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November 14, 2011

Via Electronic Mail and Overnight Carrier
Mr. Dale Galassie
Chair
Illinois Health Facilities and Services
Review Board
525 W. Jefferson
Springfield, IL 62761

Re: Summary of Arguments to Sustain Review Board's Intent-to-Deny
Centegra Hospital - Huntley (the "Applicant" or "Centegra")
Project No. 10-090 (the "Project")

Dear Chairman Galassie:

We appreciate the opportunity to provide public comment to you, board members and staff in connection with the permit application for Centegra Hospital – Huntley. On June 28, 2011, the Illinois Health Facilities and Service Review Board (the "Review Board" or "Board") voted 8-1 to issue an Intent-to-Deny for this Project. We believe the Board made the correct decision at that time and that little has changed to justify a revisal of that decision. There remains no practical need for an additional hospital in this area.

All existing area hospitals, including Sherman Hospital, Advocate Good Shepherd and St. Alexius (the "Concerned Hospitals") as well as Provena St. Joseph Hospital, have all related to you the serious adverse impact this Project would have on them and the communities that they serve. On behalf of the Concerned Hospitals we provide additional information in this letter for the Review Board's consideration. Concurrent with this letter, the Concerned Hospitals are also providing by separate cover a detailed study analyzing population trends and the declining utilization and use rates in this area prepared by Krentz Consulting and entitled *"Assessment of Utilization Population Growth, and Applicant Arguments of Impact on Existing Providers"* dated November 11, 2011 (the "November Krentz Report"). We again ask that the Board deny this Project.

I. Centegra has Provided No Information to Justify Overturning Board's Intent-to-Deny

At this point in the review process the Review Board traditionally, and, appropriately, focuses on what further evidence has been put forth since the original Intent-to-Deny action. Since the June 28, 2011 Review Board meeting, the Applicant chosen not to submit any supplemental information when appealing its Intent-to-Deny.

On the other hand, our previous arguments and the evidence against the Project remain valid. In consideration of the Review Board's time this letter focuses primarily on additional considerations after the Review Board first overwhelmingly rejected the Project, as outlined below. Centegra provided no basis for the Review Board to revise its decision.

A. Centegra Appealed its Intent-to-Deny, but Provided No Supplemental Information. The Applicant notified the Board that it wished to appeal its Intent-to-Deny, but provided no Supplemental Information.[1]

B. Review Board Requested Information. The Board requested additional information relative to population studies and the McHenry County Healthy Community Study. Centegra filed a response, but it was largely an attack on the Concerned Hospitals and provided little new information. Concerned Hospitals and others also provided information regarding the 2010 McHenry County Healthy Community Study that was consistent with the Concerned Hospitals' previous assertions that the community study analysis did not identity a need for a hospital in McHenry County. Additional information supporting this conclusion has also been submitted.

C. Board Releases New 2010 AHQ Data Showing Declining Utilization. Most of the Applicant's argument for a new hospital has been that the population is growing so fast that there will soon be a need for an additional hospital in McHenry County. In fact, the 2010 Annual Hospital Questionnaire ("AHQ") data shows that patient days are decreasing in McHenry County and at many other nearby hospitals showing less need for beds, not more. Centegra has not even filled its own hospital and now shows a continued decrease in patient days and an increase in excess capacity.

D. State Agency Updates Bed Inventory. The State Agency compiled a new bed inventory. The new bed inventory is based on population projections from the 2000 Census numbers rather than 2010 Census data. Had 2010 Census data been used, we believe that bed need would be significantly less. The inventory is also based on use rates for the period between 2006 through 2008 instead of 2008 to 2010. During the later period, bed use rates in the area declined significantly.

E. New Study Prepared for Review Board: Analyzes 2010 Population Changes and the Decline in Utilization and Use Rates. Following the release of the new 2010 AHQ data and the revised bed inventory, the

[1] Notice of Intent to Appeal Intent-to-Deny and Letter to Review Board from Aaron Shepley dated July 12, 2011 ("Centegra Appeal Letter"), p.a.

