



**ROCKFORD HEALTH**  
*system*

**Respectful Care**

**VIA FEDERAL EXPRESS**

September 3, 2014

Ms. Courtney Avery  
Administrator  
Illinois Health Facilities and Services Review Board  
525 West Jefferson  
Springfield, IL 62761

Re: **Project #13-072**

Dear Ms. Avery:

This letter is being sent to the Agency to be included in the public record in connection with Project #13-072.

Background

On March 11, 2014, NorthPointe Health & Wellness Campus ASTC ("NorthPointe"), which proposes the establishment of an ambulatory surgical treatment center in Roscoe, Illinois, was heard by the Illinois Health Facilities and Services Review Board ("Board"). Following a presentation to the Board, the applicant requested a Deferral, which was granted. The applicant then appeared at the Board's June 3, 2014, hearing and was issued an Intent to Deny. Both the original State Board Staff Report and the Supplemental State Board Staff Report concluded that the proposed application "DOES NOT appear to be in conformance" with the provisions of either Part 1110 or Part 1120 of the Board's rules. The application is scheduled to be heard again by the Board on October 7, 2014. Rockford Health System, which includes Rockford Memorial Hospital, has previously expressed its opposition at the Public Hearing and during Public Comment, as have other community providers.

Request for Clarification

Rockford Health System respectfully requests that your staff clarify certain confusion, contained in the record, relating to the applicant's role in providing services to Illinois Medicaid recipients. We make this request having reviewed the original State Board Staff Report; the Supplemental State Board Staff Report; the transcripts of the March 11, 2014 and June 3, 2014 presentations before the Board; the transcripts of the Public Hearing; and Public Comment statements, as well

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HEALTH FACILITIES &  
SERVICES REVIEW BOARD

**Rockford Memorial  
Hospital**  
2400 N. Rockton Ave.  
Rockford, IL 61103  
(815) 971-5000

**Rockford Health  
Physicians**  
2300 N. Rockton Ave.  
Rockford, IL 61103  
(815) 971-2000

**Van Matre HealthSouth  
Rehabilitation Hospital**  
950 S. Mulford Rd.  
Rockford, IL 61108  
(815) 381-8500

**Visiting Nurses  
Association**  
4223 E. State St.  
Rockford, IL 61108  
(815) 971-3550

**Rockford Memorial  
Development Foundation**  
2400 N. Rockton Ave.  
Rockford, IL 61103  
(815) 971-4141

as the documents filed by the applicant that are available on the Board's website. This review yielded significant confusion regarding the applicant's role in providing services to Illinois residents who rely on Medicaid. At least three (3) of the four (4) Board members who voted in favor of the application cited and/or relied on representations relating to the applicant's Illinois Medicaid and charity care utilization as a reason for their support, based on the June 3 transcript. (See June 3, 2014 Transcript, beginning on page 33, 51 and following). Based on the June 3 hearing transcript, we believe that Table Three of the Supplemental State Agency Report may have been interpreted to reflect a historical commitment to Illinois Medicaid by the applicant that is not supported by the State of Illinois Department of Healthcare and Family Services' ("HFS") data. Furthermore, as a provider of significant Medicaid services to Illinois residents, our own experience in the Roscoe/Rockford community is that the applicant's historical contribution to Illinois Medicaid is substantially more modest than might be interpreted from Table Three.

I. Table Three of the Supplemental State Agency Report on Medicaid Percentage to Net Revenue Needs Clarification Given HFS's 2012 Data on Medicaid Utilization and Reimbursement

