

TOUCHETTE REGIONAL HOSPITAL
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11-005

January 12, 2011

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

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

Dear Mr. Galassie:

RE: Request for Expedited Consideration of Touchette Regional Hospital's Application to Discontinue KHRH and Establish AMI Beds at its Centerville Campus

I am the COO of Touchette Regional Hospital (TRH). We have been informed that although the above application was received by the Board on time, and deemed complete, for consideration on the March 22, 2011 Board agenda it has been scheduled for the May meeting. We also understand that a number of applications were received in the last week or so which will make the March meeting a busy one, and the Board's Staff work for that meeting significant. Given the latter circumstances I am not making this request lightly and I do so with respect for the Board's process and work the Staff does. However, we are in an urgent situation and thus I respectfully ask the Board to expedite the hearing on the above application and place it for consideration on the Board's March agenda.

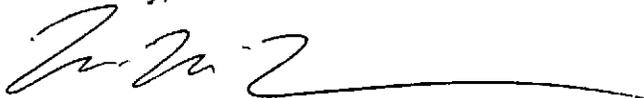
I am familiar with the costs associated with the operations of Kenneth Hall Regional Hospital (KHRH) which operates as a campus of Touchette in East St. Louis. The cost to keep the building open is approximately \$3.2 million dollars per year (of which only \$750,000 is depreciation which is a non-cash item). If and when the building is closed, the cost to maintain it (without any services) will be approximately \$750,000 dollars per year. This would assume Touchette would continue to incur these costs, and it may not because there are tentative plans for the KHRH building to be divested for use as housing in the area. In addition, Touchette loses \$2.2 million dollars per year on ED operations at KHRH. The latter relates solely to the cost of running the ED as the cost of the building structure for the ED is included in the \$3.2 million dollar figure mentioned above relating to the building itself. Therefore the annual operating loss for KHRH is \$5.5 million dollars a year. The plan is to establish an urgent care center in the POB adjacent to KHRH which is projected to lose about \$1 million dollars annually. A forty five day delay in hearing our application to discontinue the KHRH building/hospital will delay implementation of these plans and will cost about \$550,000. This is money Touchette could apply to health care operations to assist in continuing to serve the community.

I am also concerned that if the application is deferred for any reason beyond the May meeting the financial loss will only increase and we may encounter operational difficulties. We note the financial information submitted with our application supports these statements and thus are not duplicating that information here. Our cash flow projections indicate that we will be incurring cash shortages by June 2011, even with a March Health Facilities Planning Board approval and July implementation of the KHRH closure. Delaying the decision will put us in a negative cash situation by July 2011. Secondly, the KHRH building continues to have problems with plumbing and HVAC breakdowns. A delay of HFPB action until May will push our closure well into the summer months where the cooling systems of the Hospital will be severely stressed. In August 2010 we were down for five (5) days due to failure of the cooling system and had to transfer patients. We would not like to run the risk of repeating that scenario.

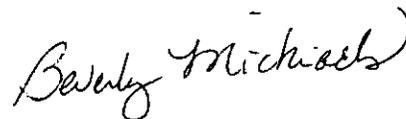
I would like the Board to also consider two less tangible but very important points. First, there are approximately 100 employees at the KHRH building, including clinical and support staff. We hope that many of these employees will be able to transfer to Touchette and of course particularly those clinical and support employees who provide the AMI services. It is inevitable that the longer the time frame between the application being filed and the hearing by the Board, some of these employees will leave our employ to go elsewhere. This may make it difficult to provide the services we need to provide clinically and to provide the necessary support and security services at the KHRH building as well. If our employees know there is a somewhat finite time we are working with, and not an extended one, it will help them and us in addressing the work force issues that are a natural concern when services are discontinued/consolidated.

Second, we are in negotiations with a developer regarding use of the KHRH building. It is well situated by a metro train station that services St. Louis and the metro-east area of Illinois. A physician office building owned by Touchette is also located adjacent to the KHRH building. In what would be a very positive result for the community the building may be rehabbed by a developer for use as housing units. We are concerned that the delay may impact our discussions with the developer because the process of discontinuing health care operations at KHRH will be lengthened.

Sincerely,



Michael McManus
Chief Operating Officer
Touchette Regional Hospital



cc: Mike Constantino
Clare Connor Ranalli, Holland and Knight