Concerned Hospitals sought to have a new independent study of these issues prepared for the Board's consideration. The detailed "Assessment of Population Growth and Response to Applicant Arguments of Impact on Existing Providers" prepared by Krentz Consulting accompanies this letter.

F. Centegra Provides Extensive Public Hearing Testimony that a Proposed New Hospital (Mercy) would have "Catastrophic Impact" on its own Hospitals. Centegra officers testified at length at the October 7 Mercy public hearing about the devastating impact a new Crystal Lake hospital would have on their facilities, stating the new hospital "is only viable at the expense of our existing hospitals." [2] We believe Centegra on this point. We also believe this point applies equally to the impact its proposed Huntley hospital would have on existing hospitals.

II. Centegra Appeals Intent-to-Deny, but Provides No Supplemental Information

When considering the Centegra Huntley Hospital at its June 28 meeting, the Review Board did so after reviewing voluminous written and oral testimony. By the time of that June meeting Centegra had submitted over 1,000 pages of written documents, presented more than 50 witnesses at public hearings, and gave extended testimony before the Review Board. The Board also considered arguments from four existing providers as to why the proposed Project was unneeded and how it would exacerbate a situation in which existing providers operated below targeted utilization.

After considering all written submissions on this Project and exhaustive testimony before the Review Board, the Review Board voted by a resounding 8-1 not to approve the Project. Despite having the opportunity to submit supplemental material to try to address any Board concerns, the Applicant instead provided only a one-page letter stating that it chose not to submit any further information.

The failure to submit any new information begs the question *"on what basis does Centegra expect Review Board members to change their view of the Project? What has changed to justify a different outcome on the vote?"*

A review of Board actions on Intent-to-Deny projects reveals that in the last decade there have been almost no situations in which the Board has voted an Intent-to-Deny and then changed its decision on a project where an applicant had not provided supplemental information. As the Board admonished another applicant who had not provided supplemental information:

[2] Public Hearing testimony of Bob Rosenburg, Centegra Chief Financial Officer, October 7, 2011, p. 1 ("Centegra CFO testimony")

> *"The whole reason for this Intent-to-Deny opportunity for additional information at a subsequent meeting is the idea that you would provide additional information or even additional argument, that then the staff could review, the Board could consider before the meeting, and then reconsider the evaluation of the original consideration."*[3]

For a more extended discussion of how the Review Board has previously handled Intent-to-Deny projects where no supplemental information was submitted, please see Transcripts of Review Board Meeting, December 4, 2007, pages 247-270.

When Centegra representatives appear before the Board again what is it they can say in their testimony? Review Board practice prohibits the applicant from providing any new information and similar Board practice provides that they not address issues that they already previously addressed to the Board.

III. Response to Information Submitted by Centegra in Response to Board Request

A. Response to Centegra Arguments Regarding Impact on Safety Net Services.

The Review Board asked that both Centegra and Mercy provide certain requested data. Centegra's response was not to provide additional information, but instead to attack the Concerned Hospitals. Centegra's arguments on Safety Net impact are:

- Its proposed Huntley hospital will not have a negative impact on existing hospitals and the Safety Net Services they provide; and
- The Review Board should only consider impact in the immediate community and not in the State.

B. Centegra Makes the Incredulous Argument that a New Mercy Hospital will have "Devastating Impact" on Centegra, but that Centegra's Proposed Hospital will have no Impact on Existing Providers.

In addressing the Safety Net impact of its Project, Centegra in its application simply states that its new hospital would have "no impact" on existing hospitals. Concerned area hospitals then sought specific information to quantify the actual impact a Centegra hospital would have which was detailed in the "Market Assessment and Impact Study, proposed Centegra-Huntley Hospital," May 24, 2011, prepared by Krentz Consulting (the "May Krentz Report") and submitted to the Board. In response to the

[3] Transcript of Review Board Meeting, July 25, 2007, pp 327-328.