- In order to assist us in resolving apparent inconsistencies surrounding the Illinois Medicaid data in the applicant's record before the Board, we reviewed the HFS data relating to Medicaid inpatient utilization in 2012. (Unfortunately, it appears that HFS is unable to provide Medicaid outpatient utilization data for 2012.)
- HFS documents that Beloit Memorial Hospital admitted only 62 Illinois residents in 2012 who rely on Medicaid for services resulting in inpatient reimbursement of \$358,885. Applying the 2012 Net Revenue (\$182,334,188) provided by the applicant that is set forth in Table Three of the Supplemental State Board Staff Report to HFS' Illinois Medicaid inpatient data, Beloit Memorial Hospital's percentage of Illinois Inpatient Medicaid Reimbursement to Net Revenue for 2012 would represent only 2/10's of 1% (.2%).
- In marked contrast, Table Three of the Supplemental State Agency Report reports Beloit Memorial Hospital's "% of Medicaid to Net Revenue" for 2012 as 43.57%. Given the extraordinarily low revenue that Beloit Memorial Hospital derived from Illinois Inpatient Medicaid (\$358,885), a percentage of Medicaid to Net Revenue of 43.57% would appear to require exceptionally high Wisconsin Medicaid utilization. While Beloit Memorial Hospital's aggregate "% of Medicaid to Net Revenue" may be 43.57% -- and we are not questioning the applicant's accuracy in its certified application -- given Illinois' HFS data (\$358,885 paid for the inpatient care of Illinois Medicaid recipients in 2012), the rate of Illinois Medicaid to Net Revenue

appears to be very low. We believe that the record, as it stands now, does not clarify this point.

- We understand that Board members often look to Table Three of the State Agency Report (and Supplemental State Agency Reports that might be issued) to confirm an applicant's historical commitment to Illinois residents who rely on Medicaid, as well as an applicant's commitment to the provision of charity care. In fact, we were in attendance at the Board's hearing in connection with this application and we observed Board members referring to Table Three in connection with the consideration of this application, as noted below.

II. The Applicant's Statements to the Board at its June 3 Hearing and its Supplemental Submission Appear Inconsistent with 2012 HFS Data

- The applicant's reply to Justice Greiman's questions relating to its Medicaid and charity care utilization added confusion, rather than clarification, relating to its historical commitment to Illinois residents. The applicant responded that **44% of its "health system" charity care and Medicaid is delivered "to Illinois residents."** (See page 50 of the June 3, 2014 Transcript). Again, with a percentage of Illinois Inpatient Medicaid that amounts to only 2/10s of 1% (.2%) based on HFS data, we are at a loss to understand how the applicant's statement reconciles with the HFS 2012 data. Justice Greiman's question also underscores, from our perspective, the importance to at least one Board member, of an applicant's contribution to **Illinois Medicaid** not just Medicaid in total. In this case, it may be that the applicant's Medicaid numbers are aggregate, perhaps combining Illinois and Wisconsin, but this is not clear from the record.
- Rockford Memorial Hospital's mission includes substantial service to Illinois residents who rely on Medicaid. In 2012, our hospital's percentage of Medicaid to Net Revenue was 15.6%, ranking us among Illinois' top providers of Medicaid services outside of Chicago. Simply put, we were surprised to see the reported calculation of the applicant's "% of Medicaid to Net Revenue", since it is inconsistent with our community experience and, based on the applicant's own statements, appears to represent nearly one-half of their charity care and Medicaid "activity." (See, again, June 3, 2014 transcript.)
- We are somewhat frustrated that we are unable to confirm the representations made on June 3 based on the available record. As you are aware, Table Three is derived from data submitted by the applicant, but it appears that the Illinois Medicaid data may have been aggregated with Wisconsin Medicaid data. In many Certificate of

Need applications, where the applicant's service area is limited to Illinois, this lack of delineation would have little bearing. In this case, however, Beloit Memorial Hospital is located in Wisconsin, and the Table Three data appears to include both Wisconsin and Illinois patients and revenue figures. Because Wisconsin data is not readily available to us, it is not clear how these calculations were made and, therefore, what the applicant's actual contribution to Illinois Medicaid services actually is.

