

**ILLINOIS HEALTH FACILITIES and SERVICES REVIEW BOARD (HFSRB)
PROJECT HEARING REPORT**

Applicant: Sherman Hospital Elgin, Illinois
Project Number: E-001-13
Hearing Date: Friday, April 15, 2013
Location: Centre of Elgin 100 Symphony Way, Elgin, Illinois
Time: 10:00 AM – 12:30 PM

Hearing Officer: Alexis Kendrick
Staff Support: Courtney Avery, Administrator
HFSRB Representative: Justice Alan Greiman, Board Member

Hearing Requested by: Sherman Hospital Elgin

The following summarizes the attendance figures:

Oral/Written Presentations:

Support: 8
Oppose: 6

Registered Attendance Only

Support: 0
Oppose: 0
Neutral: 0

Total individuals registered: 14



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION
 Name (Please Print) Don Calcagno
 Address 3002 Pine Meadows Cir
 City Carpentersville State IL Zip 60110
 Signature Don Calcagno

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)
 Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

Advocate Health Care

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION

Name (Please Print) JAMES DAN

Address 511 FOREST MEWS

City OAK BROOK State IL Zip 60523

Signature [Handwritten Signature]

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)

Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

ADVOCATE HEALTH CARE / SHERMAN HOSPITAL

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION

Name (Please Print) BICK FLOYD

Address SHERMAN HOSPITAL

City ELGIN State IL Zip 60123

Signature [Handwritten Signature]

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)

Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION Shira Greenfield
 Name (Please Print) _____
 Address 1087 Manchester Court

 City South Elgin State IL Zip 60177

 Signature Shira Greenfield

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)
 Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

Centegra Health System

III. POSITION (please circle appropriate position)
 Support Oppose

IV. Testimony (please circle)
Oral Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION

Name (Please Print) John Heinrich

Address 4201 Medical Center Drive

City McHenry State IL Zip 60050

Signature [Handwritten Signature]

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)

Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

CONCERNED HEALTH SYSTEM

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION

RICK JAKLE

Name (Please Print) _____

Address 9N874 KOSHARE CIRCLE

City ELGIN State IL Zip 60124

Signature Rick Jakle

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)

Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

SHERMAN HEALTH

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION
 Name (Please Print) ERIC KRUEGER
 Address 1425 N. RANDALL ROAD
 City ELGIN State IL Zip 60123
 Signature Eric Krueger

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)
 Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

SHERMAN HEALTH

III. POSITION (please circle appropriate position)

Support Oppose

IV. Testimony (please circle)

Oral Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION

Name (Please Print) Astrid Larsen

Address 3701 Doty Rd.

City Woodstock State IL. Zip 60090

Signature Astrid Larsen

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)

Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

Centegra Health System

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION
 Name (Please Print) Amy Moerschbaecher
 Address 4201 Medical Center Dr
 City McHenry State Ill Zip 60050
 Signature Amy Moerschbaecher

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)
 Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

Centegra Health System

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION
 Name (Please Print) Scott Powder
 Address 291 E. LaSalle
 City Vernon Hills State IL Zip 60061
 Signature Scott Powder

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)

Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

Advocate Health Care

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION
 Name (Please Print) JOHN STEFFEN
 Address 838 DOUGLAS AVENUE
 City ELGIN State IL Zip 60120
 Signature [Handwritten Signature]

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)

Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

CITY OF ELGIN

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION

Name (Please Print) Rebecca Standish

Address 4201 W medical Center Dr

City McHenry State IL Zip 60050

Signature Rebecca Standish

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)

Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

Centegra Health System

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION
 Name (Please Print) Rowena Wermes
 Address 385 Millennium Dr
 City Crystal Lake State IL Zip 60012
 Signature Rowena Wermes

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)
 Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)
Centegra Health System

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW

Public Hearing Testimony Registration Form

Facility Name: Sherman Hospital, Elgin

Project Number: E-001-13

I. IDENTIFICATION

Name (Please Print) STEVEN M. ZAITN

Address 3570 WETLANDS DR.

