STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 •(217) 782-3516 FAX: (217)785-4111

APPLICATION FOR PERMIT

VOLUME V

Claritas that were generated using 2010 population estimates. Claritas updated its five year projections annually to reflect market and economic changes in population estimates. For example Claritas in 2008 estimated the five year compounded growth rate for McHenry County at 2.4%, adjusted it down to 2.2% in 2009 and ultimately to 1.7% in 2010. The applicants based its analysis on the more conservative 2010 estimates of compounded annual growth rates as determined by Claritas in justifying the size and viability of Centegra Hospital-Huntley.

- **On October 12, 2011 the State Board approved a revised Inventory of Health Care Facilities and Services and Need Determination.** This revision increased the bed need in the A-10 planning area from a calculated bed need of 83 medical surgical beds, 8 intensive care beds, and 27 obstetric beds by CY 2015 to 138 medical surgical beds, 18 intensive care beds, and 22 obstetric beds by CY 2018.

	Applicants' Proposed Beds	Beds Needed		
	28-Jun-11	28-Jun-11	12-Oct-11	Difference
Bed Category		**CY 2015**	**CY 2018**	**CY 2018-CY 2015**
Medical Surgical Beds	100	83	138	+55
Intensive Care Beds	8	8	18	+10
Obstetrics Beds	20	27	22	-5
Total	**128**	**118**	**178**	**+60**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project proposes the establishment of a new health care facility as required by the Act. (20 ILCS 3960)

NEED:

- To determine the need for a new hospital the applicant must address the following:
  - Is there a calculated bed need in the planning area,
  - Will the proposed new hospital provide service to the residents of the planning area,
  - Is there a demand for the new hospital,
  - Will the proposed hospital improve access, and
  - Will the proposed hospital create an unnecessary duplication of service or maldistribution?

BACKGROUND/COMPLIANCE ISSUES:

- None

PUBLIC HEARING AND COMMENTS:

- The State Board conducted a public hearing on this project February 16, 2011 and has

received a number of letters in support and opposition. Excerpts from a number of these letters are included in the body of this report.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and its "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

CONCLUSION:

- There is a calculated bed need for 138 medical surgical beds, 18 ICU beds and 22 obstetric beds in the A-10 planning area by CY 2018 according to the **most current Updated Inventory (October 21, 2011).** Service to planning area residents and demand for the new hospital is based upon the calculated bed need and the population growth in the market area of 13% from 2010-2018. The applicants have attested that 60% of the patients for the new hospital will come from within the A-10 planning area. There is no absence of services, or access limitations due to payor status, or evidence of restrictive admission policies at existing facilities in the planning area. There are existing hospitals within 30 and 45 minutes currently operating below the State Board's target occupancy for medical surgical, obstetric and intensive care services which may result in an unnecessary duplication of service. The proposed clinical services other than categories of service will impact other area providers that are not operating at target occupancy.

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
1110.530 (b) Planning Area Need (Service Accessibility)	There are existing facilities within 45 minutes operating below target occupancy.
1110.530 (c) Unnecessary Duplication of Service/Maldistribution	There are existing facilities within 30 minutes operating below the State Board's target occupancy.
1110.3030 (a)- Clinical service areas other than categories of service	The proposed clinical services other than categories of service will impact other area providers that are not operating at target occupancy.

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SUPPLEMENTAL
STATE BOARD STAFF REPORT
Centegra Hospital-Huntley
PROJECT #10-090

Applicants	Centegra Hospital-Huntley Centegra Health System
Facility Name	Centegra Hospital-Huntley
Location	Huntley
Application Received	December 29, 2010
Application Deemed Complete	January 10, 2011
Review Period Ended	May 10, 2011
Review Period Extended by the State Board Staff	Yes
Public Hearing Requested	Yes
Support and Opposition Letter Received?	Yes
Intent to Deny Received?	Yes
Applicants' Deferred Project	No
Can Applicants Request Another Deferral?	No
Applicants' Modified the Project	No

I. The Proposed Project

The applicants are proposing the establishment of a 128 bed acute care hospital in Huntley, Illinois. The total cost of the project is $233,160,352.

II. Summary of Findings

A. The State Board Staff finds the proposed project does not appear to be in conformance with the provisions of Part 1110.

B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Centegra Hospital-Huntley and Centegra Health System. Centegra Health System is the parent corporation. The facility will be located at the East Side of Haligus Road between Algonquin Road and Reed Road. The operating entity licensee is Centegra Hospital-Huntley and the owner of the site is NIMED Corporation a subsidiary of Centegra Health System. The facility will be located in the HSA VIII service area and the A-10 hospital planning area. The A-10 planning area consists of McHenry County. There are three additional hospitals in the A-10 hospital planning area. These hospitals are Harvard Mercy Memorial-Harvard (owned by Mercy Alliance, Inc.), Centegra Hospital - Woodstock, Centegra Specialty Hospital-Woodstock and Centegra Hospital-

McHenry; all owned by Centegra Health System. Centegra Specialty Hospital has a 40 bed long term care category of service, and 36 bed acute mental illness category of service and a Stand-By Emergency Department**. Centegra Specialty Hospital will not be considered in the evaluation of this project.** No other services are provided at this hospital. The October 2011 Update to the Inventory of Health Care Facilities and Services and Need Determination shows a calculated bed need for 138 medical surgical beds, 18 intensive care beds, and 22 obstetric beds in the A-10 planning area by CY 2018. **Table One** below outlines the number of facilities within 30 minutes (adjusted per 77 IAC 1100.510 (d)). There are two facilities located within the A-10 planning area and within 30 minutes of the proposed site; Centegra Hospital – McHenry, and Centegra Hospital – Woodstock and two facilities located in the A-11 planning area within 30 minutes: Sherman Hospital and Provena St. Joseph Hospital. There is one additional facility within 30 minutes Advocate Good Shepherd Hospital located in the A-09 planning area. **The State Board's target occupancy** to add medical surgical ("M/S") beds is 80% for a M/S bed complement of 0-99 beds, 85% for a M/S bed complement of 100-199 beds, and 90% for a M/S bed complement of 200 beds and over. To add intensive care beds the State Board's target occupancy is 60% no matter the number of beds, and for obstetric beds ("OB") the target occupancy is 60% for OB beds of 1-10 beds, 75% for OB beds of 11-25 beds, and 78% for OB beds of 26 beds and over.

TABLE ONE
Facilities within 30 minutes of the proposed site

					2010 Number of Beds			2010 Bed Occupancy		
Facility Name	**City**	**Minutes Adjusted**	**Miles**	**Planning Area**	**M/S**	**ICU**	**OB**	**M/S %**	**ICU %**	**OB %**
Centegra Hospital - Woodstock	Woodstock	16	11.26	A-10	60	12	14	83.5%	77.3%	53.4%
Sherman Hospital	Elgin	20	15.11	A-11	189	30	28	63.8%	55.8%	70.0%
Provena Saint Joseph Hospital	Elgin	24	13.9	A-11	99	15	0	71.1%	60.4%	0.0%
Centegra Hospital McHenry	McHenry	25	17.83	A-10	129	18	19	74.1%	91.8%	40.0%
Advocate Good Shepherd	Barrington	28	16.61	A-09	113	18	24	81.6%	84.7%	50.2%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X
Bed and Utilization information taken for IDPH 2010 Hospital Questionnaire

The project proposes the following bed categories:

TABLE TWO	
Centegra Hospital – Huntley	
Category	**Beds**
Medical Surgical	100
Intensive Care	8

TABLE TWO	
Centegra Hospital – Huntley	
Category	**Beds**
Obstetrics	20
Total	128

The project is a substantive project and subject to Part 1110 and Part 1120 review. Project obligation will occur after permit approval. **The anticipated project completion date is September 30, 2016.**

Support and Opposition Comments

The State Board conducted a public hearing on this project February 16, 2011. 153 individuals did not provide testimony, 134 individuals spoke in support of the project, and 85 individuals spoke in opposition. Below is a sample of comments in support and opposition to this project.

Peggy Troy, CEO, Children's Hospital & Health System stated *Children's Hospital and Centegra Health System have collaborated in the best interest of patients by entering into an agreement for transfer of pediatric patients between respective institutions. This has allowed me to see the level of commitment that Centegra has to the community it serves. Based upon my observations and interactions, Centegra's proposal to construct a new hospital in Huntley is only the latest example of its commitment.*

Christa Gehard, Lake in the Hills stated *I know Centegra Health System takes its responsibility to the community very seriously and continues to look for ways to improve the care it provides. Centegra has long been committed to Huntley and the surrounding communities through outpatient services and other health services that have already been brought to the area. Centegra purchased the land in Huntley several years ago and has created a strong, long term plan for responsible development of that site. I personally appreciate that, along with needed healthcare services, this project will bring new jobs and tax revenue to the Huntley community. Given the community's need for hospital services and improved access to healthcare this project will provide for southern McHenry County and surrounding areas, I strongly urge the Board to approve the application by Centegra Health System for a new hospital in Huntley.*

Kevin J. Rynders Algonquin-Lake in the Hills Fire Protection District stated *"I support Project #10-090 and Centegra Health System's proposal to bring a new hospital to southern McHenry County. Huntley and the surrounding communities make up one of the fastest growing areas not only in the McHenry County, but in the entire State. Based on this I believe there is a need for a full-service hospital in this area."*

Milford Brown, President, Huntley Board of Trustees stated *The Huntley Fire Protection District fully supports Project #10-090, and Centegra Health System's proposal to bring a new hospital in southern McHenry County. The need for a full-*

service hospital is warranted. Huntley and the surrounding communities make up one of the fastest growing areas not only in McHenry County, but in the entire State. These communities are currently underserved by health care facilities, leaving local residents and workers with significant travel times to existing area hospitals

Kathleen Boyle, Owner, Century Tile, Lombard stated *Centegra has demonstrated its investment in the communities it serves by providing quality healthcare to anyone who needs it without concern for ability to pay, jobs for 3,700 employees, and key support for a number of vital programs that assist the county's neediest residents. This organization has shown foresight in evolving its services and access to those services, so that when a need is identified, Centegra is ready and able to address that need. A health system that is rooted in the community, supportive of local charities and programs, and that plans ahead to address community needs is the right system to build and operate the new proposed hospital. Centegra is that system.*

William Petasnick, President, Froedert Health, Inc. stated *The collaboration between Froedert and Centegra, in the form of transfer agreements and educational programs has allowed us to see first hand the level of commitment that Centegra has to the community. Centegra's proposal to construct a new hospital in Huntley is only the latest example of that commitment.*

Andrew Ward Algonquin Road Surgery Center stated *" I am here today to urge the Illinois Health Facilities and Services Review Board to reject Centegra's certificate of need application for a hospital in Huntley. In fact many of the arguments you will hear or have heard today in opposition to Centegra's proposal are the very same arguments Centegra used in 2004 and 2007 to oppose similar projects in the area. How times have changed."*

Claudia Lawson Sherman Health stated "*I am here today to oppose Centegra's proposal to build a limited service hospital in Huntley because I believe this area already has a strong network of inpatient facilities immediate care and other outpatient facilities and doctor's offices."*

Marilyn Parenzan Advocate Good Shepherd Hospital stated *"this proposed hospital will dilute volumes among hospitals that will negatively impact patient quality and patient safety. This proposed hospital will add nearly 50% more beds to McHenry County. As you know this hospital is located less than one mile away from McHenry County. There is little doubt that adding another hospital with that many beds in the region will negatively impact the volumes of area hospitals and may impact quality of care.*

Dr. Giangrasso Advocate Good Shepherd Hospital stated *"existing hospitals in the area have more than enough capacity to serve emergency needs of McHenry County residents. Last year Good Shepherd was able to serve additional emergency patients*

99.9% of the time. This means that we were rarely on bypass and for only 5 hours all year had to direct ambulances to other hospitals due to capacity constraints in the emergency department."

Joe Ourth, Legal Counsel, Arnstein & Lehr filed a Safety Net Impact Response Statement. He stated *for Centegra to state that a new hospital "will not impact other hospitals" is simply incorrect. In response, Sherman, Good Shepherd, and St. Alexius hospitals commissioned Krentz Consulting to quantify the impact of new Huntley hospital and the Concerned Hospitals' ability to provide safety net services to their communities. The result is that net revenue for existing area hospitals would decrease by $116 million annually and combined contribution margin by $39 million (dollars). These loses severely impact the ability of Concerned Hospitals to continue to provide Safety Net Services.*

Kenneth Grubb, Crystal Lake, stated *I've lived in Crystal Lake almost 30 years and I do not believe there is a need for another hospital in our region. Today, the people in southern McHenry County are no more than a 15-minute drive to one of our three hospitals. These include Good Sheppard in Barrington, Centegra in Woodstock, and Sherman Hospital in Elgin. These are each fine hospitals, so there is no lack of easy access or excellent medical care.*

Mary Jo Olszewski, Woodstock stated *I consider Advocate Good Shepherd and the other hospitals in our region a tremendous asset to the area. Good Shepherd offers a variety of health care services and wellness programs and I always receive outstanding care there. Now is the time for Good Shepherd and other area hospitals to think about adding services at their current facilities. Now is NOT the time to be proposing a new, unnecessary hospital in McHenry County. I ask members of the Review Board to do the right thing and vote no on this project.*

David Nelson, Supervisor, Cuba Township stated *I am also concerned about our existing hospitals. Taking volume from area hospitals will damage hospitals such as Good Shepherd, Sherman, St.Alexius, and Centergra's own hospitals in Woodstock and McHenry. With reduced volume, I am concerned that the existing hospitals will not have adequate patient volume to provide high quality cost-effective care. Also, the existing area hospitals provide charity care and community benefit services. I wonder how the hospitals will be able to fund the services for the indigent and community if the hospitals are operating on only razor thin financial margins due to reduced volume.*

IV. The Proposed Project - Details

The applicants propose to establish a 128 bed hospital in a total of 384,135 gross square feet ("GSF") at a total estimated project cost of $233,160,352. Categories of services being provided at the proposed hospital include medical surgical, intensive care and obstetric services. Other clinical services being provided are general radiology flouroscopy, X-Ray, mammography, ultrasound, CT Scan,

MRI, Nuclear Medicine, 8 room surgical suite, recovery stations, and an emergency department.