May Krentz Report, Centegra continued to assert that the Centegra Huntley hospital can "reach target utilization without adversely impacting other hospitals."[4]

Centegra faces a difficult predicament in arguing for its own proposed hospital, while strongly opposing the Mercy hospital. Centegra strenuously argued against approval of the Mercy project at the October 7 hearing it called on the Mercy modification. In his testimony, the Centegra Chief Financial Officer testified that even Mercy's smaller hospital would have a "catastrophic impact" on the Centegra hospitals and went on to state "regardless of its size, Mercy Crystal Lake is only viable at the expense of our existing hospitals."[5] To argue that Centegra will not impact the Concerned Hospitals, but that Mercy will have "catastrophic impact" is simply ludicrous and insults the intelligence of the Review Board and its staff. Both statements cannot be correct. Centegra's attempted distinction, that it has no adverse impact because it bases its Application's need on population growth while Mercy bases its need on referral letters, is clearly erroneous. First, as argued below, Centegra should be required to submit referral letters. Second, to whatever extent McHenry County's population grows, the growth would be the same under either project and have similar impact.

The Concerned Hospitals have steadfastly expressed concern about the impact any proposed hospital would have on existing hospitals and their ability to provide Safety Net Services. As addressed elsewhere in this letter, Centegra had in its July 28 letter continued to argue that its hospital would not impact existing providers and that their Project would improve Safety Net Services[6]. When it relates to a new Mercy Hospital, however, we are pleased to see that at the October 7 hearing Centegra now appears to agree with our position about the negative impact a new hospital would have a Safety Net Services. As Centegra's CEO stated regarding Mercy:

> *"This proposal, again, cannibalizes hospitals by stealing patients and send profits to Wisconsin, and would significantly impact the Safety Net provision that are provided to our local communities"*[7]

Centegra's July 28 letter goes into great length as to the Concerned Hospitals' concerns about impact, stating that in reality they are only concerned about "market share" and that the Review Board should not entertain that concern. Yet, when it comes time to argue against Mercy, again Centegra's CFO states:

> *"It is unacceptable to allow Mercy Crystal Lake Hospital to enter the market simply to cannibalize Centegra patients. And that is exactly what*

[4] Centegra Letter to Review Board, July 28, 2011.
[5] Centegra CFO Written Testimony, October 7, 2011, p. 1
[6] Id.
[7] Testimony of Mr. Michael Easley, Chief Executive Officer Centegra Health System, Mercy Public Hearing, October 7, 2011, p.12

would happen. No amount of population growth or industry reform could possibly make up for the lost patient volumes at Centegra."[8]

Again, we fully agree with Centegra's CFO on this issue and also believe the statement to apply fully to Centegra.

C. Centegra's Argument that the Review Board Should only Consider Safety Net Impact in the immediate Community and Should Not Consider Impact upon the State Undermines the Mission of the Review Board.

Centegra makes a peculiar argument relative to the role of the Review Board to consider only the Safety Net Impact on the local community. Centegra apparently believes that in this application the Review Board should concern itself only with the services in an affluent suburban county, finding particular fault with testimony from Advocate Trinity Hospital. Trinity Hospital testified that because of its location in the South Side of Chicago, it services a high percentage of medically indigent. In its July 28 letter Centegra states that "Advocate specifically contends that it uses revenues derived from McHenry County residents to subsidize two of its hospitals in Chicago. This is an absurd interpretation of the Planning Act."[9]

The Review Board has recently gone through the agonizing process of approving the closure of a hospital in Oak Forest serving primarily medically indigent patients. Centegra now argues that in this application the Review Board should confine its concern about Safety Net services to an affluent suburban county. We believe the Review Board should, to use Centegra words, believe that argument is "absurd."

IV. Hospital Utilization, Including Centegra's, Has Declined since Intent-to-Deny

A. Why Use Rates are Important in Calculation Need and Why Declining Use Rates Indicate Declining Need

As the Review Board well knows, hospital utilization is largely a factor of how many people there are in an area and how much those people use hospital services. At the June 28 Review Board hearing on the Centegra and Mercy projects, the Board heard much about population projections as a factor in bed need. The other, and perhaps more important factor, is how much patients use a hospital, or the "Use Rate." (days per thousand)

At its October meeting, the Review Board acted upon two items that relate to bed need calculations. A revised bed inventory indicated increased bed need in McHenry County, while the newest 2010 AHQ date showed continued decrease in the actual number of patient days in McHenry County. While there has been considerable

[8] Centegra CFO Written Testimony, October 7, 2011, p. 1.
[9] Centegra Letter to Review Board, July 28, 2011.

discussion of population projections, this portion of the letter focuses on the bed use rate. While the Applicant will likely point to the increased bed need as proof of the need for its proposed hospital, they will likely be stuck with trying to explain why a new hospital is needed when their own utilization has continued to decline for the last several years.