City ELGIN State IL Zip 60124

Signature 

II. REPRESENTATION (This section is to be filled if the witness is appearing on behalf of any group, organization or other entity.)

Entity, Organization, etc. represented in this appearance (i.e., ABC Concerned Citizens for Health Care)

Sherman Health

III. POSITION (please circle appropriate position)

Support

Oppose

IV. Testimony (please circle)

Oral

Written

Don Calcagno
Senior Vice President – Operations Integration Advocate Health Care
Public Hearing Testimony
Support for Sherman Hospital COE
Project No. E-001-13

Good morning Justice Grieman, members of staff.

I am Don Calcagno. As Advocate's Senior Vice President for Operations Integration, one of my responsibilities is to oversee Advocate's efforts to reduce costs and improve efficiencies through the standardization of operations and by taking advantage of our system's economies of scale.

As health care providers, we are increasingly being asked to provide more value through better care at less cost. Through partnerships like the one being proposed by Sherman and Advocate, we can take advantage of our scale and share services across a larger system to reduce total costs. At the same time, we are able to leverage our scale to bring evidence-based, best care practices across the entire system, thereby maximizing the quality of care and services for our communities – that is, to achieve the Triple Aim laid out by the Institute for Healthcare Improvement (IHI)..

Chicago
report

One nationally recognized approach to reduce expenses and improve quality is through integration of stand-alone hospitals. In fact, on the same day that the Review Board hears our proposal, you are also scheduled to consider the Edward/Elmhurst change of ownership.

Let me outline some specific examples of how our partnership will reduce costs and drive toward the triple aim:

- One immediate benefit of our partnership will be the ability to lower supply costs. Through our relationships with our supplier partners we believe a Sherman/Advocate integration will lower the costs of purchasing medical supplies, equipment, and pharmaceuticals by almost a million dollars every year.
- Another example is in the area of insurance costs. Insurance costs are a significant part of a hospital's operating expenses. By consolidating insurance coverage we project that we can save over a half-million dollars every year.
- Compliance. Health Care is one of the most regulated sectors of our economy. Integration of Sherman and Advocate will reduce the costs of regulatory compliance by several hundred thousands of dollars every year.
- Debt Service. One of the most direct cost saving of integration is the ability to leverage the financial markets respect for Advocate to reduce interest costs by

*Calcasieu
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Collectively, Advocate is one of the largest accountable care organizations in the country. This shared risk model has produced significant savings in health care costs while improving health care outcomes and quality. Through our partnership, Sherman will also participate in these contracts, which will allow both organizations to work together on strategies to improve quality and service, while reducing costs – toward the IHI’s triple aim

As an operations management professional, I am very impressed by Sherman’s operation, as evidenced by achieving the Lincoln Foundation Award, the Illinois counterpart to the prestigious Malcolm Baldrige Quality Program for Performance Excellence.

I am equally impressed by Sherman’s patient satisfaction surveys – some of the highest in the State. Sherman is clearly doing many things extremely well, and I am confident our collaboration on implementing best practices will further reduce the cost of healthcare, while continuing to enhance the quality and service of our patients.

I ask that you allow this transaction to go forward in approving this application.

Thank you for your time.

James Dan, M.D.
President – Advocate Medical Group
Public Hearing Testimony
Support for Sherman Change of Ownership Exemption
Project No. E-001-13

April 15, 2013

Good morning Justice Grieman, Ms. Avery, and Ms. Kendrick. I am Dr. James Dan, President of Advocate Medical Group. I am a board certified internist and geriatrician and have practiced medicine in the western suburbs for more than 30 years. For the past six years, I have been a senior executive of Advocate Health Care and I lead our employed physician group, which now numbers over 1,000 physicians.