V. Project Costs and Sources of Funds

The project will be funded with cash and securities of $48,010,352, a bond issue of $183,000,000 and lease of capital equipment of $2,150,000. A complete itemization of the cost detailed in Table Three can be found at pages 62-63 of the application for permit. The estimated start-up costs and operating deficit is $13,224,000.

TABLE THREE
Project Costs and Sources of Funds

Use of Funds	**Clinical**	**Non Clinical**	**Total**
Preplanning	$1,729,015	$1,205,985	$2,935,000
Site Survey and Soil Investigation	$41,849	$43,151	$85,000
Site Preparation	$1,028,988	$1,061,012	$2,090,000
OffSite Work	$5,356,644	$5,523,356	$10,880,000
New Construction Contracts	$68,851,517	$57,881,296	$126,732,813
Contingencies	$6,540,894	$5,498,723	$12,039,617
Architectural and Engineering Fees	$4,045,356	$3,400,804	$7,446,160
Consulting and Other Fees	$3,972,992	$3,751,737	$7,724,729
Movable of Other Equipment	$24,170,213	$6,064,753	$30,234,966
Bond Insurance Expense	$1,477,016	$1,522,984	$3,000,000
Net Interest Expense	$13,514,695	$13,935,305	$27,450,000
FMV of Leased Equipment	$2,150,000	$0	$2,150,000
Other Costs to be Capitalized	$193,030	$199,037	$392,067
Total Project Costs	$133,072,209	$100,088,143	$233,160,352
Sources of Funds			
Cash and Securities	$40,824,172	$7,186,180	$48,010,352
Bond Issues	$90,098,037	$92,901,963	$183,000,000
Leases	$2,150,000	$0	$2,150,000
Total Sources of Funds	$133,072,209	$100,088,143	$233,160,352

VI. Cost Space Requirements

The hospital comprises a total of 384,135 gross square feet. Only the clinical cost and clinical GSF footage will be reviewed per 20 ILCS 3960/5.

TABLE FOUR Clinical GSF				
Department	**New Construction**		**Department**	**New Construction**
CLINICAL			**NON CLINICAL**	
Medical Surgical	59,112		Admitting Registration	2,412
Intensive Care	5,415		Administration	9,734
Obstetrics	13,071		Social Services	1,768
Surgery	21,525		Quality Management	1,013
Post Anethesia Recovery	1,382		Facilities Management	3,616
Surgical Prep (Stage 2 Recovery)	12,717		Central On Call Rooms	1,500
Endoscopy	2,175		Conference Rooms -Education	10,535
Emergency Department	10,431		Family Support Services	18,482
Diagnostic Imaging	10,785		Housekeeping	3,275
LDR Suite	9,445		Information Systems	6,962
C-Section Suite	4,026		Gift Shop	1,163
Newborn Nurseries	3,167		Mail Room	156
Inpatient PT/OT	1,204		Materials Management	9,529
Non Invasive Diagnostic (Neurodiagnostic, Pulmonary Function Testing	7,830		Mechanical Space	65,000
Respiratory Therapy	2,772		Medical Records	1,500
Pre Admission	1,428		Serving and Dining Rooms	6,604
Inpatient Acute Dialysis	1,904		Biomedical Engineering	500
Clinical Laboratory	3,720		Pastoral Care	1,020
Pharmacy	4,844		Physician Services	5,652
Central Sterile Supply	5,256		Security	348
Dietary	6,916		Staff Support Services	2,386
Total Clinical	**189,125**		Volunteers	420
Total	**384,135**		Entrances Lobbies	15,763
			Interdepartmental Circulation	11,946
			Stairs	5,808
			Elevators/Shafts/ Elevators	7,918
			Total Non Clinical	**195,010**

VII. Safety Net Impact Statement

The Health Facilities Planning Act stipulates that applicants for a new facility must provide Safety Net impact information.

TABLE FIVE
Centegra Hospital – McHenry, Centegra Hospital-Woodstock and Centegra Specialty Hospital
Safety Net Information per PA 96-0031

TABLE FIVE			
Centegra Hospital – McHenry, Centegra Hospital-Woodstock and Centegra Specialty Hospital			
Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	FY 2007	FY 2008	FY 2009
Inpatient	364	377	435
Outpatient	1,228	1,464	1,810
Total	1,592	1,841	2,245
Charity (cost in dollars)			
Inpatient	$2,863,329	$2,040,983	$2,521,623
Outpatient	$938,459	$903,530	$1,449,166
Total	$3,801,788	$2,944,513	$3,970,789
MEDICAID			
Medicaid (# of patients)			
Inpatient	2,407	2,369	2,445
Outpatient	24,070	26,329	31,525
Total	26,477	28,698	33,970
Medicaid (revenue)			
Inpatient	$9,458,502	$7,745,806	$18,037,202
Outpatient	$22,475,574	$13,009,516	$7,502,869
Total	$31,934,076	$20,755,322	$25,540,071

TABLE SIX Projected Payor Mix		
Projected Payor Mix	**FY 2017**	**FY 2018**
Medicare	36.60%	37.70%
Medicaid	9.40%	9.50%
Other Public	0.00%	0.00%
Private Insurance	52.00%	50.70%
Private Pay	0.30%	0.40%
Charity Care	1.70%	1.70%
	100.00%	100.00%
Projected Net Patient Revenue	$192,624,000	$254,309,000
Projected Charity Care Expense	$3,642,000	$4,910,000
Projected Ratio of Charity Care to Net Patient Revenue	1.89%	1.93%

VIII. Section 1110.230 - Project Purpose, Background and Alternatives

A) Criterion 1110.230 (a) - Background of Applicant

An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of health care service for the community.*

The applicants own three hospitals in Illinois; Centegra Hospital – McHenry and Centegra Hospital-Woodstock and Centegra Specialty Hospital- Woostock, South Street. In addition the applicants own a number of ambulatory care facilities and medical office buildings in Illinois. The applicants provided a list of all facilities currently owned by the applicants, and an attestation that no adverse actions (as defined by the State Board) have been taken against the applicants in the past three calendar years.

B) Criterion 1110.230 (b) - Purpose of the Project

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:

A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;

B) The population's morbidity or mortality rates;

C) The incidence of various diseases in the area;

D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);

E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).

2) The applicant shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).

3) The applicant shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.

4) For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records.

The purpose of the project is

- To address the calculated bed need in the A-10 and A-11 planning areas;
- To address the outmigration of patients from the A-10 planning area;
- To address the increase in population in the A-10 planning area (McHenry County) by 2018;
- To address the market areas that has been identified by the U. S Department of Human Services as Medically Underserved and Health Manpower Shortage Areas.

The applicants believe the population in McHenry County will increase by 8% from 2015-2020. With this increase the applicants believe there will sufficient bed need to justify 104 medical surgical beds by 2018 the second year after project completion. The market area for this facility is 16 zip codes which are located in McHenry County and in adjacent towns in Kane, Lake, Cook, and Dekalb Counties. The market area for this hospital is based upon the patient origin data derived from the Centegra Ambulatory Center located on the same site of the proposed hospital. See pages 101-112 of the application for permit for a complete discussion of the purpose of the project.

C) Criterion 1110.234 (c) - Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

1) Alternative options shall be addressed. Examples of alternative options include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Other considerations.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.

3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available

1. <u>Modernize Memorial Medical Center-Woodstock</u>

This alternative was originally approved by the State Board as Project #08-002 and subsequently abandoned by the applicant. This project proposed to construct a women's pavilion and modernized existing space in the hospital and add 14 M/S beds and 6 OB beds. **Capital Costs $52,201,702.**

2. <u>Modernize Centegra Hospital-McHenry and Centegra Hospital - Woodstock</u>

This alternative proposed to add 100 Medical Surgical Beds (40 beds at McHenry and 60 Beds at Woodstock), addition of 8 ICU beds (6 at

McHenry and 2 at Woodstock) and 20 Obstetric beds (6 at McHenry and 14 at Woodstock). This alternative was rejected because it would not assure the efficient distribution of beds in the planning area, would be approximately the same cost as a new hospital, and an imprudent use of capital resources to add high cost addition to aging facilities. **Capital Costs $206,572,661.**

IX. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234(a) - Size of Project

1) The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage (SF) cannot deviate from the SF range indicated in Appendix B, or exceed the SF standard in Appendix B if the standard is a single number, unless SF can be justified by documenting, as described in subsection (a)(2).

The applicants have met the State Standards for all clinical departments/ services in which the State Board has size standards.

TABLE SIX
Size of Project compared to State Standards

Department	Number of Beds/ Unit	Proposed GSF	State Standard	Per Unit	Met Standard?
Medical Surgical	100 Beds	59,112	500-660 DGSF	591 DGSF	Yes
Intensive Care	8 Beds	5,415	600-685 DGSF	677 DGSF	Yes
Obstetrics	20 Beds	13,071	500-660 DGSF	654 DGSF	Yes
Surgery	8 OR's	21,525	2,750 DGSF/room	2,690 DGSF	NA
Recovery	8 Rooms	1,382	180 DGSF/station	173 DGSF	Yes
Surgical Prep/Stage 2 recovery	32 Rooms	12,717	400 DGSF/station	397 DGSF	Yes
Endoscopy	2 Rooms	2,175	1,100 DGSF	1,088 DGSF	Yes
Emergency Department	13 Stations	10,431	900 DGSF	802 DGSF	Yes
Diagnostic Imaging		10,785			Yes
General Radiology	2 Rooms		1,300 DGSF Unit	2,600 DGSF	Yes
Radiology and Fluoroscopy	1 Room		1,300 DGSF/Unit	1,300 DGSF	Yes
Ultrasound	2 Rooms		900 DGSF/Unit	1,800 DGSF	Yes
CT Scanning	1 Room		1,800 DGSF/Unit	1,800 DGSF	Yes
MRI	1 Room		1,800 DGSF/Unit	1,800 DGSF	Yes

TABLE SIX Size of Project compared to State Standards					
Department	**Number of Beds/ Unit**	**Proposed GSF**	**State Standard**	**Per Unit**	**Met Standard?**
Nuclear Medicine	1 Room		1,600 DGSF/Unit	1,600 DGSF	Yes
Labor Delivery Recovery	6 Rooms	9,445	1,120-1,600 DGSF/Room	1,574 DGSF	Yes
C-Section Suite	2 Rooms	4,026	2,075 OR	2,013 DGSF	Yes
Newborn Nursery	14 Stations	3,167	160 DGSF/OB Bed	158 DGSF	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF THE PROJECT – REVIEW CRITERION (77 IAC 1110.234(a)).

B) Criterion 1110.234 (b) - Project Services Utilization
The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B.

The applicants have successfully addressed the projected utilization for services departments proposed by this project.

TABLE SEVEN Projected utilization of Proposed facility					
Department	**State Board Standard**	**2018 Projected Number of Days/Hours**	**Number of Beds/Rooms Justified**	**Number of Beds Proposed/Units**	**Met Standard?**
Medical Surgical	85% occupancy	34,867 days	113	100	Yes
Intensive Care	60% occupancy	2,850 days	13	8	Yes
Obstetrics	75% occupancy	5,647 days	21	20	Yes
Surgery	1,500 Hours per room	11,169 hours	8	8	Yes
Recovery	NA	NA	8	8	Yes
Surgical Prep Stage Recovery	NA	NA	32	32	Yes
Endoscopy	1,500 Hours/ room	2,899	2	2	Yes
Emergency Department	2,000 Visits/room	30,586	16	13	Yes
Diagnostic Imaging					Yes
General Radiology	8,000 proc/room	9,571	2	2	Yes
Radiology and Fluoroscopy	6,500 proc/room	14,904	2	1	Yes
Ultrasound	3,100 visits/unit	3,709	2	2	Yes

TABLE SEVEN Projected utilization of Proposed facility					
Department	**State Board Standard**	**2018 Projected Number of Days/Hours**	**Number of Beds/Rooms Justified**	**Number of Beds Proposed/Units**	**Met Standard?**
CT Scanning	7,000 visits/unit	4,187	1	1	Yes
MRI	2,500/proc/unit	2,743	2	1	Yes
Nuclear Medicine	2,000 Visits/room	988	1	1	Yes
Labor Delivery Recovery	400 births/LDR	2,022	6	6	Yes
C-Section Suite	800 proc/room	819	2	2	Yes
Newborn Nursery	NA	NA	NA	14 Stations	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH PROJECT UTILIZATION – REVIEW CRITERION (77 IAC 1110.234(b)).

