

SCRIPT FOR PUBLIC HEARINGS

Good morning, everyone. I am Courtney Avery, Administrator for the Illinois Health Facilities and Services Review Board. Thank you attending and participating in this hearing. The purpose for today is to afford an opportunity for interested parties to present written and/or verbal comments relevant to Project 10-089 Mercy Crystal Lake Hospital and Medical Center, Crystal Lake.

As per the rules of the Illinois Health Facilities Planning Board, I would like to read the legal notice into the record. Notice is given of the receipt of a Certificate of Need application to establish a 128-bed acute care hospital in Crystal Lake, Illinois with adjoining physician office space at the southeast corner of State Route 31 and Three Oaks Road in Crystal Lake, Project 10-089, Mercy Crystal Lake Hospital & Medical Center; project applicants are: Mercy Crystal Lake Hospital & Medical Center, Inc. and Mercy Alliance, Inc.; the project cost is: \$200,525,891.

The application contained a Safety Net Impact Statement, and was declared complete on January 10, 2011. A copy of the application may be viewed at the Illinois Health Facilities and Services Review Board Office,

525 West Jefferson, Springfield, Illinois. To obtain a copy of the application, please call the office for details and copying fees, at 217-782-3516. Consideration by the State Board has been tentatively scheduled for the **May 10, 2011**. Any person wanting to submit comments on this project must submit written comments by **April 20, 2011**.

The Illinois Department of Public Health will post its findings based on the application submitted by the applicants in a State Agency Report - the report will be made available via the internet at www.hfsrb.illinois.gov no later than **April 26, 2011**. Please note that the public has until **9:00 am, April 30, 2011** to submit written responses in support of or in opposition to the findings in the State Agency report. Again, the State Agency report can be found at www.hfsrb.illinois.gov.

If you have not done so, please sign in using the appropriate registration forms. The green form is for those providing oral or written testimony in support of the project; the blue form is for those providing oral or written testimony in opposition of the project; the yellow form is for those not providing oral or written testimony but would like to record their support, opposition, or remain neutral of the project.

To ensure that the Illinois Health Facilities Planning Board's public hearings protect the privacy and maintain the confidentiality of an individual's health information, covered entities, as defined by the Health Insurance Portability Act of 1996, such as facilities, hospital providers, health plans, and health care clearinghouses, submitting oral or written testimony that discloses protected health information of individuals shall have a valid written authorization from that individual. The authorization shall allow the covered entity to share the individual's protected health information at this hearing.

Please note that those of you who came with prepared text for your presentation may choose to submit that text without giving oral testimony. However, if you are giving oral testimony, please be as brief as possible. Due to the number of those wishing to provide oral testimony, each presentation will be limited to three minutes. Should anyone want to speak for more than the time allowed, if time permits, you may do so after everyone has had an opportunity to speak. As per the legal notice, if available, please provide two copies of your testimony. Providing to beginning your oral presentation, please give the court reporter complete

spelling of your full name. If there is a chief spokesperson for the applicant, we would like that individual to make the first presentation. The remaining testimony will be taken, as much as possible, in the order of the names on the registers. Please hold your questions until all the testimony is presented. Is there someone from the applicant who wishes to make the first presentation?

Conclusion

Is there anyone who wishes to testify who has not had an opportunity? Seeing none, is there anyone who has testified who wishes to provide additional testimony? I would remind everyone to submit your written comments to us so that we have this information for the record. Also, this project is scheduled for consideration by the Illinois Health Facilities and Services Review Board at its May 10, 2011 meeting. Again, the public has until April 20, 2011 to submit written comments. These comments can be sent to the attention of Courtney Avery at the following address: Illinois Department of Public Health, 525 West Jefferson Street, 2nd Floor, Springfield, Illinois 62761-0001. If preferred, you may fax your comments to: 217-785-4111.

THE ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD 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 (217) 782-3516 (TTY# 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **WEDNESDAY, APRIL 20, 2011**.

Are there any questions? Seeing that there are no additional questions or comments, I deem this public hearing adjourned. Thank you.

*written
only*
3/18/11

To whom it may concern,

I am against Mercy building a hospital in Crystal Lake. There are several hospitals within just a few miles of the proposed site, for example Mercy/ Mchenry hospital is about 6 ½ miles north, just up route 31. I do not feel Mchenry County needs another hospital in that area. With the growth over the past 10-15 years, there is definitely a bigger need for a hospital in the most southern part of the county. Also, I did notice that Mercy proposed the need for a hospital just a few days after Centegra – Huntley announced theirs. My question is why did they choose now to re-propose their petition? Thank you for hearing my thoughts.

Ellen Bakke – Huntley, IL

1. My name is Javon Bea. I was born and raised in Rockford IL, and went to high school here in Crystal Lake and college at NIU in DeKalb. I have been the President and CEO of Mercy Health System for over 21 years and we are the proud sponsors of our application for a new \$200 million dollar hospital and medical center in Crystal Lake. My Illinois business address is 2000 Lake Ave in Woodstock.

2. An approved Certificate of Need will allow Mercy to build a 128-bed hospital and large multi-specialty physician medical center in Crystal Lake at Route 31 and Three Oaks Road for 160,000 citizens who do not have easy access to hospital emergency services. We have been planning this facility at this location for seven years, since 2004.

3. During these seven years, the need for increased access to healthcare services has grown tremendously.

- 4. Mercy Health System is committed to Crystal Lake. The plan meets the needs of the community in the most appropriate way by addressing the long-standing need for more acute care hospital beds, and integrated physician services.**
- 5. Unlike another hospital's pending application, Mercy Health System has chosen to locate its hospital and medical center in the most densely populated area of McHenry County that suffers from excessive traffic congestion which delays access to care.**
- 6. Crystal Lake is also the home of the most diverse population in McHenry County and has a growing geriatric population in need of additional services and ease of access.**

- 7. Our location will also provide easier access for Emergency providers who presently face uncertainty about hospital bed availability because of other McHenry County hospital's high emergency department bypass rates as reported by the Illinois Department of Public Health.**
- 8. For those of you who don't know, what bypass means is having to send emergency patients who arrive at Centegra Hospital on to other hospitals even farther away because Centegra's beds are frequently filled to capacity.**
- 9. The economic development impact of Mercy's project will generate an estimated 650 to 800 construction related jobs.**
- 10. Within the first year of opening the facility, Mercy Crystal Lake Hospital is expected to employ more than a thousand individuals, of which approximately 600 will be new jobs. This will be occurring in 2012 as opposed to Centegra's application that states construction will not be complete until 2016- 2017.**

11. This is the right project at the right location at the right time to address the unmet health care needs of McHenry County residents now and in years to come.

12. Opponents to Mercy's project will cite everything from a lack of available workforce, which is ridiculous because the unemployment rate for McHenry County is currently at 8.4% to a negative impact on their current operations.

13. This too can not be supported. In fact there is not easy timely access to care due to traffic congestion. Hospitals are also filled to capacity on a frequent basis.

Here are other important points:

1. We have located our Hospital in the area of McHenry County most in need of better access to comprehensive health care services.

2. We will be operational to meet the unmet patient needs years ahead of Centegra's application that proposes building down in the southern end of McHenry County. They're hoping that over time, population will grow in Huntley to justify their proposal. Currently, there are fewer than 26,000 people in Huntley.

3. At Mercy we have more than 20 years' experience creating and managing a highly successful vertically integrated health system-the first in the nation to receive the coveted Malcolm Baldrige National Quality Award in healthcare from President Bush in the Oval Office.

- 4. We have a proven track record -- independently verified by the US Department of Commerce during the Baldrige process--of providing quality health care that aligns physicians and hospital services thus insuring the most comprehensive and coordinated quality care for our patients.**
 - 5. We have been providing health care services in Illinois for almost 20 years.**
 - 6. We currently have 13 facilities with over 800 employees including nearly 100 employed physicians.**
 - 7. Our Mercy Harvard Hospital in the northern tip of McHenry County provides care to one of the poorest and indigent populations in the county. We have been here in this County serving all who come through our doors.**
- 14. Today you will hear from patients and other supporters of the Mercy Health System project.**

15. These residents are a testament to the exceptional quality care Mercy Health System provides to the people of McHenry County.

16. We are proud of our application and humbly stand ready to provide exceptional hospital care to the residents of McHenry County and those wonderful people in Crystal Lake, Lake in the Hills, Cary and Algonquin.

17. We are here to serve you.

18. Thank you.



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Opposition to Mercy's Proposed Crystal Lake Hospital

Good morning. My name is Rick Floyd. I serve as President & CEO of Sherman Health, which is based in Elgin, Illinois. Sherman is a regional medical center which has served Chicago's northwest suburbs, including Crystal Lake and surrounding areas, for over 120 years. We would like to continue to do so for generations to come.

While we can all appreciate the advantages of a hospital close to home, we must also recognize the damaging impact of building a new hospital at a time when none is needed. The proposed new hospital will not bring new services to this area, will harm all of our existing hospitals by drawing patients and revenue away from them, will thereby strain the healthcare safety net that supports our area's most vulnerable, and will cost \$200million. This project represents wasteful healthcare spending, and I urge the Review Board to reject the application. Here's why.

The state's bed need calculations are based on population projections from the year 2000. While we are still growing, we are growing at a much slower rate than had been anticipated back in 2000. Between 2000 and 2005, we built an average of 3,600 new homes in McHenry County every year. By 2009 and 2010, we issued just 300 new residential building permits per year. And a McHenry County population that was expected to rise to 337,000 by 2010 in fact grew to less than 310,000. This means that the calculated future bed need may be as little as 21 beds, a number way too low to justify a new hospital. And housing and population growth are not expected to regain their momentum quickly.

We must also recognize that all the existing hospitals surrounding the proposed site have available beds. State data reveal that utilization rates for the surrounding hospitals average between 60 and 70%. This means that there is a combined total of hundreds of beds available today at the two Centegra hospitals, Advocate Good Shepherd Hospital, St. Alexius Hospital, Provena St. Joseph Hospital, and Sherman Hospital. And as our nation struggles to reduce healthcare costs, we must remember that the largest single component of healthcare costs in America is hospital costs. Hospital utilization rates will decline as we find ways to keep people out of our essential yet expensive hospitals.

And what about the healthcare safety net for our area's most vulnerable? Several of our areas existing hospitals are struggling to achieve positive operating margins. In this environment, any new hospital will of course draw existing patient volumes and revenue away from existing area hospitals, weakening them, and placing at risk their ability to continue to provide free and deeply discounted services to those in need.

Our state's budget deficit stands at \$15 billion, and our nation's budget deficit is expected to reach a record \$1.6 trillion this year. Why, at a time of such serious budget challenges, would we unnecessarily duplicate services? Why would we waste \$200 million?

Finally, don't be fooled by the promise of many new jobs. Beyond the construction jobs created during the life of such a project, which are new, the healthcare jobs would not be new jobs. The durable, healthcare jobs would primarily be shifted from existing hospitals, weakening them, and bringing no new services into our community.

In summary, there is no unmet bed need in our area, neither today nor anytime soon. Any new hospital will harm all of our existing hospitals by drawing away patients and revenues, placing our healthcare safety net at risk, and unnecessarily duplicating services. I urge the Review Board to avoid wasting \$200M and to reject the application.

Jason Sciarro Testimony
Opposition to Project 10-089

Good morning. My name is Jason Sciarro, and I am President and COO of Centegra Health System. Centegra is proud to have been part of McHenry County for nearly 100 years. Our mission, to provide for the health and wellness of this community, is not just words. This is our passion.

Centegra currently owns and operates two hospitals in close proximity to Crystal Lake. Centegra Hospital–Woodstock is within 1.4 miles of a Crystal Lake zip code and Centegra Hospital–McHenry is within 2.6 miles of a Crystal Lake zip code. In fact, our hospitals are closer to some areas of Crystal Lake than the site of Mercy’s proposed project is.

Crystal Lake is the home to our newest Centegra facility, the Centegra Gavers Breast Center, which opened in September 2010, providing coordinated care to best treat a woman who is diagnosed with breast cancer. Centegra is committed to incremental growth and the Breast Center is just another example of how this organization makes it a priority to see the health of our community flourish.

Centegra has wellness services in Crystal Lake including the Centegra Health Bridge Fitness Center and many health services in the Crystal Lake Medical Arts building including the Centegra Immediate Care Center, advanced medical imaging services, phlebotomy services and Centegra Primary Care, along with occupational health and physician offices.

Centegra is not the only healthcare provider that serves Crystal Lake. In fact, Advocate Good Shepherd Hospital is within 5.9 miles of a Crystal Lake zip code. There is no absence of available healthcare for Crystal Lake.

Centegra has abided by a principle of responsible development. We provide our communities with the services they need where and when they are needed. Mercy’s proposed hospital in Crystal Lake is not, in our view, responsible development.

We are opposed to this project on several grounds:

- 1) Mercy’s CON application was shoddily prepared and does not meet the State Board’s rules.

- 2) The proposed project will have a substantial negative impact on Centegra's patient volumes and revenue, potentially causing Centegra to reconsider the many vital services it provides in the community.
- 3) A new hospital in Crystal Lake does not best meet the healthcare needs that exist in McHenry County.
- 4) Mercy is not a responsible community partner in McHenry County.

I. Mercy's Application Does Not Meet the State Board's Requirements.

In its rush to file by the end of December, Mercy submitted a CON application that was so filled with errors that Mercy had to subsequently submit more than 20 pages of corrections. Even with those corrections, the application remains riddled with mistakes. Our Senior Vice President, Susan Milford, will address these in more detail today.

In addition, Mercy's latest application relies on the same factors that it promoted to obtain its ill-fated Mercy Crystal Lake CON in 2004. The Circuit Court of McHenry County expressly rejected these factors, including the claim of bringing 45 new physicians to Crystal Lake, when it invalidated Mercy's CON permit. The Court observed that the State Board had no criteria to address physician shortages and that using this as a factor for approving the project was, to quote the court, "arbitrary and capricious."

II. Mercy's Project would have a Substantial Negative Impact on Existing Facilities.

Based on Mercy's own documentation, its project is dependent on large volumes of patients being transferred from Centegra's existing hospitals to Mercy's proposed facility. Mercy's application contains commitments from 40 of its employed physicians on our hospitals' medical staffs to transfer all of their patient volume from Centegra hospitals to Mercy's proposed project.

This lost patient volume would have a significant negative impact on the utilization of Centegra's hospitals and cause a substantial financial loss to our health system. Based on the physician referral letters in Mercy's application, 88 percent of Mercy Crystal Lake Hospital's inpatients would come from our existing facilities in McHenry and Woodstock. This translates to an annual loss of \$11.7 million at the two Centegra hospitals combined.

Centegra currently supports health services that lose money because they are important for the community and to our mission of improving our community's health. Examples of these services include mental health services, a skilled rehab nursing facility, a neuro-day trauma treatment center, free community health screenings and support for important area social service agencies

that are currently seeing cuts in Medicaid payments from the state. Our ability to continue supporting these vital services could be compromised with this kind of loss.

III. The Proposed Project Does Not Best Meet the Needs of the Planning Area.

A new hospital is needed in McHenry County. It has the greatest need for acute care beds of any of the 40 planning areas in the state. But Crystal Lake is not the best location to meet that need.

The north and central portions of McHenry County are already well served by existing hospitals. Crystal Lake is currently served by Centegra Hospital – Woodstock, a mere 2 minutes from western Crystal Lake and Centegra Hospital–McHenry, which is only 5 minutes from northern Crystal Lake.

By contrast, there are no existing inpatient facilities in the far southern portion of McHenry County, which has large population centers in Huntley, Algonquin and Lake in the Hills, Lakewood and southern Crystal Lake. Also, a major advantage of a new hospital in southern McHenry County is that it would also serve residents of northern Kane County, which has the second greatest need for acute care services of the 40 statewide planning areas. The needs of southern McHenry and northern Kane Counties are best met by a hospital in southern McHenry County, not in Crystal Lake.

IV. Mercy is Not a Responsible Community Healthcare Partner.

Centegra has a longstanding commitment to this community and region. For example, no other health system matches Centegra's substantial commitment to behavioral health in the county. In fact, many systems are abandoning behavioral health because of operating losses. Centegra itself incurs losses of \$5 million per year to operate its behavioral health program, but we continue to provide these services because the community needs them. Mercy does not provide behavioral health at its existing facility in Harvard, or anywhere else in Illinois, and its current proposal for Crystal Lake does not mention behavioral health. It appears that Mercy is more interested in a favorable payer mix rather than in truly serving the residents of McHenry County.

Mercy's lack of commitment to the community is reflected in the community's lack of commitment to Mercy. Look at Mercy Harvard Hospital. After acquiring the hospital nearly a decade ago, Mercy has invested very little in improving the facility, and it shows. According to COMPdata, only 331 of 1375 Harvard residents who received inpatient services went to Mercy Harvard in FY 2010. Most residents of Harvard choose to drive 29 minutes to Centegra Hospital-Woodstock or 47 minutes to Centegra Hospital-McHenry. We do not need another Mercy Harvard Hospital in Crystal Lake.

It is with the best interests of the community in mind that Centegra opposes Mercy's application for a new hospital in Crystal Lake. Rather than addressing the area's healthcare needs, the project would put a hospital where one isn't needed, at great impact to Centegra's two existing hospitals. This new hospital would do more harm than good for the area's healthcare needs, and I ask the Board to reject this application.

Good Morning

My name is Dan Colby. I live in Harvard, Ill. I am a Vice President of Mercy Health System and I am here today to urge the CON Board to grant approval of the Mercy Crystal Lake Hospital application.

This application should be approved for a number of reasons – mainly, it's location; it's the epicenter of Planning Area 10's population, its located where there is the greatest number of safety net patients in this County, and its located where it can serve the most diverse population in the Planning area.

In addition to those excellent reasons, this project brings to Crystal Lake and McHenry County tremendous economic impact.

This is a \$200 million project. It will generate approximately 800 construction related jobs for the 18 month construction period. These jobs will begin as early as this Christmas if the CON Board approves this project at its May hearing, and local approvals are received this fall.

This project is planned to open in 2014. It will employ over 1,000 people, filling 840 full time jobs when it opens. Six hundred

of those jobs will be new. Three hundred and thirty more jobs are planned to open by its fifth year of operation.

Additionally, another 180-240 jobs will be created through the multiplier effect.

All these jobs mean that the Mercy Crystal Lake Hospital and Medical Center will generate family income of \$55 million in its first year and that will rise to \$175 million dollars of income within five years. Another \$21 million to \$49 million in family income will be generated through the multiplier effect.

In addition to generating almost 2000 jobs by the time it opens (between construction and operating jobs) the Mercy Crystal Lake Hospital and Medical Center will generate new tax revenue for the state of Illinois and local governments.

Income tax as generated by these jobs created are estimated to produce \$1,371,000 to \$4,395,000 for the state (using just the old 3% flat state rate).

Also the clinic's portion of the project will be subject to property taxes and a portion of the sales (both indirect and induced) will be subject to sales taxes.

This project's total industry sales impact will range from \$102 million in the first year of operation to \$257 million in sales by its fifth year. Another \$9.8 million to \$74.8 million in industry sales will be created by the multiplier effect.

The Mercy Crystal Lake Hospital and Medical Center will be an economic boon for McHenry County.

This project comes at the right time, when McHenry County needs help to pull out of the recession.

This project comes with a \$200 million investment in McHenry County, and creates almost 2000 jobs when jobs are sorely needed.

And this project comes at the right time – NOW! NOT years from now!

Thank you!

Dan Colby, Vice President
Mercy Health System



Advocate Good Shepherd Hospital

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Dear Board members,

Good morning Ms. Avery, Mr. Urso and members of the audience. I am Karen Lambert, president of Advocate Good Shepherd Hospital, which is located less than 10 miles and less than 20 minutes from the proposed hospital. I apologize that I'm not able to be at this hearing in person, but I had previously scheduled a family vacation during this time. Even though I am not at the hearing in person, I appreciate the opportunity to have my voice heard.

Our hospital has the opportunity to serve many residents of this community and certainly McHenry County. We take this responsibility seriously and strive to provide our communities with the best possible health care available.

Our legacy of service is to both Lake and McHenry Counties. We provide health care services to these residents, and by those residents who today serve as caregivers and physicians. Our staff is a reflection of the patients we serve. Over half of our associates call McHenry County home. Nearly half of the patients we serve are McHenry County residents. We are just as much a McHenry County hospital as we are a Lake County hospital.

It would certainly be more exciting to be the hospital president proposing a new facility than the one opposing, but the easier position is not always the correct position. I am here today because I truly believe that the proposed hospital is inconsistent with our collective mission of stewards over the health care system. Let me explain:

1. **Hospitals Must do More, and Better, with Less**

The nation has just gone through one of the biggest changes to the health care system in my lifetime. The nation's severe financial constraints will force health care providers to do more with less. No matter which reform programs you may have favored, virtually no healthcare reform proposal has argued that the solution to the nation's health care problem is to build more suburban hospitals. This proposed new hospital runs counter to where health care is going, and to where it should go. Our health care system cannot afford this \$200 million new hospital and it should not be built.

2. **The Health Care Delivery Model is Clearly Moving Away from New Hospitals to Ambulatory Care**

The health care trend is clearly moving care toward outpatient services and reserving in-patient hospitalizations for the most complex care. This is not only more convenient for patients, it is more cost effective. In the last five years you have seen our hospitals establish an immediate care facility in Crystal Lake. More importantly for Crystal Lake, less than 2 miles from the proposed site, we established our Good Shepherd Crystal Lake Outpatient Center. As you know, Centegra has also established an Immediate Care Center and imaging center in Crystal Lake as well. All of these efforts have brought additional health care into the communities at much more reasonable costs. Please don't equate improved health care access with building a new hospital.

3. **Unnecessary Duplication of Services**

One of the primary duties of the Review Board is to prevent unnecessary duplication of services. Some would say let the hospitals compete and fight it out. There are good reasons that it is unwise. A new hospital in the near proximity to hospitals not fully utilized causes considerable harm. Existing hospitals require sufficient volume to

cover their fixed costs. Within a given area there are only so many babies to deliver or surgical procedures to perform. A new hospital does not create new demand, it only redistributes and dilutes the volume among existing providers. Without sufficient patients, hospitals do not have the resources available to invest for the future, cover the cost of the patients who cannot afford care, or increase the quality of its care. Let's be clear - this proposed hospital will significantly harm existing service providers and affect the quality of care given.

4. **Assuring Quality of Clinical Care**

Clinical studies show that increased volume relates to increased quality. Patients appropriately inquire into the volume and experience of our team. Others later in the day will address this concern.

5. **Unnecessary Hospital Construction is not Economic Development**

In today's economy I am very appreciative of the desire for new jobs. Unfortunately, this project does not create new permanent jobs. I'm sure that proponents for this hospital will argue that this project is economic development. However, there are only so many patients requiring in-patient hospital services. Moving patients from one hospital to another does not create jobs, it merely moves them around.

6. **Investment in Quality Improvements**

I'm sure that some detractors will characterize today's testimony as one hospital simply opposing another. That is not the case. Several years ago the applicant put in a Letter of Intent to build an ASC, Medical Office Building and imaging center on the location where they are now proposing a hospital. At that time we didn't oppose that project. If the Applicant's motivation was solely concern for McHenry County

healthcare, the Applicant should have followed through on their intent to expand their presence through a right-sized means for addressing healthcare needs. The Applicant already operates a hospital in Harvard and should they choose to expand that facility we would not oppose that lower-cost method of expanding coverage to the residents of McHenry County. Currently, that hospital is operating at 25% capacity and has the ability to absorb additional patients. Since Mercy has chosen not to expand this facility, I'm concerned about their long-term commitment to the residents of northern McHenry County and if they plan to abandon that hospital all together in favor of this project.

Conclusion

I truly believe that none of us charged with being stewards over health care resources, including the Health Facilities and Services Review Board, can conclude that this new project is a responsible use of our health care resources.

TESTIMONY OF DAVID M. EISENSTADT, Ph.D

**Illinois Department of Public Health Hearing
Mercy Crystal Lake Hospital and Medical Center
Project 10-089
March 18, 2011**

I. INTRODUCTION

1. I am an antitrust economist and co-owner of Microeconomic Consulting and Research Associates Inc. ("MICRA"), an economics consulting firm located in Washington, D.C. My partners and I are former employees of the United States Department of Justice, Antitrust Division. MICRA specializes in applied microeconomic theory, industrial organization, and econometrics and matters involving economic issues of competition. I received my Ph.D. in Economics from the University of Illinois at Urbana-Champaign in 1979. I served as a Senior Economist at the Antitrust Division, where I was assigned to many investigations and on-going litigation. I have devoted a large portion of my professional career to the study of competition as it relates to the health care industry and have testified and consulted in numerous matters where competitive issues were relevant to health care delivery and financing. My Curriculum Vitae is attached to this testimony.

2. I have been retained by Mercy Health System and the applicant, Mercy Crystal Lake Hospital and Medical Center ("Mercy-Crystal Lake"), to offer opinions on four issues: (1) the benefits of competition in the delivery of hospital services; (2) whether a need exists for additional competition to Centegra's present two hospitals; (3) the competitive impact to Centegra's current hospitals if Mercy-Crystal Lake is awarded a Certificate of Need ("CON") to build its proposed facility; and (4) whether there is a greater need for additional competition in the service area of Centegra's proposed Huntley facility ("Centegra-Huntley") or the service area

of Mercy-Crystal Lake.¹ In forming opinions on these issues, I have relied on my experience as an industrial organization-antitrust economist, the economics literature on competition in the hospital services industry, portions of Centegra's and Mercy-Crystal Lake's CON applications, and my analysis of Illinois hospital inpatient discharge data.

II. BENEFITS OF COMPETITION

3. Greater competition usually benefits consumers and the economy. More competition usually fosters at least three beneficial effects: greater consumer choice, the provision of higher quality goods and services, and lower costs and prices. With the exception of certain sophisticated inpatient hospital services for which there is some statistical evidence that medical outcomes are superior when those services are provided by a single entity within a locale, competition among hospitals yields benefits similar to the effects of competition in other sectors of the economy. What makes the analysis of competition in the hospital industry somewhat different is the presence of multiple customer groups that would potentially benefit from greater competition between hospitals.

4. In most hospital markets patients, health insurers, employers, and doctors are to some extent all consumers of hospital services. Patients are the end-users of hospital services. Health insurers are financial intermediaries who purchase hospital services on behalf of their enrollee-beneficiaries and employer clients. Employers, both self-insured and those who purchase insured products from health plans, pay the majority of the health care costs generated by their employees (and dependents). Except for those that direct contract, employers do not negotiate prices directly with hospitals. Instead, they rely on health plans to negotiate facility prices on their behalf. In the case of public health insurance programs like Medicare and Medicaid,

¹ I assume in this testimony that only one of the two applicants, Centegra or Mercy, will be awarded a CON.

taxpayers fund the cost and the government sets payment rates. Last, physicians are agents for their hospitalized patients because they supervise, coordinate, and monitor their treatment in a hospital. Although they do not pay for services, physicians are also consumers of hospital care when they requisition hospital equipment, supplies, and staff on behalf of their admitted patients.

5. The competition authorities are most interested in the effects of hospital competition on prices paid by the customer group that most frequently negotiates prices – health insurers. To be sure, higher hospital prices resulting from less competition are ultimately passed through to employers and employees in the form of higher premiums or co-pays, and lower wages. Physicians also suffer the consequences of less hospital competition because they lose freedom to choose where they admit their patients.

6. Although the decision to award a CON to either Mercy or Centegra will not be decided in an antitrust proceeding or by a competition authority, the effect of a project on competition is relevant to Illinois CON review according to the Illinois Health Facilities and Planning Act. Among the different criteria applied to the review of a CON application in the State is the proposed project's expected impact on the total health care expenditures in the facility and community.²

III. THE NEED FOR COMPETITION TO CENTEGRA

7. Laws that preserve or encourage competition are intended to protect consumers from the exercise of market power by either a single firm or multiple firms caused by the adoption of anticompetitive business practices.³ Market power is the ability to raise price above competitive levels and/or exclude competition. When barriers to entry into a market are present, as is the

² Illinois Health Facilities Planning Act, (20 ILCS 3960), Section 6d.

³ Monopolization through anticompetitive practices is one example of the exercise of single firm market power. Price-fixing is an example of the exercise of market power by multiple firms.

case with prospective new hospitals seeking to locate in Illinois,⁴ the level of a firm's market share is the conventional measure of single firm market power. When a firm holds the largest market share, an additional useful measure of its market power is the disparity between its own share and the share of its leading competitor. The firm's market power grows as that disparity increases.

8. To assess whether Centegra's existing facilities in McHenry County possess market power, I have calculated its current inpatient share in four areas: Centegra-Woodstock's primary service area ("PSA"), Centegra-Woodstock's PSA plus secondary service area ("SSA"), Centegra-McHenry's PSA, and Centegra-McHenry's PSA plus SSA.⁵ In calculating Centegra's shares, I have included only inpatient services (DRGs) that Centegra provided in the July 2009 to June 2010 Illinois Hospital Association COMPdata.⁶ The reason for excluding those inpatient services which it does not provide is that Centegra can possess market power only over those inpatient services that it offers.⁷ Centegra's share in these four areas is shown Table 1 below. Column 1 of the Table shows that in each area Centegra holds the largest market share. Its shares in the Centegra-Woodstock and Centegra-McHenry PSAs equal 58 percent. In the

⁴ Certificate of Need laws are usually deemed a significant barrier to entry.

⁵ Centegra CON Application, pp. 124-5. The PSAs for each Centegra hospital are based on the smallest number of zip codes that account for 75 percent of each facility's discharges. In the case of Centegra-McHenry, the zip codes that comprise the SSA account for the next 13.9 percent of the facility's discharges up to the cumulative percentage of 88.9 percent. In the case of Centegra-Woodstock, the SSA is comprised of the zip codes that account for the next 12.7 percent of discharges up to a cumulative percentage of 87.7 percent. Shares were computed based on discharge counts. For both hospitals, the patient counts used to calculate shares exclude normal newborns, and "soft" inpatient services such as alcohol rehabilitation, substance abuse, and psychiatric admissions. These service exclusions are consistent with those adopted by antitrust authorities when defining general acute care inpatient hospital product markets.

⁶ COMPdata is a product of the Illinois Hospital Association. Illinois COMPdata contains patient-level discharge information for each inpatient discharge from an Illinois hospital.

⁷ Centegra does not compete with other hospitals for the patients who demand these services.

Centegra-Woodstock PSA plus SSA, Centegra maintains a 49 percent share. In the combined PSA plus SSA of Centegra-McHenry, Centegra holds a 39 percent share.

TABLE 1

CENTEGRA AND LEADING COMPETITOR-FACILITY SHARES IN THE SERVICE AREAS OF CENTEGRA'S EXISTING HOSPITALS⁸

Area	Current Centegra System Share	Share of Second Largest Facility Competitor	Factor By Which Centegra is Larger than the Second Largest Competitor
Centegra-Woodstock PSA	58	9	6.4
Centegra-Woodstock PSA+SSA	49	15	3.3
Centegra-McHenry PSA	58	17	3.4
Centegra-McHenry PSA+SSA	39	26	1.5

9. Centegra's existing shares in these four areas may be understated for several reasons.

First, I have included all admissions of service area residents to non-McHenry County hospitals in the share calculations even though difficult cases for DRGs that Centegra offers may migrate to larger and more sophisticated hospitals located outside the County. Arguably, other hospitals do not compete with Centegra for these cases, and those admissions should be removed from the calculation of Centegra's share.⁹ Second, some patients who migrate out of Centegra's service

⁸ In the Centegra-McHenry PSA plus SSA, the share of the second largest facility competitor is the combined share of Advocate Good Shepherd Barrington and Advocate Condell Hospital. For the other service areas shown in the table, with the exception of Advocate Good Shepherd, the individual facility shares of other Advocate hospitals are less than 5 percent.

⁹ For example, when inpatient discharges with total dollar charge amounts more than two standard deviations above the mean charge amount of that DRG at Centegra are excluded from the "denominator" used to in the calculation of shares, Centegra's current shares in its Woodstock PSA, Woodstock PSA plus SSA, McHenry PSA, and McHenry PSA plus SSA increase respectively to 63, 54, 62, and 43 percent.

areas may do so because they maintain historical relationships with hospitals and physicians located in other parts of the Chicago metropolitan area. For these patients, admission to Centegra is not a good alternative to admission at these other hospitals, which indicates that these facilities do not truly compete with Centegra for these cases. The removal of these cases from the denominator used to calculate shares would result in a larger Centegra share in each of these four areas.

10. As Centegra holds the largest share in each area, I measured its relative share advantage by calculating the ratio of its share and the share of its closest competitor facility. The second column in Table 1 shows the share of the second largest competitor facility, and the third column is the ratio of Centegra's share and the competitor's share. In each area, Centegra's closest facility competitor is Advocate Good Shepherd Hospital.¹⁰ Table 1 shows that Centegra's share is more than six times larger than that of its leading competitor in the Centegra-Woodstock PSA. Centegra's share is more than three times larger than its closest competitor's share in the combined Centegra-Woodstock PSA and SSA. For its McHenry hospital, Centegra's share is 3.4 and 1.5 times larger than the share of its closest competitor in that facility's PSA and combined PSA and SSA, respectively.

11. Based on this analysis, I conclude there is a present need for additional (new) hospital competition in the service areas of Centegra's two existing hospitals.

IV. THE LIKELY IMPACT OF MERCY-CRYSTAL LAKE

12. The effect of Mercy-Crystal Lake on Centegra is analogous to the effect of a new entrant on an existing, relatively dominant incumbent. As shown in Table 2 below, at present, Mercy-

¹⁰ With the exception of the Centegra-McHenry's combined PSA and SSA (see note at the end of Table 1), I did not include shares of other Advocate hospitals in this column because they are individually small (less than five percent).

Harvard accounts for a minimal share in the service areas of Centegra's two existing hospitals. Put simply, Mercy-Harvard is not a significant competitor to either Centegra hospital. The relevant question then becomes whether the entry of Mercy-Crystal Lake will help de-concentrate the service areas of Centegra's current facilities. Table 2 shows the impact that Mercy-Crystal Lake is likely to have on hospital shares. To compute the share of Mercy-Crystal Lake, I have relied on information submitted by certain physicians who wrote letters of support for the new Mercy-Crystal Lake hospital. These physicians are employed by Mercy and pledged to make certain numbers of patient referrals to Mercy-Crystal Lake. Their referral estimates are organized by zip code and indicate the existing hospitals currently used by these patients. From this information it is possible to calculate both a share for Mercy-Crystal Lake in the service areas of Centegra's existing two hospitals and Centegra's share after these referrals to Mercy-Crystal Lake occur.

13. Table 2 shows the share impact of Mercy-Crystal Lake. Across the four areas, the third column of the table indicates that Mercy would earn an approximate incremental share between 10 and 15 points in these different areas, based on the support of these physicians. Because the doctors who are expected to use Mercy-Crystal Lake currently admit the vast majority of their patients to Centegra, the decline in Centegra's share approximately equals the increase in Mercy's share. Based on this information, I would expect that Mercy-Crystal Lake will emerge as Centegra's most significant competitor. Further, the actual increase in Mercy's share and the corresponding decline in Centegra's share will be larger if additional physicians that currently

admit their patients to Centegra's two hospitals shift some of their admissions to Mercy-Crystal Lake.¹¹

TABLE 2
IMPACT OF MERCY-CRYSTAL LAKE HOSPITAL ON SHARES

Geographic Area	Current Centegra Inpatient Share	Mercy-Harvard Current Share	Mercy System Share With Crystal Lake Hospital	Centegra Share After Mercy Crystal Lake¹²
Centegra-Woodstock PSA	58	2	16	45
Centegra-Woodstock PSA+SSA	49	2	13	38
Centegra-McHenry PSA	58	0	12	47
Centegra-McHenry PSA+SSA	39	1	10	31

14. The letters of physician support for Mercy-Crystal Lake are consistent with my conclusion that Mercy-Crystal Lake will become Centegra's closest competitor. Based on this information, it is possible to estimate the expected downward effect on Centegra's prices that would result from Mercy-Crystal Lake's entry. To calculate that expected impact, I assume that Centegra's and Mercy's shares for individual commercial payers that negotiate

¹¹ Alternatively, if Mercy employs additional physicians and they attract patients from the non-employed physicians who currently admit to Centegra, Mercy's (Centegra's) share will increase (decline) further.

¹² The difference between Centegra's current shares in each area and its shares after Mercy-Crystal Lake enters is not the difference between the share values in columns 1 and 3 because of (1) rounding and (2) a small amount of Mercy-Crystal Lake's share is gained at the expense of non-Centegra hospitals.

inpatient hospital prices with Centegra equal their shares shown in Table 2.¹³ To simulate Centegra's expected price decline, I apply a model of oligopoly pricing used to estimate price changes in markets where firms sell differentiated products.¹⁴ Table 3 shows that the expected price declines for Centegra range from 4 to 9 percent, depending on which Centegra service area is used to compute Centegra's and Mercy's shares.¹⁵

TABLE 3
EXPECTED CENTEGRA PRICE DECLINE GIVEN
MERCY-CRYSTAL LAKE'S EXPECTED SHARE

Geographic Area	Expected Centegra Price Decline
Centegra-Woodstock PSA	9 percent
Centegra-Woodstock PSA+SSA	6 percent
Centegra-McHenry PSA	8 percent
Centegra-McHenry PSA+SSA	4 percent

15. I conclude from this analysis that in the service areas for Centegra's two existing hospitals, the additional competition created by the entry of Mercy-Crystal Lake would be beneficial to payers and employers.

¹³ That is, Centegra's and Mercy's shares of an individual payer's inpatient volume that originates in these four different areas, for the same underlying services, is assumed to equal the all-payer shares shown in Table 2.

In performing the price simulation, I computed Mercy-Crystal Lake's share based only on those patients that Mercy-Crystal Lake would siphon from Centegra's existing hospitals.

¹⁴ Inpatient hospital services are an example of a differentiated product.

¹⁵ Larger price declines would be associated with larger increases (decreases) in Mercy's (Centegra's) share than those shown in Table 2.

V. THE COMPARATIVE NEED FOR ADDITIONAL HOSPITAL COMPETITION IN THE SERVICE AREAS PROPOSED BY MERCY-CRYSTAL LAKE AND CENTEGRA-HUNTLEY

16. The final analysis I performed is a comparison of the relative need for additional hospital competition in the service areas of each applicant's proposed facility. Table 4 below shows the current hospital shares in the PSAs for Mercy-Crystal Lake and Centegra-Huntley.¹⁶ In Mercy-Crystal Lake's PSA, Centegra currently possesses the largest share, equal to 48 percent. The second leading competitor, Good Shepherd in Barrington, holds a 17 percent share, making Centegra's share nearly three times larger. Alternatively, in the Centegra-Huntley PSA, Centegra does not presently possess the largest share. Sherman Hospital in Elgin holds a 26 percent share, compared to Centegra's 23 percent share. A comparison of the two areas shows that the market share advantage for Centegra in the Mercy-Crystal Lake PSA is much larger than in the Centegra-Huntley PSA (where Centegra is not even the firm with the largest share).

TABLE 4

COMPARATIVE NEED FOR COMPETITION IN THE PROPOSED PSAs OF MERCY-CRYSTAL LAKE AND CENTEGRA-HUNTLEY

Geographic Area	Centegra Current Share	Mercy-Harvard Current Share	Share of Leading Facility Competitor	Factor by Which Centegra is Larger than its Leading Competitor
Proposed Mercy-Crystal Lake PSA	48	0	17	2.8
Proposed Centegra-Huntley PSA	23	0	26	0.9

¹⁶ The proposed Centegra-Huntley PSA is shown on page 107 of Centegra's CON application.

17. I conclude from this analysis that, all else equal, residents of Mercy-Crystal Lake's proposed PSA are likely to benefit more from the choice of an additional hospital than the residents of the Centegra-Huntley's proposed PSA.

DAVID M. EISENSTADT, Ph.D.

CURRICULUM VITAE

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CURRICULUM VITAE**Education**

1979 Ph.D., Economics, University of Illinois (Urbana-Champaign) 1975
M.S., Economics, University of Illinois (Urbana-Champaign) 1973 B.S.,
Economics, University of Maryland

Experience

Dr. Eisenstadt joined Microeconomic Consulting and Research Associates, Inc. as a founder and Principal in 1991. His experience includes antitrust work in the health care, real estate, cigarette, telecommunications, soft drink, toy, and energy industries, as well as the computation of damages in private antitrust and other litigation.

Prior to joining MiCRA, Dr. Eisenstadt was a Senior Vice President of ICF Consulting Associates. From 1984-1986, Dr. Eisenstadt was a Senior Economist at the consulting firm of Cornell, Pelcovits & Brenner Economists Inc., and prior to that was a Senior Economist at the U.S. Department of Justice, Antitrust Division in Washington, D.C.