As this letter further addresses below, and as the Krentz report analyzes in detail, inpatient hospital use rates, nationally, in Illinois, and in McHenry County are all declining. Moreover, national experts expect this decline to continue into the future. The Bed Need Inventory attempts to forecast population, but does not forecast use rates. Stated simply, the underutilization of existing hospitals, along with the expected decline in utilization shows why there is no need for a new hospital is not needed in this area.

Centegra's core argument for a new hospital has been that the population in McHenry County is growing so quickly that a new hospital will be necessary to accommodate this future growth and that because the population will grow, no existing hospitals will be harmed. The new 2010 Census figures will show that the population did not increase in the way projected by the 2000 Census. Projections that the Review Board knows did not bear out should not be given meaningful consideration in a matter of such importance as this one. The accompanying November Krentz Report details this population information and is discussed later in this letter.

Further, population projections are merely one factor in assessing the need for a future hospital need. The real core issue is what is actually happening in terms of bed need. If Centegra's argument about population growth increasing bed need were true, you would have seen a rapid rise in hospital utilization and in the number of patient days in the area. In fact the opposite is true - - actual patient days and overall hospital utilization in the area is actually declining. Even Centegra's utilization has declined, and 2010 AHQ data shows a further decline.

At its October meeting the Review Board released the results of the 2010 Annual Hospital Questionnaire data. As discussed further below, the AHQ 2010 data now show: (1) that <u>all</u> of the Concerned Hospitals in the area are now operating below targeted Med/Surg utilization and (2) Centegra's number of patient days have declined significantly over the last two years and since the Board's Intent-to-Deny.

During the past two years, Centegra has lost considerable volume, more than most area hospitals. This means that their current facilities have more capacity than they did in 2008. The following chart shows the decline of patient days of area hospitals.

Patient Days Change				
Med/Surg (Adult/Ped) Days	**2008**	**2010**	**08-10 # Change**	**08-10 % Change**
Good Shepherd	36,888	35,627	-1,261	-3%
Centegra-McHenry	37,690	34,896	-2,794	-7%
Centegra-Woodstock	19,006	18,277	-729	-4%
Sherman	38,049	45,572	7,523	20%
Provena St. Joe's	30,889	25,700	-5,189	-17%
St. Alexius	55,368	59,685	4,317	8%
Mercy Harvard	1,684	1,705	21	1%

When examining utilization and excess capacity, area hospitals had 347 beds, on average, available each day during 2010. Importantly, McHenry County residents could access these beds less than 30 minutes from their home. Specifically, there were 251 med/surg beds, 44 ICU beds and 52 OB/GYN beds. These 347 empty beds significantly exceed the number of beds proposed by the 128-bed Centegra Hospital - Huntley.

SAR Table 1 :Facilities within 30 minutes of the proposed Centregra-Huntley site or Mercy-Crystal Lake site, updated with 2010 Hospital Profile Data

Hospital	City	Distance from Mercy Crystal Lake		Distance from Centegra Huntley		Planning Area	2010 Occupancy			
		Minutes	Miles	Minutes	Miles		Med/Surg	ICU	OB	Total
Centegra Hospital - Woodstock	Woodstock	12.7	5.68	16	11.26	A-10	83.5%	77.3%	53.4%	77.8%
Centegra Hospital - McHenry	McHenry	17.3	7.15	25	17.83	A-10	[illegible]	91.8%	40.0%	72.1%
Mercy Harvard	Harvard	More than 30 min		More than 30 min		A-10	[illegible]	[illegible]		25.0%
Subtotal McHenry County Hospitals							73.0%	79.0%	45.7%	70.4%
Advocate Good Shepherd	Barrington	12.7	6.2	28	16.61	A-09	81.6%	84.7%	50.2%	77.1%
Provena Saint Joseph	Elgin	25.3	16.1	24	13.9	A-11	71.1%	60.4%		69.7%
Sherman	Elgin	27.6	13.3	20	15.11	A-11	[illegible]	[illegible]	70.0%	63.5%
St. Alexius Medical Center	Hoff. Estates	27.6	16.1	More than 30 min		A-07	[illegible]	[illegible]	62.1%	68.1%
Total:							71.3%	66.4%	57.2%	69.1%

