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From: Anne Cooper [ACooper@Polsinelli.com]
Sent: Wednesday, June 08, 2011 8:21 AM
To: Constantino, Mike
Cc: Kara Friedman; 'Priester, Christine'
Subject: Opposition to Mercy Crystal Lake Hospital & Medical Center (Proj. No. 10-089)
Attachments: Mercy Crystal Lake Hospital & Medical Center (Proj. No. 10-089).pdfα.pdf

Mike,

Attached please find Sherman Hospital's comments in opposition to the proposed Mercy Crystal Lake Hospital & Medical Center (Proj. No. 10-089).

Thanks.

Anne



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June 7, 2011

ELECTRONIC MAIL

Mr. Dale Galassie, Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

**Re: Mercy Crystal Lake Hospital & Medical Center (Proj. No. 10-089)
Sherman Hospital Opposition Letter**

Dear Mr. Galassie:

Pursuant to Section 1130.950 of the Illinois Health Facilities and Services Review Board ("HFSRB") rules, Sherman Hospital hereby submits the following comment in opposition to Mercy Crystal Lake Hospital and Medical Center, Inc. and Mercy Alliance, Inc. (collectively, the "Applicants") proposal to establish a new 128-bed acute care hospital in Crystal Lake, Illinois.

- The proposed McHenry County hospital is not needed;
- The proposed McHenry County hospital duplicates existing state-of-the art services;
- Mercy's proposed hospital will not improve health care delivery or access; and
- Building an unnecessary hospital in Crystal Lake will harm the region's high quality health care system and its health care safety net.

1. McHenry County has Experienced Significant Reductions in Population Growth

The purported basis for Applicants' proposal to build a new hospital in McHenry County (Planning Area A-10) is to "address a current maldistribution of services and population increases projected in the geographic service area." (App p 177). Both the current bed need determinations as well as the Applicants' projected bed need are based on 2005 Illinois DCEO projections and growth rates from the first half of the last decade.¹ Importantly, 81% of the population growth of McHenry County during the last decade occurred in the first half - between

¹ The DCEO growth forecasts on which these figures were based were overly aggressive as evidenced by the 2010 U.S. Census results. 2010 Census data was published after the application was filed and the Applicants have not acknowledged the DCEO data overstates the 2010 McHenry County population.

2001 and 2006, averaging approximately 2,673 new households annually. From 2007 to 2010, McHenry County averaged 896 new households per year, a drop of 66%, and more recently only 533 and 345 new households were added in 2009 and 2010 respectively.² Moreover, based upon current trends, annual growth for McHenry County is not projected to increase in the near future, with growth projected at only 500 to 800 new households per year through 2015 (or 1,500 to 2,400 persons annually). This is significantly below the Applicants' projection 29,809 new persons through 2015.³ The Applicants rely on overstated population data and they did not take into account current adverse economic trends resulting from the recession which have made foreclosures, not housing starts the norm. In fact, the current McHenry County foreclosure rates are alarming. For example, according to data from RealtyTrac.com, 400 properties received a foreclosure filing in McHenry County in one recent month – April 2011. The April 2011 foreclosure rate in McHenry County of 0.33% is nearly twice the State average of 0.19% and the National average of 0.17%. One in every 299 homes in McHenry County had a foreclosure filing in April 2011, compared to one in 593 homes nationally.⁴ Higher foreclosure rates may result not only in decreased population but also a depression in home values that could discourage future development.

2. Inpatient Bed Need in McHenry County Does not Justify a New Hospital

The HFSRB rules provide that to justify a new hospital in a metropolitan statistical area, there must be a calculated need for 100 medical/surgical beds. 77 Ill. Admin. Code 1110.530(f). The Applicants have not asserted that such need exists in the planning area and there is no such need. In fact, there are nearby high quality hospital services available (as discussed below), and therefore, the number of medical/surgical beds indicated by HFSRB need calculations is largely overstated. The primary reason the need exists is because of legislation sponsored by Edward Hospital's State Senator in an effort to see its prior proposal for a new hospital approved. Ill. S.B. 0244, 95th General Assembly, Reg. Sess. (II. 2007); 2007 Ill. Health Facilities Planning Act Amendments, Public Act 095-0005 (codified at 20 Ill. Comp. Stat. 3960/12.5).