Dr. Eisenstadt has been retained to provide economic advice and competitive analysis to hospitals or law firms in numerous proposed transactions among hospitals or other health care providers. In addition, he has been retained as an economic expert in many matters involving denial of staff privileges to physicians, and/or alleged monopolization or other alleged instances of unfair methods of competition among health care providers. A partial listing (excludes current or confidential matters in which Dr. Eisenstadt's name has not yet been disclosed) of Dr. Eisenstadt's experience as a private consultant includes:

- Economic expert in Home Quarters v. MiRealSource and Realcomp II Ltd.
- Economic expert in Grand River Enterprises Six Nations, Ltd. v. Pryor, et al.
- Economic expert in Grand River Six Nations Ltd, Claimants v. United States of America.
- Economic expert in Wood v. Archbold Medical Center et al.
- Consulting economist to Meridian Health System and Southern Ocean County Hospital
- Consulting economist to Meridian Health System and Bayshore Community Hospital
- Economic expert in Wuesthoff Health System v. Health First Inc., et al., Case No. 05-2007-CA-029391, Eighteenth Judicial Circuit, Brevard County, Florida
- Consulting economist to Maine Health in its proposed merger with Penobscot Bay Medical Center
- Consulting economist to Maine Health in its merger with Southern Maine Medical Center.
- Consulting economist to Froedtert and Community Memorial Hospital (F&CH) and Synergy Health in the merger of F&CH and Synergy Health – West Bend Clinic.
- Consulting economist to Rush North Shore Medical Center and Evanston Northwestern Healthcare.
- Consulting economist to St. Mary's Medical Center and Baptist Health System, Knoxville, TN.
- Consulting economist to Robert Wood Johnson, New Brunswick, N.J.
- Economic expert in In the Matter of Realcomp II Ltd.
- Economic expert in JBS Technologies v. Matsushita Electric Corporation of America.
- Economic expert in Wuesthoff Memorial Hospital vs. Agency for Health Care Administration, DOAH Case No. 06-0571 CON, CON No. 9881.
- Economic expert in Four Corners Nephrology Associates et al. v. Mercy Medical Center of Durango.
- Economic expert in Wuesthoff Health System v. Health First Inc. et al.
- Economic and consulting expert for Highmark Blue Cross Blue Shield of Western Pennsylvania.
- Consulting expert for Froedtert and Community Memorial Hospital and Columbia and St. Mary's Health System, Milwaukee, WI.
- Deposition testimony in HCBCG v. Hawaii Pacific Health, et al.
- Consulting economist to HealthNow New York, Inc. (Blue Cross-Blue Shield of Western New York).
- Consulting economist to Coventry Health Care.

- Economic expert on behalf of Madison Hospital in Alabama CON hearing, Huntsville, Alabama.
- Consulting economist to McLaren Health System.
- Consulting economist to New York State Attorney General in GHI-HIP.
- Consulting economist to Northeast Medical Center and Carolinas Health System.
- Economic expert and Med-Alert v. Atlantic Health System, et al.
- Deposition and hearing testimony in Holmes Regional Medical Center (HRMC) v. State of Florida.
- Economic expert in Federal Trade Commission v. Piedmont Health Alliance.
- Economic expert in Baptist Health System v. Covenant Health Inc. (Arbitration).
- Economic expert in Quanex Corporation and Affiliated Subsidiaries v. Commissioner of Internal Revenue.
- Economic expert in Kochert v. Greater Lafayette Health Services.
- Economic expert in Abraham v. Intermountain Health Care.
- Economic expert on behalf of Vista Health.
- Economic expert in Rome Ambulatory Surgery Center v. Rome Memorial Hospital.
- Economic expert in Goodstein v. Queens Physician Associates (American Arbitration Association).
- Economic expert in American Health Lawyers Association Alternative Dispute Resolution Service In the Matter of Healthnow New York, Inc. and Catholic IPA, LLC.
- Economic expert in Adventist Health System/Sunbelt, Inc., d/b/a/ Florida Hospital vs. Florida Agency For Health Care Administration.
- Economic expert in Gateway Contracting Services v. Sagamore Health Network, Inc. et al.
- Economic expert in Highmark et al. v. UPMC Health System
- Economic expert in Coventry Health Care of Kansas Inc. v. Via Christi Health System, Inc. et al.
- Economic expert in West Penn Allegheny Health System et al. v. UPMC Health System.
- Economic expert in Welborn Clinic v. St. Mary's Medical Center of Evansville, Indiana.
- Economic expert in Health America v. Susquehanna Health System.
- Economic expert in Cardiac Institute General Partnership v. Banner Health System, et. al.

- Economic expert in the Application of Wellmont Washington County Hospital, CON Number CN0007-59, Before the Tennessee Health Facilities Commission.
- Economic expert in Snyder v. Microchip Technology United States District Court for the Southern District of Ohio Eastern Division, Civil Action No. C2-98-416.
- Economic expert in Holmes Regional Medical Center v. Agency For Health Care Administration and Wuesthoff Memorial Hospital.
- Economic expert in Babb vs. Penn State Geisinger Health System.
- Economic expert in State of New York et al. v. Toys "R" Us.
- Economic expert in the matter of New York Telephone Company's Proposal to Discontinue Offering Information Services.
- Economic Expert in Temple University, Inc., v. Mercy Health Plan, et al.
- Economic Expert in Wuesthoff Health Systems v. Health First, Inc., et al.
- Economic expert in Marshall v. Planz et al.
- Economic expert in Hylton v. St. Vincent Hospital, et al.
- Economic expert in HTI Health Services, Inc. v. Quorum Health Group Inc., et al.
- Economic expert in Federal Trade Commission v. Butterworth Health Corporation et al., Grand Rapids, MI.
- Economic expert in Albani, et al. v. Southern Arizona Anesthesia Services, Tucson, AZ.
- Economic expert in The Care Group v. Creef, et al., Baltimore, MD.
- Economic expert in Sokol v. Akron General Hospital.
- Consulting economist to Harrowston, Inc.
- Consulting economist to Health America and Coventry Health Care.
- Consulting economist to Vanderbilt University Hospital.
- Consulting economist to Coventry Health System and Health America.
- Consulting economist to St. Mary's Medical Center, Evansville, IN.
- Consulting economist in the matter of Anthony D. Viazis, D.D.S., v. American Association of Orthodontists, Southwestern Society of Orthodontists, and Greater Dallas Association of Orthodontists.
- Consulting economist to Chesapeake Hospital, Chesapeake, VA.

- Consulting economist to Sisters of Mercy, Northwest IN.
- Consulting economist to Woman's Clinic Inc., Springfield, MO.
- Consulting economist to Educators Mutual Life Insurance Company and Central Penn Healthcare.
- Consulting economist to Methodist-Jackson Hospital and Methodist Healthcare Systems, Memphis, TN, and Jackson, TN.
- Consulting economist to Sisters of St. Francis, Mishawaka, Indiana.
- Consulting economist to Cape Fear Valley Health System and Columbia Highsmith-Rainey Hospital, Fayetteville, NC.
- Consulting economist to Grace Hospital and the Charlotte-Mecklenburg Hospital Authority.
- Consulting economist to Long Island Health Network.
- Consulting economist to Merced Community Medical Center, Merced, CA.
- Consulting economist to North Oakland Medical Center, Pontiac, MI.
- Consulting economist to Michigan Affiliated Health System and McLaren Regional Medical Center, Lansing and Flint, MI.
- Consulting economist to Adventist HealthCare, Inc.
- Consulting economist to Fallon Health System, Worcester, MA.
- Consulting economist to Allentown Osteopathic Hospital and Sacred Heart Hospital, Allentown, PA.
- Consulting economist to Hallmark Health.
- Consulting economist to the University of Maryland Medical System.
- Consulting economist to Highmark Blue Cross and Blue Shield.
- Consulting economist to Baptist Hospital in Montgomery, AL.
- Consulting economist to Alliant Health System, Louisville, KY.
- Consulting economist to Duke University Medical System.
- Consulting economist to St. Vincent Hospital, Indianapolis, IN.
- Consulting economist to Winthrop-South Nassau and Catholic Hospitals of Long Island.
- Consulting economist to St. Elizabeth's and Lafayette Home Hospitals, Lafayette, IN.

- Consulting economist to the Connecticut Attorney General in its review of University of Connecticut Hospital System's consolidation with Hartford Hospital.
- Consulting economist to Respirationics and Healthydyne Technologies.
- Consulting economist to Kingston, Northern Dutchess and Benedictine Hospitals, Kingston, NY.
- Consulting economist to Suffolk Healthcare Coalition, Long Island, NY.
- Consulting economist to Kent General and Milford Memorial Hospital, Dover, DE.
- Consulting economist to New York Hospital.
- Consulting economist to Duke University Medical Center and Durham Regional Hospitals, Durham, NC.
- Consulting economist to Mainline-Jefferson Health System, Philadelphia, PA.
- Consulting economist to South Jersey Health System and Newcomb Medical Center, Vineland, NJ.
- Consulting economist to the Cleveland Clinic, Cleveland, OH.
- Consulting economist to Capital Health Network, Albany, NY.
- Consulting economist to Chester County and Brandywine Hospitals, W. Chester, PA.
- Consulting economist to Wesley Long and Moses Cone Hospitals in Greensboro, NC.
- Consulting economist to Kenosha Memorial and St. Catherine's Hospitals, Kenosha, WI.
- Consulting economist to Berkshire Health System, Pittsfield, MA.
- Consulting economist to Mary Black and St. Francis Hospitals, Greenville, SC.
- Consulting economist to St. Vincent's, St. Francis, and Community Hospitals, Indianapolis, IN.
- Consulting economist to St. Vincent-Community Health Network, Indianapolis, IN.
- Consulting economist to Woman's Hospital, Baton Rouge, LA.
- Consulting economist to St. Luke's and Quakertown Hospitals, Bethlehem, PA.
- Consulting economist to Floyd Medical Center, Gordon Hospital and Hamilton Medical Center, N.W. GA.
- Consulting economist to Hudson Health Network, Jersey City, NJ.
- Consulting economist to Providence Memorial and Sierra Medical Center, El Paso, TX.
- Consulting economist to HSI-Qualmed Plans of Pennsylvania.

- Consulting economist to the Missouri Department of Insurance.
- Consulting economist to Shands-U. of FL. Hospital and Alachua General Hospital, Gainesville, FL.
- Economic expert in Howerton, et al. v. Grace Hospital, et al., Morganton, NC.
- Economic expert in Healow v. St. Vincent's Hospital, Billings, MT.
- Economic expert in Hylton v. St. Vincent's Hospital, Billings, MT.
- Economic expert in Ertag, et al. v. Naples Community Hospital, Naples, FL.
- Economic expert in J. Michael Becker, D.C., et al. v. Blue Shield of Southwestern Virginia, et al.
- Economic expert in Major v. U.S.
- Consulting economist to Promina Healthcare Systems, Atlanta, GA.
- Consulting economist to Northwest Georgia Health Systems, Piedmont and Gwinnett Hospitals, Atlanta, GA.
- Consulting economist to Maine Medical Center and Brighton Medical Center, Portland, ME.
- Consulting economist to Freeman and Oak Hill Hospitals, Joplin, MO.
- Consulting economist to Rochester General and the Genessee Hospital, Rochester, NY.
- Consulting economist to St. Joseph's and Memorial Mission Hospitals, Asheville, NC.
- Consulting economist to Multicare Health Systems, Tacoma, WA, and Swedish Medical Center, Seattle, WA.
- Consulting economist to Winchester Medical Center, Winchester, VA.
- Consulting economist to INOVA Health System, Springfield, VA.
- Consulting economist to St. Joseph Medical Center and Lutheran Hospital of Indiana, Fort Wayne, IN.
- Consulting economist to Waukesha Memorial Hospital, Waukesha, WI.
- Consulting economist to Medical Center at Bowling Green, KY.
- Consulting economist to Asbury-Salina Regional Medical Center and St. John's Regional Health Center, Salina, KS.
- Consulting economist to Medical Center of Central Massachusetts and Saint Vincent Hospital, Worcester, MA.

- Consulting economist to Morristown Memorial Hospital, Overlook Hospital and Mountainside Hospital, Northern NJ.
- Consulting economist to Multicare Health System and Tacoma General Hospital, Tacoma, WA.
- Consulting economist to St. Mary's Hospital and Howard Young Medical Center, Rhinelander, WI.
- Consulting economist to Mercy and St. Luke's Hospitals in Davenport, IA.
- Consulting economist to St. Elizabeth's Hospital and Mercy Medical Center, Fox River Valley, WI.
- Consulting economist to Ingham Medical Center and Lansing General Hospital, Lansing, MI.
- Consulting economist to Mercy and Holyoke Hospitals, Springfield, MA.
- Consulting economist to University of Wisconsin Clinical Practice Plan, University of Wisconsin Medical Foundation, and Physicians Plus Medical Group.
- Consulting economist to St. Joseph's and St. Francis Medical Centers, Wichita, KS.
- Consulting economist to St. Clare's Hospital and Dover General Hospital, Dover, NJ.
- Consulting economist to Main Line Health, Inc., Radnor, PA.
- Consulting economist to Iowa Lutheran and Methodist Hospitals, Des Moines, IA.
- Consulting economist to Lahey Clinic, Boston, MA.
- Consulting economist to Women and Infants and Kent County Hospitals, Providence, RI.
- Economic expert in EGH, Inc., doing business as Eastmoreland Hospital v. Blue Cross and Blue Shield of Oregon, et al., Portland, OR.
- Economic expert in Advanced Health-Care Services, Inc. v. Giles Memorial Hospital, et al., Giles County, VA.
- Consulting economist to Jefferson Health System, Philadelphia, PA.
- Economic expert in Stiteler, et al. v. Lutheran Hospitals and Homes Society of America, Spearfish, ND.
- Consulting economist to Defendants in American Health Systems v. Liberty Health Systems, et al., Delaware County, PA.
- Consulting economist to Visiting Nurse Association of Philadelphia in the matter of AHS v. VNA, et al., Philadelphia, PA.
- Consulting economist to Mercy Health Corporation in Philadelphia, PA.
- Consulting economist to McLaren and LaPeer Regional Medical Centers, Flint-LaPeer, MI.

- Consulting economist to Radiation Medicine Associates of Scranton, PA.
- Consulting economist to Washington Managed Imaging, Seattle, WA.
- Economic expert in Rourke v. Lowell General Hospital, Lowell, MA.
- Consulting economist to St. Joseph Hospital and University Hospital, Augusta, GA.
- Consulting economist to Franciscan and United Medical Centers, Moline-Rock Island, IL.
- Consulting economist to Baptist and Memorial Hospitals, Jacksonville, FL.
- Consulting economist to Abbott Labs and Fresenius.
- Economic expert in U.S. Healthcare, Inc., et al. v. Healthsource, Inc., et al., Concord, NH.
- Economic expert in Bellavia, et al. v. Hackensack Medical Center, et al., Hackensack, NJ.
- Economic expert in Wei v. Bodner, et al., Hackettstown, NJ.
- Economic expert in Williamson, et al. v. Sacred Heart Hospital, et al., Pensacola, FL.
- Consulting economist in the matter of Sentara Health Systems' acquisition of Humana Bayside Hospital, Virginia Beach, VA.
- Consulting economist to Dominican Hospital, Santa Cruz, CA.
- Consulting economist to Pennsylvania Blue Shield and Independence Blue Cross in the joint venture of Keystone and Delaware Valley HMOs, Philadelphia, PA.
- Consulting economist to CIGNA and Equicor in CIGNA's acquisition of Equicor.
- Consulting economist in the matter of Sentara Health Systems proposed acquisition of Chesapeake Hospital.
- Consulting economist to Swedish Medical Center and Ballard Hospital in Seattle, WA.
- Economic expert in M&M v. Pleasant Valley Hospital, Point Pleasant, WV.
- Consulting economist in Fort Sanders Regional Medical Center's acquisition of HCA Park West Hospital in Knoxville, TN.
- Consulting economist to St. Mary's and St. Luke's Hospitals in Racine, WI.
- Economic expert in Shah v. Danville Memorial Hospital, Danville, VA.
- Consulting economist to St. Ansgar Hospital, Moorhead, MN.
- Economic expert in Cypress Recreation Center Ltd. v. Pepsi-Cola Bottling Company, et al.

- Economic expert in U.S. v. Carilion Health System, Roanoke, VA.
- Consulting economist to St. Elizabeth's and Lakeview Hospitals, Danville, IL.
- Consulting economist to Community General Hospital and The Reading Hospital and Medical Center, Reading, PA.
- Consulting economist to Community Medical Insurance Company in CMIC v. Blue Cross Association, Cincinnati, OH.
- Economic expert in NBA v. BCBS of Alabama.
- Economic expert in Snyder Distributing v. Ohio Bell.
- Plaintiff's damage study in Gressman v. People's Service Drug Stores.
- Assisted in the preparation of a report that analyzed the effect of a Federal Home Loan Bank Board Rule governing direct investments of FSLIC insured Savings and Loans.
- Assisted in the preparation of an analysis that explained the relationship between concentration and profitability in the elevator industry.
- Assisted in the preparation of a report to DOT regarding the competitive effects of airline ownership of computerized reservation systems.
- Assisted in the preparation of a defendant's damage study in a major class action suit against a large pharmaceutical company.
- Economic expert in White v. Rockingham Memorial Hospital.
- Economic expert in Driscoll v. Medical Center Hospital.
- Oral and written presentation of a report to U.S. Department of Justice and Virginia Attorney General regarding the competitive effects of a merger between two Blue Cross plans.
- Coauthored a report assessing the competitive benefits of continued regulation of a petroleum products pipeline.
- Assisted in the analysis of a merger between General Electric and CGR, computerized tomography manufacturers.

From 1979-1984, Dr. Eisenstadt was employed by the Department of Justice, Antitrust Division, as an Economist in the Economic Policy Office. Some of his experience in the Antitrust Division included:

- Affidavit testimony in U.S. v. Beverly Enterprises.
- Competitive analysis of several other nursing home acquisitions or hospital mergers.
- Competitive analysis of possible physician domination of third parties in several Departmental investigations of Blue Shield plans, physician-sponsored IPAs, and PPOs.

- Member of a Department of Justice Task Force assessing relief options in U.S. v. IBM.
- Competitive analysis of matters involving vertical restraints including resale price maintenance, tying arrangements, and exclusive dealing.

Testimony

- Deposition testimony in Home Quarters Real Estate Group, LLC v. MiRealSource and Realcomp II, Ltd., Case No. 07-12090. United States District Court, Eastern district of Michigan
- Expert Report in Wuesthoff Health System v. Health First, Inc., Case 05-2007-CA-019391, Circuit Court in and for the Eighteenth Judicial Circuit, Brevard County Florida
- Deposition testimony and expert reports in Grand River Enterprises Six Nations, Ltd., et al. v. Pryor et al., Case No. 02 CV 5068
- Expert reports in Grand River Six Nations Ltd. Claimants v. United States of America, Respondent, Under the Arbitration Rules of the United Nations Commission on International Law and the North American Free Trade Agreement
- Deposition testimony and expert reports in Wood v. Archbold Medical Center et al., Case, No. 7:07-CV-109
- Hearing and deposition testimony and expert report(s) in In the matter of Realcomp II Ltd., Docket 9320.
- Expert report in Wuesthoff Health System v. Health First Inc.
- Expert report in Four Corners Nephrology Associates et al. v. Mercy Medical Center of Durango.
- Expert Report and deposition testimony in HCBCG v. HPH, et al., Civil No., 02-1-0090-01.
- Deposition testimony and expert report in Med Alert Ambulance, Inc. v. Atlantic Health System, Inc., et al., United States District Court, District of New Jersey, CA 04-1615.
- Hearing testimony, deposition testimony, and expert report in Wuesthoff Memorial Hospital vs. Agency for Health Care Administration, DOAH Case No. 06-057 1, CON No. 9881.
- Expert Report and deposition testimony in JBS Technologies v. Matsushita Electric Corporation of America, Case No. 03-CV524, Court of Common Pleas, Jefferson County Ohio.
- CON hearing testimony on behalf of Madison Hospital, Alabama State Health Planning and Development Agency, Project No. AL 2005-035A
- Expert report, deposition, and hearing testimony in Holmes Regional Medical Center v. State of Florida, Agency for Health Care Administration, DOAH Case No. 04-2810CON.
- Expert report in Federal Trade Commission v. Piedmont Health Alliance.

- Expert report and trial testimony in Quanex Corporation and Affiliated Subsidiaries v. Commissioner of Internal Revenue, Docket Number 12642-01.
- Expert reports in Rome Ambulatory Surgery Center v. Rome Memorial Hospital.
- Hearing testimony, deposition testimony, and expert report in Abraham v. Intermountain Health Care.
- Deposition and expert report in Kochert v. Greater Lafayette Health Services.
- Arbitration testimony in Goodstein v. Queens Physician Associates (American Arbitration Association).
- Expert reports in Health America, et al. v. Susquehanna Health Services, et al.
- Expert report in American Health Lawyers Association Alternative Dispute Resolution Service In the Matter of Healthnow New York, Inc. and Catholic IPA, L.L.C.
- Hearing, deposition testimony and expert report in Adventist Health System/Sunbelt, Inc. d/b/a Florida Hospital (petitioner) vs. Florida Agency For Health Care Administration.
- Deposition testimony and expert report in Gateway Contracting Services v. Sagamore Health Network, Inc. et al.
- Expert report in Welborn Health Plan v. St. Mary's Medical Center (Arbitration).
- Expert report in Coventry Health Care of Kansas, Inc. vs. Via Christi Health System.
- Deposition testimony and expert report in Highmark et al. v. UPMC Health System.
- Expert reports in Babb vs. Penn State Geisinger Health System.
- Expert report in Anthony D. Viazis, et al., v. American Association of Orthodontists, et al., (co-authored with Frederick Warren-Boulton).
- Expert report in support of Wellmont Washington County Hospital Application for Certificate of Need, CON Number CN00007-59, Before the Tennessee Health Facilities Commission, October 2000.
- Deposition testimony in Snyder v. Microchip Technology, United States District Court for the Southern District of Ohio Eastern Division, Civil Action No. C2-98-416.
- Expert report and deposition testimony in Wuesthoff Health Systems v. Health First Inc., et al., In The United States District Court Middle District of Florida Orlando Division, Case No. 98-208-C IV-19(c).
- Affidavit testimony in the United States District Court For The Eastern District of New York v. Toys "R" US, 98 M.D.L. 1211 (NG) (JLC).

- Trial and hearing testimony in Holmes Regional Medical Center v. Agency for Health Care Administration and Wuesthoff Memorial Hospital, State of Florida Division Of Administrative Hearings, Case No. 97-4289.
- Affidavit testimony in the matter of New York Telephone Company's Proposal to Discontinue Offering Information Services.
- Expert report in the matter of Temple University Hospital, Inc. v. Mercy Health Plan, et al.
- Deposition testimony in Marshall v. Planz et al., In The United States District Court For The Middle District of Alabama Southern Division, Case Number 97-T-793-S.
- Trial testimony in Hylton v. St. Vincent Hospital.
- Deposition and trial testimony in HTI Health Services, Inc. v. Quorum Health Group, Inc., et al., In The United States District Court For The Southern District Of Mississippi Western Division, Civil Action No. 5:96-CV-108Br (S).
- Deposition and trial testimony in Federal Trade Commission v. Butterworth Health Corporation, et al., United States District Court Western District Of Michigan Southern Division, Case No. 1:96-CV-49.
- Deposition testimony in Parikh v. Franklin Medical Center, United States District Court For The District Of Massachusetts, Civil Action No. 95-3011 1-MAP.
- Deposition testimony in Independence Blue Cross v. Pennsylvania Insurance Department.
- Deposition testimony in Ertag, et al. v. Naples Community Hospital, In the United States District Court Middle District of Florida Southern Division. Docket No. 92-341-CIVFTM-25D.
- Deposition, trial, and affidavit testimony in Albani, et al. v. Southern Arizona Anesthesia Services, In The United States District Court for the District of Arizona, No. Civ. 91-588 TUC CRW (JMR).
- Deposition testimony in Major v. U.S.
- Deposition testimony and expert report in Howerton, et al. v. Grace Hospital, et al., In The United States District Court For The Western District Of North Carolina Shelby Division, Civil Action File No. SH-C-90-1 87.
- Deposition and affidavit testimony in Advanced Health-Care Services, Inc. v. Giles Memorial Hospital, et al., United States District Court Western District of Virginia Roanoke Division, Case No. 88-0346-R.
- Deposition and trial testimony in The Care Group v. Creef, et al., In The United States District Court For The District Of Maryland, Civil Action No. S 92-1648.
- Affidavit testimony in J. Michael Becker, D.C., et al. v. Blue Shield of Southwestern Virginia, et al., In The United States District Court For the Western District of Virginia Roanoke Division, Civil Action No. 81-0320-R.

- Deposition and affidavit testimony in EGH Inc., doing business as Eastmoreland Hospital v. Blue Cross and Blue Shield of Oregon, et al., In The United States District Court For the District of Oregon, No. CV 90-1210-FR.
- Trial and deposition testimony in the matter of U.S. Healthcare, Inc., et al. v. Healthsource, Inc., et al., United States District Court District of New Hampshire, Civil Action No. 91-113-D.
- Deposition and expert report in the matter of Bellavia v. Hackensack, et al., United States District Court For the District of New Jersey, Civ. No. 87-3698.
- Affidavit and supplemental affidavit testimony in Williamson v. Sacred Heart Hospital, et al., In The United States District Court For the Northern District of Florida, Case No. 89-30084 WS.
- Expert report in the matter of Wei v. Bodner, et al., United States District Court for the District of New Jersey. Civil Action No. 89-1137 (AET), Feb. 12, 1991.
- Trial testimony in King v. U.S.A., United States District Court Eastern District Of Michigan Southern Division, No. 87-CV-10199-BC.
- Affidavit testimony in Cypress Recreation Center Ltd. v. Pepsi-Cola Bottling Company et al., In The United States District Court For The Southern District of Florida, Civil Case No. 89-6248 CIV-ROETTGER.
- Verified statement filed with the Maryland Department of Insurance in the matter of CIGNA's acquisition of Equicor.
- Affidavit testimony in NBA v. BCBS of Alabama, In The United States District Court For The Middle District of Alabama Northern Division, Civil Action No. CV 88-H-426-N.
- Deposition testimony in Snyder v. Ohio Bell.
- Trial, deposition, and affidavit testimony in U.S. v. Carilion Health System, et al., United States District Court For The Western District of Virginia Roanoke Division, Civ. Action No. 88-0249-R.
- Affidavit testimony in U.S. v. Beverly Enterprises, Civil Action No. 84-70-1-MAC.
- Affidavit testimony in M&M v. Pleasant Valley Hospital, Civil Action No. A:88-1099.

Teaching Experience

- Graduate Teaching Assistant in Microeconomics and Business Statistics at the University of Illinois, Urbana-Champaign.
- Assistant Professor, Department of Economics at the University of Missouri. Courses taught included Antitrust Economics, Industrial Organization, Intermediate Microeconomics, Medical Economics and Intermediate Econometrics.

Selected Publications and Presentations

- Speaker Joint Department of Justice and Federal Trade Commission Hearings on Health Care and Competition Law and Policy, Spring 2003.
- Serdar Dalkir, David Eisenstadt, Ari Gerstle, and Robert T. Masson, "Complementary Goods, Monopoly vs. Monopoly Power: A Reassessment of Merger Effects," MICRA Working Paper, February 2002.
- Eisenstadt, D., "Hospital Competition and Costs: The *Carilion* Case (1989)," *The Antitrust Revolution: The Role of Economics, 2nd Edition*, John Kwoka and Lawrence J. White, Editors, 1994.
- Eisenstadt, D., "Product Market Definition in Health Antitrust Cases: Concept and Application," Speech before the National Health Lawyers Association, February 1994.
- Eisenstadt, D., "Health Care Antitrust Analysis: Thinking Through the Issues," Speech and paper presented at Trends in Antitrust Health Care Conference sponsored by the American Bar Association, October 1990.
- Eisenstadt, D. and R.T. Masson, "Price Effects from Recent Non-Profit Hospital Mergers," Paper presented at the American Public Health Association Meetings, October 23, 1989.
- Eisenstadt, D., "Type and Form of Economic Evidence Important to Analysis of Hospital Mergers: Case Studies of Roanoke and Rockford District Court Decisions," *Hospital Mergers: An Executive's Guide Through the Antitrust Thicket*, American Hospital Association, September 1989.
- Eisenstadt, D., "Economic Testimony in U.S. v. Carilion Health Systems: Some Thoughts From the Defendants' Economist," Speech before the National Health Lawyers Association, January 26, 1989.
- Eisenstadt, D., "Geographic Market Definition in the Nursing Home and Hospital Industries," Paper presented at the American Bar Association Meetings, August 1984.
- Eisenstadt, D., "An Antitrust Economist's View of Licensure," Speech before the National Clearinghouse on Licensure, Enforcement and Regulation, August 1983.
- Eisenstadt, D. and T. Kennedy, "Physician Controlled Health Insurance Plans and the Coverage of M.D. - Substitutes," Paper presented at the Eastern Economic Association Meetings, March 1983.
- Schwartz, M. and D. Eisenstadt, "Vertical Restraints," *Economic Policy Office Working Paper #82-8*, December 1982.
- Arnould, R. and D. Eisenstadt, "The Effects of Medical Society Control of Blue Shield on Fees in the Physicians' Services Market: Some Preliminary Evidence," *Quarterly Review of Economics and Business*, Spring 1982.

Arnould, R. and D. Eisenstadt, "The Effects of Provider-Controlled Blue Shield Plans: Regulatory Options," *A New Approach to the Economics of Health Care*, Mancur Olson, ed., American Enterprise Institute, 1981.

Eisenstadt, D. and T. Kennedy, "Control and Behavior of Non-Profit Firms: The Case of Blue Shield," *Southern Economic Journal*, July 1981.

Awards and Affiliations

Outstanding Performance Rating, U.S. Department of Justice, 1983, 1984

Special Achievement Award, U.S. Department of Justice, 1980

Member, American Hospital Association Task Force Analyzing Hospital Mergers, 1988-1989

Member, American Bar Association Task Force studying ancillary activities by hospitals



CITY OF
Crystal Lake
ILLINOIS

February 22, 2011

Dan Colby
Vice President
Mercy Health System Corporation, Inc.
1000 Mineral Point Avenue,
Janesville, Illinois 53548

RE: City of Crystal Lake Economic Development Committee Letter of Support

Dear Mr. Colby:

On behalf of the City of Crystal Lake Economic Development Committee, I am writing to inform you that on Tuesday, February 22, 2011, the Committee passed a motion to send this letter of support to endorse the approval of Mercy Health System's application for certificate of need for the proposed Mercy Crystal Lake Hospital and Medical Center project.

The City's Economic Development Committee acknowledges that Mercy Health System has revised its earlier plans to better serve the current and future needs of Crystal Lake and surrounding communities by increasing the number of hospital beds and high-priority services provided in the area.

The Committee recognizes that an estimated 650 to 800 construction related jobs will be created during the two-year construction project that will greatly benefit the Crystal Lake and surrounding communities. Additionally, within the first year of opening the facility, Mercy Crystal Lake Hospital is expected to employ more than a thousand individuals, filling 840 FTE positions, of which approximately 600 will be new jobs. These actions will greatly improve the unemployment rate in the City (8.1% as of December, 2010) and in McHenry County (9.4% as of January, 2011).

Finally, the Committee acknowledges that the total industry sales impact of the proposed Mercy Crystal Lake Hospital and Medical Center ranges from an estimated \$102.78 Million in the first year of operation to an estimated \$257.5 Million five years later.

Please reference the attached minutes from the February 22, 2011, Economic Development Committee meeting. Please feel free to contact me with any questions that you may have regarding our unanimous recommendation.

Sincerely,

Hag Haleblian
Chairman, Crystal Lake EDC



RESOLUTION

WHEREAS, on December 29, 2010, Mercy Health System filed a Certificate of Need Application with the Illinois Health Facilities and Services Review Board (HFSRB) for a \$200 million project in Crystal Lake, Illinois (hereinafter, "the Project"); and

WHEREAS, an approved Certificate of Need from HFSRB will allow Mercy Health System to initiate further steps to seek approval for and begin plans to build a 128-bed acute care, large multi-specialty physician clinic and hospital in Crystal Lake at Route 31 and Three Oaks Road; and

WHEREAS, Mercy Health System has revised its earlier plans to better serve the current and future needs of Crystal Lake and surrounding communities by increasing the number of hospital beds and high-priority services provided in the area; and

WHEREAS, Mercy Health System understands that this resolution vests no zoning rights nor shall it be deemed to constitute an approval for the development or construction of a future Hospital and Medical Center and that any such development and/or construction shall require certain zoning approvals in accordance with the Unified Development Ordinance of the City of Crystal Lake; and

WHEREAS, Mercy Health System has chosen to locate its hospital and medical center in the most densely populated area of McHenry County; and

WHEREAS, Crystal Lake is also the home of the most diverse population in McHenry County and has a growing geriatric population in need of additional services; and

WHEREAS, the location will also provide easy access for Emergency Medical Service providers; and

WHEREAS, it is anticipated that the Project will generate an estimated 650 to 800 construction related jobs during the two-year construction project. Within the first year of opening the facility, Mercy Crystal Lake Hospital is expected to employ more than a thousand individuals, filling 840 FTE positions, of which approximately 600 will be new jobs; and

WHEREAS, Mercy Health System had represented that the total industry sales impact of the proposed Mercy Crystal Lake Hospital and Medical Center ranges from an estimated \$102.78 Million in the first year of operation to an estimated \$257.5 Million five years later; and

WHEREAS, in addition to generating jobs and income, the economic activity associated with the proposed Mercy Crystal Lake Hospital and Medical Center will also generate tax revenue for the State of Illinois and local governments.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Crystal Lake does hereby endorse and support the approval of Mercy Health System's application for certificate of need for the proposed Mercy Crystal Lake Hospital and Medical Center project contingent upon Mercy Health System obtaining certain zoning approvals in accordance with the Unified Development Ordinance of the City of Crystal Lake.

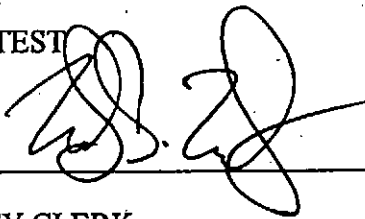
DATED this 15th day of February, 2011.

CITY OF CRYSTAL LAKE, an
Illinois municipal corporation,

By: 
MAYOR Pro-Tem

SEAL

ATTEST



CITY CLERK

PASSED: 2/15/2011

APPROVED: 2/15/2011

AYES: BEADY-MUELLER, SCHOFIELD, DAWSON, THORSEN, HOPKINS

NAYS: 0

ABSTAINED: FEAGUSON



CITY OF
Crystal Lake
ILLINOIS

February 22, 2011

Dan Colby
Vice President
Mercy Health System Corporation, Inc.
1000 Mineral Point Avenue,
Janesville, Illinois 53548

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Hag Haleblian
Chairman, Crystal Lake EDC

City of Crystal Lake Economic Development Committee
February 22, 2011 – 7:30 a.m.
Municipal Complex – City Council Chambers Conference Room

Call to Order

The meeting was called to order at 7:30 a.m.

Mr. Haleblan welcomed the new members of the EDC.

Roll Call/Attendance

Members Affrunti, DeHaan, Fowler, Hymes, Riley, Saidler, and Haleblan were present. Ms. Feddersen arrived later during the meeting. Mr. Dalzell was absent.

James Richter II, Assistant Director of Economic Development, was present from staff. Also in attendance were Gary Reece, President of the Crystal Lake Chamber of Commerce; and Dan Colby with Mercy Health Systems.

Approve Minutes of the January 25, 2011 EDC Meetings

Mr. Fowler moved to approve the January 25, 2011 EDC minutes as presented. Mr. Riley seconded the motion. On roll call, members Affrunti, Fowler, Riley, and Haleblan voted aye. Members DeHaan, Hymes, and Saidler abstained. Ms. Feddersen had not arrived yet. Motion passed.

Public Participation and Comment

Mr. Colby handed out information regarding the proposed hospital and showed a color rendering of the building. This will be located at Three Oaks Road and Route 31 and will consist of a hospital and medical office buildings. Mr. Colby stated that they have rental facilities scattered around Crystal Lake and with the building of the medical offices, it will bring them all together in one place. This project will bring up to 800 construction jobs to the City and will take two years to build. The hospital will employ 1000 jobs initially and up to 1800 as growth occurs. Mr. Colby said they want to consolidate their facilities and provide additional services. He added that they take Medicare, etc. patients and this location shortens the time to get to the emergency services. Crystal Lake is the center of population in McHenry County and there are projections that the population will be 67 to 68,000 in a few years. They have received a Resolution from the City Council in support of this project.

Mr. Colby explained the process for the Certificate of Need that is required by the State of Illinois. He said the public hearing will be held here at the City of Crystal Lake Council Chambers on March 18th and that a report will be forwarded to the State. The hearing will be conducted by a non-voting representative and an attorney who will determine if the testimony will be allowed. The testimony can be made in person or by letter. After the hearing the State Board of 6 members will convene on May 10th to make their decision. Mr. Colby said they can approve, deny or continue their decision. He added that they will be presenting first to the Board and then Centegra.

Mr. Affrunti asked if both proposals could be approved. Mr. Colby said it is possible but he doubts it. Ms. Feddersen asked if the area hospitals are running at capacity. Mr. Colby said they only need to be at 80% capacity. He said Good Shepherd in Barrington will be objecting to this request because it is close. There are districts within the State and McHenry County is its own district. The Board only looks at what is close by in that district and not the distance between a request and a hospital in an adjacent district like Lake County.

Mr. Richter asked how much does the State look at the location vs. the population density of the area. Mr. Colby said it's up to the Board members. He said they should be looking at the existing population, greatest EMS needs, etc. The Crystal Lake area has over 100,000 people. If they were to get the Board's approval, they would be coming to the City of Crystal Lake for their PUD approval of the plan like they did several years ago which received approval. They would be starting construction ASAP while Centegra wants to wait 2 years before going to Huntley for their approval and then start building. One of the problems for Centegra is that the population is not growing as rapidly as it has in the recent past while the population is there in Crystal Lake. Mr. Colby said they plan to open their facility in 2014 while Centegra wants to wait to build until 2015 possibly. If the population doesn't grow, it could be even longer.

Mr. Reece asked how long is the Certificate of Need good for. Mr. Colby said 2 years. Ms. Feddersen asked if there will be a rehab center with this facility. Mr. Colby said not immediately. Mr. Saidler asked all of the doctors will be moved into this facility from other leased spaces. Mr. Colby said there will be 12 doctors moving into the site and there will be new doctors moving here from all over the country.

Mr. Colby said this facility will be a Level 2 emergency room with a heliport. They can't put in everything, such as rehab center, in the beginning or they will not meet certain criteria that is necessary.

Mr. Fowler said he feels this is a plus for the area and a long time coming. He never understood why Crystal Lake did not have a hospital since we have always been the largest city in McHenry County. He said this is a great fit.

Mr. Haleblian moved that a letter or resolution be created in support of the Certificate of Need for Mercy Health Systems. Mr. Riley seconded the motion. On voice vote, members Affrunti, Feddersen, Fowler, Hymes, Riley, Saidler, and Haleblian voted aye. Mr. DeHaan abstained. Motion passed.

Committee Membership

Mr. Richter welcomed the new members of the EDC. He suggested that at the next meeting they hold a strategic planning meeting to discuss the goals, objectives, and structure of the EDC. They can also appoint a new Chairperson for the Committee. Mr. Fowler suggested that they plan for a little more time for the next meeting – possibly until 9:30. The members agreed.

Mr. Riley suggested that the members be sent the information from last year's strategic planning meeting. Mr. Richter said he will send that out so members will have an opportunity to review it.

Mr. Richter said there were several other individuals who applied for these positions and were not appointed. The members had previously suggested that those people be invited to participate in subcommittees as well as give them an open invitation to attend these meetings. Mr. Richter stated there was an issue with one of the individuals who was not selected. Mr. Haleblian said he would call them.

Staff Updates

I Shop Crystal Lake

Mr. Richter presented the proposed budget for the 2011-2012 fiscal year for the EDC.

Mr. Saidler said at the bottom of the I SHOP CL website says it can be mobile but it is not the best. He said that may cost a little more than what is shown. He added that there is money proposed for a new jingle. Mr. Saidler said jingles are expensive and unless there will be radio ads it doesn't pay.

**Public Hearing Statement of Dan Lawler, K&L Gates LLP,
in Opposition to Mercy Crystal Lake Hospital & Medical Center
Project No. 10-089
March 18, 2011**

My name is Dan Lawler and I represent Centegra Health System.

The State Board is required by law to give "particular regard to the ... background and character of the applicant." Mercy knows this and submitted background and character documents in its CON Application, including their Malcolm Baldrige Award. I'm submitting background and character documents too. But there are no awards here.

The background of Mercy Crystal Lake Hospital is that the last time it filed a CON application, three people connected with that application were indicted including Mercy's contractor, Jacob Kiferbaum, and its attorney, Steven Loren. The third person was Stuart Levine, the State Board's Vice-Chairman.

In their Plea Agreements, Levine and Kiferbaum confessed that Levine agreed to influence the State Board to approve Mercy's application in exchange for an expected million dollar plus kick-back from Kiferbaum's construction contract with Mercy.

Mercy's men on that CON application were Javon Bea, Richard Gruber and Herbert Franks; they were, respectively, the CEO, Vice President and Registered Agent for Mercy corporations. Mercy's latest CON application has the same three men on the front page; and they all have the same titles. Nothing has changed.

In November 2003, Kiferbaum wrote to Javon Bea and Gruber saying that his services included securing their CON permit. They didn't hire him at first. But in December 2003, the State Board unanimously voted down Mercy's project: 0 to 8. Javon Bea hired Kiferbaum in January.

In February 2004, Kiferbaum introduced Gruber to Stuart Levine. According to Gruber's own sworn statement, Levine told Gruber that Kiferbaum was a man of integrity and that Gruber could trust him. Gruber replied that he was impressed with Kiferbaum's construction company. Because Mercy's CON application was pending before the State Board, ex parte communications between Gruber and Levine were prohibited.

According to a sworn statement from another hospital CEO, Herb Franks and a Mercy lobbyist told her in March 2004 that Stuart Levine personally met with Kiferbaum and Mercy's CEO to reassure Mercy's CEO that Kiferbaum could "get things done."

On April 20, 2004, the day before Mercy's application was reconsidered by the State Board, Kiferbaum called up Levine and said, "Javon Bea is panicking" because he did not know who the fifth vote would be to approve his application.

The next day, after Mercy's CON was approved, Mercy's lawyer Steven Loren told Levine that Javon was really upset that two State Board members had not voted for the project as he "had been promised up and down the wazoo that he was going to get the support of the those 2 women...."

Kiferbaum also called Levine to report that Javon Bea said "Stuart was masterful." Kiferbaum said Javon Bea knows "how to play the game."