[illegible] Shaded cell indicates unit is operating below state occupancy standards

Source: State Agency Reports, 2010 Annual Hospital Profile

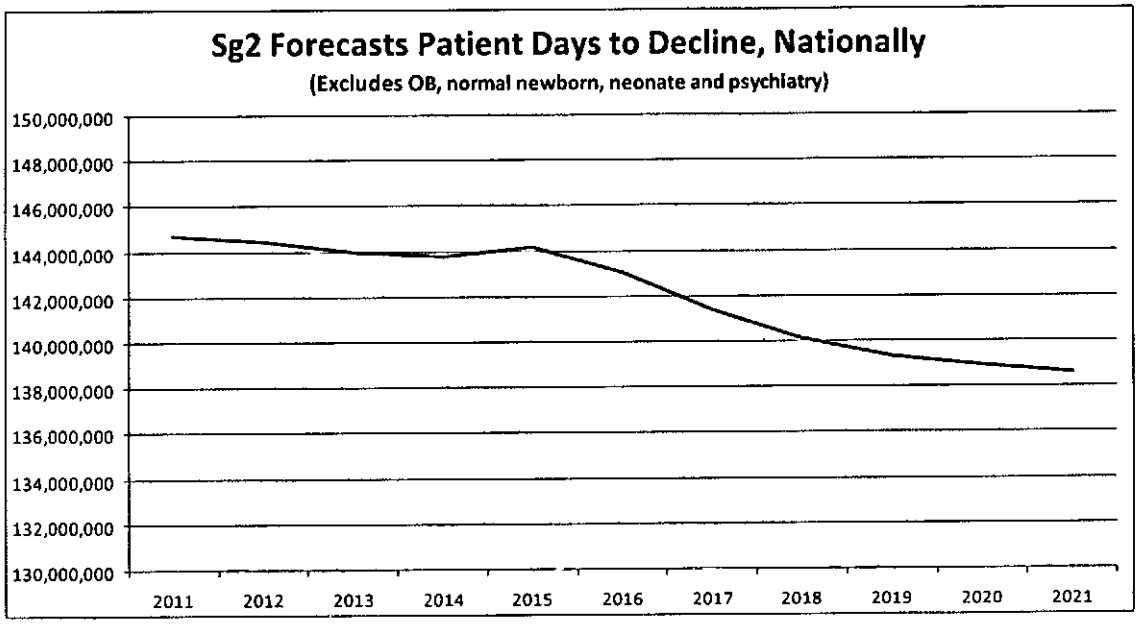
Based upon continued decreasing utilization of key services, excess underutilization of area hospitals serving McHenry County residents and number of available beds on any given day, it is clear that McHenry County patients already enjoy ample access to hospital services through existing area hospitals.

B. <u>Use rates and utilization have been declining and are forecast to continue to decline in McHenry County and nationally</u>.

Inpatient use rates are expected to continue to decline in the coming years due to outcomes-based payment, clinical integration, and accountable care organization delivery models. While health care reform may increase the number of insured, use rates will likely decrease. Most of the uninsured already receive inpatient care, as all of the area hospitals provide charity care to the uninsured.

