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HEALTH FACILITIES &  
SERVICES REVIEW BOARD

**ORIGINAL**

**STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD**

**MEETING  
OPEN SESSION**

**DECEMBER 6, 2011**

**VOLUME 1**

**DRAFT**  
**OPEN SESSION 12/6/2011**

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STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 West Jefferson Street, 2nd Floor

Springfield, Illinois 62761

217-782-3516

OPEN SESSION

DAY 1 -- DECEMBER 6, 2011

Open session of the meeting of the State of Illinois Health Facilities and Services Review Board was held on December 6, 2011, at the Bolingbrook Golf Club, 2001 Rodeo Drive, Bolingbrook, Illinois.

State of Illinois  
Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor, Springfield, Illinois 62761 (217) 782-3516, (217) 785-4111 (fax)  
[www.hfsrb.illinois.gov](http://www.hfsrb.illinois.gov)

**A G E N D A**

(M-316) - **FINAL** (per 2 IAC 1925.240)  
Final Agenda will be posted no later than  
9:00 A.M. Friday, December 2, 2011 at the  
Health Facilities and Services Review Board's office  
and at the meeting location.

**Bolingbrook Golf Club  
2001 Rodeo Drive  
Bolingbrook, IL 60490**

1. **PUBLIC PARTICIPATION SIGN-IN - 9:30 A.M.**
2. **CALL TO ORDER: Tuesday, December 6, 2011 - 10:00 A.M.**
3. **ROLL CALL**
4. **APPROVAL OF AGENDA**
5. **APPROVAL OF MINUTES: October 12-13, 2011**
6. **POST PERMIT ITEMS APPROVED BY THE CHAIRMAN**
  - Change of Ownership Project # 11-069 DSI Scottsdale Renal approved October 13, 2011
  - Alteration Project #10-061Hoopeston Community Memorial Nursing Home approved November 4, 2011
  - Permit Renewal #10-004 Grand Crossing Dialysis 12 month renewal approved November 4, 2011
  - Permit Renewal #09-067 FMC West Batavia: 13 month renewal approved November 4, 2011
  - Permit Renewal #10-012 FMC River Forest: 12 month renewal approved November 4, 2011
  - Permit Renewal #10-001- FMC West Willow: 12 month renewal approved November 4, 2011
  - Permit Renewal #07-114 Good Samaritan Home Quincy 18 month renewal approved November 11, 2011
  - Permit Renewal # 11-063 Proctor Hospital 10 month renewal approved November 19, 2011
  - Permit Renewal # 11-009 Sedgebrook Health Center 6 month renewal approved November 19, 2011
  - Permit Renewal # 08-078 South Loop Endoscopy & Wellness Center 6 month renewal approved November 19, 2011
  - Alteration Project #11-005 Touchette Regional Hospital approved November 19, 2011
  - Abandoned Permit #08-033 Foot Surgical Center approved November 28, 2011
7. **ITEMS FOR STATE BOARD ACTION:**
  - A. **PERMIT RENEWAL REQUESTS**

**NOTICE:** THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT **BONNIE HILLS** AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **December 2, 2011**.

# **DRAFT** **Agenda - Health Facilities and Services Review Board – December 6-7, 2011 - Page 2**

Item	Opp	Facility	City	Number	
A-1	No	Addison Rehabilitation & Living Ctr. 36- Month Permit Renewal	Elgin	09-030	
A-2	No	Clare Oaks 6-Month Permit Renewal	Bartlett	05-002	_____

## **B. EXTENSION REQUESTS (none)**

## **C. EXEMPTION REQUESTS**

Item	Opp	Facility	City	Number	
C-1	No	St. Alexius Medical Center Change of ownership	Hoffman Estates	E-012-11	_____
C-2	No	Alexian Brothers Medical Center Change of ownership	Elk Grove Village	E-013-11	_____
C-3	No	Alexian Brothers Behavioral Health Hospital Change of ownership	Hoffman Estates	E-014-11	_____

## **D. ALTERATION REQUESTS (none)**

## **E. DECLARATORY RULINGS/OTHER BUSINESS (none)**

Item	Opp	Facility	City	Number	
E-1	No	Lawrence County Memorial Hospital Request to decrease application fees	Lawrenceville	NA	_____

## **F. HEALTH CARE WORKER SELF-REFERRAL ACT (none)**

## **G. STATUS REPORTS ON CONDITIONAL/CONTINGENT PERMITS (none)**

## **H. APPLICATIONS SUBSEQUENT TO INITIAL REVIEW**

Item	Class	Opposition	Facility	City	Number	
	H-20	Sub	XX FMC Naperbrook Establish 16-Station ESRD Facility	Naperville	11-038	_____
H-01	Sub	Yes	ARA-McHenry County Establish a 12-Station ESRD Facility	McHenry	11-016	_____

**NOTICE:** THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT **BONNIE HILLS** AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **December 2, 2011**.

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Item	Class	Opposition	Facility	City	Number
	H-20	Sub	XX FMC Naperbrook Establish 16-Station ESRD Facility	Naperville	11-038
H-02	Sub	No	Driftwood Dialysis Establish 10-Station ESRD Facility	Freeport	11-066
H-03	Sub	No	Woodlawn Dialysis Discontinue 20-Station ESRD Re-Establish 32-Station ESRD	Chicago	11-068
H-04	Non-Sub	No	Dimensions Medical Ctr. Ltd. Discontinue ASTC	Des Plaines	11-067

**I. APPLICATIONS SUBSEQUENT TO INTENT TO DENY**

Item	Class	Opposition	Facility	City	Number
	H-20	Sub	XX FMC Naperbrook Establish 16-Station ESRD Facility	Naperville	11-038
I-01	Sub	No	FMC-Lockport Establish a 12 Station ESRD Facility	Lockport	11-022

**RECESS**

**DAY TWO**

- 1. PUBLIC PARTICIPATION SIGN-IN - 9:30 A.M.**
- 2. CALL TO ORDER: Wednesday, December 7, 2011, 10:00 A.M**
- 3. ROLL CALL**

**I. APPLICATIONS SUBSEQUENT TO INTENT TO DENY cont'd.**

Item	Class	Opposition	Facility	City	Number
	H-20	Sub	XX FMC Naperbrook Establish 16-Station ESRD Facility	Naperville	11-038
I-01	Sub	Yes	Mercy Crystal Lake Hospital Establish 70-Bed Acute Care Hospital	Crystal Lake	10-089

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I-02    Sub    Yes    Centegra Hospital-Huntley    Huntley    10-090  
Establish 128-Bed Acute  
Care Hospital

**4. EXECUTIVE SESSION**

- A. APPLICATIONS PENDING ADMINISTRATIVE HEARING (ADM) / JUDICIAL REVIEW (JUD)

**5. COMPLIANCE ISSUES / SETTLEMENT AGREEMENTS / FINAL ORDERS**

**Referrals to Legal Counsel**

- Highland Ambulatory Surgery Center – discontinued facility without a permit

**Final Orders**

- HFSRB 11-08, 11-09, 11-10- HFSRB v. RAI Care Center of Illinois/Liberty Dialysis
- HFSRB 10-01- HFSRB v. Fox River Pavilion LP - Project #07-065

**6. OTHER BUSINESS**

**7. RULES DEVELOPMENT**

**8. NEW BUSINESS**

1. Hickory Estates in Sumner discontinued a 16 bed ICF/DD facility.
2. Rockford Nursing & Rehab Ctr. in Rockford, Illinois discontinued a 97 bed nursing care facility
3. Financial Report – October 2011
4. Dialysis Information
5. Critical Access Hospital Bed Reduction
  - Washington County Hospital - 22 acute care beds
  - John Warner Hospital - 25 acute care beds

**9. ADJOURNMENT**

**FOR TRANSCRIPTS OF THIS MEETING CONTACT:**

Midwest Litigation Services  
15 South Old State Capitol Plaza  
Springfield IL 62701  
217-522-2211

**10. NEXT MEETING**

January 10, 2012 Location: TBA

**11. FUTURE MEETING DATES**

**NOTICE:** THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT BONNIE HILLS AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN December 2, 2011.

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Date	City	Location
February 28, 2012	TBA	TBA
April 17, 2012	Springfield	DNR Building State Fairgrounds
June 5, 2012	TBA	TBA
July 24, 2012	TBA	TBA
September 11, 2012	TBA	TBA
October 30, 2012	TBA	TBA
December 18, 2012	TBA	TBA

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1     **PRESENT:**

          Dale Galassie - Chairman

2           Ronald Eaker

          John Hayes

3           John Burden

          Alan Greiman

4           Kathy Olson

          Richard Sewell

5           Robert Hilgenbrink

6     **ALSO PRESENT:**

7           Courtney Avery - Board Administrator

8           Cathy Clarke - Assistant

9           Frank Urso - General Counsel

10          Juan Morado - Assistant Counsel

11          Michael Constantino - IDPH Staff

12          George Roate - Staff

13          Bill Dart - IDPH Staff

14          Claire Berman - IDPH Staff

15          David Carvalho - Deputy Director, IDPH

16          Michael C. Jones - IDHFS

17          Michael Pelletier - IDHS

18

19    **Reported by:**

20          Karen K. Keim

21          CRR, RPR, CSR-IL, CRR-MO

22          Midwest Litigation Services

23          401 N. Michigan Avenue

24          Chicago, IL    60611

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1 START TIME: 10:02 a.m.

2

3 CHAIRMAN GALASSIE: Good morning. I'd like  
4 to call the meeting to order. Welcome to everyone here.

5 I would also like to recognize our Members  
6 Penn, Olson, Hilgenbrink and Burden, who have been  
7 officially reappointed. Congratulations to all of you. Be  
8 careful what you ask for.

9 And if anyone was interested in signing up for  
10 public comment, you should have done so by now outside in  
11 the hallway. Staff is there to assist you, if you wish.

12 Can I have a roll call, please, gentlemen?

13 MR. ROATE: Yes. Dr. Burden?

14 MR. BURDEN: Here.

15 MR. ROATE: Mr. Eaker?

16 MR. EAKER: Here.

17 MR. ROATE: Mr. Greiman?

18 MR. GREIMAN: Here.

19 MR. ROATE: Mr. Hayes?

20 MR. HAYES: Here.

21 MR. ROATE: Mr. Hilgenbrink?

22 MR. HILGENBRINK: Here.

23 MR. ROATE: Ms. Olson?

24 MS. OLSON: Here.

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1 MR. ROATE: Mr. Penn?

2 (No response)

3 MR. ROATE: Mr. Sewell?

4 MR. SEWELL: Here.

5 MR. ROATE: And Chairman Galassie.

6 CHAIRMAN GALASSIE: Here.

7 We have a quorum. Thank you.

8 Prior to asking for a motion to approve the  
9 agenda, I would like to add to the agenda between Item 6  
10 and 7, Public Participation Guidelines. We'll spend a few  
11 minutes on that.

12 That having been said, can I have a motion to  
13 approve the agenda?

14 MS. OLSON: So moved.

15 MR. HAYES: Second.

16 CHAIRMAN GALASSIE: Moved and seconded. Roll  
17 call, please.

18 MR. ROATE: Motion made by Ms. Olson, seconded  
19 by Mr. Hayes.

20 Dr. Burden?

21 MR. BURDEN: Here.

22 MR. ROATE: Mr. Eaker?

23 MR. EAKER: Yes.

24 MR. ROATE: Mr. Greiman?

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1 MR. GREIMAN: Aye.

2 MR. ROATE: Mr. Hayes?

3 MR. HAYES: Yes.

4 MR. ROATE: Mr. Hilgenbrink?

5 MR. HILGENBRINK: Yes.

6 MR. ROATE: Ms. Olson?

7 MS. OLSON: Yes.

8 MR. ROATE: Mr. Penn?

9 (No response)

10 MR. ROATE: Mr. Sewell?

11 MR. SEWELL: Yes.

12 MR. ROATE: And Chairman Galassie.

13 CHAIRMAN GALASSIE: Yes.

14 Motion passes. Thank you very much.

15 Moving on, Item No. 5, Approval of Minutes.

16 If I can get a motion to approve the minutes of October

17 12th and 13th, 2011.

18 MR. HAYES: So moved.

19 MR. GREIMAN: Second.

20 CHAIRMAN GALASSIE: Moved and seconded.

21 MR. ROATE: Motion made by Mr. Hayes, seconded

22 by Mr. Greiman called for vote.

23 Dr. Burden?

24 MR. BURDEN: Yes.

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1 MR. ROATE: Mr. Eaker?

2 MR. EAKER: Yes.

3 MR. ROATE: Mr. Greiman?

4 MR. GREIMAN: Yes.

5 MR. ROATE: Mr. Hayes?

6 MR. HAYES: Yes.

7 MR. ROATE: Mr. Hilgenbrink?

8 MR. HILGENBRINK: Yes.

9 MR. ROATE: Ms. Olson?

10 MS. OLSON: Yes.

11 MR. ROATE: Mr. Sewell?

12 MR. SEWELL: Yes.

13 MR. ROATE: And Chairman Galassie.

14 CHAIRMAN GALASSIE: Yes.

15 MR. ROATE: Eight votes in the positive.

16 CHAIRMAN GALASSIE: Motion passes. Thank you

17 very much.

18 Item No. 6, Post Permit Items Approved by the

19 Chairman. Mr. Constantino?

20 MR. CONSTANTINO: Thank you, Mr. Chairman.

21 The first item, Change of Ownership, Project

22 No. 11-069 DSI Scottsdale Renal, approved October 13th,

23 2011.

24 Alteration, Project No. 10-061, Hoopeston

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1 Community Memorial Nursing Home, approved November 4th,  
2 2001.

3 Permit Renewal No. 10-004, Grand Crossing  
4 Dialysis, 12-month permit renewal, approved November 4th,  
5 2011.

6 Permit Renewal No. 09-067, FMC West Batavia,  
7 13-month renewal, approved November 4, 2011.

8 Permit Renewal No. 10-012, FMC River Forest,  
9 12-month renewal, approved November 4th, 2011.

10 Permit Renewal No. 10-001, FMC West Willow,  
11 12-month permit renewal, approved November 4th, 2011.

12 Permit Renewal No. 07-114, Good Samaritan  
13 Home, Quincy, Illinois, 18-month permit renewal, approved  
14 November 11th, 2011.

15 Permit Renewal No. 11-063, Proctor Hospital,  
16 10-month permit renewal, approved November 19th, 2011.

17 Permit Renewal No. 11-009 Sedgebrook Health  
18 Center, 6-month permit renewal, approved November 19th,  
19 2011.

20 Permit Renewal No. 08-078, South Loop  
21 Endoscopy & Wellness Center, 6-month permit renewal,  
22 approved November 19th, 2011.

23 Alteration, Project No. 11-005, Touchette  
24 Regional Hospital, approved November 19th, 2011.

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1 And Permit 08-033, Foot Surgical Center  
2 abandonment, approved November 28th, 2011.

3 Thank you Mr. Chairman.

4 CHAIRMAN GALASSIE: Thank you, sir.

5 Any questions from Board members on these  
6 items.

7 (No response)

8 CHAIRMAN GALASSIE: Hearing none, I'll ask for  
9 a motion to approve.

10 MR. HILGENBRINK: So moved.

11 MR. HAYES: Second.

12 CHAIRMAN GALASSIE: Moved and seconded. Roll  
13 call, please.

14 MR. ROATE: Mr. Burden?

15 MR. BURDEN: Yes.

16 MR. ROATE: Mr. Eaker?

17 MR. EAKER: Yes.

18 MR. ROATE: Mr. Greiman?

19 MR. GREIMAN: Aye.

20 MR. ROATE: Mr. Hayes?

21 MR. HAYES: Yes.

22 MR. ROATE: Mr. Hilgenbrink?

23 MR. HILGENBRINK: Yes.

24 MR. ROATE: Ms. Olson?

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1 MS. OLSON: Yes.

2 MR. ROATE: Mr. Sewell?

3 MR. SEWELL: Yes.

4 MR. ROATE: Chairman Galassie?

5 CHAIRMAN GALASSIE: Yes.

6 MR. ROATE: That's eight votes in the  
7 positive.

8 CHAIRMAN GALASSIE: Thank you. Motion  
9 passes.

10 MR. CONSTANTINO: Mr. Chairman, in your packet  
11 you received Permit Renewal 09-029, Monroe County Surgical  
12 Center. It is not on the agenda. They withdrew. But it  
13 is in your packet of material. They have withdrawn. We  
14 removed it from the agenda, but it's in your packet.  
15 That's why I'm bringing it to your attention.

16 CHAIRMAN GALASSIE: I see. Thank you.

17 Moving on to Item 6-1 added to the agenda this  
18 morning, Public Participation Guidelines. We are going to  
19 have some comments. Juan, if you would please.