C) Criterion 1110.234 (c) - Size of the Project and Utilization:
For clinical service areas for which norms are not listed in Appendix B (for example, central sterile supply, laboratory, occupational therapy, pharmacy, physical therapy, respiratory therapy, cardiac rehabilitation, speech pathology and audiology), the applicant shall document that the proposed departmental gross square footage is necessary and appropriate.

As a basis for the determining departmental gross square footage for areas in which norms are not listed in Appendix B of the State Board's rules the applicants relied upon IDPH 77 ILL Administrative Code 250.2440 General Hospital Standards and the AIA (American Institute of Architects) Guidelines for Construction and Design of Health Care Facilities -2006 Edition. The applicants have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH SIZE OF THE PROJECT AND UTILIZATION – REVIEW CRITERION (77 IAC 1110.234(c)).

D) Criterion 1110.234(e) - Assurances
The applicant shall submit the following:

1) The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of

operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

The applicants have attested that by the second year after project completion that they will be at target occupancy.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES – REVIEW CRITERION (77 IAC 1110.234(c)).

X. Section 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care – Review Criteria

A) Criterion 1110.530 (b) - Planning Area Need
The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100 (formula calculation)

A) The number of beds to be established for each category of service is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

B) The number of beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.

2) Service to Planning Area Residents

A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

3) Service Demand – Establishment of Bed Category of Service
The number of beds proposed to establish a new category of service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the

latest two-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and either subsection (b)(3)(B) or (C):

C) Project Service Demand − Based on Rapid Population Growth

If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area (as experienced annually within the latest 24-month period), the projected service demand shall be determined as follows:

i) The applicant shall define the facility's market area based upon historical patient origin data by zip code or census tract;

ii) Population projections shall be produced, using, as a base, the population census or estimate for the most recent year, for county, incorporated place, township or community area, by the U.S. Census Bureau or IDPH;

iii) Projections shall be for a maximum period of 10 years from the date the application is submitted;

iv) Historical data used to calculate projections shall be for a number of years no less than the number of years projected;

v) Projections shall contain documentation of population changes in terms of births, deaths, and net migration for a period of time equal to, or in excess of, the projection horizon;

vi) Projections shall be for total population and specified age groups for the applicant's market area, as defined by HFPB, for each category of service in the application; and

vii) Documentation on projection methodology, data sources, assumptions and special adjustments shall be submitted to HFPB

5) Service Accessibility
The number of beds being established or added for each category of service is necessary to improve access for planning area residents. The applicant shall document the following:

A) Service Restrictions
The applicant shall document that at least one of the following factors exists in the planning area:

i) The absence of the proposed service within the planning area;

ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;

iii) Restrictive admission policies of existing providers;

iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;

v) For purposes of this subsection (b)(5) only, all services within the 45-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

The applicants justify the number of beds being proposed based upon the calculated bed need identified in the Update Inventory of Health Care Facilities and Services Need Determination October 2011 and the rapid population growth in the planning and market areas. The number of medical surgical beds, ICU and obstetric beds being proposed fall within the current number of calculated beds needed in the A-10 planning area.

Planning Area Need

The October 2011 Update to the Inventory of Health Care Facilities and Services and Need Determination shows a calculated need for 138 medical surgical beds, 18 intensive care beds, and 27 obstetric beds in the A-10 planning area. The applicants are proposing 100 medical surgical beds, 8 intensive care beds, and 20 obstetric beds. The number of beds requested by the applicants has met the planning area's need requirement.

TABLE SEVEN
Inventory of Health Care Facilities and Services and Need Determination

Bed Category	Approved Beds	Calculated Beds Needed 2018	Need	Number requested by applicants	Calculated Need
Medical Surgical	206	344	138	100	(38)
Intensive Care	33	51	18	8	(10)
Obstetrics	33	55	22	20	(2)

Service to Planning Area Residents

The applicants proposed hospital will be located in McHenry County and the applicants are projecting that more than 60% of the patients will come from McHenry County by 2018 the second year after project completion.

Service Demand

The market area for the proposed hospital is primarily located within Planning Area-10. The applicants provided a Market Assessment and Impact Study prepared by Deloitte and Touche Financial Advisory Services that identified population growth by zip code. The applicants concluded that the population in the market area is expected to increase by 13% from 2010 to mid 2018 with the population in the primary market area increasing by 15% from 2010 and the secondary market area by 9%. Using this information the applicants calculated an adjusted bed need for 104 medical surgical beds in this planning area by mid- 2018. **The State Board Staff notes that there is a calculated need for 138 medical surgical beds in this planning area by 2018.**

Service Accessibility

There is no absence of services within this planning area, nor access limitations due to payor status, or evidence of restrictive admission policies at existing facilities in the planning area. The applicants provided evidence of 3 census tracts within Planning Area A-10 that have been designated as a Medically Underserved Population, 1 census tract in the primary service area as designated Medically Underserved

Area/Population, four townships in the market area designated as Health Manpower Shortage Areas. Planning Area's A-10 and A-11 have the second and third highest Bed Need of all planning areas in the State of Illinois and are 2 of the 4 planning areas with a bed need. However, there are existing facilities within 45 minutes that are operating below the State Board's target occupancy for medical surgical, intensive care and obstetric beds.

TABLE EIGHT
Facilities within 45 minutes of proposed hospital

NAME	CITY	Adjusted Time	MS Beds	ICU Beds	OB Beds	MS %	ICU %	OB %
Centegra Hospital - Woodstock	Woodstock	16	60	12	14	83.50%	77.30%	53.40%
Provena Saint Joseph Hospital	Elgin	20	99	15	0	71.10%	60.4%	0.00%
Sherman Hospital	Elgin	24	189	30	28	63.80%	55.80%	70.00%
Centegra Hospital - McHenry	McHenry	25	129	18	19	74.10%	91.80%	40.00%
Advocate Good Shepherd Hospital	Barrington	28	113	18	24	81.60%	84.70%	50.20%
St. Alexius Medical Center	Hoffman Estates	31	212	35	38	71.00%	57.00%	62.10%
Delnor Community Hospital	Geneva	36	121	20	18	56.50%	67.80%	69.50%
Mercy Harvard Memorial Hospital	Harvard	37	17	3	0	27.50%	9.50%	0.00%
Kishwaukee Community Hospital	DeKalb	40	70	12	12	72.70%	26.90%	61.70%
Alexian Brothers Medical Center	Elk Grove Villa	43	241	36	28	82.70%	71.50%	72.70%
Northwest Community Hospital	Arlington Hts.	44	336	60	44	61.30%	50.90%	55.00%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X
Bed and Utilization information taken for IDPH 2010 Hospital Questionnaire

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE NEED FOR THE PROJECT – REVIEW CRITERION (77 IAC 1110.530(b)).

B) Criterion 1110.530 (c) - Unnecessary Duplication/Maldistribution

1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:

A) A list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site;

B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois); and

C) The names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.

2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services characterized by such factors as, but not limited to:

A) A ratio of beds to population that exceeds one and one-half times the State average;

B) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the occupancy standard established pursuant to 77 Ill. Adm. Code 1100; or

C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above occupancy standards.

3) The applicant shall document that, within 24 months after project completion, the proposed project:

A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

The bed to population ratio in A-10 was provided as required and all facilities within 30 minutes were identified. There are existing facilities within the planning area and within 30 minutes of the proposed site that are below the State Board's target occupancy. The applicants state *that because of the population growth projections and the aging population the establishment of Centegra Hospital- Huntley will not impact other area providers.* Existing hospitals within 30 minutes are not at target occupancy; therefore it would appear that the proposed hospital would impact other area providers. The applicants have not met the requirements of this criterion.

TABLE NINE
Facilities within 30 minutes of the proposed site

					2010 Number of Beds			2010 Bed Occupancy		
Facility Name	**City**	**Minutes Adjusted**	**Miles**	**Planning Area**	**M/S**	**ICU**	**OB**	**M/S %**	**ICU %**	**OB %**
Centegra Hospital - Woodstock	Woodstock	16	11.26	A-10	60	12	14	83.5%	77.3%	53.4%
Sherman Hospital	Elgin	20	15.11	A-11	189	30	28	63.8%	55.8%	70.0%
Provena Saint Joseph Hospital	Elgin	24	13.9	A-11	99	15	0	71.1%	60.4%	0.0%
Centegra Hospital McHenry	McHenry	25	17.83	A-10	129	18	19	74.1%	91.8%	40.0%
Advocate Good Shepherd	Barrington	28	16.61	A-09	113	18	24	81.6%	84.7%	50.2%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X
Bed and Utilization information taken for IDPH 2010 Hospital Questionnaire

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION/MALDISTRIBUTION REQUIREMENTS OF PROJECT – REVIEW CRITERION (77 IAC 1110.530(d)).

C) Criterion 1110.530 (e) - Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

The applicants have provided a narrative at **pages 293-296 of the application** for permit that indicates that a sufficient workforce will be available once the hospital becomes operational by 2015.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING REQUIREMENTS OF PROJECT – REVIEW CRITERION (77 IAC 1110.530(e)).

D) Criterion 1110.530 (f) - Performance Requirements

1) Medical-Surgical

The minimum bed capacity for a medical-surgical category of servicewithin a Metropolitan Statistical Area (MSA) is 100 beds.

2) Obstetrics

A) The minimum unit size for a new obstetric unit within an MSA is 20 beds.

B) The minimum unit size for a new obstetric unit outside an MSA is 4 beds.

3) Intensive Care
The minimum unit size for an intensive care unit is 4 beds.

4) Pediatrics
The minimum size for a pediatric unit within an MSA is 4 beds.

The applicants are proposing a medical surgical bed capacity of 100 beds, 20 obstetric beds and 8 intensive care beds. The applicants have met the requirements of this criterion. **See page 296 of the application for permit**

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PERFORMANCE REQUIREMENTS OF PROJECT – REVIEW CRITERION (77 IAC 1110.530(f)).

E) Criterion 1110.530 (g) - Assurances
The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

The applicants have provided the necessary assurance that the facility will achieve and maintain the occupancy standards specified for each category of service proposed. **See page 297-298 of the application for permit.**

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES REQUIREMENT – REVIEW CRITERION (77 IAC 1110.530(g)).

XI. Section 1110.3030 – Clinical Service Areas Other Than Categories of Service – Review Criteria

These criteria are applicable only to those projects or components of projects (including major medical equipment), concerning Clinical Service Areas (CSAs) that are not "Categories of Service", but for which utilization standards are listed in Appendix B, including: Surgery, Emergency Services and/or Trauma, Ambulatory Care Services (organized as a service), Diagnostic and Interventional Radiology/Imaging (by modality), Therapeutic Radiology, Laboratory, Pharmacy, Occupational Therapy/Physical Therapy, Major Medical Equipment.

A) Criterion 1110.3030 (b) - Need Determination
The applicant shall describe how the need for the proposed establishment was determined by documenting the following:

1) Service to the Planning Area Residents

A) Either:

i) The primary purpose of the proposed project is to provide care to the residents of the planning area in which the proposed service will be physically located; or

ii) If the applicant service area includes a primary and secondary service area that expands beyond the planning area boundaries, the applicant shall document that the primary purpose of the project is to provide care to residents of the service area; and

B) Documentation shall consist of strategic plans or market studies conducted, indicating the historical and projected incidence of disease or health conditions, or use rates of the population. The number of years projected shall not exceed the number of historical years documented. Any projections and/or trend analyses shall not exceed 10 years.

2) Service Demand
To demonstrate need for the proposed CSA services, the applicant shall document one or more of the indicators presented in subsections (b)(2)(A) through (D). For any projections, the number of years projected shall not exceed the number of historical years documented. Any projections and/or trend analyses shall not exceed 10 years.

A) Referrals from Inpatient Base
For CSAs that will serve as a support or adjunct service to existing inpatient services, the applicant shall document a minimum two-year historical and two-year projected number of inpatients requiring the subject CSA.

B) Physician Referrals
For CSAs that require physician referrals to create and maintain a patient base volume, the applicant shall document patient origin information for the referrals. The applicant shall submit original signed and notarized referral letters, containing certification by the physicians that the representations contained in the letters are true and correct.

C) Historical Referrals to Other Providers
If, during the latest 12-month period, patients have been sent to other area providers for the proposed CSA services, due to the absence of those services at the applicant facility, the applicant shall submit verification of those referrals, specifying: the service needed; patient origin by zip code; recipient facility; date of referral; and physician certification that the representations contained in the verifications are true and correct.

D) Population Incidence
The applicant shall submit documentation of incidence of service based upon IDPH statistics or category of service statistics.

3) Impact of the Proposed Project on Other Area Providers
The applicant shall document that, within 24 months after project completion, the proposed project will not:

A) Lower the utilization of other area providers below the utilization standards specified in Appendix B.

B) Lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the utilization standards.

4) Utilization

Projects involving the establishment of CSAs shall meet or exceed the utilization standards for the services, as specified in Appendix B. If no utilization standards exist in Appendix B, the applicant shall document its anticipated utilization in terms of incidence of disease or conditions, or historical population use rates.

Because this is a proposed new hospital the applicants provided projected utilization information because historical utilization was not available. Generally the projected patient volumes for clinical services other than categories of services were calculated based upon the applicants expected market share, the projected population growth in the market area and the historical experience at existing hospitals within the Centegra Health System. See Tables Six and Seven above. However because existing hospitals are not operating at State Board occupancy targets it would appear that the additional services would lower utilization at other area providers.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE CLINICAL SERVICE AREA OTHER THAN CATEGORY OF SERVICE – REVIEW CRITERION (77 IAC 1110.3030(b)).

XII. Section 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120).

XIII. Section 1120.130 - Financial Viability

The applicants are required to provide a financial viability ratio if proof of an "A" Bond rating has not been provided.

The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1110.130).

XIV. Section 1120.140 - Economic Feasibility

A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements

If the applicant does not have an "A bond rating the applicant shall document the reasonable of financing arrangements by providing a notarized statement attesting that the project will be funded by cash and securities or the project will be funded in total or in part by borrowing because a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals or borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1110.140 (a)).

B) Criterion 1110.140 (b) - Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

The applicants have attested the selected form of debt financing for this project will be the issuance of bonds through the Illinois Health Finance Authority as well as the leasing of capital equipment. The applicants have attested the selected form of debt financing for the project will be at the lowest net cost available. In addition a portion of the project will involve the leasing of capital equipment and the expenses incurred with leasing are less costly than the purchase of new equipment.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF DEBT FINANCING CRITERION (77 IAC 1110.140 (b)).

C) Criterion 1110.140 (c) - Reasonableness of Project and Related Costs
The applicant shall document that the estimated project costs are reasonable and shall document compliance preplanning costs, site survey, soil investigation fees and site preparation, construction and modernization costs per square foot, contingencies, architectural/engineering fees, all capitalized equipment not included in construction contracts building acquisition, net interest expense, and other estimated costs.

By statute only the clinical costs are being reviewed.

Preplanning Costs – These costs total $1,729,015 and are 1.74% of new construction contingency and movable equipment. This appears reasonable when compared to the State Standard of 1.8%

Site Survey and Soil Investigation Site Preparation – These costs total $1,070,937 and are 1.42% of construction and contingency costs. This appears reasonable when compared to the State Board Standard of 5%.

Offsite Work – These costs total $5,356,644. The State Board does not have a standard for these costs.

New Construction Cost and Contingencies – These costs total $75,392,411 or $398.64 per gross square feet ("GSF"). This appears reasonable when compared to the State Board standard of $403.39 GSF.

Contingencies – These costs total $6,540,894 or 9.5% of construction costs. This appears reasonable when compared to the State Board standard of 10%.

Architectural/Engineering Fees – These costs total $4,045,356 or 5.37% of construction and contingency fees. This appears reasonable when compared to the State Board standard of 3.59-5.39%.

Movable and Other Equipment – These costs total $24,170,213. The State Board does not have a standard for these costs.

Bond Issuance Expense – These costs total $1,477,016. The State Board does not have a standard for these costs.

Net Interest Expense During Construction – These costs total $13,514,695. The State Board does not have a standard for these costs.

FMV of Leased Equipment – These costs total $2,150,000. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs total $193,030. The State Board does not have for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1110.140 (c)).

D) Criterion 1110.140 (d) - Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years

following project completion. Direct costs means the fully allocated costs of salaries, benefits and supplies for the service.

These costs are $1,772 per equivalent patient day. The State Board does not have a standard for these costs.

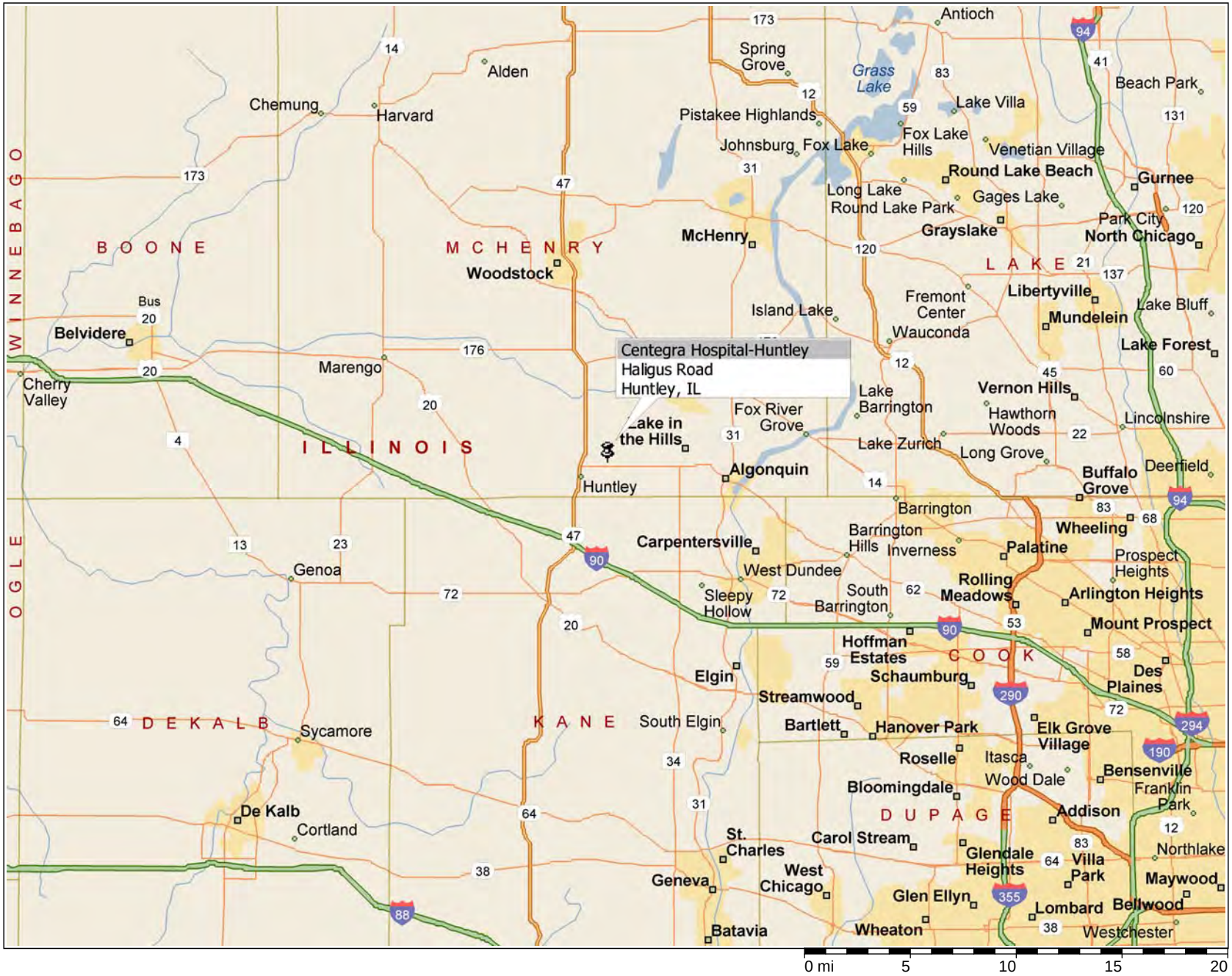
THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1110.140 (d)).

E) Criterion 1110.140 (e) - Total Effect of the Project on Capital Costs
The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

These costs are $223 per equivalent patient day. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1110.140(e)).

10-090 Centegra Hospital - Huntley



Constantino, Mike

From: Ourth, Joe [JOurth@arnstein.com]
Sent: Sunday, November 27, 2011 9:33 PM
To: Avery, Courtney; Urso, Frank; Constantino, Mike
Subject: Response to State Agency Report - Centegra Hospital Huntley (Project No. 10-090) [IWOV-ACTIVE.FID917959]
Attachments: Centegra10-090.pdf

Please accept the attached letter as the response to the State Agency Report for the the Centegra Hospital - Huntley project.

Thank you.

Joe Ourth

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From: Nancy Hopkins [mailto:nmhopkins1@comcast.net]
Sent: Sunday, November 27, 2011 8:46 PM
To: Ourth, Joe
Subject: Attached

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Joe Ourth
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November 27, 2011

Via Electronic Mail

Mr. Dale Galassie
Chair
Illinois Health Facilities and
Services Review Board
525 W. Jefferson
Springfield, IL 62761

Re: Response to Supplemental State Agency Report ("SAR")
Centegra Hospital - Huntley Application (the "Application")
Project No. 10-090 (the "Project")

Dear Chairman Galassie:

Advocate Good Shepherd Hospital, Sherman Hospital and St. Alexius Medical Center (the "Concerned Hospitals") appreciate the staff's work on the State Agency Report and agree with the findings that the application does not meet several important review criteria and that existing hospitals are underutilized. We also welcome the opportunity to respond to the SAR and will limit this letter to our comments on the SAR.

1. Support and Opposition Comments (SAR Pages 7-9)

We appreciate the staff's difficult task of going through a large public record to find and select excerpts for inclusion in the SAR as a mechanism for summarizing the public comment. We would hope that all of this extensive public comment will be carefully considered by the Review Board in its deliberations.

There were important public comments submitted since the Board's Intent to Deny. We would hope that the Board and its staff carefully review those materials. While we understand that not every submission can be summarized in the SAR, we wish to note some additional comments that did not appear in that document, such as:

a. Summary of Arguments in Support of Intent to Deny. On behalf of the Concerned Hospitals, legal counsel filed a letter with the Board dated November 14, 2011 summarizing key arguments for the Board sustaining its earlier Intent to Deny. That letter sets out crucial issues requiring legal determination prior to Board action, such as the failure of Centegra to meet the "Rapid Population Growth" test upon which it based its application and the

consequence that physician referral letters are required. That letter and the associated report also include key analysis of population trends and the declining hospital use rates. Finally, it also includes analysis as to why the proposed hospital would have negative impact upon existing area hospitals and the Safety Net Services that they provide. As to the impact on other hospitals and Safety Net Services, we believe that Centegra's own testimony (relative to its opposition of the Mercy project) best expresses the impact its Centegra Huntley Hospital would have on the Concerned Hospitals, and to quote from that November 14 letter:

> "*Centegra in its application simply states that its new hospital would have 'no impact' on existing hospitals. [However,] 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.'*"[1]

The Centegra CFO went on to say:

> "*It is unacceptable to allow Mercy Crystal Lake Hospital to enter the market simply to cannibalize Centegra patients. And that is exactly what would happen. No amount of population growth or industry reform could possibly make up for the lost patient volumes at Centegra.*"[2]

We fully agree with Centegra's CFO on the issue that it is unacceptable for a new hospital to "cannibalize" existing hospitals and that no amount of population growth can make up for this lost volume. His statements apply equally to the effect Centegra's Huntley hospital would have on the Concerned Hospitals. Because these comments by Centegra are so telling in assessing the impact of these projects, we believe it would have been beneficial for the SAR to highlight these comments for the Board as well.

b. Assessment of Utilization, Population Growth Report. Following the June 28 Review Board meeting, the Board requested additional information regarding the population forecast for the McHenry County area. The Concerned Hospitals subsequently submitted a detailed report entitled "Assessment of Utilization, Population Growth, and Applicant Arguments of Impact on Existing Providers – Proposed Centegra Hospital – Huntley (Project 10-090)" dated November 11, 2011 (the "November Krentz Report"). This report provided detailed analysis of the population forecasts and – just as important – analyzed the declining inpatient hospital use rates nationally and locally and the implications for further declines in bed need.

This detailed report gives the Board actual data and analysis in which to consider a project and not just conjecture. The report shows how on average inpatient hospital days in

[1] Summary of Arguments to Sustain Review Board's Intent-to-Deny, dated November 14, 2011, pages 4-5; Public Hearing testimony of Bob Rosenburg, Centegra Chief Financial Officer, October 7, 2011, page 1.
[2] Public Hearing testimony of Bob Rosenburg, Centegra Chief Financial Officer, October 7, 2011, page 1.

