assuming you consider the recent reduction in the number of plans to be a solution. It is not clear to our Association how there can be an adequate conversation around Transformation without addressing managed care. For example, much of the day-to-day care coordination is still handled by and paid for by hospitals. During Transformation, should hospitals assume that the MCOs will, at some point, perform the care coordination that they have been hired to perform? Similarly, should we assume that patients will be assigned physicians and begin to receive preventive care that will reduce emergency room visits? Will hospitals soon be relieved of significant costs imposed by the failure of MCOs to timely discharge patients? Will the percentage of denials ever be reduced to commercial levels so that payments become reliable and timely? Etc., etc.
4. Given that the hospital transformation pool includes 95 hospitals and given that there is significant variation in the size, scope and circumstances of these hospitals, it will be extremely helpful if the Department/Committee defines the scope of Transformation. For example, is Transformation limited to only hospitals identified as being "at risk"? Is it limited to only safety-net hospitals? Is it limited to only those hospitals and systems that face financial challenges? Is it limited to only certain geographic areas where unique challenges need to be addressed? We previously mentioned the South Side of Chicago, but we know that there are many pockets downstate that face very difficult challenges. Conversely, if the Department/Committee does not wish to provide such guidance, a set of priorities would greatly help.
5. We also seek guidance as to the amount of funding that will be available for Transformation. Based on PA 100-0581, we assume that the entire amount of the

hospital transformation pool for each of 2 years, totaling \$526M, will be available. Given that the Act contemplates capital projects, is there any capital funding that might be added to the mix?

6. We also seek guidance and clarification with respect to the Act as follows:
 - a. The Act states that “any hospital may seek transformation funding in Phase 2”. However, the Act also states that “the Department shall ensure that the entire hospital transformation pool continues to be expended to ensure access to hospital services or to support organizations that had received hospital transformation payments”. It is very important to address this disparity as there are a few safety-net hospitals that are not included in the hospital transformation pool and each wants to participate in Transformation.
 - b. The act states that “any hospital participating in the hospital transformation program shall provide an opportunity for public input by local community groups, hospital workers, and healthcare professionals and assist in facilitating discussions about any transformations or changes to the hospital.” Does this standard apply to each and every Transformation proposal or is it limited to brick and mortar or to Transformation proposals of a certain type or funding level?
 - c. With respect to timing, how is the 6 month deadline being interpreted? Must the rules have been filed and approved by JCAR within 6 months or simply approved by the Committee on or before the 6 month deadline?
 - d. When the Act contemplates exclusion from requirements of the Illinois Health Facilities Planning Act, we are assuming that any requirements related to the impact on safety-net hospitals will not be excluded. Confirmation on this point would be helpful.
 - e. How does the Committee propose to address its obligation to “consider and make recommendations related to qualifying criteria and payment methodologies related to safety-net hospitals and children’s hospitals?” This topic is obviously of paramount importance to our Association.
7. Most hospitals will require the services of consultants and other professionals to develop their Transformation plan. Based on similar exercises related to the development of the ACEs a few years ago, this can easily run in excess of \$250,000. Will the Department/Committee be engaging consultants and professionals to assist and, if not, is there any funding available to hospitals in need of financial assistance?

As indicated, most of our member hospitals are very interested in and understand the importance of Transformation. To that end, hospital leaders have begun to map Transformation strategies for the hospitals and the communities they serve. However, to be both timely and successful, we respectfully request that the Department and the Committee expeditiously respond to the questions and concerns addressed herein.