20 MR. MORADO: The Open Meeting Act requires  
21 that any person shall be permitted an opportunity to  
22 address public officials under the rules established and  
23 recorded by this public body. The following is the  
24 procedure which the Illinois Health Facilities and Services

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1     Review Board will adhere to for today's proceedings.

2                     If you have previously participated in any  
3     public hearings or submitted written comments related to  
4     the project listed on today's agenda, please respect that  
5     you will not be allowed to repeat your previous comments.  
6     Each Board member has received and reviewed all related  
7     materials from previous hearings. In order to accomplish  
8     other agenda items, each speaker will be allowed a maximum  
9     of two minutes to provide their comments. Understand, when  
10    the Chairman signals, you must conclude your comments.

11                    Inflammatory or derogatory comments are  
12    prohibited. As stated in the guidelines, the Board asks  
13    that no more than three persons representing the same  
14    organization provide testimony regarding the same project.  
15    Public comment for each speaker is limited to testimony for  
16    one project or issue. The Board asks that you please make  
17    sure that all comments are focused and relevant to the  
18    specific projects on the current agenda. Again, all  
19    comments should not be repetitive and not disruptive to the  
20    Board's proceedings today. Speakers who do not comply with  
21    these guidelines will not be allowed to provide comments at  
22    the Board's open meeting.

23                    Please note that you may also see me lift up  
24    one of these signs, indicating that your time is running

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1 out, and after that, the Chairman will -- the Chairman may  
2 signal that your time has come to an end as well.

3 Thank you.

4 CHAIRMAN GALASSIE: Thank you, Juan.

5 Mr. Urso?

6 MR. URSO: For Board members, I just want to  
7 repeat something that I know you already know, but this  
8 Board is precluded from doing any batching or comparative  
9 reviews. So, I just want to remind Board members of that  
10 fact, that every project must be looked at on its own  
11 merits and looked at independently of any other projects.

12 The second thing I would like to request is  
13 that if you have any no votes, please explain the reasons  
14 for your votes so that it's clear on the record what the  
15 reason was for that no vote.

16 Thank you.

17 MS. OLSON: Mr. Chairman, may I ask a  
18 question? I want to go back to the public participation  
19 guidelines. We read these every time, and yet people still  
20 get up and repeat the same thing. Is it possible if  
21 they're repeating the same thing for us to go, "Time out;  
22 sorry, I've read that already and I don't need to hear it  
23 again"?

24 CHAIRMAN GALASSIE: It is possible. Yes, we

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1 certainly can do that.

2 MS. OLSON: It's probable that I'm going to do  
3 that.

4 CHAIRMAN GALASSIE: Please do. We will  
5 invite Member Olson to so advise.

6 MS. OLSON: I've read all of this stuff. I  
7 don't want to hear it again.

8 CHAIRMAN GALASSIE: We appreciate that and  
9 respect that and will ask for your assistance in so doing.

10 Moving on to Items for State Board Action on  
11 the agenda, No. 7, we will be calling up Addison Rehab and  
12 Living Center, Item No. 09-030. If there is anyone here  
13 representing Addison Rehab Center, if you would please come  
14 up and introduce yourselves, spell your names, please, and  
15 be sworn in by our recorder, Karen.

16 (Pause)

17 MR. SHEETS: Good morning, Mr. Chairman,  
18 Members of the Board. My name is Charles Sheets. I'm the  
19 attorney for Addison Rehab, and I have with me Mr. Tom  
20 Neshek, who is the Manager of the applicant entities.

21 CHAIRMAN GALASSIE: State Agency Report,  
22 please.

23 MR. CONSTANTINO: Thank you, Mr. Chairman.

24 On March 2nd, 2010, the State Board approved

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1 Permit No. 09-030. The permit authorized the establishment  
2 of a 120-bed long-term care facility in Elgin, Illinois at  
3 approximate cost of \$14.1 million. The applicants are  
4 before you today requesting a permit renewal for 36 months,  
5 from December 31st, 2011 to December 31st, 2014. The  
6 reason for the delay, according to the permit holders, is  
7 the delay in financing of the project. The original  
8 project application stated it would be a HUD-insured loan.  
9 Evidently that fell through. There was no reasons -- no  
10 status of the financing of this project given to the State  
11 Staff.

12 CHAIRMAN GALASSIE: Thank you, sir.

13 Gentlemen, if you have comments, can I ask you  
14 to be sworn in first, please.

15 (Oath given)

16 CHAIRMAN GALASSIE: Thank you. Any comments  
17 for the Board?

18 MR. SHEETS: Mr. Chairman, I have Mr. Neshek  
19 here, who is one of the principals also in the applicant  
20 entities, and we could have asked for an 18-month renewal  
21 and been back here in 18 months asking for another renewal,  
22 but we thought rather than do that, we would try to get the  
23 full three years that we need to complete the project.  
24 When the project was approved, it was only 20 months until

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1 the completion date, and we probably should have made an  
2 adjustment at that point, but we've had some significant  
3 problems or issues within the company securing financing,  
4 and I think Mr. Neshek is probably much more qualified to  
5 answer that. He's -- as I said before, he's the Manager of  
6 the applicant entities, one of the principals, and he's  
7 also a recovering attorney who now practices real estate.

8 CHAIRMAN GALASSIE: Thank you. Good morning.

9 MR. NESHEK: Thank you very much, Members of  
10 the Board. My name is Tom Neshek. I'm the Manager of the  
11 two entities which are involved here.

12 I have been in the real estate and  
13 construction business for thirty years. My family has been  
14 in the healthcare, long-term healthcare business for over  
15 50 years. Our family has built over 10,000 nursing home  
16 beds across the country during that 50 years. About two  
17 and a half years ago, I went from being an apartment  
18 builder, real estate attorney in Wisconsin to ascending to  
19 basically being in charge of running our companies. We  
20 operate nursing homes all over the United States and also  
21 in the State of Illinois. We have some supported living  
22 facilities also here in the State of Illinois.

23 In my 30 years, I have never run into the  
24 types of constraints which are now common in capital

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1 markets facing real estate developments and healthcare  
2 developments such as the one that we have been approved for  
3 here. The healthcare industry has been somewhat insulated  
4 to the credit crisis that has taken place across the  
5 country, but for companies our size, I can't say that my  
6 experience has been that it is insulated. I recently went  
7 through an experience in the state of Colorado, with an  
8 approved project in the state of Colorado, an excellent  
9 project located in the Village of Parker. I worked on  
10 financing for almost two years on that project.

11           The underwriting criteria that are now being  
12 looked upon by banks and financial institutions and with  
13 HUD mortgages -- we're involved with seven HUD mortgages  
14 currently in our companies. The underwriting criteria have  
15 become very, very significant constraints in formation of  
16 the construction of projects such as this. One of the  
17 primary problems that we face has been the loan-to-value  
18 constraints that are now being placed on us. Historically  
19 in projects such as this, we might be looking at 80 percent  
20 loan to value. Financial institutions no longer even  
21 consider that. They're looking for upwards of 40 percent  
22 of equity be placed into a project like this.

23           Now, we're -- although we have operations all  
24 over the country, I would not consider us a major player.

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1     We're a small company. As you can imagine, those equity  
2     constraints could be sometimes onerous. Our companies went  
3     through substantial reorganization over the last two years,  
4     and some of that reorganization created that constraint in  
5     producing that kind of equity, given the capital markets.  
6     I could tell you that at this moment, those internal  
7     constraints have been alleviated. We are now in a position  
8     to be able to place that kind of capital in a project like  
9     this. The loan considerations at this moment are positive,  
10    given the ability -- our ability to now put capital into  
11    the project, and we like the project. We think it's a fine  
12    project. We're very excited about it, but we do need a  
13    little time to complete the project, and that's why we're  
14    here before you today.

15                 We have invested over 1.4 million of our own  
16    cash so far into the project. We're invested in it. We're  
17    not a fly-by-night operation, and we put our money where  
18    our mouth is. We believe that we can complete the project  
19    within the requested extension time and will do so, and we  
20    respectfully ask that the Board grant our extension.

21                 Thank you very much.

22                 CHAIRMAN GALASSIE: Thank you.

23                 Any questions from Board members, of these  
24    gentlemen?

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1                   MR. GREIMAN: Yeah. So, what you're telling  
2 us, I think, is that you can get about \$800,000 in a loan,  
3 but you got to put up about \$500,000, or something like  
4 that, of equity. Is that right?

5                   MR. SHEETS: Million. The numbers are right,  
6 but you have to say a million instead of hundred thousands.  
7 So, we have to put up \$5 million.

8                   MR. GREIMAN: Right. So where are we? Where  
9 are we going? This is the best time to get a loan because  
10 of the interest rates on loans.

11                  MR. SHEETS: Judge, I'm going to let Tom  
12 answer that, but one other thing I want to point out, we  
13 purchased the land straight up for 1.2 million.

14                  MR. GREIMAN: Is that part of the 14 million?

15                  MR. SHEETS: No, it's not.

16                  MR. GREIMAN: 14 million is just for the  
17 construction?

18                  MR. SHEETS: Correct.

19                  MR. NESHEK: You are correct, interest rates  
20 are extremely favorable. HUD interest rates, for example,  
21 are at historic lows. Interest rates in middle market  
22 banks and larger banks, yes, they are extremely, extremely  
23 reasonable, extremely favorable. It's the underwriting  
24 criteria that is very difficult. Banks -- and I am a

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1 member of a Board of Directors of a bank; I'm partial owner  
2 of a bank. I sit in loan committee meetings, and I can't  
3 express to you how that industry has changed. The  
4 regulatory requirements that are placed on banks now, given  
5 the failure rate across the country, have completely  
6 changed the landscape.

7 So, the interest rate environment is terrific.  
8 The underwriting environment is like I've never seen  
9 before, very difficult.

10 MR. GREIMAN: Well, so, sometime along the  
11 line, you have to look at your bank account and say, "Well,  
12 here's a million dollars we'll put into this."

13 MR. NESHEK: That's correct, that's absolutely  
14 correct.

15 MR. GREIMAN: And when is that and when do you  
16 think you will be able to do it? The reason I ask is  
17 you're building a 120-bed long-term care facility in Elgin.  
18 That's what this is for. What happens is, if somebody  
19 comes in and says, "I want to put in a long-term care unit  
20 in Elgin," at that point we have to say, "No, Addison is  
21 already doing that." But you're not. Do you see what I'm  
22 saying.

23 MR. NESHEK: Sure.

24 MR. GREIMAN: "You can't do that because we've

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1 got Addison there."

2           MR. NESHEK: Typically -- and, again, I think  
3 this has changed as part of the underwriting criteria the  
4 banks are now looking at. Four or five years ago, six  
5 years, seven years ago, banks typically, because of the  
6 competitive forces, were allowing equity to come in on the  
7 back end. That is no longer the case. Any relationship  
8 or -- not relationship, but any transaction that we would  
9 consummate with a financial institution, they would  
10 generally be looking at equity coming in up front.

11           To answer the second part of your question, in  
12 the last two years our companies have made some remarkable  
13 turnarounds, and we have the ability to fund that four or  
14 five million dollars as we speak, and that is different --  
15 that is a situation that was not there two years ago.

16           MR. GREIMAN: So you'll do that now?

17           MR. NESHEK: Yes. When the financing has been  
18 arranged, we will -- assuming that they would require us to  
19 make the equity contribution at that point -- which I would  
20 expect that to be the case -- yes, we would do that.

21           MR. GREIMAN: Okay. Thank you.

22           MS. OLSON: What is your best estimate of when  
23 you will break ground?

24           MR. NESHEK: I would think that it's going to

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1     take us -- and, again -- I would say 12 to 14 months and,  
2     again, I say that with a little bit of trepidation because,  
3     for example, HUD underwriting right now -- and I just use  
4     that by way of example -- we are -- we currently have  
5     refinances, which are completed projects. HUD estimated  
6     refinancing times in the 6 to 7, 8-month range. We're at  
7     13 to 14 months and still two to three months from closing  
8     on those transactions. A lot of this is because of the  
9     underwriting criteria that is going on. I went through the  
10    situation in Colorado, and it took the better part of a  
11    year to get financing, the kind of financing that we need  
12    in place.

13                   MS. OLSON: Thank you.

14                   CHAIRMAN GALASSIE: Other questions from  
15    Board members?

16   (Pause)

17                   MR. CARVALHO: I'd like to follow up on  
18    Justice Greiman's questions.

19                   What would the time frame be between ground  
20    break and completion, the construction phase of this  
21    project?

22                   MR. NESHEK: Twelve months.

23                   MR. CARVALHO: And you're seeking an extension  
24    of three years?

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1                   MR. NESHEK: Correct.

2                   MR. CARVALHO: So that gives you two years to  
3 get financing?

4                   MR. NESHEK: Yes, that would give us two  
5 years.

6                   MR. CARVALHO: And this was approved two years  
7 ago or applied for two years ago?

8                   MR. CONSTANTINO: It was approved March 2010.

9                   MR. CARVALHO: Approved a year and a half ago.  
10 At the time it was approved, didn't you present the plan of  
11 how it was going to be paid for?

12                  MR. NESHEK: Yes, that's correct.

13                  MR. CARVALHO: What became of that plan?

14                  MR. NESHEK: I believe the application -- and  
15 I was not involved at that time, and I would say that since  
16 that time, the people that were involved are no longer with  
17 our companies and I've taken this project over. I believe  
18 what was represented at that time -- I know I checked the  
19 transcripts. There's nothing in the transcript, but I  
20 believe there was some indication of HUD financing at that  
21 time. That indication was probably ill-founded, and the  
22 problem, again, is one of underwriting criteria of HUD  
23 construction loans. The payor mix that has been  
24 anticipated in this project is one of a high Medicare,

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1 private pay patient mix. HUD underwriting on the  
2 construction side will look only at high Medicaid revenue  
3 sources, and what that ends up doing from the underwriting  
4 point of view -- as you all know, the Medicaid rate in  
5 Illinois is not particularly high on a nationwide basis,  
6 and on evaluation basis, that tends to drive the loan to  
7 value that HUD will approve on that type of project down  
8 significantly. That in turn increases the amount of equity  
9 that needs to be infused into the project, and that, quite  
10 frankly, put a strain on us two years ago that we were  
11 unable to overcome and HUD financing became an improbable  
12 option for us.

13 MR. CARVALHO: Mr. Constantino, do you know,  
14 right now in the area that they are in, what is the  
15 inventory in terms of need?

16 MR. CONSTANTINO: No, I don't, Dave. I don't  
17 know what it is.

18 MR. CARVALHO: Because the concern is clearly  
19 one that Justice Greiman mentioned. It's like you block --  
20 you've got a blocking position on 120 beds. You've had it  
21 for a year and a half and would have it another three  
22 years. If someone came in with a fully-financed proposal,  
23 they still couldn't get it approved unless the inventory  
24 shows a 120 need. You've blocked up that need. So, I

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1     guess the question for the Board is for how much longer is  
2     it reasonable for you to block that need?

3                   MR. SHEETS: With all due respect,  
4     Mr. Carvalho, I think the question before the Board is  
5     whether we proceeded with due diligence and are still  
6     proceeding with due diligence towards the project, and I  
7     think the investment of 1.2 plus million for the property  
8     and 400,000 in the architectural drawing fees and the other  
9     fees that have been paid to date demonstrates the  
10    operator's commitment to put the building up and to move  
11    forward with due diligence. If you think that the  
12    three-year period is too long and would rather see us come  
13    back here in a year and a half and see how far we are with  
14    the building, we have no objection to that. I mean, we can  
15    go for a renewal of 18 months and come back, and hopefully  
16    we'll have the building under way at that point. In fact,  
17    I'm fairly sure we will have the building under way at that  
18    point. Again, we just wanted to come forward with a  
19    realistic time frame for finishing the building.

20                   CHAIRMAN GALASSIE: So, you would accept an  
21    extension of 18 months?

22                   MR. SHEETS: Correct.

23                   CHAIRMAN GALASSIE: Board members, questions?

24                   MR. EAKER: I just have a procedural -- if we

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1     were to deny this request for renewal, does that basically  
2     kill the project?

3                     MR. CONSTANTINO:   Yes, sir.

4                     MR. SHEETS:   I believe it's a revocation of  
5     the permit, under the rules.

6                     CHAIRMAN GALASSIE:   So, I think what is in  
7     front of the Board at this -- question?

8                     MS. OLSON:   Can I ask, if we go ahead and  
9     grant the three years but then ask them to come back in 18  
10    months and just give us an update, or at least give an  
11    update in writing, so they don't have to go through this  
12    whole process again --

13                    CHAIRMAN GALASSIE:   It's what your comfort  
14    level is.   You can do that, but, again, as Judge Greiman  
15    and Mr. Carvalho were suggesting, you're locking it down  
16    for three years.   If anybody else comes in front of us 19  
17    months from now --

18                    MS. OLSON:   If I say yes to three years and  
19    you're not done in three years, I'm going to say no.   So  
20    then you're really going to be in trouble.