Centegra sued Mercy in the Circuit Court of McHenry County to reverse the CON permit. Even after the commencement of a federal criminal investigation into the issuance of the permit, Mercy fought for a year to keep its ill-gotten gain.

On May 6, 2005, Judge Maureen McIntyre ruled in Centegra's favor and invalidated Mercy's CON. The next business day, Levine and Kiferbaum were indicted. Only then did Mercy throw in the towel and agree not to appeal Judge McIntyre's decision.

The integrity of the CON process was destroyed by actions surrounding the Mercy Crystal Lake application in 2004. There is now a new State Board; but the people on Mercy's side are the same. Can the Leopard change his spots? Less than a month after the latest Crystal Lake application was deemed complete, Mercy hired a professional lobbyist for the stated purpose of lobbying the State Board with regard to a hospital in Crystal Lake.

My written submission documents everything I have just said, and much more. I urge the State Board to fulfill its statutory mandate to give "particular regard to the ... background and character of the applicant" (20 ILCS 3960/6) and to deny Project No. 10-089, Mercy Crystal Lake Hospital and Medical Center.



Dan Lawler

BARRINGTON TOWNSHIP
COOK COUNTY

602 SOUTH HOUGH STREET • BARRINGTON, ILLINOIS 60010-4499 • (847) 381-5632 FAX (847) 381-0623 e-mail: genedawson2003@yahoo.com

EUGENE R. "GENE" DAWSON
Supervisor

D. ROBERT ALBERDING
Clerk

AMY P. NYKAZA
Assessor

LINDA POST
Collector

BOARD OF TRUSTEES

DANIEL P. FITZGERALD

ROBERT A. NYKAZA JR.

MICHAEL W. RYAN

RONALD F. SZYMANSKI

March 18, 2011

Hello, my name is Gene Dawson, and I am the Barrington Township Supervisor. Barrington Township is in the northwestern tip of Cook County. That makes us an immediate neighbor to three counties – Kane County, McHenry County and Lake County.

All government bodies are being called upon to be better stewards of taxpayer money. I would like to ask the Illinois Health Facilities Services and Review Board to do the same. I do not believe that Mercy Health System's proposal to build a new hospital is a good use of healthcare dollars. It would only add to escalating health care costs in our area. And, it would be a burden to already-overextended state and federal budgets.

The proposed hospital site is only six miles from Advocate Good Shepherd in Barrington. That fact alone should send up a red flag – more hospital beds are not needed here. Many of the residents in the proposed hospital's service area actually live closer to Good Shepherd Hospital than they do to Crystal Lake. Beyond that, most of the people that Mercy says it will serve live within a 30-minute drive of Good Shepherd. That is well within the state guidelines for accessibility.

As long as we are on the topic of driving, let's talk about traffic congestion. Mercy says it wants to build a hospital in Crystal Lake because traffic congestion causes a need. If this is true, then why did Mercy choose a site that is in a high traffic area? Wouldn't this just make the congestion worse?

The ongoing recession means that population growth trends are being recalculated – downward. Building a new hospital – which would increase the number of beds in the area by 50 percent – before there is an adequate population base to support it, would be a poor use of economic resources.

Thank you for your time and thank you for listening to my comments.



Eugene R. "Gene" Dawson

TESTIMONY FOR SUSAN MILFORD IN OPPOSITION TO MERCY

Good morning, my name is Susan Milford. I am Senior Vice President, Strategic Planning, Marketing and Wellness at Centegra Health System. Thank you for the opportunity to point out to the Illinois Health Facilities and Review Services Board the major issues with Mercy's CON application to establish a hospital in Crystal Lake. This CON has got to be one of the shoddiest ever filed with the State Board. In many ways, it's even worse than the application they filed in 2003, which was described by one State Board member at the time as a "terrible job."

In Mercy's rush to file this second application before the end of December, there were so many mistakes that they had to submit over twenty corrected pages. Even with those corrections, the application remains riddled with errors.

I. Contradictory Statements in Mercy's Application

They can't even get the basics right. For example:

How many ICU beds are they proposing: 4 or 8? They say 4 on pages 124 and 126 of the application, but 8 pages 4 and 18.

How many OB beds: 20?, 24?, 30?: They say 20 beds on page 4; 24 beds on pages 124 and 126; and 30 beds on page 182.

How many Operating Rooms will there be? They say 8 ORs and 2 procedure rooms on page 119; but 10 ORs and 2 procedure rooms on page 138.

How many applicants are there, and who are they?: Page 4 identifies only two applicants: Mercy Alliance and Mercy Crystal Lake Hospital. But in Attachment 1 which requires the Certificates of Good Standing for all applicants a third is added: Mercy Health System Corporation.

Who will be the licensed entity? Page 2 identifies Mercy Crystal Lake Hospital; but Attachment 3, which requires the licensee's Certificate of Good Standing, contains Certificates for three different corporations.

Mercy officials certified that the data and information contained in the application are "complete and correct." They're wrong.

And they couldn't even get the certification page right. Page 9 of the application form clearly states that the application must be signed and certified by two officers or Board members of each corporate applicant. Mercy provided only one signature for Mercy Alliance and one for Mercy Crystal Lake Hospital.

This application was in no condition to be filed with the State Board in December; and it's in no condition to be reviewed by the State Board now.

II. Misrepresentations in Mercy's Application

Among the more egregious misrepresentations in Mercy's CON application is the following:

On page 114, Mercy claims that it "approached Centegra health System about a joint venture to provide a hospital and multi-specialty physicians clinic in Crystal Lake. To [sic] date, Centegra Health System has not responded to any of our requests."

Let's set the record straight. Prior to the filing of this application, the last time Mercy contacted Centegra about Crystal Lake was over 3 ½ years ago in 2007. Contrary to Mercy's statement that we never responded, our CEO Mike Eesley agreed in writing to meet with Mercy, and did in fact meet with them to hear Mercy's proposal. We have the correspondence, including letters from Javon Bea himself, to prove this, and I am submitting them with my written testimony. They include Mike Eesley's letters to Javon Bea dated July 12 and August 22, 2007, and Mr. Bea's letters to Mr. Eesley dated June 19 and August 30, 2007.

While we were not persuaded then, and are not now, that a new hospital in Crystal Lake was appropriate or could satisfy the State Board's criteria, Mr. Eesley did offer to continue discussions with Mercy on other possible joint efforts to improve access to health care for area residents. Mercy was not interested. While Mr. Bea said in his August 30th letter that he would have Dan Colby or Rich Gruber contact us to continue discussions, they never got back us.

III. Inaccurate Referral Data in Mercy's Application

Mercy's application includes referral letters from 42 physicians representing that they had a total of 3,977 historical referrals to existing facilities in FY 2010, 3809 of which they would redirect to Mercy Crystal Lake hospital. We checked this information and found that the data submitted by only 22 physicians coincided with what has been reported to IHA's COMPdata. All the other physicians overstated their referrals in comparison to the data reported to COMPdata.

The total of referrals in Mercy's application is 22% higher or 718 referrals higher than COMPdata. Included with my written testimony is a comparison of what the physicians reported in Mercy's application and what COMPdata reports for these same physicians during the same time period.

It is also worth noting that six of the referral letters were not signed by the Physician or notarized as required under the CON rules.

IV. Unwarranted Assertions in Mercy's Application

Mercy makes many of the same substantive arguments in this application that it did in its 2003 CON application for a new hospital in Crystal Lake. It's now a matter of public

record that the permit issued for the 2003 project was obtained by a rigged vote and the promise of a \$1.5 million kick-back from Mercy's contractor to a corrupt State Board member. Mercy's contractor, the State Board member and Mercy's CON attorney were all indicted on federal corruption charges and all have pleaded guilty. But I won't belabor that point.

The point I want to make is that when we challenged Mercy's permit in the Circuit Court of McHenry County, the judge rejected the same substantive arguments that Mercy is reasserting now. For example, Mercy claimed there was a shortage of 45 physicians in McHenry County. The judge noted that the State Board had no established criteria for addressing physician shortages. In addition, the judge noted that Mercy's own data source showed that there was no physician shortage in Crystal Lake. A copy of the Court's decision is included with my written testimony.

As in the past, Mercy claims today that there is a 49 physician shortage in McHenry County based on Thomson Reuters data. This is still not a factor that would justify a new hospital under the State Board's criteria. While the Board does have a criterion addressing federally designated Health Professional Shortage Areas, there are no such areas in McHenry County. In addition, Thomson Reuters data shows Crystal Lake has an excess of 24 physicians; so Mercy's claim that a \$200 million hospital is needed in Crystal Lake to address a physician shortage is wholly unwarranted.

The Health Facilities and Services Review Board should deny this CON application. The application fails to meet the State's requirements, is riddled with errors and does not document that the proposed facility is needed.

Thank you for your attention to our concerns.

III. Inaccurate Referral Data in Mercy's Application - ATTACHMENT to Susan Milford's Testimony

Physician Attending	From COMPdata	From Mercy CON Application	Projected Annual	FY 10 Discharges Overstated in CON By	
	FY10 Discharges	FY10 Discharges	Discharges to CL Hospital	Cases	Percent
Albright, Kim	51	51	51	-	-
Asbury, Jeffrey B	10	21	16	11	110%
Bistriceanu, Graziella I	55	55	55	-	-
Campau, Steven A	63	63	63	-	-
Chatterji, Manju	67	67	67	-	-
Chitwood, Rick A	72	72	72	-	-
Cook, Richard O	217	259	259	42	19%
Crawley, Terri L	141	141	141	-	-
Cundiff, Jason	16	69	68	53	331%
Dehaan, Paul H	80	110	102	30	38%
Dillon, Paul C *	24	57	50	33	138%
Favia, Julie	101	116	116	15	15%
Fojtilk, Joseph E	188	188	188	-	-
Gavran, Monica E	85	85	85	-	-
Goodman, David A	7	58	58	51	729%
Gulati, Roshi	33	33	33	-	-
Gupta, Lata *	64	75	75	11	17%
Henning, Douglas A	17	17	17	-	-
Howey, Susan M *	94	120	120	26	28%
Hussain, Yasmin	2	38	23	36	1800%
Kakish, Nathan	171	171	171	-	-
Kang, Hiejln *	26	26	26	-	-
Karna, Sandhya R	56	56	56	-	-
Karney, Michelle Y	99	105	70	6	6%
Krpan, Marko F	44	59	54	15	34%
Livingston, Gary L	11	67	67	56	509%
Loqman, Mabria	15	158	158	143	953%
Macdonald, Robert J	89	89	89	-	-
Marian, Camelia E *	77	77	77	-	-
Mirza, Aisha A	132	132	132	-	-
Mitra, Deepak	134	134	134	-	-
Nath, Ranjana *	70	70	70	-	-
Persino, Richard L	127	148	148	21	17%
Phelan, Patrick E	156	156	156	-	-
Riggs, Mary	109	163	80	54	50%
Ronquillo III, Bibiano C	108	108	108	-	-
Shen, Emily	32	32	32	-	-
Soorya, Ranjana P	15	15	15	-	-
Srinivas, Ratna R	8	10	10	2	25%
Tarandy, Dana T	56	95	86	39	70%
Wittman, Randy S	147	172	172	25	17%
Zaino, Ricca Y	190	239	239	49	26%
Grand Total	3,259	3,977	3,809	718	22%

Total Physicians	42
Number Overstated in CON Application	20
Number Accurately Reported	22
Number Reported More than 2x Actual	7
*Not signed or Notarized	6

Sources: IHA's COMPdata via Intellimed, Mercy CON Application



MERCY HEALTH SYSTEM

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P.O. BOX 5003
JANESVILLE, WI 53547-5003
Tele: 608•756•6625
Fax: 608•756•6168
www.mercyhealthsystem.org

Office of the President

A System for Life

June 19, 2007

Mike Easely, President/CEO
Centegra Health System
385 Millennium Dr.
Crystal Lake, Ill 60040

Dear Mike,

Congratulations on receiving CON approval for your Huntley medical clinic. I see from the newspaper article that you also plan to build a fitness center at that site and someday perhaps even a hospital.

As you know we have submitted our Letter of Intent to build a 128-bed hospital in Crystal Lake. Our efforts to build in Crystal Lake are based on the unmet healthcare needs of the over 100,000 people in the Crystal Lake area, the tremendous additional population growth that continues unabated, the long travel times to a hospital, and the increasing wait times for care once there. As you also know Mercy employs almost 80 physicians who practice at your two hospitals; and, who are increasingly frustrated by the lack of available hospital beds to accept their patients. The lack of a hospital in Crystal Lake has even been the subject of news stories in Crystal Lake.

Since we both understand the need for more hospital services i.e., your proposed Women's Center in McHenry County, I would like to suggest that Centegra and Mercy co-sponsor and joint venture the development of the Crystal Lake hospital. This cooperative venture would provide the communities the needed healthcare services to include inpatient and trauma care; provide a hospital referral point of service for your Huntley, Crystal Lake, Cary, Algonquin Physician clinics as well as Mercy's clinics in those same communities, plus our Barrington and Lake in the Hills clinics; and of course eliminate the wasteful effort and costs of opposing each other's facility development.

With this cooperative effort in mind, I suggest a meeting. I would like to bring Joe Nemeth, our CFO and Dan Colby, Corporate VP of Planning. I would suggest that this meeting would also be an opportunity for us to meet your Chief Operating Officer, Jason Sciarro, and your new Chief Financial Officer.

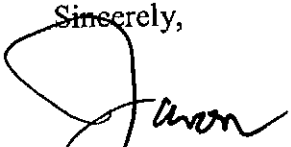
I look forward to your positive response and the chance to set this meeting preferably for sometime in July. I offer any of our facility locations as a meeting place or we will

Page 2

gladly meet at one of your sites. I would appreciate it if you could let me know by July 27 if you would like to meet. Please feel free to call me at 608-756-6625.

Mike, I truly believe that a cooperative approach to this proposal would benefit all parties and especially the people of McHenry County.

Sincerely,



Javon R. Bea
President and CEO

July 12, 2007

Mr. Javon Bea
President & CEO
Mercy Health System
1000 Mineral Point Avenue
Janesville, Wisconsin 53548

Dear Javon:

Thank you for your congratulatory letter of June 19, 2007. We are indeed very excited about serving the community with our new Huntley campus.

In regards to your invitation to meet with you and representatives of Mercy, we would welcome the opportunity. Since Memorial Medical Center opened its doors in 1914 and McHenry Hospital in 1956, the hospitals, which now comprise Centegra Health System have been dedicated to the principle of providing high quality care through the efficient use of precious community resources. We continue to question how a hospital in Crystal Lake can possibly meet applicable state standards, but are hopeful that you can help explain this to us. Although we may disagree on many subjects, including some outlined in your letter, we are apparently in agreement that in today's healthcare environment, efficiency and conservation of resources is of paramount importance to our patients.

It is our hope that the agenda for our meeting will focus on the global question of how we may collaborate to better serve the community. Collaboration between our organizations is not unprecedented. In fact, as you are likely aware, Mercy physicians have been providing ongoing support for the development of our plans for a new women's center, which will add 19 OB beds to Memorial Medical Center, and we have also submitted a Letter of Intent for 35 additional medical-surgical beds at Northern Illinois Medical Center. The basis for this collaboration is the recognition that the women's center and the additional beds at Northern will greatly benefit the patients of Mercy physicians as well as others. As you are also aware, the proposal you have to construct a new hospital in Crystal Lake has been the subject of much debate, particularly considering that there is limited unmet need. Ultimately, however, the question of need is one answered by state regulations and the Illinois Health Facilities Planning Board. While we are eager to meet to discuss all avenues of collaboration which will appropriately benefit the community, we should nonetheless be mindful of the standards which may impact our efforts whether collective or otherwise.

My team is willing to meet with your group. I have asked my assistant, Madonna DiPalma to contact your office during the week of July 16th to make the necessary meeting arrangements.

Sincerely,

Michael S. Eesley
President & CEO

August 22, 2007

Mr. Javon Bea
President/CEO
Mercy Health System
1000 Mineral Point Avenue
Janesville, Wisconsin 53548

Dear Javon:

Thank you for taking the time to meet with us to discuss possible opportunities for collaboration between Mercy and Centegra Health System. I believe—as I hope you do—that the meeting was very productive. While we understand the information you presented in regards to the proposal to build a hospital in Crystal Lake, as Dan Colby acknowledged, the proposal simply does not meet State criteria. This is now and always has been a concern for Centegra. If we proceed with a project which we know at the outset does not meet State criteria, at risk is more than a denial from the Illinois Health Facilities Board; we would also jeopardize the credibility of both Centegra Health System and Mercy Health System.

Rather than placing either of our organizations at risk by submitting an inherently flawed proposal, we would like to explore the suggestion made by Rich Gruber that we consider collaboration on other fronts. Specifically, we would like to invite your Health System to engage in a dialogue with Centegra Health System in regards to possible joint venture opportunities on two separate initiatives that would enhance the delivery of healthcare to our local community.

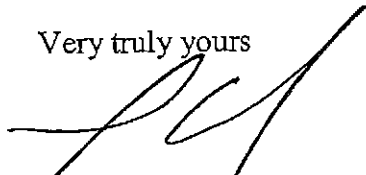
The first initiative relates to our under-insured/uninsured population who receive a majority of their clinical care from the Family Health Partnership Clinic (FHPC) in Woodstock, Illinois. This clinic provides support to approximately 6,000 individuals on an annualized basis with a minimal amount of financial support. Currently, Centegra is discussing opportunities to expand the clinic's operations into the City of McHenry through the establishment of another clinic. While I am in no position to speak for FHPC, I would anticipate that their reaction to a joint venture between the two health systems would be very positive because it would clearly help them in their delivery of services.

The second initiative involves the development of our Women's Health Pavilion on the campus of Centegra Memorial Medical Center. As you are aware we are currently in the process of finalizing the development of this project. We would like the opportunity to team with your Health System in this venture.

Mr. Javon Bea
President/CEO
Mercy Health System
Page 2 of 2

Thank you again for meeting with the Leadership Team of Centegra Health System and myself. If you and your team would like to further advance these discussions, please contact me so that we can schedule another meeting. I am certain that such a meeting would serve to benefit the community of patients we collectively serve.

Very truly yours



Michael S. Easley
President/CEO
Centegra Health System

cc: Charles Ruth, Chairman, Board of Governors
Robert M. Rosenberger, Chief Financial Officer
Jason Sciarro, Chief Operating Officer
Aaron T. Shepley, Chief Quality Officer/General Counsel



MERCY HEALTH SYSTEM

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Office of the President

A System for Life

August 30, 2007

Michael S. Eesley
President/CEO
Centegra Health System
385 Millennium Dr.
Crystal Lake, IL 60012

Dear Mike,

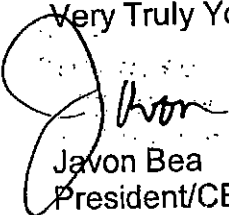
Thank you for your letter of August 22, 2007. We had hoped that you and your staff would see the merit of a joint hospital effort in Crystal Lake to serve the over 13,000 people from that area who left McHenry County for hospital services elsewhere in 2006 alone.

I truly believe that a joint effort in Crystal Lake would be successful because it would demonstrate that all partners recognize the community need for these services and that competitors are willing to cooperate to provide the needed care.

While I am disappointed in your initial negative response, I would like to continue the dialogue that we have begun. The idea of exploring together your Family Health Partnership Clinic and Women's Health Pavilion initiatives is intriguing. We are well aware of your commitment of facilities to the Partnership Clinic in Woodstock. You should know that Mercy physicians and other health professionals provide a substantial amount of the volunteer effort to support the Partnership Clinic. We are not aware however, of the scope of your Women's Health Pavilion project.

I have asked Dan Colby and Rich Gruber to follow up with your staff to continue our discussions.

Very Truly Yours,


Javon Bea
President/CEO
Mercy Health System

cc: Dan Colby, Vice President, MHS
Rich Gruber, Vice President, MHS

**IN THE CIRCUIT COURT OF THE NINETEENTH JUDICIAL CIRCUIT
McHENRY COUNTY, ILLINOIS**

COPY

NORTHERN ILLINOIS MEDICAL)
CENTER, MEMORIAL MEDICAL)
CENTER, AND CENTEGRA HEALTH)
SYSTEM,)

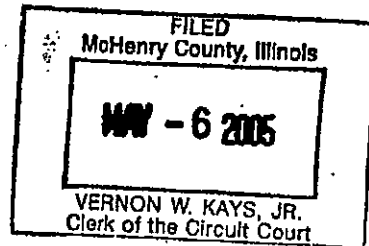
Plaintiff)

vs.)

CASE NO: 04 MR 106

ILLINOIS HEALTH FACILITIES)
PLANNING BOARD, ILLINOIS)
DEPARTMENT OF PUBLIC HEALTH,)
MERCY CRYSTAL LAKE HOSPITAL)
AND MEDICAL CENTER, INC.)
MERCY HEALTH SYSTEM)
CORPORATION, ELI L. BEEDING JR.)
AND THE BEEDING GROUP,)

Defendants)



MEMORANDUM OPINION AND ORDER

This cause came before the Court on Count I of the Complaint filed by the Plaintiffs' Northern Illinois Medical Center, Memorial Medical Center and Centegra Health System for Administrative Review of the Decision of Illinois Health Facilities Planning Board ("State Board") pursuant to 735 ILCS 5/3-110, 5/3-111 20 ILCS 3960/11. Plaintiffs seek reversal of the Administrative Decision of the State Board which granted a permit to the Mercy Crystal Lake Hospital and Medical Center, Inc. ("Mercy Hospital") to construct a new hospital in Crystal Lake. Plaintiffs contend that the State Board's actions in approving the issuance of the permit were against the manifest weight of the evidence and arbitrary and capricious, particularly in light of the negative reports of the Illinois Department of Public Health ("State Agency").

The Court has reviewed all the relevant pleadings, including Count I of the Complaint for Administrative Review, Plaintiffs' Motion to Reverse Administrative Decision, the Memorandum in support of said Motion, the Response of Mercy Hospital and Mercy Health System Corporation and Reply of Plaintiffs thereto. The Court has further reviewed the entire certified record of administrative proceedings which includes the Application for Permit, documents in support of the application, the State Agency reports, the Record of Public Hearing on September 29, 2003 and the transcripts of hearings before the State Board on December 17, 2003 and April 21, 2004, with corrections made at the June 15, 2004 State Board meeting. The Court has reviewed the case law cited by the parties in their written submissions and has had the benefit of the oral arguments of the attorneys for the Plaintiffs and Defendants.

BACKGROUND

The Illinois Health Facilities Planning Act was instituted "to establish a procedure designed to reverse the trends of increasing in costs of health care resulting from unnecessary construction or modification of health care facilities ... and to improve the financial ability of the public to obtain necessary health services and to establish an orderly and comprehensive health care delivery system which will guarantee the availability of quality health care to the general public". 20 ILCS 3960/2 To that end, the Planning Act provided for the creation of a Board and defined its duties and functions. The powers and duties of the State Board include the prescribing of rules, regulations, standards, criteria and procedures to carry out the provisions of the Act. 20 ILCS 3960/12 The regulations and criteria are contained in Sections 1110 through 1260 of Title 77 of the Illinois Administrative Code. A health care facility cannot be modified or constructed unless the Board issues a permit. 20 ILCS 3060/5.1 In evaluating an application for

permit or Certificate of Need, the Board is assisted by Illinois Department of Public Health which serves as administrative and staff support for the Board. 20 ILCS 3960/4

On July 11, 2003, Mercy Hospital filed an Application for Certificate of Need (CON) with the Illinois Health Facilities Planning Board. The application requests a permit for establishment and construction of a new 70 bed hospital with adjacent office facilities for 45 physicians in Crystal Lake, Illinois. The proposed hospital would have 56 medical/surgical beds; 10 obstetrics beds and 4 intensive care beds. The hospital site is located within a MSA, known as area A-10. The initial application was deemed incomplete on July 24, 2003 and by letter of that date, additional information was requested. That information was provided on July 30, 2003, which included a listing of all hospitals within 45 minutes of the proposed facility.

A public hearing was conducted on September 29, 2003 in Crystal Lake, Illinois. In addition to persons associated with Mercy Hospital and its parent corporation, Mercy Health System, hundreds of interested persons testified or offered written submissions both in favor of and in opposition of the proposed project.

The Illinois Department of Public Health issued its initial report evaluating Mercy Hospital's application. The report found that overall, Mercy Hospital did not meet the review criteria of Illinois Administrative Code, Sections 1110 and 1120. The State Agency submitted its report to the Board on December 17, 2003 and the Board conducted a hearing on that same date. At the meeting the Board denied the application.

Thereafter, Mercy Hospital submitted additional information for the project to the State Agency and requested another hearing date before the State Board. A Supplemental Agency Report was prepared based on the new materials and submitted to the State Board at its April 21, 2004 meeting. The report did change some of its findings in the supplemental report dealing

with financial and economic considerations under Section 1120 of the Illinois Administrative Code. The evaluations pertaining to Section 1110 remained unchanged. At the Board meeting on April 21, 2004, the Board approved Mercy Hospital's application. The State Agency issued a letter on May 15, 2004 informing the applicant of the State Board's approval of the project.

On May 26, 2004, the Plaintiffs filed its Complaint for Administrative Review of the State Board's decision to grant the CON to Mercy Hospital. The Plaintiffs assert that the decision of the State Board should be reversed because (a) it is against the manifest weight of the evidence; (b) the issuance of the permit was arbitrary and capricious; (c) the vote of the Board on April 21st did not specify the action proposed and the Board did not make any findings; and, (d) the voting process was improper and evidence of arbitrary conduct.

REVIEW OF THE BOARD'S DECISION

A. MANIFEST WEIGHT OF THE EVIDENCE:

The Plaintiffs contend that the Decision of the Board to issue the permit to Mercy Hospital for the establishment and construction of a new hospital in Crystal Lake, Illinois was against the manifest weight of the evidence.

If factual findings are made by an administrative agency, they are viewed as prima facie correct and a reviewing court will not disturb those findings, unless they are contrary to the manifest weight of the evidence. BRIDGESTONE/FIRESTONE, INC. vs. DOHERTY, 305 Ill. App. 3d 141 (1999).

At the administrative hearing on April 21, 2004, no factual findings were made by the State Board. On May 14, 2004, the executive secretary of the Board issued a letter notifying Mercy Hospital that the State Board had approved the Application for Permit. That letter

indicated that Board based its approval upon the project's substantial conformance with the applicable standards and criteria of Part 1110 and 1120. It further stated that, "In arriving at a decision, the State Board considered the findings contained in the State Agency Report, the application material, the State Agency's Report of Public Hearing held on September 29, 2003 and any testimony made before the State Board".

The aforesaid letter does not set forth specific findings of fact. It does state the Board's conclusions and the basis therefore. Section 10 of the Planning Act does not require the Board to specify its findings of facts and conclusions unless negative action on an Application is taken. 20 ILCS 3960/10 In addition, Section 1130.680 of the Administrative Code requires the Board to specify its "finding of fact and conclusions of law" only when the Board denies an application.

ACCESS CENTER FOR HEALTH, LTD. Vs. HEALTH FACILITIES PLANNING BOARD,
283 Ill App 3d 227 (1996).

In the case at bar, the State Board did not deny Mercy Hospital's Application for Permit or CON. Even if findings were necessary, that may not be enough for the trial court to reverse the Board's decision. If the record contains competent and sufficient evidence that supports the agency's decision, the decision should be affirmed. CATHEDRAL ROCK OF GRANITE CITY, INC. vs. ILLINOIS HEALTH FACILITIES PLANNING BOARD. 308 Ill App 3d 529 (1999).

An administrative agency's decision is against the weight of the evidence only if the opposite conclusion is clearly evident. The mere fact that the opposite conclusion is reasonable or that the reviewing court may have ruled differently does not justify reversal of an administrative decision. A trial court may not reweigh the evidence or make an independent

determination of the facts. ABRAHAMSON vs. ILLINOIS DEPARTMENT OF PROFESSIONAL REGULATION, 153 Ill. App 2d 76 (1992)

In order to approve and authorize the issuance of a permit if it finds the State Board must find that the proposed project is consistent with the orderly and economic development of such facilities and is in accord with standards, criteria or plans of need adopted and approved pursuant to provisions of Section 12 of 20 ILCS 3960.

Section 12 of the Illinois Health Facilities Planning Act authorizes the State Board to prescribe rules, regulations, criteria and procedures to carry out the purposes of the Act. That section further enumerates certain factors the Board shall consider in developing health care facility plans. Those factors include the number of existing and planned facilities offering similar programs, the extent of utilization of existing facilities, the availability of facilities which may serve as alternatives or substitutes and the availability of personnel necessary to operate the facility. 20 ILCS 3960/12(1) and (4).

Acting as an administrative and support arm of the State Board, the State Agency prepared two reports for the Board's review and consideration. Those reports consider the application and supporting documentation submitted. The State Agency evaluated Mercy Hospital's application with respect to financial and economic criteria set forth in Section 1120 of Title 77 of the Illinois Administrative Code and the general review criteria and needed related criteria set forth in Section 1110 of the Illinois Administrative Code 77 Illinois Adm. Code. The Administrative Code has the force and effect of law. MEDCAT LEASING CO. vs. WHITLEY, 253 Ill App 3rd 801 (1993).

The Agency report completed for submission to the State Board Hearing on December 17, 2003 found that the Mercy Hospital Application, was in conformity with three of the four

applicable economic feasibility criteria and that the financial feasibility criteria were not applicable. The Agency report found that aside from meeting the background of applicant criterion (1110.230), that Mercy Hospital met none of the other criteria under Section 1110, the general or need related criteria, including the criteria for a variance to bed need.

At the December 17, 2003 State Board Hearing, Mercy Hospital had various representatives present who presented testimony regarding the application and in response to questioning by Board members. Those present for Mercy were Javon Bea, President of Mercy Hospital; Richard Gruber, Vice President of Mercy Hospital; Dan Colby, President of mercy Harvard Hospital and three attorneys representing Mercy. The Board addressed concerns regarding the bed variance, the shortage of obstetrical beds in the M.S.A., the additional physicians that Mercy would bring to staff its proposed hospital and the impact of the hospital on staffing in other area hospitals. At the conclusion of the hearing, the State Board denied Mercy Hospital's application. No findings were made. However, before the Notice of Intent to Deny was sent on January 27, 2004, Mercy Hospital on January 15, 2004 sent a letter with supplemental information requesting leave to reappear before the Board at the February meeting.

After receipt of the supplemental information from Mercy Hospital, the State Agency issued another report for submission to the Board at its April 21, 2004 meeting. No hearing was held regarding Mercy's application between December 17 and the April 21st meeting. The report of the State Agency for the April hearing contained the same findings regarding the general criteria and needed related criteria; that being that except for applicant meeting the background criteria, Mercy Hospital did not meet the other 1110 criteria. The State Agency found that with the change in cost submitted by Mercy in the supplemental materials, Mercy now met all of the economic feasibility factors.

At the hearing on April 21, 2004 before the Board representatives of Mercy appeared as well as its legal counsel. With respect to bed need, Mercy Hospital had submitted data from the Center for Disease Control which indicated that 76% of the hospitals in the United States have less than 100 beds. Upon questioning, hospital personnel acknowledged that this study was not Illinois or McHenry County based but rather reflected nationwide statistics. Documentation regarding the decrease in average patient stays was discussed using 980 figures versus today. Testimony was received regarding the 45 new physicians Mercy would bring to the proposed hospital, which physicians would be in their employ. Mercy representatives opined that with these new doctors in place, patients who resided in the M.S.A. who sought treatment outside of the M.S.A. would return for care. There was discussion concerning the findings by the State Agency on the general criteria and need criteria not being met. Board member Levine believed that the rules were outdated and needed to be revised to reflect current data. He was particularly impressed with the 45 physicians who would be moving to McHenry County to staff the proposed hospital. At the conclusion of the hearing, the Board voted to approve the application and the motion passed. On May 14, 2003, a letter advising of the approval of the application for permit was sent to Mercy Hospital.

Plaintiffs assert that the decision of the State Board is against the manifest weight of the evidence because the proposed project was not in accordance with the standards, criteria or plans of need adopted and approved pursuant to the provisions of the Illinois Health Facilities Planning Act. In particular, the Plaintiffs direct the Court to the State Agency reports wherein it was noted that Mercy Hospital's proposed project was not in conformity with the general review criteria and need related criteria under Sections 1110 of the Illinois Administrative Code.

The Defendants counter Plaintiffs assertions by directing the Court to the standard of review and the discretionary authority the State Board has under 1130.660 of the Illinois Administrative Code. That provision states in pertinent part the follows:

“The State Board shall consider the application and any supplemental information or modification submitted by the applicant, IDPH report(s), the public hearing testimony, if any and other information coming before it in making its determination whether to approve the project. The applications are reviewed to determine compliance with review criteria enumerated in 77 Ill. Adm. Code 1110 and 1120. The failure of a project to meet one or more review criteria, as set forth in 77 Ill. Adm. Code 1110 and 1120 shall not prohibit the issuance of a permit.”

The applicability of Section 1130.660 has been addressed in a number of cases, which cases have been cited by the parties herein. With the exception of the Court in SPRINGBOARD, the Courts have recognized that the State Board does have the authority to approve an application where one or more of the review criteria were not met. DIMENSIONS MEDICAL CENTER, LTD. Vs. SUBURBAN ENDOSCOPY CENTER, 298 Ill App 3d 93 (1998). ACCESS CENTER FOR HEALTH LTD. vs. HEALTH FACILITIES PLANNING BOARD, 283 Ill App 3d 227 (1996), CATHEDRAL ROCK OF GRANITE CITY vs. ILLINOIS HEALTH FACILITIES PLANNING BOARD, 308 Ill. App 3d 529 (1999) and MARION HOSPITAL CORPORATION vs. ILLINOIS HEALTH PLANNING BOARD, FACILITIES SPRINGWOOD is distinguishable from the aforementioned cases because the Court did not consider the applicability of 1130.660 in that case. SPRINGWOOD ASSOCIATES vs. HEALTH FACILITIES PLANNING BOARD, 269 Ill App 3d 944 (1995).

However, in each of the cases where the Courts upheld the Board's decision to exercise its discretionary authority, the courts looked to the record to determine if there was adequate evidence to support the Board's decision. None of the cases cited by the Defendants have State

Agency Reports that found lack of conformity with essentially all of the need related and general criteria as in the case at bar.

The letter of May 14, 2004, issued on behalf of the State Board found substantial conformance with the applicable standards and criteria of part 1110 and 1120 based on its consideration of the findings contained in the State Agency reports, the application material, the report of public hearing on September 29, 2003 and any testimony made before the State Board.

At the public hearing the majority of those who testified were in opposition to the proposed project. Almost 2000 letters were submitted both in support of and in opposition to Mercy Hospital. More letters were in opposition. Many of the letters submitted were form letters used by supporters of Plaintiffs' and Defendants' respective positions. Some of the letters were from Mercy's website, which did not allow negative input.

The State Agency Reports submitted to the State Board for hearings on December 17, 2003 and April 21, 2004 found that the proposed project was not in conformity with the following general review and need related criteria: 110.320(a): Establishment of Additional Hospitals, 110.320(b); Allocation of Additional Beds, 1110.520(a); Unit Size; 1110.520(b); Variances to Bed Needs, 110.520(b)(2); Medically Underserved Variance, 1110.230(a); Location, 1110.230(c); Alternatives, 1110.230(d); Need for the Project, 1110.230(e); and Size of the Project. The project was in conformity with 1110.230(b), Background of Applicant, which provided that the applicants complied with the necessary licensure and certification information required and are fit, willing, able and have the necessary background to provide a proper standard of healthcare service for the community.

In response to the adverse reports of the State Agency, Mercy Hospital addressed the growing population trends in McHenry County, the shortage of physicians in McHenry County

and the changes in the practice of medicine that have reduced the average length of patient stays in hospitals. Mercy Hospital asserts that as a result of the decline in the patient length of stays, there is no longer a need for the requirement of 100 medical/surgical beds as established in 1980 and that only 67 beds are needed to serve the same number of patients.

Section 1110.320(2) of the Illinois Administrative Code requires that hospitals within a M.S.A. must have a minimum of 100 medical/surgical beds. Hospitals situated outside a M.S.A. do not have such a limitation. Mercy Hospital proposes 56 med/surg. beds with initially 32 of the entire 70 beds being built out and the remaining 38 being shells for later construction. The Defendant hospital did not identify how the 32 beds would be allocated. At the Board hearing of April 21, 2004, Mr. Glaser, on behalf of Mercy Hospital stated that all 70 beds would immediately be built out, contrary to the data in the application and earlier testimony. (R3541)

(R.14) Section 1110.230.530(a)(1)(A) provides that a new obstetric unit with a M.S.A. must have 20 beds. Mercy proposal is for 10 obstetric beds.

Mercy Hospital submitted material based on average length of patient stays in 1980 to the present, claiming that 67 beds would now provide care for the same number of patients in a 100 bed facility in 1980. The documentation presented gives nationwide figures with no specific data for Illinois.

The 100 bed standard was established in 1992 and not 1980 and is applicable only to hospitals within a Metropolitan Statistical Area, such as the proposed location. Furthermore, according to the bed inventory data, the A-10 planning area (M.S.A.), where the proposed facility would be located, has 35 excess medical surgical beds and 7 excess ICU beds. Assuming that the present average length of patient stays reduces the need for beds, then the proposed additional beds at Mercy Hospital would only increase the surplus but also affect the target

utilization rates at neighboring hospitals, which is also taken into account under the need related criteria. Presently the hospitals in proximity to the proposed project are generally not operating at the State's target utilization rates.

The only shortage of beds in the M.S.A. is obstetrical beds, which shortage is 20 beds. Mercy's application proposes 10 obstetrical beds. Mercy Health System Corporation operates Mercy Harvard Hospital, which is within M.S.A. 10. Mercy Harvard Hospital closed its obstetrical unit approximately three years ago and has not reopened since Mercy acquired the hospital approximately two years ago.

There are located within planning Area 10 three hospitals which offer the same services as the proposed project. Two of these three hospitals are within 30 minutes of the proposed facility. These are Northern Illinois Medical Center in McHenry and Memorial Medical Center in Woodstock. The third hospital, Mercy Harvard is within 45 minutes of the proposed facility. Additionally, there are four other hospitals not within the planning area, but within 30 minutes of the site of Mercy Hospital. They are Advocate Good Shepherd, Barrington, St. Alexius Medical Center, Hoffman Estates, Sherman Hospital, Elgin and Provena St. Joseph Hospital in Elgin. Each of these health facilities offer the same services as the proposed hospital.

Defendant acknowledges the presence of these other hospitals and that Mercy will offer no services not already provided by these facilities. However, Mercy contends that with the growth of population within the county, the travel times will increase in the future and thereby increasing the travel times in excess of 30 minutes to those hospitals. The estimates of future travel times do not take in account road expansion projects which might be undertaken. The evidence on the travel times and future projections offered by the Defendant are in some instances inaccurate and other instances speculative.

Mercy opines that a significant percentage of patients are leaving the planning area for health care and that with the establishment of a new hospital, a good percentage of those patients will return to the area for treatment. Competent evidence is lacking to support this opinion. Evidence at the public hearing and elsewhere in the record shows that approximately 75% of the residents within zip code targeted area received care at existing hospitals and that other patients leaving the target area are doing so for specialized or tertiary care. It is also unclear if Mercy's opinion takes into account the services received at the hospitals located within 30 minutes but outside of area A-10.

The review criteria does provide for variance for bed need. 77 Ill. Adm. Code 1110.530(b)(2). In order to satisfy the variance to bed need requirements, Mercy Hospital had to document that access to the proposed service is restricted in the planning area by documenting at least one of the following: (i) the absence of service within the planning area; (ii) limitations on government funded or charity patients; (iii) restrictive admissions policies of existing providers; (iv) the area population and existing care system exhibits indicators of median care problems such as an average family income level below the state poverty level, high infant mortality or designation as a "Health Manpower Shortage Area"; or (v) the project will provide for a portion of the population who must currently travel over 45 minutes to receive service. Mercy Hospital was found to have documented none of the aforesaid criteria in order to receive a variance. Evidence presented showed that seven hospitals are within 45 minutes and all offer the same services Mercy will offer, if not more. Travel studies submitted by mercy were in some ways misleading as they included round trip travel times which is not the standard for review or were based on future projections. No evidence whatsoever was submitted to document items (i) through (iv).

Much was made by the Board at the April 21, 2003 hearing about the 45 physicians Mercy Hospital would bring to staff its hospital and adjacent offices. It is unclear from the evidence where these physicians will come from. However, Mercy did indicate that with the opening a new hospital, it would close three of its physician staffed facilities now located in and Cary and Crystal Lake. Board member, Mr. Levine, commented at the April 21st meeting how impressed he was that these new physicians would help make a dent in the shortage of physicians in the area. There was a chart provided showing a physician shortage in McHenry County. The underlying data for the information in the chart is unknown. While the Board addressed the shortage of physicians in the area, it appears not to have adequately considered the shortage of healthcare support staff. The evidence in the record reflects that there is a shortage of health care personnel needed to staff hospitals. There are not enough nurses, medical technicians and laboratory technicians to staff hospitals nationwide and in McHenry County. Testimony at the public hearing expressed a concern that the new hospital would not be able to adequately staff its facility and would have to recruit medical personnel from other area hospitals, thereby causing shortages of necessary and required staff in those facilities. Area hospitals have experienced staffing problems which have resulted in their not being able to maximize the use of their facilities.

The record further documents that the proposed hospital would adversely impact the utilization rates at hospitals within the M.S.A. and nearby. Mr. Ryder, of Advocate Health Care in Barrington testified at the public hearing that more than 25% of its patients are from the towns targeted by Mercy Hospital. A study submitted at the public hearing by Plaintiffs and prepared by Deloitte and Touche, at Plaintiff's instance concluded that Northern Illinois Medical Center and Memorial Medical Center, both in A-10 would lose approximately 9,500 cases annually.