You have heard my colleagues from Advocate, and the leadership from Sherman, talk about the benefits this partnership will bring to our respective systems. I want to confirm to you and the Review Board that among all the various benefits presented, none is more important than the opportunity for enhanced quality of patient care. Similarly, let me also confirm that this transaction would not have gone forward if we didn't believe that Sherman already provided outstanding, high quality patient care. We have the utmost respect for the physicians, nurses and other professionals at Sherman.

In response to health care reform, Advocate has been one of the early leaders in the Accountable Care movement. We are actively seeking to transform healthcare from a volume to a value model.

Let me explain one avenue that Advocate is pursuing and wants to expand with Sherman. We know that despite the efforts of hospitals throughout the country to achieve high levels of patient satisfaction, patients still prefer to avoid hospital stays if possible. We also know that payers, whether government or private insurers, certainly prefer to avoid paying pay for in-

Part 2/2

patient care when it can be avoided. As part of our accountable care model, we are actively working with patient and physicians on preventative health measures that reduce the need for in-patient stays.

Advocate presently has over 100 nurse case managers that we embed in physicians' offices. By assisting and educating patients to obtain follow-up care and follow prescribed medical regiments, we help patients avoid hospital admissions and readmissions. This is better care at lower cost. Sherman was enthusiastic about bringing this model to their patients and Advocate is enthusiastic about expanding this service to Sherman patients.

Let me also give another example of a very new development illustrating how this Sherman affiliation is helpful for clinical care. You may have seen the article last week in Crain's reporting on a new venture to study the long term effectiveness of medical devices. Advocate has joined with Baylor Health Care System in Dallas and Dignity Health of San Francisco to identify the best performing devices in categories such as stents, defibrillators, pacemakers and heart valves. This shared information, independent of device manufacturers, will help identify the devices with the best clinical outcomes.

Sherman was one of the early leaders in open heart and cardiac care. The information and data that Sherman can provide, together with data from other Advocate hospitals, will assist in identifying the best protocols medical devices for our physicians and improve our medical outcomes for patients.

Thank you for the opportunity to share some examples of how this partnership will allow both organizations to continue to enhance the high quality patient care that they provide in the community. I ask your approval of this change of ownership project.

My name is Shira Greenfield and I am clinical manager of outpatient Behavioral Health Services at Centegra Health System. I am also a licensed clinical professional counselor. I oppose Project E-001-13.

Patients who choose community hospitals for their healthcare services benefit from access to clinical professionals who understand and address their unique needs. The best community hospitals research community need and find ways to care for patients, even if their care will negatively affect profit margins. Mental health access is essential at every community hospital.

Between July 1, 2011 through Dec. 31, 2012, 2,562 people in Elgin ZIP codes required inpatient mental health services. Forty-six percent of these patients went to Presence Saint Joseph Hospital-Elgin for inpatient care. Sherman does not provide inpatient mental health services, which means the rest of the Elgin residents who needed mental healthcare had to leave their community to receive services. Sherman is not meeting the needs of these patients or their loved ones, who have to drive out of their community to support them.

Advocate's mental health services record in the Northwest suburbs is not much better. It closed Advocate Good Shepherd Hospital's inpatient mental health unit less than two years ago in a move that the Northwest Herald deemed, "another blow to inpatient care of the mentally ill in the area."

Sherman Health took part in the 2012-2016 Kane County Community Health Improvement Plan, a comprehensive set of policy and program recommendations for the community based on the most up-to-date information. It identifies areas that can have the largest impact on improving the quality of life for all Kane County residents, particularly the most vulnerable residents of the community. One of the top needs identified was poor social and emotional wellness. As a partner in the development of the plan, surely Sherman is aware of this great need within Kane County. Still, however, it fails to care for the vulnerable patients who need Behavioral Health Services, and its proposed partner, Advocate, has a local track record that indicates the hospital is unlikely to improve these services in the future.

Both Advocate and Sherman also participated in the McHenry County Healthy Community Study, which also identified mental health as a significant need. During that time, Advocate closed Good Shepherd's mental health services and Sherman made no effort to address these needs.