21                    CHAIRMAN GALASSIE:   I'm going to ask for a  
22    motion.   At this point I'm asking for a motion to renew  
23    Permit 09-030 Addison Rehab and Living Center, and this  
24    motion includes a 36-month period.   So, if you are not

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1 comfortable with that motion, you would want to change it.

2 MR. GREIMAN: I move to amend it to two years.

3 Let's give them 24 months for them to come and report to

4 us, or give it 24 months just -- instead of three years.

5 CHAIRMAN GALASSIE: Motion is amended to 24

6 months. Can I get a second to the motion to amend it to 24

7 months?

8 MS. OLSON: I'll second it.

9 CHAIRMAN GALASSIE: Motion is moved and  
10 seconded.

11 MR. ROATE: Motion made by Mr. Greiman,  
12 seconded by Ms. Olson.

13 Dr. Burden?

14 MR. BURDEN: Yes.

15 MR. ROATE: Mr. Eaker?

16 MR. EAKER: Reluctantly, yes.

17 MR. ROATE: Mr. Greiman?

18 MR. GREIMAN: Yes.

19 MR. ROATE: Mr. Hayes?

20 MR. HAYES: Yes.

21 MR. ROATE: Mr. Hilgenbrink?

22 MR. HILGENBRINK: Yes.

23 MR. ROATE: Ms. Olson?

24 MS. OLSON: Yes.

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1 MR. ROATE: Mr. Sewell?

2 MR. SEWELL: Yes.

3 MR. ROATE: Chairman Galassie?

4 CHAIRMAN GALASSIE: Yes.

5 MR. ROATE: That's eight votes in the  
6 affirmative.

7 CHAIRMAN GALASSIE: Motion passes.  
8 Congratulations. Good luck.

9 MR. URSO: Mr. Chairman, can I ask them a  
10 question?

11 CHAIRMAN GALASSIE: Please do.

12 MR. URSO: Have your plans been submitted to  
13 the Department of Public Health for this project?

14 MR. NESHEK: They have not. We have a full  
15 set of construction plans that are completed,  
16 (unintelligible) the mechanical and the plumbing, but  
17 they're not very far away from going.

18 CHAIRMAN GALASSIE: Thank you, gentlemen.

19 Moving on to Item A-2, Item 05-002, Clare  
20 Oaks, 6-month permit renewal, the city of Bartlett. Anyone  
21 here to speak to the issue?

22 (Pause)

23 CHAIRMAN GALASSIE: Seeing none, Staff  
24 report, please?

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1 MR. CONSTANTINO: Thank you, Mr. Chairman.

2 On August 4th, 2005, the State Board approved  
3 Project 05-002. The permit authorizes the establishment of  
4 a 120-bed skilled care facility as part of a CCRC. The  
5 State Agency notes the project is obligated, and the  
6 current project completion date is December 31st, 2011.  
7 The total project cost is approximately \$88.6 million. The  
8 permit holders are requesting a 6-month permit renewal.  
9 This is the third permit renewal for this project. The  
10 reason for the permit renewal is the final realized cost  
11 report will not be ready by the December 31st date.

12 Thank you, Mr. Chairman.

13 CHAIRMAN GALASSIE: Thank you, Mike.

14 Any questions by the Board?

15 (Pause)

16 CHAIRMAN GALASSIE: Hearing none, may I have  
17 a motion to renew permit 09-030 Addison Rehab & Living  
18 Center -- I'm sorry.

19 A motion to renew Permit 05-002, Clare Oaks?

20 MS. OLSON: So moved.

21 MR. EAKER: Second.

22 CHAIRMAN GALASSIE: Roll call, please.

23 MR. ROATE: Motion made by Ms. Olson, seconded  
24 by Mr. Eaker.

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1 Dr. Burden?

2 MR. BURDEN: Yes.

3 MR. ROATE: Mr. Eaker?

4 MR. EAKER: Yes.

5 MR. ROATE: Mr. Greiman?

6 MR. GREIMAN: Aye.

7 MR. ROATE: Mr. Hayes?

8 MR. HAYES: Yes.

9 MR. ROATE: Mr. Hilgenbrink?

10 MR. HILGENBRINK: Yes.

11 MR. ROATE: Ms. Olson?

12 MS. OLSON: Yes.

13 MR. ROATE: Mr. Sewell?

14 MR. SEWELL: Yes.

15 MR. ROATE: Chairman Galassie?

16 CHAIRMAN GALASSIE: Yes.

17 MR. ROATE: That's eight votes in the

18 affirmative.

19 CHAIRMAN GALASSIE: Motion passes. Thank you

20 very much.

21 Moving on to Item B, Extension Requests, I do

22 not believe we have any.

23 Moving on to Item C, Exemption Requests, Item

24 C-1, No. E-012-11, St. Alexius Medical Center, change of

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1 ownership. We have three items in front of us on the  
2 agenda with these folks, Items E-012, 013 and 014. Counsel  
3 suggests we can hear from these folks on all three, we can  
4 do a combined motion on all three, unless there's any  
5 issues and then, of course, we will deal with those.

6 Good morning, ladies and gentlemen. Spell  
7 your names for our court reporter please, and when you're  
8 done with that, we'll have you sworn in.

9 MR. FREY: Mark Frey, Alexian Brothers Health  
10 System.

11 MR. TERSIGNI: Anthony Tersigni, Ascension.

12 MR. HENKEL: Robert Henkel, Ascension Brother  
13 Health.

14 MR. MC CORMICK: Brother Dan McCormick,  
15 Alexian Brothers Congregation.

16 MS. MURPHY: Anne Murphy, counsel to the  
17 applicants.

18 MR. AXEL: Jack Axel, Axel and Associates.

19 (Oath given)

20 CHAIRMAN GALASSIE: Thank you.

21 Staff report, please.

22 MR. CONSTANTINO: Thank you, Mr. Chairman.

23 The applicants, Alexian Brothers Health System  
24 and Ascension Health, are proposing a change in the

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1 membership or sponsorship of a not-for-profit corporation  
2 that owns or controls three Illinois hospitals, as well as  
3 the physical plant and assets. Per the Strategic  
4 Affiliation Agreement between the two applicants, Ascension  
5 Health will become the sole corporate member of Alexian  
6 Brothers Medical Center, and Alexian Brothers Health System  
7 will operate as one of Ascension's Health Ministries.

8 Board Staff notes there are three facilities  
9 in connection with this submittal. The applicants have  
10 submitted all of the required information and have met all  
11 of the exemption requirements of the State Board rules.

12 Thank you, Mr. Chairman.

13 CHAIRMAN GALASSIE: Any opposition?

14 MR. CONSTANTINO: No, sir.

15 CHAIRMAN GALASSIE: Thank you.

16 Ladies and gentlemen, who would like to speak  
17 to the Board?

18 MR. FREY: I will start. Thank you, Mr.  
19 Chairman, Members of the Board. My name is Mark Frey. I'm  
20 President and Chief Executive Officer of Alexian Brothers  
21 Health System. With me this morning are Anthony Tersigni,  
22 President and Chief Executive Officer of Ascension Health,  
23 on my right. To his right is Robert Henkel, President of  
24 Healthcare Operations and Chief Operating Officer of

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1 Ascension Health. To my immediate left is Brother Dan  
2 McCormick, a member of the Congregation of the Alexian  
3 Brothers of America. Our CON counsel this morning, General  
4 Counsel, is Ms. Anne Murphy, and our CON consultant, Jack  
5 Axel, to my left. I wish to thank all of you for the  
6 opportunity to appear before you today.

7           Because of the completely positive findings of  
8 your staff on all three of our hospital change of ownership  
9 Certificate of Exemption applications, our presentation  
10 will be brief. These exemptions cover Alexian Brothers  
11 Medical Center in Elk Grove, St. Alexius Medical Center in  
12 Hoffman Estates, and Alexian Brothers Behavioral Health  
13 Hospital, which also is in Hoffman Estates.

14           Alexian Brothers Health System is proposing to  
15 combine his healthcare system with that of Ascension  
16 Health. Both Alexian Brothers and Ascension Health, as you  
17 probably know, are Catholic, not-for-profit healthcare  
18 systems. A combination of our health systems will be  
19 achieved through a corporate affiliation transaction  
20 through which Ascension Health will retain ultimate  
21 corporate control over Alexian Brothers Health System. In  
22 turn, Alexian Brothers Health System will operate as one of  
23 Ascension Health's regional ministries.

24           A bit of background. Alexian Brothers Health

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1     System was founded actually here in Chicago in 1866 and is  
2     currently sponsored by the 800-year-old Congregation of the  
3     Alexian Brothers. The origins are in Europe. In addition  
4     to the three hospitals being addressed today, our health  
5     system oversees a multi-specialty group practice, a number  
6     of ambulatory care systems in the Chicago metropolitan  
7     region, a number of housing ministries, our AIDS, which  
8     extend from Waukegan down to the south side of Chicago, and  
9     we also have senior care facilities in three other states,  
10    which include Missouri, Wisconsin, and Tennessee. We  
11    employ 6,000 employees here in Illinois, and last year we  
12    contributed about just under \$16 million in charity care at  
13    cost in our hospitals.

14                 Alexian Brothers' decision to join another  
15    health system, and specifically to affiliate with Ascension  
16    Health, was made following two years of both internal as  
17    well as external evaluations and assessments. The goal of  
18    the evaluation process was to identify how we could best  
19    advance our charitable and religious mission, carry out our  
20    strategic plan, assure best practices, improve quality,  
21    enhance clinical care, increase patient satisfaction, and  
22    secure the long-term viability of our health system. As we  
23    assessed these priorities, we were keenly aware of the  
24    rapid changes that are going on in the healthcare system,

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1    which I'm sure all of you hear about on a regular basis.  
2    More than ever, hospitals and health systems, I think, have  
3    to be fully prepared to rapidly adapt both strategically  
4    and financially to the many changes that are going on.

5                   I would certainly add to that, certainly a  
6    very, very important component in our evaluation process  
7    was to ensure that our charitable mission as an  
8    organization would be forefront in whatever decision we  
9    made. We chose Ascension as our affiliation partner for  
10   several reasons. First, the Ascension Health has entered  
11   into similar agreements with other competent healthcare  
12   systems and has a great deal of expertise in these types of  
13   relationships. We know for a fact that they will bring  
14   unparalleled financial as well as management capabilities  
15   to our health system. This affiliation will provide  
16   Alexian Brothers with expanded access to resources,  
17   including health information technology, quality  
18   initiatives, capital, purchasing power, and the ability to  
19   share best clinical practices which have been established  
20   by Ascension Health across the entire country. All of  
21   this, we believe, will certainly benefit the patients we  
22   are able to serve in the communities.

23                   Also important in our evaluation process --  
24   and we assessed a number of health systems both locally as

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1 well as nationally -- was our continued ability to maintain  
2 a high level of local operational autonomy in terms of  
3 running our facilities. With this affiliation, Alexian  
4 Brothers Hospital System will maintain responsibility for  
5 our day-to-day operations, subject to some limitations  
6 which are corporate-reserved powers that are identified  
7 throughout Alexian Brothers Health System's bylaws that  
8 were submitted to you for your review.

9 And, finally, as you will hear in a few  
10 minutes, Ascension Health certainly shares our value system  
11 and our mission in terms of charitable purpose.  
12 Ascension's strong track record in charity care and  
13 healthcare reform is very, very impressive. And with that,  
14 I'd like to turn the conversation over to Dr. Tersigni. He  
15 will talk a little bit about Ascension Health.

16 Thank you.

17 CHAIRMAN GALASSIE: Thank you.

18 MR. TERSIGNI: Thank you. Good morning. It's  
19 a pleasure to be here.

20 As Mark mentioned in his opening remarks, I'm  
21 privileged to serve as President and Chief Executive  
22 Officer of Ascension Health, which is a national,  
23 not-for-profit Catholic health system based in St. Louis.  
24 The three hospitals we are discussing today will bring our

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1 hospital complement to 80 hospitals in 21 states and the  
2 District of Columbia.

3           Ascension Health was created in 1999 through  
4 the union of the Daughters of Charity National Health  
5 System and the Sisters of St. Joseph Health System. In  
6 2002, the system was enhanced with the addition of the  
7 hospitals and related facilities. Our health ministries  
8 employ 113,000 persons and provided roughly \$409 million of  
9 true charity care in our most recent fiscal year.  
10 Ascension Health provided \$1.2 billion for care, persons  
11 who are poor, and community benefit, when all four  
12 categories are taken into account. We are a mission-driven  
13 health system with a highly-evolved strategic direction  
14 consisting of three components: First, healthcare that  
15 works, which is intended to maximize patient (inaudible);  
16 second, healthcare that is safe, which is a multi-faceted  
17 patient safety and clinical excellence program; and, third,  
18 healthcare that leaves no one behind, which is a  
19 system-wide public policy and advocacy initiative with a  
20 goal of achieving 100 percent healthcare access and  
21 coverage for all persons, regardless of their ability to  
22 pay.

23           As CEO, it is my charge to merge our mission  
24 focus with excellent financial performance, strong

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1 leadership and management, and our experience in  
2 successfully combining Catholic health system. As a  
3 national healthcare delivery system stands in the precipice  
4 of dramatic change, we believe that the resources we  
5 possess will be a critical asset to our individual  
6 hospitals.

7                   Finally, I want to underscore something that  
8 Mark touched on. Ascension Health's operating model vests  
9 substantial autonomy at the local level. It is not our  
10 goal to micro manage hospital decisions or operations from  
11 the central office. Under our (inaudible), each health  
12 ministry has a local board with fiduciary responsibility.  
13 We believe these board members in the local health ministry  
14 leadership are the ones to determine how to best serve  
15 local citizens and meet the needs of their community. As a  
16 result, with the exception of a fairly short list of  
17 decisions that are reserved to the Ascension government's  
18 structure, most decisions will continue to be made at the  
19 local system or hospital level. As a result, these  
20 Illinois hospitals will continue to be responsive to the  
21 local community needs and priorities.

22                   With that, I'd like to turn it over to Brother  
23 Dan.

24                   MR. HENKEL: Thank you, Mr. Chairman, ladies

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1 and gentlemen. Good morning.

2 My name is brother Dan McCormick. I've been a  
3 member of the Congregation of Alexian Brothers since 1994,  
4 and at the present time I hold the title of Community  
5 Director, President of the Alexian Brothers AIDS Ministry,  
6 and Director of Vocations.

7 As I'm sure you can imagine, the affiliation  
8 that we're bringing before you today is not something that  
9 our religious community has taken lightly. While the  
10 potential benefits of affiliation became very evident early  
11 in the discussion process, the actual decision to proceed  
12 was made through long evaluations by our management team,  
13 outside consultants, a very lengthy discernment process,  
14 and I can promise you considerable prayer and reflection.  
15 We as a religious community are convinced that our joining  
16 Ascension will not only promote provision of Catholic  
17 healthcare in communities we serve but will also provide  
18 Alexian Brothers Health System with a stronger foundation  
19 of which to do so.

20 We're entering into this affiliation with the  
21 support of His Eminence Francis Cardinal George, Archbishop  
22 of Chicago, who is well aware of our history of addressing  
23 the healthcare needs of the less fortunate, not only  
24 through our hospitals but through many other programs that

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1 we provide as well.

2 In closing, on behalf of the Alexian Brothers  
3 Congregation, let me affirm that we are extremely excited  
4 about this chapter in our history, and we look forward to  
5 continuing to grow as part of what we believe is the  
6 preeminent not-for-profit Catholic healthcare system in the  
7 United States.

8 I thank you for your attention, and we would  
9 be more than happy to answer any questions you might have.

10 CHAIRMAN GALASSIE: Thank you very much.

11 Questions from the Board?

12 MR. BURDEN: I think I'm older than anybody  
13 sitting on that board table anecdotally. I operated at the  
14 old Alexian Brothers Hospital when I first started  
15 practicing -- I was a full-time pediatric urologist --  
16 which now houses my favorite charity, the Little Sisters of  
17 the Poor. So, I have certain feelings about your  
18 institution.