McHenry County have actually declined in 2010 (-10% for OB, -6% for med/surg and -3% for ICU). The report also documents significant recent decreases in hospital use rates nationally, in Illinois and in McHenry County, and that experts forecast continuing decline in use rates. In addition, that report documents that on average area hospitals have 347 empty licensed beds available each day. Importantly, and as discussed further below, this report shows clearly that the Centegra application does not meet the Board's test for "Rapid Population Growth."

c. Provena St. Joseph Opposition Letter. Provena St. Joseph filed another opposition letter referencing additional utilization data approved by the Review Board that shows declining utilization in McHenry County. That letter states:

> *"New bed need projections have been developed but these projections neither utilize this latest utilization data (or even the 2009 data for that matter) nor utilize the most recent decennial (2010) census data. Given the economy is in one of the most significant recessions in our history as evidenced by the massive downturn of the housing industry, the idea that there will be significant increase in population [is] not reasonable."*[3]

d. Report of Impact of Proposed Centegra Hospital on Woodstock. Sherman Hospital filed a letter with the Board on November 16 that enclosed an Assessment of Likely Impact on Centegra Hospital-Woodstock report prepared by Krentz Consulting. In reference to such report, the letter states:

> *"Given the significant overlap in market share and downward utilization trends between the proposed Huntley hospital and Centegra's Woodstock hospital, it is clear that Centegra is not committed to the long term operation of the Woodstock hospital because the Huntley proposal will cannibalize the existing Woodstock facility."*[4]

e. Independent Health Care Researcher and Planner. Joel Cowen, a noted health care researcher and former health planner, in a letter dated November 14 to the Board, expresses concern that the new bed need projections are based upon population forecasts that do not reflect the significant slowdown in population growth currently under way in McHenry County:

> *"Demographic and economic indicators are showing a considerable slowdown in the population growth of McHenry County, which, in turn, affects the need for hospital services...Projections based on the pre-2008 period are likely not valid for the consideration of hospital bed need now or into the planning period future."*[5]

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[3] Opposition Letter filed on November 16, 2011, by Provena St. Joseph Hospital, page 1.

[4] Opposition Letter filed on behalf of Sherman Hospital by Polsinelli Shugart, page 1.

[5] Comments on Need Calculations filed on November 14 by Joel B. Cowen, pages 1, 3.

f. Need for Comprehensive Health Planner. Finally, it is important that the SAR reflect one additional submission. On June 7, 2011 legal counsel submitted a letter discussing the Comprehensive Planning function created by the recent rewrite of the Planning Act and requesting that the Board defer action on new hospital applications until that comprehensive planning function was fulfilled. We believe that letter raises important legislative issues that go to the heart of the Planning process and that request for deferral be referenced in the SAR.

2. Service Demand Review Criterion – Concern about Population/Need Projections and Failure to Provide Physician Referral Letters (SAR Pages 19-23)

The Board has detailed rules regarding how an applicant must document the need for additional beds. The Board's rules appear quite clear that for an application to establish a new hospital, an applicant must provide to the Review Board physician referral letters showing the number of patients to be referred and the hospital from where that physician would divert patients. While this argument was most recently addressed in legal counsel's submission to the Board dated November 14, 2011, is it possible that the Board was not left with sufficient time to include this argument in the SAR.

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."* 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 letters must be provided.

3) Service Demand – Establishment of Bed Category of Service
The number of beds proposed to establish a new category of service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest two-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and either subsection (b)(3)(B) or (C):

A) Historical Referrals

If the applicant is an existing facility, the applicant shall document the number of referrals to other facilities, for each proposed category of service, for each of the latest two years. Documentation of the referrals shall include: patient origin by zip code; name and specialty of referring physician; name and location of the recipient hospital.

B) Projected Referrals

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.

C) Project Service Demand – Based on Rapid Population Growth
If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area (as experienced annually within the latest 24-month period), the projected service demand shall be determined as follows:

* * *

Section 1100.220 of the Board's rules defines "Rapid Population Growth Rate" as "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%." As documented by the November Krentz Report, the annual population growth in McHenry County and in Centegra's proposed service area has been *decelerating* since 2004, well before the economic downturn of 2008.[6] The average of the three most recent annual growth rates for the total population in Centegra's proposed primary and secondary service area is 0.6%, and population change was negative in the most recent year. The average does not exceed the growth rates of preceding annual growth rates.[7] The average of the three most recent annual growth rates in McHenry County was only 0.7%.[8] Therefore, the recent growth rate of the proposed service area (0.6%) does not exceed the average growth rate for McHenry County (0.7%).

[6] November Krentz Report, page iii, pages 8-10.
[7] *Id.*, page 8.
[8] *Id.*

While Centegra based its permit application on the "Rapid Population Growth" test, it fails to meet this test. Thus, the Board should require Centegra to submit physician referral letters, as discussed below.

We believe it important that the SAR specifically call attention to the fact that physician referral letters were not provided. To the extent there is legal ambiguity as to whether physician letters are required, we believe it appropriate the Review Board request its legal counsel to advise the Board on this matter. Had actual physician referral letters been provided, they would clearly show either that the proposed Centegra hospital cannot meet target utilization or can do so only through considerable negative impact to existing providers.

Centegra now does not contend that the Concerned Hospitals are wrong in arguing that physician referral letters are required[9], rather, Centegra contends that the argument was raised too "late" in the process and such objection is now somehow "unfair." We first note the irony of Centegra objecting to the "unfairness" of the timing of the Concerned Hospitals' filing when on the same day, Centegra filed a 54-page objection to the Mercy Crystal Lake project.

More importantly, we note that this argument was raised 6 months ago. Centegra, in its November 16 letter of legal counsel, states that the Concerned Hospitals claimed "for the first time that Centegra should have submitted physician referral letters..." The objection that this argument was raised for the "first time" on November 14 is simply incorrect. The argument was raised, and presented to the Board, on June 8 and again on June 19.[10] Centegra has had almost 6 months to provide the required physician referral letters. The fact remains that physician referral letters are absolutely required under the Review Board's regulations. Centegra failed to provide any physician referral letters. The Board should deny this application because it does not contain the referral letters required by the Section 1110.530(b) rules.

3. Safety Net Impact Statement (SAR Pages 11-12)

Pages 11 and 12 of the SAR make reference to a Safety Net Impact Statement. We believe that this section of the SAR should also specifically reference the "Safety Net Impact Statement Response" and the "Market Assessment and Impact Study of the Centegra Hospital" that were filed by Sherman Hospital, St. Alexius Medical Center and Good Shepherd Hospital and that the SAR should provide an analysis of both submissions.[11] The Planning Act requires that an applicant for a CON permit submit a Safety Net Impact Statement detailing the impact its project will have on Safety Net Services. Throughout the CON process, Centegra has simply stated, and has maintained, that a new hospital "will not impact other hospitals"[12] and that their

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[9] Response to Opponents Submissions, dated November 16, 2011.

[10] Summary of Arguments in Opposition, dated June 8, 2011, pages 8-9; Response to State Agency Report for the Centegra Hospital-Huntley Project, dated June 19, 2011, page 3.

[11] Safety Net Impact Response, dated June 2, 2011; Krentz Consulting Market Assessment and Impact Study, dated May 24, 2011.

[12] Centegra Hospital-Huntley, Project 10-090, Application for Permit, Attachment 43.

project would benefit Safety Net Services. When it came time for Centegra to oppose the Mercy hospital project, Centegra's CEO, Michael Eesley, said:

> *"This proposal, again, cannibalizes hospitals by stealing patients and sends profits to Wisconsin, and would significantly impact the Safety Net provisions that are provided to our local communities."*[13]

We believe Mr. Eesley is correct, and as we have stated previously to the Board, we believe and agree with Centegra on the point that any new hospital undercuts the ability of existing hospitals to provide Safety Net Services. [14]

4. Request for Written Decision

We concur with the SAR findings that the proposed project does not meet several of the Board's important review criteria, including "unnecessary duplication of services." Consequently we would request a written decision explaining the Board's decision in the event the application was approved.

We appreciate the opportunity to comment upon the State Agency Report.

Sincerely,

Joe Ourth

JRO/eka

cc: Courtney Avery
Mike Constantino
Frank Urso

[13] Testimony of Mr. Michael Eesley, Chief Executive Officer Centegra Health System, Mercy Public Hearing, October 7, 2011, page 12.
[14] Summary of Arguments to Sustain Review Board's Intent-to-Deny, dated November 14, 2011, pages 3, 5.

Constantino, Mike

From: Lawler, Daniel [daniel.lawler@klgates.com]
Sent: Monday, November 28, 2011 4:21 PM
To: Avery, Courtney
Cc: Constantino, Mike; Urso, Frank; Andrea R. Rozran [arozran@diversifiedhealth.net]; Streng Hadley (HStreng@centegra.com)
Subject: Project #10-090, Centegra Hospital-Huntley: Applicants' Comment on SSAR
Attachments: Response to Centegra SSAR.pdf

Dear Ms. Avery,

I represent Centegra Health System and Centegra Hospital-Huntley, the applicants on Project No. 10-090, Centegra Hospital-Huntley. Attached please find the applicants' written comment on the Supplemental State Agency Report for Project No. 10-090, Centegra Hospital-Huntley.

We have been advised by the Review Board's staff that the time for submitting written responses was extended from 9:00 am to 5:00 pm due to the Thanksgiving holiday, and that email transmission was acceptable.

Dan Lawler

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November 28, 2011

VIA EMAIL

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761

Re: Project No. 10-090 Centegra Hospital-Huntley
Applicants' Response to Supplemental State Agency Report

Dear Ms. Avery:

I represent Centegra Health System and Centegra Hospital-Huntley, the applicants in Project No. 10-090, Centegra Hospital-Huntley, and submit this written comment on the findings of the Supplemental State Agency Report ("SSAR") for Project No. 10-090 pursuant to Section 6(c-5) of the Illinois Health Facilities Planning Act(20 ILCS 3960/6(c-5).

I. The SSAR is Overwhelmingly Positive

The SSAR was overwhelmingly positive, with the Project in conformance to most all of the Review Board's criteria including the following:

Criterion 1110.230(a):	**Background of the Applicant**
Criterion 1110.230(b):	**Purpose of the Project**
Criterion 1110.230(c):	**Alternatives to the Proposed Project**
Criterion 1110.234(a):	**Size of Project**
Criterion 1110.234(b):	**Project Services Utilization**
Criterion 1110.234(d):	**Assurances**
Criterion 1110.530(b)(1):	**Planning Area Need: formula calculation**
Criterion 1110.530(b)(2):	**Planning Area Need: service to planning area residents**
Criterion 1110.530(b)(3):	**Project Service Demand: rapid population growth**
Criterion 1110.530(e):	**Staffing Availability**
Criterion 1110.530(f):	**Performance Requirements**
Criterion 1110.530(g):	**Assurances**
Criterion 1120.120:	**Availability of Funds**
Criterion 1120.130:	**Financial Viability**
Criterion 1120.140(a):	**Reasonableness of Financing Arrangements**
Criterion 1120.140(b):	**Conditions of Debt Financing**
Criterion 1120.140(c):	**Reasonableness of Project and Related Costs**
Criterion 1120.140(d):	**Projected Operating Costs**
Criterion: 1120.140(e):	**Total Effect of the Project on Capital Costs**

With these findings, Centegra Hospital-Huntley, Project No. 10-090, is unquestionably the most favorably reviewed new hospital project in the history of the Review Board and its predecessor Board. Even the "replacement" hospital projects approved over the years did not conform to as many Review Criteria as Centegra Hospital-Huntley.

II. The SSAR Should Be Corrected to Show Compliance with the Service Accessibility Criterion

The SSAR made findings of non-conformance under three Review Criteria. We respectfully submit that the finding of non-conformance for Criterion 1110.530(b), Planning Area Need, is in error and request that the SSAR be corrected to show compliance with that Criterion.

In the SSAR, the finding of non-conformance for Criterion 1110.530(b) is solely based on sub-paragraph (5) which relates to Service Accessibility. That sub-paragraph states that an applicant "shall document that at least one of the following factors exists in the planning area," and then identifies five separate factors. The five factors relate to: (1) the absence of services in the area; (2) access limitations due to payor status; (3) restrictive admission policies of existing providers; (4) federally designated health professional shortage areas and medically underserved areas, and; (5) utilization of existing facilities within 45 minutes. A copy of Criterion 1110.530(b)(5) is included as Attachment 1 hereto.

Importantly, Criterion 1110.530(b)(5) does not require that *all* of the five factors be documented, but rather, only that *at least one* be documented. The Centegra applicants for Project No. 10-090 documented conformance with one of the five factors by submitting proof in their permit application that areas within the designated Planning Area and the project's geographic service area were designated by the Secretary of Health and Human Services as a Health Professional Shortage Area, Medically Underserved Area and Medically Underserved Population. The SSAR confirms this in its finding on page 23 that "the applicants provided evidence of 3 census tracts within Planning Area A-10 that have been designated a[s] Medically Underserved Population, 1 census tract in the primary service area as designated Medically Underserved Area/Population, [and] four townships in the market area designated as Health Manpower Shortage Areas."

Having documented conformance with one of the five factors under Criterion 1110.530(b)(5), the project conformed to the plain language of the rule and the project should have received a positive finding under this Criterion. However, the SSAR made a finding on non-compliance based on the existence of providers within 45-minutes that were below target utilization.

The finding of non-compliance is erroneous because it necessarily assumes that an applicant must document *more than one* of the five identified factors whereas the rule plainly states that an applicant document *at least one* of the five factors. For this reason, we respectfully request that the SSAR be corrected to show that the project is in conformance with Criterion 1110.530(b).