Upon a review of the record, there is not sufficient and competent evidence supporting the State Board's decision to grant the issuance of the permit to Mercy Hospital. While the Board has the authority to issue a permit when all of the criteria under 1110 are not met, there needs to be some rationale basis to excuse compliance with the criteria. The record does not reflect that Mercy Hospital presented sufficient evidence showing that the proposed hospital facility was needed, was the most effective or least costly alternative and was in a medically underserved planning area. Sufficient evidence did not establish that the project warranted a variance to bed need.

Mercy Hospital's application did not meet the necessary general review and need related criteria and the factors set forth in 20 ILCS 3960/12. The written submissions and oral testimony did not rebut the Agency's findings that Mercy Hospital's application was not in conformity with the criteria set forth in 77 Ill. Adm. Code 1110. This Court finds that the State Board's decision is against the manifest weight of the evidence.

B. ARBITRARY AND CAPRICIOUS

The Plaintiffs also contend that the Board's decision was arbitrary and capricious. The Illinois Supreme Court in GREER vs. ILLINOIS HOUSING DEVELOPMENT AUTHORITY, 122 Ill 2d 462 (1988) set forth guidelines to be applied by the Court in determining whether the decision of an Agency is arbitrary and capricious. Those guidelines direct the Court to consider: 1. Did the Agency rely on factors the legislature did not intend the agency to consider; 2. Did the Agency fail to consider an important aspect of the problem, or 3. Did the Agency offer an explanation for its decision which runs counter to the evidence before the agency or which is so

implausible that it could not be ascribed to a difference in view or the product of agency expertise.

The State Board in the case at bar excused the mercy Hospital's failure to comply with essentially all of the general and need related criteria. The only rationale for the Board's actions capable of being gleaned from the hearing on April 21st was that the rules and review criteria are outdated and that this new facility will help fill the shortage of physicians in the service area.

At that April Board meeting, Board members expressed concern about the Board's decision being termed "arbitrary and capricious" if it approved the Mercy Hospital Application for Permit in light of the State Agency's two reports showing non conformity with the 1110 criteria. In response thereto, Board member Stuart Levine stated that the rules and criteria are "woefully out of date". He further stated that he has participated in "a lot of applications that were granted that had complete negative findings. And those occurred in instances where there were valid reasons and justifications given in each of the areas that, of course, are in the Board's discretion to do". R 3264. Yet, Mr. Levine did not offer any explanation or justification for the Board's approval in the instant case, other than he was impressed with the 45 new physicians who would be coming to McHenry County and who would make a dent in the physician shortage.

The Board hearing on April 21 focused in large part on the new physicians who would be employed by Mercy Hospital. However, the rules governing the Board's decisions do not provide for criteria which address physician shortages. The documentation provided by Mercy regarding physician shortages was done by Solucient and is in the record at page 2913. The chart shows that Crystal Lake, the location of the proposed hospital, has no physician shortage. Lake in the Hills, Cary and Algonquin are the other target service areas. No data is provided for

physicians in Lake in the Hills. On Solucient's documentation, Cary and Algonquin do show physician shortages. The source for the data is not disclosed. Even with these claimed shortages, Mercy System Corporation is going to close its two physician offices in Crystal Lake and one in Cary.

Furthermore, while there may be a shortage of physicians in the area, the Board did not discuss and apparently did not consider the evidence in the record of the shortages of registered nurses, laboratory technicians and medical technologists in the area. The public hearing record is replete with testimony of medical personal on the shortage of such personnel. These personnel are needed to staff a hospital. Mercy Hospital offered no evidence where this staff would come from other than stating they would recruit medical personnel who worked outside of the area. Nothing in the record indicates a surplus of such personnel in other areas of the state. No evidence was presented on the number of resident medical personnel who worked outside of the M.S.A. or beyond the 30 minute travel time. Testimony at the public hearing showed a concern among McHenry County health care workers that Mercy would recruit staff from area facilities thereby affecting the viability of those hospitals.

Upon a review of the record, the Court finds that State Board relied on factors not intended by the legislature and that they failed to consider important aspects of the problem concerning the shortage of medical support staff and the impact the proposed hospital would have on the hospitals within the M.S.A. and within 30 minutes travel time. When the Board first denied the Mercy Hospital's application, it had information on the 45 new employee-physicians who would be at the physician offices adjacent to the hospital. Yet, at the April 21st meeting, the new physicians appeared to be the primary basis for the affirmative vote.

The Court finds that the actions of the State Board, in approving the application for permit for the Mercy Hospital project, was arbitrary and capricious.

C. NECESSARY PARTIES

Plaintiffs contend that the decision should be reversed because the proper party was not joined as a party to the application. Particularly, Plaintiffs claim that Section 1130.220(b) of the Illinois Administrative Code requires that Mercy Health Systems Corporation be a co-applicant.

Section 1130.220 provides in pertinent part as follows:

“The following person(s) must be the applicant(s) for permit or exemption, as applicable:

(b)(3) any related person who is or will be financially responsible for guaranteeing or making payments on any debt related to the project.”

It is undisputed that Mercy Health System falls within that classification and that they were not parties to the application. The State Agency Report, however, reflects that is considered that entity to be a co-applicant even though it wasn't. Documentation was submitted verifying the bond rating of Mercy Health System Corporation and other data was provided regarding its corporate structure and related entities.

The non inclusion of Mercy Health System as an applicant may have affected the economic review criteria under 1120.310(a). The State Agency found that Criterion 1120.310(a) was “not applicable as the applicant's document proof of an “A “bond rating”. Mercy Health System should have been a party to the application for permit. However, the failure to include Mercy Health System Corporation as a co-applicant, standing alone, would not be a basis for a finding of the State Board's decision being against the manifest weight of the evidence.

D. THE VOTING PROCESS

The Plaintiffs claim that the voting process was improper by the Board not specifying the nature of the motion voted on and Board members engaging in off the record discussions. It is apparent from the record that the Board on motion knew that it was voting to approve the permit. While formality is lacking, the record reflects that in the other proceedings that day, which are part of the record the Board used the same methodology in voting.

While the off record comments by Board members may be irregular, they do not constitute ex parte communications. The Court can not attribute any significance to the off record comments in this review.

Based on a review of the record and for the foregoing reasons, the Court hereby finds that the Decision of the Illinois Health Planning Board to grant the issuance of the permit to Mercy Hospital and Mercy Health Systems was against the manifest weight of the evidence and arbitrary and capricious.

IT IS HEREBY ORDERED that the Decision of the Illinois Health Planning Board to issue a permit in Project No. 03-049 is reversed.

DATED: May 6, 2005

ENTERED Maureen P. McIntyre

MAUREEN P. McINTYRE
CIRCUIT JUDGE

Hello – my name is Kathy Kus and I will be reading some statements from local residents who were not able to make it to the hearing today. Thank you

It would be nice to have medical help close by. Good Luck our city really needs this great hospital!

"Thomas J. Nester
Crystal Lake"

It would be nice. A closer facility would help everyone.

"Angie Pietrini
Cary, IL"

When I moved to Marengo, 2 years ago, I asked several people what doctors and hospital they recommended. They told me that there are 2 hospitals: Mercy Harvard and Centegra. Mercy was excellent. I have been seeing doctors from Mercy Health System who are excellent!! Being a retired RN, I am very satisfied with Mercy. Mercy does need a larger hospital to handle the growth around the area.

Margo from Marengo

**Foresman Household
City: CRYSTAL LAKE
Testmonial:**

The hospital I would normally visit is Woodstock and McHenry - both decent.

The biggest benefit I see to having a hospital in Crystal Lake is proximity - being a senior it's hard for me to go anywhere..

A new hospital in Crystal Lake would create jobs - it seems like every business in Crystal Lake is closing down and moving out of the area. The hospital would draw more people to Crystal Lake and make a more attractive city for people to live in.



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Terry Dunning
Chairman, Sherman Hospital Board of Directors
Opposition to Project No. 10-098 – Mercy Crystal Lake Hospital & Medical
Center, Crystal Lake

Good morning. My name is Terry Dunning and I am the Chairman of the Sherman Hospital Board of Directors. I am here to discuss why Sherman opposes Mercy's proposed hospital in Crystal Lake. Since its founding well over a century ago, Sherman has been in integral part of this region, providing care to residents regardless of ability to pay. Mercy believes the proposed hospital in Crystal Lake is needed to improve the health and well-being of residents of McHenry County, particularly those living in the communities of Crystal Lake, Algonquin, Lake in the Hills, and Carey. However, these areas are already well-served by Sherman Hospital. As a member of the Sherman Hospital Board for over 20 years and life long resident of this community, I know Sherman Hospital is a resource for the entire region. Sherman serves all residents of the Upper Fox Valley. It just happens to be located in Elgin. In fact, in choosing our replacement site, we situated our hospital closer to McHenry County and in the middle of our service area to better serve patients throughout the entire region. Residents of the Upper Fox Valley have convenient access to quality health care provided by Sherman as well as the other hospitals in the area, like Provena St. Joseph, Advocate Good Shepherd, St. Alexius and Northwest Community. A new hospital will



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not improve the health and well-being of the residents in McHenry County.

Safety Net

Rather than improving health care, a new hospital will actually weaken the region's health care system. Throughout its history, Sherman has been a vital part of the region's safety net, providing health services to the most vulnerable populations. Sherman along with Provena St. Joseph was integral in establishing the Greater Elgin Family Care Center in 1996. Since its founding, Greater Elgin has grown from a small clinic with four physicians to a federally qualified health center providing comprehensive health care to residents of the area. Due, in large part, to the financial support and other contributions of the Elgin hospitals, Greater Elgin has been an unqualified success. This has led to the organization's development of a new health center in McHenry County which is projected to open in October of this year.

A new hospital will adversely impact the ability of safety net providers, like Sherman, to care for the underserved populations of the region. Sherman is located closer to both Carpentersville and Elgin, two of the most medically underserved areas in the Upper Fox Valley.¹

¹ Carpentersville is medically underserved area and Elgin is a low income health professional shortage area as designated by the U.S. Department of Health and Human Services, Health Resources and Services Administration.



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Through initiatives of the existing hospitals in the region, like Greater Elgin, residents of these communities have access to primary care services, such as routine, wellness and urgent primary and pediatric care. Successful primary care programs result in fewer hospitalizations and lower costs to the health care delivery system. A new hospital will draw patients away from existing hospitals, decreasing revenues and operating margins and making it more difficult for Sherman to serve nearby low income communities and to fund vital safety net services.

Innovative Health Care

Additionally, a new hospital will impact Sherman's ability to provide innovative, state-of-the-art health care to the region. The proposed hospital will not provide any new or innovative services; rather, it will merely offer the same services that are presently provided at existing hospitals. As a leading provider of health care to residents of the Upper Fox Valley, Sherman made a large investment in its facility to better serve the residents of the region. A little over a year ago, we opened our brand new \$235 million replacement hospital. We are aligning with some of the best academic medical centers in the State and we have been able expand our specialized services in stroke care, cancer care, heart and vascular care, pediatric services, and women's health; and are now planning a Center for Advanced Liver and Pancreatic Care. The proposed Crystal Lake hospital is a critical



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threat to Sherman's ability to continue with these innovations and to set the quality bar higher for the communities we serve.

Economic Climate

In addition to lack of need, now is not the right time to build a \$200 million hospital. The provider community is facing a negative economic climate and many challenges with health care insurance reform. In this environment, a smaller, more conservative project, like an outpatient clinic, which was considered but ultimately rejected in Mercy's 2003 application, would be more appropriate and a much more judicious use of financial resources than the establishment of a new hospital; particularly when there is convenient access to hospitals with beds available to accommodate the health care needs of the community.

We appreciate the opportunity to express our opposition to Mercy's proposed hospital in Crystal Lake and respectfully request the CON Board to deny Mercy's application for a CON permit for this project.

Brett Turner's Public Hearing Testimony
Mercy Crystal Lake Hospital and Medical Center , Inc.
Project Number 10-089
March 18, 2011

My name is Brett Turner. I'm the Managing Principal of Legacy Healthcare Consultants, a health care strategy and financial consulting firm based in the Chicago area. I am also a local resident, as I live in Hawthorn Woods. I have been a health care consultant for more than 24 years, working with leading hospitals and health systems throughout the U.S. I am proud to say that our firm has recently worked with three of the eleven Malcolm Baldrige National Quality Award winners for health care, including Mercy Health System. I'm speaking on behalf of Mercy Crystal Lake Hospital and Medical Center. My testimony is intended to explain to residents of this area the overwhelming benefit of approving Mercy Health System's hospital project in Crystal Lake. In doing so, I will speak to several key issues which I believe are vital to this dialogue. These issues are:

First, is this project needed? The answer, quite simply, is yes and here's why. In today's environment, the majority of hospital care is provided on an outpatient basis, typically 60-70 percent of a hospital's total revenue. To provide a continuum of services and reduce fragmentation, hospitals must have inpatient hospital beds. The Illinois Department of Public Health ("IDPH") has determined for Planning Area A-10 (McHenry County), where Mercy's proposed hospital is to be located, that there is bed need for 83 Medical-Surgical-Pediatric beds, 8 Intensive Care beds, and 27 Obstetric beds, for a total bed need of 118 beds.

In addition to there being a demonstrated need for hospital beds in the Planning Area, the development of Mercy Crystal Lake Hospital and Medical Center will serve to correct a mal-distribution of hospital beds within McHenry County. As represented by the attached exhibit, If McHenry County is divided into four sub-areas, South East, South West, Central and North, there currently exists a significant mal-distribution of beds in the county. Nearly 93% of the inpatient beds in McHenry County are located in the Central sub-area, with a population of 113,196 or 32.2% of the total county population (see Exhibit A). Mercy's Crystal Lake hospital's proposed location is in the center of the six southeast McHenry County communities representing over 46% of the county's population; a dense but rapidly growing sub-area of close to 164,000 people

(depicted on Page 103 of Mercy's CON application, a copy of which is attached as Exhibit B) which has no full-service emergency room, no hospital-based outpatient services, and no hospital beds. The proposed Mercy Crystal Lake Hospital and Medical Center will address this obvious mal-distribution head-on and provide the largest portion of residents in South East McHenry County with convenient access to much needed hospital care.

IDPH also calculates that McHenry County has the highest net out-migration of patient days for Medical-Surgical and Pediatrics patients of any county in Illinois by a wide margin. Of the total days (or nights) residents spend in hospital beds, nearly 45% of them are outside the county. Out-migration for these and other services are especially burdensome to the elderly and low income residents of the area, who disproportionately struggle with access to physician and emergency services, transportation problems and the growing traffic congestion in the area. Mercy Crystal Lake plans to significantly reduce this out-migration by adding 45 physicians and hospital services in the largest and most densely populated area of the county.

Finally, the demographic information available for McHenry county supports the need for Mercy Crystal Lake Hospital and Medical Center and more importantly supports the choice of location for the facility. Simply put (as is further reflected in the Exhibits), when completed, Mercy Crystal Lake Hospital and Medical Center will be located in the area in McHenry county (i) that is the most densely populated; (ii) which will, over the next five years, experience the largest population increase; (iii) that contains the greatest number of individuals that may need safety net services; and (iv) that contains the largest number of ethnic minorities.

Second, will this project increase health care costs for residents of the area? The answer is no, and it will likely lower costs with the increased presence of Mercy Health System in the Crystal Lake community. Over the past ten years, Mercy Health System – a model for integrated delivery systems – has consistently been rated among the top 20 Integrated Healthcare Systems (“IDSs”) in the United States by SDI and Modern Healthcare magazine. Irrefutable evidence has been established that IDSs improve healthcare quality, patient outcomes, and reduce costs – especially for patients

with complex needs. The Stanford University economist Alain Enthoven, who has been studying the nation's health care system for more than 30 years, said integrated systems "are the disruptive innovation we need to turn loose on the rest of America." A 2007 study by Chicago-based Hewitt Associates found that integrated systems like Mercy and Kaiser Permanente provide 22 percent greater cost efficiency than competing systems. While other area providers are working to become fully integrated delivery systems, Mercy Health System is already there.

We don't need to look far to observe the effects of this efficiency. The Dartmouth Atlas of Health Care publishes differences in health care spending by Hospital Referral Regions ("HRRs"). Directly to the northwest of McHenry County is the Madison, WI HRR, where Mercy operates the largest of its three hospitals in Janesville. In 2007, Medicare paid \$6,813 per enrollee for medical care. Conversely, in the Elgin HRR, which includes Centegra Hospital – McHenry, Advocate Good Shepherd Hospital, Sherman Hospital, Provena St. Joseph Hospital and St. Alexius Medical Center, Medicare paid \$9,518 per enrollee, nearly 40 percent more. Medicare pays higher rates to Illinois hospitals than Wisconsin hospitals, but nowhere close to 40% more. The Dartmouth Atlas states "studies comparing similar patients have found that those in higher-spending regions are more likely to be admitted to the hospital, spend more time in the hospital, receive more discretionary tests, see more medical specialists, and have many more different physicians involved in their care. The extra care does not produce better outcomes overall or result in better quality of care."

Mercy, through its fully integrated delivery system, has learned to operate highly efficiently in an environment where they are paid significantly less by Medicare than the primary hospitals serving McHenry County. Mercy Crystal Lake will feature a fully integrated multispecialty physician clinic of 45 doctors and a hospital designed to eliminate costly duplication of tests and therapies and competing medications prescribed by different doctors; structured to avoid the expensive duplication from less integrated physicians and hospitals.

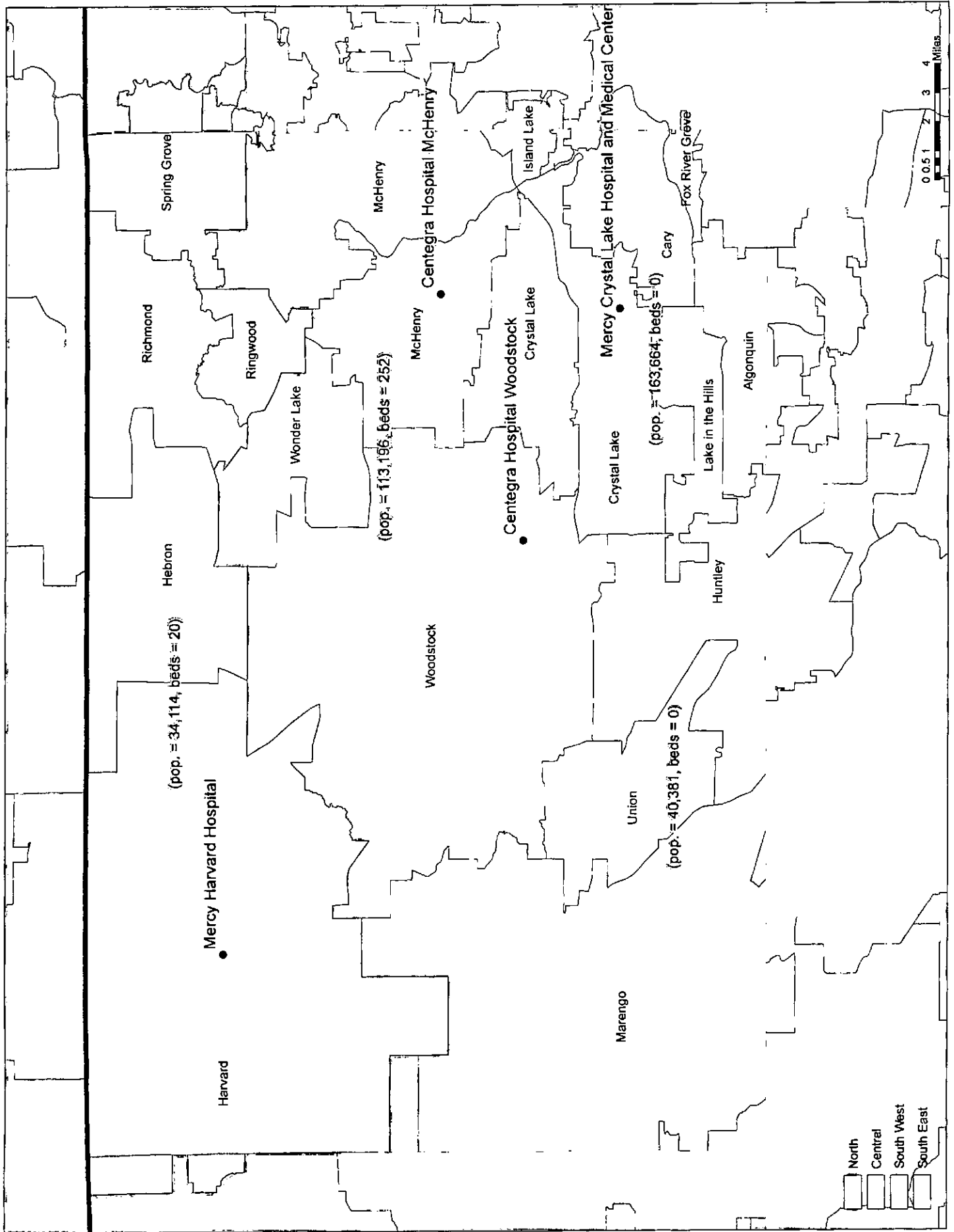
Earlier, David Eisenstadt, Ph.D., discussed the importance of increased hospital competition in McHenry County. As I speak, Advocate Health Care, the largest hospital

system in the Chicago area (especially in the suburbs) and the State of Illinois, is currently in discussions with Sherman Hospital about a proposed merger which would add to Advocate's size and strength. As a planner, I would expect that in the next ten years, Advocate will make a new attempt to build a hospital in Round Lake, a short distance from McHenry County. Advocate, due to its size and geographic coverage, has tremendous clout with health insurance companies and as a result, negotiates the region's best payment rates. Will this clout result in more competition and lower rates to insurance companies and therefore, lower health insurance premiums in the area?

Finally, Mercy Health System has superior financial ability to handle the debt load associated with developing a new hospital. As a firm that routinely advises hospitals and health systems throughout the U.S. on large capital projects, including replacement hospitals and new hospitals, it is vital that an organization have the financial wherewithal to absorb projects of this magnitude without jeopardizing the financial stability of the organization and maintain future access to capital from the municipal bond markets. Mercy Health System is rated A2 stable by Moody's Investor's Service, considered a very strong rating that is higher than any other owner of a hospital that is located in McHenry County. Mercy has significant cash reserves available for a project of this magnitude. The total cost for the Mercy project, at \$200 million, is \$33 million less than costs associated with the other hospital being proposed in Huntley. To fund its project, Mercy plans to use \$30 million of its own cash and fund the balance with \$170 million in bonds (as compared to \$48 million in cash and \$185 million in debt for the proposed facility in Huntley). We believe Mercy clearly represents the organization with superior ability to fund a new hospital in McHenry County and not put itself at considerable financial risk due to overly high debt-to-equity levels.

EXHIBIT A

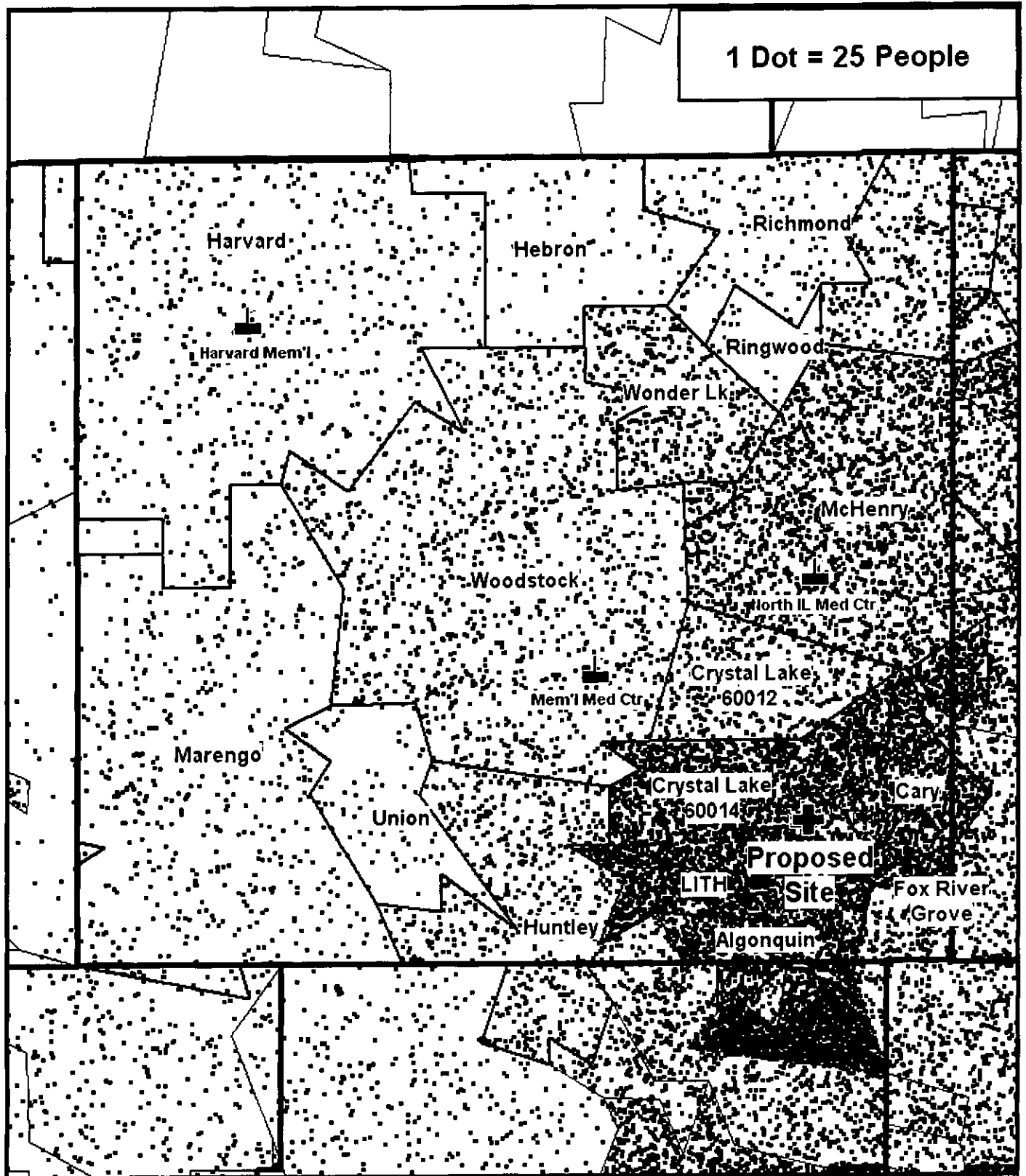
Residents and Hospital Beds in McHenry County



Sources: 2010 population figures from Carius Nielsen, 2010 hospital bed counts from Inventory of Healthcare Facilities and Services posted February 18, 2011

EXHIBIT B

Population Density in McHenry County 2010 Population Estimate



Source: Nielsen Claritas, Inc., New York, NY; U.S. Census 2000

Hello. My name is William Moll, and I live in Lakewood.

I am here to oppose Mercy Health System's request to build a hospital in Crystal Lake.


As you can tell, I wasn't born yesterday; in fact I do remember the seemingly endless Great Depression. So, I have watched a lot of boom and bust periods over the years. We did enjoy a huge boom in McHenry County, especially in real estate, not so long ago, but that is all past now, and judging from my experience, will not come back for a very long time.

Even so, Mercy Health System wants to build a hospital in Crystal Lake. That doesn't make sense to me. One of my concerns is this – the new hospital they propose will only duplicate facilities we already have. The proposed hospital will be just another community hospital, not one that brings specialized health care. This new facility certainly would be expensive, maybe very expensive, to build. As we all know, the costs of medical care are a hot topic today. So, what sense does it make to incur all these costs just to duplicate what we already have? A better solution in my opinion would be to expand existing facilities

Currently I'm very pleased with the access I have to a full range of care at Advocate Good Shepherd Hospital, which I can drive to in little more than 20 minutes. I haven't had any difficulty finding doctors to treat me or getting appointments to see those doctors. As I can attest, senior citizens often are under the care of many doctors. I can tell you that it really helps to know that all of my doctors will be available and can coordinate my medical care.

So, what is the purpose of spending a lot of money and diluting existing medical care to build and operate just another run-of-the-mill medical facility that duplicates what we already have.

Thank you for coming out to Crystal Lake, a truly pleasant place, and thank you for your time hearing me out.



William F. Moll

Good Morning, my name is Wes Jost. I am here today in support of the Certificate of Need for Mercy Health Systems new hospital in Crystal Lake.

I live at 1403 White Oak Lane in Woodstock - our county seat. I am here today because of the golden hour - the first hour of emergent medical care is vital.

The golden hour is compromised here in McHenry County because of our roadways and the high volume of traffic.

As a business owner and as a leader within the trades, this country has been founded on the premise of capitalism and competition. So why is this important in McHenry County? It is important because both capitalism and competition improve quality, which is something Mercy Health Systems knows all about! As the recipient of the Malcolm Baldrich award, Mercy understands the value of quality health care here in McHenry County.

Beyond the quality of healthcare, capitalism and competition controls pricing, a constant discussion among business owners, recipients of healthcare, as well as providers of healthcare today.

As the demographics of this county continue to change, Crystal Lake has the most diverse population in the County and Mercy understands the importance of providing quality healthcare to everyone - including those

wer Just
Pg. 282

who are less fortunate. They provide quality access through community care and medicaid.

Understanding that Mercy is all about quality - it is also about jobs and improving the local economy. Mercy has been in the county for fifteen years - this includes many individuals in our own neighborhoods who provide that quality of care. Mercy provides access, choice and quality through their community hospital in Harvard and their thirteen clinical facilities right here in the immediate area.

Mercy has been a stakeholder in McHenry County and we need to be a stakeholder and support Mercy. This new project will enhance healthcare employment opportunities by more than 400 jobs as a medical provider, above and beyond all of the immediate jobs within the trades. The new Mercy Hospital is about access, jobs and quality care!

I am honored and proud to serve as a board member for Mercy Harvard Hospital. I support the addition of the new hospital - this is the right decision, at the right location, at the right time and for the right reason.

Thank you...



MS 10/2

RESOLUTION NO. #R11-03-01

WHEREAS, on December 29, 2010, Mercy Health System filed a Certificate of Need Application with the Illinois Health Facilities and Services Review Board (HFSRB) for a \$200 million project in Crystal Lake, Illinois (hereinafter, "the Project"); and

WHEREAS, an approved Certificate of Need from the HFSRB will allow Mercy Health System to initiate further steps to seek approval for and begin plans to build a 128-bed acute care, large multi-specialty physician clinic and hospital in Crystal Lake at Route 31 and Three Oaks Road; and

WHEREAS, Mercy Health System has revised its earlier plans to better serve the current and future needs of Cary and other southeast McHenry County communities by increasing the number of hospital beds and high-priority services provided in the area; and

WHEREAS, Mercy Health System has chosen to locate its hospital and medical center in the most densely populated area of McHenry County; and

WHEREAS, the proposed location will also provide easy access for Emergency Medical Service providers; and

WHEREAS, it is anticipated that the Project will generate an estimated 650 to 800 construction related jobs during the two-year construction project. Within the first year of opening the facility, Mercy Hospital is expected to employ more than a thousand individuals, filling 840 FTE positions, of which approximately 600 will be new jobs; and

WHEREAS, Mercy Health System had represented that the total industry sales impact of the proposed Mercy Hospital and Medical Center ranges from an estimated \$102.78 Million in the first year of operation to an estimated \$257.5 Million five years later; and

WHEREAS, in addition to generating jobs and income, the economic activity associated with the proposed Mercy Hospital and Medical Center will also generate increased tax revenue for County municipalities; and

WHEREAS, there is a great likelihood that said economic activity will help to result in additional economic development in Cary, especially development on open land on Three Oaks Road, within ¼ mile of the proposed Mercy Hospital and Medical Center site.

Village of Cary
702

NOW, THEREFORE, BE IT RESOLVED that the Village Board of the Village of Cary does hereby endorse and support the approval of Mercy Health System's application for certificate of need for the proposed Mercy Hospital and Medical Center project contingent upon Mercy Health System obtaining certain zoning approvals in accordance with the Unified Development Ordinance of the City of Crystal Lake.

PASSED THIS 1ST DAY OF MARCH, 2011

AYES: Kownick, Hill, McNamee, Chisholm, Dudek

NAYS: None

ABSTAIN: None

ABSENT: Pilli

NOT VOTING: None

APPROVED THIS 1ST DAY OF MARCH, 2011

Tom Keene
MAYOR

ATTEST:

Julie Pratt
DEPUTY VILLAGE CLERK



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***R. Lee Piekarz Testimony
Opposition to Project 10-089***

Good morning. My name is Lee Piekarz, and I am a senior manager in the firm of Deloitte Financial Advisory Services LLP, an international professional services firm which provides accounting, tax, and business consulting services.

I am here to present summary findings with respect to an independent study we prepared at the request of Centegra Health System. This study relates to the potential financial impact of the proposed Mercy Crystal Lake Hospital on Centegra's existing McHenry County hospitals, Centegra Hospital – McHenry and Centegra Hospital - Woodstock.

Our findings with respect to this study are outlined in a report submitted to Centegra Health System.

Financial Impact to Centegra Health System

Our estimate of the financial impact of Mercy's project on Centegra Health System is based on the inpatient cases and related revenues and profits that Mercy would redirect from existing Centegra hospitals to the proposed Mercy Crystal Lake Hospital. The purpose of estimating the impact as if it were to open today, even though it could not reasonably be completed by November 30, 2013, is to reduce the number of variables such as inflation factors, reimbursement rates, and payor mix changes.

In Mercy's CON application on pages 181 and 182, Mercy states that it is confident that its project will not lower the utilization of other area providers below the State's occupancy standards or lower the utilization of other area hospitals that are currently operating below the standards but then contrary to that statement they include in their CON application 42 physician referrals letters totaling 3,809 cases of which 88% or 3,368 cases will be redirected from Centegra's two existing facilities with the other 12% coming from non Mercy facilities. Again to state it clearly, zero cases are reported coming from any Mercy facility.

In order to calculate the financial impact attributed to lost cases to Centegra Hospital-McHenry and Centegra Hospital- Woodstock's patient volume, we analyzed internal Centegra financial and cost accounting data to determine the "contribution margin" with respect to each Hospital's inpatient services. Contribution margin, which is defined as

revenues minus variable costs, represents the incremental profit from the provision of inpatient and outpatient services available to cover the fixed operating costs.

Multiplying the lost cases for each Centegra hospital by the contribution margin for each Hospital, we estimated the potential financial impact to Centegra Health System, if the proposed Mercy facility is approved, to be an annual reduction in net income of approximately \$11.7 million.

In our analysis of Mercy's CON application we sought to validate the physician FY10 cases using COMPdata® via Intellimed® and discovered a variance from the submitted physician referrals included in Mercy's CON to the data we pulled from COMPdata® via Intellimed® for the same time period.

The total number of cases reported in Mercy's CON is 3,976 compared to COMPdata® via Intellimed®'s cases of 3,259, or an overstatement of 22%. Per COMPdata® via Intellimed®, 2,872 cases have been referred to Centegra Hospital - Woodstock and Centegra Hospital - McHenry by the physicians surveyed and included in the CON application.

The financial impact based on the adjusted inpatient volume of 2,872 cases from the COMPdata® via Intellimed® information is \$10.0 million.

It is important to note that in both scenarios Mercy could also be expected to derive additional revenue from outpatient services not specifically identified in Mercy's CON. Accordingly, Centegra could also be expected to lose revenue and profit attributable to these services to Mercy. The financial impact related to any lost outpatient services has not been quantified since we only quantified the financial impact based on Mercy's number of inpatient cases from its CON application.

In conclusion, based on our analysis, and assuming Mercy's new facility were to open today, we estimate the potential financial impact to Centegra Health System to be an annual reduction in net income of approximately \$10.0 to \$11.7 million.

Thank You.

My name is Richard Guy and I am a resident of Woodstock, IL.

While I am not a resident of Crystal Lake, Cary, Algonquin or Lake in the Hills, I'd like to share with the Board, why I feel the need for a person to have a Hospital Facility close to where they live.

In 2002 I experienced severe abdominal pain. Due to the closeness of the Centegra Woodstock Facility, my wife was able to drive me to the Emergency Room in less than 10 Minutes. It was a Saturday and we arrived at approximately 6:00 PM. Unfortunately the Emergency Room was packed and I had to wait 45 minutes before an Exam Room was available. During that time I laid on the floor in a fetal position for all to see. I was diagnosed with Diverticulosis, and was admitted to the hospital for treatment 12 hours after I arrived at the Emergency Room. I did not respond to treatment long-term and surgery had to eventually be performed.

The closeness of a Hospital gives me great comfort, but if that facility is so overwhelmed by the number of persons that live within close proximity that seek treatment at that facility, I have concerns. The population growth in Southern McHenry County, in my opinion, has mandated the need for a hospital located in Crystal Lake.

To be candid, I want to see the Mercy Crystal Lake Hospital approved, so I and anyone else will never have to suffer the embarrassment of having to lay on an Emergency Room floor for 45 minutes until an Exam Room became available; or for that matter to wait an additional 12 hours before a Patient Room became available.

A final comment if I may. The addition of the Mercy Facility will foster competition, which is good. It will ultimately provide the residents of Southern McHenry County with better medical care at a lower cost.

I thank this Board for its courtesy.

Richard L. Guy



In fact, it is at direct odds with health care reform initiatives aimed at reducing costs.

As previous speakers have already testified, there is surplus capacity in the region. Another hospital will duplicate services, it will draw patients away from existing hospitals, and . . . another hospital will create many inefficiencies. Additionally, staffing costs will increase with more competition for the limited number of health care workers.

As a result, hospitals will be forced to increase charges to off-set lost revenue and increased operating expenses and to cover fixed costs, such as physical plant maintenance and equipment upgrades. These increases will be passed along to consumers through higher premiums, copayments and deductibles, and higher taxes. Make no mistake about it, this hospital will not be “free” to consumers and taxpayers. We will all pay for it.



While it is anticipated that health insurance reform will expand access to nearly 30 million individuals, this is not a panacea that will reverse a twenty year trend of decreasing utilization.

Health care reform legislation is aimed at reducing costs of episodic care for chronic conditions that should be proactively managed outside of the acute care setting. An example of this would be medical homes, which are designed, in part, to reduce hospitalizations by providing cost effective treatment to ameliorate chronic conditions before they become life threatening and require hospitalization. As a case in point, hospital utilization decreased in Massachusetts following that states health care reform.²

² Treatment intensity, which is measured by length of hospital stay, decreased by one percent; hospital admissions from the emergency department decreased by two percent; and hospital inpatient admission for treating preventable conditions fell almost three percent.



If you adjust the current bed need calculations to account for the lower use rates experienced from 2007 to 2009 and the lower than projected population growth in 2010, there is only a technical need for 54 medical/surgical/pediatric beds. While there is a technical bed need, it does not justify establishing a 100-bed med/surg program in the hopes that one day all 100 beds might someday be needed.

This is not a judicious use of scarce health care dollars or resources . . . nor is it responsible health planning.

Shifting Health Care Costs to Patients

Healthcare reform also seems to be having the effect of bringing the economics of health care closer to home. Patients are becoming more informed health care consumers as they become responsible



for a larger share of their health care bills and premiums.

That is because in an attempt to control rising health care costs, payors and employers are beginning to shift more and more costs to the consumer. This is being accomplished through higher premiums, deductibles and copayments. As a result, health care consumers are more judicious about the services they receive as evidenced by a softening in the demand for diagnostic testing and procedures.

Additionally, Medicare, which accounts for approximately 14% of the entire federal budget, is growing at an absolutely unsustainable rate. In an effort to control costs, Medicare has instituted various pay for performance measures. These measures promote reimbursement for quality, access efficiency, and successful outcomes. For example, Medicare will no longer pay for hospital-acquired infections and will



reduce payments for hospital readmissions for certain conditions.

Emerging payment and care delivery models will have significant implications on current and projected capacity for inpatient, acute care market providers. Closer alignment, collaboration, and clinical integration with physicians will be critical as new incentive models will directly impact physician practice patterns and utilization.

Market forces will drive decreased inpatient utilization, creating more capacity at existing facilities and a restructuring of existing capacity to meet reduced inpatient demand.

A traditional volume-based need formula simply does not account for new delivery and payment model innovations nor recent downward use trends. Health planning based upon the outdated volume-based



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model will result in overestimation of future inpatient needs. And this will result in unnecessary capital investment and excess capacity.

Given this new payment reality, investment in a new hospital that is destined to under perform financially and to under perform clinically is just not a judicious use of scarce health care resources.

Thank you for the opportunity to express Sherman's opposition to Mercy's proposed hospital in Crystal Lake. We respectfully request the CON Board deny Mercy's application for a CON permit.



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Rick Jakle

Chairman, Sherman Health System Board of Directors

Opposition to Project No. 10-098 – Mercy Crystal Lake Hospital & Medical Center, Crystal Lake

Good morning. My name is Rick Jakle. I am the Chairman of the Sherman Health System Board of Directors. I am here to delve farther into why Sherman Hospital opposes Mercy's proposed hospital in Crystal Lake.

Health Care Reform

The United States health care system is undergoing its greatest transformation since the creation of the Medicare and Medicaid programs in the early 60s. Payors are moving towards more outcomes-based payment models and health care reform legislation is aimed at reducing costs.



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Moreover, patient centered medical homes, bundled payments, clinical integration, and accountable care organizations, are driving the delivery of health care away from the traditional inpatient, acute care hospital-driven delivery system to one that is more clinically integrated, coordinated, and ambulatory-based.