19 I'm looking at this now at my age, seeing the  
20 changes that are, as you reflect on, somewhat frightening  
21 to me. This is a very healthy institution that you have  
22 out there, Alexian Brothers. I know people working there,  
23 and I am impressed as I see institutions that are much less  
24 solvent also in front of us concerning where their futures

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1    may be. This whole issue that you have is sort of a bigger  
2    issue to me, as a retired physician sitting here listening  
3    to stories that certainly frighten me in many ways. I  
4    recognize this is an immense -- Ascension, I don't know  
5    anything about this. I see Loyola University now -- we've  
6    had all together many institutions, large teaching  
7    hospitals here in our community, all making changes.  
8    Obviously, I know, it's got to be the bottom line is doing  
9    a lot of them. That's for sure.

10                   I'm interested in knowing, \$125 million for a  
11    modernization program, long-term, I propose, and a hospital  
12    that has such a wonderful med/surg occupancy. You have  
13    open heart surgery, not just cabbages being done. You're  
14    doing other types of valve procedures. I looked at your  
15    record here. This is a first-rate hospital, first-rate  
16    place, I'm sure delivering first-rate care. What's going  
17    on with 125 million? I'm just curious. I don't see it  
18    spelled out. It is just a statement that is part of the  
19    amalgamation that you're requiring. There were similar  
20    requests made of other institutions that have been before  
21    us here in the past year, but that number is higher than  
22    any I've seen. I'm just wondering if you're building a big  
23    facility there to go with what you've already had.

24                   MR. FREY: Yes, good morning, Dr. Burden. The

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1     \$125 million that you referenced there is capital that is  
2     being provided to Alexian Brothers Health System to  
3     capitalize much quicker than we were going to be able to do  
4     independently the new children's hospital and Bed Tower  
5     expansion at St. Alexius Medical Center in Hoffman Estates.  
6     We actually appeared before this Board. That project was  
7     approved a couple of years ago, although it was approved  
8     with the understanding that it would be completed by about  
9     March of 2016. Now, because of the ability to work with  
10    Ascension Health, that project will be completed by the  
11    spring of 2013.

12                    In addition to that, the 30 million that you  
13    referenced will be used to modernize our health center, our  
14    skilled nursing facility, as well as assisted living  
15    facilities in Chattanooga.

16                    MR. BURDEN: Well, as a one time pediatric  
17    urologist at Children's Memorial Hospital, I was impressed  
18    that you were moving in the pediatric area, and I was more  
19    than anything curious to see whether that was part of the  
20    program. Thanks.

21                    MR. GREIMAN: Mr. Chairman?

22                    CHAIRMAN GALASSIE: Yes, sir.

23                    MR. GREIMAN: My job required operations. I  
24    never operated on anybody.

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1 (Laughter)

2 MR. GREIMAN: We have \$400 million roughly on  
3 these three projects, and no one -- just so I understand  
4 this, no one writes a check for any part of this; is that  
5 right? You know, you come into it, you don't say, "Here's  
6 the \$400 million." This is what you're going to put into  
7 it or what? Why are they -- why do we have that fair  
8 market value that is mentioned? What's the difference?

9 MR. AXEL: Judge, your rules require that on a  
10 transaction like this, we need to include what's known as  
11 the fair market value -- I would normally call it the book  
12 value -- of the individual facilities in the three  
13 respective applications. So, it's the value. There is not  
14 dollars changing hands. That's where the 400 million comes  
15 in.

16 MR. GREIMAN: So we have -- but is the people  
17 who are taking over, are they committed in any way to  
18 putting in capital? Is there an agreement made between  
19 them, "This is how we're going to fund this from now on".

20 MR. FREY: Good morning, Judge. With respect  
21 to the initial capital allocation that Ascension Health has  
22 committed to, they've committed to approximately \$150  
23 million up-front to help fund two very important projects  
24 that we have in the health system, that being the Bed Tower

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1 expansion, children's hospital locally here in Hoffman  
2 Estates, as well the project in Tennessee. There are other  
3 commitments that Ascension has made.

4 MR. GREIMAN: So part of that \$100 million is  
5 not going to be used for these three projects, it's going  
6 to be used in Tennessee?

7 MR. FREY: Yes, 125 million locally and  
8 another 30 million in Chattanooga.

9 MR. GREIMAN: And eventually they're taking  
10 over all of your operations?

11 MR. FREY: Yes, they will become the sole  
12 corporate member of Alexian Brothers Health System, and  
13 they will replace the Congregation, which has served in  
14 that role in the past.

15 MR. GREIMAN: And is there any special reason  
16 why that's going on? The reason why I ask is because more  
17 and more we have changes of ownership and control of  
18 hospitals, and eventually we're going to be down to about  
19 three operations with the whole state probably taking care  
20 of hospitals. So I was just wondering why.

21 MR. FREY: If I may, I'm going to answer that  
22 with a couple of comments and then turn it over to Tony and  
23 Bob. From the perspective of Alexian Brothers Health  
24 System, we look out in the future and try to ascertain what

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1 we think is going to be necessary. One of the things that  
2 we're convinced of is that intellectual capital is  
3 something that's absolutely mission-critical to us. For  
4 example, in terms of information technology, physician  
5 alignment, putting best clinical practices in place, one of  
6 the concerns we have as a health system is that we would  
7 not necessarily be able to go to the market and purchase  
8 all of that intellectual capital. It's too expensive.  
9 These are just three examples of some very, very important  
10 things that Ascension Health brings to us in a market that  
11 I think is going to require a long more attention to those  
12 issues as well as good strategic thinking. That's just a  
13 couple of examples as how we look at it from the  
14 perspective of Alexian Brothers.

15 But I'm going to let Tony and Bob comment on  
16 it on a more national perspective.

17 MR. TERSIGNI: Again, I'll ask Bob to  
18 interject. With all of the complex and rapid change that  
19 we are all witnessing across the country, across the world  
20 for that matter, it's challenging for a single hospital or  
21 small systems to stand on their own as we move into the  
22 future. In addition to the intellectual capital that Mark  
23 talked about, larger systems offer more financial  
24 stability. And so an organization like ours, which has

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1    been in existence for 400 years, Alexian Brothers been in  
2    existence for 800 years, we believe with the structure that  
3    we have in place, we will, in fact, be true not only to the  
4    communities we serve but also to the sponsors that we  
5    represent for another 200, 400 or, hopefully, 800 years.

6                   MR. HENKEL: The only piece I would add is  
7    that as we look at the economics that we face as a country  
8    and in most states here, and given that both of our  
9    organizations, the Alexian Brothers Health System and  
10   Ascension Health, have as our primary mission caring for  
11   those who are poor and vulnerable, we believe the continued  
12   ability to bring our organizations together brings -- with  
13   that underlying strength gives us the ability to assure  
14   that access to healthcare in the future. That's the  
15   primary reason we exist. So it's a significant component.

16                   MR. GREIMAN: I appreciate your explanation  
17    and the policy that you're stating, and I'll just give you  
18    some of my concern that I have. When I sit here one time  
19    after another, seeing hospitals being sold off or being  
20    taken over by a couple of organizations, my fear is you  
21    have a hospital now which is in a small group and people  
22    care about this one, and then on the other hand, it goes  
23    into a group that has 80 hospitals and is just one of 80  
24    and, "There's that -- in Chicago someplace, I don't know."

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1 And that's my concern and my fear about all the smaller  
2 hospitals being overtaken by the large hospital operations.

3 But you gave me an honest answer, and I  
4 appreciate that, and I wish you both good luck.

5 CHAIRMAN GALASSIE: Other questions?

6 MR. BURDEN: I'm sorry. Just one last -- it  
7 doesn't escape me at all that most of what we see going on  
8 is eluding one of our major concerns for our poorer  
9 brethren. You mentioned you have an institution with very  
10 low Medicaid rates. We have a lot of hospitals in our  
11 city. I don't see large Ascension-type conglomerates  
12 zeroing in to buy or help these institutions. That's me  
13 talking now. I'm not talking for anybody else on this  
14 Board. This is about money. I see it all. I'm impressed  
15 with what's going on. I am concerned -- and I've said this  
16 often. We have a large city. Our County hospitals can't  
17 begin to cover the tremendous needs that exist. We have an  
18 institution I worked at, Mercy Hospital on the south side,  
19 which is a safety net institution. I know they're  
20 talking -- they've got to talk -- with a large institution.  
21 I don't know what's going to happen, but I am concerned  
22 when I hear -- and I'm not being critical. I understand.  
23 This is an economic decision as much as so-called "help the  
24 poor". That sort of leaves me flat. You've got a very low

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1 Medicaid rate. I don't know what Ascension Hospital is,  
2 but I bet you you don't have any hospitals -- very many  
3 that have 30 and 40 percent Medicaid that are in your  
4 hospital network. Correct me and tell me I'm wet.

5 MR. TERSIGNI: Actually, I have some  
6 statistics here. Let me qualify this by saying Ascension  
7 Health defines high Medicaid hospitals as hospitals with  
8 Medicaid payor mix greater than 20 percent. We have 10  
9 hospitals and I can name them for you, if you'd like.

10 MR. BURDEN: Ten that have how much Medicaid.

11 MR. TERSIGNI: Over 20 percent.

12 MR. BURDEN: 20 percent doesn't get them into  
13 a safety net category. I mean, 20 percent -- I know some  
14 institutions that actually make that place run and turn a  
15 tiny profit and run a good institution. I'm talking  
16 about -- obviously, you might tell me these are places that  
17 aren't going to be here in 5 years or 10 years. That's  
18 what I worry about. I'm not challenging your statistics.  
19 I'm just making an observation as I sit here. We've all  
20 seen in the last two years, three years, there's a lot of  
21 consolidation going on here, and I've yet to see somebody  
22 come in saying they want to help an inner city institution  
23 with more than 20 percent Medicaid. 20 percent -- you can  
24 put in a good, sharp administrator with a dedicated staff

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1 and you can make that run, but when you get up around 38,  
2 40 that's a problem, and these institutions -- we're losing  
3 them. They're having to close. That's not your problem.  
4 It's in a way my concern. That's all.

5 CHAIRMAN GALASSIE: Any other --

6 MR. HAYES: Mr. Chairman?

7 CHAIRMAN GALASSIE: Yes.

8 MR. HAYES: I'd like to go back to the issue  
9 of the value of these properties that was put on there.  
10 Was there a valuation done on each of these individual  
11 properties, an appraisal?

12 MR. CONSTANTINO: No, sir, there was not.  
13 What they used, John, was the book value of the facilities.

14 MR. HAYES: So, under -- the Alexian Brothers  
15 has had KPMG as their accountant there. When they  
16 basically issue the financial statements after this merger,  
17 will they be having to do an appraisal and increase the  
18 value of these hospitals because of intellectual property  
19 that you just talked about?

20 MR. FREY: I don't -- Mr. Hayes, I don't know  
21 that the book value will increase as a result of the  
22 intellectual capital that's brought to the organization. I  
23 can tell you that Deloitte & Touche will do a complete  
24 reevaluation of all of the assets within the organization.

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1     That process has begun. It will take several months for it  
2     to be completed. So, would there be a balance sheet change  
3     at some point in time? That's possible, but I don't know  
4     what the outcome of that will be, because it's just in the  
5     early stages. It's not been completed.

6                   MR. HAYES: Now, will Deloitte & Touche issue  
7     a report of that reevaluation before the merger is  
8     complete?

9                   MR. FREY: No. It would most likely be  
10    completed after the merger is completed. So, it won't be  
11    until sometime in March of next year that that will  
12    actually be completed. Deloitte actually wants to go  
13    through and basically touch every asset within the  
14    organization, and that covers all of the AIDS ministries,  
15    our Center for Behavioral Health or Behavioral Health  
16    Hospital, as well as everything we do out of state in our  
17    med/surg hospitals. So, it's going to be a very  
18    time-consuming process.

19                  MR. HAYES: Well, you can see we're concerned  
20    here that basically these numbers on valuation would change  
21    in a few months after Deloitte does their valuation  
22    analysis.

23                  MR. FREY: They may or may not. It could go  
24    down, go up, stay the same. I have no way of knowing.

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1                   MR. HAYES: That's true, but we've talked  
2 about -- it is very excellent-run facilities here, and you  
3 also have intellectual property that is being transferred  
4 to Ascension as well, and will that probably increase the  
5 values that we're looking at here?

6                   MR. FREY: It's a very, very, very fair  
7 comment and, in truth, we are going to be showing and  
8 currently are showing some intellectual capital, if you  
9 will, with Ascension Health, particularly in our senior  
10 ministries where I think we have very, very strong  
11 programs. I will have to say that on balance, I feel that  
12 as though I have a pretty good understanding of Ascension  
13 Health and have met a number of their executives. Given  
14 the breadth of their organization and the span of control  
15 they have in healthcare, they're going to be bringing much,  
16 much more intellectual capital to us than we're going to  
17 give to them. I'd like to think we're going to give them  
18 more than we're actually going to receive, but, in reality,  
19 I think it's going to be the other way around.

20                  CHAIRMAN GALASSIE: But you're still  
21 comfortable you'll have local autonomy?

22                  MR. FREY: One of the major reasons we chose,  
23 Mr. Chairman, this particular company, after reviewing  
24 probably seven or eight potentials, both locally and

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1 nationally, probably -- after working through the issues  
2 associated with culture and the fact that our mission and  
3 our value system are so well aligned, I think that the  
4 second most important issue is the fact that -- and I think  
5 this is particularly true with Tony as the CEO of the  
6 organization. The model is -- as he told me early on, when  
7 he was in a different organization he could never  
8 understand how the corporate office could sort of give  
9 directives from Nashville to people in Sacramento. I was  
10 very, very excited and really enthusiastic about the fact  
11 that I think that Tony and Bob and everybody in the  
12 organization does really understand that healthcare is  
13 ultimately local and that the only way good healthcare gets  
14 provided is at the local level. So, I think that they have  
15 to have some things handled at a national level or  
16 corporate level, but I think that the vast majority of the  
17 decision making is truly local, and I can say that by  
18 having gone and visited some of their sites where they  
19 actually had people who I could sit and talk to and say,  
20 "Is this actually true or is this something the people in  
21 the corporate office just say?" And they said, "No, no,  
22 no. There is always a little dynamic tension between the  
23 local people and the national people, but as a general  
24 rule, we are really in control of our local ministries".

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1 CHAIRMAN GALASSIE: Thank you very much.

2 MR. HAYES: Mr. Chairman, I just want to  
3 finish up. Ascension Health, who is their auditor?

4 MR. TERSIGNI Ernst & Young.

5 MR. HAYES: And Alexian Brothers' auditor was  
6 KPMG.

7 MR. TERSIGNI: That's correct.

8 MR. HAYES: And you're using Deloitte & Touche  
9 to do the valuation part of this?

10 MR. FREY: Yes.

11 MR. HAYES: Okay. Okay. And that is because  
12 they are independent of your auditor. Going forward, who  
13 is going to be the auditor of this combined entity?

14 MR. TERSIGNI: It will be Ernst & Young.

15 MR. HAYES: Thank you.

16 CHAIRMAN GALASSIE: Hearing no other  
17 questions, I'm going to ask for a motion to approve the  
18 change of ownership for Items E-012-11, E-013-11 and  
19 E-014-11, Alexian Brothers Medical Center, Alexian Brothers  
20 Behavioral Health Center and St. Alexius Medical Center.

21 MR. SEWELL: So moved.

22 MR. GREIMAN: Second.

23 CHAIRMAN GALASSIE: Moved and seconded.  
24 Roll call, please.

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1                   MR. ROATE: Motion made by Mr. Sewell,  
2   seconded by Justice Greiman.  
3                   Dr. Burden?  
4                   MR. BURDEN: Yes.  
5                   MR. ROATE: Mr. Eaker?  
6                   MR. EAKER: Yes.  
7                   MR. ROATE: Justice Greiman?  
8                   MR. GREIMAN: Aye.  
9                   MR. ROATE: Mr. Hayes?  
10                  MR. HAYES: Yes.  
11                  MR. ROATE: Mr. Hilgenbrink?  
12                  MR. HILGENBRINK: Yes.  
13                  MR. ROATE: Ms. Olson?  
14                  MS. OLSON: Yes.  
15                  MR. ROATE: Mr. Sewell?  
16                  MR. SEWELL: Yes.  
17                  MR. ROATE: Chairman Galassie?  
18                  CHAIRMAN GALASSIE: Yes.  
19                  MR. ROATE: That's eight votes in the  
20   affirmative.  
21                  CHAIRMAN GALASSIE: Motion passes.  
22   Congratulations. It sounds like an excellent facility is  
23   going to come of this.  
24                  I'm going to recommend that we take a

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1 10-minute break. According to my watch, it is five after  
2 eleven. We'll try to pull back here in 10 minutes, if  
3 possible. Thank you, folks.