III. The Findings of Non-Compliance in the SSAR are Based on a Single, Non-Determinative Factor

Other than Criterion 1110.530(b) addressed above, the SSAR made findings of non-conformance under only two other Review Criteria, and both were triggered by a single factor, namely, underutilization at existing facilities. Underutilization of existing facilities is ***not*** a deciding factor under the Planning Act and the Review Board's longstanding practice. **Indeed, in the vast majority of projects approved by the Review Board, the State Agency has reported the existence of numerous, underutilized facilities.** The Centegra Hospital-Huntley project meets an identified unmet need. The existence of underperforming facilities is not a basis to deny this much-needed project.

A. The development of health care facilities in areas of identified unmet need is a prevailing policy of the Planning Act

A primary purpose of the Planning Act is to "guarantee the availability of quality health care to the general public" and to promote the "development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs." 20 ILCS 3960/2. While the Planning Act also promotes the "development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities" (*id.*) where, as here, the planning process has identified unmet needs, the establishment of additional needed services is, by definition, not "unnecessary" duplication. The availability of quality health care facilities in areas of unmet need is a prevailing policy of the Planning Act, and the promotion of that State policy should not be subjugated to underutilized facilities.

B. It is *not* the Review Board's responsibility to protect the market share of underutilized facilities

While the State Board is to consider the extent of utilization at existing facilities as one of many factors in developing its planning policies under Section 12(4) of the Planning Act (20 ILCS 3960(12(4)), it is *not* the Review Board's responsibility to improve or maintain utilization at existing underutilized facilities. To the contrary, Illinois Courts have consistently held that it is not the Review Board's role to protect the market share of existing facilities. In *Provena Health v. Ill. Health Facilities Planning Bd.*, 382 Ill. App. 3d 34, 48

(1st Dist. 2008), the Illinois Appellate Court held that, "It is not the [Review] Board's responsibility to protect market share of individual providers." Similarly, in *Cathedral Rock of Granite City, Inc. v. Ill. Health Facilities Planning Bd.*, 308 Ill. App. 3d 529, 540 (4th Dist. 1999), the Court determined that "[t]he purpose of the Planning Act ... is not to provide protection to competitors from an imposition on their market shares." As the Court further noted in *Cathedral Rock*: "No rule or law forever entitles plaintiff to such share." 308 Ill. App. 3d at 540.

To withhold the approval of a new facility based on the underutilization of existing facilities would turn the planning process on its head and create negative incentives that punish successfully operated facilities while rewarding the poorly operated ones. This very point was made by the Illinois Appellate Court in *Dimensions Medical Center, Ltd., v. Elmhurst Outpatient Surgery Center, L.L.C.*, 307 Ill. App.3d 781 (4th Dist. 1999).

In *Dimensions Medical Center,* two underutilized surgery centers challenged the State Board's issuance of a permit for a new Ambulatory Surgical Treatment Center and argued that no new facilities should be approved until existing facilities met target utilization levels. The Illinois Appellate Court summarily rejected this contention and noted its absurd consequences:

> "Under their proposed standard, a successful medical-care provider ... would be forbidden from expanding to provide for the needs of its own patients just because some other facilities in the area cannot maintain an adequate patient base. The public would, under [the proposed standard], be forced to seek medical services at facilities that--for whatever reason--it had not chosen for that purpose. As a secondary effect, part of the incentive for medical-care providers to do good work would disappear. Those that do well would be forbidden from enjoying the fruits of their efforts, and those that do poorly would be guaranteed a patient base because the Board would simply deny permits to build new facilities in the area until the reluctant public finally made sufficient use of all existing facilities."

Dimensions Medical Center, 307 Ill. App.3d at 799-800.

While it is not the Review Board's responsibility to maintain the utilization at existing facilities, Centegra has documented that population growth in the areas to be served by Centegra Hospital-Huntley will offset any marginal reduction in patient volumes of existing facilities so as to not adversely affect their utilization. Centegra Hospital-Huntley will serve two of the fastest growing planning areas in the State. IDPH data show that McHenry County (A-10) is the second fastest growing planning area in the State and northern Kane County (A-11) is the third fastest growing planning area. The most recent 10-year population projection by IDPH (as of October 14, 2011) for McHenry County is 24%

and for northern Kane County is 21%. (*See* IDPH Population Projections Table included as Attachment 2 hereto.) In addition, the 2010 Census confirms that the Village of Huntley continues to be one of the fastest growing municipalities in the Chicago Metropolitan Area.

C. This needed project should not be penalized for underutilization at other facilities

New, needed facilities should not be denied due to underutilization at existing facilities. Otherwise, the public would be forced to go to facilities they choose to avoid, and the Review Board would create negative incentives for hospital administrators. Again, as noted by the Appellate Court in *Dimensions Medical Center*: "Those that do well would be forbidden from enjoying the fruits of their efforts, and those that do poorly would be guaranteed a patient base because the Board would simply deny permits to build new facilities in the area until the reluctant public finally made sufficient use of all existing facilities." The present project is a case in point.

1. Mercy Harvard is avoided by the public and by Mercy's own employed physicians

Centegra operates two of the three existing acute care hospitals in Planning Area A-10 which has the *highest* medical/surgical utilization among the 40 statewide planning areas. (*See* CON Occupancy table included as Attachment 3 hereto.) This despite the fact that the third hospital in Planning Area A-10, Mercy Harvard, has one of the state's *lowest* medical/surgical utilization rates (27.5%) according to the 2010 Hospital Profiles. Mercy Harvard is not only avoided by the public, it is avoided by Mercy's own employed physicians.

According to COMPdata, only 331 of 1,375 Harvard residents who received inpatient services went to Mercy Harvard in FY 2010. (*See* COMPdata table included as Attachment 4 hereto.) Most residents of Harvard choose to drive approximately 30 minutes to Centegra Hospital-Woodstock or approximately 47 minutes to Centegra Hospital-McHenry. Even more remarkable is that Mercy's own employed physicians prefer to send Harvard residents to Centegra hospitals rather than to Mercy Harvard. In the physician referral letters included in Mercy's CON application for Project No. 10-089, out of a total 349 referrals of residents from the Harvard zip code, only 29 were referred to Mercy Harvard, while 319 were referred to Centegra hospitals. (*See* Mercy Physician Referral table included as Attachment 5 hereto.) *In this instance, Mercy's employed physicians prefer Centegra's hospitals over Mercy Harvard by a factor of eleven to one.*

The State has identified an unmet need for additional hospital beds in McHenry County. These needed beds should not be denied because Mercy Harvard is underutilized. If

the "reluctant public" is denied new, needed facilities until Mercy Harvard is at target occupancy, the public is unlikely to ever receive those needed services. Based on the Hospital Profiles posted on the Review Board's website, in the nine years that Mercy Alliance has owned Mercy Harvard, its medical/surgical utilization has averaged 19% and has never been higher than 28%. (*See* Utilization table included as Attachment 6 hereto.)

2. Sherman intentionally over-built in an over-bedded area

In 2005, Sherman Hospital obtained a CON permit for a "replacement hospital" with 197 medical/surgical beds (Project No. 05-054). At the time, Sherman's planning area (A-11) had an *excess* of 192 medical/surgical beds. Even though the proposed project reduced the size of the hospital's medical/surgical unit, the project as approved still left an excess of 77 medical/surgical beds in the area. Sherman knew that the planning area was over-bedded and still proceeded to build a facility with beds far in excess of the identified area need.

Moreover, Sherman Hospital has been underutilized for *decades*. According to the Hospital Profiles posted on the Review Board's website, Sherman Hospital's medical/surgical utilization has averaged only 52% in the last nine years. (*See* Attachment 6.) In addition, the Review Board's Inventories of Hospital Services from prior years shows that this is not a recent phenomenon. The 1990 Inventory shows Sherman Hospital's medical/surgical utilization at 53% and the 1992 Inventory shows a medical/surgical utilization of 50%. (*See* excerpts from the 1990 and 1992 Inventories of Hospital Services included hereto as Attachments 7 and 8, respectively.)

Sherman Hospital has over twice the number of inpatient beds as its cross-town rival Provena Saint Joseph Hospital, which is also located in Elgin. Historically, Provena Saint Joseph has had considerably higher utilization than Sherman (though Provena itself is also below target utilization levels). Sherman was obviously determined to maintain its huge size advantage over Provena notwithstanding the lack of need and Sherman's own historical inability to meet target utilization levels.

The remedy for Sherman's and any other facility's underutilization is to simply reduce its number of beds. Sherman's intentional over-building and the general over-bedded state of affairs in the city of Elgin should not be the reason that the residents of Huntley and Planning Area A-10 are denied a needed, new facility.

K&L|GATES

Thank you for your consideration of this written comment on the findings in the Supplemental State Agency Report for Centegra Hospital-Huntley, Project No. 10-090.

Very truly yours,

K&L GATES LLP

Daniel J. Lawler

DJL:dp
Enclosure

Section 1110.530 Medical/Surgical, Obstetric, Pediatric and Intensive Care – Review Criteria

5) Service Accessibility

The number of beds being established or added for each category of service is necessary to improve access for planning area residents. The applicant shall document the following:

A) Service Restrictions

The applicant shall document that at least one of the following factors exists in the planning area:

i) The absence of the proposed service within the planning area;

ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;

iii) Restrictive admission policies of existing providers;

iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;

v) For purposes of this subsection (b)(5) only, all services within the 45-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

IDPH POPULATION PROJECTIONS
All Planning Areas

Planning Area	2008 Population (Estimated)	2018 Population (Projected)	Projected Growth Rate
A-013	732,000	913,520	25%
A-010	**319,580**	**395,700**	**24%**
A-011	389,420	472,220	21%
E-005	91,520	104,570	14%
A-009	715,870	810,100	13%
E-003	42,020	47,450	13%
C-002	155,190	174,480	12%
C-003	77,900	87,510	12%
F-006	136,010	150,390	11%
D-002	206,320	228,050	11%
D-005	98,520	108,770	10%
F-005	61,680	67,940	10%
A-007	621,350	683,950	10%
D-001	240,740	264,900	10%
E-004	57,330	63,060	10%
F-004	105,790	116,270	10%
F-007	159,070	174,600	10%
E-002	78,810	86,450	10%
F-002	83,970	91,900	9%
C-001	371,610	406,330	9%
B-002	84,510	92,320	9%
B-004	108,530	118,310	9%
A-006	489,750	533,120	9%
B-001	385,590	418,870	9%
E-001	308,540	333,810	8%
C-004	68,620	74,120	8%
D-004	161,540	174,090	8%
F-003	96,290	103,750	8%
A-001	1,046,900	1,126,360	8%
A-008	444,820	475,170	7%
A-004	1,145,140	1,222,340	7%
A-014	110,710	117,600	6%
A-005	933,760	989,700	6%
B-003	109,020	115,000	5%
A-012	333,950	350,320	5%
C-005	215,140	224,550	4%
A-003	834,410	863,180	3%
F-001	577,460	594,040	3%
A-002	594,890	607,220	2%
D-003	107,330	107,390	0%

Source: IDHFSRB/IDPH Inventory of Health Care Facilities and Services and Need Determinations (October 14, 2011)

Attachment 2

CON OCCUPANCY RATES
Medical-Surgical Beds: All Planning Areas

PLANNING AREA	CON OCCUPANCY CY2010
A-010*	73.0%
A-005	70.6%
A-002	69.2%
A-007	68.4%
A-011	66.3%
E-001	64.6%
D-001	64.3%
A-013	64.2%
C-001	62.5%
A-009	61.3%
F-006	60.6%
A-008	60.6%
A-012	58.7%
B-004	58.3%
D-005	58.3%
A-001	57.9%
A-004	57.8%
A-006	57.8%
B-001	56.4%
A-003	56.2%
F-004	55.7%
D-002	55.2%
B-003	54.2%
F-002	53.4%
F-007	50.5%
A-014	49.4%
E-005	45.4%
F-001	44.1%
D-004	41.6%
C-005	41.5%
C-003	40.9%
F-005	39.8%
C-002	37.6%
D-003	36.7%
B-002	36.4%
E-004	34.1%
C-004	33.7%
E-002	29.5%
E-003	17.2%
F-003	**

Source: IDPH Hospital Data Summary by Hospital Planning Area, 2010

* The high CON Occupancy in Planning Area A-10 is due to Centegra Hospital-McHenry and Centegra Hospital-Woodstock as the other hospital in A-10 (Mercy Harvard) has a CON Occupancy of only 26.8%.

** The utilization in F-003 appears erroneously skewed in the 2010 Hospital Profiles by the report of one 25-bed hospital showing an average daily census over 193 and CON Occupancy of 773%. This is an obvious error. Based on the 2009 Hospital Profiles, the CON Occupancy for F-003 was 39.4% and the hospital in question (Wabash General) had a CON Occupancy of 39.1%.