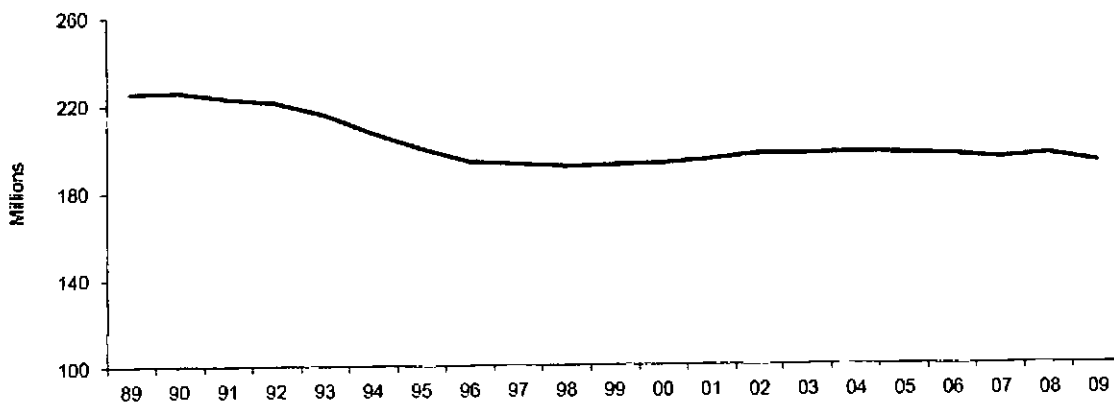
In fact, based upon data from the American Hospital Association, over the last 20 years hospital utilization has been steadily decreasing despite growing population. From 1989 to 2009, inpatient days in the U.S. decreased 14.5% nationally¹ . . . that was despite an almost 25% increase in the population. Illinois has seen similar decreases in utilization.

¹ American Hospital Association, Trendwatch Chartbook 2011 Table 3.1



From 2005 to 2009, inpatient days decreased 3.7% from approximately 7.6 million inpatient days to about 7.3 million inpatient days.

Chart 3.2: Total Inpatient Days in Community Hospitals, 1989 – 2009



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2009, for community hospitals.

What this means is that fewer hospital beds will be required in the future to treat greater numbers of people. Given duplication of services, current downward utilization trends and the movement from a volume-based to a value-based payment model, now is not the right time to add beds to the service area.

Crystal Lake CON Public Hearing Mercy Health System Human Resources

My name is Kathy Adams and I am the Director of Education and Organizational Development for Mercy Health System. I currently live in Illinois at 8528 Creek Court in Machesney Park and am happy to be here speaking in support of the Mercy Health System CON application. I will be speaking about our employment process and the impact that would have if Mercy Health System would have a hospital and clinic in this area.

Mercy has been an employer in Illinois for many years. Our first partnership was in 1996 with Illinois Mercy Harvard Center clinic. Here at Mercy we have a strong reputation for being a "Best Place to Work" as evidenced by the following:

- When Mercy was awarded the Malcolm Baldrige National Quality Award in 2007 the Baldrige examiners recognized Mercy, through their in-depth examination (which included a week long site visit) as being a "Best Place to Work" a key strength and driver.
- We have been recognized for the past five years as being a best place to work by AARP for people over 50 with the distinction of being number 1 in the nation in 2006.
- Mercy has been recognized by *Working Mothers Magazine* for over five years as a best place to work for working mothers.

We take pride in our employee partners and creating an engaging work environment. Our last partner satisfaction showed results that were in the top 10 percent of the national healthcare benchmarks.

Currently we employ approximately 725 employee partners in Illinois at 17 locations. We have had great success in staffing our Illinois locations. Our vacancy rates are well below the national norms. Our current vacancy rate is 3% compared to national vacancy rates of approximately 9.5%. In addition our RN vacancy rate is approximately 3.5% compared to national benchmarks of over 10% (American Society for Healthcare Human Resources Administration (ASHHRA) benchmarks).

Mercy has very low turnover, our most recent turnover rates are 7.7%, compared to national turnover rates of 12.3%. For physician turnover, Mercy was below 3% during the first half of 2011 and Mercy's RN turnover rate is 5.2%, performing much better than the ASHHRA top 25% benchmark of 8.9%.

Mercy's approach to recruitment has been to work very closely with our local schools such as McHenry Community college and Elgin Community college. We have developed relationships with area health care professional training programs and colleges, regularly participating in Illinois Colleges' health care recruitment fairs. Over the last several years we have actively participated in over 20 different health care job fairs across Northern Illinois. In addition we serve as clinical teaching sites for five different healthcare programs for nursing and ancillary programs. We maintain contact with many area nursing schools and this May there will be approximately 550 nursing graduates within the Northern Illinois area to draw from. These schools include DePaul University, Elmhurst College, and Northern Illinois University among others. In addition we offer scholarships for people pursuing a healthcare degree including BSNs for both High school students and current Mercy partners. Over the last 5 years we have awarded 7 scholarships to Illinois High School students including Crystal Lake Central and Prairie Ridge High School in Crystal lake; and four scholarships to Mercy Illinois employee partners.

In closing as an Illinois resident I want to express my excitement about the possibility of Mercy Health System expanding in Illinois. I have truly had first hand experience of Mercy *being a best place to work* and hope we have an opportunity for others to experience this as well.

SUPPORTING DATA

Illinois Nursing Schools

Name of College	Number of Grads expected this May	Number of times per year they hold graduations
Aurora College	50	Once per year
Benedictine College	46	Three times per year
Black Hawk College	45	Once per year
DePaul University	50	Two times per year
Elmhurst	63	Once per year
Loyola University	101	Once per year
Northern Illinois University	66	Twice per year
St. Anthony's School of Nursing	27	Twice per year
St Xavier	60 – 70	Twice per year
Wabaussee Community College	43	4 times per year

Job Fairs/Career Days

Nurse Expo – Rockford, IL – 3-30-06 & 3-31-06
Concordia College OT/PT Career Fair – 3-30-06
Nursing Spectrum Job Fair –Drury, IL – 9-29-06
St Anthony's School of Nursing Career Fair – 11-06-06
Nurse Expo – Rockford, IL – 3-29-07 & 3-30-07
McHenry County Health Career Fair – McHenry, IL – 4-25-07
McHenry County College Job Fair – Crystal Lake, IL – 10-24-07
St Anthony's School of Nursing Career Fair – Rockford, IL
Kishwaukee College – Malta, IL – 11-29-07
Bradley Univ PT/OT Career Fair – Peoria, IL – 11-29-07
McHenry County College Job Fair – Crystal Lake, IL – 10-24-07
Nurse Expo – Rockford, IL – 3-27-08 & 3-28-08
Career in the County – McHenry, IL – 4-25-08
Rockford Register Star Career Fair – Rockford, IL – 9-24-08
PT/PTA Career Day – Naperville, IL – 11-15-08
St Anthony School of Nursing – 3-23-09
Nurse Expo – Rockford, IL – 3-26-09 & 3-27-09
Career in the County – McHenry, IL – 4-23-09
St Anthony's School of Nursing – Rockford, IL – 11-30-09
Nurse Expo – Rockford, IL – 3-25-10 & 3-26-10
St Anthony's School of Nursing – Rockford, IL – 11-15-10
Rasmussen College – Rockford, IL – 8-19-10
Rasmussen College – Rockford, IL 2-17-11

Clinicals

COTA – McHenry Community College
PT – Bradley University
MA – First Institute
C.N.A.s – McHenry Community College
Radiology – Elgin Community College

Scholarships given in IL 2006 - 2010 (All of them where the Sister Michael Berry)

2006 - 2
2007 - 2
2008 - 2
2009 - 0
2010 - 1
Total = 7

Scholarships

2006 - 2
Jaime Ostrom - Crystal Lake Cental High School, \$1000
Anil Alimond - Woodstock High School, \$1000
2007 - 2
Jacquelyn Ortgiesen - Belvidere High School \$1000
Kelly Hanrahan - Marian Catholic High School \$1000
2008 - 2
Tyler Bartz - Honoegah High School, \$1000
David Gardner - Honoegah High School, \$1000
2009 - 0
2010 - 1
Kathryn Marwitz - Prairie Ridge High School Crystal Lake, \$1000

Mercy Partners

2008
Elizabeth Rios - Woodstock, \$1000
Sandra Conrad - McHenry, \$1000

2009
Elizabeth Rios - Woodstock, \$ 500
Suzanne Eck - Woodstock, \$ 1000

Construction jobs created: 650-800
Full-time equivalent jobs created: 840

 Advocate Good Shepherd Hospital

450 West Highway 22 || Barrington, IL 60010 || T 847.381.0123 || advocatehealth.com

Dear Board members and participants,

My name is Dr. Joseph Giangrasso and I am the Medical Director of Emergency Medicine at Advocate Good Shepherd Hospital in Barrington, less one mile from McHenry County and less than 7 miles from this proposed hospital. Due to another commitment I am not able to attend this hearing but wanted to make my views heard. There are already sufficient Emergency Department services in McHenry to well serve the current and future population and we do not need additional Emergency Departments in McHenry County. Building expensive new inpatient facilities with emergency departments is an expensive proposition. My department is proud to serve McHenry County patients every day, both through the hospital's emergency room and Good Shepherd's immediate care center in Crystal Lake.

Mercy says that one of the reasons they want to build a hospital is because of the excessive bypass time experienced by area hospitals. They are using old data and their claims are inaccurate. They reference a Northwest

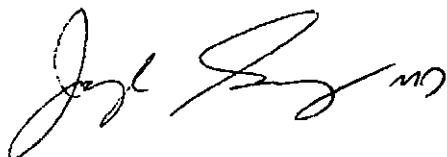
Herald article from 2007 that talks about ED bypass times from 2004 to 2007. Since then Good Shepherd has expanded our ED capacity and the bypass times in 2010 were nearly nonexistent. Existing hospitals in the area have more than enough capacity to serve the emergency needs of McHenry County residents. I would like to direct you to the board which shows hours on ED bypass for 2010 for the region nine hospitals. The data are from the hospital and health alert network, IDPH safety, accessed through www.idphnet.com. You can see that Good Shepherd was only on bypass for two hours and was able to serve additional emergency patients 99.9% of the time. Four hospitals in the region, including Centegra-McHenry, Centegra-Woodstock, Northwest Community, and Provena-St. Joseph, are not shown in the report, indicating that they had no bypass hours in 2010. The seven area hospitals (Good Shepherd, McHenry, Woodstock, Northwest Community, Provena, Sherman and St. Alexius) averaged only 2 hours on bypass for all of 2010. It is important to note that when a hospital is on bypass, patients with life-threatening conditions and walk-in patients are not required to bypass and are accommodated at the hospital. Mercy indicates that drive time is excessive. I do not believe this is the case. EMS, lights-and-siren time from the east side of Crystal Lake is 7-10 driving minutes and 6 miles to Good Shepherd.

Over 85% of the patients seen in our Crystal Lake immediate care center, by board-certified emergency medicine physicians are McHenry residents. This center is located less than 2 miles from the Mercy site, and residents have chosen to receive their care in our immediate care setting rather than seeking care in one of the three emergency departments. This is not because the existing hospital emergency departments are at capacity, but, rather, they recognize that they can receive this care in a non-hospital based setting.

Mercy also states that charity care will be provided to ED patients who are unable to pay. I'm glad to hear them say this because there's a law called EMTALA that requires them to provide emergency care to all patients regardless of their insurance status. The real test of the charitable nature of a health care system is whether or not they provide charity care to non emergency department patients. I didn't see anything about that in their application.

In summary, I urge the Board to reject this application as it will be an expensive duplication of services that are not needed. My department and I look forward to continuing to serve the acute needs of McHenry County residents.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Giangrosso MD". The signature is fluid and cursive, with the "MD" clearly visible at the end.

Joe Giangrosso, MD

Area Hospitals Rarely on Emergency Room Bypass

Nearby Hospitals	Hours on Bypass 2010
Advocate Good Shepherd	2
Centegra Woodstock*	0
Centegra McHenry*	0
Northwest Community Hospital*	0
Provena St. Joseph*	0
Sherman	6
St. Alexis	8
Total	16
Average per hospital	2.3

List of all Hospitals in Region 9

*Four hospitals – including Centegra-McHenry, Centegra-Woodstock, Provena St. Joseph and Northwest Community Hospital – in the chart above had no hours on bypass in 2010. Those four hospitals are thus not shown in the table to the right, which only lists hospitals that were on bypass during 2010.

Internet Explorer - Windows Internet Explorer provided by Advocate Health Care

Public Health

http://report.advocate.com/QueryResults.aspx?1515&category=of+emergency+room+data+table+0

Hospital Percent Time on Bypass

Date Range: 1/1/2010 To 12/31/2010

Hospital Name	Hospital Region %	Time On Bypass (Hours)
1. BOCKWOLD MEMORIAL HOSPITAL	0.14%	13.01
2. SWEDELL AMERICAN HOSPITAL	0.10%	13.12
3. CALDWELL COLLIER HOSPITAL	0.10%	4.21
4. GENESIS MEDICAL CENTER, STANT CAMPUS	0.24%	10.27
5. MONY HANLEY MEDICAL (MHS)	0.21%	11.28
6. DEB ST. MARY MEDICAL CENTER	0.21%	12.82
7. ST. MARGARET HOSPITAL	0.18%	10.44
8. PRODUCE MEDICAL HOSPITAL	0.24%	2.23
9. GOOD SAMARITAN REGIONAL HEALTH CENTER	1.00%	156.78
10. HAZLETON MEMORIAL HOSPITAL	4.02%	8.40
11. HAZLET AND REGIONAL MEDICAL CENTER	8.02%	9.13
12. MEMORIAL HOSPITAL	0.27%	8.23
13. MAHALEK MEMORIAL HOSPITAL	0.21%	7.43
14. ADVOCATE CHILDT HOSPITAL CENTER	0.23%	74.88
15. INDIAN MEMORIAL HOSPITAL	0.27%	12.25
16. LITTLE COMPANY OF MARY HOSPITAL	2.25%	119.85
17. PALM COMMUNITY HOSPITAL	1.28%	28.27
18. PROENA SAINT MARYS HOSPITAL	0.45%	62.32
19. EDWIN SUBERTELL HOSPITAL ADVOCATE	0.12%	59.28
20. ST. JAMES HOSPITAL AND HEALTH CENTER	0.25%	7.83
21. ADVOCATE ST. GEORGE'S HOSPITAL	0.21%	15.32
22. ADVOCATE GOOD SAMARITAN HOSPITAL	0.21%	44.27
23. GUMPERT MEMORIAL HOSPITAL	0.24%	26.67
24. CORTELLA MEMORIAL HOSPITAL	0.21%	44.46
25. MACNEAL HOSPITAL	0.21%	17.45
26. WEST SUBURBAN HOSPITAL MEDICAL CENTER	0.21%	21.42
27. ADVOCATE GOOD SHEPHERD HOSPITAL	0.21%	1.88
28. ADVOCATE TURKLEHAW GENERAL HOSPITAL	0.13%	11.53
29. MIDWAY HOSPITAL	0.21%	5.47
30. ST. ALEXANDER MEDICAL CENTER	0.28%	8.07

Mercy Crystal Lake Hospital Public Hearing 3-18-11

Comments by Fredrick W. Wickham

I preface my comments with 2 notes:

1. The issue here is not about Centegra or Northern Illinois Medical Center. My family and I have received positive medical treatment and services from Centegra and NIMC. The issue here is about meeting the primary and emergency care needs of the people of Crystal Lake.

2. I have significant interest in and some standing in the matter of a new hospital for Crystal Lake as a result of the following:

I have lived in Crystal Lake for more than 40 years.

I have been active in politics in the community for nearly 40 years.

I am a co-owner of a business in downtown Crystal Lake for more than 20 years.

I have served on the Crystal Lake City Council for 8 years. (1974-1982).

I served on the C.L. Zoning Board for one year in 2004.

My Comments consist of three points;

1. Many in Crystal Lake want a Crystal Lake Hospital.
2. Crystal Lake needs a hospital.
3. Crystal Lake will receive significant benefits from Mercy Hospital.

The people of C.L. have long expressed a desire and a need for a hospital in Crystal Lake. The need was identified more than 50 years ago. A group was formed in the early 60's to find a way to build a hospital in Crystal Lake. At that time the population in C.L. was less than 20,000 and even then they saw the need for a hospital. A hospital study was conducted in 1971 and 1972 and it was determined that the (Ambutal) site (Rt. 31 & 176) was the preferred site for a hospital in Crystal Lake. In November 1980 the Crystal Lake Hospital Association requested that the City Council adopt a resolution endorsing a hospital for the Crystal Lake area. The resolution was adopted. For years we have tried to get a hospital for Crystal Lake.

The Ambutal was annexed to Crystal Lake on October 2, 1979. It subsequently opened in 1981. The primary purpose, the sole purpose for the annexation and the building of the Ambutal was to grow the Ambutal into a hospital. The City's purpose for support of the Ambutal was to have Sherman Hospital develop a Crystal Lake hospital on the Ambutal site. How do I know this? I was on the City Council at the time and there are ample notes about its purpose in the minutes of the C.L. City Council meetings.

The need for a hospital in Crystal Lake: The City of Crystal Lake, the largest city in McHenry County, with a current population of approximately 43,000 has need for better primary and emergency care options.

We need faster transportation to emergency room services and vital hospital care.

We need better access to local physicians.

We need greater convenience for patients, family, and friends.

We need lower costs for transportation and, because of competition, lower medical service costs.

We need an increase in beds available for immediate care.

I am confident that Mercy Crystal Lake Hospital & Medical Center will provide for these needs. Mercy will provide a significant increase in the quality of patient service in Crystal Lake and surrounding areas. My family and I have had excellent experience with a number of Mercy physicians. Mercy will meet the city's needs and will bring high quality medical treatment to the residents of Crystal Lake.

Other benefits: The proposed hospital is not funded by taxpayer dollars. The city will benefit from additional capital improvements to adjoining roads and from additional sales tax. Mercy Hospital will provide jobs for several hundred people. It will provide construction and maintenance jobs as well as jobs for medical treatment personnel. In closing, in addition to providing better primary and emergency care for the people of Crystal Lake and surrounding areas, it will be an economic engine for the area. It will surely save lives that might otherwise be lost.

Clearly, a hospital built in Huntley will serve the people in that area. However, it will not meet any of the medical needs of the people of Crystal Lake, the city with the largest population in McHenry County.

This is the best and last chance for a hospital in Crystal Lake. Mercy Hospital is offering a huge gift to the people of Crystal Lake and the surrounding area.

As a long time resident of Crystal Lake and as a former Crystal Lake City Councilman, I fully support Mercy's proposal to build a hospital in Crystal Lake at the site proposed.

Fred Wickham

Fredrick W. Wickham
811 Blue Mound Drive
Crystal Lake, IL 60014

815-459-8537

3-18-11



ALEXIAN
BROTHERS
St. Alexius Medical Center

**Public Hearing Testimony of
Edward M. Goldberg, President and CEO, St. Alexius Medical Center**

Project #10-089 – Mercy Crystal Lake Hospital & Medical Center
March 18, 2011

My Name is Edward M. Goldberg, and I am the President and CEO of St. Alexius Medical Center in Hoffman Estates. I am here today to voice my opposition ... the opposition of St. Alexius Medical Center ... and the opposition of Alexian Brothers Health System... to the proposal by Mercy Health System of Janesville, Wisconsin to build a new – and we believe unneeded – hospital in Crystal Lake, Illinois.

I would like to take this opportunity to point out that Alexian Brothers Health System typically does not oppose hospital building projects. For example, we supported Centegra-Woodstock's 2004 proposal to expand their Woodstock campus. We also supported Sherman's proposal for their new hospital in Elgin.

We also did not oppose:

- St. Joseph's expansion and request for open heart;
- Centegra's Northern Illinois Medical Center expansion and request for open heart;
- Good Shepherd's request for expansion and open heart; or
- Glen Oaks' request for a Cath Lab.

So, this opposition is not a knee jerk reaction. It is a reluctant – but absolutely crucial and well-thought-out – response to a completely inappropriate duplication of extremely expensive healthcare services.

This region is very well served by the Alexian Brothers Health System and several other fine hospitals. In fact, the proposed hospital is located just 35 minutes from St. Alexius Medical Center – and several other hospitals are even closer to the Crystal Lake site than we are.

I'd like to use this map to illustrate that point. (*Point to the service area map.*)

It almost appears that Mercy has drawn a circle around the combined, existing service areas of Good Shepherd, Sherman and St. Alexius hospitals to define its service area for the proposed new hospital. This shaded blue area is the area that Mercy defined as its service area in its application to the state.

The areas outlined by colored lines – Orange for Good Shepherd Purple for Sherman ... and Green for St. Alexius – represent the existing service areas for those three hospitals, respectively. Except for a couple of little corners in the southern portion of this map, the Crystal Lake Service area completely overlaps the areas already well-served by these three hospitals.

But that's not all. I also must mention that Centegra's Woodstock and McHenry Hospitals are both within this blue shaded area that Mercy is claiming, too. So is Provena St. Joseph Hospital in Elgin. And, Mercy's existing Harvard Hospital is located just outside the blue area. (*Point to the northwest portion of the blue shaded area.*)

They say that a picture is worth a thousand words. That old adage sure does ring true today.

Another remarkable fact of this proposed service area is this: If a patient within this blue service area lives practically anywhere except in Crystal Lake, in many cases, he or she would have to drive past at least one – and in some cases two, or even three – other hospitals to get to the proposed site of the Crystal Lake facility.

A detailed study of drive times to hospitals in the area also clearly supports the fact that this proposed hospital is not needed:

- One hundred (100) percent of the people who live within Mercy's proposed service area for the Crystal Lake site are within 30 minutes of driving time from an existing hospital with capacity to take more patients.
- Within that, 81 percent of the people in the area live within only 15 minutes of driving time from an existing hospital.
- There is not one ZIP code in Mercy's overall proposed service area where all the existing hospitals are more than a 15-minute drive away.

Now, I'd like to talk about physicians and their patients. After all, let's remember that all of this is supposed to be about helping patients. Mercy's C-O-N application says that it is counting on all of its doctors to bring all of their patients to the proposed Crystal Lake Hospital when the patients need hospital services. If you look at the application, you will see that this includes patients from towns across the metropolitan area and even into Wisconsin.

Does Mercy really think– that all of these patients – from as far away as Palatine, in Cook County ... to Ingleside, in Lake County, to Marengo in McHenry, and Williams Bay, in Wisconsin ... are going to trek all the way to a Crystal Lake hospital? Even when there are several other hospitals that are located much closer to their homes? Is this really in the best interests of the patients?

But here's the kicker: Even if all of those patients did come to the new hospital from all those far-flung places, it still would not be enough patients to justify building a new hospital.

As long as we are on the topic of counting patients, I'd like to caution all of us to be careful not to double-count patients in any of our plans. St. Alexius is in the midst of a \$117 million dollar modernization program that was approved by the Review Board less than a year ago. The justification for that project included our ability to continue to attract patients from the Huntley area. And, Sherman Hospital's \$325 million dollar replacement hospital also is counting on patients from Huntley.

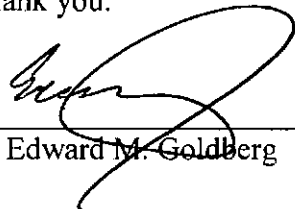
Now, both Mercy – in this CON – and Centegra, in its application to build a hospital in Huntley – are counting on serving patients from Huntley, too.

Then there is the promise of jobs. In its application, Mercy says that it would bring a significant number of jobs to the area. In reality, those jobs would be short-term construction jobs. If the new hospital were approved, the patients in the area would just be shared among more hospitals, and it is likely that full-time health care jobs would just shift from the existing hospitals to the new one. There might be a small net increase of jobs if the new facility were opened. But that would be the result of inefficient and duplicative staffing – not a true need.

In closing, I would like to remind the Illinois Health Facilities and Services Review Board that St. Alexius is a primary provider of both Medicaid Services and charity care services to the less advantaged residents of the far northwestern suburbs. Last year, 19.9 percent of the patients admitted to St. Alexius—one in five—were Medicaid recipients. And, nearly 3.5 percent of our patients were without any medical coverage. We provided their care with no charge to the patients.

Providing care to the less fortunate is integral to the Alexian Brothers' mission, and we are proud of that. The reality, however, is that while we take pride in the care that we provide to the financially disadvantaged, we must also provide services to privately insured patients in order to maintain our commitment to the disadvantaged.

Thank you.



Edward M. Goldberg

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SOLOMON I. SECEMSKY, M.D., F.A.C.C.
RAMINDER P. SINGH, M.D., F.A.C.C.

MACIEJ K. MALINSKI, M.D.
AZMEY A. MATARIEH, M.D.

March 15, 2011

My name is Dr. Solomon Secemsky, I am a cardiologist at Sherman Hospital in Elgin. I am also a member of the Sherman Health board of directors. I am here today, to express my opposition to the proposed Mercy hospital in Crystal Lake.

I have been a board certified cardiologist for over 30 years and I am speaking today, based on that experience and perspective. I have seen heart care evolve tremendously in the past 30 years in many positive ways. Based on this evolution in health care delivery, I can tell you, firsthand, that adding another hospital to the area will have a material and adverse impact on the care of cardiac patients, in the Crystal Lake area. The concept of a new hospital in McHenry County is simply irresponsible.

Let me explain, by giving you a glimpse into the life of a cardiologist, who treats patients from all over this region. In any given hospital system with advanced heart care, a cardiologist's care to patients involves treating them in four locations; in the operating room, in the recovery room, in the ICU step-down units of the hospital, and in the office. Efficient access to patients among those locations is essential to high quality care. It is very important to me to maintain my practice, almost exclusively at a single location, in my case, Sherman hospital. If I have to travel to various communities to deliver care, I will be less available for direct patient encounters with my post-operative patients with their, often, urgent needs.

Also, based on the often sudden and emergent nature of coronary incidents, it is often necessary for me to rearrange my schedule, to be in the cath-lab on extremely short notice. In fact, the protocol for emergent care that I provide, requires me to live within minutes of the hospitals, where I am on call, as we strive to initiate our emergency coronary procedures within 30 minutes of the determination of the presence of an acute heart attack.

Cardiology programs in the area have proliferated, which means that heart patients are already being diluted among numerous providers. In contrast, in earlier years, there were far fewer programs and those programs were more robust. The proliferation of cardiology services make for a lower level of staff specialization and dilutes the clinical benefits that a center of excellence in specialized care offers. This discourages O.R. and nursing staff specialization and cardiologists from being able to devote more time to providing care to patients. Based on the cost of specialized care, we can no longer shrug our shoulders about the facts that physicians must drive from one distant location to the next to deliver care. Care efficiency must be made a priority.

The capital commitments for developing a strong heart program go way beyond building and equipping operating rooms. Staff specialization and post-surgical care facilities are equally important.

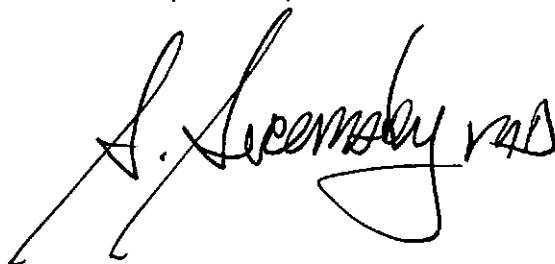
On the flip side, if a new hospital is built and such a program is not developed, patients with immediate cardiac care needs, seeking treatment at the new Crystal Lake hospital would undoubtedly need to be immediately transported by ambulance to a more advanced medical center, which can handle the complete range of cardiac procedures. Since time is muscle, this stop along the way would have a significant negative impact on these patient outcomes.

As a cardiologist, I feel strongly that Mercy is not looking out for patient's best interests, as they are trying to draw patients away from nearby, established and very capable hospital which offer high-quality, critical care.

Sherman hospital prides itself on offering the best cardiovascular care to our patients, including McHenry County residents, most of whom are nearly as close to an existing hospital, as they are to Crystal Lake.

As a physician, I urge the review board to think about what is best for the health and well-being of area residents and reject Mercy's proposal to build a hospital in Crystal Lake.

RESPECTIVELY
SUBMITTED,

A handwritten signature in black ink, appearing to read "A. Swensky MD". The signature is written in a cursive, flowing style with a long, sweeping underline that extends to the left.

Dr. Yvonne Yao
Testimony re: Project 10-089
Opposition to Mercy – Crystal Lake

I am Dr. Yvonne Yao, an obstetrician and I am opposed to Mercy's proposal. I started my Woodstock/Crystal Lake practice in 2000 with Mercy Health System, and I noted a change in Mercy over the years.

Instead of patient care, they appeared to be more focused on the "bottom line." I felt pressured to take patients from Centegra Woodstock Hospital, where my patients had been receiving their hospital care, to Mercy's facility in Harvard. When I expressed concerns about the quality of certain services within Mercy, I was ignored.

I pointed out that traveling 20-30 minutes from Woodstock to Harvard could compromise patient care. I pointed out that services that were available at Centegra Woodstock would not be available to my patients if they went to Mercy Harvard Hospital. I was told that I was not being a team player. This type of behavior made me lose confidence in Mercy.

I moved my outpatient practice to Centegra Primary Care in 2008. After experiencing Mercy's care philosophy from within the organization, I strongly oppose any hospital proposed by Mercy. I heard that Mercy physicians indicated that they would bring all of their patients to a new Crystal Lake hospital. That is further proof to me that Mercy's interest is in making more money for themselves and not providing the highest quality medical care to the people of McHenry County.

I ask that the Illinois Health Facilities and Services Review Board deny Mercy's application for a hospital in Crystal Lake. It was clear to me that Mercy Health System does not put the needs of its patients first.

Timothy E. McDonnell

7200 Mallard Way
Cary, Illinois 60013

Public Hearing March 18, 2011 - Opposing Mercy Hospital

Hello, my name is Tim McDonnell, and I am a resident of Cary and I oppose the proposed new hospital in Crystal Lake.

I believe that building another hospital in southeastern McHenry County is not needed or wanted by the community. While I may look young and healthy, I'm deeply concerned because I have a family history of heart disease and I'm worried what might happen should I have a heart attack. Should this new hospital get built and I have a heart attack, I'll be taken to this hospital's emergency room. This new hospital could take me away from the physicians that I trust. If I need surgery I would have to be transferred elsewhere. This is unacceptable and unnecessary. Let me be clear, I don't want this hospital built. It's an extra burden on me, the patient, and my family. I want to be taken to a hospital where all options are open to me, including open heart surgery. Having to go to another hospital first could put my life at risk.

Our area is already well-served by several fine hospitals. Advocate Good Shepherd is located just five miles from my house and six miles away from the site of the proposed Mercy community hospital. Good Shepherd – along with Sherman and Provena hospitals in Elgin – have all of the services I need, excellent medical professionals, and state-of-the-art facilities to serve the people in southeastern McHenry County.

Of course everyone would like to see job creation in our area. But building a new Mercy facility would not necessarily create new jobs. If another hospital were built, jobs would merely be moved around among more facilities, leaving the community without a net increase in jobs.

It would be like a game of musical chairs – the same number of patients would move among a greater number of hospitals, in efficient and unnecessary. If the hospital is built, the medical staff will have to decide if they want to go to more places and be less efficient and possibly delaying care. Just because there is another hospital, doesn't mean more patients suddenly appear. In fact, Cary has been closing schools due to lower enrollment-the population is not growing as fast. The bottom line – the population doesn't warrant a whole new hospital and won't result in the creation of more jobs.

I would like to make one last point. I am concerned about Mercy's ability to staff a new hospital. The Mercy hospital in Harvard no longer offers obstetrics services because it was unable to find physicians and other hospital professionals to staff the service. I am not encouraged by Mercy's track record in Illinois.

Let me say this again, a new hospital as proposed by Mercy is not needed or wanted. Thank you for taking my remarks into consideration.


Timothy E. McDonnell

PUBLIC HEARING TESTIMONY
of Dr. Matt Stilson, Emergency Department Director
PROJECT # 10-089 (MERCY CRYSTAL LAKE HOSPITAL & MEDICAL CENTER)
MARCH 18, 2011

My name is Dr. Matt Stilson, and I am a board-certified emergency physician. I serve as the Director of Sherman Hospital's Emergency Department in its new state-of-the-art facility. In that role, I oversee the care in the Emergency Department at the hospital, as well as in Sherman's Immediate Care Centers in Algonquin, Elgin and South Elgin.

I am here today to voice my opposition to Mercy's plans to develop a hospital in Crystal Lake. Building a new facility would merely duplicate the health care services that are already available to this region. Plus, the smaller the community and the more duplication of services, the less likely it becomes for a hospital to be able to deliver tertiary care, such as that provided at Sherman - state-of-the-art cardiac care, comprehensive cancer care, advanced liver and pancreatic care and lifesaving stroke care.

If this proposed hospital were approved, it would make all six other area hospitals which have more than adequate capacity weaker as it would draw patients from the hospitals that currently serve the area. This undermines the health care delivery system including the financing plans of hospitals like Sherman which has invested significant capital to ensure they meet the long term plans of the community. Sherman, specifically, spent \$325 million and designed its replacement facility to provide comprehensive care to the entire region. Sherman true to its promise moved its hospital closer to the center of

PUBLIC HEARING TESTIMONY
of Dr. Matt Stilson, Emergency Department Director
PROJECT # 10-089 (MERCY CRYSTAL LAKE HOSPITAL & MEDICAL CENTER)
MARCH 18, 2011

its service area and is delivering convenient state-of-the-art care to residents of McHenry County

People at hearings such as these like to focus on what happens to trauma patients and other critical emergency cases. I would like to put trauma care into perspective. Of all the cases we see in the emergency room, approximately 1% or one in 100 is a trauma case. Additionally, the most important factor for people in life-threatening situations is not how close their home is to a hospital, but how long it takes EMS and paramedics to reach them and stabilize them.

The real factor in giving critical emergency care is assembling the right team of specialists at the hospital to receive the patient. It often takes longer to get a surgical team together and the operating room prepped than it does for a patient to arrive at a hospital via ambulance. At a state-of-the-art regional medical center, we can do this most efficiently and effectively. Plus, our 24-hour communication network with paramedics and emergency transports allows us to begin treating emergency patients before they even arrive at the hospital. In addition, our physicians are specially trained in emergency medicine and we have certified trauma nurse specialists.

With our location near the Kane and McHenry County line, we are perfectly positioned to serve McHenry County residents. And, given Sherman's size, capabilities and level of care, I assert that building an additional hospital in the

PUBLIC HEARING TESTIMONY
of Dr. Matt Stilson, Emergency Department Director
PROJECT # 10-089 (MERCY CRYSTAL LAKE HOSPITAL & MEDICAL CENTER)
MARCH 18, 2011

area is an unnecessary expenditure of money that would only detract from –
rather than enhance – medical service for our residents throughout the region.

Thank you.

Dr. Dudley Brown
Testimony re: Project 10-089
Opposition to Mercy – Crystal Lake

My name is Dr. Dudley Brown, Jr., and I am Medical Director of Obstetrics for Centegra Primary Care. I am opposed to Mercy's new hospital proposal.

I took a look at the OB components of Mercy's plan, and I was struck by the lack of thoughtfulness that went into this section of the application. This OB unit was not well-conceived.

First of all, there is no justification for the proposed 20 OB beds at this facility. Given the two labor and delivery rooms and 900 annual births that Mercy has accounted for, each patient would have to stay 5.5 days in the hospital in order for Mercy to reach its target utilization. It has been many years since post partum patients needed to stay in the hospital for that long after giving birth. To give you some perspective, Centegra's OB facilities are designed so our units reach their target utilization with an average patient stay of 2.5 days. That is a more reasonable scenario for current obstetrical practice.

Additionally, Mercy's plan does not include any dedicated C-section beds in the OB unit. While it may be true that all hospitals do not have C-section beds in their OB units, most newer hospitals do. Health systems that are starting a new hospital facility should plan ahead and ensure that C-section rooms are located right in the OB unit. Performing a C-section in the main OR which requires moving the patient to another floor is not the optimal scenario for patients and providers.

Personally, I would not want to work in this proposed OB unit. Mercy's plan is not well thought-out. It's not the best way to serve patients in this community. I ask the Review Board to consider the lack of thought that was put into this application and to deny Mercy's proposal.

Hello – my name is Chris Lippert and I will be reading some statements from local residents who were not able to make it to the hearing today. Thank you

I agree that a hospital is needed. Crystal Lake is growing and needs the facility.

"Larry Williams
Antioch, IL"

"I am very satisfied with Dr. Fojtik and his staff. I feel that the Mercy Crystal Lake Hospital is needed, especially with the number of people in the area. "

"Patricia G.
East Dundee, IL"

The Fenske Household
CARY

The hospital I would normally visit is Advocate Good Shepherd in Barrington.

The biggest benefits I see to having a hospital in Crystal Lake are proximity to outpatient and emergency care.

A new hospital in Crystal Lake would be great. The area is in definite need of a new hospital with the growing population. The hospitals currently available (Good Shepherd) are outdated.

Murdock Household
City: CARY
Testimonial:

The hospital I would normally visit is Good Shepherd - Good experience.

The biggest benefit I see to having a hospital in Crystal Lake is location - closer and more options.

A new hospital in Crystal Lake would create jobs - could also attract people to Crystal Lake area. Not having a nearby hospital sheds a negative light on the area for potential home buyers.



ALEXIAN BROTHERS

St. Alexius Medical Center

1555 Barrington Road
Hoffman Estates, Illinois 60194-1099
Telephone 847/843-2000

at the beginning and end of our project, you'll see that we expect to have as few as 25 or 35 people on site. This means only 25 or 35 people will have construction jobs at those periods of the construction of our new Children's Hospital.

However, if we add up all these numbers, one could make the argument that we were supposed to create a total of 855 to 1,105 jobs. Yet you know as well as I do, that wouldn't be accurate.

To look at it another way, let's examine the costs to hire 650 to 800 workers – if they were real, full-time jobs. If Mercy estimates creating up to 800 jobs let's do the math for the labor costs to build its proposed hospital over three years. As a ballpark, I'll use 100 dollars an hour, which includes salary, benefits, and the contractor's markup.

So, multiply 800 jobs by 2,080 – which is 40 hours a week for 52 weeks in a year – which equals 1,664,000 (one million six hundred sixty-four thousand) hours. Then multiply that by the hourly wage of 100 dollars and we get \$166,400,000 (one hundred sixty-six point four million dollars) for one year. Multiply that by three – for three years of construction – and we get \$499,200,000 (four hundred ninety-nine point two million dollars) over the life of the project. That's nearly half a billion dollars. Clearly by this math, Mercy doesn't expect to create 800 jobs because Mercy estimates its entire project will cost about 200 million dollars.

No matter how we look at it, the jobs that Mercy is promising to create are not full-time, year-round, permanent jobs. They are temporary jobs. Before anyone goes on thinking this is an economic development "magic bullet," I ask you to take a good look at these jobs and think about what our community really needs – permanent, full-time jobs.

Thank you for your time.

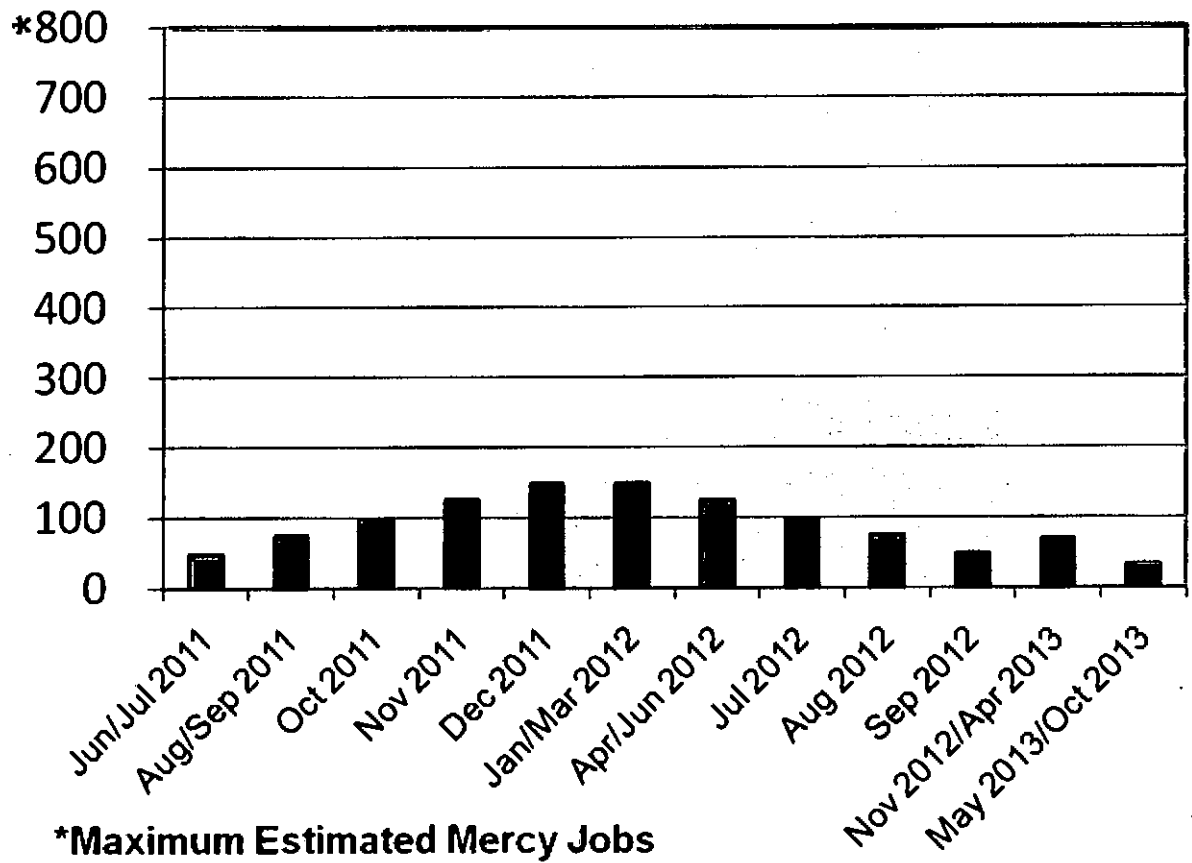


ALEXIAN BROTHERS

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1555 Barrington Road
Hoffman Estates, Illinois 60194-1099
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Estimated Workers On-Site Each Day to Construct The Children's Hospital at St. Alexis Medical Center



Good Afternoon,

My name is Paul DeRaedt. I am the Deputy Chief of the City of Crystal Lake Fire Rescue Department. I am here today speaking on behalf of our Fire Chief, James Moore, who could not be here today due to medical reasons.