4 (Recess)

5 CHAIRMAN GALASSIE: Let's pull the meeting  
6 back to order, please. Thank you for keeping the break  
7 short.

8 We are moving on to Item 7-D, Alteration  
9 Requests on the agenda. I see none.

10 We'll be moving onto 7-E, Declaratory Rulings.  
11 Number E-1, Lawrence County Memorial Hospital. If we have  
12 any representatives from Lawrence County -- good morning.  
13 If you would, please come up to the table, introduce  
14 yourself, spell your name for our court reporter and Karen  
15 will swear you in.

16 MR. FLORKOWSKI: Good morning, Mr. Chairman.  
17 Doug Florkowski, Chief Executive Officer for Lawrence  
18 County Memorial Hospital.

19 (Oath given)

20 CHAIRMAN GALASSIE: Staff report?

21 MR. CONSTANTINO: Thank you Mr. Chairman.

22 Lawrence County Memorial Hospital is before  
23 you today for a declaratory ruling, asking you to approve a  
24 reduction in the fee. The Board approved a change of

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1 ownership for this hospital, as Project 11-012, in May of  
2 2011. As part of this change of ownership, Lawrence County  
3 transferred this hospital to a new not-for-profit entity  
4 known as Lawrence County Memorial Hospital. The total cost  
5 of this change of ownership was approximately \$18.5  
6 million. The majority of this cost was the fair market  
7 value of the plant and equipment, approximately 18 million.

8 Our fee was based on the total cost, on the  
9 \$18.5 million. Our fee was approximately \$40,000. They  
10 submitted 2,500 with the initial application and have paid  
11 the balance. They are here before you today requesting  
12 that that refund -- that they receive a refund on that fee.  
13 The reason the County is before you is because of their  
14 poor financial condition, and they're stating there was no  
15 actual construction cost involved in this project. Our  
16 recommendation, as seen in our handout, for your  
17 declaratory ruling is -- the Staff recommends that the fee  
18 not be refunded, because over the last five years, there's  
19 been 143 change of ownerships. All the fees have been  
20 calculated in this manner, and it would be -- it would not  
21 be consistent with what the Board has done in the past.

22 Thank you, Mr. Chairman.

23 CHAIRMAN GALASSIE: Thank you, Mike.

24 Comments for the Board as to why we should

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1     reimburse these dollars to Lawrence County?

2                     MR. FLORKOWSKI: Thank you, Mr. Chairman. As  
3     Mr. Constantino stated, I'm not going to repeat the reason  
4     for the conversion, but as far as the refund for the  
5     application fee, it's for those two primary reasons:  
6     First, the conversion was to produce financial savings for  
7     the County by simply shifting hospital staff and county  
8     employment to the not-for-profit organization. The County,  
9     like most local governments, is operating under financial  
10    restraints and needed to cut costs and simplify its  
11    operations.

12                    The balance of the fee paid is a significant  
13    burden on Lawrence County and, consequently, the applicants  
14    request the State Board recognize the unique financial  
15    restraints of a rural county doing its best to ensure  
16    healthcare and the viability of a critical access hospital.

17                    Second, as Mr. Constantino stated, in addition  
18    to -- no one purchased assets, there was nothing built, and  
19    no services were added. The real project cost, based on  
20    the value of those assets, is not an accurate estimate of  
21    the real cost or expenditures involved here. The proposal  
22    was merely a reorganization of control from a County to the  
23    local community-based hospital forward. There's no  
24    purchase price or borrowing that can be absorbed or no

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1 additional fees the County can implement and has basically  
2 dug into the taxpayers' pockets to pay for this, and it has  
3 created a significant hardship for the County.

4 We respectfully request that the Board  
5 reconsider Mr. Constantino's recommendation.

6 CHAIRMAN GALASSIE: Thank you.

7 Board members have heard the request. Any  
8 questions or comments?

9 MR. BURDEN: Mr. Constantino, you said 143  
10 applicants have established a precedent. Were any of those  
11 143 applicants a critical access hospital?

12 MR. CONSTANTINO: Dr. Burden, I can't recall.  
13 I don't know.

14 MR. BURDEN: I think it has some merit,  
15 because this is a unique application in a sense. A  
16 critical care hospital is one in a rural community where,  
17 am I not correct, funds are somewhat limited? And the  
18 State, we know, has dire financial consequences. So I felt  
19 that rather than step on the toes of the State Agency and  
20 recommend that we agree to the applicant's plea, I'd like  
21 to know the precedent that has been established and how --  
22 certainly, some of the discussions we've had regarding fees  
23 from certain entities are, I think, meritorious, but I'm  
24 not aware of any critical access hospital ever being part

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1 of a discussion regarding a fee for such a digression that  
2 occurred here. Am I wrong or right, or can you answer it?

3 MR. CARVALHO: Dave Carvalho here from the  
4 Department. My office has the Center for Rural Health, so  
5 I pay special attention to the critical access hospitals,  
6 because they are rural hospitals, and we have had this  
7 happen before. We haven't had anybody to have a fee  
8 waived, which is probably why you don't remember the  
9 discussion, because prior applicants just paid the fee.  
10 But we have had over the last several years a number of  
11 conversions such as this, where governments have been  
12 shedding their hospitals to not-for-profit structure, and  
13 we have had critical access hospital applicants pay the  
14 fees, just like any other hospital before the Board.

15 MS. OLSON: I have a comment. With all due  
16 respect, I sympathize with your financial situation. I  
17 mean, I live in a small, rural county myself, but I am  
18 really frightened by the precedent that this will set. I  
19 believe our two-day meetings will become three-day  
20 meetings, because everybody will come back and have a  
21 compelling reason for why we need to reduce their fee. And  
22 while I sympathize with your situation, I think it's a bad  
23 precedent for us to set.

24 CHAIRMAN GALASSIE: Thank you very much.

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1 Other comments?

2 Counsel Urso?

3 MR. URSO: I just wanted to tell the Board  
4 that there is no basis for this type of reduction within  
5 the Board's rules or within the Planning Act. So, just so  
6 you know, there is no legal authority to provide this kind  
7 of relief.

8 CHAIRMAN GALASSIE: Other comments or  
9 questions?

10 (Pause)

11 CHAIRMAN GALASSIE: Hearing none, I just want  
12 to clarify. Based upon some interpretations of the  
13 Department's rules, we put our motions out in the  
14 affirmative. So, again, understand, if you support this  
15 motion you would vote aye; if you oppose this motion, you  
16 would vote no.

17 The motion is stated. May I have a motion to  
18 approve the reduction in the application fee for Permit  
19 11-012, Lawrence County Memorial Hospital? If you are in  
20 favor of the reduction, you're voting yes; if you're  
21 opposed to the reduction, you're voting no.

22 MS. OLSON: So moved.

23 MR. SEWELL: Second.

24 CHAIRMAN GALASSIE: Roll call?

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1 MR. ROATE: Motion made by Ms. Olson, seconded  
2 by Mr. Sewell.

3 Dr. Burden?

4 MR. BURDEN: If I understood Chairman's motion  
5 application to vote, aye is to vote for the reduction for  
6 this critical access hospital; is that correct?

7 CHAIRMAN GALASSIE: Correct.

8 MR. BURDEN: I'm an old, simple fellow. I  
9 want to get this straight.

10 I vote for aye for the reduction, despite we  
11 might have problems.

12 MR. ROATE: Mr. Eaker?

13 MR. EAKER: I vote no. I am concerned about  
14 the precedent it would set.

15 MR. ROATE: Justice Greiman?

16 MR. GREIMAN: No.

17 MR. ROATE: Mr. Hayes?

18 MR. HAYES: I will vote no because of the  
19 precedent that this would set. I think it would allow for  
20 many other applicants to come back to the Board, as well as  
21 the financial aspects of the State of Illinois and the  
22 Board itself. So I vote no.

23 MR. ROATE: Mr. Hilgenbrink?

24 MR. HILGENBRINK: I vote no because of the

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1 precedent it might set and because there's no option in the  
2 rules to vote in the affirmative.

3 MR. ROATE: Ms. Olson?

4 MS. OLSON: I vote no. I believe I've stated  
5 my reasons.

6 MR. ROATE: Mr. Sewell?

7 MR. SEWELL: I vote no. Concerned about the  
8 precedent.

9 MR. ROATE: Chairman Galassie?

10 CHAIRMAN GALASSIE: Vote no for the reasons  
11 noted by previous members.

12 MR. ROATE: That's seven votes in the  
13 negative, one vote in the affirmative.

14 CHAIRMAN GALASSIE: Motion fails.

15 Item 7-F, Healthcare Worker Self-Referral Act.  
16 No issues there.

17 7-G on the agenda, Status Report on  
18 Conditional Contingent Permits. We have none.

19 Moving on to 7-H, Applications Subsequent to  
20 Initial Review. Item H-01, ARA McHenry County to establish  
21 a 12-station ESRD facility, No. 11-016, and we have a  
22 public comment for this as well, which we will ask public  
23 comment to come to the table, introduce yourself, spell  
24 your name, please.

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1 MS. LASCIO: My name is Marie Lascio, and I'm  
2 reading on behalf of a patient who is at work right now.

3 CHAIRMAN GALASSIE: Thank you, Marie.  
4 Welcome.

5 MS. LASCIO: His letter starts out -- it was  
6 written on December 6th and says, "I apologize for not  
7 being there to address the Board in person, but my work  
8 schedule and my condition make it difficult. As a bit of  
9 background, I am 45 years old and have recently been placed  
10 on dialysis for the second time. I live just outside of  
11 McHenry. I work full-time in Grayslake, and I receive  
12 dialysis Monday, Wednesday and Friday at four p.m. at ARA  
13 Crystal Lake. This is my second time on dialysis following  
14 dialysis at another facility. I received a transplant in  
15 1997 and was put on the waiting list for a second  
16 transplant seven months ago.

17 I ask you to support ARA's plans for a new  
18 dialysis center in McHenry for two reasons. First, the  
19 personalized care I am now receiving from ARA Crystal Lake  
20 staff is immeasurably different than my experience at  
21 another center. ARA staff cares how I feel and does  
22 whatever they can to make my dialysis more tolerable. I'm  
23 hooked up to the machine twelve hours a week, and their  
24 kindness and caring goes a long way.

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1                   Second, while I appreciate the level of care I  
2   am getting from ARA, there is a trade-off. The trade-off  
3   is the driving time. If there were an ARA facility in  
4   McHenry, I would save myself about two hours in the car  
5   every week. That's time I can spend with my family.

6                   While it is true I am on the waiting list,  
7   realistically a transplant is at least three years out. On  
8   behalf of the other patients that appreciate the level of  
9   care that we are receiving from ARA, I urge you to support  
10  their project.

11                   Sincerely, Richard Hunt."

12                   CHAIRMAN GALASSIE: Thank you very much. You  
13  can submit that to the Reporter, and we'll have it for the  
14  record.

15                   Good morning. Please introduce yourselves and  
16  spell your name.

17                   MR. ZAHID: Good morning, Mr. Chairman and  
18  Members of the Board. My name is Mohammad Zahid. I'm the  
19  Medical Director.

20                   MR. AXEL: Jack Axel, Axel and Associates.

21                   MR. KAMAL: Syed Kamal. I'm President and  
22  co-founder of ARA.

23                   MS. LASCIO: Marie Lascio. I'm a nurse for  
24  American Renal Associates.

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1 CHAIRMAN GALASSIE: Staff report, please.

2 MR. CONSTANTINO: Thank you, Mr. Chairman.

3 The applicants, ARA Renal Associates, LLC, ARA  
4 N.W. Chicago, LLC and McHenry Dialysis Center, LLC, are  
5 proposing to establish a 12-station ESRD facility. The  
6 cost of the project is approximately \$2.2 million.

7 This application was deferred at the August  
8 16th, 2011 State Board meeting due to the applicant's  
9 inability to provide the necessary three-year historical  
10 referral data. The applicants supplied the required  
11 additional information in a letter dated September 13th,  
12 2011. This was received by the State Board Staff on  
13 September 19th, 2011.

14 One letter of support and one letter of  
15 opposition were submitted. There was no request for a  
16 public hearing.

17 The State Board Staff notes an excess of four  
18 ESRD stations in the HSA VIII ESRD service area, and three  
19 of the four facilities within 30 minutes are not at the  
20 State Board's target occupancy of 80 percent.

21 Thank you, Mr. Chairman.

22 CHAIRMAN GALASSIE: Thank you, Mike.

23 Ladies, gentlemen, would you like to address  
24 the Board?

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1 MR. KAMAL: Hi, Mr. Chairman and Members of  
2 the Board. We'll keep our comments brief.

3 We are a small company compared to some of the  
4 other applicants you've heard in the past. We have only  
5 two centers in Illinois and both are in the far northwest  
6 suburbs. These two facilities have each expanded in the  
7 last year and are on schedule to reach the 80 percent  
8 target before this project is scheduled to come on board.

9 When we came before you to expand our first  
10 center, it was operating at 87 percent capacity, and we did  
11 not bring a second expansion to you until the facility was  
12 operating at 90 percent capacity. Due to physical  
13 constraints, neither one of these facilities can be  
14 expanded more, and that's the reason we are bringing this  
15 proposal in front of you today.

16 This project, while modest in scope,  
17 represents what we believe to be a reasonable approach to  
18 meeting the needs of the communities that we are serving  
19 and at the same time making sure the capacity exists to  
20 care for the patients in the practices of the nephrologists  
21 that have chosen to refer patients to our facilities. As  
22 you may recall, we appeared before you in August and were  
23 asked to provide some additional documentation relating to  
24 Dr. Zahid and have done so in this staff report. At the

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1 August hearing, two of our patients provided comments. As  
2 you recall, the August meeting was very long, and they both  
3 are very tired, so we did not ask them to come back again  
4 today. Their testimonies are recorded in the transcript of  
5 that meeting. They were Janina Dzieanski, a young lady  
6 that was ready for a second transplant. Prior to her  
7 transplant due to her kidney failure, she was receiving  
8 dialysis at a center operated by one of the larger  
9 providers, and she quite eloquently compared the  
10 differences that she had experienced, focusing on the  
11 personalized care that she was receiving at our Crystal  
12 Lake center. The other patient was Don Swanson, a  
13 77-year-old retired school teacher from McHenry County who  
14 also had been receiving dialysis at another center before  
15 he transferred his care to our Crystal Lake center. A  
16 transcript of his testimony includes four simple sentences.  
17 He really brought into focus what we try to be all about.  
18 He said, "Dialysis isn't fun. There's nothing that you can  
19 choose to do. It's what someone like me has to do. The  
20 nurturing culture of the ARA Crystal Lake is different than  
21 other facilities I use. That's why I've elected to spend  
22 an extra hour and a half driving every day." That is what  
23 we believe essentially is the difference between us and  
24 other providers.

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1 Before we address the State Agency Report, I'm  
2 going to let Dr. Zahid say a few comments.

3 MR. ZAHID: Good morning again. Dr. Zahid. I  
4 am a Diplomate of the American Board of Internal Medicine  
5 and Nephrology, and assistant professor at the Medical  
6 School of Rockford, and also recently got a title from  
7 Renal Transplant Service at Northwestern and got a position  
8 up here because I do a lot of research for them and for  
9 myself. And we have -- I've been in practice since 1987.  
10 I graduated Northwestern for the past 24 years, and my goal  
11 is strengthening appropriate patients to be transplanted.

12 25 percent of my patients get transplanted  
13 before they go on dialysis, and this year, since March to  
14 September, in six months, we got transplanted eight  
15 patients within six months in one clinic, which indicates  
16 that they were already on the list and then they got  
17 transplanted within six months. So, that is a kind of  
18 different outlook.

19 I have also been told by Northwestern Chief of  
20 Transplant Service, Michael Abecassis, that I am the number  
21 one transplant referral service in whole Chicago and  
22 suburban area. And so that's basically my goal is. And  
23 other thing I can tell you that in the community I am the  
24 only nephrologist who takes patient off dialysis if they

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1 get better, because a lot of times other dialysis  
2 centers -- most of the time will not take a patient if  
3 their diagnosis is acute kidney injury, which sometimes can  
4 take as long as a year. I have the patient better in one  
5 year. But, traditionally, they get better within three to  
6 six months time.

7                   So, I -- we have -- we are very pleased when  
8 patients go off of dialysis. Other units don't like that,  
9 because they have to do paperwork and, of course, we are  
10 all happy that they come off dialysis. So I've done that  
11 many, many times. Actually, they have a form for me to  
12 sign, another dialysis unit, that life depends on dialysis.  
13 I do sign it, but I know inside that they will get better.

