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MAY 19 2010

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10/09



May 19, 2010

Dale Galassie, Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson St., 2nd floor
Springfield, IL 62761

By fax and mail

Re: Comments on the Vanguard Health Systems applications to acquire Westlake Hospital (10-013) and West Suburban Medical Center (10-014)

Dear Chairman Galassie:

AFSCME Council 31 urges the Illinois Health Facilities and Services Review Board to deny Vanguard Health Systems' applications for change of ownership for Westlake Hospital and West Suburban Medical Center until the issues noted below have been fully addressed. The applications do not conform to Board rules, fail to demonstrate the applicant's capacity or commitment to continue operation of the hospitals and do not address the regulatory problems at the two hospitals the applicant currently operates in Illinois.

Vanguard's applications to acquire West Suburban and Westlake hospitals raise a number of serious questions. On several key review criteria the applicants have failed to demonstrate that the proposed sale conforms to the regulations or the broader purpose of the law.

The Planning Act rules require the board to consider the applicant's plans for discontinuing services and for ensuring access to care:

The Illinois Health Facilities Planning Act rules require the Board to verify "that the applicant intends to maintain ownership and control of the facility for a minimum of three years." Yet Vanguard commits to continue operation of West Suburban and Westlake for only two years, failing to comply with the minimum specified in Board rules. In order to ensure compliance with the Illinois Health Facilities Planning Act objective of increasing accessibility of services to the medically underserved and indigent, Vanguard should be required to provide a long term commitment to operate both hospitals.

American Federation of State, County and Municipal Employees, Council 31

TEL (312) 641-6060 FAX (312) 861-0979 WEB www.afscme31.org 205 North Michigan Avenue, Suite 2100, Chicago, Illinois 60601

The transaction would give the applicant a significant share of inpatient beds in the planning area, raising serious antitrust and cost containment issues.

Vanguard's acquisition of West Suburban and Westlake hospitals could result in a significant increase in charges to consumers because it will give Vanguard dominance in the relevant geographic market, the Illinois Health Planning Area A-06. In addition to the Resurrection and Vanguard hospitals, there are only three other providers of General Acute Care Hospital (GACH) inpatient services in the relevant geographic market. If the change of ownership is approved, Vanguard will control more overall beds in its market than *any* competitor (47% of all GACH inpatient beds), the majority (53 %) of OB beds and 91% of Acute Mental Illness beds. The Federal Trade Commission is currently reviewing this transaction.

The Board must consider the adverse action taken against the applicant for violations of the Medicare Conditions of Participation for Hospitals at its two other Illinois hospitals.

State regulations require the Board to consider whether "adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application." Vanguard's two Illinois hospitals are currently under state monitoring for serious violations of the Medicare Conditions of Participation for Hospitals. The hospitals were cited by public health authorities for failures related to nurse staffing, infection control and cleanliness -- violations clearly related to short staffing for nurses, nurses' aides and techs, and housekeepers.

Regulations require the applicant to demonstrate that it has the "financial resources to adequately provide a proper standard of healthcare for the community."

Vanguard's own disclosures to investors state "our high level of debt may adversely affect our operations." The low cushion ratio reported in the CON applications is further indication that the system is stretched thin and may not have the resources to invest in these struggling hospitals. Vanguard's plans to spend \$1.5 billion to acquire the Detroit Medical Center system and up to \$115 million to build a new hospital in Texas are likely to further strain its finances.

Given the failure to conform to Board rules and the other deficiencies noted above, we urge the Board to deny the Vanguard Health Systems applications.

In addition, the transactions raise issues regarding the protection of the charitable trust and antitrust/hospital competition. Both the Illinois Attorney General and the Federal Trade Commission are currently reviewing this proposed sale. The Board should not make a decision on the Vanguard applications until these reviews are complete and the Board and HFSRB staff have been advised of the findings.