Please think of Elgin area's most vulnerable residents as you consider this merger. Thank you.

My name is John Heinrich and I am director of diagnostic and oncology services at Centegra Health System. I oppose Project E-001-13.

As community hospitals, we are expected to be responsible stewards of our community's resources. At a time when healthcare reform dictates that we reduce costs, Advocate Health System has proposed the infusion of \$200 million into Sherman's still-new replacement hospital, which opened in 2009 and cost \$310 million. Does the board or the community believe that \$510 million reflects the responsible use of healthcare dollars, especially when it does not bring new services to the community? To put this into perspective, Centegra Hospital-Huntley is expected to cost just \$233 million.

Within the last six months, Advocate Health System has proposed more than \$800 million in healthcare spending at existing facilities. When it comes to Elgin and its surrounding communities, we're yet to hear concrete details about how this merger will positively impact the community or provide new services to enhance public health.

The investment of \$200 million into a new hospital is a flagrant misuse of resources when instead, health systems should be focusing on the provision of high-quality care and the development of services for community members in need. I sincerely request that the board and the community see this proposed merger for what it truly is, a business deal that adds value to Advocate's bottom line rather than adding value for the community.

Rick Jakle
Chairman, Sherman Health Systems Board of Directors
Public Hearing Testimony
Support for Sherman Hospital COE
Project No. E-001-13

Good morning, Justice Grieman and members of staff. My name is Rick Jakle. I have served on Sherman's Board of Directors for 41 of the hospital's 125 years of service to this community, and I am a lifelong resident of Elgin.

Seven years ago, I had the privilege to provide public testimony before the review board for Sherman's replacement hospital on Randall Road. I was joined by hundreds of community members who pledged their support for this project. The goal of the project was to improve healthcare access, outcomes and the overall healthcare experience for the communities we are fortunate to serve. And we have made incredible strides towards this goal during the hospital's first three and a half years of operation.

Our decision to join the Advocate Health Care system is a logical next step in the ongoing pursuit of this goal. Through this partnership, we will be able to deliver *better health care value* for our community. Providing better health care value is not only a government mandate – it is *the right thing to do for our patients*. And we believe our partnership with Advocate will help us do that.

The patients in Sherman's service areas will benefit greatly from having the strength of Illinois' largest health system so close to home. Advocate's nationally-recognized clinical

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and physician integration models will allow us to provide better coordination of care for our patients, which leads to better health outcomes and lower costs. Being part of a large system also reduces our operating and capital costs – which means we have more dollars to reinvest into serving our communities’ specific health care needs.

In closing, by joining with Advocate, Sherman is able to provide patients in our region with more choices and more access to the very best possible healthcare experience we can provide them.

Thank you.

Krueger
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Eric Krueger
Chief Financial Officer – Sherman Health
Public Hearing Testimony
Support for Sherman Hospital COE
Project No. E-001-13

Justice Grieman, Ms. Avery and Ms. Kendrick, I would like to thank you for coming to Elgin today to hear what I am sure you will find to be my fascinating discourse on reducing interest cost basis points in long-term debt refinancing. Admittedly, while operating and capital costs may not seem the most fascinating of areas for Review Board members, it is one of significance for a CFO. I am Eric Krueger, Chief Financial Officer at Sherman Health. I am proud to add that early in my career I was part of the Advocate system.

As you know, health care is becoming increasingly more technology intensive. As a consequence, health care has also become very capital intensive.

At Sherman, we realized several years ago that our aging physical plant would not allow us to keep pace with the quality of care that we seek to provide. We undertook the most significant capital improvement since our hospital was founded. Our replacement hospital has given us the facility we believe our patients desire and patient satisfaction surveys have confirmed this. The opportunity to mitigate some of the accompanying increase in interest costs is a tangible benefit in our affiliation with Advocate.