FY 2010 Harvard Residents Inpatient Hospitalization

Source: IHA COMPdata; Excludes Neonates & Normal Newborns

	60033 Harvard
Centegra Hospital-McHenry	123
Centegra Hospital-Woodstock	558
Mercy Harvard Hospital	331
Harvard Residents going to McHenry County Hospitals Subtotal	1,012
Harvard Residents going to Non McHenry County Hospitals Subtotal	363
Harvard Residents Inpatient Grand Total	1,375

Attachment 4

Facilities to which Mercy's Employed Physicians Refer Residents of Harvard, Illinois

Physician Name		Number of Harvard Residents Referred by Physician (zip code 60033)	Mercy Harvard Memorial	Centegra Hospital-McHenry	Centegra Hospital-Woodstock	Advocate Good Shepherd
Albright,	Kim	1		1		
Asbury,	Jeffrey	4	3		1	
Bistriceanu,	Graziella	1			1	
Campau,	Steven	1				1
Chatterji,	Manju	3		3		
Chitwood,	Rick	1			1	
Cook,	Richard	62			62	
Crawley,	Terri	29			29	
DeHaan,	Paul	12	5	2	5	
Dillon,	Paul	1	1			
Favia,	Julie	11			11	
Gavran,	Monica	1			1	
Goodman,	David	1			1	
Gulati,	Roshi	2			2	
Gupta,	Lata	18			18	
Howey,	Susan	1		1		
Hussain,	Yasmin	12	11		1	
Kakish,	Nathan	24			24	
Karna,	Sandhya	2		2		
Karney,	Michelle	12			12	
Krpan,	Marko	5	3	2		
Livingston,	Gary	2			2	
Loqman,	Mabria	5			5	
MacDonald,	Robert	2		2		
Mirza,	Aisha	32			32	
Persino,	Richard	9		9		
Phelan,	Patrick	28			28	
Riggs,	Mary	3		3		
Ronquillo,	Bibiano	2			2	
Tarandy,	Dana	14	6		8	
Wittman,	Randy	4		4		
Zaino,	Ricca	44			44	
TOTAL		**349**	**29**	**29**	**290**	1

Source: Physician Referral letters included in CON Application for
Mercy Crystal Lake Hospital & Medical Center, Project No. 10-089

Hospital Medical/Surgical Percentage Utilization

Year	Mercy Harvard Memorial	Sherman Hospital
2010	27.5	63.8
2009	26.8	46.8
2008	15.9	52.8
2007	17.3	55.8
2006	22.0	67.7
2005	15.3	47.5
2004	17.0	47.7
2003	13.5	41.4
2002	13.8	40.9

Source: Hospital Profiles posted on IHFSRB website

STATE OF ILLINOIS
HEALTH FACILITIES PLANNING BOARD
525 West Jefferson Springfield, Illinois 62761 217-782-3516

INVENTORY OF HEALTH CARE FACILITIES and NEED DETERMINATIONS BY PLANNING AREA

PARTS I - IV HOSPITALS

77 ILL. ADM. CODE 1100 - Narrative and Planning Policies
77 ILL. ADM. CODE 1110 - Processing, Classification and Review Criteria

1990 EDITION EFFECTIVE MARCH 15, 1990
PRINTED BY THE AUTHORITY OF THE STATE OF ILLINOIS

Attachment 7

SERVICE AREA:	CLINICAL SERVICE:	POPULATION	UNDER 15	15 - 64	65 & OVER
A-014 NORTH KANE	MEDICAL-SURGICAL AND PEDIATRICS	1988	57,650	150,150	17,300
		1993	64,500	159,300	18,600

NAME OF FACILITY	CITY	COUNTY	EXISTING BED CAPACITY	DISCHARGES	PATIENT DAYS
MEDICAL-SURGICAL					
SAINT JOSEPH HOSPITAL	ELGIN	KANE	195	4,483	34,104
SHERMAN HOSPITAL ASSOCIATION	ELGIN	KANE	308	8,693	59,903
DELNOR COM HOSP-ST CHRLS CAMP	SAINT CHARLES	KANE	0	2,408	14,657
PERMIT ISSUED 3/2/89 TO CLOSE FACILITY					
FACILITY OPERATED 83 BEDS.					
		SUB-TOTAL	503	15,584	108,664
PEDIATRICS					
SAINT JOSEPH HOSPITAL	ELGIN	KANE	12	687	2,568
SHERMAN HOSPITAL ASSOCIATION	ELGIN	KANE	27	943	3,029
DELNOR COM HOSP-ST CHRLS CAMP	SAINT CHARLES	KANE	0	255	633
PERMIT ISSUED 3/2/89 TO CLOSE FACILITY					
FACILITY OPERATED 8 BEDS.					
		SUB-TOTAL	39	1,885	6,230
		TOTAL	542	17,469	114,894

HISTORICAL UTILIZATION

YEAR	PATIENT DAYS 0 - 14	15 - 64	65 AND OVER
BASE-2	15,606	74,468	38,693
BASE-1	10,875	65,117	39,129
BASE	6,482	57,211	51,201

BED NEED DETERMINATION (MEDICAL/SURGICAL - PEDIATRICS):

BASE USE RATES:	THREE YEAR AVERAGE UTILIZATION	/	BASE YEAR POPULATION	=	BASE USE RATE	*	PROJECTED POPULATION	=	PROJECTED DAYS
AGES 0 - 14	10,988	/	57,650	=	.1906	*	64,500	=	12,294
AGES 15 - 64	65,599	/	150,150	=	.4369	*	159,300	=	69,598
AGES 65 +	43,008	/	17,300	=	2.4860	*	18,600	=	46,240

AREA "IN" MIGRATION	AREA "OUT" MIGRATION	NET MIGRATION	MIGRATION DAYS	ADJUSTMENT FACTOR (+/-)	TOTAL ADJUSTED PATIENT DAYS	PROJECTED A.D.C.
6,696	8,970	+ 2,274	+ 15,235	+ 2,285	+ 130,417	357

ADJUSTED BED NEED	EXISTING BEDS	ADDITIONAL BEDS NEEDED	EXISTING EXCESS BEDS
411	542	0	131

State of Illinois

Health Facilities Planning Board

INVENTORY OF HEALTH CARE FACILITIES AND NEED DETERMINATIONS BY PLANNING AREA

PARTS I-VIII HOSPITALS

1992 Edition-Effective April 3, 1992

Prepared by:

Health Systems Section

Illinois Center for Health Statistics

Attachment 8

ILLI DEPARTMENT PUBLIC HEALTH
BED NEED DETERMINATION BY HOSPITAL
PLANNING AND SUB-PLANNING AREAS

DATE: 05/17/92

PLANNING AREA: A-014 NORTH KANE

CLINICAL SERVICE: MEDICAL-SURGICAL AND PEDIATRICS

POPULATION	UNDER 15	15 - 64	65 & OVER
1990	60,629	162,678	18,919
1995	64,000	176,300	21,400

NAME OF FACILITY	CITY	COUNTY	EXISTING BED CAPACITY	DISCHARGES	PATIENT DAYS
MEDICAL-SURGICAL					
SAINT JOSEPH HOSPITAL BED TOTAL DECREASED BY 9 THRU ADJUSTMENT OF HOSPITAL BED INVENTORY EFFECTIVE 1/18/91.	ELGIN	KANE	186	4,041	30,593
SHERMAN HOSPITAL ASSOCIATION BED TOTAL INCREASED BY 1 THRU ADJUSTMENT OF HOSPITAL BED INVENTORY EFFECTIVE 2/14/91.	ELGIN	KANE	309	8,519	56,366
DELNOR COM HOSP-ST CHRLS CAMP PERMIT ISSUED 3/2/89 TO CLOSE FACILITY FACILITY OPERATED 83 BEDS.	SAINT CHARLES	KANE	0	2,593	15,244
		SUB-TOTAL	495	15,153	102,203
PEDIATRICS					
SAINT JOSEPH HOSPITAL	ELGIN	KANE	12	638	2,048
SHERMAN HOSPITAL ASSOCIATION BED TOTAL DECREASED BY 9 THRU ADJUSTMENT OF HOSPITAL BED INVENTORY EFFECTIVE 2/14/91.	ELGIN	KANE	18	869	2,731
DELNOR COM HOSP-ST CHRLS CAMP PERMIT ISSUED 3/2/89 TO CLOSE FACILITY FACILITY OPERATED 8 BEDS.	SAINT CHARLES	KANE	0	388	985
		SUB-TOTAL	30	1,895	5,764
		TOTAL	525	17,048	107,967

HISTORICAL UTILIZATION

YEAR	PATIENT DAYS 0 - 14	15 - 64	65 AND OVER
BASE-2	6,482	57,211	51,201
BASE-1	5,076	53,847	48,524
BASE	6,134	54,460	47,373

CONTINUED ON NEXT PAGE

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

A G E N D A

(M-316) – **FINAL** (per 2 IAC 1925.240)
Final Agenda will be posted no later than
9:00 A.M. Friday, December 2, 2011 at the
Health Facilities and Services Review Board's office
and at the meeting location.
Bolingbrook Golf Club
2001 Rodeo Drive
Bolingbrook, IL 60490

1. PUBLIC PARTICIPATION SIGN-IN - 9:30 A.M.

2. CALL TO ORDER: Tuesday, December 6, 2011 - 10:00 A.M.

3. ROLL CALL

4. APPROVAL OF AGENDA

5. APPROVAL OF MINUTES: October 12-13, 2011

6. POST PERMIT ITEMS APPROVED BY THE CHAIRMAN

- Change of Ownership Project # 11-069 DSI Scottsdale Renal approved October 13, 2011
- Alteration Project #10-061Hoopeston Community Memorial Nursing Home approved November 4, 2011
- Permit Renewal #10-004 Grand Crossing Dialysis 12 month renewal approved November 4, 2011
- Permit Renewal #09-067 FMC West Batavia: 13 month renewal approved November 4, 2011
- Permit Renewal #10-012 FMC River Forest: 12 month renewal approved November 4, 2011
- Permit Renewal #10-001- FMC West Willow: 12 month renewal approved November 4, 2011
- Permit Renewal #07-114 Good Samaritan Home Quincy 18 month renewal approved November 11, 2011
- Permit Renewal # 11-063 Proctor Hospital 10 month renewal approved November 19, 2011
- Permit Renewal # 11-009 Sedgebrook Health Center 6 month renewal approved November 19, 2011
- Permit Renewal # 08-078 South Loop Endoscopy & Wellness Center 6 month renewal approved November 19, 2011
- Alteration Project #11-005 Touchette Regional Hospital approved November 19, 2011
- Abandoned Permit #08-033 Foot Surgical Center approved November 28, 2011

7. ITEMS FOR STATE BOARD ACTION:

A. PERMIT RENEWAL REQUESTS

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

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

B. EXTENSION REQUESTS (none)

C. EXEMPTION REQUESTS

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

D. ALTERATION REQUESTS (none)

E. DECLARATORY RULINGS/OTHER BUSINESS (none)

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

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

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

H. APPLICATIONS SUBSEQUENT TO INITIAL REVIEW

Item	Class	Opposition	Facility	City	Number	
H-01	Sub	Yes	ARA-McHenry County Establish a 12-Station ESRD Facility	McHenry	11-016	_____

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

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

I. APPLICATIONS SUBSEQUENT TO INTENT TO DENY

Item	Class	Opposition	Facility	City	Number	
I-01	Sub	No	FMC-Lockport Establish a 12 Station ESRD Facility	Lockport	11-022	_____

RECESS

DAY TWO

1. PUBLIC PARTICIPATION SIGN-IN - 9:30 A.M.

2. CALL TO ORDER: Wednesday, December 7, 2011, 10:00 A.M

3. ROLL CALL

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

Item	Class	Opposition	Facility	City	Number	
I-01	Sub	Yes	Mercy Crystal Lake Hospital Establish 70-Bed Acute Care Hospital	Crystal Lake	10-089	_____

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

Item	Class	Opposition	Facility	City	Number	
I-02	Sub	Yes	Centegra Hospital-Huntley Establish 128-Bed Acute Care Hospital	Huntley	10-090	_____

4. EXECUTIVE SESSION

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

5. COMPLIANCE ISSUES / SETTLEMENT AGREEMENTS / FINAL ORDERS

Referrals to Legal Counsel

- Highland Ambulatory Surgery Center – discontinued facility without a permit

Final Orders

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

6. OTHER BUSINESS

7. RULES DEVELOPMENT

8. NEW BUSINESS

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

9. ADJOURNMENT

FOR TRANSCRIPTS OF THIS MEETING CONTACT:
Midwest Litigation Services
15 South Old State Capitol Plaza
Springfield IL 62701
217-522-2211

10. NEXT MEETING

January 10, 2012 Location: TBA

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

11. FUTURE MEETING DATES

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

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

STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 West Jefferson Street, 2nd Floor

Springfield, Illinois 62761

217-782-3516

OPEN SESSION

DAY 2 -- DECEMBER 7, 2011

Open session of the meeting of the State of Illinois Health Facilities and Services Review Board was held on December 7, 2011, at the Bolingbrook Golf Club, 2001 Rodeo Drive, Bolingbrook, Illinois.

PRESENT:

Dale GALASSIE - Chairman
Ronald Eaker
John Hayes
John Burden
Alan Greiman
Kathy Olson
Richard Sewell
Robert Hilgenbrink

ALSO PRESENT:

Courtney Avery - Board Administrator
Cathy Clarke - Assistant
Frank Urso - General Counsel
Juan Morado - Assistant Counsel
Michael Constantino - IDPH Staff
George Roate - Staff
Bill Dart - IDPH Staff
Claire Berman - IDPH Staff
David Carvalho - Deputy Director, IDPH
Michael C. Jones - IDHFS
Michael Pelletier - IDHS

Reported by:

Karen K. Keim
CRR, RPR, CSR-IL, CRR-MO
Midwest Litigation Services
401 N. Michigan Avenue
Chicago, IL 60611

START TIME: 10:03 a.m.