Issue regarding public participation


We also wish to register our concern regarding the lack of adequate opportunity for public participation in this process. The sale of the hospitals could have a significant impact on tens of thousands of patients who rely on the hospitals' services and on the more than 2,000 employees of the hospitals. Yet the opportunities for citizens to provide input into the review process have been very limited. In denying our request for an evening hearing, the Board limited the participation of community residents and employees who had an interest in attending and in some cases providing testimony regarding the applications.

Finally, there were problems with the conduct of the hearings. With only one HFSRB staff, the hearing officer, present to handle logistical and procedural issues and with hundreds in attendance at both hearings, there was confusion and frustration. The applicants' staff appeared to be running the sign-in process, urging audience members to indicate support of the application on the attendance sign-in form. This caused concern among many community residents and intimidated some hospital employees.

Given these procedural problems, we urge the Board to allow one opponent of the Vanguard applications to address the Board prior to consideration of the applications. This option is allowed for in HFSRB rules and would allow Board members to consider the concerns of those likely to be affected by these transactions.

Thank you for your consideration of these comments.

Sincerely,



Henry Bayer
Executive Director

HB/gv

205 N. Michigan Ave.
Suite 2100
Chicago IL 60601
312/641-6060

AFSCME COUNCIL 31

Fax

To: Dale Galassie	From: Henry Bayer
Fax: (217) 785-4111	Fax: 312/861-0979
Date: May 19, 2010	Pages: 4 incl cover
Re:	

• **Comments:**

Please see the following 3 page letter.

Send via fax and USPS

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HEALTH FACILITIES &
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To: Ms. Karen M. Hall
Illinois Department of Public Health
525 W. Jefferson St.
Springfield, Ill. 62761

From: Patrick J. Dooley
122 N. Austin
Oak Park, Ill. 60302
708-848-2952

May 7, 2010

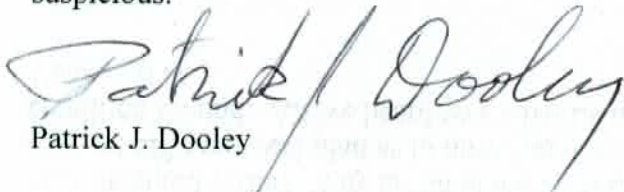
As an involved citizen of Oak Park I attended a hearing at our village hall concerning the sale of West Suburban Hospital to Vanguard. I had hoped to gain some real insight as to how a new owner could improve the hospital. I was concerned that the village might wind up with a big, empty building and the elimination of healthcare services for a great many people. After listening to the testimony my concern is even greater.

Attendees were told that West Suburban is now loosing a great deal of money and that Vanguard was our only hope. And yet the present management of our hospital recently opened an expensive new emergency wing to the hospital. Was this gross mismanagement on the part of Resurrection (and perhaps your review board) or is this a manufactured crisis? Why is Vanguard so eager to buy such a distressed property? They did not offer any real plan as to how they were going to turn this allegedly dire condition around. All we heard was advertising hype about how kind, loving and caring Vanguard is.

I certainly hope your board will demand a lot more solid evidence as to how they plan to actually turn a profit.

Where does Vanguard get its money from? We are now learning from Wall Street that huge profits can be made from betting against the success of an enterprise. I fear that if this is not carefully scrutinized your board will simply be "kicking the can down the road" a couple of years—after which Vanguard will make its excuses and bow out. Will you then be on the hot seat and claim you had no idea what would happen?

Many who spoke wanted an ENFORCEABLE ten year commitment by Vanguard to keep the hospital open at the present level of services. If they cannot agree to this I would be suspicious.


Patrick J. Dooley

P.S. It looked to me that Vanguard and Resurrection called out most of their managers and nuns to fill up the hearing room so that ordinary citizens could not be seated. I heard

*email to Karen
Please advise...*

5-5-10

2010 MAY 10 PM 2:44

107.1-DIRECTOR'S OFFICE

later that some of my neighbors (who were not paid to be there) came late and could not get in. It appears that the buyer and seller are already gaming the process.