As you know, the risk factor is one component in determining an interest rate for a loan. With today's uncertainty in the health care environment, rating agencies are assigning increasing

Krugger
2/2

risk to the health care sector. Certain risk factors for independent hospitals [such as new competition] cannot be as effectively spread for an independent hospital as it can for a broader system. Consequently, even a well-managed independent hospital has difficulty achieving the best bond ratings and consequently the lowest interest cost.

As we have worked with Advocate on this transaction, we have modeled the savings that could be generated by re-financing our bonds with the benefit of Advocate's AA bond rating. Our modeling has shown that interest cost savings of almost \$1 million annually could be achieved.

You have also heard Don Calcagno discuss some of the other operational cost savings efficiencies that could be saved such as insurance costs and supply chain savings. Any dollar saved by operational synergies is a dollar that can instead be used for clinical care.

[Hold time for Possible Rebuttal of Centegra Testimony]

As stewards of health care resources, the choice between avoidable interest costs and patient care expenditures should be simple. We ask that you concur. I believe the proposed transaction between Sherman and Advocate is in the best interest of the community we serve and I ask your support for this project.

Thank you.

My name is Astrid Larsen and I am director of care coordination at Centegra Health System. I am also a licensed clinical professional counselor. I oppose Project E-001-13.

I ask that the review board and the people of the Elgin area remain watchful of health systems that are more concerned with their bottom lines than with the well-being of their communities.

The application for exemption for the change of ownership from Sherman to Advocate describes how Advocate will spend \$200 million to improve the care patients receive. In theory, this will benefit people of Elgin and its surrounding communities. What has not been explained is that the application also details that Sherman's Board may choose not to spend the \$200 million during the next five years. It says that future expenditures of funds in support of the public-relations-savvy "\$200 Million Commitment" shall follow a governance approval process. In plain words, Sherman Hospital and its community may never benefit from the much-advertised \$200 million. It may all be a marketing ploy.

Advocate has not yet explained how it will specifically enhance the care the Elgin community receives. Will it address the greatest community needs, including care for the uninsured? Mammography? Diabetes screenings? The need to reduce preventable hospital stays as required by healthcare reform?

Or, like it has in the past, will Advocate reduce services available to the community? Advocate Good Shepherd Hospital closed its Acute Mental Illness unit because it is a costly service to provide, even though there is a greater need than ever for mental health care. Since Provena Saint Joseph Hospital has addressed the mental health needs of the Elgin area for years, Sherman chooses not to care for this high-need population.

We should seriously consider what other high-need populations may suffer from a reduction of services that may occur if Advocate merges with Sherman.

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Scott Powder.
Senior Vice President and Chief Strategy Officer
Public Hearing Testimony
Support for Sherman Change of Ownership Exemption
Project No. E-001-13

April 15, 2013

Good morning Justice Grieman, Ms. Avery, and Ms. Kendrick. I am Scott Powder, Senior Vice President and Chief Strategy Officer for Advocate Health Care. Thank you for the opportunity to provide testimony today. I strongly believe that this partnership will have substantial benefits to both organizations. More importantly, it will have a positive impact on the people that we serve here in Elgin and in the broader northern and central Illinois markets served by Advocate.

As a reminder, Advocate serves approximately 1.5 million people, more than any other health care provider in the state of Illinois. Advocate is comprised of approximately 6,000 physicians, 4,000 of whom partner with us in Advocate Physician Partners, which is one of the national leaders in the move to value-based health care. We also have 10 acute care hospitals and 1 children's hospital. We have a wide network of outpatient services and post acute services. We are extremely proud that we have been named a top 10 health system nationally for quality.

Normally at a public hearing we would focus on addressing those matters which do not comply with the Review Board's rules. It is my understanding, however, that this project fully complies with all Review Board criteria. Because there is no need to explain compliance with your rules, let me instead focus on how this project would be beneficial to the patients we seek to serve.

We are very excited about the opportunity to partner with Sherman. Sherman has a long history of delivering outstanding, high quality care to the communities in Elgin and the broader northwest suburbs. It is a very well run organization with a very strong management team. Since the inception of our partnership discussions, our respect for the Sherman team and their accomplishments and capabilities has only increased.