14                   We have about 185 patients, 24 years of  
15 practice, and about 30 patients are on transplant lists,  
16 but these are in-house patients on dialysis, and like I  
17 mentioned earlier, 25 percent of my patients gets  
18 transplanted before they get dialysis. So, everybody who  
19 is under the age of 70 and (unintelligible) of 22, which is  
20 the cut-off for transplant listing, is on transplant list.  
21 So, that's our goal, is patients come and get away from the  
22 dialysis problems.

23                   We -- I go -- I obviously have spent 24 years.  
24 We have about 10 patients move from our clinics, because

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1 initially when they have kidney failure or kidney chronic  
2 disease, they are very nervous, so they want to stay where  
3 they are comfortable with staffing and all this stuff. But  
4 after getting settled down and pampering for three months  
5 or six months, they find out that there's another unit  
6 close to them and they feel comfortable going there, since  
7 they get used to it. We have helped them, transfer them to  
8 the units closer to them, which are in their radius, but  
9 they usually follow with us with my physician assistant and  
10 myself, seeing them in the offices for privacy reasons.

11           And I also have a lot of autonomy, because at  
12 Northwestern I am doing research. I have done nephrology  
13 papers already. I notice some things that I can change  
14 myself, which I think a lot of people don't know. A lot of  
15 people -- patients who get admitted to the hospital after  
16 dialysis but for other reasons, and I found their  
17 hemoglobin of 16 or 15 or 12, because they get, obviously,  
18 4 or 5 kilograms or water removed, so that's one of the  
19 reasons their blood pressure is high and they have  
20 headache.

21           So, I made a change in our clinic. I'm doing  
22 a study right now. What can we do medically post-dialysis  
23 and monitor that and follow the protocol to make sure they  
24 don't over shoot. That's why I think Medicare or Federal

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1 government recently cut down the target level to 10, which  
2 I think is very appropriate, because their hemoglobin  
3 should actually be done after dialysis, not before  
4 dialysis.

5 And second issue, I have noticed that patients  
6 with calcium detected is the main thing we're all missing,  
7 is calcium deposits, and I've seen quite a few patients  
8 with high calcium who are admitted soon after dialysis. So  
9 I drop my target from 10 to 8 pre-dialysis and checking  
10 post-dialysis to make sure that calcium and other things  
11 are fine.

12 So this is how I am. Just like if somebody  
13 had a (unintelligible) level of 3,000 and has an iron  
14 saturation of 10 percent, he needs iron supplements but  
15 according (unintelligible) we cannot give IV either because  
16 of high (unintelligible) levels. But nobody answers that  
17 question.

18 So these kind of things I do all the time,  
19 which I don't have that -- I have requested many times in  
20 every dialysis unit to have these things available to treat  
21 the problems, except at Sherman, which had a hospital  
22 pharmacist who would understand, which has been sold to  
23 DaVita now. So that is what I want. That was the only  
24 place I could do anything I want to do which makes sense

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1 medically and scientifically.

2                   So based on that, I think autonomy, a doctor  
3 ought to feel very great about that. We never care about  
4 what is the census is where the patient is going. They  
5 initially usually like to stay with their doctor's place,  
6 where they feel comfortable and have adjusted, but anytime  
7 they want to move closer, I have no problem. I have  
8 patients at eight clinics. Obviously they all come to see  
9 me in the office, and that's a better way to see a patient,  
10 in the office, where you have privacy, not two minutes, say  
11 "Hi, how you doing?"

12                   CHAIRMAN GALASSIE: Thank you, Doctor.

13                   MR. AXEL: Chairman Galassie, turning to the  
14 State Agency Report, as Mr. Kamal has mentioned, we've gone  
15 back and addressed the issues that you raised at the August  
16 meeting, to your Staff's satisfaction, and the negative  
17 findings that are identified in the State Report are  
18 limited to two, neither of which are within ARA's control.  
19 The first criteria is that there is an excess of four --  
20 that's four -- stations in the planning area. That  
21 planning area wraps around Cook and DuPage Counties and  
22 includes all of Cook County, all of McHenry County, and all  
23 of Kane County from Zion in the north to Aurora in the  
24 south. The calculated need in the three-county area is 340

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1     stations. So, the excess of four is quite minimal. We  
2     would hope that the immense size of this planning area,  
3     both in terms of miles and driving time, would allay the  
4     concern over this minimal access.

5             The second review criteria notes that there  
6     are three existing dialysis facilities operating below the  
7     80 percent target utilization level. One of those  
8     facilities is ARA's Crystal Lake facility, which was  
9     operating at 87 percent of capacity when they were approved  
10    to add seven stations. That project was completed this  
11    spring, and ARA anticipates that they will surpass the 80  
12    percent target utilization level before the opening of the  
13    project that we are presenting to you today.

14            The second facility is DaVita's Crystal  
15    Springs Dialysis, which was approved to relocate to a site  
16    just down the road from ARA's Crystal Lake facility and  
17    expand from six to twelve stations 14 months ago.

18            The third facility is Fresenius of McHenry,  
19    which was opened about six years ago and has certainly had  
20    more than ample time to reach their target occupancy level.

21            In the cases of both of these facilities and  
22    in order to support their projects, the applicants  
23    identified perspective patients that would result in those  
24    facilities operating in excess of 80 percent utilization

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1 within two years. ARA has documented that none of the  
2 perspective or pre-ESRD patients that have been earmarked  
3 to use the proposed facility were used to justify any of  
4 the other projects I just mentioned. ARA has a proven  
5 track record of hitting its utilization targets. It has a  
6 track record of not opening additional facilities until  
7 additional capacity is needed, and we would hope that ARA's  
8 patients are not being penalized because other facilities  
9 have failed to reach their targets.

10 With that, we thank you for your attention,  
11 and we'd be happy to answer any questions that you have.

12 CHAIRMAN GALASSIE: Thank you.

13 Questions from Board members?

14 MS. OLSON: I have a question, Mr. Chairman.

15 Doctor Zahid, I appreciate you sharing the  
16 work you're doing and applaud the work you're doing, but I  
17 want to make sure I understand something. If you admit --  
18 if one of your patients chooses to dialyze at another  
19 facility other than an ARA facility, are you suggesting  
20 that that facility has their own set of orders and  
21 standards, so that they would not follow a protocol that  
22 you asked them to follow?

23 MR. ZAHID: Exactly, because, you know, they  
24 follow their protocols and they don't understand when I

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1 tell them, "This is what I saw. This is what I think is  
2 common sense medicine. It's not just a book. You have to  
3 tailor this thing to this patient," and they say, "We'll  
4 find out."

5 MS. OLSON: So something as simple as your  
6 practice of testing the hemoglobin post-dialysis instead of  
7 pre-dialysis, they would not honor that recommendation?

8 MR. ZAHID: They won't even discuss it.

9 MS. OLSON: Thank you.

10 CHAIRMAN GALASSIE: Dr. Burden?

11 MR. BURDEN: Dr. Zahid, I'm very impressed by  
12 your statement that you have referred in a six-month period  
13 what number of patients for transplant?

14 MR. ZAHID: Eight patients for transplant.

15 MR. BURDEN: And that represents a significant  
16 percentage greater than other competing dialysis stations  
17 in the Chicagoland area? Did I understand you to make that  
18 statement, or did I--

19 MR. ZAHID: No, no, I did make it, and I want  
20 to add that -- suggest that they were already on the list.

21 MR. BURDEN: Does this make your tendency to  
22 refer patients for definitive treatment for their renal  
23 disease unusual, in your mind? According to what I  
24 understand, and I don't know what the -- what other

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1 competing dialysis units might state that they -- I know  
2 what they say in front of us when they're here asking for  
3 approval to build another station. But what I'm reading  
4 between the lines is that you feel -- I'm asking you to be  
5 honest about it. You feel that you and your colleagues in  
6 your clinic refer patients more regularly, more routinely,  
7 or more frequently for evaluation for transplantation?

8 MR. ZAHID: We always do. Anybody -- I have  
9 nobody in the office, except a few illegals who cannot --  
10 obviously can't go on it. Everybody who meets the criteria  
11 is on the list. Actually we are doing extended criteria  
12 transplants. Anybody who is 65 and above, I suggest them  
13 to go (unintelligible) dialysis, and we are successful with  
14 the progress of all of those patients, too.

15 MR. BURDEN: You know why my interest is? I  
16 was involved in transplantation years ago. I'm a retired  
17 urologist. I'm off the scene, but I know I've been  
18 commonly asked the question, and I'm not sure I've got  
19 straight answers. We don't have data to show what you say,  
20 but your impression is such that I would accept it. I'm  
21 not asking for your CV. I'm not asking for that. You say  
22 it's published, but it's not crucial for today's  
23 presentation.

24 But we on this Board are taking a very much

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1 more active look at the whole area of transplantation,  
2 period, because it's very costly, and that's our charge, to  
3 be careful about not only mal-distribution but cost. I'm  
4 impressed by what you said. I would presume that your  
5 facts are factual, that that's actual. I can't prove it  
6 one way or the other. I'm listening to what you said and  
7 it was positive.

8 MR. ZAHID: Thank you very much. I can get a  
9 letter from Michael Abecassis, doctor who is Chief Chairman  
10 of Department of Transplant Surgery. I can't afford to  
11 bring him here.

12 MR. BURDEN: He's at Northwestern. You never  
13 know, he may show up here.

14 MR. ZAHID: No, I don't think so.

15 (Laughter)

16 CHAIRMAN GALASSIE: Any other questions for  
17 Board members?

18 MR. HAYES: I guess, Mr. Chairman -- you had  
19 mentioned you have two facilities in Illinois, and which is  
20 the other one? Where is that located?

21 MR. AXEL: Mr. Hayes, they're in South  
22 Barrington and Crystal Lake, both in the far northwest  
23 suburbs.

24 MR. HAYES: And what is the percentage of the

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1 occupancy of the South Barrington facility?

2 MR. AXEL: I believe you have that in your  
3 SAR.

4 MR. HAYES: On page 5 there.

5 MR. AXEL: No, it's not, because it's in a  
6 different planning area.

7 About 75 percent, and within the two-year  
8 period that the Board gives to get to the 80 percent, they  
9 added stations about 16 months ago, something like that.

10 MR. HAYES: One of your referral letters  
11 referred to that, and she wants to go to this McHenry  
12 facility?

13 MR. AXEL: That is correct.

14 MR. HAYES: Thank you.

15 CHAIRMAN GALASSIE: Any other questions by  
16 Board members?

17 (Pause)

18 CHAIRMAN GALASSIE: Hearing none, may I have  
19 a motion the approve Project No. 11-016 to establish a  
20 12-station ESRD facility in McHenry, Illinois?

21 MR. BURDEN: So moved.

22 MR. HILGENBRINK: Second.

23 CHAIRMAN GALASSIE: Moved and seconded. Roll  
24 call, please?

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1 MR. ROATE: Motion made by Dr. Burden,  
2 seconded by Mr. Hilgenbrink.

3 Dr. Burden?

4 MR. BURDEN: I move to vote yes. I wasn't  
5 when I looked at some of the State Agency Report, but I'm  
6 impressed by the Medical Director's approach to referral  
7 for more definitive treatment for dialysis patients, so I  
8 vote yes.

9 MR. ROATE: Mr. Eaker?

10 MR. EAKER: Yes.

11 MR. ROATE: Justice Greiman?

12 MR. GREIMAN: Yes.

13 MR. ROATE: Mr. Hayes?

14 MR. HAYES: Yes.

15 MR. ROATE: Mr. Hilgenbrink?

16 MR. HILGENBRINK: Yes.

17 MR. ROATE: Ms. Olson?

18 MS. OLSON: I vote yes, and I want to be on  
19 record as saying I'm extremely troubled by you telling me  
20 that if I'm a dialysis patient at another facility, they  
21 would not follow your orders. I vote yes.

22 MR. ROATE: Mr. Sewell?

23 MR. SEWELL: No. Concerned about the excess  
24 capacity in occupancy levels.

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1 MR. ROATE: Chairman Galassie?

2 CHAIRMAN GALASSIE: Yes.

3 MR. ROATE: That's seven votes in the  
4 affirmative, one vote in the negative.

5 CHAIRMAN GALASSIE: Motion passes.

6 Congratulations. Thank you very much.

7 Moving on to Item H-02, Driftwood Dialysis,  
8 establishing a 10-station ESRD facility in Freeport. This  
9 is Item 11-066.

10 Good morning. If you folks would introduce  
11 yourselves and spell your names for our reporter.

12 MS. ANDERSON: Mary Anderson.

13 MS. FRIEDMAN: Kara Friedman.

14 MS. COOPER: Anne Cooper.

15 (Oath given)

16 CHAIRMAN GALASSIE: Staff report, please.

17 MR. CONSTANTINO: Thank you, Mr. Chairman.

18 DaVita, Inc. and Freeportbay Dialysis, LLC,  
19 the applicants, are proposing the establishment of a  
20 10-station ESRD facility located in approximately 5,000  
21 gross square feet of leased space in Freeport, Illinois.  
22 The cost of the project is approximately \$1.9 million. The  
23 anticipated completion project date is June 30th, 2013. No  
24 public hearing was requested, and we have not received any

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1 letters of opposition or support.

2 The State Board Staff notes the following:

3 There's a calculated need for 24 stations in the HSA I ESRD  
4 service area. The only ESRD facility within 30 minutes,  
5 Freeport Dialysis, is currently operating at 108 percent  
6 occupancy.

7 Thank you, Mr. Chairman.

8 CHAIRMAN GALASSIE: Thank you.

9 MS. FRIEDMAN: May I just note one thing? On  
10 page 5 of the State Agency Report, it does indicate there  
11 were 11 letters of support.

12 CHAIRMAN GALASSIE: Thank you very much.

13 Would anyone like to address the Board?

14 MS. FRIEDMAN: Hi. I'm Kara Friedman. With  
15 me this morning is Mary Anderson, and she's the Regional  
16 Director of Operations over the Northwest Region of  
17 Illinois and some parts of Wisconsin for DaVita. So, I'm  
18 not sure that you've had the pleasure of her company before  
19 today. And to her left is my colleague, Anne Cooper, from  
20 Polsinelli Shughart. We'll keep it brief.

21 In this particular instance, there is a need  
22 in the planning area where the facility operates for 24  
23 stations. There's only one dialysis facility in the area,  
24 and it's at a hundred -- over a hundred percent capacity.

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1 They contacted us to help them with the CON application  
2 when they started out bringing more than the average three  
3 shifts. So, it's on Mondays, Wednesdays, and Fridays  
4 they're accommodating patients into the late evening hours.  
5 We do believe operating a fourth shift is very sub-optimal  
6 for patient care, especially for those who are having to  
7 travel some distance at night, who are elderly. So we  
8 would be very happy if we could bring this back into the  
9 three shifts to operate within.

10 And I think that's about it. We are fully  
11 compliant. We appreciate the Staff's assistance with  
12 preparing the application.

13 CHAIRMAN GALASSIE: Thank you.

14 Questions from Board members regarding this.

15 Dr. Burden?

16 MR. BURDEN: Where did you come up with the  
17 name Driftwood.

18 MS. ANDERSON: I don't know. I just liked it.

19 CHAIRMAN GALASSIE: Any other pertinent  
20 questions you want to ask?

21 (Laughter)

22 CHAIRMAN GALASSIE: Hearing none, do we have a  
23 motion to approve Project 11-066, to establish a 12-station  
24 ESRD facility?

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1 MR. HAYES: So moved.

2 MR. HILGENBRINK: Second.

3 CHAIRMAN GALASSIE: So moved and seconded.

4 Roll call?

5 MR. ROATE: Motion made by Mr. Hayes, seconded  
6 by Mr. Hilgenbrink.

7 Dr. Burden?

8 MR. BURDEN: Yes.

9 MR. ROATE: Mr. Eaker?

10 MR. EAKER: Yes.

11 MR. ROATE: Justice Greiman?

12 MR. GREIMAN: Aye.

13 MR. ROATE: Mr. Hayes?

14 MR. HAYES: Yes.

15 MR. ROATE: Mr. Hilgenbrink?

16 MR. HILGENBRINK: Yes.

17 MR. ROATE: Ms. Olson?

18 MS. OLSON: Yes, and, woo-hoo, finally a need.

19 (Laughter)

20 MR. ROATE: Mr. Sewell?

21 MR. SEWELL: Yes.

22 MR. ROATE: Chairman Galassie?

23 CHAIRMAN GALASSIE: Yes.

24 MR. ROATE: That's eight votes in the

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1     affirmative.

2                   CHAIRMAN GALASSIE:     Motion passes.

3     Congratulations.   Thank you.   We appreciate it.

4                   Moving on to item 11-068, Woodlawn Dialysis.

5     Would you folks please again come up, introduce yourselves,

6     spell your names, and at least you be sworn.

