



Hospital Sisters
HEALTH SYSTEM

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MAR 27 2015

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Belleville, IL
HSHS St. Elizabeth's Hospital

March 27, 2015

Breese, IL
HSHS St. Joseph's Hospital

VIA HAND DELIVERY

Decatur, IL
HSHS St. Mary's Hospital

Courtney Avery
Illinois Health Facilities and Services Review Board
525 West Jefferson, 2nd Floor
Springfield, Illinois 62761

Effingham, IL
HSHS St. Anthony's Memorial Hospital

Re: Supplemental Material Submission Subsequent to Intent to Deny/Project 14.043

Highland, IL
HSHS St. Joseph's Hospital

Dear Ms. Avery:

Litchfield, IL
HSHS St. Francis Hospital

On behalf of St. Elizabeth's Hospital and Hospital Sisters Health System, we are submitting the following material in response to the Intent to Deny vote (4 positive, 1 negative votes) received at the January 27, 2015 Health Facilities and Services Review Board ("HFSRB" or "Board") meeting. We would like to thank the Board for its generally positive response to our project. The proposed replacement hospital project addresses our obsolescent facility in Belleville through the investment of significant capital. It will give the region a modern health care facility for patients needing a high acuity level of care. It reduces beds in planning area F-01 by 159 beds and does not propose any new categories of service or even pieces of equipment or treatment rooms. Our project is conservative and is designed with your planning policies and rules in mind.

Springfield, IL
HSHS St. John's Hospital

Streator, IL
HSHS St. Mary's Hospital

Chippewa Falls, WI
HSHS St. Joseph's Hospital

Attached are appendices which address the issues raised at the January 27, 2015 Board meeting and finding within the State Board Report. They are as follows:

Eau Claire, WI
HSHS Sacred Heart Hospital

Green Bay, WI
HSHS St. Mary's Hospital Medical Center
HSHS St. Vincent Hospital

- Appendix A: Action Taken To Remove Two Findings within Applicants' Control and Response to Third Finding
- Appendix B: Findings on Need, Maldistribution/Duplication and Impact
- Appendix C: Impact on Other Area Providers
- Appendix D: Payor Mix
- Appendix E: St. Clair County Health Department

Oconto Falls, WI
HSHS St. Clare Memorial Hospital

Sheboygan, WI
HSHS St. Nicholas Hospital

We hope this supplemental material is helpful. Also, we look forward to presenting our project to any Board member who did not have the opportunity to hear and consider it at the January meeting.

HSHS Medical Group

Prairie Cardiovascular

As always, thank you for your assistance. If you have any questions do not hesitate to contact us.

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Sincerely,

Maryann Reese

Maryann Reese, CEO,
St. Elizabeth's Hospital

Mary Starmann-Harrison

Mary Starmann-Harrison, CEO
Hospital Sisters Health System

Sponsored by the
Hospital Sisters
of St. Francis

cc: Susan Beeler; Clare Connor Ranalli; Janet Scheuerman

APPENDIX A

ACTION TAKEN TO REMOVE TWO FINDINGS WITHIN APPLICANTS' CONTROL AND RESPONSE TO THIRD FINDING

ACTION TAKEN TO REMOVE TWO FINDINGS WITHIN APPLICANTS' CONTROL AND RESPONSE TO THIRD FINDING

The project received overwhelmingly positive comments. The Board noted the compliance with multiple criterion despite the size and complexity of the project, and the effort taken by the applicants to meet the criterion in almost all areas the applicants could control (all relating to the fact this is a replacement hospital project, but under the Board's rules is reviewed as a "new" hospital project). However, there were three findings within the applicants' control that received findings. The applicants are reducing the number of labor delivery recovery rooms which result in the removal of two of the findings, and provide supplemental information in response to the other finding.

A. Reducing the Number of LDR Rooms Removes Two Findings of Non-Compliance

The Staff Report made findings of non-compliance under Criterion 1110.234(b), Project Services Utilization, and Criterion 1110.3030(b), Clinical Service Areas Other than Categories of Service. Both findings were based on a determination that 3 labor delivery recovery rooms were justified while 5 rooms were proposed.

The applicants are reducing the number of proposed labor/delivery rooms to 3, and converting the other 2 planned labor delivery recovery rooms to triage rooms. This will not result in any change in project costs or square footage as the equipment and build out of the rooms will remain the same. The triage rooms will be used, as other triage rooms, for women who are in labor but are not necessarily anticipated to deliver. This would include women in pre-mature labor who are given medications to stop labor, women who are experiencing potential Braxton-Hicks contractions and women who might be in labor but are not expected to deliver imminently during that visit and/or who are in such early stages of labor that they can be monitored, and then moved some time later to one of the delivery rooms when delivery is imminent.

The applicants understand that deliveries cannot occur in the triage rooms (absent emergency circumstances) and if a woman being monitored is ready to deliver, and the other 3 labor/delivery rooms are occupied, any patient laboring in a triage will need to be transferred to an OR for delivery. This was made clear by Illinois Department of Public Health, and St. Elizabeth's will comply with these instructions. St. Elizabeth's initially requested 5 labor/delivery rooms because almost half of the time 3 of its labor/delivery rooms are full. However, the conservative approach of 3 labor/delivery rooms will meet the HFSRB requirements on utilization for labor/delivery, as St. Elizabeth's 2013 and 2014 volumes support 3 labor/delivery rooms. If, after permit receipt and prior to the replacement hospital opening, St. Elizabeth's utilization supports more labor/delivery rooms, it will provide information and submit a request to HFSRB to alter the permit.