Chief Moore wanted the Illinois Health Facilities and Services Review Board to know that the Fire Rescue Department of the City of Crystal Lake wholeheartedly supports the Mercy Crystal Lake application to build a hospital in our city.

We support the Mercy project because it will help us to provide the very best care to our citizens.

With a hospital in Crystal Lake, our ambulance run times will be cut in half. That saves us time so that our crews can get back into the field and continue to serve our citizens.

By reducing our run distances we also are able to save on costs and money for the City.

And most importantly, reducing our run time saves our patients precious time when seconds count.

Our department answers over 3,000 EMS calls a year and our 61 field trained and excellent staff need a local hospital's support to help them give our citizens the very best care possible. This is why we support the Mercy Crystal Lake Hospital.

**Public Hearing Testimony
of Syl Boeder
Project # 10-089 (Mercy Crystal Lake Hospital and Medical Center)
March 18, 2011**

Hello. I am here to ask the Review Board to reject the Mercy Health System application to build a community hospital in Crystal Lake.

I am a resident of northern Kane County and my name is Syl Boeder. I am a former health care executive – and a senior citizen.

Many of you have probably heard of the “four corners” area out West, where the corners of Utah, Colorado, Arizona and New Mexico all meet. Well, for those of us who live in Northeastern Kane County, Southeastern McHenry County, Northwestern Cook and Southwestern Lake County, we almost have our own “four corners” when it comes to county lines. Check it out on a map sometime.

It is very common – all day, every day – for most people who live around here to cross county lines – to go to work, to go shopping and carry out every other aspect of our lives. It is no big deal. It’s a county line; it’s not an international border, for goodness sake.

So, when health care decisions are being made for the region, the health care market needs to be assessed with an eye on regional issues and regional travel patterns. The facts show that many McHenry County residents may go outside their home county to use hospital services. That is called “outmigration” in health care terms.

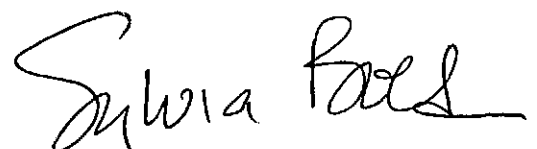
But this is not a problem that needs to be remedied by spending hundreds of millions of dollars. It is the way we live our lives here. If you live in southeastern McHenry County, the hospitals just outside the county are convenient because they are so close, geographically. There is no shortage of health care services in this area.

The proposed site for Mercy’s facility in Crystal Lake is only six miles from Advocate Good Shepherd in Barrington. So while Good Shepherd may be located in another county, it is extremely accessible to residents who live within Mercy’s identified target market. Meanwhile, Sherman and Provena hospitals in Elgin – which is in Kane County –also are convenient to the McHenry County towns of Algonquin, Lake in the Hills and Huntley, among others.

The hospitals in this area gets high marks from senior citizens because of its full range of senior services.. We need to keep our existing hospitals strong, rather than worrying about arbitrary “official” county lines. Those county lines don’t affect in any way the very good access to health care that we have here.

Thank you.

9483605.1



The safety net impact

The term safety net refers to health care services provided to “persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics or geographical isolation,” according to Illinois statute.

A way hospitals, which in this area are all nonprofits, generate revenues to provide safety net services is through populations that have insurance, hospital officials said.

Hospitals get paid 30 cents per dollar from insured patients for inpatient care but get only 21 cents per dollar for Medicare and Medicaid patients for the same care, said Sherman Hospital CEO Rick Floyd, who recently spoke at a Kane County board meeting.

According to a recent Moody’s Investors report, Medicare makes up about 43 percent of a given hospital’s gross revenues but that source “is highly vulnerable to changes in Medicare reimbursements.” For example, this year Medicare payment rates to hospitals were decreased from 3.5 percent to 2.1 percent and are expected to decrease next year, the company said.

“There are many residents in Kane County who don’t have access to health care,” Floyd said.

But Huntley and surrounding towns are more “affluent communities that makes it very attractive for health care” because there are more people who are likely to have insurance, Floyd told county board members. So, hospitals would generate more funds to help provide for charitable care.

Sherman and Provena currently provide 18 to 20 percent in public aid charity for inpatient services compared to Centegra’s 9 to 12 percent, Floyd said. Sherman officials said the Elgin hospital provided \$3 million in charity care and \$41 million in unreimbursed Medicare and Medicaid care.

Finding funds for charitable services

What is being argued is that a new hospital in southern McHenry County would affect neighboring hospitals’ ability to provide services to this population and thus affect the “safety net.”

“If you have more competition for few paying customers, that may reduce the capability of Provena and Sherman to offer charity cases,” Kane County Public Health Executive Director Paul Kuehnert said. Providing charitable assistance is the “heart of the health care system,” he said.

Hello – my name is Hilario DelPeral and I will be reading some statements from local residents who were not able to make it to the hearing today.
Thank you

"I like to see competition. Centegra has two facilities in the area, why not have a Mercy one. I have been very happy with Mercy services. "

"Fred Dozier
Wonderlake "

I think that it is a good idea to have another hospital in the area. I have three kids and it would be great to have a hospital closer to where we live.

"Keri N.
Lake In the Hills, IL"

The Traub Household
CRYSTAL LAKE

The hospital I would normally visit is Centegra Hospitals.

A new hospital in Crystal Lake would be helpful. The area is in need of a new hospital - location would be great.

Duray Household

City: CARY

Testmonial:

The hospital I would normally visit is Centegra in McHenry and Good Shepherd.

The biggest benefit I see to having a hospital in Crystal Lake is proximity - commute would be easier. I am an older person and I cant take the train to the hospital anymore. It is real problem and nuisance for my husband and I to find rides to and from the hospital every time we have an appointment.



W. H. H. H. H.

Opposition to Project #10-089

My name is Charie Zanck and I am the chief executive officer of American Community Bank & Trust and chairman of the Board of Governors of Centegra Health System. I would like to voice my opposition to Mercy Health System's proposal to build a new hospital in Crystal Lake.

Community education and wellness are critically important activities for a health system and Mercy is virtually unknown in this region for either. Other health systems commit time and financial resources to preventative care and screenings, but once again Mercy is not active in this area. A claim was made by Mercy in their CON application that they are dedicated to the future of our county and they referenced the 2006 Healthy Community Study. You should be aware that Mercy has not participated in any of the partnership initiatives over the past four years to improve the areas identified in this 2006 study.

Despite the fact that they have been invited a number of times, Mercy has chosen not to respond and is not participating in the 2010 McHenry County Healthy Community Study. This study includes Centegra Health System, Advocate Good Shepherd, Sherman Health System, community organizations, schools and the McHenry County Department of Health. Mercy is not partnering with these other organizations in identifying and addressing the true needs of our community.

For my healthcare, I choose Centegra Health System. In stark contrast to Mercy Health System, Centegra has a long-standing reputation for providing healthcare to the residents of the Crystal Lake area. Our multiple facilities in Crystal Lake, and our wide array of services combined with free wellness classes and screenings demonstrate our deep commitment to the families who live in the Crystal Lake area. Last year Centegra provided more than \$53 million in community benefits to the people of greater McHenry County and participated in over 490 community events. In addition, our associates and physicians served on the boards and committees of over 68 community organizations, volunteering over 14,000 hours in just one year because we understand the importance of being involved, giving back, and making a difference in McHenry County.

Centegra Health System, more than any other health system in the area, is the leader in both commitment and investment to the health and well being of McHenry county families. I urge the Illinois Health Facilities and Services Review Board to decline Mercy Health System's application.

Sincerely,

Charie A. Zanck
Charie A. Zanck
Chief Executive Officer

**Rex C. Nzeribe, MD
3707 Doty Rd, Suite E
Woodstock, IL 60098**

OPPOSED TO PROJECT 10-089

My name is Dr. Rex Nzeribe and I am a physician with Centegra Primary Care, Woodstock. I am here to oppose Mercy Health System's application for a Certificate of Need to build a new hospital in Crystal Lake.

As a Fellowship-trained Geriatrician, I provide care for older adults across various phases of the spectrum as well as transitions from home through primary care, acute, sub-acute and long term care facilities.

I am dedicated to helping my patients maintain functional independence in their daily lives. Access to high-quality wellness and preventative care that is coordinated and comprehensive is essential to attain this goal.

My observation so far in this geographical area, from an acute care provision perspective, is that the Crystal Lake population is well served. My patients from the Crystal Lake area receive outstanding medical care at Centegra Hospital McHenry, Centegra Hospital Woodstock and Centegra Specialty Hospital (Sub-Acute rehabilitation unit), Woodstock. These patients also take advantage of more than a dozen fitness classes designed specifically for seniors at the Centegra Health Bridge Fitness Centers.

On the contrary, the southern portion of our county, particularly the Huntley area, seems to have a dearth of acute care facilities particularly suited for the growing population of adults over 65 years of age. This is supported by concerns voiced by my patients. Also, I am aware that Centegra is committed to providing care for residents of Sun City Huntley by staffing a Wellness center catering to more than 8,000 residents of that community.

In the interest of the growing population of residents 65 years and older in south McHenry county, I believe that a Certificate of Need for a new hospital in Crystal Lake should be denied as this would not be to the greater good.

Hello – my name is Tamera Dennis and I will be reading a statement from a local resident who was not able to make it to the hearing today. Thank you

I'm happy to write this letter in support of Mercy's proposed hospital in Crystal Lake. I've lived in unincorporated Cary in the Southeast area of McHenry County for 20 years. Prior to that, my family lived in the central part of Crystal Lake since 1973. What used to be a 15 minute drive to McHenry is now a 30 minute drive. What used to be a 10 minute drive from Cary to Fox River Grove can now take 30 minutes at certain times of the day. For those of us who live in the Southeast part of McHenry County having a hospital at the corner of Three Oaks Road and Route 31 would definitely be a plus.

My doctors are Mercy doctors and I've been impressed with the level of care and treatment I have received for regular appointments and procedures. The staff members at the Woodstock Medical Center and Crystal Lake Medical Center are professional and courteous. For Mercy doctors to have a Mercy Health Systems Hospital in Crystal Lake would be a benefit for them and their patients. If the quality of the Crystal Lake and Woodstock clinics is any indication, the hospital would be another top level facility for health care.

An assisted living facility is being built in Cary. It will provide services for senior citizens who need support services and/or care for memory or Alzheimer's. To have a hospital so close by could be life saving for the residents. Oakbrook Estates is a senior living community at the corner of Route 14 and Sands Road. For these residents Mercy Hospital would be 5 minutes away and would provide easy accessibility.

For 25 years I worked at McHenry County College, the last 10 years as an administrator. During my time as an Executive Dean, the Registered Nursing Program was developed. That program and the Basic Nurse Assisting Program were among the programs that reported to me. Clinical space for nursing students is very important and to have a hospital in Crystal Lake to provide additional opportunities would be an advantage. From the beginning of the process for developing the Nursing Program, Mercy was supportive and cooperative.

Mercy Health Systems Hospital would bring additional professional jobs to Crystal Lake. Many Mercy employees would live, shop and enjoy recreational activities in Crystal Lake and Cary, enhancing the community in the process. I'm a member of the Cary-Grove Rotary Club (an International Service Organization) and can think of numerous ways Mercy and the Rotary could support each other.

In the end, Mercy Health Systems Hospital would be positive for Crystal Lake, Cary and McHenry County.

Sincerely,

Susan Maifield

McHenry County College Administrator Emeritus

Rotary Club of Cary-Grove President Elect

Public Hearing Testimony – Dr. Andrew Ward

OPPOSITION OF PROJECT: #10-089 (Mercy Hospital, Crystal Lake)

March 18, 2011

Hello. I'm Dr. Andrew Ward. I am Chief of Anesthesiology and Director of the Algonquin Road Surgery Center in Lake in the Hills. I'm here today to urge the Illinois Health Facilities and Services Review Board to REJECT Mercy's certificate of need application for a hospital in Crystal Lake. In fact, many of the arguments you will hear or have heard today in opposition to Mercy's proposal are the very same arguments used to oppose Centegra's hospital project.

The duplication of operating rooms that Mercy proposes is just one of my objections to the Mercy proposal. If significant capital outlays are going to be invested in facilities, those health care dollars should be invested in improving quality and the functionality and value of the electronic medical record, covering more lives and improving efficiencies and technology. This proposal does none of those things and severely impairs the ability of existing providers to work toward those goals.

The Algonquin Road Surgery Center has provided surgery services since 2002 and is a joint venture between Centegra Health System, Sherman Health and surgeons who use the ASC as an extension of the medical practice. There is also a small number of Mercy physicians that also use the facility.

Our facility is licensed for three operating rooms and one procedure room. After eight years of operation, we have NEVER reached capacity and are still dramatically underutilized. In 2010, we served 2,644 patients. Each of the four rooms has capacity for about 1,800 cases per year, for a total of 7,200 cases. The result is that our operating rooms were only at one-third capacity.

Andrew Ward
293

The proposed Mercy Hospital includes eight operating rooms. It strikes me as curious that this is considered a need when our operation can't sustain four suites. While we are the only multi-specialty surgery center in the area, the area's hospitals also show similar capacity to do more surgical cases.

Another thing to keep in mind about Mercy's hospital would be the fixed costs for their facility. Creating a new hospital WILL NOT CREATE NEW PATIENTS. Fewer patients will visit each facility, but equipment must still be maintained and upgraded. The buildings need to be kept up. Everyone needs to pay their large staff of nurses, other clinicians, maintenance and security personnel, managers, and executives. Adding another facility to an area that already has plenty of health care services will not improve health care delivery to patients. In fact, it will do just the opposite by decreasing efficiency and decreasing available funds for the community.

I recently had the opportunity to visit with congressmen and senators in Washington D.C. to discuss health care issues. It is largely agreed that building a new hospital and adding new beds is at odds with decreasing health care costs and bringing the Sustainable Growth Rate under control. Rising health care costs are threatening our nation's financial health. The Medicare program is faced with not only rising costs but also with increased demands associated with the baby boomers entering their senior years coupled with the aging population. The politicians and the stakeholders at the national level are in a political debate which focuses on a health care budget with sustainable growth, but the truth is that the federal government spending on health care is unsustainable. This CON Board cannot approve new hospitals that duplicate the capacity of the existing providers we have. It will put the bankruptcy of the Medicare Trust Fund on the fast track. We need a tighter, more efficient health care system to survive in this new financial reality.

Andrew Ward
3 of 3

We already have SIX hospitals in the region which can serve our patients to 2018 and beyond. By the time Mercy's hospital would open, demand for beds will be even lower because of changes required by federal health care reform.

This lack of demand for operations at our top-notch facility is a strong illustration that we need to take a deep breath and be thoughtful about how we deliver quality care to patients. Duplicating resources does not promote better health care. It means higher costs for everyone.

I ask the Illinois Health Facilities and Services Review Board to reject the CON permit application of Mercy Health System to build a hospital in Crystal Lake, just like I asked you to reject the application for Centegra to build a hospital in Huntley. No new hospitals are needed. Thank you for your consideration.

Sincerely,

Andrew Ward, MD

Hello – my name is Jan Botts and I will be reading a letter from a local resident who was not able to make it to the hearing today.

Thank you

The need for a new hospital in McHenry County is in my opinion very obvious. There isn't a choice available; you just have to go to Woodstock, Harvard, or McHenry. No other choices are within driving distance.

In my family just last Thursday my daughter in law had a reaction to something. So she went to the immediate care and after going into the room with the doctor, he felt she needed more than what immediate care could service. She had no choice as where to go. My son took her to the Centegra Emergency Room, where they stayed for a total of four hours. Had there been another choice of hospital they could have weighed the time difference of the two sometimes a little drive is so worth the distance. Just to avoid waiting to be treated in a timely manner. But as we all know there isn't much choice. It's Centegra McHenry, Centegra Woodstock or Harvard.

So building a new hospital would be a HUGE asset to McHenry County. It is my personal choice to go to the Mercy Health System Facilities, simply because the treat you better. When you go to a Mercy Clinic, you walk away feeling as if you are not just a number on their list.

In closing I am asking that the powers that be approve a new hospital being built in McHenry County. Think of all the people that are unemployed in our county. The building of a new hospital would generate 840 full time positions and a total of 1,000 people just for employment at the hospital. Not to mention the construction workers and the revenue that will be generated into the county.

Sincerely;
Shirley Chavez
Harvard, IL

Good afternoon. My name is Julie Mayer and I am the Director of Community Relations at Advocate Good Shepherd Hospital. I understand that one of the reasons Mercy wants to build a hospital is to better serve the senior citizens of McHenry County. I want to tell you how Good Shepherd already fulfills this need and the unique services that we offer that other area hospitals don't offer. I also want to make mention of some preliminary results from a new survey of McHenry County residents and what they think about their access to high quality health care services.

Good Shepherd Hospital, which is located only 6 miles and less than 13 minutes from the proposed site, has a long tradition of outreach to the citizens of McHenry County Hospital. About half of Good Shepherd's patients are from McHenry County – to be honest, even though we're located in Lake County, we're just as much as McHenry County hospital as we are a Lake County hospital. We offer a unique comprehensive program designed specifically for seniors called Senior Advocate. Through Senior Advocate we offer free health screenings, flu shots clinics, transportation and a larger number of free educational seminars. To my knowledge Mercy does not currently offer these services to McHenry County residents. We also offer a very unique service that no other hospital in the area provides. We employ an onsite Medicare Counselor at the hospital who educates and helps seniors understand Medicare and enroll for Medicare Part D. They also help them sort through their bills and discuss what services are covered under Medicare. In addition, they provide ongoing education on prevention and disease management to seniors. This service is free of charge and provides them some comfort during a time of transition. We also partner closely with area retirement communities to better the health of their residents. For example, we're working with the Fountains right here in Crystal Lake to reduce the readmissions for congestive heart failure. In addition to working with local extended care facilities on readmissions, we also provide their healthcare workers free education on how to prevent falls. Preventing falls in the senior community has been a focus of ours for awhile and we're proud of the progress we've made. Again, to my knowledge, Mercy is not partnering with extended care facilities in McHenry County.



Finally, I want to tell you about some of the upcoming results of the McHenry County Community Health Study. This is a survey conducted every four years by the University of Illinois School of Medicine at Rockford. The survey asks McHenry County residents about their current health status, their health needs and their future community needs. It's funded by Good Shepherd, Centegra, Sherman, a variety of other not-for-profits and various governmental groups. The 2010 study results will be released later this month but I have some great news about one aspect of the study. During interviews, key community leaders were asked, "What are some of the best aspects of living in McHenry County," the 4th most common response was "access to quality health care." Let me repeat that because it's so important. When asked, "What are some of the best aspects of living in McHenry County," the 4th most common response was "access to quality health care." This result was very gratifying to me as someone who works with McHenry County residents to make sure their health needs are met. I also want to congratulate Centegra, Mercy, Sherman and St. Alexius as it shows that the current health care infrastructure in the area is doing a great job. Through this survey McHenry County residents are telling us they already feel that feel like they have readily available access to health care services. This is not my opinion, it's not a hospital's opinion, and it's not a health system's opinion. This is the perception of McHenry County leaders letting us know that they're happy with the current state of health care services available to them. The survey doesn't ask about where they're getting their health care, they could be receiving it within the county or outside the county. Regardless, they're receiving the health care they need and when the final results are shared with the community on April 13th there will be more evidence to support this statement.

Based on this testimony I would like to ask the board to oppose the application to build a hospital in Crystal Lake. Thank you for your time and attention.

Hello – my name is Mike Bier and I will be reading some statements from local residents who were not able to make it to the hearing today. Thank you

"My husband has heart trouble, so having Mercy Crystal Lake Hospital would be so much closer to home. Also I know Mercy works with people without insurance, which is a kindness I appreciate."

"Marvin and Denise Hosp
Algonquin, IL"

"The advanced technology would greatly benefit the communities surrounding the proposed medical center. The construction of the medical center would also create many temporary jobs in the building phase, and many more permanent jobs in the hospital and medical center itself."

"Jacob Wellbank
Twin Lakes, WI"

**The Smith Household
CRYSTAL LAKE**

The hospital I would normally visit is Centegra in Woodstock.

The biggest benefit I see to having a hospital in Crystal Lake is proximity - travel time is extremely important. It would provide citizens with multiple options for quality care which are currently limited.

**Miele Household
City: CRYSTAL LAKE
Testimonial:**

The hospital I would normally visit is Centegra in Woodstock - just okay, it was very crowded, I was moved 3 times in 5 days there.

The biggest benefit I see to having a hospital in Crystal Lake is proximity - It would be easier to get into. Our Daughter had a baby in Centegra and they had no rooms so they put her in a storage closet (1.5 yrs ago). It would provide much easier access for health care - every hospital is overcrowded. A friend was in the hospital waiting for a bed at Centegra for over 9 hours, which infuriates me.

A new hospital in Crystal Lake would be helpful - more job creation. Whenever a service like this is available it is a very good thing for the community. Competition is good for all hospitals.

Dr. Amir Heydari
690 E. Terra Cotta Ave. Ste. A
Crystal Lake, IL 60014

Hi, my name is Dr. Amir Heydari, and I am a board certified bariatric surgeon and general surgeon. I am active with three other outstanding surgeons at Surgical Associates of Fox Valley. We have offices in Crystal Lake, Woodstock, McHenry and Huntley. I have hospital privileges at Centegra Hospital McHenry, Centegra Hospital Woodstock and Advocate Good Shepherd Hospital in Barrington.

I am here today to request that the Illinois Health Facilities and Services Review Board deny Mercy Health Systems application for a certificate of need to build a new hospital in Crystal Lake. I am opposing the proposed hospital as both a 16 year resident of Crystal Lake and as an active surgeon in the community.

When I came to this area 16 years ago, I knew that I would have privileges at three (3) hospitals. As a surgeon who takes lots of emergency call and trauma call, it was very important for me to be in a centralized location close to all the hospitals. Crystal Lake has been a great place for my family and me to live. We have great schools here and wonderful opportunities, but most importantly for me, we are close to all three (3) hospitals in the area. The fact is, I have to be to the hospital within 30 minutes after I get called in many instances. Crystal Lake is 10 minutes from Centegra Hospital Woodstock, 8 minutes from Centegra Hospital McHenry and 19 minutes from Good Shepherd Advocate Hospital. Therefore, the idea that Crystal Lake needs another hospital because of the vicinity for the residents just doesn't make any sense and is absurd!

Over the years many of my friends, family and neighbors have needed medical care, and there have been absolutely no problems getting to any of the hospitals mentioned above with any degree of difficulty.

As a physician and a surgeon, I am against having another hospital from another system in our area. I don't believe that they will offer anything new. In fact, they will likely duplicate some of the excellent services that already exist in our area, and that troubles me. Between the three (3) facilities very close to Crystal Lake and the multiple emergency and urgent care facilities that exist, I do not see the need for another hospital, which will not offer any new services to what we already have. Extra unnecessary duplication of services may force other systems to get rid of some of the necessary services that they currently provide to our community, specifically mental health. If Mercy is really worried about our community, they would open a mental health facility. Centegra has a mental health care facility for adults. With additional competition, the other hospitals may have to cut their budgets for mental health, which is greatly needed in our community.

In addition, the three hospitals that I go to, offer top-of-the-line services to their patients. They are routinely named as top hospitals in the nation for different services. I have no reservations in sending any of my family members or friends to any of the institutions in the vicinity for medical and surgical care.

The last thing is a field that I am obviously biased toward. I am a bariatric surgeon at the Centegra Center of Excellence Weight Loss Surgery Center. Even though I am an

independent physician, I have been extremely proud of Centegra for supporting this cause which is a great medical issue in our community. Centegra has provided our community with an extremely comprehensive program that assures that the patients are successful. As a result, Centegra is one of the few centers in the state of Illinois to have been designated as a Blue Distinction Center for Bariatric Surgery from Blue Cross Blue Shield and it is also a designated Bariatric Center of Excellence by the American Society of Metabolic and Bariatric Surgery.

We feel that we give excellent care to our patients, and we also spend some of our time doing revisional surgeries on patients who have had this surgery done elsewhere and are having problems. Therefore, another bariatric surgery program is not advisable and is not needed in our community. As a matter of fact, even though I had the choice of doing these surgeries at all three area hospitals, I decided to concentrate the service at one hospital because it would be beneficial for the patients.

Over the years I have had a lot of colleagues and friends from Mercy Hospital. The current hospitals where I practice have allowed privileges to Mercy physicians without any problems. I am concerned that if Mercy is allowed to build a new hospital they will limit the privileges to only Mercy physicians. I am concerned because even currently, there are community members that need specific types of surgery that Mercy does not provide, such as pediatric patients. Many times my group as independent physicians has asked Mercy Hospital to become a member of their insurance group so we can give care to the patients as needed, and we have been refused. Therefore, the patients have to travel elsewhere to get care. I am afraid that if the new hospital is allowed to open, physician privileges will not be based on qualification, but rather what their affiliation is, and this is not right. As I stated, currently the other area hospitals allow physicians from different affiliations to practice. With the history of Mercy, I am concerned about this.

We are blessed with high quality surgeons and physicians in this community, and I would like to be able to have my community members continue to have access to the high quality, which already exist here. Because I am absolutely opposed to having a new hospital built in Crystal Lake by Mercy Health System, I ask you to deny their request.

Thank you,

Amir Heydari, M.D., F.A.C.S.

Hello – my name is Pam Smekrud and I will be reading some statements from local residents who were not able to make it to the hearing today. Thank you

The Mercy Crystal Lake Hospital and Medical Center is a well needed facility.

"Gary and Janice Hummel
Wonder Lake, IL "

The Mercy Crystal Lake Hospital will offer more job opportunities and is a better convince for emergencies.

"Debbie G.
Wonder Lake, IL"

The Dose Household
CRYSTAL LAKE

The hospital I would normally visit is Centegra and Harvard.

The biggest benefit I see to having a hospital in Crystal Lake is proximity. I wouldn't have to travel far. It will provide area citizens with health care options. I feel as though Sentegra is extremely overrated.

Kakish Household
City: CRYSTAL LAKE

Testmonial:

The hospital I would normally visit is Centegra in Woodstock - it is a bit overcrowded.

The biggest benefit I see to having a hospital in Crystal Lake is proximity - I would like to have another hospital close to home, in case of emergency would be nice to know a hospital is in Crystal Lake.

A new hospital in Crystal Lake would be beneficial. People would be more encouraged to live in Crystal Lake. It would help the business in the are and stop the stores from closing

Good Afternoon

My name is Jean Marie Saidler, and I have been a resident of McHenry County for over 25 years.

I'd like to express my opinions about why allowing Mercy Health System to build a new hospital in the area would be a mistake.

Because so many families in our community and across the country have been affected by the high unemployment rate, the potential for a new facility to create jobs is certainly welcome. But since this proposed hospital would not be serving a new base of patients (or customers in the business sense), the hospital would not be creating jobs. It would be just relocating jobs from one health care facility to another. This hospital would be adding nearly 50% more beds to the County in one fell swoop.

Building a new hospital now would be comparable to building new schools so that the children don't have to travel so far to get an education. Imagine if we built 50% more schools in McHenry County. That would provide a lot of construction jobs, wouldn't it? But would be a good thing in the long run? No, it wouldn't. In a school situation, if the same number of students were spread among more schools, the new school would not generate new teaching jobs. It just means that taxpayers bear the burden of new construction and operation of another school. And, because some of the students transferred to the new school, the existing schools would most likely have to eliminate some teaching positions.

Back to the issue of a proposed new hospital: Spreading the required number of healthcare jobs among more hospitals may even make it harder for all hospitals to attract and retain a quality staff. Hospitals would have to compete for staff – say, for example, nurses. And since we are already facing a nursing shortage, the inevitable economic forces of supply and demand would drive up salaries. This would in turn mean higher insurance premiums and out-of-pocket costs for everyone. This is not good for the local economy.

I hope you will take these points into consideration and consider the long range negative impact of this project on the future of our county. Thank you.

A handwritten signature in black ink, appearing to read "Jean Marie Saidler". The signature is fluid and cursive, with several loops and a long horizontal stroke extending to the right.

Hello – my name is DuWayne Severson and I will be reading some statements from local residents who were not able to make it to the hearing today. Thank you

"I feel it is important to have a variety of hospitals to go to. It is a comfort to know that, if you need it, you will not be stuck going to just one hospital. "

"Rita Fugiel
Lake in the Hills, IL"

"I have been a patient in the Mercy Health System for the last couple of years. I really like it, and would like to see it grow."

"Kim Rauhut
McHenry, IL"

**The Palubicki Household
CARY**

The hospital I would normally visit are Good Shepherd, Sherman, St Joes, and Northern Medical.

The biggest benefit I see to having a hospital in Crystal Lake is proximity, convenience and job creation. A new hospital would greatly benefit the Crystal Lake area..

**Petersen Household
City: CRYSTAL LAKE
Testmonial:**

The hospital I would normally visit is Centegra in Woodstock - The service is not very good, we believe they cut to much staff.

The biggest benefit I see to having a hospital in Crystal Lake is location - Crystal Lake is largest city in McHenry County and never had a hospital and have been continually passed over by other areas for a new hospital.

Hello – my name is Brett Grady and I will be reading some statements from local residents who were not able to make it to the hearing today. Thank you

"Having a Mercy Hospital close by would greatly help our community. We do not have a Hospital in Crystal Lake, and with the growing population, this would help serve the needs in emergency type situations. Ultimately, it would save lives, because of proximity to the large population. "

"Mike Cilano
Crystal Lake, Il.

Having the Mercy Crystal Lake Hospital will be closer and more convenient for a lot of people. I am in support of this hospital mainly because of the distance.

Cecilia Barns – Cary

The Palbick Household

Address: 1021 PLUM TREE DR

City: CRYSTAL LAKE

Testmonial:

The hospital I would normally visit is Sherman in Elgin.

The biggest benefit I see to having a hospital in Crystal Lake is less travel time. Growing population is definitely in need of a new hospital.

Schardt Household

City: CARY

Testmonial:

The hospital I would normally visit is Centegra and Good Shepherd which are both 30 min away. The services are fine but the distance scares me in the case of an emergency I don't know if I will have 30 minutes.

The biggest benefit I see to having a hospital in Crystal Lake is proximity - would be great, as a nine year resident of Cary, a new hospital here would be a Blessing! It Would give residents of the area peace of mind knowing that a hospital is close.

Thank you for the opportunity to address the board. I'm Elyse Forkosh Cutler, Vice President of Strategic Planning and Physician Network Development for Advocate Health Care. Advocate is Illinois' largest healthcare system and a Thomson-Reuters Top Ten US health system.

We strongly oppose this project based on the duplication of services and the unnecessary additional costs that it represents to the area communities' healthcare system. At the heart of the issue, community hospitals represent an investment of the community's resources – its time, talents and financial resources.

The communities we serve also invest their trust in us as not-for-profit institutions. For that reason, we must be good stewards of our limited health care resources. Those that work in the health care system every day know that we are moving away from a hospital-based acute care model to one that is more cost-effective

Mercy suggests that its project will improve quality, as Mercy has an employed physician model that more closely aligns its quality initiatives to the hospital. This implies that other providers are not doing the same. Advocate is national leader in physician alignment but, unlike the applicant, we recognize that should be a focus on developing a value-based medicine approach rather than a volume-based medicine approach. Through Advocate's physician-hospital organization, Advocate Physician Partners, we closely align both employed and non-employed physicians to help

Advocate achieve its quality initiatives. We've been able to demonstrate tremendous cost savings throughout Chicagoland. For example, our depression screening rates are much higher than the national average. Advocate Physician Partners' cardiac initiative resulted in improvements exceeding state and national benchmarks in all three areas of inpatient medication treatment. Improvements ranged from seven to ten percentage points above the averages. Calculating savings from just a single measure of prescribing ACE inhibitors to outpatients with heart failure resulted in additional savings of more than \$688,000. This is the value-based medicine approach that we commit to all of the communities that we serve.

In our experience, as the largest provider of health care in the state, we have also found that the most cost-effective way to serve the growing needs of a community is to reconfigure or expand on an existing hospital campus. This allows us to spread the very high fixed costs of running a hospital over a greater base of patients, thereby lowering costs per patient served overall. By taking this approach, in combination with a community-based ambulatory service model, providers create an acute-care hub, with outpatient services acting as spokes that reach into communities where they demonstrate the greatest need.

Advocate Health Care's approach to meeting the needs of the communities we serve is a reflection of these realities. Advocate Good Shepherd Hospital serves as our hub in this region, while the spokes of outpatient services reach into Lake Zurich, Wauconda, Crystal Lake and Algonquin.

The lessons we've learned over the course of the past decade relative to these principles can be instructive to other care providers with similar missions as ours. In 2007, we recognized that the existing services in Lake County could not sustain the projected population growth.

Conventional wisdom at the time led us to initially propose the construction of an entirely new acute care hospital in Round Lake at about the same cost of as that of the applicant's Crystal Lake project. In the end, our strategic analysis concluded that it would be a far better use of our system's resources and those of the community's if we sought to invest in then-Condell Medical Center. Through that merger, Advocate was able to deliver the first Level I trauma center to Lake County, and Advocate Condell's new inpatient expansion is set to open on April 7th.

The applicant's proposal clearly does NOT represent the industry's strategic best practices. Its quarter-billion dollar bricks-and-mortar price tag isn't part of the solution to today's healthcare challenges, but part of the problem.

We respectfully oppose this new community hospital construction project because of the costs it represents to the very communities it seeks to serve. There exist today solutions in and for our industry that demonstrate a better, more cost-effective way forward than saturating the geography with additional acute-care hospitals.

Neray Crystal Lake
10-089

Thank you for the opportunity to speak,

N. Kakish

My name is Nathan Kakish, I have been a local community physician and a resident of Crystal Lake for almost five years.

10/4

I am here to voice my support for the proposed hospital in Crystal Lake.

As a community physician I have seen firsthand and heard from numerous patients firsthand of the difficulties at the local hospitals. The distance and the wait times to get through the ER, delays to get testing complete and high census warnings. To get a good pulse on the local problem, the best ones to ask are those of us in the trenches, not those sitting in neat little offices with sterile furniture far removed from patient care.

I recently had a patient admitted for a heart condition, but during her several hour wait in the ER, she was made to sit in a chair for a couple of hours, without even a functional heart monitor. This patient luckily survived, but sitting in a chair without a heart monitor awaiting evaluation is unacceptable for my patients. And these stories are not isolated incidents occurring at the expense of overcrowding to avoid the word "bypass". Here is

~~I also have noticed a frequent pattern of "bypass" or high census at our local hospitals. Once again, this is unacceptable for my patients. Sending my patient to the third nearest hospital has detrimental effects on my patients, this also includes good shephard hospital in Barrington. The continuity of care is interrupted, and in my opinion may receive inferior care, they are removed from loved ones close by, and are more likely to develop confusion about their care and the elderly are more likely to become confused in unfamiliar surroundings. Having a close hospital nearby would help provide better continuity of care for my patients and provide better access. Many of the people in the room~~

N. Kukish
2/8/4

voicing objections to the hospital have never had to stare in a patient's eyes and say, I'm sorry, we have no beds, you'll have to go to hospital X. They also don't know the worry I face as I entrust the care of MY patients to strangers.

I also believe that any physician who is able to stand here and state that more services in the area are NOT needed, is placing politics ahead of patient care.

I would also like to point out that McHenry, and by association, Crystal Lake, has a large burden of uninsured or underinsured patients that are receiving inadequate care. The larger systems in the area, including the currently available immediate cares and walk in clinic routinely refuse care to patients with Illinois Medicaid which is the lowest paying insurance in the area, and they tend to be the highest users of our medical resources.

Recent calls to these highly touted immediate care centers in Crystal Lake has produced rejection to patient with state aid.

Mercy has been able to bridge the gap in continuing to provide acute care to these patients and continue to provide care to patients if they lost their private insurance and "fell" into state insurance. Having a Mercy hospital would help alleviate the burden of care for the uninsured and underinsured in the County, who have no other access to acute care. As physicians with Mercy, we don't "fire" patients for losing their insurance or opting for lower paying insurance.

As a resident of crystal lake, a local consumer of health care in Crystal Lake, and as a physician in McHenry county, I find that a Hospital is needed for my patients so they can continue to get high quality health care. As a resident of Crystal Lake, I find it difficult to understand why I have to travel such distance to get to a hospital for acute care, for myself or any of my three children. I also wonder why my town's Mayor is not supporting this plan.

W Kakush
3074

I urge you to approve this hospital to provide some much needed relief and access to healthcare in the area.

N. Kukulish
4/08/11

High Census

Please
Round
Early

Thank You!

POSTED 2/16/2011 -
Center for Woodstock

CONGRESS INTERNAL MEDICINE

360 Station Drive, Suite 201
Crystal Lake, Illinois 60014
815-455-7200
fax 815-455-9256

Dr. Ted Lorenc
Testimony in Opposition to Project #10-089

My name is Dr. Ted Lorenc, and I am an independent internal medicine physician with Congress Internal Medicine and Vice President of Medical Affairs at Centegra. I am opposed to this project and want to discuss how Mercy's physician model would severely limit patient choice.

Mercy says that it would employ most of its physicians at Mercy Crystal Lake Hospital. This means that the facility would serve only those inpatients who see a Mercy doctor. Local residents who now see Centegra or Advocate physicians and want to continue doing so would not be able to use this hospital.

Likewise, if a local resident currently sees a Mercy doctor, that patient would be forced to use either Mercy Crystal Lake Hospital or Mercy Harvard Hospital – whether they like it or not, even if they previously received care at a Centegra or Advocate facility.

Centegra Health System's hospitals, on the other hand, could potentially take any patients of area physicians at its hospitals. And right now, a number of Mercy physicians have privileges to see patients at Centegra's Woodstock and McHenry hospitals.

Centegra's physician model puts the patient first. Physicians are able to refer patients to the closest hospital where they can receive the quality of care and level of services that is best for them. Care and convenience for the patient are the physicians' top considerations.

For that reason, we were surprised to see that Mercy physicians working at Centegra signed referral letters committing to refer 100 percent of their cases to the proposed Mercy Crystal Lake Hospital. Patients of Mercy doctors would probably be shocked to know that their doctor promised to send them to a Crystal Lake Hospital even if the patient lives in cities and towns like Woodstock, McHenry and Harvard. Again, it seems apparent that Mercy physicians have been told that sending volume to the proposed hospital in Crystal Lake will take precedence over patient's place of residence or medical needs.

It is clear that Mercy's physician model would limit the patient's choice of physician and hospital. I firmly believe that corporate pressure should not guide physicians' decisions, and I ask the Review Board to deny this proposal.

Sincerely,

Z Ted Lorenc

My name is Karen Weideman and I support the Mercy Crystal Lake Hospital proposal. I live in McHenry and feel that the need for another hospital in the area is great. For the past few years I have had multiple contacts at Centegra-McHenry where the obvious need for an additional hospital were felt. My father was scheduled for an elective surgical procedure that would require hospitalization after the procedure. He waited overnight in the recovery room until a bed opened up. My mother had an emergency admission, where she had to wait overnight in the ER on a gurney before she could get a bed. She was in her seventies, had had prior back surgery, and was admitted for a cardiac condition. She was extremely uncomfortable and in pain. She was unable to sleep due to the noise in the emergency room. She was unable to be admitted due to the need for a bed to open up. My most recent incident involved my husband. He underwent elective arterial bypass surgery and obviously was going to need to be admitted after surgery. He had to wait in the recovery room for over four hours before a bed opened up in the Intensive Care Unit. I realize that might not sound that long, but to the wife who sat and waited for surgery to be done and then was unable to see him until he was transferred to the Intensive Care bed, it seemed like an eternity. He then had improved and could be transferred out of Intensive Care, but he had to wait over a day to get a telemetry bed because there was no open bed.

I feel there is definitely a need in the area, but I also feel that the Crystal Lake location will help alleviate some of the overcrowding that has been going on at Centegra-McHenry for years. A hospital in Huntley will not alleviate much at the McHenry site. The Crystal Lake area has a large population and at this point, many come to McHenry to be treated. A Crystal Lake hospital would benefit the people in Crystal Lake and surrounding areas by having someplace close for emergencies and a facility in their area. It would benefit we who live in McHenry by taking some of the strain and overcrowding out of Centegra-McHenry and hopefully allow patients to be admitted timely both after elective procedures and with emergency admissions.

I also would like to comment on the fact that Centegra spent time and money promoting the Women's Hospital need in Woodstock. They now have dropped the Certificate of need that they were able to obtain in 2007. Now suddenly there is no need in Woodstock for this plan, but it can be moved to Huntley. I am very leery of a corporation that pleads for a need and then within a few years changes their plans and forgets those who worked to get the certificate of need through for a Womens Specialty Hospital in Woodstock. It makes me wonder if indeed there was a need or this was their ploy to make a hospital in Crystal Lake not needed by getting additional beds in Woodstock. Centegra also fought vehemently to oppose the original Mercy Crystal Lake hospital citing no need for additional beds, but now we suddenly have a need for 128 beds that they are proposing in Huntley. It is amazing that in a few short years the need is present. I feel that a monopoly by Centegra in the area would be detrimental to working conditions and salaries. Competition is the best method for keeping down costs and improving work conditions and salaries.

I feel that Mercy's proposal for a Crystal Lake hospital meets the need in the area and offers an alternative to Centegra in the immediate area, allowing choice, competition, and jobs.

Thank you for your consideration..

Karen Weideman-3012 N Riverside Drive McHenry, IL 60051

BARRINGTON SURGEONS, LTD.