C. National inpatient use rates are forecast to decline significantly.

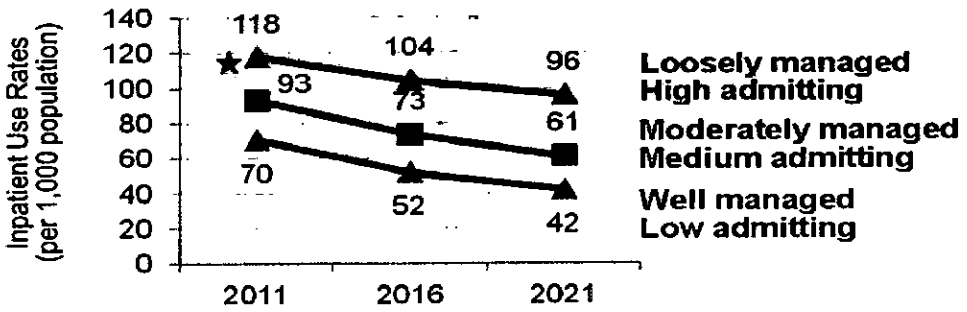
1. Sg2 Forecast for Use Rate (patient days per thousand population) Decline. Sg2, a national health care research company located in Illinois forecasts that use rates will decline by 12% over the next decade. Sg2 is well known and respected in the hospital industry and more than 1,200 hospitals pay dues to access their research. Sg2's forecast model is highly sophisticated, identifying future changes in use rates by age cohort and by diagnosis related group ("DRG"). Sg2 considers numerous factors in modeling its utilization projections, including issues for each DRG and each age cohort, such as (1) incidence of disease, (2) payment policy, (3) readmissions, (4) innovation and technology, and (5) potentially avoidable admissions. The table below show the Sg2 forecast of patient days nationally. The downward trend is projected to accelerate beginning in 2015, within 2 years of completion of both hospitals.



2. Milliman Study Similarly Projects Lower Use Rates. Similarly, in a recent seminar presentation to members of the Illinois Hospital Association, the following chart was presented showing a national hospital use rate forecast. In its presentation to the IHA, Kaufman, Hall & Associates presented the projections below for impact use rates based upon research of Milliman, Kaiser a nationally respected health care actuary.

Milliman Projections for National Inpatient Use Rates

★ *2009 National Inpatient Use Rate = 116*



Source: Milliman, Kaiser State Health Facts, AHA

The Milliman projections above forecast a decline in national hospital inpatient use rates and are consistent with the Sg2 projection for declining use rates.

D. State and Local McHenry County Forecast for Declining Use Rates.

1. Sg2 Forecasting Model Applied to McHenry County. The Sg2 tool may be applied to the actual utilization for McHenry County residents by age cohort and DRG to forecast utilization over the next 10 years. This tool shows utilization among McHenry County residents is forecast to increase by only 10% over the next 10 years, far less than the 50% forecast of IDPH upon which the McHenry County bed need is based. Sg2 considers a variety of factors that affect use rates, while the bed need is based on constant use rates.

The Sg2 tool forecasts only 2% growth in obstetric days over the next 10 years compared to the state calculated bed need which shows a 100% increase. These forecasts used the most recent release of Claritas projections for McHenry County, downloaded from Nielsen in July 2011.

2. IDPH Data Shows Declining Use Rates. The med/surg patient day use rate used by IDPH to calculate the current McHenry County bed need is based on 2006-2008 data for McHenry County hospitals. We understand the rationale for using those dates, but want to point out the impact of the more recent data published in the 2010 Illinois Hospitals Data Summary. These more recent data show that the use rate in McHenry County has declined by 8%, including a 19% decline in the 75+ age cohort and an 18% decline in the 65-74 year age cohort. This trend supports the Sg2 forecast of declining use rates.

The current McHenry County bed need is based on the older use rates from 2006-2008. Using the older, higher use rates rather than the more recent 2010 use rates for McHenry County overstates bed need. To make a meaningful comparison, we need to compare the 2006 to 2008 average use rate to 2010 average use rate.

Med/Surg Patient Day Use Rate Comparison			
Age Cohort	2008 (1)	2010 patient day use rate (2)	Change in patient day use rate 2008 to 2010
0-14	0.0163	0.00693	-57%
15-44	0.0579	0.04957	-14%
45-64	0.2020	0.20479	1%
65-74	0.7316	0.60306	-18%
75+	2.0689	1.68213	-19%
Total	**0.1781**	**0.1639**	**-8%**
(1) From Inventory of Health Care Facilities and Services and Need Determination			
(2) From 2010, Illinois Hospitals Data Summary.			