As a result of this step, the proposed replacement hospital meets 32 of the 38 criterion by which it is measured whereas when the HFSRB heard the application it met 30 of the 38. Of the remaining six criteria not met, five are due to the fact that the project is measured against criteria for a new hospital which treats the project as if it were

adding beds and services in the planning area, whereas this project proposes a replacement hospital that *reduces beds* within the planning area by 159 beds, and *does not add any new services*. Given that the project is reducing beds and not adding any new services, it constitutes neither an unnecessary duplication of services nor a maldistribution of services. This is supported by the State Board Report (“SBR”) finding that the replacement hospital is necessary to provide access to care to the community.

B. The Proposed 12-Bed OB Unit Is Justified By St. Elizabeth’s Historical Utilization, and the Planning Area Does Not Need Additional OB Beds

The SBR also includes a finding of non-compliance with Criterion 1110.530(g) Performance Requirements. The Report finds that the project *meets* the unit size requirements for its medical/surgical and ICU services, but is proposing 12 OB beds whereas the Criterion calls for 20 beds.

St. Elizabeth’s historical utilization does not support 20 Obstetrics beds. The planning area is overbedded by 103 beds in this category of service. St. Elizabeth’s 2013 and now 2014 data does not support a 20 bed unit. Rather than build out a unit for 20 beds, knowing it would not meet target utilization and would continue to contribute to overbedding, the applicants propose an Obstetrics unit appropriate to its historical utilization. A question was asked as to the viability of quality of care in a 12 bed unit. St. Elizabeth’s has a full service obstetrics program. It offers the only family practice residency program in the area in conjunction with Scott Air Force Base, and it is the primary provider of obstetrics care to Scott Air Force Base residents. The program has received accreditation from the American Council of Graduate Medical Education. St. Elizabeth’s is confident the unit is right sized and will provide excellent quality.

The Board has consistently approved projects where, as in St. Elizabeth’s case, the applicant has justified the number of beds proposed and the planning area did not need the number of beds called for by the performance requirement criterion.

APPENDIX B

FINDINGS ON NEED, MALDISTRIBUTION/DUPLICATION AND IMPACT

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The State Board Report ("SBR") noted:

"The State Board Staff believes the discontinuation of the existing 303 acute care hospital is warranted given the age and obsolescence of the existing hospital. . . . Current State Board rules do not address the relocation of an existing acute care hospital to a different site within the same planning area. Therefore the State Board Staff has reviewed this application as the discontinuation of a 303 bed hospital in Belleville and the establishment of a new 144 bed acute care hospital in O'Fallon. This has resulted in conflicting results. The State Board Staff believes the discontinuation is warranted given the age and obsolescence of the existing 303 bed hospital. However, there remains a calculated excess of beds in the F-01 Planning Area for all bed services being proposed except intensive care services. This calculated excess of beds in this planning area does not warrant additional beds under current State Board Rules. While the current State Board rules do not warrant additional beds, the State Board Staff believes the new hospital is necessary to continue to provide necessary services for all residents in the F-01 planning area."

This statement, found on page 3 of the SBR, highlights the conundrum. The project is not adding beds to the area, it is **reducing beds in the planning area by 159 beds**. The State Board Staff noted this and therefore supported both the discontinuation of the current facility due to its outdated and obsolescent state, and the need for its replacement in the planning area, in order to serve the community as it has served for 100 plus years.

On page 22 of the SBR, the State Board Staff noted:

"This project would essentially relocate an acute care hospital in its entirety, downsizing in areas underutilized, and increasing space in areas requiring the extra spatial allocation for the provision of modern health care."

Again, the State Board Staff correctly noted the need for a modern facility and the careful planning of the applicants in addressing the need while reducing beds by 159 beds total in an overbedded area. The project adds no new beds, categories of service or equipment and simply relocates an existing hospital from Belleville, which currently has two full service acute care hospitals, to O'Fallon, where there is no hospital. The location in O'Fallon places St. Elizabeth's closer to approximately 70% of its patients, based on their respective zip code origin, than it is now (see **attached fact sheet** which was part of

the record when this project was initially heard). This project, as the State Board Staff noted, is needed for the community, will downsize and right size for utilization and quality care and will reduce overall beds in the area.

In addition, the State Board Staff must have taken into consideration, through its supporting comments on the project, the fact that St. Elizabeth's and Memorial, both located in Belleville have a high Case Management Index ("CMI"). A hospital's CMI reflects the diversity and clinical complexity of the patient population it serves. The higher the CMI, the more clinically complex the patient conditions and the greater number of resources that are required to care for those patients. In other words, the beds in the planning area may be the same by category of service, but the types of patients seen at St. Elizabeth's and Memorial are different than many of the other hospitals in the planning area based on level of acuity (see **attached**). St. Elizabeth's and Memorial are able to see patients with a higher acuity level because of the support services they offer, and the level of staffing provided to support those services. Examples are the neurology and stroke center/rehabilitation services provided by St. Elizabeth's and the open heart programs that exist at both hospitals. The fact that the two hospitals with the highest CMI levels are located in the same town makes no sense. Access to the level of services that St. Elizabeth's provides will be enhanced in the region generally once it moves to Interstate 64. The City of Belleville will not lose a hospital that offers high acuity services, as Memorial will obviously remain there. Therefore, separating the two hospitals with high CMI's within the planning area slightly more than they are separated now will provide better access and avoid the current duplication of services that exists due to both hospitals being located in Belleville.

The applicants cannot take any action that will remove the findings on need, maldistribution and/or duplication of services. As noted by Madam Chair Olson at the hearing on the project in January 2015, "these hospitals already exist in the same service area and planning area, so this is not anything new." These findings exist not because of the project, but in spite of it. The State Board Staff is compelled, per current Board rules on relocations/replacement of existing hospitals within a planning area to treat this project as if it is an entirely **new** project, adding beds to the service area, when **it is in fact a replacement hospital project *reducing*** beds in the service area.



