



#10-089

COMPETING HOSPITAL PLANS | OUR VIEW

Centegra's proposal is best for county

Centegra Health System and Mercy Health System propose building new hospitals in McHenry County.

Centegra seeks state approval to build a 128-bed hospital near its existing health care campus in Huntley. Mercy has filed with the state to build a 128-bed facility on Route 31 in Crystal Lake.

With the rising costs of health care and complex federal reform on the way, providers are tasked with working to keep costs down by streamlining services, eliminating waste and avoiding duplication of services within markets. But they also must work to meet an area's existing health care needs.

For the record

Centegra and Mercy health systems provide fine health care services to McHenry County residents. Each has applied with the state to build a new hospital locally. Centegra's plan to build a hospital in Huntley better meets the future health care needs of the county.

In Illinois, health care systems work under Certificate of Need guidelines, meaning they must prove to a state panel — the Illinois Health Facilities and Services Review Board — that there is a need to build a new hospital, or add onto an existing one, before moving forward.

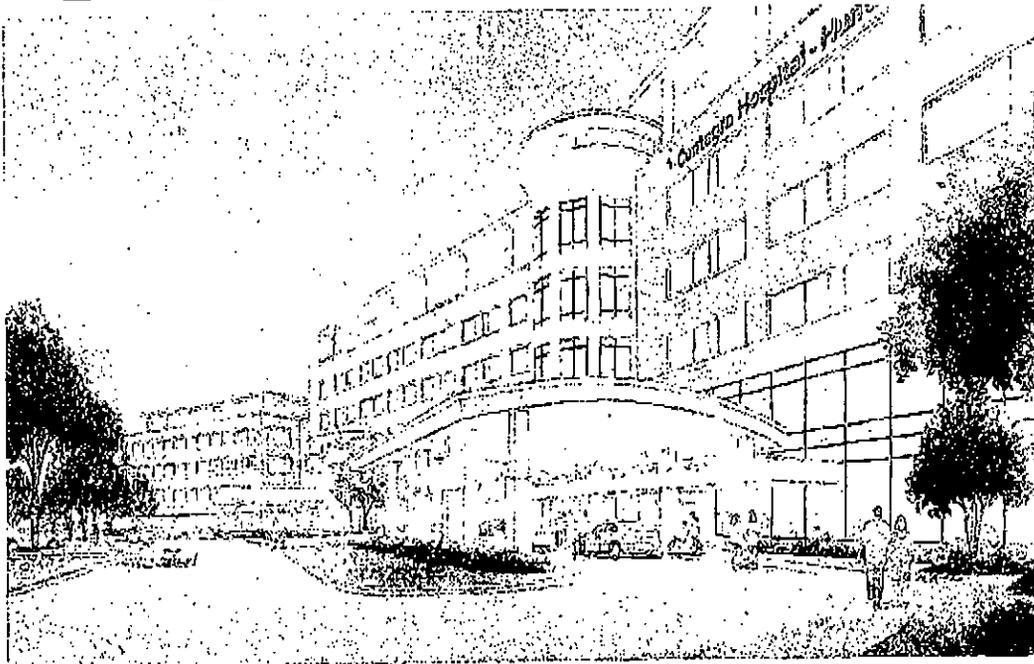
Centegra and Mercy each filed a Certificate of Need application on the same day in December. On June 28, the state review board is scheduled to consider their proposals. The board can approve both, which is unlikely. It can approve one and deny the other. It can deny both. Or it can ask for more information and defer its decisions.

Centegra and Mercy each opposes the other's proposal. Neighboring hospitals — namely, Advocate Good Shepherd in Barrington, Sherman Hospital in Elgin, and St. Alexius Medical Center in Hoffman Estates — oppose both proposals, arguing that either would drive up their costs and, ultimately, consumers' costs, by creating unnecessary duplication of services.

