

Constantino, Mike

From: Lawler, Daniel [daniel.lawler@klgates.com]
Sent: Wednesday, November 16, 2011 2:30 PM
To: Avery, Courtney; Constantino, Mike
Cc: Andrea R. Rozran [arozran@diversifiedhealth.net]; Streng Hadley (HStreng@centegra.com)
Subject: #10-090, Centegra Hospital-Huntley
Attachments: KL Gates Response to Submissions of Nov 14.pdf

Ms. Avery and Mr. Constantino,

Please include in the project file for #10-090, Centegra Hospital-Huntley, the attached response of the applicants, Centegra Health System and Centegra Hospital-Huntley, to the recent submissions of November 14, 2011 by Mr. Joe Ourth of Arnstein & Lehr and Krentz Consulting. Thank you

Dan Lawler

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November 16, 2011

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VIA EMAIL

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761

**Re: Project No. 10-090, Centegra Hospital-Huntley
Response to Opponents Submissions of November 14, 2011**

Dear Ms. Avery:

I represent Centegra Health System and Centegra Hospital-Huntley, the applicants in Project No. 10-090. Yesterday I was made aware of the November 14, 2011 written submissions on behalf of opposing hospitals consisting of a document prepared by Krentz Consulting ("Krentz") and a letter from Mr. Joe Ourth. The submissions do not merit lengthy responses, but a few brief comments are in order.

Krentz's lead argument is the claim that patient days for seven hospitals in the region declined in 2010. But Krentz's own data show that the "decline" was a miniscule 0.15% from the all-time high for patient days in 2009. The attached chart from page 1 of the Krentz submission shows that medical/surgical patient days hit a high of 221,807 in 2009 and then "declined" to 221,462 in 2010. This is compelling evidence that demand for hospital services in the area to be served by Centegra Hospital-Huntley has continued to be strong – indeed, at and near record highs – even through one of the worst economic downturns in history. Economic recovery will only further add to the current historically high demand for inpatient hospital services.

Krentz also attacks the Review Board's bed-need methodology by asserting that the recent update (which calculated a medical/surgical bed-need in McHenry County of 138 additional beds) overstated the 2018 projected population for McHenry County by 12% when compared to Krentz's own made-up methodology. In response, the Review Board's bed-need methodology is established by the administrative rule-making process and has the force and effect of law. That methodology can not be disregarded on an *ad hoc* basis to satisfy opponents who do not like the results. Moreover, even if the McHenry County projected

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2018 population figures were reduced by 12%, as proposed by Krentz, there would *still* be a need for over 100 medical/surgical beds in McHenry County as well as a need for the ICU and Obstetric beds requested by Centegra Hospital-Huntley.

Other topics raised by Krentz have been addressed in Centegra's prior oral and written submissions, including the July 28, 2011 analysis prepared by Deloitte Financial Services, LLP, that documented the fundamental flaws and overall unreliability of Krentz's prior submissions.

As for Mr. Ourth's letter, it also confirms the area's strong demand for inpatient services even during the economic downturn of the last several years. The table on page 8 of Mr. Ourth's letter (*see attached copy*) documents the change in medical/surgical patient days at seven hospitals in the region between 2008 and 2010. While Mr. Ourth's table does not provide a total number of patient days for the seven hospitals, one can simply add them up to see that the 2010 patient days of 221,462 was an *increase* from the 2008 patient days of 219,574. Once again, the opponents' own data confirm the results of the Review Board's bed-need methodology that show an increasing need for additional inpatient services in McHenry County.

Mr. Ourth's main argument is the claim that Centegra has not submitted any information to the Review Board since the June 28, 2011 Board meeting to warrant approval of Centegra Hospital-Huntley. To the contrary, shortly after the June 28 meeting Centegra received a request from the Review Board for responses to three specific inquiries. On July 28, 2011, Centegra filed a 27-page submission with detailed responses to each inquiry. The submission directly and positively addressed specific concerns raised about the Centegra Hospital-Huntley project including (1) its impact on Safety Net services, (2) Centegra's relation to the McHenry County Healthy Communities Study, and (3) the effect of population projections on the size and viability of the proposed hospital. Ironically, Mr. Ourth characterizes this submission as an "attack" on his hospital clients even though it was Mr. Ourth himself who urged the Review Board to inquire into the three specific areas mentioned.

Reminiscent of his untimely, eleventh hour attempt to forestall initial Review Board consideration of Centegra Hospital-Huntley shortly before the June 28th Review Board meeting, Mr. Ourth now claims for the first time that Centegra should have submitted physician referral letters when it filed its CON application in December 2010. Again, Mr. Ourth's lay-in-the-weeds tactics should not be countenanced by the Review Board. Centegra has submitted all information required by the Review Board's rules and requested by the Review Board's staff. Centegra's application was deemed complete in January 2011 and a public hearing was held in February at which Mr. Ourth, his hospital clients and dozens of their associates spent a full day recounting their objections. More of Mr. Ourth's

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objections came in prior to the June 28th Review Board meeting, including his belated and bizarre request for a total moratorium on all new hospital projects, and his clients also testified at length during the public comment period at the June 28th Board meeting. Any new objections at this late date are untimely and unfair, and should be dismissed. As with the Krentz submission, Mr. Ourth's other sundry objections have been addressed by Centegra's prior submissions into the project file.

Thank you for your consideration of this response.