7                   MS. DAVIS:   Penny Davis, Divisional

8     Vice-President with DaVita.

9                   CHAIRMAN GALASSIE:     And the other two folks

10    have already been sworn in.

11                   (Oath given)

12                   CHAIRMAN GALASSIE:   Thank you.   Welcome.

13                   Staff report?

14                   MR. CONSTANTINO:   Thank you Mr. Chairman.

15                   DaVita, Inc. and Total Renal Care, Inc., the  
16    applicants, are proposing to discontinue an existing  
17    20-station ESRD facility located at 1164 East 55th Street,  
18    Chicago, and establish a 32-station replacement facility  
19    approximately two miles from the existing site.   The cost  
20    of the project is approximately \$5 million.

21                   The State Board Staff notes this project was  
22    granted an expedited review, and this project was  
23    previously reviewed as Project 10-093, Woodlawn Dialysis.  
24    Project 10-093 has since been abandoned due to issues with

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1 the initial project site.

2 The anticipated project completion date is  
3 December 31st, 2012. State Board Staff notes that there  
4 are a number of existing facilities in the HSA VI ESRD  
5 Planning Area operating below the 80 percent utilization  
6 target.

7 Thank you Mr. Chairman.

8 CHAIRMAN GALASSIE: Thank you, Mike. We  
9 appreciate that report.

10 Would you like to address the Board, please?

11 MS. DAVIS: Yes, I would. Thank you. We've  
12 all been introduced and what I'd like to talk about is this  
13 facility.

14 You approved the relocation expansion in July.  
15 There's obviously a great deal of need on the south side of  
16 Chicago. Unfortunately, the alderman that we had worked  
17 with who had, in writing, given us her support for that  
18 previous relocation had a lot of community opposition. At  
19 that time, she -- after we received approval, she rescinded  
20 her support. In the City of Chicago, without the  
21 alderman's support, it's impossible to get zoning changes  
22 or do any kind of development.

23 We have since worked with the alderman, worked  
24 with the community members. She helped us identify a new

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1 location. That's the location we're talking about now at  
2 51st and State, in an existing building that we will  
3 retrofit for the facility. Obviously, challenges within  
4 the City, you know, include all kind of things beyond our  
5 control.

6           The City of Chicago is underserved by dialysis  
7 providers, and currently there's a 124-station need, which  
8 has gone up from when we came in July. There was a  
9 53-station need. This continues to expand. Our facility  
10 is operating at a hundred percent, and we have patients  
11 waiting to come into the facility. We continue to add  
12 shifts and move patients elsewhere where possible.  
13 Patients cannot currently get the shift they desire.

14           All of the facility's patients are black and  
15 Hispanic. We employ from that community, and currently 90  
16 percent of our teammates, our employees, are minority. We  
17 are very, very concerned about what is happening in terms  
18 of the Hispanic and African American communities in terms  
19 of hypertension, diabetes, and obesity, and we're working  
20 with the communities through Power Programs to identify  
21 patients early on to prevent the need for dialysis.

22           Every dialysis patient that is admitted to  
23 DaVita goes through our transplantation evaluation. We  
24 work with Northwestern so that every patient that can get

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1 on the list at Northwestern is on that list, and we help  
2 patients to do that. In addition to that, the patients at  
3 this facility are from the University of Chicago, which is  
4 a very strong proponent of transplantation.

5 That's all I have to say. If you have any  
6 questions, I'd be glad to answer them.

7 CHAIRMAN GALASSIE: Thank you very much. We  
8 appreciate that.

9 Questions from Board members?

10 MR. GREIMAN: Yeah, I have a question. Who  
11 actually creates the station? Who comes in and builds the  
12 station?

13 MS. DAVIS: Because DaVita is a national  
14 company, we have construction companies all over, but we  
15 use various construction companies. We design them  
16 ourselves.

17 MR. GREIMAN: You design them yourself?

18 MS. DAVIS: Yes.

19 MR. GREIMAN: The reason I asked is we had --  
20 just previously we had stations, and they were costing  
21 180,000 a station, and yours only cost 150 a station, and I  
22 was curious why there would be, basically, you know, over  
23 20 percent difference in the cost.

24 MS. DAVIS: It's based on local construction

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1 costs, but also DaVita, because of our size, it drives  
2 every efficiency we can. In terms of building our water  
3 systems, we use a national company that does our water  
4 systems across the country.

5 MR. GREIMAN: How many units does DaVita have  
6 in the country?

7 MS. DAVIS: 1,600.

8 MR. GREIMAN: And how many in Illinois?

9 MS. DAVIS: Just over a hundred.

10 MR. GREIMAN: A hundred in Illinois?

11 MS. DAVIS: In the Chicago area we have 30.

12 MR. GREIMAN: Okay. Thank you.

13 MR. SEWELL: Do you have any insight on the  
14 local utilization in the area, given the fact that there's  
15 a calculated need?

16 MS. DAVIS: Well, our utilization continues to  
17 go up. Our Stony Island facility, which was at about 80  
18 percent, is now over a hundred percent, and that's just in  
19 the last six to eight months. So it just continues to  
20 expand. The physicians who admit to these former  
21 University of Chicago facilities are just the University of  
22 Chicago physicians at this time and they have patients from  
23 all over coming to them.

24 MR. SEWELL: But do you have an opinion on the

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1 low utilization of the others in the area, not so much  
2 yours.

3 MS. FRIEDMAN: One of the things that we have  
4 not done is commissioned a third-party driving,  
5 transportation company to assess the 30-minute time zone.  
6 There's a lot of facilities on that list that we don't  
7 really believe are within a 30-minute time frame, but  
8 because of traffic congestion, it's very difficult to get  
9 to. So, that's part of it, is there's not as many  
10 facilities as it appears, and, ultimately, if there's a  
11 doubt about it in the future, those sorts of studies might  
12 be appropriate, but they're very costly, and I think  
13 because of the high utilization at this facility and the  
14 fact that we're really just looking to replace it for this  
15 patient base, we haven't gone through an analysis of the  
16 many facilities that are on that list to identify the  
17 physician referral patterns.

18 MR. SEWELL: Mike, does the Staff have any  
19 insight on that?

20 MR. CONSTANTINO: Yeah. We use MapQuest to  
21 determine time and distance. We don't do any traffic  
22 studies. I will tell you that 73 percent of the facilities  
23 in this state are underutilized, based on the September of  
24 2011 utilization information we received from the Renal

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1 Network, and a lot of those facilities have been in  
2 existence over two years.

3 CHAIRMAN GALASSIE: Other questions for Board  
4 members?

5 MR. HAYES: Mr. Chairman.

6 CHAIRMAN GALASSIE: Yes.

7 MR. HAYES: This facility was originally owned  
8 by the University of Chicago?

9 MS. DAVIS: Yes.

10 MR. HAYES: Okay. And the University of  
11 Chicago came before us in my first meeting in January of  
12 2010, because they had an emergency there with mold; is  
13 that correct?

14 MS. FRIEDMAN: I believe that was before  
15 Penny's time with the company, but I think there was a mold  
16 remediation problem, and they ultimately were able to  
17 remediate it at the site where they are currently  
18 operating, but they did get a CON for another site. Is  
19 that your recollection?

20 MR. HAYES: Yes. Well, then what they  
21 basically did was that they came before us with a sale of  
22 this facility to DaVita.

23 MS. DAVIS: Right. That was in August of last  
24 year.

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1 MR. HAYES: And now you've had -- you tried to  
2 be near Provident Hospital there.

3 MS. DAVIS: Yes.

4 MR. HAYES: Down in Bronzeville.

5 MS. DAVIS: This location will be less than a  
6 half mile from Provident.

7 MR. HAYES: Okay. Thank you very much.

8 MS. FRIEDMAN: If I could just comment, part  
9 of the transaction terms was that two of the three  
10 facilities that were operated by the University of Chicago,  
11 the University required that DaVita vacate space that is  
12 owned by the University of Chicago, so that DaVita (sic) in  
13 this instance can use the space for student concessions,  
14 and that was a requirement of the transaction, that we do  
15 this relocation.

16 CHAIRMAN GALASSIE: Other questions from  
17 Board members?

18 MS. OLSON: I have just one quick question.  
19 I'm glad that you are back and that you have a new site. I  
20 did vote no not the last time because I was concerned about  
21 the neighbors that were all upset. But I commend you for  
22 finding a different site.

23 MS. DAVIS: Thank you.

24 CHAIRMAN GALASSIE: I'll entertain a motion

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1 to approve Project 11-068 to discontinue a 20-station ESRD  
2 facility in Chicago and establish a 32-station ESRD  
3 facility in Chicago.

4 MR. HILGENBRINK: So moved.

5 MR. GREIMAN: Second.

6 MR. ROATE: Motion made by Mr. Hilgenbrink,  
7 seconded by Justice Greiman.

8 CHAIRMAN GALASSIE: Roll call, please.

9 MR. ROATE: Dr. Burden?

10 MR. BURDEN: Yes.

11 MR. ROATE: Mr. Eaker?

12 MR. EAKER: Yes.

13 MR. ROATE: Justice Greiman?

14 MR. GREIMAN: Yes.

15 MR. ROATE: Mr. Hayes?

16 MR. HAYES: Yes.

17 MR. ROATE: Mr. Hilgenbrink?

18 MR. HILGENBRINK: Yes.

19 MR. ROATE: Ms. Olson?

20 MS. OLSON: Yes.

21 MR. ROATE: Mr. Sewell?

22 MR. SEWELL: Yes.

23 MR. ROATE: Chairman Galassie?

24 CHAIRMAN GALASSIE: Yes.

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1 MR. ROATE: That's eight votes in the  
2 affirmative.

3 CHAIRMAN GALASSIE: Motion passes.  
4 Congratulations. Thank you very much. Have a good day.

5 Moving on. Two items left on this morning's  
6 agenda Item 11-067, Dimensions Medical Center.

7 You have been sworn in. Repeat your name for  
8 the reporter.

9 MR. SHEETS: Charles Sheets.

10 CHAIRMAN GALASSIE: Thank you, Charles.  
11 State Agency Report, please.

12 MR. CONSTANTINO: Thank you, Mr. Chairman.

13 The applicant, Dimension Medical Center,  
14 Limited, proposes to discontinue its multi-specialty ASTC  
15 in Des Plaines, Illinois. There is no cost to this  
16 project. The anticipated project completion date is  
17 December 31st, 2011. No public hearing was requested. No  
18 letters of support or opposition were received by the State  
19 Board Staff.

20 Thank you, Mr. Chairman.

21 CHAIRMAN GALASSIE: Thank you Michael.  
22 Report to the Board.

23 MR. SHEETS: I would just answer any questions  
24 you might have.

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1 CHAIRMAN GALASSIE: Do we have any questions  
2 regarding this discontinuation?

3 MR. BURDEN: Why are you closing it down?

4 MR. SHEETS: Well, for those of you who are  
5 familiar with the area, this particular location is at Golf  
6 and River Road, and it's a low section of the block, and it  
7 floods on a regular basis. So, the facility has been  
8 closed for long periods of time every time there is a heavy  
9 rain. And there's mold issues and physical plan issues,  
10 and it's a leased building. We can't get the landlord to  
11 do anything about it.

12 MR. BURDEN: That's enough.

13 CHAIRMAN GALASSIE: Yeah, I'd say so.

14 Any other questions?

15 MR. GREIMAN: How do your patients get there  
16 now?

17 MR. SHEETS: I don't know that the charity  
18 patients take the bus, but there is a bus that goes down  
19 the road.

20 MR. GREIMAN: So where will these people go?

21 MR. SHEETS: There is a -- if you look at the  
22 report, Judge, there's several facilities in the immediate  
23 area that have agreed, of course, to take the patients.

24 CHAIRMAN GALASSIE: Any other questions.

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1                   Hearing none, may I have a motion to approve  
2   Project 11-067 for the discontinuation of multi-specialty  
3   ASTC in Des Plaines, Illinois?  
4                   MR. EAKER:   So moved.  
5                   MR. SEWELL:   Seconded.  
6                   CHAIRMAN GALASSIE:   Moved and seconded.  
7                   MR. ROATE:   Motion made by Mr. Eaker, seconded  
8   by Mr. Sewell.  
9                   Dr. Burden?  
10                  MR. BURDEN:   Yes.  
11                  MR. ROATE:   Mr. Eaker?  
12                  MR. EAKER:   Yes.  
13                  MR. ROATE:   Justice Greiman?  
14                  MR. GREIMAN:   Yes.  
15                  MR. ROATE:   Mr. Hayes?  
16                  MR. HAYES:   Yes.  
17                  MR. ROATE:   Mr. Hilgenbrink?  
18                  MR. HILGENBRINK:   Yes.  
19                  MR. ROATE:   Ms. Olson?  
20                  MS. OLSON:   Yes.  
21                  MR. ROATE:   Mr. Sewell?  
22                  MR. SEWELL:   Yes.  
23                  MR. ROATE:   Chairman Galassie?  
24                  CHAIRMAN GALASSIE:   Yes.

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1                   MR. ROATE: That's eight votes in the  
2     affirmative.

3                   CHAIRMAN GALASSIE: Motion passes. Thank you  
4     very much.

5                   We have public comment for Item 11-022, FMC  
6     Lockport. We have two folks that have signed up for public  
7     comment. Are you here? Yes, you are. Thank you very  
8     much. If you would come to the table, please, and  
9     introduce yourselves for the reporter. We do not need to  
10    swear you in, but we'd like to have your name spelled out,  
11    as well, for the record.

12                  MR. TRIVEDI: My name is Dev Trivedi. I am  
13    Mayor of the City of Lockport.

14                  MR. SCHLONEGER: I'm Tim Schloneger, and I'm  
15    the City Administrator of Lockport.

16                  CHAIRMAN GALASSIE: Thank you very much.

17                  MR. TRIVEDI: Thank you, Mr. Chairman Galassie  
18    and Honorable Members of the Board.

19                  The City of Lockport has been supportive of  
20    the Lockport Dialysis facility since its first inception in  
21    December of 2009, and we were very thankful to the Board  
22    for approving this under action number 09-037. It's  
23    unfortunate that the developer of that project was not able  
24    to begin construction, but, for your information, right

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1 after he made a decision to pull out of that site, he  
2 called me and said that he was very sorry to see them go.

3 The City of Lockport is still fully supportive  
4 of Fresenius determination to provide access to dialysis  
5 for Lockport patients by filing for a permit just across  
6 the street from the original site. As you know, the site  
7 across the street is all the whole medical center which  
8 Lockport is trying to develop.

9 The facility will promote economic growth  
10 through lease of space that has been vacant for some time  
11 due to the economy, as well as employment opportunity, and  
12 this is economic development for City of Lockport, and we  
13 are very, very thankful for Fresenius to continue to look  
14 for that. More importantly, it will provide easy access to  
15 dialysis treatment for dialysis patients who reside in  
16 Lockport and Lockport Township area. The town and many  
17 patient-residents supported the project in December of 2009  
18 when it was approved by this Board at its public hearing,  
19 and the town and the patients are still anxiously awaiting  
20 the establishment of this facility, and I do receive calls  
21 about that quite often on my City phone. It would be a  
22 great disappointment to both if it's not allowed to move  
23 forward.

24 Patients currently go to Orland Park or Mokena

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1 for treatment. This is difficult to travel due to Orland  
2 Park congestion on 159th Street. Lockport Township also  
3 has a bus service that can transfer these patients to the  
4 new Lockport facility, if approved.

5 Lockport has a growing elderly population and  
6 has been identified by the Northeastern Agency on Aging as  
7 a community with a large senior population. The City  
8 Planner has been working with this agency to make Lockport  
9 a more senior-friendly place to live. Establishing a  
10 dialysis facility in our town will bring us one more step  
11 closer to this goal, so I humbly request all of you  
12 individuals to reconsider your decision and if you would  
13 approve this facility.

14 Thank you very much, Mr. Chairman.

15 CHAIRMAN GALASSIE: Thank you, Mayor.  
16 Appreciate your comments.

17 Is there anyone else here representing Item  
18 No. 11-022, FMC Lockport?

19 (Pause)

20 CHAIRMAN GALASSIE: Introductions, please.

21 MS. RANALLI: Good afternoon again. Clare  
22 Ranalli, counsel to the applicant. To my right is Coleen  
23 Muldoon, Regional Vice-President for the applicant, and to  
24 my left is Lori Wright, the CON specialist.