Powder

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Our goals for this partnership are simple: continue to build on Sherman's track record of high quality patient care and lower the costs of care. In support of these goals, Advocate is making a significant financial commitment to help Sherman further develop its clinical programs, enhance its outpatient network to improve access for the community, and to install the infrastructure including technology, manpower and programs needed to better coordinate the care of the population across the continuum. These are areas where Advocate brings national expertise and leadership and will help augment Sherman's already strong capabilities.

My colleagues at Advocate and future colleagues from Sherman will provide you with more detail on the clinical, financial and operational benefits of our proposed partnership. Because Sherman brings significant operational and clinical strengths to the partnership with Advocate, the benefits of the partnership will positively impact the people living in Sherman Hospital's service area and improve care and lower cost across all of Advocate's service areas throughout northern and central Illinois. One example of this is Sherman's advanced liver disease program. It is a unique program and we anticipate it serving as a clinical destination program for all of Advocate.

In conclusion, I want to reiterate Advocate's excitement about the opportunity for this partnership. We have highly compatible cultures and each bring unique capabilities and strengths to the table. We have been engaged in detailed integration planning and expect a smooth transition. The partnership is expected to increase the quality of patient care and lower the cost of care. Therefore, we strongly urge the Planning Board to approve the requested change of ownership. Thank you.

My name is Amy Moerschbaeher and I am director of medical ancillaries for Centegra Health System. I have been a nurse for 33 years. I oppose Project E-001-13.

To provide high-quality healthcare services to the people of the community, every hospital must carefully develop and recruit its workforce. As part of the proposed merger between Advocate Health and Sherman, Advocate claims that Sherman employees will continue to be employed for six months after the date of the merger.

What does this mean for employees and their patients? Employees have six months of wondering whether they will have future positions within the organization. Patients have six months of wondering whether their caregivers are able to fully focus on providing excellent care. Patients could also be negatively impacted by the loss of experienced healthcare professionals who they have come to trust from their community hospital during repeat visits. When Sherman is no longer a community hospital, some of these employees may be looking elsewhere for positions.

It is our understanding that many already are. Advocate may be promising to maintain employees for six months, however throughout the medical community in this region it is commonly known that Sherman has been firing or forcing out some of its long-term, experienced employees, most likely in anticipation of this merger. Sherman employees refer to the practice of the pre-merger staff reduction as an "alien abduction." They discuss how employees are at work one day and seemingly disappear the next.

Workplace culture has a direct impact on the quality of care patients receive. I ask you to consider how this merger will negatively affect Sherman's workforce and how the people of the region will suffer as a consequence.

My name is Dr. Rebecca Standish and I'm a strategic planning analyst with Centegra Health System. I oppose Project E-001-13.

During a public hearing about the certificate of need for Centegra Hospital-Huntley, Sherman President and CEO Rick Floyd talked about Illinois' budget deficit and reminded the board that, and I quote, "we must remember that governments pay for over half the healthcare in America through Medicare and Medicaid. Ultimately, we the people and our children will end up paying for wasteful spending."

Wasteful spending. Mr. Floyd's own words sum up the proposed merger between Advocate and Sherman. These health systems continued to fight what they called "wasteful spending" when they sued the Illinois Health Facilities and Services Review Board after the Huntley hospital was approved. They said that the Huntley hospital, which will bring new services to communities in need, will result in higher healthcare costs for patients. While that lawsuit is still ongoing, Advocate and Sherman have conveniently changed their tune to spend hundreds of millions on Sherman alone.

The world of healthcare is rapidly changing, and we are still learning how healthcare reform will affect the bottom line for health systems across the country. What we know for sure is that we should all be mindful of excessive expenditures and that we should expect transparency from healthcare organizations and their leaders. Rick Floyd was right when he said that people and their children would end up paying for wasteful spending. He simply said it about the wrong project.