AN AFFILIATE OF HOSPITAL SISTERS HEALTH SYSTEM

Replacement Hospital Project, #14-043 Quick Reference Guide

Opposition Statement/Position	Fact
<p>St. Elizabeth's is duplicating services by building so close to Memorial Hospital-East</p>	<p>Currently there are 554 inpatient hospital beds in Belleville. The city of Belleville has a population of 42,895. The cities of O'Fallon/Shiloh have a combined population of 42,025 and currently have "0" inpatient beds. The St. Elizabeth's Replacement hospital will bring 144 inpatient beds and Memorial east will bring 94 for a total of 238 inpatient beds for the same amount of population. Once Memorial East opens, Memorial Belleville will continue to operate 210 beds in Belleville for its population. St. Elizabeth's is giving up 159 inpatient beds in area the HFSRB states is over-bedded, and Memorial is giving up 6. Ultimately, these changes result in a more equal distribution of beds.</p>
	<p>IDPH revised bed need determinations 4/23/14 indicate the F-001 planning area has 1134 licensed inpatient beds and the calculated need is for 548, so there is an excess of 586 beds. St Elizabeth's is relinquishing 159 of those inpatient beds to the state and shifting 144 inpatient beds to equalize the region with inpatient beds. St. Elizabeth's will not be duplicating services in O'Fallon/Shiloh, but enhancing and equalizing healthcare resources in the region</p>
	<p>The proposed St. Elizabeth's Hospital is a true replacement facility while the approved Memorial Hospital-East is a satellite facility to support the higher acuity services at Memorial Hospital-Belleville. Memorial East will not offer Neurosurgery, Open Heart Surgery, Rehab or Comprehensive Stroke services. St. Elizabeth's will provide all of these services in addition to a Critical Care unit is manned by physicians 24/7/365 with Intensivists (Doctors who specialize in Critical Care Medicine).</p>

<p>We are moving away from the underserved</p>	<p>St. Elizabeth's service area will not change with a new location. The payer mix of the population's service area remains the same.</p> <p>The new location in O'Fallon will more fairly distribute the inpatient beds in the region and through interstate access will allow quicker drive times for the underserved to cities to our west. The drive times for the 10 zip codes with the largest populations of people living below the poverty line, decreases for 6 of the 10 zip codes, when St. Elizabeth's moves to O'Fallon.</p> <p>St. Elizabeth's has initiated discussions with St. Clair County Transit District (SCCTD) to ensure we coordinate bus route options from the Belleville campus to the proposed O'Fallon location. SCCTD is open to these discussions but does not want to formally meet and make plans for revised routes and/or additional stops until a project is approved. St. Elizabeth's is planning for a bus stop on the new campus that will be immediately adjacent to one of the main entrances for easy patient access.</p>
<p>The hospital move will negatively impact the employees of St. Elizabeth's who have dedicated their careers to this ministry.</p>	<p>Slightly more than 70% of our colleagues live in cities other than Belleville. The drive time to work will only increase by 2 minutes on average. 38 Colleagues use public transportation to get to work</p>
<p>Two hospitals are needed in Belleville</p>	<p>77% of all inpatients served at St. Elizabeth's come from zip codes outside of Belleville zip codes, and 74% of all patients receiving care at St. Elizabeth's come from outside Belleville zip codes based on calendar year 2014 data (year to date)</p>
<p>Moving the facility to O'Fallon adversely affects the ability of Belleville patients to seek care/Belleville patients are not willing to seek services in O'Fallon</p>	<p>Of all the patients seeking outpatient care at the current O'Fallon Urgicare location, 21% of them came from Belleville in 2013 and 2014.</p>
<p>Why can't you just re-build it in Belleville?</p>	<p>it would cost more and take more time to rehab the current hospital than it would to re-build on a greenfield site.</p>

	<p>The current campus is difficult to access for the majority of patients we serve.</p>
	<p>The new hospital will be designed for POD nursing for better patient observation on the inpatient floors</p>
	<p>The hospital will have large OR's to accommodate state of the art equipment and surgical processes</p>
	<p>The new hospital will have better technology, and will allow for cell phone usage throughout the hospital, better electronic medical record management and better way finding and enhanced patient services.</p>
	<p>The new campus will be designed with walking paths and outdoor healing gardens</p>
	<p>The new hospital will be within 2-3 minutes of exiting Interstate 64 via two exits</p>
	<p>The new hospitals ED will have a more efficient ED space for patients who have to wait (and their families) as well as more private settings for patients in treatment bays and it will better accommodate behavioral health and isolation patients</p>
	<p>The new hospital will be up to date with all the current Life Safety Code standards (the old hospital is grandfathered due to its age and not required to be state of the art in this regard).</p>
	<p>The new hospital will have better and less expensive parking for the patients and their families and visitors (no city meters)</p>
	<p>Labor and Delivery area at the new hospital will provide a spa-like experience for mother and baby.</p>

<p>Why can't you do what BMH did and build a satellite facility?</p>	<p>It would cost more to build a satellite facility than to build an entirely brand new, state of the art hospital because construction costs alone are not the only issue. Building a satellite facility doubles the costs and the ongoing maintenance costs would be a drain on the old facility. It duplicates staff, and ED and other essential services like lab, pathology and imaging. St. Elizabeth's is part of an integrated delivery system that includes two community hospitals in Highland and Breese. These facilities are an appropriate distance from the main referral hospital that readily accepts their higher acuity patients, much like Memorial Hospital-East will refer to Memorial Hospital-Belleville.</p>
<p>You are just moving to get a better payer mix.</p>	<p>Many healthcare services will remain on the Belleville campus: lab, radiology, therapy, primary care, Urgent Care, specialty clinic</p> <p>The payer mix at the O'Fallon campus is not predicted to be any different than the current payer mix, because St. Elizabeth's serves the region and its patients zip code by origin in not anticipated to change, other than to pull more patients from currently underserved areas. We agree with the statement by Mark Turner in his testimony to the HFSRB on 6/28/2011 on the O'Fallon Shiloh CON.</p> <p>Currently St. Elizabeth's sees more Medicaid patients from zip codes other than the Belleville area zip codes</p> <p>Currently there is only a 1.3% difference in uninsured patients from Belleville zip codes versus other zip codes the St. Elizabeth's serves.</p> <p>St. Elizabeth's serves more Medicare patients from zip codes other than Belleville at its current location</p> <p>St. Elizabeth's has a higher percent of charity care per net revenue than Memorial Hospital-Belleville. St. Elizabeth's is 2.8% per net revenue and Memorial Hospital-Belleville is 2.0% per net revenue</p>

