

JUN 20 2011

Constantino, Mike

From: Ourth, Joe [JOurth@arnstein.com]
Sent: Sunday, June 19, 2011 11:24 PM
To: Constantino, Mike
Cc: Williams, Don A.
Subject: Response to State Agency Report - Mercy Crystal Lake Project - Project No. 10-089
Attachments: 110619 221849.PDF

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Mike,

Please find attached a Response to State Agency Report for the Mercy Crystal Lake Project (No. 10-089) being submitted on behalf of Advocate Good Shepherd Hospital and Sherman Hospital.

Joe Ourth

ARNSTEIN & LEHR LLP
120 South Riverside Plaza
Suite 1200
Chicago, Illinois 60606-3910
Phone: 312.876.7815 | Fax: 312.876.6215
JOurth@arnstein.com

<http://legalnews.arnstein.com/>

Offices in Illinois, Florida, and Wisconsin

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June 19, 2011

Via Electronic Mail and Overnight Carrier

Mr. Dale Galassie
Chair
Illinois Health Facilities and Services
Review Board
525 W. Jefferson
Springfield, IL 62761

Re: Response to State Agency Report ("SAR")
Mercy Crystal Lake Hospital Application (the "Application")
Project No. 10-089 (the "Project")

Dear Chairman Galassie:

Advocate Good Shepherd Hospital and Sherman Hospital appreciate the staff's work on the State Agency Report and agree with the findings that the application does not meet several important review criteria. We also appreciate the opportunity to respond to the SAR and will limit this letter to our comments on the SAR.

1. Support and Opposition Comments (SAR Pages 6-9)

We appreciate the staff's work in going through a large public record and the difficult task of sifting through and selecting excerpts for inclusion in the SAR as a mechanism for summarizing the public comment. Numerous physicians, citizens, governmental officials, healthcare professionals and other health care providers have contributed significant oral and/or written testimony at the public hearing and throughout the public comment period providing data, research and articulating concerns and other views about this proposed hospital. We would hope that all of this extensive public comment will be carefully considered by the Review Board in its deliberations.

Nevertheless, because of the large amount of material to digest, letters were submitted at the conclusion of the public comment period to assist the Review Board in summarizing key arguments in opposition to both the Mercy and Centegra Projects. We believe the letters dated June 8 by Rick Floyd, President and CEO of Sherman Hospital, and another letter from legal counsel provide a useful summary for the Review Board and

we suggest that the State Agency Report make reference to those summary letters. In addition, the results of a study performed by the University of Illinois College of Medicine also merit discussion in the State Agency Reports. This year-long study was unrelated to the new hospital CON applications. The U of I study, based on 1100 household surveys, focus groups and key leader interviews, found that "access to quality health care" was one of the best aspects of living in McHenry County. Notably, this independent study did not report the need for an additional hospital to be among the health care priorities of McHenry County residents.¹

Finally, it is important that the SAR reflect one additional submission. On June 7, 2011 legal counsel submitted a letter discussing the Comprehensive Planning function created by the recent rewrite of the Planning Act and requesting that the Board defer action on new hospital applications until that comprehensive planning function was fulfilled. We believe that letter raises important legislative issues that go to the heart of the Planning process and that request for deferral be referenced in the SAR.

2. Safety Net Impact Statement (SAR Page 11-12)

Pages 8 and 11 of the SAR make reference to a Safety Net Impact Statement. We believe that this section of the SAR should also specifically reference the "Safety Net Impact Statement Response" that was filed by Sherman Hospital, St. Alexius Medical Center and Good Shepherd Hospital and should provide analysis of both submissions. Page 8 should likely reflect the names of the hospitals that submitted the Safety Net Impact response.

In its 2009 rewrite of the Planning Act, the General Assembly implemented a new requirement for permit applications. Each application is now required by law to address the impact its project will have on Safety Net Services, including the impact the proposed project will have on the ability of other providers to cross-subsidize Safety Net Services. Because the General Assembly anticipated that applicants and opponents may have very differing views, it specifically provided that others could respond to an Applicants Safety Net Impact Statement with a formal "Response." We are unaware that any Safety Net Impact Statement Response has previously been formally filed with the Board, and consequently prior SARs may not previously have needed to address this issue. We believe, however, that the filing of a formal, and detailed, Safety Net Impact Statement Response should be brought to the Board's attention in this Section of the SAR.

The Safety Net Impact Statement Response contained comprehensive and quantifiable information as to the substantial impact the proposed new hospital would have on existing hospitals and their ability to provide Safety Net Services. The study performed by Krentz Consulting concluded the proposed Mercy Hospital would have

¹ Letter to Chairman Galassie from Julie Mayer and Tina Link, dated May 17, 2011.

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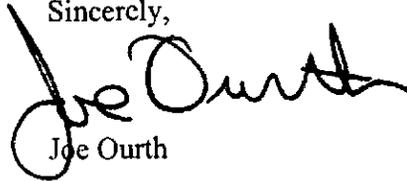
significant negative impact to other existing area hospitals, including the loss of 9,741 discharges, \$144.4 million in lost revenue and \$51.5 million in lost contribution margin.² We would ask that the SAR reflect this important information on Page 11.

3. Request for Written Decision

We concur with the SAR findings that the proposed project does not meet several of the Board's important review criteria, including "need for the project" and "unnecessary duplication of services". Consequently we would request a written decision on this Project in the event the application was approved.

We appreciate the opportunity to comment upon the State Agency Report.

Sincerely,



Joe Ourth

JRO/eka

cc: Mike Constantino

² Safety Net Impact Response Statement, Financial Impact Study, Proposed Mercy Crystal Lake Hospital (Project 10-089) May 25, 2011, Page 4.