I recommend that the board and the community ask more questions about the real intent and real outcome of this merger and whether it will add value for the community.

**John Steffen
City Councilmember, City of Elgin
Public Hearing Testimony
Support for Sherman Hospital COE
Project No. E-001-13**

Good morning, Justice Grieman and members of staff. My name is John Steffen. I am a lifelong Elgin resident, an attorney and have been a member of the Elgin City Council for six years.

I would like to express my support for the joining of Sherman Health and Advocate Health Care.

As often happens with community hospitals, Elgin residents feel a sense of ownership for Sherman. Personally, I am proud that Advocate, one of the best healthcare systems in the country, has chosen *our* community hospital as its partner. And I feel that the wealth of experience Sherman has gained in its 125 years of serving Elgin and our neighbors will greatly benefit the Advocate system.

Access to high quality, affordable healthcare is critical for residents and visitors of the city of Elgin. Throughout my own family's long history in Elgin, I have experienced Sherman's services on many occasions and have always been pleased with the quality of the care my family received. I believe this partnership will only strengthen and enhance these services for residents throughout the Fox Valley region. Advocate's long-term investment in Sherman, and in this community, will position Elgin as a regional destination for health care.

Steffen
2012

Sherman has provided a generous charity care program for many years. This is critical for an economically diverse community like Elgin. I am pleased to know that this program will continue through this new partnership, making quality healthcare accessible to those in need.

Finally, Sherman is one of Elgin's largest employers and visitor destinations. I am confident that this partnership will bring additional economic development opportunities to Elgin, due not only to the continued growth of the healthcare industry but also to the reputation and recognition that the Advocate Health Care name brings.

I look forward to working with our new Advocate colleagues and continuing to support the growth and development of *Advocate Sherman Hospital* for years to come.

Thank you.

My name is Rowena Wermes and I am a project manager at Centegra Health System. I oppose Project E-001-13.

As you consider the proposed merger between Advocate Health and Sherman Health, please consider that mergers still carry risk.

A 2013 Booz and Company study published in the March edition of Becker's Hospital Review found only 41 percent of all hospital and health system mergers between 1998 and 2008 to be financially successful by outperforming their peer groups. The study analyzed health systems' financial performance two years prior to the merger and two years after the deal. More disturbing was the fact that almost one in five acquired hospitals went from a positive margin prior to acquisition to a negative margin after acquisition.

The same article from an unbiased source outside of today's debate said and I quote, "Any merger is fraught with risk. If the real reason for a merger is to improve position in marketplace, then you need to be very thoughtful of how you integrate [and] how you preserve differentiated capabilities on both sides."

From this research, we learn that we must be leery of mergers that resemble land grabs and that help large health systems extend their reach into new communities. They may not result in improved services or enhanced access for patients. Because of the Patient Protection and Affordable Care Act, these organizations may also lose their negotiating power with managed care companies.

In short, there will be less money to go around and that will impact everyone. Even a merger with the largest health system in the state is no guarantee that Sherman will continue to be a viable community asset.

The article can be found at www.beckershospitalreview.com/hospital-management-administration/is-bigger-always-better-exploring-the-risks-of-health-system-mega-mergers.html

Rick Floyd
President & CEO, Sherman Health
Public Hearing Testimony
Support for Sherman Hospital COE
Project No. E-001-13

My name is Rick Floyd, president and CEO of Sherman Health. Thank you for the opportunity to speak today about our plans to join the Advocate Health Care system.

Our systems board chairman Rick Jakle shared a little about *why* we chose to affiliate with a larger system, and *why* we chose Advocate. I thought it would be helpful to share *how* we chose them.

Beginning in 2009, as the healthcare landscape began to change, Sherman had informal discussions with numerous hospitals and systems about the potential to affiliate. Most of these discussions were initiated by the other parties.

In January of 2012, Sherman's board of directors decided that it was the right time for us to formally pursue becoming part of something larger. We were financially stable and in a position of choice, not necessity. We felt we had much to offer a larger system and that our patients had much to gain. The board established a special task force for this work.