In December, the Northwest Herald's Editorial Board endorsed Centegra's Huntley hospital plan. That endorsement came before Mercy made it known that it again was going to pursue a Crystal Lake hospital. (Mercy was unsuccessful in its attempt to build a Crystal Lake hospital in 2003-2005.)

Over the past several weeks, members of the Northwest Herald Editorial Board have studied the competing hospital plans.

We reviewed the hospitals' Certificate of Need applications to the state. We examined current demographic information for the county, and growth projections for the next several years. Editorial Board members sat down with officials from Centegra and from Mercy. We also met with representatives from the competing hospitals that are opposed to both proposals.



During our review, we've tried to answer these questions:

Is there a need for one or both new hospitals? If there's a need for just one, which proposal is best suited to address the long-term health care needs of McHenry County residents?

The answer to the first question is clear cut, as we also determined prior to our December endorsement.

McHenry County is the most underserved area in the state of Illinois with regard to the number of available hospital beds per capita.

According to the Illinois Department of Public Health, McHenry County, known by the state as Planning Area 10, will need 99 new hospital beds by 2015 to properly serve its residents. That does not include 20 new beds that Centegra received state approval to add in 2006 for a women's pavilion at its Woodstock campus, additions it has since abandoned. With those beds included, the county will be in need of 118 hospital beds.

The state uses a complex analysis of health care and demographic data to determine needs. Of the 40 planning areas in the state, only three show a need for any new hospital beds. McHenry County has the biggest need.

Given that state-identified need, and projections that the county's population will continue to grow once the country moves on from the recent economic recession, it's difficult to argue that a new hospital isn't needed. And because each respective hospital proposal

on its own will address the state's identified need, two new hospitals aren't necessary.

So which proposal is best for the area? Mercy's plan is to build a hospital in Crystal Lake, in the middle of the county's current population center. But it also is less than 10 miles from three other hospitals. Advocate Good Shepherd is about 6 miles east, Centegra McHenry is about 7 miles north, and Centegra Woodstock is about 8 miles west.

Centegra's proposed hospital is located in the fastest-growing area of the county. The closest hospital to Centegra's proposed Huntley location is Sherman in Elgin, which is about 11 miles southeast. And while the state says McHenry County's planning area has the greatest need for more hospital beds, the second greatest need in the state is for 61 beds in Planning Area 11, which covers northern Kane County. Centegra's Huntley Hospital would be located just 2 miles north of the Kane County border, and would serve as part of its market residents of Hampshire, Carpentersville, West Dundee and Gilberts, all in Planning Area 11.

As part of its Certificate of Need filing, Mercy included dozens of letters from its own physicians who stated they would transfer their patient referrals directly from competing hospitals such as Centegra, Good Shepherd and Sherman to the new Crystal Lake facility. Such a practice would have a drastic impact on these competing hospitals, potentially hurting health care services in Wood-

stock, McHenry, Cary and other areas.

By contrast, more of Centegra Huntley's patients would come from new growth expected in the area. The Huntley proposal also is better located to serve the state's identified, underserved areas located in Planning Areas 10 and 11. Although any new hospital opening will have some impact on nearby competitors, Centegra's proposal demonstrates that it would have less of an impact than Mercy's.

Centegra also notes that its Huntley campus would complement the services provided at its Woodstock and McHenry hospitals. With its proximity to the other hospitals, Centegra would be able to create efficiencies that would lower — not raise — health care costs.

"We wouldn't open a new hospital that would increase our costs [at our other hospitals] and put us out of business," Centegra CEO Michael Easley told Editorial Board members.

Centegra and Mercy already provide fine health care services to McHenry County residents. Each also has been a good corporate citizen in the county, providing charity care to those in need and participating in a number of other community functions.

But Centegra, because it is based in the county, is the county's largest employer, and conducts all of its business here, has shown that McHenry County is the focus of its future.

For these reasons, we endorse Centegra's plan to build a hospital in Huntley.