- Other statements made during the applicant's June 3 hearing added to the confusion over the applicant's historical Illinois Medicaid utilization and appear to be at odds with Table Three's Medicaid utilization data. On page 44 of the June 3, 2014 transcript, Dr. Burden asked the applicant a question relating to the applicant's "Public Aid" utilization. In response, the applicant stated: "The 15.6 percent is only Illinois Public Aid. We add to that at NorthPointe [the applicant's existing outpatient facility located in Roscoe that is the planned location for the proposed ASTC] another 8 percent. So we have 24 percent Public Aid, which is similar to the Rockford market." It is unclear what these "public aid" numbers refer to -- is it Beloit Health System, Beloit Memorial Hospital, or outpatient services provided in Illinois? This statement appears inconsistent with both the data set forth in Table Three of the Supplemental State Agency Report and other representations relating to Medicaid participation that are set forth in the record.
- Moreover, additional statements from that same June 3 transcript appear to suggest a lack of clarity, at least, about whether data reflects the applicant's Medicaid and charity care role in aggregate, or whether it reflects the provision of services to Illinois residents. For example, the applicant states "In 2013, we saw 82,000 Medicaid patients. We provided \$13 million in charity care." Although these statements are made in the section of its presentation to the Board in which it references the "NorthPointe [Illinois]", it is unclear whether the applicant is representing that it treats 82,000 Illinois residents and contributes \$13 million in charity care to Illinois residents. (See June 3 Transcript, page 38). Again, if nearly half of the patients cared for by the applicant are Illinois residents, then the HFS data relating to Illinois Medicaid inpatient reimbursement at Beloit Memorial Hospital would presumably be significantly higher than the \$358,885 (2/10's of 1%) (.2%) that is set forth in the HFS data.
- Adding further to the confusion is the applicant's April 15, 2014 supplemental submission, in which the applicant submitted hospital profile data stating that total Medicaid payor sources amount to 13%. This representation either is at odds with

other representations, or at least a full and detailed explanation of apparent inconsistencies should be offered.

- We have identified several examples of apparent inconsistencies “in the record” relating to the applicant's actual Illinois Medicaid commitment, but we should note that the record is replete with other examples. We noted those above, in particular, in order to provide some specificity relating to our concern and to explain the importance of our request for clarification.

### Closing

Rockford Memorial Hospital's significant commitment to providing Medicaid services to our community is long-established, as is the important role of the other Illinois hospitals that serve the Rockford community. In 2012, for example, Rockford Memorial Hospital provided \$59.6 million in Medicaid inpatient and outpatient services, representing 19% of our net patient revenue. For that same period, SwedishAmerican Hospital in Rockford documented \$40.5 million in Medicaid inpatient and outpatient services, representing 12%, of its net patient revenue, while OSF Saint Anthony Medical Center in Rockford documented \$20.54 million in Medicaid inpatient and outpatient services, representing 6% of its net patient revenue. In addition, Rockford Memorial Hospital is committed to serving all patients regardless of ability to pay. During 2012, the Hospital provided approximately \$9 million of charity care services at cost. This Illinois Medicaid data is publicly available and is derived from the 2012 Annual Hospital Profiles submitted by these three Illinois hospitals. Rockford Memorial Hospital, SwedishAmerican Hospital and OSF Saint Anthony Medical Center have all recorded their opposition to Project #13-072.

The applicant describes itself as an “in-market provider” with a physical presence in Illinois since 1991, and that “44% of the System volume is attributable to Illinois residents” (See applicant’s (July 31, 2014 letter, page 2). Yet, the number of Illinois Medicaid inpatients served at Beloit Memorial Hospital appears to contradict this assertion, based on HFS data. Moreover, the actual number of Illinois Medicaid outpatients and Illinois patients meeting the IDPH definition of charity care have not been identified. Without this clarification, an assessment of the applicant’s true historical commitment to Illinois Medicaid recipients, as well as to Illinois residents who rely on charity care, cannot be made.

The Board has recognized and affirmed those applicants who have a documented track record of providing Medicaid and charity care services to Illinois residents. Like other hospitals that have provided such services, we are appreciative that that historical role in providing Medicaid and charity care is acknowledged by the Board. It is for this reason that we come forward with this request for clarification. We believe that this issue is important to the Board since the

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discrepancies in the record are significant, and that clarity regarding the questions raised in this letter is essential in order for the Board to be fully informed when considering this application.

We are grateful for your consideration of this request.

Very truly yours,

A handwritten signature in black ink that reads "Dan Parod". The signature is written in a cursive, flowing style.

Dan Parod  
Senior Vice President Hospital & Administrative Affairs

cc: Mike Constantino