We began the formal process with a Request for Information sent to about a dozen health care systems across the nation. We received responses from eight systems, which the task force narrowed to a field of five to invite into an RFP process. These five were:

- Advocate Health Care

- Ascension
- Cadence Health
- Rush University Medical Center
- Trinity Health

Flord
2012

In July, the task force reviewed these proposals and narrowed the field to two potential partners, Advocate Health Care and Cadence Health. The task force used criteria such as affiliation and physician integration experience, access to capital, information technology capabilities, a governance model that allows for a local voice and supporting the growth and expansion of services to position Sherman as a distinctive, regional destination for care.

After months of meetings and site visits with each potential partner, listening sessions with employees and medical staff, and much deliberation among our board of directors, we selected Advocate as the best fit for Sherman and our community. We announced this intent to partner in October of 2012.

Over the past six months, as we have worked through due diligence, negotiations, and integration plans, our decision to select Advocate has been positively affirmed at every turn. We see Advocate as not just the largest and strongest, but also the most evolved and forward thinking of all health systems in Illinois. We look forward to working together to improve the health care experience for the communities we serve, and we ask for your support.

Thank you.

**Dr. Steven Zahn, MD
Medical Director – Sherman Hospital
Public Hearing Testimony
Support for Sherman Hospital COE
Project No. E-001-13**

Good morning Justice Grieman, Ms. Avery and Ms. Kendrick.

I am Dr. Steven Zahn, Medical Director of the Emergency Department at Sherman Hospital. I have been a board certified physician in emergency medicine for three years practicing at Sherman Hospital in the emergency department for that duration, serving on the emergency department administrative team for the last two years as assistant medical director and now as medical director. I am here in support of the application for Sherman to join the Advocate Health Care System.

Along with many of my colleagues on the Medical Staff, I have been actively involved in the process of exploring whether Advocate and Sherman are compatible culturally, systematically, financially and clinically. In short – whether a partnership would be better for our patients in the long term. We determined that joining the Advocate system would allow Sherman to continue to provide high quality care while adapting to healthcare's new realities and challenges.

At Sherman, we are very proud of the quality care that we provide our patients. We are a certified Primary Stroke Center, accredited Chest Pain Center, and recently achieved Advanced Heart Failure certification through the Joint Commission. In fact, patients enrolled in our Heart Failure clinic have a less than one percent readmission rate compared to 24 percent nationally.

2/20/11
2012

And this past November, we joined just seven percent of hospitals in the nation to achieve Magnet status for excellence in nursing care.

Sherman has always provided quality health care to its community in conjunction with other greater Chicago institutions, most notably in the fields of oncology, cerebrovascular disease as well as pediatrics. However, partnering with Advocate provides Sherman a vast array of qualified professionals in a variety of primary care, specialty and subspecialty programs that will provide even better access and greater resources to the greater Elgin and Fox Valley communities. Access to a quality tertiary and quaternary health care system such as Advocate allows for improved health outcomes making our service area a more desirable place to live.

Should this partnership be approved, one of the first initiatives we plan to embark on with our new partners is the goal to eliminate all preventable patient harm across the Advocate healthcare system by 2020. While much progress has been made since the 1999 Institute of Medicine report estimating the number of error-related patient deaths at close to 100,000 annually, there is still much to do. A goal of ZERO preventable events of harm may seem like an ambitious goal, but when it comes to patient safety, nothing short of perfection will do.

In order to do this, Sherman Hospital and our potential Advocate partner hospitals are striving to become High Reliability Organizations. Together we will use proven error-elimination methodologies, share our successes and challenges, and develop a just culture where errors and near misses can fearlessly be addressed for the benefit of our patients. Not only will this organizational transformation increase patient safety and quality, but it will inevitably reduce healthcare costs as well.

In conclusion, I believe the proposed transaction between Sherman and Advocate is in the best interest of patient quality of care and I ask your support. Thank you.