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1 (Oath given)

2 CHAIRMAN GALASSIE: Thank you. Can we have a  
3 Staff report, gentlemen?

4 MR. CONSTANTINO: Thank you, Mr. Chairman.

5 Fresenius Medical Holdings, Inc. and Fresenius  
6 Medical Lockport are proposing the establishment of a  
7 12-station end stage renal dialysis facility, located in  
8 8,000 gross square feet of leased space in Lockport,  
9 Illinois. The cost of the project is \$3.3 million. The  
10 anticipated project completion date is August 1st, 2013.

11 The State Board Staff notes this project was  
12 originally approved as Project 09-037, and this was  
13 subsequently abandoned because of issues with the  
14 developer. At that time, when the project was approved,  
15 there was an excess of 51 stations in the HSA IX ESRD  
16 service area. This project, Project 11-022, FMC Lockport,  
17 received an Intent to Deny at the August 16th, 2011 State  
18 Board meeting because of excess stations in the Planning  
19 Area and the underutilization of an existing facility.

20 The State Board Staff notes the applicants do  
21 not meet the size criteria, Planning Area need, and the  
22 unnecessary duplication of service in this Planning Area.  
23 Currently there's an excess of 30 stations in this Planning  
24 Area.

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1 Thank you, Mr. Chairman.

2 CHAIRMAN GALASSIE: Thank you, Michael.

3 Before we go forward, can we just have this  
4 gentleman introduce himself?

5 MR. OBASI: I'm sorry. I'm Egikeme Obasi. I'm  
6 a physician. I work at Southwest Nephrology Associates.

7 CHAIRMAN GALASSIE: Thank you, Doctor.

8 (Oath given)

9 CHAIRMAN GALASSIE: Thank you. Would you  
10 like to address the Board?

11 MS. RANALLI: I'm going to just very briefly  
12 touch on the negatives in the State Agency Report and then  
13 turn things over to Dr. Obasi, who made it here just in the  
14 nick of time, due to a patient emergency.

15 As Mr. Constantino said, the negatives  
16 primarily focus on the excess stations and need in the  
17 area. When this project was originally approved, there was  
18 an excess of 55 stations. There is now an excess of 30  
19 stations in the area, given the recalculation of need, and  
20 there are 10 facilities. This Board looks at not only  
21 excess capacity but also, as another barometer of need in  
22 the area, the number of facilities within 30 minutes of a  
23 proposed facility site that are under or over utilized.  
24 There are 10 facilities in the 30-minute area. Eight are

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1 what I'm going to call mature facilities. They've been  
2 operating for over two years, so they're not in that  
3 ramp-up phase that this Board allows for. Of those eight  
4 facilities, the average utilization is 79 percent, and I  
5 think that's a very good barometer for this Board to  
6 consider when you have facilities within a 30-minute radius  
7 that have been operating for two years plus, and they're at  
8 79 percent. That is indicative of certainly facilities  
9 operating at an appropriate capacity and of need in the  
10 particular area.

11 Also, I've been to a lot of public hearings  
12 for dialysis facilities, and I noted the Mayor was here  
13 earlier. I was very struck by the number of people who  
14 came out and testified at the public hearing that was  
15 called on this facility. Frequently a lot of it is  
16 opposition from the market share, facilities opposing each  
17 other. This particular hearing was overwhelmingly people  
18 from the community, dialysis patients and otherwise, who  
19 supported the project and spoke at great length about their  
20 travel and transportation issues that they're confronted  
21 with in Lockport. I'm not familiar geographically with the  
22 area. The transcript was attached to the proceedings, so I  
23 won't go into that. I'm sure you read it and understood  
24 the transportation issues and Dr. Obasi can speak more

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1 eloquently to those issues.

2 I would very briefly say, because there was  
3 concern expressed, and Ms. Muldoon is very concerned as  
4 well, who is a nurse. Fresenius follows all physician  
5 orders at all times. There is a pre-dialysis lab test  
6 done. We follow those orders. And the gentleman that was  
7 referred to from Northwestern actually was here about four  
8 months ago and testified in public comment about the  
9 efforts of Fresenius to transplant patients, and it sounded  
10 as though it may be interesting to hear from him again, and  
11 I'm sure he would be happy to come back, although he did  
12 express a great deal of dismay at the availability of organ  
13 donors.

14 I'll turn it over now to Dr. Obasi, who can  
15 talk about the patients in the area.

16 CHAIRMAN GALASSIE: Thank you.

17 MR. OBASI: Let me apologize for coming in a  
18 little bit late. I really tried to make it in time.

19 CHAIRMAN GALASSIE: You were right on time.

20 MR. OBASI: I drove from Evergreen Park.

21 I am not going to be able to clearly speak in  
22 legalese. That is not my forte. But I want to approach  
23 this from a patient viewpoint, which is really what I think  
24 we try to do. My practice, Southwest Nephrology

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1 Associates, we have twelve physicians. We started up at  
2 Evergreen Park where our main office is. Five or six years  
3 ago, because of clear need, because it was clear that a lot  
4 of patients were traveling a long distance to come to our  
5 office in Evergreen Park, we opened a second office in  
6 Orland Park to serve our patients. Over that period of  
7 time, the patient population -- the chronic kidney disease  
8 clinic in the Orland Park Clinic has grown four-fold. We  
9 at that time had one dialysis unit, which was the Orland  
10 Park Dialysis Unit, which is shared among several doctors.  
11 Since then, the Mokena facility was built, which, again, is  
12 shared among many doctors and is rapidly filling. I am not  
13 the Medical Director of the Mokena facility, but the  
14 Medical Director happens to be a partner of mine. Several  
15 of those patients have expressed a concern about travel,  
16 especially one of the -- I don't know if it's 159th Street  
17 or something, where there is a lot of traffic and they  
18 drive far distances.

19                   When the first petition for the Lockport  
20 facility was made, we supported that petition, feeling it  
21 would be good for our patients, shorten travel time, and  
22 make life easier for them. If there was a closer unit  
23 where these patients would be put in and there was  
24 availability, I don't think we would be supporting this --

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1 whatever this is called. At the end of the day, I think it  
2 is about the patients.

3 Right now, knowing that I was going to come up  
4 here, I actually pulled up a list of our chronic kidney  
5 disease patients that come from around the Lockport area  
6 that are stage four, stage five, that are probably going to  
7 end up on dialysis within the next year, two years, who  
8 knows. Right now there are more than 90 of them, and that  
9 is just our practice. We are not the only nephrologists  
10 that practice in the area. There are other nephrologists.  
11 I can only speak to what we do.

12 So, in terms of need, I truly believe there is  
13 a need. I truly believe there is a need, and that's all I  
14 can say. Maybe if anybody has questions --

15 CHAIRMAN GALASSIE: I'm sure we will. Thank  
16 you very much. We appreciate your comments.

17 Questions from Board members?

18 MR. BURDEN: I understand that eloquent  
19 dissertation, Doctor, but I'm having trouble trying to fit  
20 together what I have in front of me and what I hear from  
21 you folks, which is not atypical. There is always a rush  
22 to judgment on my part. I don't see the need you're  
23 talking about. There is a calculated excess of 30 beds.  
24 There are 10 facilities, two are under construction, two

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1   are operating above the target. Where is this need that  
2   I'm hearing you're expressing? Is our State Agency  
3   misleading me? 50 percent of the ESRD facilities within a  
4   30-minute drive are operating beneath the 80 percent  
5   percentile. Are we going to have a massive influx of  
6   obese, hypertensive Latinos and African Americans that are  
7   going to change that?

8                   MR. OBASI: I'm not sure I understand your --  
9   like I said -- okay. We can break it down in language for  
10   me so I can understand. If you say there are stations  
11   under capacity, may we know where those buildings are,  
12   because sometimes -- again, in my experience, we look at  
13   travel distances, and I think sometimes those can be very  
14   misleading. The Lockport facility or where the Lockport  
15   facility is going to be is going to serve areas around  
16   Lockport and some coming into the Mokena area. I suspect  
17   some of those dialysis facilities that we're talking about  
18   lie quite outside this area. I don't have a map. I can't  
19   look, but I'd be more than happy to look that over with  
20   everybody, because I can tell you what I know. We pull our  
21   patients by zip code, and the zip codes -- you can put them  
22   on a map, look where the dialysis facility is, and that is  
23   what tells us where our patients are going to be coming  
24   from. I think it is sometimes an error in the way that

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1 these things are calculated, that if you go out and look at  
2 it, you find out that you may have somebody that is coming  
3 from Joliet, on the other side, and that may be considered  
4 part of the area. As the bird flies, yes, it may be 30  
5 minutes. I think for people who drive that road, sir, it  
6 is not 30 minutes.

7 MS. WRIGHT: I think if you look at the  
8 facilities that are considered within 30 minutes, there are  
9 two, as Clare mentioned, two that are not operating, and  
10 patients, as we said before, have been identified from  
11 separate physician groups for those two facilities, as well  
12 as many of them -- well, a couple of them -- three of them,  
13 actually, that are under the 80 percent mark, two around  
14 it, would be at 80 percent, one is at 75 percent. There  
15 are only a couple that are low that have been in operation  
16 for a while, Sun Health and the Mokena facility, which, you  
17 know, according to MapQuest are 20 -- almost 22 minutes  
18 away, and I think like Dr. Obasi said, a lot of times if  
19 you get out and drive those routes, it's a hardship to get  
20 to those places.

21 MR. BURDEN: Your argument to build another  
22 facility appears to be ease of access for travel distance.  
23 I don't see the other arguments flying. Can you point out  
24 where I'm being misled?

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1 MS. WRIGHT: It is about the patients and the  
2 travel, and that's why we had so many people coming out for  
3 the first project. We had several of them who were  
4 interested in being here today, but one was too ill to  
5 come, and a couple had scheduling conflicts and couldn't  
6 come.

7 The only other thing I mention is that, like  
8 Claire mentioned, when the first project was approved,  
9 there was an excess of stations, 51. There's an excess now  
10 of 30. The other thing is that a condition was put on that  
11 permit for us to reduce four stations at our Willowbrook  
12 facility, because we felt like there was a need in  
13 Lockport. We did that. We reduced those four stations.  
14 So part of the condition has been met. We could put those  
15 stations back in at Willowbrook, but we feel like we need  
16 them in Lockport, and I guess just personally I feel bad  
17 that these patients have been waiting. They ask for  
18 clinics. "When is the Lockport facility going to be  
19 opening?" We tell them a couple years, a year. Never came  
20 to fruition. We felt like it was our due diligence to do  
21 something. We felt like it wasn't going to move forward,  
22 so we withdrew, thinking that we had done this before.  
23 There is sort of a precedent of changing locations and  
24 getting your approval. We thought this was the best for

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1 the patients in Lockport. We did it. It didn't quite turn  
2 out how we thought. So that's our intention.

3 CHAIRMAN GALASSIE: I'm very familiar with  
4 the area, having spent about 10 years and part of my life  
5 at Lewis University, and I will say for the members who are  
6 not familiar, Lockport is not an easy town to commute in  
7 and out of, with all due respect to the Mayor. It's  
8 divided by railroad tracks. It's got the Des Plaines River  
9 running through it. There's a significant amount of  
10 industry that borders it. So 159th Street or Route 6 is a  
11 main thoroughfare for getting in and out. So what -- to  
12 use the doctor's analogy, the way the bird flies is not the  
13 way you're driving in that community. A very nice  
14 community, but the MapQuesting probably is not the best  
15 way -- not not the best way, but probably is not as  
16 accurate. You need to drive a lot of miles to get around  
17 in that community.

18 So, I would tend to not support this based  
19 upon the excess bed, but hearing your issues and I think  
20 relating to the community and traveling within the  
21 community, I lean towards supporting it.

22 Other questions or comments?

23 MR. GREIMAN: I have a question, follow-up of  
24 the last point I made with the last group.

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1                   You're all constructing these renal stations.  
2       We've had today one group that was paying \$150,000 per  
3       station, another group was paying 180,000 per station.  
4       You're paying \$260,000 for a station. I think it's like 60  
5       or 70 percent more than the first guys. So tell us, how  
6       come there's that kind of variance?

7                   MS. RANALLI: We're talking amongst each  
8       other. We're not going to check the math, because we're  
9       going to accept what you're saying as accurate. It's  
10      exactly what I believe was represented by what DaVita said.  
11      There are two things that address that. Part of the cost  
12      per station is not just construction, it's what you pay for  
13      leased space. So, it may depend upon the landlord and what  
14      you're being charged for space. The Lockport facility also  
15      has space for home dialysis, which means we're leasing more  
16      space for home dialysis training, but that is allocated  
17      into the station costs, because there's no allocation for  
18      extra space for home dialysis training. So, it's really  
19      the leased space, the construction cost, and then the size  
20      of the facility and how much space is being used for  
21      administrative, as well as many of the facilities do have  
22      space for home dialysis training.

23                  CHAIRMAN GALASSIE: Any other questions?

24                  Hearing none, I'll entertain a motion to

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1 approve Project 11-022 for the establishment of a  
2 12-station ESRD facility in Lockport, Illinois.

3 MR. SEWELL: So moved.

4 MR. BURDEN: Second.

5 CHAIRMAN GALASSIE: Moved and seconded.

6 MR. ROATE: Motion made by Mr. Sewell,  
7 seconded by Dr. Burden, called for a vote.

8 Dr. Burden?

9 MR. BURDEN: Are you asking me now to vote?

10 MR. ROATE: Yes, please.

11 MR. BURDEN: Thank you. You know, I've  
12 listened and I really am not a Grinch. This is Christmas  
13 time. I don't like seeing people have to travel all over a  
14 gridlocked town to get to their dialysis provider, but the  
15 facts in front of me state excess of 30 stations and now  
16 will be 42. We do go and we do try to evaluate and we do  
17 vote against the State Agency numbers on occasion. Matter  
18 of fact, with dialysis units more often than not we do. In  
19 my judgment, in my five years of listening to these pleas,  
20 I believe sometimes in my case they are falling on deaf  
21 ears, but that's beside the point. My vote remains no, as  
22 it was before, because of excess beds.

23 MR. ROATE: Mr. Eaker?

24 MR. EAKER: I vote no due to the criteria not

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1 met.

2 MR. ROATE: Justice Greiman?

3 MR. GREIMAN: Serving on this committee has  
4 made me a Libertarian, which is a great shock and surprise.  
5 So I will vote aye.

6 MR. ROATE: Mr. Hayes?

7 MR. HAYES: I will vote no because of the  
8 excess units in the Planning Area.

9 MR. ROATE: Mr. Hilgenbrink?

10 MR. HILGENBRINK: I vote yes because of  
11 accessibility.

12 MR. ROATE: Ms. Olson?

13 MS. OLSON: I vote no based on excess  
14 capacity.

15 MR. ROATE: Mr. Sewell?

16 MR. SEWELL: I vote no, excess capacity.

17 MR. ROATE: Chairman Galassie?

18 CHAIRMAN GALASSIE: Yes, based on  
19 accessibility.

20 MR. ROATE: That's five notes in the negative,  
21 three votes in the post.

22 CHAIRMAN GALASSIE: Motion does not pass.

23 Thank you very much.

24 (Pause)

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1                   CHAIRMAN GALASSIE:   Folks, we are at a point  
2   of recessing for the day.   Prior to -- and moving into  
3   lunch, and some members, I understand, need to leave.   But  
4   prior to that, trying to balance the schedule for tomorrow,  
5   we don't believe we are going to be inundated with public  
6   comment at this time.   That could, of course, change  
7   tomorrow.   But just in the event we may, and we know how  
8   lengthy some of that dialogue can be, I'm going to suggest  
9   for the members of the public here, we again will start our  
10   meeting at 10 o'clock, but I would like to move our  
11   Executive Session up to first.

12                   So, members of the public, you might give  
13   yourselves another half hour.   If the Members agree, we  
14   would hold Executive Session at 10:00 a.m.   My fear is if  
15   we get caught up in a very lengthy, complex -- it has a way  
16   of -- Executive Session sometimes gets lost, and there is  
17   some business we need to do.   So I see a nodding of heads.  
18   Members be advised, public be advised, we will restart the  
19   meeting at 10:00 a.m., but we will begin with Executive  
20   Session.

21                   We are recessed.

22

23   END OF OPEN SESSION, DAY 1:   12:37 p.m.

24

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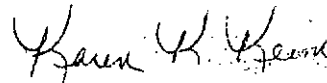
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CERTIFICATE OF REPORTER

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I, KAREN K. KEIM, CRR, RPR, a Certified Court Reporter in the States of Illinois and Missouri, do hereby certify that the proceedings in the above-entitled cause were taken by me to the best of my ability and thereafter reduced to writing; that I am neither counsel for, related to, nor employed by any of the parties to the action, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.



KAREN K. KEIM

CRR, RPR, CSR-IL, CCR-MO

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