<p>St. Elizabeth's move will leave all the vulnerable and indigent patients that go there now, left for Memorial Hospital-Belleville which will put Memorial Hospital in financial ruin.</p>	<p>The non-emergent patients that go to St. Elizabeth's for care will now have the opportunity to visit the Urgent care on the Belleville campus. If they need inpatient admission we will transfer them to our hospital in O'Fallon.</p>
	<p>The new St. Elizabeth's is closer to Scott Air Force Base which, like many subsets of our service area, is accesses many of our services today.</p>
	<p>The new St. Elizabeth's is closer to its sister hospitals in Breese and Highland than the current Belleville site</p>
<p>Memorial cannot handle any more patients at its Belleville hospital.</p>	<p>There is no factual basis for Memorial to state it could not handle any of the additional patients should patients decide they do not want to travel the 7 miles to O'Fallon. Memorial ignores significant OP services planned for the St. Elizabeth's Belleville campus. St. Elizabeth's plans to continue to care for all of the patients we serve today and be more accessible to many more.</p>
	<p>Based on 2013 AHQ data, Memorial Hospital-Belleville has current capacity within their ED of over 19,000 visits annually. With the additional 8 ED stations at Memorial Hospital-East, that excess capacity increases to over 35,000</p>
<p>St. Elizabeth's is decreasing services.</p>	<p>Going from 338 licensed beds to 144 licensed beds does not change the scope of services we will be providing to the new replacement hospital.</p>

**Facilities within 45 minutes of St. Elizabeth's Hospital (Belleville)
Comparison of Services being Proposed for St. Elizabeth's Hospital Replacement Facility**

Facility	Location	Medical Surgical				Intensive Care ²				Obstetric				Rehab				Overall OMI excluding BHS ³
		Licensed Beds	CON Occupancy Rate	State Target Occupancy	Licensed Beds	CON Occupancy Rate	State Target Occupancy	Licensed Beds	CON Occupancy Rate	State Target Occupancy	Licensed Beds	CON Occupancy Rate	State Target Occupancy	Licensed Beds	CON Occupancy Rate	State Target Occupancy		
Memorial Hospital	Shiloh	72	89.0%	75.0%	6	78.5%	60.0%	16	60.0%	75.0%	0	0.0%	0	0.0%	75.0%	n/a		
Memorial Hospital	Belleville	175	89.0%	85.0%	19	78.5%	60.0%	8	60.0%	60.0%	0	0.0%	0	0.0%	60.0%	1.40		
St. Elizabeth's Hospital-Current	Belleville	202	36.5%	85.0%	24	58.5%	60.0%	30	60.0%	78.0%	33	45.0%	33	45.0%	85.0%	1.44		
St. Elizabeth's Hospital-Proposed	O'Fallon	100		85.0%	16		60.0%	32	60.0%	75.0%	16		16		85.0%	n/a		
Cochette Regional Hospital	Centerville	66	21.1%	75.0%	8	31.6%	60.0%	33	60.0%	76.0%	0	0.0%	0	0.0%	76.0%	0.93		
Anderson Hospital	Maryville	98	51.3%	75.0%	12	54.7%	60.0%	24	60.0%	75.0%	20	64.7%	20	64.7%	85.0%	3.28		
Gateway Regional Hospital	Granite City	166	23.9%	85.0%	12	29.4%	60.0%	27	60.0%	78.0%	14	20.6%	14	20.6%	85.0%	3.28		
Red Bud Regional Hospital ¹	Red Bud	25	29.1%	60.0%	0	0.0%	60.0%	0	0.0%	60.0%	0	0.0%	0	0.0%	60.0%	0.95		
St. Joseph's Hospital ¹	Breese	56	11.8%	75.0%	4	0.5%	60.0%	6	0.5%	59.7%	0	0.0%	0	0.0%	60.0%	3.10		
St. Joseph's Hospital ¹	Highland	25	34.2%	60.0%	0	0.0%	60.0%	0	0.0%	60.0%	0	0.0%	0	0.0%	60.0%	1.15		
Utton Memorial Hospital	Alton	117	48.0%	85.0%	32	85.4%	60.0%	25	60.0%	75.0%	0	0.0%	0	0.0%	75.0%	1.29		
XSF St. Anthony's Health Center	Alton	101	24.2%	85.0%	19	49.5%	60.0%	20	60.0%	75.0%	0	0.0%	0	0.0%	75.0%	1.94		
XSF St. Clare's Hospital	Alton	0	0.0%		0	0.0%		0	0.0%		28	38.1%	28	38.1%	85.0%			

¹ Community based hospitals whom transfers patients to St. Elizabeth's Hospital-Belleville

² St. Elizabeth's offers an Intensive Program where physicians who are Board Certified in Critical Care are available 24 hours per day, 7 days per week. In addition, St. Elizabeth's offers state of the art Cardiovascular care including interventional and Electrophysiology (EP) procedures. EP procedures being performed at St. Elizabeth's are currently not being performed by any other provider.

³ OMI stands for Case Mix Index. For comparison purposes, the OMI for BHS services was removed to normalize the comparison across similar services being provided.