The HFSRB currently calculates a need for 83 medical-surgical-pediatric beds, 8 intensive care beds, and 27 obstetric beds for Planning Area A-10.⁵ However, as set forth above the need determination is based upon overstated DCEO 2015 population projections. Importantly, these projections were based upon rapid growth that occurred during the first half of the last decade and are not indicative of the growth experienced in the later half of the decade or forecasted projections for 2010 through 2015. Since the HFSRB calculated bed need, population

² Christopher Huecksteadt, Director, Chicago Market, Metrostudy, Centegra Hospital Huntley Public Hearing Transcript 187-88 (Feb. 16, 2011); Letter from Christopher Huecksteadt, Director, Chicago Market, Metrostudy to Dale Galassie, Chair, Health Facilities and Services Review Board (Feb. 16, 2011).

³ Mercy Crystal Lake Hospital and Medical Center, Project No. 10-089, Application for Permit 92.

⁴ RealtyTrac.com, April 2011 Foreclosure Activity Counts – McHenry County, IL available at <http://www.realtytrac.com/trendcenter/il/mchenry+county-trend.html> (last visited Jun. 6, 2011).

⁵ Ill. Health Facilities and Servs. Review Bd., Update to Inventory of Hospital Servs. 33 (May 20, 2011) available at <http://www.hfsrb.illinois.gov/pdf/Hospital%20Update%205-20-2011.pdf> (last visited Jun. 3, 2011).

and housing growth in McHenry County have dropped precipitously. In fact, DCEO's 2010 population projection for McHenry was overstated by 9.15% (or 28,274 people).⁶ As a result, the bed need determinations based upon these overstated population projections are likewise overstated.

The bed need determination does not reflect reality. There is sufficient capacity among nearby existing hospitals to accommodate current and projected need. Of significant import is that Sherman and Provena Saint Joseph Hospital alone had an average of 154 beds available each day from May 2010 through January 2011.

Utilization among existing hospitals is decreasing despite increased population growth. In fact, from 1989 to 2009, inpatient bed days decreased 14.5% nationwide despite 25% population growth.⁷ Statewide, inpatient days have decreased 3.7% from 2005 to 2009.⁸ What this indicates is that fewer hospital beds will be required in the future to treat a larger patient base. Given existing capacity of local hospitals, current downward utilization trends and the movement from a volume-based to a value-based payment model, now is not the right time to add beds to the service area. It is at odds with health care reform initiatives aimed at reducing costs.

3. Expanded Coverage Under Health Care Reform Creates an Imperative to Deliver Health Care Efficiently

While it is anticipated that health insurance reform will expand access to nearly 30 million individuals, there is no indication that this will reverse a twenty year trend of decreasing utilization and such increase in the number of insureds cannot occur without significant reform in the method of the delivery of health care services. Health care reform legislation seeks to maximize use of existing capacity in high quality providers to reduce or stabilize Medicare costs. Reducing costs of episodic care for chronic conditions that should be proactively managed outside of the acute care setting are keys. For example, medical homes, which are designed, in part, to reduce hospitalizations by providing cost effective treatment to ameliorate chronic conditions before they become life threatening and require hospitalization will be more integral in the post-health care reform environment. Also, more procedures are moving to lower cost outpatient settings; as an example, cancer treatment, with the exception of surgery, is almost

⁶ Ill. Dep't. of Commerce and Econ. Opportunity, Population Projection Summary by County available at http://www2.illinoisbiz.biz/popProj/reference/Projections_County_Summary.xls (last visited Jun. 3, 2011) (projecting 2010 McHenry County population at 337,034; U.S. Census Bureau, 2010 Census Data available at <http://2010.census.gov/2010census/data/> (last visited Jun. 3, 2011) (2010 McHenry County population calculated as 308,760).

⁷ Am. Hosp. Ass'n, Trendwatch Chartbook 2011 available at <http://www.aha.org/aha/research-and-trends/chartbook/ch3.html> (last visited Jun. 3, 2011).

⁸ Am. Hosp. Ass'n, AHA Hospital Statistics 77 (2010).

exclusively outpatient. As a case in point, hospital utilization decreased in Massachusetts following that states' health care reform.⁹

Healthcare reform is also bringing the economics of health care closer to home. Patients are becoming more informed health care consumers as they become responsible for a larger share of their health care bills and premiums. That is because in an attempt to control rising health care costs, payors and employers are beginning to shift more and more costs to the consumer through higher premiums, deductibles and copayments. As a result, health care consumers are more judicious about the services they receive as evidenced by a softening in the demand for diagnostic testing and procedures.