Very truly yours,

K&L GATES LLP

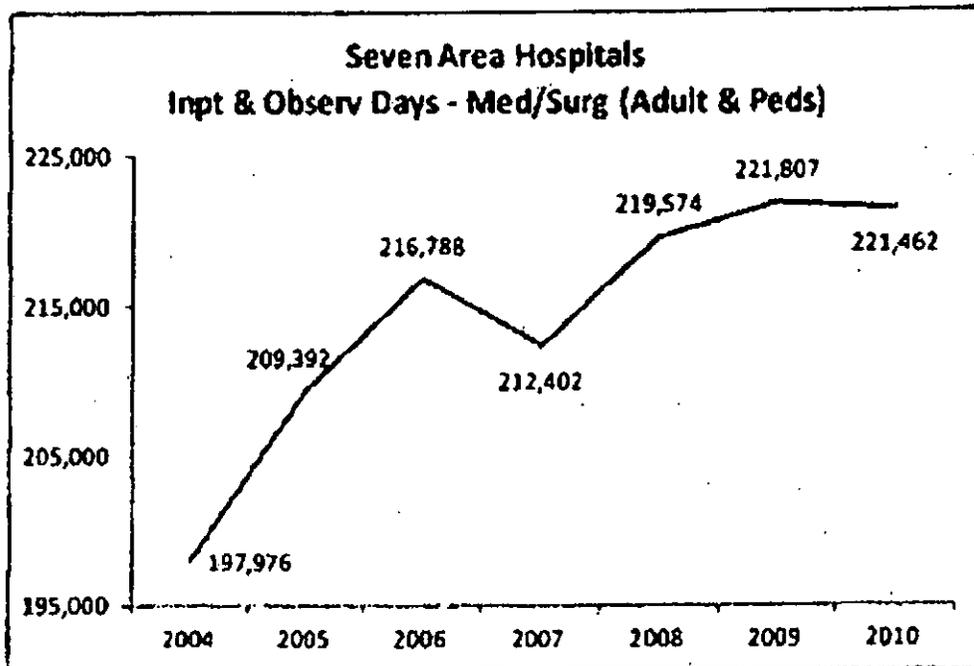


Daniel J. Lawler

DJL:dp

Attachments

cc: Mr. Michael Constantino
Ms. Andrea Rozran, Diversified Health Resources
Ms. Hadley Streng, Centegra Health System



Source: Krentz Consulting Assessment of Utilization, Population Growth, and Applicant Arguments of Impact on Existing Providers, Proposed Centegra Hospital-Huntley (Project No. 10-090), Page 1.

Patient Days Change				
Med/Surg (Adult/Ped) Days	2008	2010	08-10 # Change	08-10 % Change
Good Shepherd	36,888	35,627	-1,261	-3%
Centegra-McHenry	37,690	34,896	-2,794	-7%
Centegra-Woodstock	19,006	18,277	-729	-4%
Sherman	38,049	45,572	7,523	20%
Provena St. Joe's	30,889	25,700	-5,189	-17%
St. Alexius	55,368	59,685	4,317	8%
Mercy Harvard	1,684	1,705	21	1%

*

TOTAL: 219,574 221,462

When examining utilization and excess capacity, area hospitals had 347 beds, on average, available each day during 2010. Importantly, McHenry County residents could access these beds less than 30 minutes from their home. Specifically, there were 251 med/surg beds, 44 ICU beds and 52 OB/GYN beds. These 347 empty beds significantly exceed the number of beds proposed by the 128-bed Centegra Hospital - Huntley.

SAR Table 1: Facilities within 30 minutes of the proposed Centegra-Huntley site or Mercy-Crystal Lake site, updated with 2010 Hospital Profile Data

Hospital	City	Distance from Mercy Crystal Lake		Distance from Centegra Huntley		A-10	2010 Occupancy			
		Less than 30 min	More than 30 min	Less than 30 min	More than 30 min		Med/Surg	ICU	OB/GYN	Total
Centegra Hospital - Woodstock	Woodstock	12.7	5.65	16	11.26	A-10	83.5%	77.5%	80.0%	77.8%
Centegra Hospital - McHenry	McHenry	17.3	7.35	15	17.88	A-10	81.0%	61.8%	75.0%	72.1%
Mercy Harvard	Harvard	More than 30 min	More than 30 min	More than 30 min	More than 30 min	A-10	72.0%	67.0%	70.0%	75.0%
Subtotal, McHenry County Hospitals	McHenry	15.0	6.50	15	14.57	A-10	77.0%	69.7%	72.5%	74.9%
Advocate Good Shepherd	Barrington	12.7	6.2	28	16.61	A-09	71.0%	64.7%	70.0%	77.3%
Provena Saint Joseph	Elgin	25.3	16.1	24	19.9	A-11	71.0%	60.4%	65.0%	69.7%
Sherman	Elgin	27.6	13.3	20	15.11	A-11	71.0%	60.4%	65.0%	69.7%
St. Alexius Medical Center	Hoff Estates	27.6	16.1	More than 30 min	More than 30 min	A-07	71.0%	60.4%	65.0%	69.7%
Total							71.3%	66.4%	67.2%	71.3%

Shaded cell indicates unit is operating below 80% occupancy standards

Source: State Agency Reports, 2010 Annual Hospital Profile

Based upon continued decreasing utilization of key services, excess underutilization of area hospitals serving McHenry County residents and number of available beds on any given day, it is clear that McHenry County patients already enjoy ample access to hospital services through existing area hospitals.

B. Use rates and utilization have been declining and are forecast to continue to decline in McHenry County and nationally.

Inpatient use rates are expected to continue to decline in the coming years due to outcomes-based payment, clinical integration, and accountable care organization delivery models. While health care reform may increase the number of insured, use rates will likely decrease. Most of the uninsured already receive inpatient care, as all of the area hospitals provide charity care to the uninsured.