Sources:

- Licensed Beds: 2013 Hospital Profile, IL, HFSRB
- CON Occupancy Rate: 2013 Hospital Profile, IL, HFSRB
- State Target Occupancy: State of Illinois Administrative Code Med-Surg: 77 Ill. Admin Code 1100.520(c)(1); ICU: 77 Ill. Admin Code 1100.54(c); OR: 77 Ill. Admin Code 1100.537(c); Rehab: 77 Ill. Admin Code 1100.550(c)
- Overall OMI excluding BHS: Compustat, February 2015

APPENDIX C

IMPACT ON OTHER AREA PROVIDERS

IMPACT ON OTHER AREA PROVIDERS

One of the findings in the SBR related to Criterion 1110.530(c)(3), Impact on Area Providers. However, at page 5 of the SBR the State Board Staff noted only that “it appears the new hospital **may** impact other area facilities currently operating under State Board’s target utilization standards.” This of course relates back again to the treatment of this project per the Board’s rules as a “new” hospital that adds beds and services versus a replacement hospital. St. Elizabeth’s replacement hospital will have no impact on area facilities because it reduces beds and adds no new categories of service, equipment or rooms. Further, various area hospitals sent in support letters. The only provider claiming negative impact was Belleville Memorial, so we will address its stated issues.

It is difficult to dissect the alleged negative impact on Memorial. On one hand it claims that its Belleville hospital will receive patients that otherwise would have gone to St. Elizabeth’s (which it apparently objects to – although the negative impact criteria is generally designed to address a new facility *taking* patients from an existing facility) and on the other hand says the replacement hospital will take patients from its proposed Shiloh facility. We **attach** two simple maps that catalogue the distance between the hospitals now, and the distance between them when the replacement facility is built. The proposed replacement hospital will not cause any change in the current healthcare utilization, market share, services or general travel times, thus resulting in no negative impact.

Another example of the disingenuous nature of Belleville Memorial’s claims of negative impact is the following. Relying on the report of its consultant McManis (which interestingly was the consultant Memorial used to support its claims that the new Shiloh hospital would not impact the service area or change Memorial’s market share or payor mix), Memorial claims that it will have to take up to 900 patients of St. Elizabeth’s (presumably a year) and of these approximately half would be Medicaid. It provided no underlying data for this assumption. However, assuming that Memorial believes it will see more patients from Belleville when St. Elizabeth’s moves (although only approximately 27.4% of St. Elizabeth’s inpatients are from Belleville while 29.5% of its outpatients are and St. Elizabeth’s is maintaining outpatient services in Belleville) only 21.8% of these are Medicaid. So if the 900 patients are from Belleville, only 196 patients (21.8%) would be Medicaid. Belleville Memorial has said these patients are too poor to travel for care. In fact 87.1% of St. Elizabeth’s patients arrive by car, 2.4% by public transportation, 8% are brought by a family member/friend and 0.8% are “walk-ins.” The transportation issue is a red herring (see also the fact sheet units Appendix B).

It is possible Memorial also believes some of these 900 patients will come from Smithton, Millstadt and New Athens, and Lenzburg. These communities are located to the South of St. Elizabeth’s, and will indeed be about 10 minutes further from the proposed new site. In 2014, 5.2% of St. Elizabeth’s inpatients came from these communities (by zip code). It is certainly possible some of these patients may choose not to travel the extra distance, although we have support letters from patients residing in these communities in the record. In any event, assuming some patients choose not to travel to St. Elizabeth’s 53.8% are Medicare and 14.6% Medicaid (based on 2014 data for

patients from these communities, **attached**). Again, there is no evidence to support Belleville Memorial's allegation that it will see an additional 900 patients a year upon St. Elizabeth's relocation, and that half will be Medicaid. **If these 900 patients were to materialize, most of them will be Medicare or commercial pay based upon the above data**, and thus this would be a positive for Memorial and not a negative. Also, this would offset any purported loss of patients (which Memorial claims will occur) from its Shiloh facility.

Memorial's analysis (through McManis) completely ignores the substantial outpatient services St. Elizabeth's will maintain at its current Belleville campus. Memorial's allegations of impact should not be taken seriously when it ignores major components of the proposed replacement hospital and distorts facts. What Memorial really wants is for St. Elizabeth's to continue to have to provide care in an old, out of date building that is difficult to access. This will allow Memorial to expand and modernize at its 96 acre campus (versus St. Elizabeth's current landlocked 17 acres), leverage its modern satellite facility in Shiloh and over time drive St. Elizabeth's out of business. The only "negative" impact this project will have on Memorial is that Memorial will not be able to achieve that very objective.

On the point of an impact on Shiloh, we turn again to the maps. The distance between the two facilities is 2 miles. If a patient wants to go to Memorial, its satellite Shiloh facility or St. Elizabeth's - a mere few miles distance is not going to divert that patient. Further, most hospital inpatients are referred by physicians to a hospital for care, and follow the physician. The same is true for St. Elizabeth's patients, which is why St. Elizabeth's has absolutely no concern about building 2 miles from Shiloh. It is also important to note here the difference in services that Memorial Shiloh will provide. It is more of a community hospital, and will have a low CMI. It does not offer the type of high acuity services (stroke care and open-heart surgery/advanced cardiac technology) that St. Elizabeth's and Belleville Memorial offer. As a result its patient base, and the types of patients that physicians will refer to it, will be very different than those referred to St. Elizabeth's and Belleville Memorial.