4. Sherman Hospital and Other Community Providers Offer Convenient and Safe Access to Health Care Services

Pursuant to Section 1100.400 of the HFSRB rules, "[h]ealth care services should be appropriately located to best meet the needs of the population." 77 (Ill. Admin. Code 1100.400). As long as residents are not required to drive excessive distances, i.e., 30 minutes normal travel time, it is not unreasonable to travel to an adjacent planning area for health care services. The Applicants contend the proposed hospital will address the following health care issues: continued population growth in the market area, inadequate services to the growing geriatric population, and insufficient access to care for the indigent population in the market area. (App. p 88). However, they fail to acknowledge the existence of other hospitals within the market area operating below target utilization nor do they cite any inability of these providers to adequately serve the residents of the market area. Importantly, all residents in the proposed hospital's market area are within 30 minutes normal driving time¹⁰ of an existing hospital with adequate capacity and 81 percent of the population is within 15 minutes normal driving time of a general acute care hospital.¹¹

While access to quality inpatient care is an important component of any health care delivery system, it is just one small component. Good outpatient care is essential and needs to be the focus of the health care delivery system in this post-health care reform environment. Immediate care facilities are integral components of the health care delivery system. They provide cost-effective treatment of ambulatory care sensitive conditions as they take patients out of emergency departments, which are inefficient and costly, and ameliorate these conditions before they become life threatening and require hospitalization. Importantly, immediate care facilities are located where patients want to receive their care. Currently, there are seven

⁹ Treatment intensity, which is measured by length of hospital stay, decreased by one percent; hospital admissions from the emergency department decreased by two percent; and hospital inpatient admission for treating preventable conditions fell almost three percent.

¹⁰ Normal travel time is the time necessary to traverse a route by an individual vehicle driving at posted speed limits between any two points of interest. It is intended to exclude a "worst" or "best" case situation such as travel during rush hours, midnight hours, or by emergency vehicle. (77 Ill. Admin. Code 1100.220).

¹¹ Krentz Consulting, LLC, Market Assessment and Impact Study: Proposed Mercy-Crystal Lake Hospital (Project 10-089) 7, 27-28 (May 19, 2011).

immediate care facilities within the proposed hospital's market area and four immediate care facilities within eight minutes of the site of the proposed hospital.

5. Establishing a New Hospital would be Wasteful Spending

There is sufficient capacity in the market area to meet residents' needs. In these difficult economic times and in the face of healthcare reform, the addition of a hospital in McHenry County represents wasteful spending. Building on existing health care resources as needed is a more judicious use of scarce health care dollars. In fact, over the past several years providers, including Sherman, have made considerable investments in their hospital infrastructure. In December 2009, Sherman opened its new replacement hospital on North Randall Road in Elgin. We located our brand new state-of-art replacement facility to better serve the residents of Northern Kane and Southern McHenry Counties for many years to come. Our hospital was designed to accommodate expansion as warranted. Furthermore, Sherman is aligning with some of the best academic medical centers in the State and we have been able expand our specialized services in stroke care, cancer care, heart and vascular care, pediatric services, and women's health; and are now planning a Center for Advanced Liver and Pancreatic Care to ensure residents of the region have access to state-of-the-art medical care. In April 2008, Provena Saint Joseph Hospital opened a new bed tower with 99 private patient rooms. Finally, Alexian Brothers Health Network is constructing the new \$117 million Alexian Brothers Children's Hospital in Hoffman Estates, which is scheduled to open in early 2013. Given the significant capital expended, existing providers should be allowed an opportunity to harvest the benefits of their investments prior to approval of new expenditures.

Another hospital will inevitably draw patient volumes away from all the existing hospitals, weakening the area's health care delivery system, and putting our region's investment in excellence and innovation in health care at risk. Further, by diluting the existing, shrinking volume of hospital activity over more sites, we weaken the healthcare safety net, which is so important to the vulnerable populations the current providers serve.

With our state's budget deficit standing at \$15 billion, and our nation's budget deficit expected to exceed a record \$1.6 trillion this year, we must remember that governments pay for over half the healthcare in America through Medicare and Medicaid. Given these challenges that face our State's residents, there is little reason to spend additional capital to build a new facility that will further extend the limited healthcare resources in the area. A more conservative project, such as the development of resources to create more medical homes would be a more judicious use of scarce health care resources.