Robert C. Witkowski, M.D., F.A.C.S.	27750 W. Highway 22, Suite 130	General Surgery
Daniel T. Hoeltgen, M.D., F.A.C.S.	Barrington, IL 60010	Oncologic Surgery
Daniel B. Wool, M.D., F.A.C.S.	(847) 381-6051	Laparoscopic Surgery
Robert M. Flanigan, M.D., F.A.C.S.	Fax: (847) 381-6084	Bariatric Surgery
Emeritus		Colorectal Surgery

*Daniel wool
847*

Dear Illinois Health Facilities and Service Review Board:

I am a board certified general surgeon who practices in Barrington, IL. I completed a fellowship in minimally invasive surgery at Stanford University. I am unable to attend today's meeting but wanted to make sure that my opinion is heard in this important matter. Thank you for the opportunity to express my concerns.

This proposed hospital is simply not needed. The intended market area for the proposed hospital is already well-served by several area hospitals. This includes Good Shepherd Hospital, which is located only six miles from the proposed site. Much of the population intended to be served by the new hospital is closer to an existing hospital than to the proposed hospital.

Construction of an additional hospital when there is capacity at other area hospitals, including Mercy's hospital in Harvard, is simply not needed. This unnecessary expenditure comes at a time when our federal and state governments have increasing budget deficits. It is the government, taxpayers, employers and individual premium payers who will be providing the funds for this unwarranted project.

The Mercy facility would hurt existing hospitals and impede their capacity to continue to serve their patients and community with high quality, cost efficient care as well as provide a safety net for the medically indigent.

The new facility, if built, will draw away a significant number of patients from existing hospitals. For many services a solid patient base is needed to provide the ancillary support services and frequency of experience among the clinical team.

I specialize in providing laparoscopic surgery as well as robotic-assisted surgery. These tools help us to provide the best patient outcomes with the least pain and shortest hospital stays. Robotic-assisted surgery requires a high degree of specialization. Medical research supports the theory that surgeons and facilities that perform the highest numbers of the same types of surgeries have the best success rates. It comes down to the adage of "practice makes perfect". The addition of

another hospital will reduce the number of specialty surgeries performed by the nursing and clinical team. This could reduce clinical competencies. If you or your family were the person needing this surgical procedure, would you want it performed by a surgical team that did it only a few times per year?

2002

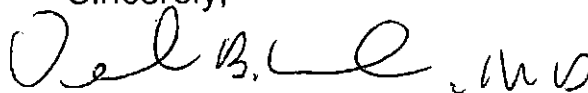
One of Mercy's arguments for building the new hospital is that it will provide an integrated hospital-physician system which will improve quality.

I want you to be aware that an integrated physician-hospital organization is not a novel concept in our area. Advocate Health Care, including Good Shepherd Hospital, has a physician member physician hospital organization. Advocate Physician Partners has 3,400 members, including myself.

Advocate Physician Partners is very proud to be nationally recognized as a leader in developing measures which focus on quality outcomes, cost efficiencies, and value. In our unique Clinical Integration Program, physicians work together to address the quality and costs associated with an entire episode of care, not just one visit. Physicians also work directly with patients to reduce the physical and financial effect of disease and illness by designing treatment plans that include medical intervention and lifestyle changes. Mercy's integrated approach will not bring anything new to the area.

I urge the Board to meet its mission and deny the project on the basis that it is an unnecessary duplication of resources and it will adversely affect the quality of care to the area.

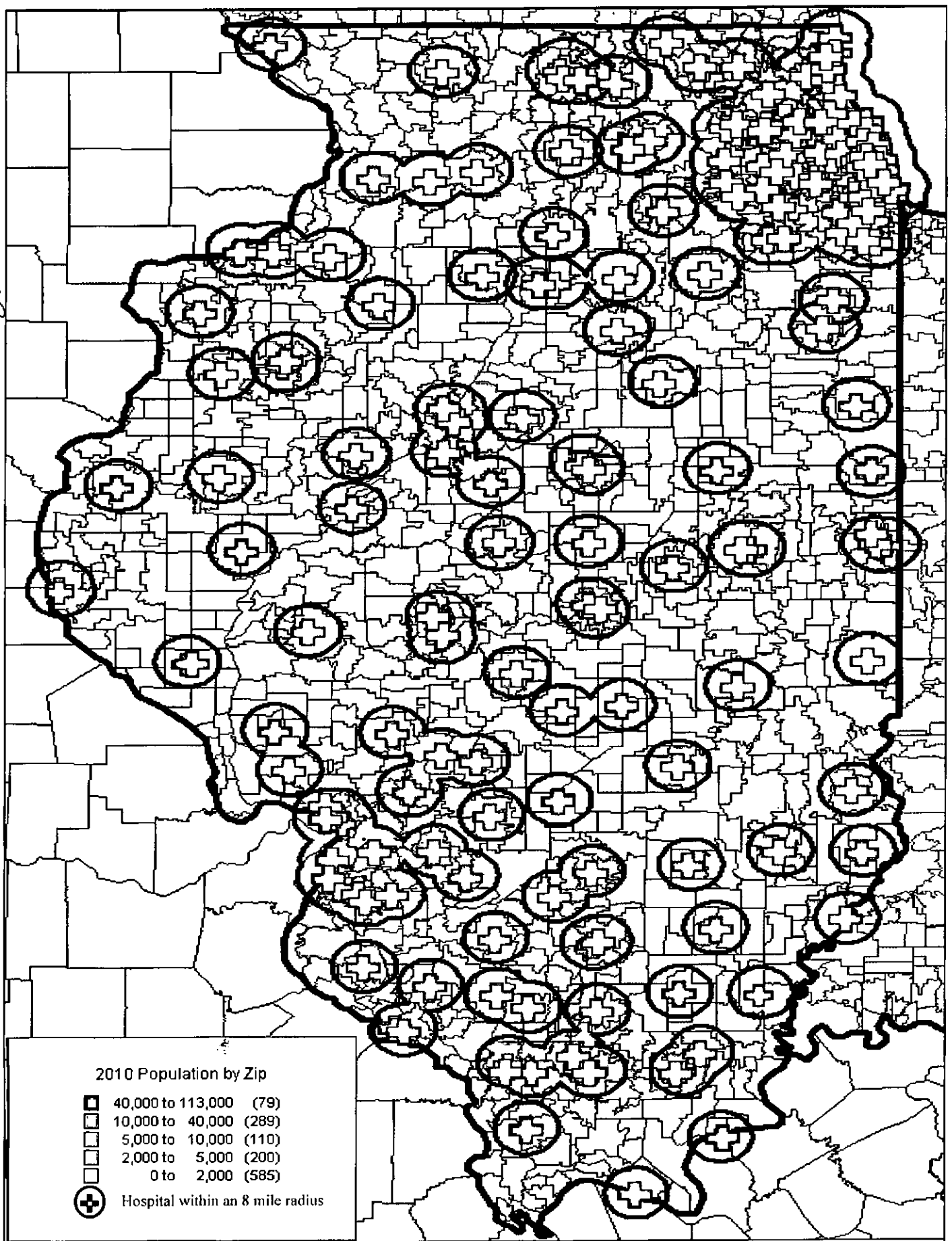
Sincerely,



Daniel Wool, MD

Areas Within Illinois More Than 8 Miles from a Hospital
 Proposed Mercy Crystal Lake is 6 Miles from Advocate Good Shepherd

Collette Prunzio



Hi , My name is Casie Baran employee at Mercy McHenry, also a past employee of Centegra and I am here today to speak in favor of the newly proposed Mercy Crystal Lake Hospital.

I recently as a patient had a visit to McHenry Centegra and was very upset at the quality of care that I received. The emergency room physician, Dr. Pacani, was very cold, short and uncaring and informed me that I had lung nodules, cancer, and I needed to be admitted. No rooms were available for me to be admitted to, EKG's and work-ups were done without concern to my privacy; done in the hallway. None of my family members could find me by phone; I was moved to 3 different rooms. As it turned out, CT showed negative results; however, I was so upset because my sister died of lung cancer 3 years ago. Needless to say, I was appalled at the care I received as well as the staff that provided the care.

As an employee of both facilities, I feel I can say my employment at Mercy has been far superior than my employment at Centegra. As an ultrasound tech at Mercy McHenry, I frequently am told by patients that Mercy's quality of care is much higher. As a patient I would prefer to receive future care at a Mercy Crystal Lake Hospital.

Jean Marie Sadler stated, a new Mercy facility would provide less community jobs and would be pulling people from other hospitals. I totally disagree with that statement as the nursing shortage she spoke of in my opinion, doesn't exist; new grads in this area as well as radiology and physical therapy currently have trouble finding employment in their chosen fields.

Thank you for you time,
Casie Baran, RDMS

3/17/2011

Colette Fraterrigo

My name is Colette Fraterrigo. I am the director finance of Advocate Good Shepherd Hospital, located less than a mile from McHenry County. I have been in health care finance for over 25 years.

I have many concerns about this project, including project financing, impact on area hospitals, and unnecessary costs.

Mercy proposes to borrow \$176 million to fund this project, which will double its debt. This is a large increase in debt for a small system the size of Mercy. Mercy may face challenges in obtaining financing and meeting the high debt obligation.

Last month, Moody's Investor's Service published an article, "Negative Outlook for U. S. Not-For-Profit Healthcare Sector Continues for 2011" The article highlights that the "continuation of negative outlook driven by slow economic recovery and ongoing revenue pressures.

Less than three months ago Centegra formally "abandoned" the \$50 million major modernization of its Woodstock hospital, citing, in part, "that the hospital community as a whole was finding construction loans difficult to obtain." I wonder about the ability of a system the size of Mercy with such high debt to be able to acquire the capital to fund the project.

As you likely know, there is a proposal for a second new hospital in the area. Should both CONS be approved, the demand forecasts for each would be invalid, and their ability to obtain financing would be even more questionable.

The proposed hospital will adversely impact GSH ability to serve its patients and community. Over ninety percent of the patients using GSH live within the Mercy-Crystal Lake hospital service area. To reach an appropriate occupancy, the new 128 bed facility will need to attract existing patients, not just the additional patients resulting from growth. GSH will need to adjust, as volumes decline at Good Shepherd. As good stewards of our resources, GSH regularly adjusts staffing to volume levels, not on an annual basis, not on a monthly or even weekly basis, but on a daily basis. As the new hospital takes volume from GSH and other nearby hospitals, hospital employees will move to the new hospital. Very few additional jobs

will be created due to the additional hospital. In fact, to the extent that additional jobs are created, they are simply a duplication of resources, adding to the already high cost of health care.

I am also concerned about the cost to construct another hospital, just six miles and 13 minutes from an existing hospital. While in an ideal world, it might be nice to have a hospital in every community. This is not the world in which we live. Proliferation of hospitals to provide immediate access must be balanced with limiting expenditures which drive up health care costs to tax payers, individual premium payers and employers.

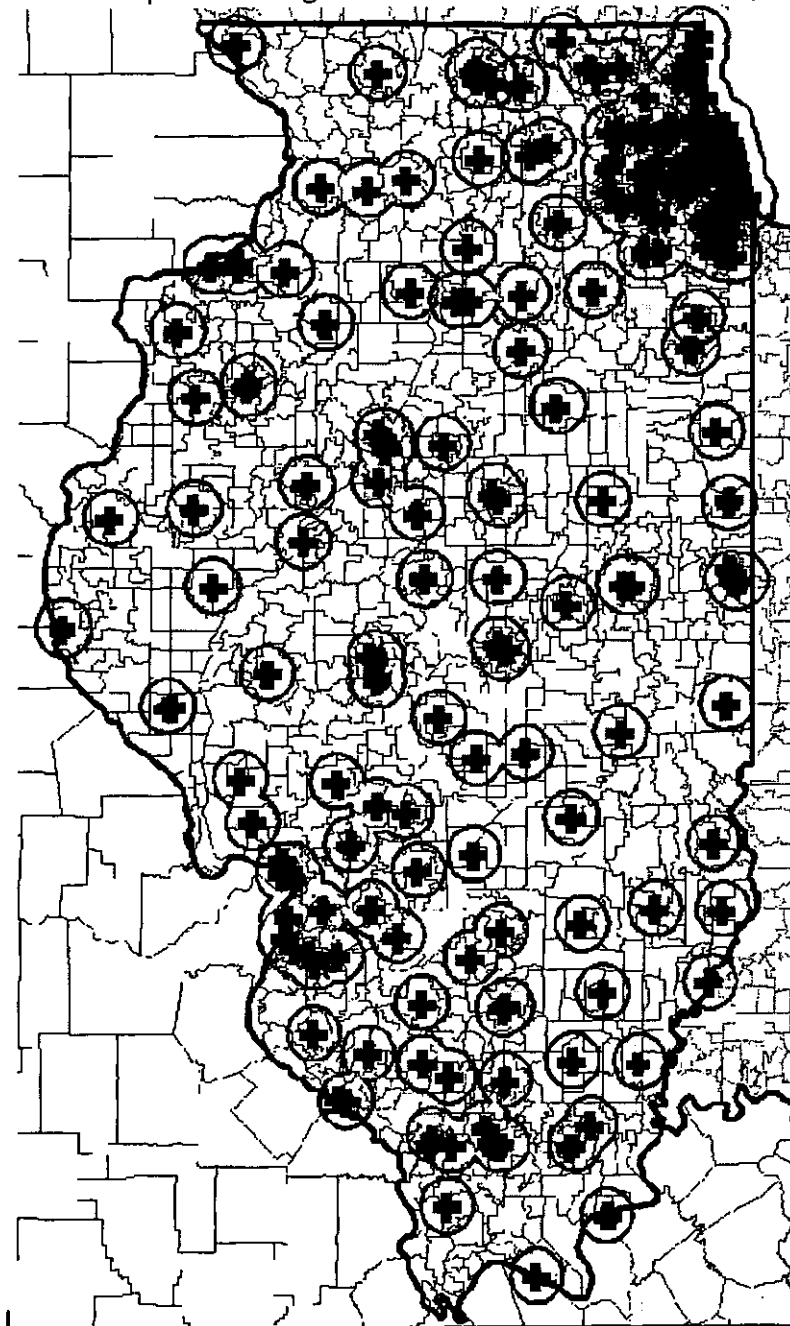
Many communities in Illinois are further than 13 minutes or the six mile distance between Crystal Lake and Good Shepherd Hospital. I would like to direct your attention to this map which shows the hospitals in Illinois and an eight mile radius around each hospital. While GSH is only six miles from the proposed site in Crystal Lake, the map shows a more generous eight mile distance around each hospital in Illinois. The map shows almost 100 areas that do not have a hospital within eight miles, farther than Crystal Lake is now from Good Shepherd Hospital. At \$200 million per hospital, the cost to provide the same access that Crystal Lake already has to nearby hospitals would be 20 billion dollars.

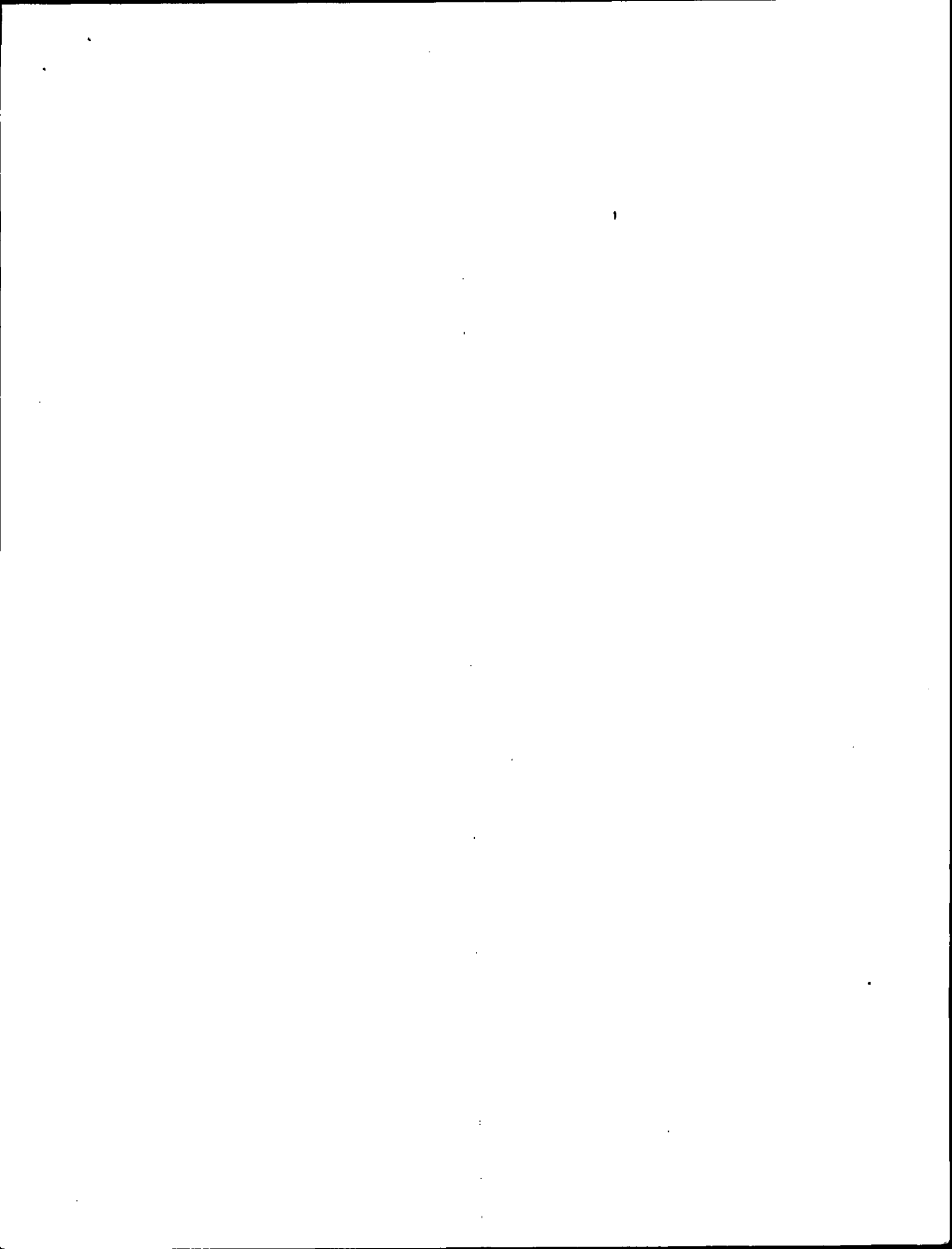
Twenty billion dollars is an overwhelming cost to provide the same hospital proximity that Crystal Lake already has. Even if hospitals are only located in communities with significant population, the cost would be overwhelming. Think of the precedent that approval of this project would set.

Construction of a new hospital in a community with access to a full range of outpatient services and nearby inpatient facilities flies in the face of health care reform, prudent use of resources, and health care trends.

Thank you for your consideration of my perspective.

Illinois Hospitals and Eight Mile Radius around Illinois Hospitals





By 1002

I am Kim Albright, MD. I support Mercy Hospital – Crystal Lake.

I spoke before you 8 years ago in support of Mercy Hospital Crystal Lake.

I gave you several reasons back then for my support for this facility and I can report to you today that things have changed since then – they are worse!

As a family practice physician based in Richmond, Illinois for over 25 years, I speak only from my experience at Centegra – McHenry.

Last week my cancer patient in acute renal failure was held in an outpatient procedure/overflow area because there were no inpatient beds available for 24 hours. Our offices were called last week by administration at Centegra asking if we had made rounds yet and to discharge our patients if at all possible because their beds were desperately needed for overflow.

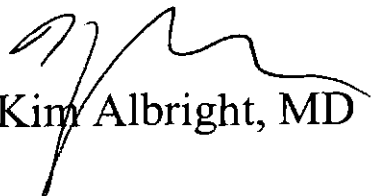
Also during the past month general floor patients were placed on the maternity floor.

These patients crowding into Centegra-McHenry are not from Huntley. They are from Crystal Lake, McHenry, McCullom Lake, Spring Grove and Richmond.

Any current building activities at Centegra-McHenry are to continue the “stacking” of patients in holding areas while they wait for actual beds.

Crystal Lake and the surrounding communities need their own hospital to meet their needs and not to constantly be placed "on hold".

I respectfully ask you once again, 8 years later, to support Mercy Crystal Lake Hospital.



Kim Albright, MD

3-18-11

pg 2A

Ilene Steiner Testimony 3/18/11

My name is Ilene Steiner; I work at Good Shepherd. I have twenty –three years experience as a health planner and a master's degree in health planning from Johns Hopkins University.

I would like to address the applicant's rationale on the need for project.

The application cites forecast increases in demand. I agree that demand will grow, but not enough to support a 128 bed hospital without adversely affecting other area hospitals' ability to meet the needs of their patients and communities. The addition of 128 beds increases the McHenry County bed supply by almost 50%. In contrast, The Illinois Health Facilities and Services Planning Board forecasts only a 3% annual growth in patient days for McHenry County which translates into 20% growth over the next five years. The 50% growth in supply of beds far exceeds the 20% growth in demand, resulting underutilized resources.

The application also cites a physician shortage. Construction of a \$200 M hospital is not needed to locate more physicians in the community. Mercy has a large physician group and could add more office space and physicians at significantly lower cost than building a \$200 M hospital. Similarly, Mercy can address the application's stated need for a geriatric clinic, through additional physicians and office space rather than construction of an additional hospital.

Lack of available emergency services due to bypass conditions is used by the applicant as a justification for this project. As you heard earlier, the applicant's conclusion of a need for more emergency capacity is based on old information. This is no longer a community need.

The applicant cites the excessive traffic congestion and travel times. The applicant's own study shows the average travel time from the proposed site to Centegra-McHenry is only 13 minutes. Most importantly, all of the proposed Mercy service area is within the Board's 30 minute travel time guideline of an existing hospital and 80% of the population is within a much lower, 15 minute travel time to a nearby hospital. EMS lights and siren travel time for emergency patients is, of course, much shorter. For those who do have a travel time of more than 15 minutes, none will have a reduced travel time with the construction of the Crystal Lake hospital, because an existing hospital is already closer than the proposed hospital in Crystal Lake. This project does not materially address a need to reduce traffic times.

The application indicates that the project will address a maldistribution of beds and outmigration. The applicant states that access is limited due to the high occupancy at area hospitals and the patients migrate across the county line. I disagree, according to the IDPH annual hospital survey, several area hospitals operate below the State's target utilization rates, including Mercy's own hospital in Harvard, located McHenry county. Mercy- Harvard operates below 30% on med/surg and icu beds. Patients are traveling out of area, due to patient choice, not due to lack of hospital bed capacity. Over 10% of the patient days are attributed to patients leaving the county for advanced subspecialty care not offered in the county or proposed by the applicant, travelling to university and specialty hospitals, such as RIC and U of I.

The application states that the project will address insufficient access to care for the indigent population, by operating an ED that provides services to the poor, by implementing a charity program with reduced fees, participating in Medicare and Medicaid, and by reaching out to community-based organizations. GSH, and I believe all area hospitals, have long histories of these activities, already covering the communities in the proposed Mercy service area. I believe that the Mercy project will have a detrimental impact on charity care. As detailed in other testimony, the reduced volumes at other area hospitals will limit the revenue and financial capacity of existing hospitals to cross subsidize charity care and community benefit activities.

The final rationale mentioned is that the project will allow for cost savings. The addition of 1400 new jobs and the \$200 million facility price tag are all additional expenses, not savings. The application cites that the Mercy physician group model will allow for cost savings and improve patient care. An integrated physician hospital model is not a novel concept in our area. As you have heard, Advocate including Advocate Good Shepherd, is a national leader in physician alignment focusing on value, higher quality at a lower cost. While we applaud Mercy for this focus, this will not bring anything new to the area.

Building a hospital for a community, already well-served by five area hospitals, many with available capacity, and two hospitals only 13 minutes from the proposed new hospital site fulfills a want not a need.

The application does not address the impact on Good Shepherd. There is not enough population growth for the proposed hospital to meet its volume forecasts without taking volume from existing hospitals. Even the application, itself identifies 4000 cases which Mercy physicians have indicated will be redirected from existing hospitals to the new hospital. The Mercy- Crystal Lake hospital service area significantly overlaps with the GSH service area. Over ninety percent of the patients using GSH live within the Mercy-Crystal lake service area. GSH will be adversely affected by the addition of a 128 bed hospital located in just six miles away. This adverse impact will limit GSH capacity to meet the needs of its patients and communities.

I have heard much argument about which of the two CON proposals is better, Mercy-Crystal Lake or Centegra-Huntley. I believe that it is no an issue of which hospital but whether a hospital is needed. Building another hospital is not an appropriate use of resources due to: the cost to construct and operate another hospital and the adverse impact the new hospital will have on the existing hospitals to serve their patients and communities. There are more cost effective approaches to meet the needs identified by the applicant.

A key role for the Illinois Health Facilities and Services Review Board is to prevent expenditures which are not needed. This is a prime opportunity for the Board to fulfill its role, I urge the Board to deny this application.

I thank you for your time and applaud your interest in hearing a variety of perspectives.

Hello – my name is Linda Coughlin and I will be reading some statements from local residents who were not able to make it to the hearing today. Thank you

"Most of my Drs. are from Mercy, which has Immediate Care Clinics in Woodstock and McHenry. However, the closest Mercy hospital to my home is in WI. I think you can never have too many hospitals, and I like the care that the Mercy Doctors give me. I also like the idea of a brand new facility to provide my care."

"Carol Lawrence, Wonder Lake, IL"

My husband and I do a lot of shopping in that area. I feel it would better to have access to good care there instead of having to make it to Harvard or Woodstock.

"Barbara Sergeant
Harvard, IL"

**The Dahl Household
CARY**

The hospital I would normally visit is Good Shepherd.

The biggest benefit I see to having a hospital in Crystal Lake is proximity and more options for health care. Options for health care are somewhat limited - I had to travel to Rush to have surgery.

A new hospital in Crystal Lake would also be beneficial because it would stimulate job growth.

**Elwart Household
City: CRYSTAL LAKE**

Testimonial:

The hospital I would normally visit is Good Shepherd - Excellent service and patient care was great.

The biggest benefit I see to having a hospital in Crystal Lake is proximity - It would be much closer especially in the case of emergency. It is good to have a sense of security knowing a hospital is nearby.

PUBLIC HEARING TESTIMONY OF Don Calcagno
Project # 10-089 (Mercy Crystal Lake Hospital and Medical Center)
March 18, 2011

03.18.11

★ DON C-A-L-C-A-G-N-O

My name is Don Calcagno and I live in Kane County. I serve as the vice president responsible for quality, professional services and support operations at Advocate Good Shepherd Hospital in Barrington.

Access to Quality health care is one of the reasons families settle in McHenry County. And to maintain that quality, I encourage the Review Board to reject the Mercy Health System application to build a new facility in Crystal Lake.

Another hospital in this region would dilute the quality of services that local residents deserve and receive today from a group of existing excellent medical centers in the region. Dilution of services occurs when too few patients are spread among too many hospitals providing the same services. When that happens, none of the hospitals has enough volume to become truly "expert" at those services.

This project will dilute volumes among hospitals - negatively impacting patient quality and patient safety. There are numerous studies by the Agency for Health Care Research and Quality and the Institute of Medicine demonstrating that hospitals with higher volumes of particular cases tend to have better outcomes than

Don Callegaro
Pg 343

To summarize, one purpose for the Review Board looking at utilization and the appropriate allocation of resources is to ensure quality care. Approval of this project may jeopardize that care because it will significantly dilute volumes across a number of hospitals. I urge the Board to deny this proposal.

Thank you.

Don Callegaro

Michael Chubirka Reading Points

To the Health Facility Planning Board:

As a board-certified Pediatrician, I began my practice in the Crystal Lake and Woodstock areas as an employed physician for Centegra Health System from 1997 to 2002 & have been an employed physician at Mercy Health System since October 2002.

During my first winter here **in 1997**, my patients with RSV, in other words infants and toddlers, would often have to be held in the emergency room at either Centegra Hospital McHenry or Centegra Hospital Woodstock **for up to 6-8 hours waiting for an open pediatric bed** for them to be admitted to.

As a past member of the Credentials Committee at Centegra Hospital Woodstock, I sat next to one of the Centegra Vice Presidents on the committee at the time when we were interviewing a prospective new emergency room physician to work at the Centegra hospitals. The particular interview I'm thinking about occurred approximately 1 year or less after Mercy Health System's 2002 attempt at building a Hospital in Crystal Lake. I recall the timing because this Centegra VP was telling this prospective ER physician that, working mostly at the Woodstock Hospital, she wouldn't have as long a time to wait for a bed to open up for her ER admissions there as she would have if she was working at the McHenry Hospital. This was just months after Centegra Administrators proclaimed to the local newspaper, as well as to your Board, that there was an excess supply of vacant beds in their local hospitals at that time.

I encourage this current Planning Board to listen to the physicians & inhabitants of this area & **not** the Centegra administration for the real facts concerning access to Health Care in the area.

I for one can give personal testimony based on my practice here since 1997, in both Health Systems by the way, that the proposed Mercy Crystal Lake Hospital & Medical Clinic was of vital need in 2002, & the population has obviously not declined since then. The only things that **have** declined between then & now have been household incomes & Insurance coverage.

I urge approval of Mercy Health System's application.

Sincerely,

Douglas Henning, MD, FAAP
390 Congress Pkwy, Ste M
Crystal Lake, IL 60039-0619
Office Ph: 815-455-0850

Dated: 3/14/11

TESTIMONY THOMAS ZANCK

My name is Tom Zanck and I have been a business owner in downtown Crystal Lake since 1974. I am here to oppose Mercy Health System's proposed project:

Property Size:

- Ignoring the circumstances of the last application by Mercy which was submitted by the same executive officers for Mercy as are now in place for this application, I wanted to discuss some basic facts from a historical perspective:
- A review of documents from the City of Crystal Lake shows that Mercy proposed a 70 bed hospital on a 16.38 acre site in 2004. The comments of the Crystal Lake Zoning Board of Appeals on 12/1/04 reveal that Board Members expressed concerns about building a hospital of that magnitude on only 16.38 acres because there would be no room to expand.
- Notwithstanding the concerns expressed in 2004 about building a 70 bed hospital on the property in question, Mercy is now back seven years later asking to build a hospital nearly twice that size **ON THE SAME SIXTEEN ACRE PARCEL!** This is true, notwithstanding that Mercy apparently owns additional adjoining land. How are Mercy's actions to be interpreted?
- The Zoning Board expressed concerns to the very Mercy Executives that are presenting the current application yet the only thing different about the so-called new proposal is that it is for a hospital almost twice the size of the last one. This sends a very clear message that either Mercy does not listen very well to the concerns of the community, or they simply do not care. Neither scenario bodes well for Crystal Lake.

- By the way, in 2004 two zoning Board members questioned this location and the Chairman of the ZBA suggested a new hospital close to Del Webb -- a Huntley location.

Construction Timing:

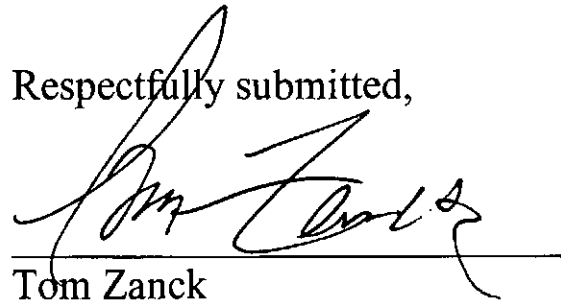
- Representatives of Mercy have stated that their project should be approved or supported because, they claim, they are ready right now and in fact "hope" to turn dirt before the end of this year.
- Let's look at the facts: First, according to the City of Crystal Lake no zoning application has been filed with respect to this project.
- Second, in order to obtain zoning permission to build this hospital, Mercy would have to obtain a preliminary planned unit development (PUD) approval and thereafter a final planned unit development approval. *FOR THEIR Smaller Project in 2004 it took 4 months FOR PRELIMINARY ~~AND~~ PUD APPROVAL ALONE*
- Final planned unit development approval will require final engineering which will have to be reviewed by staff and perhaps the City's consulting engineers.
- The magnitude of this project clearly demonstrates that under the process and procedures of the City of Crystal Lake, that process cannot be completed before the end of the year and especially if Mercy determines that it will not initiate the application process with the City of Crystal Lake until after it has a decision from this body (which only makes sense).
- What does this all mean?
 - The application was flawed and the process was tainted last time.
 - The Mercy application being promoted this time by the same officials who were in charge last time is flawed and not responsive to the concerns of the community, and
 - Mercy representatives are apparently committed to saying whatever they believe the community wants to hear in order to gain their support.

Personal Reflections:

Lastly, spending 10 hours a day in downtown Crystal Lake during a business weekday, I have had the comfort in knowing that there are and have been immediate care facilities available throughout Crystal Lake. I am grateful that there is a Centegra hospital 5½ miles north of my office in McHenry and a Centegra hospital approximately 5½ miles northwest of my office in Woodstock which on a number of occasions I have had the need to use.

I thank Centegra for its facilities and feel more than comfortable with the hospital care presently available to me and my Crystal Lake employees.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Tom Zanck', written over a horizontal line.

Tom Zanck
40 Brink Street
Crystal Lake, IL 60014

450 West Highway 22
Barrington, Illinois 60010-1901
Telephone 847.381.9600



Yusk, Tim

A handwritten signature in black ink, appearing to read "Tim Yusk", written over the printed name.

Director, Ambulatory Services, Advocate Healthcare

I am Tim Yusk, Director of Ambulatory Services at Advocate Good Shepherd Hospital in Barrington, located less than one mile east of McHenry County. I oppose this project because there are more cost effective means of providing additional access to health care than building new, expensive inpatient facilities. Many health care services continue to shift to the outpatient arena, where they can be provided at lower cost to patients. More complex services, such as open heart surgery and neurosurgery, will continue to be delivered in Acute Care settings, but the applicant is not proposing such services.

It is incorrect to state that a new hospital is needed to provide greater access to healthcare in this community. Numerous local Healthcare providers have recognized this and opened ambulatory centers in McHenry County, including Mercy, Centegra, Provena, Sherman and Advocate. Currently, Good Shepherd Hospital alone operates three provider based Outpatient Centers within McHenry County. These Centers provide a combination of over 55,000 visits, treatments and diagnostic tests annually.

SEE
Map

Our Rehabilitation department has been providing a comprehensive offering of both adult and pediatric therapies in crystal lake since 1990. At our other facilities in Crystal Lake and Algonquin, patients have access to both primary and specialty care physician services, and comprehensive imaging services. In addition, our Crystal Lake Center at 525 Congress Parkway offers immediate care 365 days per year staffed by Good Shepherd board-certified emergency medicine physicians. This center is located less than two miles from the proposed Mercy hospital site, and many Crystal Lake residents receive health care at this facility. We believe that these outpatient centers are a less costly, more efficient way to bring high quality health care services to the residents of McHenry County.

Mercy has also recognized the shift to outpatient services and has responded by providing residents access to care through new imaging services in Crystal Lake. Three other area hospitals offer a range of ambulatory services including immediate care to residents of McHenry County.

I also want to address Mercy's claims that there is a physician shortage in McHenry County. A physician shortage can be addressed through ambulatory sites and a new hospital won't necessarily solve the physician shortage issue. Good Shepherd and Sherman are just outside of the

McHenry County border and both have plenty of physicians on their campus who see McHenry County residents everyday. Mercy indicates they will have an employed physician model to staff the hospital, and has letters from Mercy employed physicians stating they will send patients to this new hospital, but there is no documentation of physician support or referrals in over a dozen key specialties, necessary to provide a full range of services. Notable voids are in specialties such emergency medicine, cardiology, neurosurgery, anesthesiology, neurology, general surgery, thoracic surgery, pediatric specialists, neonatology, rheumatology, endocrinology, pathology, hematology, oncology, nephrology, and pulmonology. The cost of building the hospital that Mercy quotes does not include the tens of millions of dollars that it will cost Mercy to recruit and employ these physicians.

In summary, I urge the Board to deny this application because there are better ways to serve the residents of McHenry County than building a brand new hospital.

Thank you.

Noelle Dina Reading Points

Thank you for listening to a very concerned citizen who has first-hand knowledge of the current situation. I am a Mercy physician who works across the street from Centegra's Northern Illinois Medical Center (NIMC) on Route 31 in McHenry. I have been a board certified Emergency Physician since being one of the fortunate few to pass the first Emergency Medicine Board Exam in 1980. I was director of Elgin St. Joseph Hospital's Emergency Room for 22 years. St. Joe's paid out millions in emergency room malpractice before I got there and millions after I left. They paid out zero dollars while I was in charge.

I've had the good fortune of knowing George Gallant, MD., the long-time director of NIMC's Emergency Room, for many years. He and the other physicians and nurses who work there are excellent, caring health care workers. They are not the reason that NIMC's Emergency Room has such a poor reputation.

NIMC has neither the facilities, nor the personnel to take care of the massive numbers of patients that they receive. Just yesterday, (March 15, 2011) a three-month-old with a 101 degree fever was sent away from NIMC's Emergency Room and came to our facility. We had to send the poor child back where he could receive the proper workup and treatment that was only available in an ER. A three hour wait is standard at NIMC Emergency Room and this puts a tremendous and unnecessary amount of pressure on the Emergency Physicians and nurses. Without mentioning names, it is common knowledge that if an Emergency Room physician working at NIMC's ER states the truth about his situation, he is fired by the administration that, unfortunately, appears to worry more about the bottom line than the care of their patients. I give Dr. Gallant and all the rest of the ER personnel that I've worked with over the past five to six years massive credit for surviving an impossible situation. I know they all secretly hope that Mercy can build its new hospital with its new ER.

Right now, Centegra has absolute power in the area. I know the majority of citizens would like to see some competition. We understand that this competition would force both administrations into worrying more about the care of our patients than the bottom line.

I sincerely thank you for listening.

Robert Schwaner, MD
3922 Mercy Drive
McHenry, IL 60050

David Tomlinson
Centegra VP Operations
Opposition to Project #10-089

I'm David Tomlinson. I'm Vice President of Operations for Centegra and I'm here to oppose Mercy's hospital project.

Before I begin, I want to address a comment made by one of Mercy's witnesses about Centegra's decision to delay moving forward with our Woodstock Women's Center. First, the original decision to delay the construction of the Women's Center was the direct result of the worst economic crisis since the Great Depression. Thereafter, Centegra engaged in a thorough planning analysis that revealed a greater need for services in southern McHenry County. Centegra's Huntley Health Campus is centrally located to this area of need and our proposed new hospital will be used by the residents of Huntley, Lake in the Hills, Algonquin, Lakewood and southern Crystal Lake.

Centegra has not abandoned its focus on women's services, we have simply made the decision to provide the services in a different way. We have opened the Centegra Gavers Breast Center in Crystal Lake and the Centegra Breastfeeding Resource Center in Woodstock. As our Certificate of Need application reflects, the proposed Centegra Hospital-Huntley will include the Women's Center. Consistent with our mission, vision and values, Centegra continues to responsibly develop services that best meet the needs of our community's residents.

Mercy claims in their application that wait times at emergency departments in McHenry County are lengthy, and that those same emergency departments are bypassed to accommodate urgent patient care. Those claims are not based on current, relevant data. Let me explain.

Centegra has responsibly added beds and created efficiencies and patient throughput initiatives so that no bypass has occurred recently. We also opened two immediate care centers to take pressure off our busy Emergency Departments; Mercy did not update the data from its application, thereby misleading you. Neither Centegra Hospital-McHenry nor Centegra Hospital-Woodstock has been on bypass due to capacity issues for more than a year a half.

Our EMS providers have special training and equipment to help them evaluate each patient's physical condition. They provide quality pre-hospital care and timely transport to the closest hospital ED to provide patients access to definitive medical care. The key to successful outcomes in patient conditions rests with prompt assessment, timely transport and arrival to the nearest comprehensive ED.

To further prove how things have changed since Mercy's last Crystal Lake application, the Chest Pain Centers at Centegra Hospital – McHenry and Centegra Hospital –

Woodstock have been accredited by the Society of Chest Pain Centers, an international organization dedicated to eliminating heart disease as the No. 1 cause of death worldwide. This advanced accreditation makes Centegra hospitals two of only 11 in Illinois to earn this level of distinction. Mercy Harvard is not one of those accredited.

Centegra Health System has made a commitment to the community throughout McHenry County to provide access to quality emergency care, by providing 2 hospitals with comprehensive Emergency Department services, 2- Level II Trauma Centers, access to critical care emergency air transport through our Flight for Life program, and maintaining the commitment to EMS as a Resource Hospital with the Illinois Department of Public Health. As the region's EMS Resource Hospital, Centegra Hospital-McHenry works with all of the area's EMS providers to ensure every person in the region receives prompt emergency care from well trained, compassionate personnel.

Mercy has provided limited emergency medical services to our community. For nearly 100 years, Centegra hospitals have provided access to outstanding emergency care that is close to home. I ask the Illinois Health Facilities and Services Review Board to say "no" to Mercy Health System. Thank you.

My name is Trent Gordon, and I am the Director of Business Development and Strategic Planning at Advocate Good Shepherd Hospital. Good Shepherd is located 6 miles and less than 15 minutes from the proposed site.

I oppose the construction of another hospital, particularly one so close to existing hospitals. Mercy is proposing to build a new hospital less than 8 miles from three existing hospitals, in Barrington, Woodstock, and the City of McHenry.

In an ideal world, we might consider building more hospitals so that each community could have its own hospital. However, we must be rational and understand that this is not the world in which we live. Our resources are not unlimited. In fact, being rationale about health care resources is the very purpose of the Illinois Health Facilities and Services Review Board. In our world, a proliferation of hospitals to provide immediate access must be balanced with limiting expenditures which drive up health care costs to tax payers, individual premium payers and employers.

In its application, Mercy cites a physician shortage in McHenry County as a rationale for the construction of a new hospital. The application includes letters from physicians indicating support and expected referrals to the new facility. However, there are no such letters from physicians in many important specialties such as cardiology, anesthesiology and neurosurgery. Does the application include the cost to hire these specialists and provide the specialty equipment and facilities in their offices and the hospital?