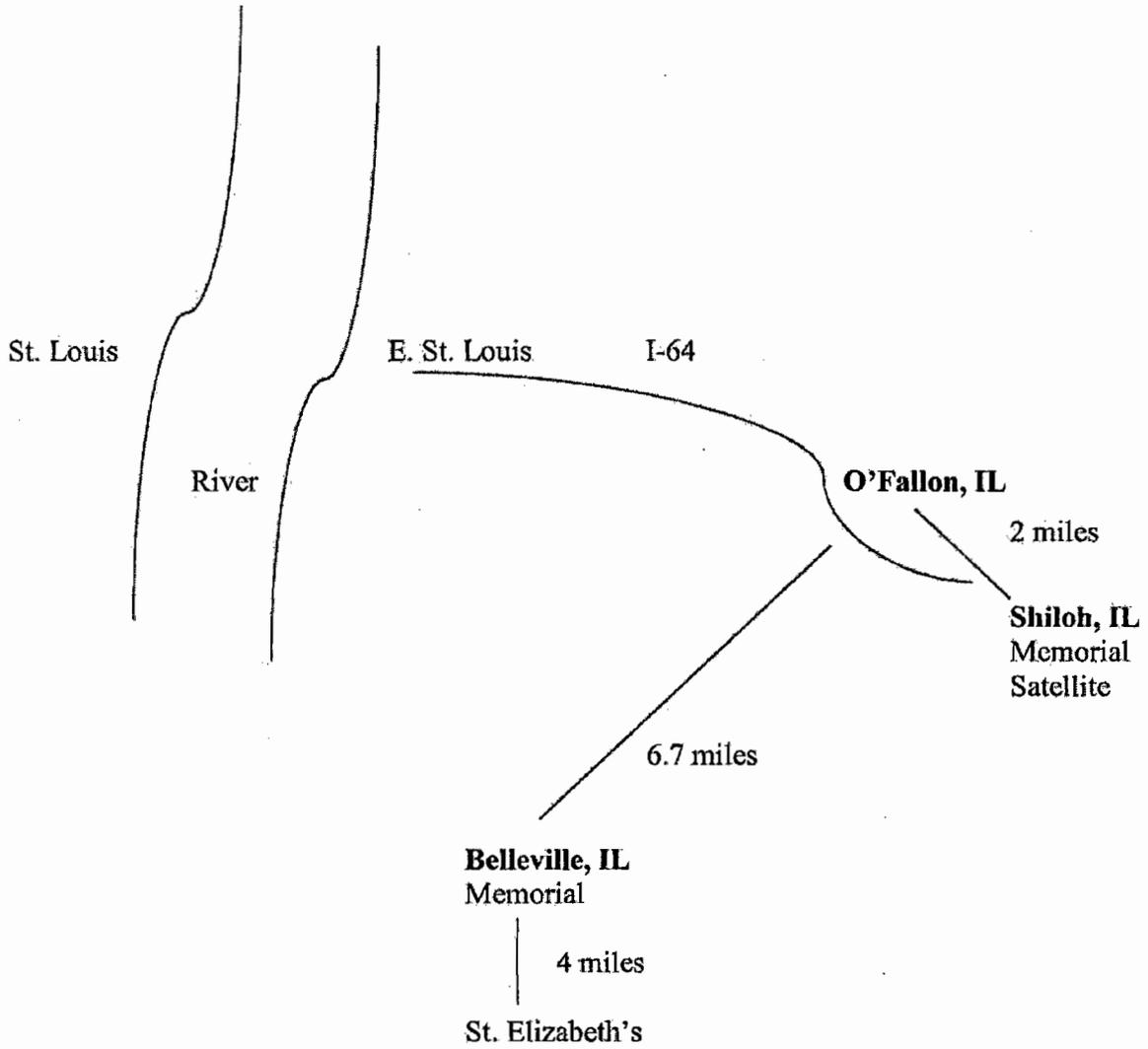
Another reason there will be no negative impact is as follows. When Belleville Memorial asked for approval of its *satellite facility* (its words) it made it very clear it would have no impact on area providers because although it was a new (and not replacement) hospital it would (1) see only patients previously seen at Memorial in Belleville (2) it was not adding new beds but re-distributing existing beds because when Shiloh was built its beds would come from reduced (surrendered) beds at the Belleville Memorial facility (3) it predicted no increase in market share since it would essentially re-distribute its existing patients between the Shiloh and Belleville facilities and (4) because of the latter factors it would not serve a different payor mix in any way whatsoever (see the **attached** pages 273, 275, 278-279, 282-283 of Mr. Mark Turner's testimony before the HFSRB on 06/28/2011 when the Memorial Shiloh satellite facility project was presented).

Astonishingly, Memorial argues now that a hospital could not possibly move a few miles and maintain the same payor mix and market share. The bottom line is if there