10-014

Testimony before the
Illinois Health Facilities and Services Review Board
Hearing on Monday, April 26 at 1 PM
Oak Park Village Hall

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Sister Carol Cook
Sisters of Charity of the Blessed Virgin Mary

I am opposed to the sale of West Suburban Medical Center to Vanguard Health Systems unless Vanguard provides assurances to patients and employees that the hospital and all of its current services will remain open for at least 10 years.

Resurrection Health Care was meant to carry out a vision put forward by Cardinal Bernardin to create a network of Catholic hospitals that could thrive and better carry out their healing missions by working together. Sadly, the reality has fallen far short of that vision.

Instead of greater charity, the corporation reduced care to the uninsured. Instead of respectful treatment of workers, the corporation worked to silence those that raised concerns.

Now Resurrection Health Care wants to sell two of its eight hospitals to Vanguard Health Systems, a for-profit corporation. We believe that represents an abandonment of the vision of Catholic health care in the Chicago area.

On a practical level, it is also means abandoning to market forces thousands of patients who have relied on West Suburban Medical Center. West Suburban serves thousands of minority and lower-income patients every year. The majority of patients are on Medicare or Medicaid.

Once West Suburban Medical Center is owned by a for-profit corporation the legal obligations change. It will not be accountable to state laws related to "charitable trust," and does not need to conform to a charitable mission. In addition, it is easier for a for-profit corporation to close a hospital

That is why we need a real commitment now to ensure that our communities will continue to have access to medical services regardless of ability to pay.

Sister Carol Cook

Testimony
Illinois Health Facilities and Services Review Board
Monday, April 26

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Lillie Smith-Beacham

Re: Vanguard Health Systems application to acquire West Suburban Medical Center (10-014)

My name is Lillie Smith-Beacham. I have been a registered nurse for three years and have worked in the Family Birth Center at West Suburban Medical Center for three years.

I urge the Board to require Vanguard Health System to keep the hospital and all its current services open for 10 years.

We are very concerned that Vanguard will only commit to keeping the hospital open for two years and gives no firm commitments to keeping services such as the Family Birth Center or the Emergency Room open. Adding to our concern is the fact that after Vanguard purchased Weiss Memorial Hospital, on the north side of Chicago, it closed the OB/GYN department.

Over 2000 babies are born at West Suburban every year. Many of the women who come to West Suburban have not had any prenatal care and we handle many high risk pregnancies. As nurses in the maternity unit we are dedicated to providing the best care to these patients. But where will they go if there is a business decision that the department should be closed?

Again I urge the Board to act now to make sure that patients who rely on West Suburban aren't faced with that kind of disruption.

Lillie Smith-Beacham

To: Ms. Karen M. Hall
Illinois Department of Public Health
525 W. Jefferson St.
Springfield, Ill. 62761

From: Patrick J. Dooley
122 N. Austin
Oak Park, Ill. 60302
708-848-2952

May 7, 2010

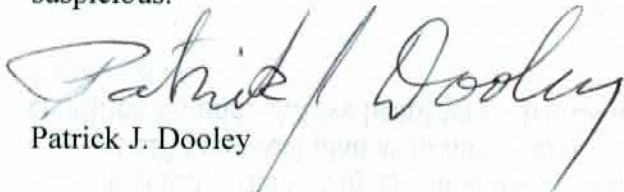
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I certainly hope your board will demand a lot more solid evidence as to how they plan to actually turn a profit.

Where does Vanguard get its money from? We are now learning from Wall Street that huge profits can be made from betting against the success of an enterprise. I fear that if this is not carefully scrutinized your board will simply be "kicking the can down the road" a couple of years—after which Vanguard will make its excuses and bow out. Will you then be on the hot seat and claim you had no idea what would happen?

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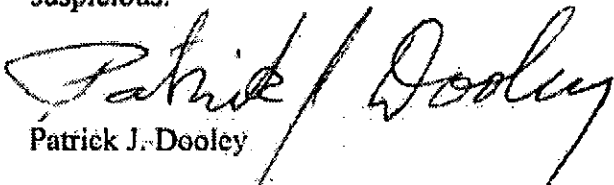
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