E. The Bed Utilization among McHenry County Patients is Trending Down.

There has been a decline in utilization among the McHenry County patients. Applying regression analysis to the last four years of McHenry County hospital volumes predicts that McHenry County hospital volumes will continue to trend downward for med/surg as well as OB/GYN.

Given that (1) McHenry County hospital inpatient volume are declining, (2) McHenry County use rates are declining, (3) national experts are forecasting further declines in use rates and (4) the area hospitals are below target occupancy for OB/GYN and med/surg, there is no need for another hospital in McHenry County.

New Bolingbrook Experience. Even if we accept that Centegra in good faith believes it can fill a new hospital and not negatively impact existing hospitals, recent experience is to the contrary. The importance of considering the impact of a new hospital is evident in the Adventist Hospital-Bolingbrook situation. Bolingbrook Hospital, which opened in 2007 and is the only new general hospital built in the State in the last years, has been challenged to build volume and reach reasonable occupancy. According to the 2009 Annual Hospital Profiles published by the Illinois Department of Public Health, Adventist Hospital-Bolingbrook was still below 40% occupancy in its third year of operation and remains at only 44% occupancy in its fourth year, despite the fact that Bolingbrook's population was projected to increase more than McHenry's, that there were fewer hospitals near Bolingbrook, and that Adventist committed to move some of its patients from other hospitals to Bolingbrook. This low occupancy highlights the challenge of changing facility utilization patterns. Similarly, information available from

Comp Data shows that the occupancy at Bolingbrook came at the expense of existing hospitals. Since 2007 a nearby Naperville hospital lost 15% of its volume to Bolingbrook and a nearby Hinsdale hospital appears to have lost 20% of its volume attributable to the new Bolingbrook hospital.

V. Bed Inventory Change

A. Analysis of Population Projections and Bed Inventory Change.

At the June 28 Board meeting at which the Centegra and Mercy projects were heard, there was considerable discussion regarding population projections and the corresponding bed need calculations associated with that population projection. Mr. Carvalho provided detailed explanation to the Board about the population projections and bed need calculation. Following the Intent-to-Deny, the Board specifically requested additional information about population projections.

At the October Board meeting the Board approved two items that relate to bed need. First, the Board accepted / approved the receipt of the 2010 data regarding utilization and other information included in those reports. Second, the Board revised the bed need formula for hospitals and long-term care facilities. This revised bed formula projected bed need based upon 2018 population instead of 2015 population. Not surprisingly, in general, the farther out population is projected, the more it is expected to increase.

We expect that the Applicant will seek to make much of the fact that the bed need calculation has increased from 83 med/surg beds to 138 beds. We caution against putting t0o much emphasis on that change. As the State Agency acknowledged when presenting the new inventory, the population projections remain based upon the 2000 Census data and not the 2010 Census. The impact of the economic downturn in 2008 which continues today has considerably impacted population growth. We believe everyone, including the Applicant, agrees that the 2010 Census numbers will show a much smaller population increase than the 2000 Census data.

In response to the new 2010 AHQ data and the new revised bed need, the Concerned Hospitals asked Krentz Consulting to analyze this new data. This November Krentz Report fully examines the population and utilization issues in McHenry County. The November Krentz Report also analyzes in detail Centegra's claim that its Project is justified based upon the Board's Rapid Population Growth criteria. As that report points out, the "Rapid Population Growth" criteria has precise meaning under Review Board's regulations. Simple population growth does not satisfy that criterion. According to the Board's rules, "Rapid Population Growth Rate" means an average of the three most recent annual growth rates of a defined geographic area's population that has exceeded the average of three to seven immediately preceding annual growth rates by at least 100%. The November Krentz Report empirically proves that test has not been satisfied.

Finally, the November Krentz Report examines the declining hospital use rates and the inherent inconsistency of an increasing calculated bed need while showing actual decline in hospital utilization. At the very least, this incongruency reinforces the need for the statutorily created comprehensive planning function, and supports our call that new hospital projects not be approved until the comprehensive planning function is fulfilled.