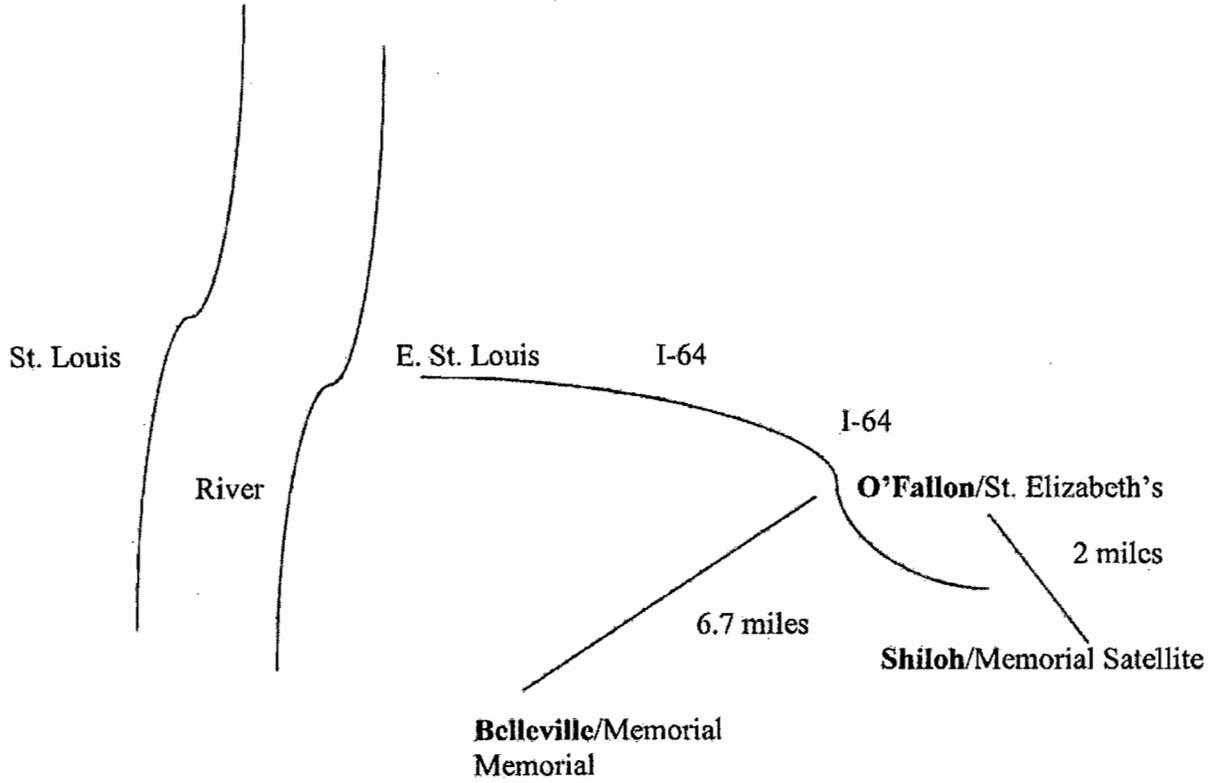
are enough patients in the region to support St. Elizabeth's currently and Memorial currently (the Memorial Satellite will be the same as Belleville Memorial as when it is constructed the beds to be established there will be complimented by a like reduction in the same beds at Belleville Memorial) then there are enough to provide a need for the same two hospitals only with 159 fewer beds, given St. Elizabeth's appropriate planning to reduce its bed capacity, versus holding on to what it has.

The replacement of St. Elizabeth's is a non-issue regarding impact on Belleville Memorial. Currently the two facilities are located in one town and essentially mirror one another. If the replacement hospital is approved, St. Elizabeth's and Memorial will continue to serve the same patients, service area and payor mix as they do today. However, their respective beds/services will be distributed in a way that provides better access on the whole to the region. St. Elizabeth's will reduce beds, be closer to a majority of its patients, more accessible to the region generally (off I-64) and provide its services in a modern facility.

CURRENT SITUATION



PROPOSED SITUATION



1 whole community faces -- if you're on the north of side of
2 64, just the way the Roads run, it's very difficult to
3 access the hospitals that exist to serve that area. Our
4 cardiac surgery, neurosurgery and high risk OB will
5 continue to stay at our Belleville campus. We'll continue
6 to provide those services there.

7 In response to the State Agency Report, just a
8 few items. Forgive me for moving so quickly. I'm just
9 trying to be respectful of your time. A couple of things I
10 want to say there. The State Agency's Report indicates
11 that we don't meet the OB utilization, and we recognized
12 that by splitting the OB services. However, we don't want
13 to pull OB out of Belleville. We are a 53-year-old
14 community hospital, the only community-owned hospital in
15 the Belleville market. We're there to stay. We want to
16 continue to provide OB there. However, OB is part of the
17 services that are out-migrated, and we want to provide OB
18 services in Shiloh. So, we're trying to meet that need as
19 well.

20 The second issue that the Staff Report
21 identifies is the excess of med/surg beds. In fact, the
22 key point here is we're not adding med/surg beds. We're
23 reducing total beds by a total count of 6. So our license
24 would go from 316 beds to 310.

1 going to skip most of the things I was going to say.

2 CHAIRMAN GALASSIE: It's the late hour of the
3 day, but you shouldn't feel rushed. It's not fair to you.

4 MR. AXEL: That's perfectly all right. This
5 project as designed, because of the way the bed numbers
6 were put together -- and it's in Attachment 20-B(3) of the
7 application. This project will have no impact whatsoever
8 on the utilization of any other Illinois hospital, with the
9 exception of Memorial in Belleville. The incremental
10 patients coming from other facilities will be those
11 Illinois patients that are now leaving the State and going
12 to Missouri.

13 Thank you very much.

14 CHAIRMAN GALASSIE: Thank you.

15 MR. EAKER: I'd like to respond to that. How
16 do you know that.

17 MR. AXEL: Thanks for that question. Memorial
18 brought in McManus Consulting, which does work across the
19 country on patient origin, where patients are going for
20 their services. They used the data of the Missouri
21 Hospital Association, which is very similar to the data
22 from the IHA. They were able to identify all of the
23 patients in 2009 that went from the hospital's 2) zip code
24 service area to Missouri for their care. As Mr. Turner

1 important, extremely important to me and our organization
2 that you understand we are not leaving Belleville. We are
3 staying. We are just going to provide all private rooms to
4 our Belleville residents and all private rooms to the other
5 residents who, for the most part, are already leaving our
6 community.

7 MR. SEWELL: What's the population of Shiloh?

8 MR. TURNER: Shiloh -- O'Fallon is
9 approximately 25,000. Shiloh is 12,600.

10 MR. SEWELL: What are you estimating will be
11 your payor mix at the Shiloh facility in terms of
12 Medicare/Medicaid.

13 MR. TURNER: Again, a very good question. We
14 anticipate it being very, very similar to what we have now.

15 MR. SEWELL: Do I have assurances from you
16 that there's no long-term plan to build up Shiloh and
17 eventually close Belleville?

18 MR. TURNER: You have long-term assurance,
19 sir. You don't invest \$15 million a year, \$25 million
20 right now under way, \$5 million renovation on our nursing
21 facility -- in fact, part of this is when you look at the
22 financial ratios, as a not-for-profit hospital, a
23 community-owned organization, you put the money back in to
24 it. If we -- if we wanted to be a bank, we could have done

1 MR. BURDEN: What's going to happen to these
2 other institutions which we agonized over basically
3 earlier? St. Anthony's, 36 percent; Gateway Regional -- I
4 don't know anything about Granite City, 25 percent; St.
5 Joe's Hospital, wherever that is, 24 percent. These places
6 are ready to close. I'm surprised they're still open.