Moreover, superfluous and reckless spending is at odds with decreasing health care costs and bringing Medicare's spending growth rate under control. Medicare, which accounts for approximately 14% of the federal budget, is growing at an unsustainable rate. Establishment of a new hospital will drive up staffing costs as it will create more competition for the limited number of health care workers. As a result, hospitals will be forced to increase charges to off-set lost revenue and increased operating expenses and to cover fixed costs, such as physical plant

maintenance and equipment upgrades. These increases will be passed along to consumers through higher premiums, copayments and deductibles, and higher taxes.

6. The Proposal Adversely Impacts the Health Care Job Market

The Applicants claim the proposed hospital will create over 1,100 new health care jobs.¹² Since inpatient utilization is decreasing in the region, a new hospital will create few new health care jobs. Importantly, the proposed hospital will merely reallocate the limited health care workforce among more hospitals, exacerbating the current health care workforce shortage. The National Center for Health Workforce Analysis projects a national shortage of 683,700 registered nurses (or 27% demand shortfall) by 2015, and that number is anticipated to increase to 1,016,900 (or a 36% demand shortfall) by 2020.¹³ The projected shortfall for Illinois is 19,400 (or 19% demand shortfall) in 2015 and a projected shortfall of 31,900 (or 29%) by 2020.¹⁴

Establishment of the proposed hospital will increase competition for the limited number of qualified nurses and patient care staff, jeopardizing the ability of existing hospitals to maintain qualified nursing staff. Inadequately staffed facilities must resort to nurse staffing agencies, which are costly, impede continuity of care, and increase the risk of avoidable adverse events. Moreover, inadequate staffing increases stress on nurses, lowers quality of patient care, and ultimately results in more nurses leaving the profession, which further exacerbates the nursing shortage.¹⁵ Importantly, higher staffing levels have been associated with fewer deaths, lower failure-to-rescue incidents, lower infection rates, and shorter hospital stays.¹⁶ Moreover, data shows the mortality risk for patients is approximately 6% higher on understaffed units than fully staffed units.¹⁷ In sum, adequate staffing is necessary to improve quality and lower the overall cost of care.

A new hospital in the A-10 Planning Area is not needed and will harm the existing regional health care delivery system. The only new acute care hospital that has been approved in at least the last two decades is the Bolingbrook Hospital in 2004. In that instance, there was only one hospital within 30 minutes of the proposed site, Edward Hospital, which was operating near or well over target capacity in its two core services. In fact, it was on the basis of its own high utilization that Edward Hospital sought to build another hospital at the same time. In this

¹² Javon Bea, President and Chief Executive Officer, Mercy Health System, Public Hearing Transcript, Project No. 10-089, Mercy Crystal Lake Hospital and Medical Center, Inc. 7 (Mar. 18, 2011).

¹³ National Center for Health Workforce Analysis, Bureau of Health Professions, Health Resources and Services Administration, What is Behind HRSA's Projected Supply, Demand, and Shortage of Registered Nurses? 27 (Sept. 2004) available at http://dwd.wisconsin.gov/healthcare/pdf/behind_the_shortage.pdf (last visited Jun. 2, 2011).

¹⁴ *Id.* at 33-34.

¹⁵ American Ass'n of Colls. of Nursing, Nursing Shortage Fact Sheet (Apr. 2011) available at <http://www.aacn.nche.edu/Media/FactSheets/NursingShortage.htm> (last visited Jun. 2, 2011).

¹⁶ *Id.*

¹⁷ *Id.*

Mr. Dale Galassie
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instance, however, the vast majority of the population of McHenry County lives in the southeast corner of the county which is adjacent to many more hospitals that have capacity for services- the two in Elgin, St. Alexius, Northwest Community, Good Shepherd, Alexian Brothers, the two Centegra acute care hospitals, and several others. It should be noted that in 2009, the Bolingbrook hospital was only operating at 39% medical/surgical occupancy and 32% obstetrics occupancy.

Establishment of an unneeded hospital is at odds with health care reform initiatives targeted at increasing quality while decreasing costs. The proposed hospital will drive up costs without improving the quality of care in the region. Accordingly, we respectfully request the Health Facilities and Services Review Board deny the application for Project No. 10-089 Mercy Crystal Lake Hospital & Medical Center.

Thank you for your time and consideration of our comments to this project.

Sincerely,



Rick Floyd
President & CEO
Sherman Hospital

AMC:
Attachments
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