If McHenry County does have a physician shortage then Mercy, which operates a large physician group, should simply locate more physician offices in McHenry County rather than building a \$200 million dollar hospital. This is clearly a less expensive option and merits serious consideration, particularly with a full service hospital located only six miles from the proposed site Mercy physicians admit their inpatients to area hospitals now and they can continue to do so.

Also who is Mercy? Sure they have some physician offices in southern McHenry County but providing complex inpatient services is very different from providing outpatient services. Mercy does have a small, 25-bed hospital in Harvard but this hospital is only operating at 25% capacity. They also own two hospitals in southern Wisconsin, but, as I mentioned, their experience in Illinois is nothing like they're proposing today. Also, this project, if approved, will double the debt load of Mercy. For such a small system I'm concerned that Mercy may not have the financial means to pay off all of its debt. I do have concerns that the financial strain put on the system will limit the capacity of Mercy to meet its obligations to its financiers and to the community it now serves with its Mercy-Harvard hospital, which is very important as it's a critical access hospital. At the same time, by taking away patients from other hospitals nearby, this project could de-stabilize the finances of the hospitals that are already serving the area.

Mercy states that there's a physician shortage in McHenry County. Just because there is a hospital does not mean that more physicians will be attracted to the area. Furthermore, there may be a shortage in McHenry County but there are plenty of physicians in Crystal Lake. In the past four years, Good Shepherd, Centegra and Mercy have all opened new imaging centers in Crystal Lake. These imaging centers need physicians in the area in order to refer to them, patients just can't walk in off the streets and request an MRI without a physician order. Those hospital systems that I mentioned are smart organizations and they would not all have opened up imaging centers in the same location if there was a shortage of physicians in Crystal Lake and surrounding zip codes. They need for there to be a lot of physicians in the area so they have a good patient load to support their investments.

The physician letters in the application demonstrate that the Mercy physicians will redirect virtually all of their patients from area hospitals to the new Mercy hospital, with one exception. The Mercy physician patients who now use the Mercy-Harvard hospital will be allowed to continue to use the Mercy-Harvard hospital. I have a few questions about this.

If Mercy seeks to improve access, then why would Mercy physicians not be permitted to allow their patient to choose to continue to use their "home" hospital which they have chosen in the past, where they are comfortable, and which for most patients, is closest to their homes? What will happen to patient choice?

Why would Mercy physicians only allow their patients who have used Mercy-Harvard in the past to continue to use their "home" hospital?

The letters show the clear intent that the Mercy organization will redirect all of the patients of the Mercy employed physicians away from non Mercy hospitals to the new Mercy hospital. Given this redirection of 4000 patients, how can Mercy state that the new hospital will have no impact on other area hospitals?

I urge the Board to take a very close look at this application and realize that this area's health care needs are more than well served. We do not need a hospital in Crystal Lake. Good Shepherd looks forward to continuing to serve the needs of McHenry County.

Thank you.

Linda Serafin
1611 Carlemont Dr. Unit E
Crystal Lake, Illinois 60014

read by Trent Gordon

March 2, 2011
Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, Second Floor
Springfield, Illinois 62761

Dear Ms. Avery,


I have worked in the Healthcare Industry for over 30 years in Illinois. I am a resident of Crystal Lake, Illinois and I'm writing to **OPPOSE** Mercy Healthcare's application to build a new hospital in Crystal Lake, Illinois. We already have three hospitals in the area. This project would duplicate services in McHenry County that already exist.

The only services lacking in McHenry County are Pediatric Specialists. There was no mention in their application by Mercy regarding the possible expansion of this much needed service to our community. We have built new schools to accommodate the growth spurt of our younger generations, but when these children become extremely ill or are victims of serious traumatic events they are transferred to hospitals that are far from their homes. Most of the children are sent to Loyola in Maywood or Lutheran General in Park Ridge, Illinois. Many times they are transported via helicopter because of the long distances.

McHenry County does not need another hospital; we need to expand our horizons and develop what we already have. McHenry County does not need to watch another corporation extend their debt to build another hospital. This project represents unnecessary expense to our already overburdened health care system.

I urge the Illinois Health Facilities and Review Board to **DENY** the Mercy Healthcare proposal to build a new hospital in Crystal lake, Illinois.

Sincerely,



Linda Serafin RN

Hello – my name is Kevin Potter and I will be reading a statement from a local resident who was not able to make it to the hearing today. Thank you

Here is a story why I feel we need another hospital in McHenry County but NOT one that is run by Centegra Health System. The following is an incident that my family (father) was involved with just in the past week (March 7, 2011 to March 11, 2011) involving Centegra NIMC and sadly my father, which had been there twice before in the past 12 months, all 3 of our visits/stories would be similar.

My Father (Larry Sorg) was brought to the Emergency Room by ambulance on Monday March 7th, 2011 at 5:40pm. He was found unresponsive at his home by his wife (Barbra). They had no room for any of the patients that were at Centegra NIMC. They were lined up head to toe on their beds and wheelchairs, down hallways and around the nurses station. It wasn't until Tuesday morning when they found a place in Radiology with very little privacy, that's where he and 2 others waited for a room. As we waited for the doctor to come talk to us about labs and x-rays that had been done the night before (and were ready to be read), we were passed off to 3 different doctors.

Doctor number 1 was to come down and see us at 10:00am but he couldn't because he had office hours that day, so doctor number 2 would come talk to us at 11:00am. Doctor number 2 came down (we knew it was him) talked to the patient next to my father and starts to leave. We stopped him and asked about our dad, he said doctor number 3 will come talk to us but he didn't know what time. It's now 2:00pm we are still waiting for doctor number 3 to talk to us. We get tired of waiting and called his office to see if he could order another doctor to talk to us (we had to call because the nurse wouldn't and all the 3 doctors are from the same office). We were informed that doctor number 3 has been doing procedures but he is at NIMC. (Why would Centegra Health System have doctors do hospital hours while their doing procedures or their own office hours?) It's now about 3:30pm Doctor number 3 comes down and talks to us. He didn't listen to a word we said. We kept telling doctor number 3 that our father has Alztimers and he would have to ask us any questions but he would ask dad instead and write down what he said (dad doesn't know what season it is or the year). It's now 6:00pm Tuesday night and they finally have a room for dad where he stayed for further testing and observation. EVERY doctor that came to see him, WE had to tell them that dad has Alztimers and would have to talk to us and all their replies were the same "they were not aware of that". He was finally discharged to his wife's care on Friday March 11th, 2011 in fair condition. We vowed never to go to NIMC again for an emergency and I'm sure we are not the only family with a story like this.

The lack of communication, the lack of care and unable to handle the work flow is why we NEED a Mercy Hospital in Crystal Lake not a poorly run Centegra Hospital in Huntley. A Huntley Hospital would do very little for McHenry. The Huntley, Gilberts and the other towns people go to Sherman in Elgin or Advocate in Barrington or even Alexian Brother in Hoffman Est. (that's straight down rout 72 for them). A Mercy Hospital in Crystal Lake is a much wiser choice. Centegra NIMC is over crowded and poorly ran. A Mercy Hospital in Crystal lake will lighten the "load" at NIMC and service McHenry, McHenry County and the other surrounding counties more efficiently.

Thank you for listening.

Thomas C. Sorg
Woodstock

Robert M. Rosenberger in opposition to Project # 10-089

My name is Bob Rosenberger. As Centegra's Chief Financial Officer, I oppose Mercy's proposal for a hospital in Crystal Lake. Data shows that Mercy Crystal Lake Hospital is only viable at the expense of Centegra's existing hospitals. Let me explain.

Mercy's physician referral letters document that almost 90% of the patient volume for the proposed facility will come from Centegra's existing hospitals. 53% of the patient volume would come from Centegra Hospital-Woodstock and 36% would come from Centegra Hospital-McHenry.

To meet the required utilization targets identified on page 178 of Mercy's application, the proposed facility will require 32,960 med/surg patient days; 5,482 OB patient days; and 1,752 ICU patient days. If 53% of this patient volume comes from our Woodstock hospital and 36% comes from our McHenry hospital, as Mercy's CON application indicates, Mercy's project would have a major impact on Centegra.

Based on our 2009 Hospital Profiles and the referral numbers provided by Mercy, the occupancy of medical/surgical and OB beds at Centegra Hospital-Woodstock would plunge to 10% and 5%, respectively. ICU occupancy would be reduced to 58%. The occupancy of medical/surgical and OB beds at Centegra Hospital-McHenry would be reduced to 53% and 14%, respectively, far below the State's target occupancy levels.

These high impacts on Centegra's patient volumes would be necessary for Mercy Crystal Lake to attain the utilization rates required of its new hospital.

It makes no sense to sacrifice two existing, thriving hospitals for the sake of a new one, especially when the owner of that new hospital has the abysmal track record in the State that Mercy has. Mercy has owned and operated Mercy Harvard Hospital since 2003 and has been singularly unable to improve the poor utilization of that facility. According to its 2009 Hospital Profile, its latest medical/surgical utilization was 27% and its ICU utilization was 10.5%.

The 2009 Hospital Profiles for Centegra Hospital-McHenry, Centegra Hospital-Woodstock, and Mercy Harvard Hospital are included with my written testimony.

It is also important to note that the financial impact study prepared by Deloitte was based only on the actual patient referrals documented in Mercy's CON application. Yet, those patients represent only 40% of the patient admissions required for Mercy Crystal Lake to meet the required utilization levels. Consequently, Deloitte's calculated financial impact to Centegra of \$10 million to \$11.7 million annually would more than *double* if Mercy is to attain its target utilization by taking 88% of its patient volume from Centegra.

These great losses could have far-reaching ramifications in the community. Right now, Centegra supports a wide range of health services that are vital to the community, yet result in large financial losses to Centegra each year. In FY10, Centegra lost \$5.6 million on mental health services, \$5.5 million on a skilled rehab nursing facility, \$1.1 million on free community health

screenings and \$650 thousand on a neuro-day trauma treatment center. All of that is in addition to our contributions to area social service agencies that are currently seeing cuts in Medicaid payments from the state. If we experience major losses at the hand of Mercy Crystal Lake Hospital, we may not be able to continue supporting these kinds of services.

I urge this board to consider the impact a new hospital in Crystal Lake would have on Centegra Health System and the community at large. Do not sacrifice two existing hospitals for one new hospital. Please reject Mercy Crystal Lake Hospital.

Mercy Impact to CH-M and CH-W Occupancy

	CH-M			CH-W		
	M/S	OB	ICU	M/S	OB	ICU
Mercy's Patient Days to Meet Target Occupancy	32,960	5,482	1,752	32,960	5,482	1,752
% From CHS - Based on Mercy Referral Letter %	36%	36%	36%	53%	53%	53%
Patient Days Mercy will take from CHS	11,866	1,974	631	17,469	2,905	929
CHS 2009 Patient Days (Annual Hospital Questionnaire)	37,006	2,964	6,247	19,679	3,168	3,474
CHS 2009 CON Authorized Beds *	129	19	18	60	14	12
CHS 2009 Occupancy *	78.6%	42.7%	95.1%	89.9%	62.0%	79.3%
CHS Adjusted Patient Days (w/Mercy Impact)	25,140	990	5,616	2,210	263	2,545
CHS Adjusted Occupancy (w/Mercy Impact)	53.4%	14.3%	85.5%	10.1%	5.1%	58.1%
Mercy Impact to CHS Occupancy (in % points)	25.2%	28.5%	9.6%	79.8%	56.9%	21.2%

*Adjusted for Abandonment of Project #08-002

Ownership, Management and General Information

ADMINISTRATOR NAME: Michael S. Eesley
 ADMINSTRATOR PHONE: 815.788.5825
 OWNERSHIP: Centegra Northern Illinois Medical Center d/b/a Ce
 OPERATOR: Centegra Northern Illinois Medical Center d/b/a Ce
 MANAGEMENT: Not for Profit Corporation
 CERTIFICATION: None
 FACILITY DESIGNATION: General Hospital
 ADDRESS: 4201 Medical Center Drive

Patients by Race

White 93.9%
 Black 0.7%
 American Indian 0.3%
 Asian 0.5%
 Hawaiian/ Pacific 0.0%
 Unknown: 4.6%

Patients by Ethnicity

Hispanic or Latino: 0.4%
 Not Hispanic or Latino: 94.9%
 Unknown: 4.6%
 IDPH Number: 3889
 HPA A-10
 HSA 8

CITY: McHenry

COUNTY: McHenry County

Facility Utilization Data by Category of Service

Clinical Service	Authorized CON Beds 12/31/2009	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2009	Staff Bed Occupancy Rate %
Medical/Surgical	129	127	127	8,893	33,290	3,716	4.2	101.4	78.6	79.8
0-14 Years				188	313					
15-44 Years				1,568	4,053					
45-64 Years				2,880	10,300					
65-74 Years				1,571	6,644					
75 Years +				2,686	11,980					
Pediatric	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Intensive Care	18	18	18	1,378	6,233	14	4.5	17.1	95.1	95.1
Direct Admission				956	3,310					
Transfers				422	2,923					
Obstetric/Gynecology	19	18	18	1,106	2,750	214	2.7	8.1	42.7	45.1
Maternity				1,012	2,521					
Clean Gynecology				94	229					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds				0	0		0.0	0.0		
Acute Mental Illness	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	15	15	15	270	3,262	0	12.1	8.9	59.6	59.6
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	181			11,225	45,535	3,944	4.4	135.6	74.9	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	45.3%	9.9%	0.6%	38.7%	3.6%	2.0%	11,225
Outpatients	26.5%	11.7%	0.7%	55.9%	4.7%	0.6%	140,750

Financial Year Reported:

	7/1/2008 to	6/30/2009	Inpatient and Outpatient Net Revenue by Payor Source					Charity Care Expense	Total Charity Care Expense
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals			
Inpatient Revenue (\$)	35.1%	9.7%	0.4%	43.4%	11.4%	100.0%	1,399,187	2,200,332	
Outpatient Revenue (\$)	17.0%	3.5%	0.2%	70.1%	9.1%	100.0%	801,145	Totals: Charity Care as % of Net Revenue	
	23,608,223	4,882,998	341,994	97,577,611	12,717,903	139,128,729		0.9%	

Birthing Data

Number of Total Births: 922
 Number of Live Births: 920
 Birthing Rooms: 0
 Labor Rooms: 0
 Delivery Rooms: 0
 Labor-Delivery-Recovery Rooms: 0
 Labor-Delivery-Recovery-Postpartum Rooms: 6
 C-Section Rooms: 1
 CSections Performed: 250

Newborn Nursery Utilization

Level 1 Patient Days 1,723
 Level 2 Patient Days 150
 Level 2+ Patient Days 484
 Total Nursery Patientdays 2,357
 Inpatient Studies 339,943
 Outpatient Studies 241,273
 Studies Performed Under Contract 0

Organ Transplantation

Kidney: 0
 Heart: 0
 Lung: 0
 Heart/Lung: 0
 Pancreas: 0
 Liver: 0
 Total: 0

* Note: Has only 1 piece of Linear acceleator and is capable of performing IGRT and IMRT procedures. Number of procedures listed under Linear accelerator are inclusive of IGRT and IMRT procedures as well.

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	1	0	0	1	339	47	1392	71	1463	4.1	1.5
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	8	8	232	874	503	1237	1740	2.2	1.4
Gastroenterology	0	0	0	0	508	568	1071	843	1914	2.1	1.5
Neurology	0	0	0	0	59	261	154	398	552	2.6	1.5
OB/Gynecology	0	0	0	0	216	477	525	598	1123	2.4	1.3
Oral/Maxillofacial	0	0	0	0	5	25	10	43	53	2.0	1.7
Ophthalmology	0	0	0	0	0	748	0	707	707	0.0	0.9
Orthopedic	0	0	0	0	663	1922	1734	3451	5185	2.6	1.8
Otolaryngology	0	0	0	0	10	543	18	678	696	1.8	1.2
Plastic Surgery	0	0	0	0	0	0	0	0	0	0.0	0.0
Podiatry	0	0	0	0	17	158	49	303	352	2.9	1.9
Thoracic	0	0	0	0	74	27	152	37	189	2.1	1.4
Urology	0	0	1	1	7	26	45	77	122	6.4	3.0
Totals	1	0	9	10	2130	5676	5653	8443	14096	2.7	1.5

SURGICAL RECOVERY STATIONS Stage 1 Recovery Stations 10 Stage 2 Recovery Stations 25

Dedicated and Non-Dedicated Procedure Room Utilization

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	4	4	1275	3773	1144	3186	4330	0.9	0.8
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	2	2	31	362	48	907	955	1.5	2.5
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
Multipurpose Non-Dedicated Rooms											
Cysto/Urology	0	0	1	1	127	346	215	376	591	1.7	1.1
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	3
Cath Labs used for Angiography procedures	1
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	2,317
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	1,609
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	613
EP Catheterizations (15+)	78

Emergency/Trauma Care

Certified Trauma Center by EMS	<input checked="" type="checkbox"/>
Level of Trauma Service	Level 1 Level 2 Adult
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	10,568
Patients Admitted from Trauma	733
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	22
Persons Treated by Emergency Services:	29,130
Patients Admitted from Emergency:	6,609
Total ED Visits (Emergency+Trauma):	39,698

Cardiac Surgery Data

Total Cardiac Surgery Cases:	166
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	166
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	125

Outpatient Service Data

Total Outpatient Visits	292,107
Outpatient Visits at the Hospital/ Campus:	251,079
Outpatient Visits Offsite/off campus	41,028

Diagnostic/Interventional Equipment

	Examinations				Radiation Equipment		Therapies/ Treatments
	Owned	Contract	Inpatient	Outpatient	Owned	Contract	
General Radiography/Fluoroscopy	20	0	18,347	32,304	Lithotripsy	0	0
Nuclear Medicine	4	0	2,466	4,683	Linear Accelerator	1	0
Mammography	4	0	40	23,670	Image Guided Rad Therapy	0	0
Ultrasound	9	0	5,136	12,890	Intensity Modulated Rad Therap	0	0
Diagnostic Angiography	0	0	0	0	High Dose Brachytherapy	0	0
Interventional Angiography	0	0	0	0	Proton Beam Therapy	0	0
Positron Emission Tomography (PET)	1	0	8	584	Gamma Knife	0	0
Computerized Axial Tomography (CAT)	5	0	8,849	19,277	Cyber knife	0	0
Magnetic Resonance Imaging	3	0	1,442	5,584			

Ownership, Management and General Information		Patients by Race		Patients by Ethnicity	
ADMINISTRATOR NAME:	Michael S. Eesley	White	86.1%	Hispanic or Latino:	0.2%
ADMINSTRATOR PHONE	815.788.5825	Black	1.5%	Not Hispanic or Latino:	89.0%
OWNERSHIP:	Centegra Memorial Medical Center d/b/a Centegra Ho	American Indian	0.2%	Unknown:	10.8%
OPERATOR:	Centegra Memorial Medical Center d/b/a Centegra Ho	Asian	1.4%	IDPH Number:	4606
MANAGEMENT:	Not for Profit Corporation	Hawaiian/ Pacific	0.1%	HPA	A-10
CERTIFICATION:	None	Unknown:	10.8%	HSA	8
FACILITY DESIGNATION:	General Hospital				
ADDRESS	3701 Doty Road	CITY: Woodstock		COUNTY: McHenry County	

Facility Utilization Data by Category of Service										
Clinical Service	Authorized CON Beds 12/31/2009	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2009	Staff Bed Occupancy Rate %
Medical/Surgical	74	60	60	5,220	18,422	1,257	3.8	53.9	72.9	89.9
0-14 Years				170	308					
15-44 Years				1,018	2,597					
45-64 Years				1,677	6,187					
65-74 Years				878	3,326					
75 Years +				1,477	6,004					
Pediatric	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Intensive Care	12	12	12	970	3,432	42	3.6	9.5	79.3	79.3
Direct Admission				721	2,223					
Transfers				249	1,209					
Obstetrical/Gynecology	20	14	14	1,228	2,926	206	2.6	8.6	42.9	61.3
Maternity				1,185	2,807					
Clean Gynecology				43	119					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds				0	0		0.0	0.0		
Acute Mental Illness	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	13					1259				
Facility Utilization	106			7,169	24,780	2,764	3.8	75.5	71.2	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	39.4%	15.8%	1.0%	38.5%	3.0%	2.2%	7,169
	2826	1136	73	2758	216	160	
Outpatients	25.6%	14.0%	1.2%	53.8%	4.6%	0.9%	107,184
	27416	14995	1289	57661	4885	938	

Financial Year Reported:	7/1/2008 to 6/30/2009		Inpatient and Outpatient Net Revenue by Payor Source					Charity Care Expense	Total Charity Care Expense
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals			
Inpatient Revenue (\$)	23.7%	12.0%	0.5%	53.4%	10.3%	100.0%	1,067,446	1,683,720	
	12,170,999	6,182,041	269,970	27,424,767	5,278,890	51,326,667			
Outpatient Revenue (\$)	13.8%	2.9%	0.4%	73.1%	9.8%	100.0%	616,274	1.3%	
	10,676,821	2,232,819	284,066	56,435,259	7,566,106	77,195,071			

Birthing Data		Newborn Nursery Utilization		Organ Transplantation	
Number of Total Births:	1,105	Level 1 Patient Days	2,115	Kidney:	0
Number of Live Births:	1,099	Level 2 Patient Days	63	Heart:	0
Birthing Rooms:	0	Level 2+ Patient Days	430	Lung:	0
Labor Rooms:	0	Total Nursery Patientdays	2,608	Heart/Lung:	0
Delivery Rooms:	0			Pancreas:	0
Labor-Delivery-Recovery Rooms:	4	<u>Laboratory Studies</u>		Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	0	Inpatient Studies	172,829	Total:	0
C-Section Rooms:	1	Outpatient Studies	211,753		
CSections Performed:	375	Studies Performed Under Contract	0		

* Note: Project #08-002 approved on 7/1/2008, MMC-New Woodstock, received permit for modernization of existing hospital, including the addition of 14 M/S and 6 OB beds. Facility now has 74 M/S and 20 OB beds. Project completion date is 5/31/2012.

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	86	29	156	38	194	1.8	1.3
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	5	5	137	476	262	630	892	1.9	1.3
Gastroenterology	0	0	0	0	498	467	949	614	1563	1.9	1.3
Neurology	0	0	0	0	22	110	54	146	200	2.5	1.3
OB/Gynecology	0	0	0	0	162	455	353	526	879	2.2	1.2
Oral/Maxillofacial	0	0	0	0	7	22	15	37	52	2.1	1.7
Ophthalmology	0	0	0	0	4	417	9	408	417	2.3	1.0
Orthopedic	0	0	0	0	606	749	1405	1354	2759	2.3	1.8
Otolaryngology	0	0	0	0	11	532	19	755	774	1.7	1.4
Plastic Surgery	0	0	0	0	0	0	0	0	0	0.0	0.0
Podiatry	0	0	0	0	10	72	17	140	157	1.7	1.9
Thoracic	0	0	0	0	29	19	53	23	76	1.8	1.2
Urology	0	0	0	0	68	300	117	334	451	1.7	1.1
Totals	0	0	5	5	1640	3648	3409	5005	8414	2.1	1.4

SURGICAL RECOVERY STATIONS Stage 1 Recovery Stations 8 Stage 2 Recovery Stations 10

Dedicated and Non-Dedicated Procedure Room Utilization

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	3	3	644	3119	517	2041	2558	0.8	0.7
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	1	1	37	292	58	731	789	1.6	2.5
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
Multipurpose Non-Dedicated Rooms											
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	0
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	0
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	0
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	0
EP Catheterizations (15+)	0

Emergency/Trauma Care

Certified Trauma Center by EMS	<input checked="" type="checkbox"/>
Level of Trauma Service	Level 1 Level 2
	--- Adult
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	7,424
Patients Admitted from Trauma	497
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	18
Persons Treated by Emergency Services:	21,397
Patients Admitted from Emergency:	4,073
Total ED Visits (Emergency+Trauma):	28,821

Cardiac Surgery Data

Total Cardiac Surgery Cases:	0
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	0
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

Outpatient Service Data

Total Outpatient Visits	200,751
Outpatient Visits at the Hospital/ Campus:	184,317
Outpatient Visits Offsite/off campus	16,434

Diagnostic/Interventional Equipment	Examinations				Radiation Equipment			Therapies/ Treatments
	Owned	Contract	Inpatient	Outpatient	Owned	Contract		
General Radiography/Fluoroscopy	15	0	9,286	21,489	Lithotripsy	0	0	0
Nuclear Medicine	2	0	1,727	3,924	Linear Accelerator	0	0	0
Mammography	3	0	26	13,818	Image Guided Rad Therapy	0	0	0
Ultrasound	7	0	2,590	9,033	Intensity Modulated Rad Therap	0	0	0
Diagnostic Angiography	0	0	0	0	High Dose Brachytherapy	0	0	0
Interventional Angiography	0	0	0	0	Proton Beam Therapy	0	0	0
Positron Emission Tomography (PET)	0	0	0	0	Gamma Knife	0	0	0
Computerized Axial Tomography (CAT)	3	0	4,970	12,325	Cyber knife	0	0	0
Magnetic Resonance Imaging	2	0	899	3,921				

Ownership, Management and General Information

ADMINISTRATOR NAME: Sue Ripsch
 ADMINSTRATOR PHONE: (815)943-8671
 OWNERSHIP: Mercy Alliance
 OPERATOR: Mercy Harvard Hospital, Inc.
 MANAGEMENT: Not for Profit Corporation
 CERTIFICATION: Critical Access Hospital
 FACILITY DESIGNATION: General Hospital
 ADDRESS: 901 South Grant Street

Patients by Race

White 90.1%
 Black 1.5%
 American Indian 0.0%
 Asian 7.6%
 Hawaiian/ Pacific 0.0%
 Unknown: 0.8%

Patients by Ethnicity

Hispanic or Latino: 7.5%
 Not Hispanic or Latino: 91.9%
 Unknown: 0.7%
 IDPH Number: 4911
 HPA A-10
 HSA 8

CITY: Harvard

COUNTY: McHenry County

Facility Utilization Data by Category of Service

Clinical Service	Authorized CON Beds 12/31/2009	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2009	Staff Bed Occupancy Rate %
Medical/Surgical	17	22	12	573	1,502	163	2.9	4.6	26.8	20.7
0-14 Years				11	12					
15-44 Years				123	281					
45-64 Years				180	421					
65-74 Years				81	226					
75 Years +				178	562					
Pediatric	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Intensive Care	3	3	3	42	115	0	2.7	0.3	10.5	10.5
Direct Admission				1	3					
Transfers				41	112					
Obstetric/Gynecology	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Maternity				0	0					
Clean Gynecology				0	0					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	45	45	32	177	9,990	0	56.4	27.4	60.8	60.8
Swing Beds				0	0		0.0	0.0		
Acute Mental Illness	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	65			751	11,607	163	15.7	32.2	49.6	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	37.4%	5.5%	0.9%	24.1%	28.6%	3.5%	751
Outpatients	29.1%	20.8%	3.6%	40.3%	5.5%	0.7%	18,034

Financial Year Reported:

7/1/2008 to

6/30/2009

Inpatient and Outpatient Net Revenue by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense	Total Charity Care Expense
Inpatient Revenue (\$)	39.9%	5.6%	0.0%	42.9%	11.6%	100.0%	100,275	330,050
Outpatient Revenue (\$)	20.8%	6.0%	0.0%	68.5%	4.8%	100.0%	229,775	1.5%

Totals: Charity Care as % of Net Revenue

Birthing Data

Number of Total Births: 0
 Number of Live Births: 0
 Birthing Rooms: 0
 Labor Rooms: 0
 Delivery Rooms: 0
 Labor-Delivery-Recovery Rooms: 0
 Labor-Delivery-Recovery-Postpartum Rooms: 0
 C-Section Rooms: 0
 CSections Performed: 0

Newborn Nursery Utilization

Level 1 Patient Days: 0
 Level 2 Patient Days: 0
 Level 2+ Patient Days: 0
 Total Nursery Patientdays: 0
 Inpatient Studies: 9,728
 Outpatient Studies: 31,359
 Studies Performed Under Contract: 4,500

Organ Transplantation

Kidney: 0
 Heart: 0
 Lung: 0
 Heart/Lung: 0
 Pancreas: 0
 Liver: 0
 Total: 0

* Note: According to Board action on 4/22/09, Board reduced 12 M/S beds. Current CON= 65 beds which includes 45 LTC beds.

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	35	66	71	66	137	2.0	1.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	2	2	104	274	190	355	545	1.8	1.3
Gastroenterology	0	0	0	0	52	23	185	48	233	3.6	2.1
Neurology	0	0	0	0	0	0	0	0	0	0.0	0.0
OB/Gynecology	0	0	0	0	6	10	12	6	18	2.0	0.6
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	0	0	1	284	3	176	179	3.0	0.6
Orthopedic	0	0	0	0	21	45	40	49	89	1.9	1.1
Otolaryngology	0	0	0	0	0	5	0	6	6	0.0	1.2
Plastic Surgery	0	0	0	0	13	36	45	60	105	3.5	1.7
Podiatry	0	0	0	0	5	73	4	98	102	0.8	1.3
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	0	0	7	133	13	126	139	1.9	0.9
Totals	0	0	2	2	244	949	563	990	1553	2.3	1.0

SURGICAL RECOVERY STATIONS Stage 1 Recovery Stations 2 Stage 2 Recovery Stations 4

Dedicated and Non-Dedicated Procedure Room Utilization

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	1	1	24	553	18	265	283	0.8	0.5
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	1	1	1	175	1	70	71	1.0	0.4
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
Multipurpose Non-Dedicated Rooms											
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	0
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	0
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	0
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	0
EP Catheterizations (15+)	0

Emergency/Trauma Care

Certified Trauma Center by EMS	<input type="checkbox"/>
Level of Trauma Service	Level 1 Level 2
	--- ---
Operating Rooms Dedicated for Trauma Care	2
Number of Trauma Visits:	0
Patients Admitted from Trauma	0
Emergency Service Type:	Basic
Number of Emergency Room Stations	1
Persons Treated by Emergency Services:	5,639
Patients Admitted from Emergency:	150
Total ED Visits (Emergency+Trauma):	5,639

Cardiac Surgery Data

Total Cardiac Surgery Cases:	0
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	0
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

Outpatient Service Data

Total Outpatient Visits	69,057
Outpatient Visits at the Hospital/ Campus:	69,057
Outpatient Visits Offsite/off campus	0

Diagnostic/Interventional Equipment

Examinations

Radiation Equipment

Therapies/

	Owned		Contract		Inpatient	Outpatient	Owned		Contract		Treatments
General Radiography/Fluoroscopy	1	0	478	4,490			Lithotripsy	0	1	45	
Nuclear Medicine	1	0	18	465			Linear Accelerator	0	0	0	
Mammography	1	0	0	617			Image Guided Rad Therapy	0	0	0	
Ultrasound	1	0	109	1,391			Intensity Modulated Rad Therap	0	0	0	
Diagnostic Angiography	0	0	0	0			High Dose Brachytherapy	0	0	0	
Interventional Angiography	0	0	0	0			Proton Beam Therapy	0	0	0	
Positron Emission Tomography (PET)	0	0	0	0			Gamma Knife	0	0	0	
Computerized Axial Tomography (CAT)	1	0	151	1,671			Cyber knife	0	0	0	
Magnetic Resonance Imaging	1	0	19	332							

Mr. Mike Ploszek
Advocate Good Shepherd Hospital
Closing Testimony

Project No. 10-089

Today has been a long day. We have spent almost an entire day discussing whether an additional hospital should be built in our area. Ms. Avery, we thank you for spending this day listening to debate, some of which was spirited, on this issue. How high quality health care is to be provided in a efficient, cost-effective manner is clearly important to all us, and whether you are for our against this project, I thank everyone attending.

I am Mike Ploszek, Vice President of Ambulatory Services and Community Strategy at Advocate Good Shepherd Hospital.

There are a few points that I would address today in summary:

1. There is no need to solve a by-pass problem that doesn't exist. Hospitals in this area were on by-pass a total of 16 hours in the last year. We don't need a \$200 million hospital for 16 hours of by-pass.
2. You cannot take 4,000 cases from existing hospitals without hurting existing hospitals.
3. Proximity is not a justification for this hospital. Virtually every affected zip code is within 30 minutes of a hospital.
4. Although there could be many other points we could address, I do want to make sure that one important fact is clarified. A Mercy physician had reference the two immediate care facilities in Crystal Lake and alleged that both were turning away Medicaid patients. I cannot speak for the other facility, but as the Vice President for

Ambulatory Services, I can emphatically tell you that Advocate Good Shepherd Immediate Care center accepts Medicaid patients and I would not want anyone here to think otherwise.

Rather than inundating you with more facts, I want to acknowledge the difficulty of this process. Weighing the relative merits and costs of a new hospital is complex. While an additional hospital might be convenient for some residents, that convenience comes at a considerable cost to the health care system.

Many of us choose convenience over quality when it comes to our lunch. Fortunately, we do not choose our hospital as if it were a Taco Bell. Often I am rushed for lunch or need to work late and regrettably eat another meal in the car. Is the food good or nutritious? No, but it is convenient. If, however you have a parent needing cardiac care, or a spouse with cancer or child with any type of serious illness, would anyone here select a hospital because it was 2 miles closer and more "convenient"? No, we would want our loved ones to have the best care possible.

As a long time health professional, I can tell you that there is a trade-off between quantity and quality. How so? Take for example a hospital that desires to bring on a new cancer specialist, but determines that they cannot do so because there would not be enough volume. Similarly, a hospital wishes to offer greater charity care, but cannot because insufficient volumes do not allow the hospital to operate on even a break even basis. Or a hospital that want to make a DaVinci robot available for its surgical patients but cannot because there is insufficient volume

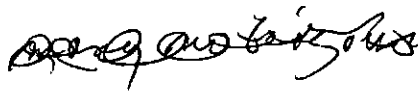
because of too many facilities. I believe residents in our area want better care, not marginally closer care.

I am not here to just oppose a competing hospital but rather to advocate for the best quality care in the area. I ask the Review Board to follow their rules and to not diminish the care in this area with a new hospital.

Thank you.

My name is Richard Gruber. I am a Vice President with Mercy Health System Corporation as well as being Secretary and an Officer of Mercy Crystal Lake Hospital and Medical Center Inc., an Illinois not for Profit Corporation in good standing in the State. My business address is 2000 Lake Avenue, Woodstock Illinois.

- Today you have heard starkly contrasting views on the need for the Mercy Crystal Lake Hospital and Medical Center. Opponents have argued everything from it being a duplication of existing operations, it will negatively impact their ability to provide safety net services, will deplete those institutions of health professionals such as nurses and other professionals, and increase the cost of health care in the region.
- On the other hand, you have heard recognized experts such as David Eisenstadt, Ph.D., an antitrust economist and co-owner of Microeconomic Consulting and Research Associates located in Washington D.C. talk about the importance of increased hospital competition in McHenry County. Among the benefits will be greater consumer choice, better quality, most importantly lower cost and prices.

- You have heard from other experts such as Brett Turner who is the Managing Principal of Legacy Healthcare Consultants speak to the fact that the project is needed based upon bed need requirements, how the project will not increase the health care costs for residents of the area and in fact will lower costs with the increased presence of Mercy Health system in Crystal Lake. As well he spoke eloquently about the advantages of an integrated health delivery system such as Mercy's and cited Chicago-based Hewitt Associates 2007 study that found that integrated systems like Mercy and Kaiser Permanente provide 22 percent greater cost efficiency than competing systems. Finally he testified that the Mercy project is the most cost effective compared to the other hospital project proposed in McHenry County.
- But most of all you have heard from the people of the area who can best speak to the need for this project to go forward. Nearly 6000 people have signed petitions requesting approval of this project. More than 800 have taken the time to write a letter of support for this project. 
- As I was reviewing the various letters of support, one stuck out to me and I wish to read it into the record. This is a letter from Richard L.

Persino, MD whose office is located at 750 E. Terra Cotta Avenue,
Suite B in Crystal Lake.

- The letter which is addressed to Ms. Courtney R. Avery in Springfield, reads as follows:

Dear Ms. Avery:

I am a board certified Ob/Gyn physician who has practiced in the Crystal Lake area continuously since 1988. It has been my privilege to work with the fine professional staff of NIMC, Centegra, McHenry where I am on active staff. It is an excellent institution. I have served as Section Chair of Ob/Gyn for three terms during my tenure and have exclusively only been on staff at this hospital. I have been employed by Mercy Health System for five years and have seen the tremendous population growth that has occurred in our practice location over that time period. There have been multiple occasions that we have been at overflow conditions at NIMC. I have seen problems with not having beds available for patients, and holding patients in the Emergency Department while waiting for a bed to become available. This seems to be happening more often. I firmly believe that we have a distinct need in Crystal Lake for another hospital. I also have the utmost respect for Mercy Health System and its genuine commitment to patient care. I believe that having a hospital in Crystal Lake not only helps to alleviate the periodic overload situation at NIMC, but will also be in the best interest of the people of Crystal Lake and the surrounding area in terms of Mercy being a competing health care

facility. It would be this competition that would raise the standards for all nearby health care facilities thereby benefitting both patients as well as employees of the hospitals. I sincerely hope that positive consideration will be given to allow Mercy Health System to build a hospital in Crystal Lake.

Thank you.

Respectfully,

Richard L Persino, MD

Dated: 3/15/11

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- Seven years ago we believed there was a need for greater access to healthcare in the area and since then, we have seen that need grow substantially.
 - More importantly, the residents and health care professionals like Dr. Persino have spoken passionately once again to the need and their desire to have a hospital in Crystal Lake.
 - This is the right project at the right location and at the right time. We believe there is a need for healthcare service access. The plan meets that need in the community in the most appropriate way... more acute care hospital beds, and integrated, coordinated health care services assuring the highest levels of quality for our patients.
 - Mercy has chosen to locate its hospital and medical center in the

McHenry County
most densely populated area of ~~Crystal Lake~~ that suffers from excessive traffic congestion.

- Crystal Lake is also the home of the most diverse population in McHenry County and has a growing geriatric population in need of additional services.
- The location will also provide easier access for Emergency Medical Service providers who presently face uncertainty about hospital bed availability because of Centegra hospitals' emergency department bypass rates.
- In most respects, we are here to complement existing hospital services, not compete.
- Mercy Crystal Lake will help alleviate the overcrowding and bypass rates of area hospitals.
- It will also provide an additional safety net option for those most in need of services but unable to pay the cost for health care.
- We will provide new services such as a Geriatric Center of Excellence that serves a population with highly specialized services that are not available at other hospitals.

- Ultimately it is all about ready access and quality care to the patients we service.
- This is the only application that improves access to care and reduces the cost of providing that care. Those are the stated principles of the Certificate of Need process. These are also significant benefits that accrue to all consumers
- That is why we respectfully request your favorable consideration of Mercy's application for a Certificate of Need for Mercy Crystal Lake Hospital and Medical Center.
- Thank you.

Hello – my name is Andy Church and I will be reading some statements from local residents who were not able to make it to the hearing today.
Thank you

A hospital in Crystal Lake would be so convenient for me and the added jobs to the area would benefit the whole community. I support your efforts.

"Cynthia Clarke
Cary, IL"

I agree that the hospital would be a good thing. Let's get it done!

Nancy Bohbrink – Crystal Lake

The Riley Household
CRYSTAL LAKE

The hospital I would normally visit is Northern Illinois Medical Center.

The biggest benefit I see to having a hospital in Crystal Lake is proximity.

Parise Household
CARY

The hospital I would normally visit is Good Shepherd - good hospital but a bit too far out of the way.

The biggest benefit I see to having a hospital in Crystal Lake is proximity - it would be convenient.

Members of the CON Board

My name is Dr. Dean Wolanyk and I live at 6839 Flower Hill Road in Rockford, IL

My credentials include:

- Board Certified in Internal Medicine
- Board Certified in Emergency Medicine
- Added Qualifications in Geriatrics, "Board Certified"
- Fellow, American College of Physicians
- Fellow, American College of Emergency Medicine
- Clinical Associate Professor of Medicine, University of Illinois College of Medicine, Rockford
- Clinical Associate Professor of Surgery, UICOM, Rockford

I am the Associate Medical Director of the Mercy Health System and the Associate Medical Director for the Mercy Physicians Association in McHenry County, ILL, an HMO shared risk product with Blue Cross/Blue Shield of Illinois.

I serve on the McHenry County Board of Health, the McHenry County Medical Society as Vice President and State Delegate, and Delegate to the American Medical Association National Advocacy Group in Washington DC. I also volunteer my time at the Free Clinic in Woodstock Illinois.

I have been a practicing Emergency Department physician and Medical Director for over 20 years in the states of New York, Illinois and Wisconsin, I bring to this discussion a wealth of direct Emergency Medicine field experience in various settings in multiple states. Most importantly, I intimately understand this particular application and the issues involved because I have worked in McHenry County for the last 15 years.

It is my considered opinion that the Mercy Crystal Lake Hospital application should be granted.

The McHenry County Planning area suffers from a lack of Emergency Room capacity and throughput.

There is a lack of inpatient medical/surgical beds to serve the volumes of patients stuck in long waits in the Centegra ED's.

There have been years of neglect by the existing Centegra facilities to resolve these problems. In fact, Centegra has publicly and legally opposed any new beds for Mc Henry County since 2003.

I have received almost weekly, verbal patient complaints of the hours and hours of waiting for care in the ED.

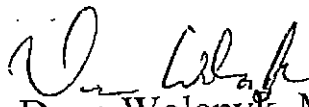
I receive patient complaints of the hours and hours and sometimes days spent on gurney's in hallways waiting for a room.

I know of the red light process at Centegra facilities for admissions to occur. Patients suffer when they have to wait and wait, patients suffer when they can't get a hospital room.

Unbelievably, Centegra's opposing application calls for waiting two more years before even beginning to build.

Mercy should be given permission to build a hospital in Crystal Lake now and then start building it this year so that primary care and ED patients don't have to wait and suffer needlessly anymore.

Thank you!!


Dean Wolanyk, MD