7 MR. AXEL: The real short answer is nothing is
8 going to happen to them, because if you -- looking at page
9 101 to the application, the way we identified the number of
10 beds that we were going to need -- "we" being Memorial --
11 whether they be Memorial Belleville, Memorial Shiloh, is we
12 took each zip code that contributes patients to us; we
13 looked at it on an age breakout; we took utilization rates,
14 which we were able to do for each zip code; we applied the
15 demographic changes, some zip codes increasing in number,
16 some zip codes actually going down in number. More
17 important, however, is the aging of the area. So what
18 we're doing is we're holding our market share of Illinois,
19 our market share of Illinois constant. We're not taking
20 from anybody else.

21 MR. BURDEN: Fellow Board Member Mr. Sewell
22 asked a key question. You guys are river boat gamblers.
23 Who the hell is going to recommend you to sign something
24 you're not going to pull off and be gone, and you mentioned

APPENDIX D

PAYOR MIX

PAYOR MIX

The move to a location outside of Belleville was based on geography and cost, not payor mix. There was simply no better location than land owned by the applicants off Interstate 64. The proposed site is closer to a greater number of communities living at or below the poverty level. The replacement hospital will be directly on a bus line (see **attached**) and as referenced its current patients primarily arrive to it by car (see the fact sheet **attached** to Appendix A). Given the greater accessibility to these communities and the location directly off the interstate and on a bus line, the new location will place it in an area that is more accessible to the entire region – including the underserved.

In addition, the cost of building onsite was prohibitive due to phasing of the construction process that would then cause the project to take three times as long to complete. In addition to being financially unviable, rebuilding at the existing location would not improve the accessibility problem that St. Elizabeth's current location presents.

The payor mix argument assumes that Belleville is a poor city with a high number of Medicaid patients and that St. Elizabeth's supposedly is trying to avoid Medicaid patients. The argument is false, and the data proves it is false. Based on 2013 and available 2014 data from Kaufman Hall and IHA CompData, of Belleville residents who received inpatient services at acute care hospitals, 18.5% were Medicaid patients. Residents of the applicants' proposed service area who received inpatient services consisted of 19.9% Medicaid. This establishes that St. Elizabeth's proposed service area has a **higher** percentage of Medicaid patients than the City of Belleville, where the Hospital is currently located. Therefore, the objectors' assertion that St. Elizabeth's decision to relocate was driven by payor mix is refuted by the facts.

To confirm the applicants' own payor mix analysts, St. Elizabeth's retained Deloitte Financial Advisory Services to conduct an independent analysis of the market and payor mix. Deloitte found that St. Elizabeth's payor mix at the proposed site will be virtually the same as St. Elizabeth's current payor mix. Moreover, Deloitte projects that St. Elizabeth's percentage of Medicaid and self-pay patients will marginally **increase** for medical/surgical services and the percentage of commercial pay patients will slightly **decrease** for those services. Deloitte's complete written analysis will be submitted to the Board under separate cover.

Opposition claims O'Fallon has a greater median income and fewer patients living at or below the poverty level than the City of Belleville. While this is true, it is completely irrelevant. St. Elizabeth's current facility does not merely serve Belleville *only*, and its proposed facility will not merely serve O'Fallon *only*. The Hospital's service area includes much more than Belleville, and much more than O'Fallon, and the service area will change very little by the relocation. Moreover, because the new location will be more accessible to communities with a greater number of underserved patients, we are anticipating a **lower** percentage of commercial pay across service lines and **higher** percentages of self-pay and Medicaid for Medical/Surgical services and ICU services. Deloitte's independent analysis confirms this expectation.

APPENDIX E

ST. CLAIR COUNTY HEALTH DEPARTMENT

ST. CLAIR COUNTY HEALTH DEPARTMENT

Opposition has claimed the St. Clair County Health Department is opposed to this project. That is not the case. Rather, the Health Department raised concerns, which St. Elizabeth's has satisfactorily addressed in a written response as well as at an in person meeting with the Executive Director of the St. Clair County Health Department, Mr. Kevin Hutchinson, to address the Department's concerns. **Attached** is an editorial sent in by Executive Director Hutchinson making it clear that **the Health Department does not oppose the project.** If approved, St. Elizabeth's will work arduously with the Health Department to assure that its services in Belleville provide appropriate outpatient care in the community and that residents who need care are able to access the new location. It will work collaboratively with Belleville Memorial and other hospitals serving the County and region to care for the communities located in St. Clair County. This will be the most effective way to honor the 100 year plus historical mission of the Sisters serving St. Clair County, and to take it into the future 100 years.

LETTERS

Not opposing St. E's move

In your editorial last Sunday, "Moving St. E's into the future," you incorrectly stated that the St. Clair County Health Department is opposing moving St. Elizabeth's Hospital from Belleville.

Our Oct. 17 letter to the Illinois Health Facilities and Services Review Board expressed concern that the proposed replacement hospital location will adversely impact the safety net services currently provided by St. Elizabeth's Hospital to the residents of St. Clair County. As I stated to your reporter in the article published Nov. 16, the Health Department neither supports nor opposes St. Elizabeth's Hospital's request to the state board for a certificate of need.

Your Nov. 7 editorial, "Can safety net survive a move?", more accurately conveys the position of our department. You stated: "The county's concerns do not necessarily mean that the state should deny St. E's application; however, the state does need to ensure that the county Health Department's concerns are considered and addressed before action on the hospital's application."

We support a strong health care system that provides safety net services needed by medically underserved and vulnerable populations. Our goal was to review the application and its impact on essential services to all residents of St. Clair County.

Kevin D. Hutchison
Executive director, St. Clair County
Health Department
Belleville