B. Centegra Does Not Meet "Rapid Population Growth" Test and Must Supply Physician Referral Letters

The Krentz Report study on Population and the Rapid Population Growth criteria becomes important relative to the need for physician referral letters. The Board's rules specify that if an Applicant wants to establish a new hospital it must provide physician referral letters. If the applicant proposes to establish a new hospital, the applicant must submit projected referrals.[10]

The Section 1110.530(b) rules referenced above make clear that "if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals."[11] Despite the clear mandatory language of the rules, the Applicant concluded that compliance was optional and provided no referral letter in the form required. They sought to justify the lack of physician referral letters based upon their claim to meet the "Rapid Population Growth" criteria. As has been discussed above, Centegra does not meet the Review Board's definition for "Rapid Population Growth" and the physician referral must be provided. These projected referral letters are important because the physician must show from where those referrals were taken. That is, if a physician will refer 200 patients to a new hospital, he or she must show where those patients previously received care. By providing referral letters, the Board gets real information about the impact on existing facilities instead of the charade that existing providers will not be harmed because of "population growth," which may or may not occur at some point in the future. Most importantly, it would unequivocally show that the new hospital would not meet occupancy standards, or that it would do so only by reducing utilization at existing hospitals.

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[10] *An applicant proposing to establish a category of service or establish a new hospital shall submit the following:*

i) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing facilities located in the area during the 12-month period prior to submission of the application;

ii) An estimated number of patients the physician will refer annually to the applicant's facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the physician's documented historical caseload;

iii) The physician's notarized signature, the typed or printed name of the physician, the physician's office address, and the physician's specialty; and

iv) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.

[11] Id.

VI. Summary of Previous Arguments that the Application Should be Denied.

We had previously submitted detailed analysis of why the Board should deny the Centegra Project. Those arguments remain just as true today. We summarize those arguments for the Board's reference.

A. There is No Need for the Centegra Huntley Hospital. From any practical perspective there is no "need" for this proposed hospital. No resident is going unserved because of a shortage of hospital beds. 89% of residents in Centegra proposed service area are within 15 minutes of a hospital, all of which have additional capacity.

B. New Suburban Hospitals are Inconsistent with Health Care Reform. Although there are many views on health care reform, almost all are consistent with the premise that building an additional 128-bed community hospital in an affluent suburban area already well-served by five area hospitals goes against where health care reform is heading or should go.

C. The Proposed Hospital will Significantly and Seriously Harm Existing Providers and the Safety Net Services that they provide. Concerned hospitals have presented detailed and thorough analyses regarding the impact a new hospital would have on existing hospitals and the patients they serve and have submitted that information to the Board by way of an extensive Safety Net Impact Statement Response. This Project will clearly reduce utilization below or further below the Board's standard for utilization.

D. Better Health Care Quality Outcomes Generally Follow in an Environment where Higher Volumes are Performed. The reasons to avoid duplication of services go beyond bed need calculations. As discussed in other submissions and herein below, duplication of services can also negatively impact quality. A new hospital in the proposed area will dilute the number of cases already performed at existing hospitals and the experience and expertise that correspond to that volume.

E. The Application does not comply with Important Review Board rules. Board rules require that an Applicant document that the Project will not reduce utilization of existing providers to below, or further below target utilization.

F. The Board should Defer Consideration of New Hospital Projects until the Comprehensive Planning Function is Fulfilled. By separate letter dated June 7, 2011 the Review Board was asked to defer approval of new hospitals until the Comprehensive Planning Function of Public Act 96-0031 is fulfilled. We believe the Comprehensive Plan would provide

valuable assistance to the Board in making decisions on matters of importance, such as these new hospitals. If the intent of the General Assembly in creating this new planning function is to be given any affect, it should be on these new hospital projects.

Conclusion

On June 28 the Review Board voted overwhelmingly not to approve this Project. Following the Intent-to-Deny action, the Applicant declined to provide any supplemental information that would justify the Review Board changing its decision. Any new developments, particularly the decline in hospital inpatient utilization, overwhelmingly support the Board's decision not to approve this Project. We ask that the Review Board affirm its decision and deny this Application.

Sincerely,

Joe Ourth

JRO/eka

cc: Ms. Courtney Avery
Mr. Mike Constantino