CHAIRMAN GALASSIE: Good morning, ladies and gentlemen. Welcome here. We are back in order from our recess as of yesterday. We hope there's enough seating, and we apologize if there's not, but please try to make yourselves comfortable, if you can.

For those of you that were not here yesterday, we made a readjustment to our agenda. I somewhat apologize for that. One of our difficulties in our current mode of operations is that public comments at the meetings -- it's difficult to project how long public comments are going to take, so balancing our agenda the last few meetings has been a bit of a challenge. As a result of that, in just a few minutes we are going to be going into Executive Session, which is later on our agenda, but we needed to move it up because there was Board business we needed to go into today. We anticipate it will take about 30 minutes. So, we will clear the room, and you have about 30 minutes to do whatever you need to do.

That having been said, I'm going to ask Counsel Juan, if you would read for us -- we're going to start out by reading our public comment guidelines, so people understand the rules of the game as they are.

If you would, please, sir.

MR. MORADO: The Open Meeting Act requires that any person shall be permitted an opportunity to address public officials under the rules established and recorded by this public body. The following is the procedure which the Health Facilities and Services Review Board will adhere to for today's proceedings.

If you have previously participated in any public hearing or submitted written comments for the projects listed on today's agenda, please respect that you will not be allowed to repeat your previous comments. Each Board member has received and reviewed all related materials. In order to accomplish other agenda items, each speaker will be allowed a maximum of two minutes to provide their comments. Please understand that when the Chairman signals, you must conclude your comments. Inflammatory or derogatory comments are prohibited. As stated in the guidelines, the Board asks that no more than three persons representing the same organization provide testimony regarding the same project. Public comment for each speaker is limited to testimony for one project or issue. The Board asks that you please make sure that all comments are focused and relevant to the specific projects on the current agenda. Again, all comments should not be

repetitive nor disruptive to the Board's proceedings today. Speakers who do not comply with these guidelines will not be allowed to provide comments at the Board's open meeting.

CHAIRMAN GALASSIE: Thank you, Mr. Morado.

Also, keep in mind these guidelines follow public hearings that have occurred on these issues typically, and certainly in this case.

I would like to take a moment to introduce our esteemed Senator Pamela Althoff from District 32. She would like to speak to the Board for a few minutes, and in deference to her schedule, we've asked that she come up early.

Good morning, Senator. Welcome here.

MS. ALTHOFF: Thank you. Again, thank you very much for the courtesy this morning.

Good morning, Chairman GALASSIE and Members of the Health Facilities and Service Review Board. My name is Pamela Althoff and I am the State Senator for the 32nd District. Prior to redistricting my district encompassed McHenry County, and both the Centegra Hospital and Mercy Crystal Lake Hospital and Medical Center applications, if successful, would be filled within this district. In the interest of full disclosure, I have submitted a letter in support of the Centegra Health System's proposal, but I am

not here today to comment on that project, nor am I here to comment on the Mercy project. I am, however, here today to share with you what I hope to see from this Board on all CON projects, those before you today and those that will come before you in the future.

I address you as an interested, informed member of the public and as one of the State Senate Republican members of the Illinois Task Force on Health Plan Reform. As you may be aware the Task Force was created by the General Assembly following the public outcry over the corruption that scandalized and plagued the predecessor board. At this time, many were calling for the outright elimination of the CON Board and process. Again, in the interest of full disclosure, I was not one of those proponents. I feel this Board, this process, can assist the State of Illinois in planning and providing accessible, quality, affordable healthcare for our residents. It can choose to serve as a senior partner with a stake in our healthcare providers in producing these quality healthcare systems for all of our residents.

Over many months and many hearings, the Task Force evaluated and reassessed the CON planning process. We then prepared recommendations for the legislation to overhaul the process and reconstituted this board. Our

final report is posted on your website, and I trust all of you were provided and read the document. I would, with all due respect, like to take a little bit of liberty here and iterate the Task Force's main reform goal, as I will be referencing it again. "To promote the distribution of healthcare services and approve the healthcare delivery system in Illinois by assuring a predictable, transparent, and efficient CON process."

I respectfully request you note that our goal, your goal, my goal, the State's goal is to promote the distribution of healthcare services. Many critics of the CON process see the process as a barrier to entry that unduly restricts the availability of healthcare facilities and their services. The General Assembly and the Governor reformed the process with the goal of better, consistently applying rules and standards to promote the distribution of quality, affordable, needed healthcare facilities and services throughout our state. To obtain this goal, we, the State of Illinois, must have a predictable, transparent, efficient, and consistent CON process. A major failing of our predecessor board, along with the scandal of criminal activity, was the lack of consistent, predictable, and transparent decisions. Arbitrary action can undermine public confidence in State Government, just

as much and in some cases more than illegal action.

Ladies and gentlemen, consistent, predictable, transparent decisions require that if you have rules and standards, you follow them. Board regulations have the force and effect of law. They are not negotiable guidelines, and they are not to be arbitrarily applied. For example, you have a rule that requires new hospitals to have a minimum of 100 medical/surgical beds; yet you recently approved an application for a new hospital that is not in compliance with that rule, while denying another applicant that was in compliance. Perhaps there was something different about that project, but if interested, informed people, like me and other members of the Task Force, cannot see it, I am confident that the public and probably even the other applicants can't see it either, which in my estimation defeats the sole purpose and recommendation of the General Assembly's Task Force on Health Planning Reform.

Predictable, transparent, consistent decisions also demand that a project in substantial conformance with a published, established criteria and standards be approved and, conversely, those who are not in substantial compliance be denied. I again note, the Board has approved projects that are substantially non-compliant, as noted on

Staff's written reviews or evaluations of the application, while other projects who substantially met the criteria and receiving a more positive evaluation were denied. Decisions like these examples do not help those of us who yet feel the CON review can and should be a viable process to establish, expand, and modify the State of Illinois' health facilities services and related capital expenditures.

I do not have a seat at your table, nor do I have a vote on these applications. These decisions are and should be yours. My hope, ladies and gentlemen, is that your decisions are guided by the main reform goal identified by our -- my -- Task Force and embedded in the Amended Planning Act, which is -- and I said I'd repeat this -- to promote the distribution of healthcare services and improve the healthcare delivery system in Illinois by ensuring a predictable, transparent, and efficient CON process.

I thank you for accommodating my request to address the Board on these very important considerations. As an engaged and active participant voting on the prevailing side of both the Task Force and the subsequent legislation, I feel I have a vested interest in ensuring we, the Board, the State, and our healthcare providers, in

fact, are meeting our State reform goal. I appreciate your consideration. Thank you very much for the courtesy.

CHAIRMAN GALASSIE: Thank you, Senator. Have a good day. Certainly consistent, predictable and transparent goals are what we all want to achieve. It's that efficiency one that scares me a little bit. Thank you very much.

That having been said, I believe we are prepared to move into Executive Session. Can I have a motion to move into Executive Session?

MR. HAYES: So moved.

MR. HILGENBRINK: Second.

CHAIRMAN GALASSIE: Ladies and gentlemen, we ask that you clear the room, and we will be moving into Executive Session, based on Sections 2(c)(11), 2(c)(5), 2(c)(21), and 2(c)(1).

(Recess from Open Session)

(Executive Session held)

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START TIME: 11:05 a.m.

CHAIRMAN GALASSIE: Thank you very much for your patience. Again, good morning, those of you that weren't here. There are -- we're sorry that the seating is what it is. It's a capacity crowd, as you all know and understand.

Let me start by saying that we -- one of the challenges of managing this process is having a public testimony portion within the meeting itself, as opposed to public hearings. Those of you that were here to hear Senator Althoff earlier, we have a strong desire for transparency, and we truly do, from public hearing process to public statement process here at the meeting. That having been said, we have designed rules that we hope respect everyone. So, we've asked that you limit your comments to two minutes. We will let you know when two minutes is up. We do it respectfully. We mean it respectfully. With respect to all of the other individuals, some of us tend to talk longer than others, and we simply don't have that flexibility.

There's approximately 25 individuals that have asked to speak here this morning to this issue, both in support and/or in opposition. When we call your name -- we

will actually call two or three names, asking you to sort of cue up, if you will, and just come right up to this table. There are microphones. You'll introduce yourself and spell your name for our recorder. You will not have to be sworn in. And, again, we will try to cue three or four people up at a time, to keep things moving for all of you.

MS. OLSON: Mr. Chairman, could we just reiterate one more time -- if you've submitted something in writing, we've read it. Please do not come up here and read it again. We have a long day ahead of us, and I'm going to stop you. I've read it all, and I don't want to hear it again. Something new.

CHAIRMAN GALASSIE: Perhaps not that we don't want to hear it again, we just don't necessarily think it's necessary.

MS. OLSON: Okay. I stand corrected.

CHAIRMAN GALASSIE: Thank you very much.

Let's start the public hearing.

MS. AVERY: This is the Mercy Crystal Lake Hospital testimony to support the project, and the order that I would go in is to keep going with all of the supports and then the opposition. There may be one or two that's out of order, because we're missing a couple forms that we tried to keep in numerical order.

(Upcoming speakers identified)

CHAIRMAN GALASSIE: Also, we have at least two individuals that have asked to testify both in support and in opposition. Take your pick. You don't get both. Thank you very much.

I believe we are going to hear from Mr. Dan Colby.

MR. COLBY: Good morning, Mr. Chairman, Members of the Board. My name is Dan Colby. I live in Harvard, Illinois, and I am here today speaking for the project, the Mercy project.

This project has been before you for about a year. It has generated two public hearings, all-day hearings. It has generated, of course, public comment at these meetings. You've read thousands of pages of testimony. You have thousands of support letters and petitions and every other media involved. So, I am not here to waste your time today with more details on what the project is. But I do want to mention two things.

One, your rules do say that there is a bed need in this county, in the A-10 county, and we have the proposal for the right hospital at the right location at the right time, taking care of the patients in that area.

And, two, this is a project that brings $115

million of Wisconsin investment to Illinois, to create 800 construction jobs and 1,000 healthcare jobs right now, when we need it.

So, in the interest of time, I thank you for your time, and I have nothing more to say.

CHAIRMAN GALASSIE: Thank you, sir.

Mr. Tom Jensen.

MR. JENSEN: Good morning. Thank you. My name is Tom Jensen. I work for Mercy Health System, and I've been asked by Legacy Healthcare Consultant's Brett Turner to read a letter.

"To whom it may concern: My name is Brett Turner. I am Managing Principal of Legacy Healthcare Consultants, based in Lake Zurich, Illinois. As a healthcare planner for 25 years and concerned local resident of the area, I want to express my support for the Mercy project in Crystal Lake. I am writing this letter to reinforce the reasons for the Health Facilities Review Board to approve this important project.

One, the result of the 2010 U.S. census and the persistent melee of the local economy remind us of the juxtaposition between remarkable population growth, which McHenry County enjoyed during the last decade, especially in the densely-populated southeast corner, including

Crystal Lake, and how rapidly the economic downturn slowed current population gains to the area. Fortunately, the large number of residents who moved to the area have stayed, producing the largest unmet need for new healthcare hospital beds in the state.

Mercy has modified its project to a scope and cost that is prudent and comparable in size to most new hospitals being built in the Midwest. In my opinion, Mercy made a very responsible decision to downsize its proposed project to a more affordable level."

MR. MORADO: Thirty seconds.

MR. JENSEN: "It now will offer a needed healthcare resource to residents that are sure to operate at or near capacity from the time it opens.

Since the Health Facilities Review Board does not undertake a comparative review process, I am sympathetic to the difficult position the Board faces with two new hospital projects under review in the same county at the same time. As a planner, an ideal scenario for the current and forseeable future for healthcare in McHenry County is one that will include a new, smaller Mercy hospital in Crystal Lake and for Centegra Health System to reconsider its previously-approved women's center project at Centegra Woodstock. As a healthcare planner and area

resident, that is a vision for local healthcare that we can all be excited about.

Sincerely, Brett Turner"

CHAIRMAN GALASSIE: Thank you, Mr. Jensen.

Mr. Fredrick Wickham.

I apologize if I'm not pronouncing anyone's name correctly.

MR. WICKHAM: Good morning. Thank you. My name is Fred Wickham. I'm a 40-year resident of Crystal Lake. I served on the Crystal Lake City Council for eight years and for one year on the Crystal Lake Zoning Board.

Seems apparent to me that there are two primary issues regarding proposals for a hospital in McHenry County. The first issue is the need for a hospital, and the second is determining the appropriate location. The need for a hospital in Crystal Lake has been clearly and consistently identified by the people in Crystal Lake. The need for a hospital in Crystal Lake is well documented. In an effort to get a hospital for Crystal Lake, a group was formed in the early 1960's, again in 1971, and in '73 a study was conducted. It was determined that a hospital was indeed needed in the Crystal Lake area. As a result of that study, the Sherman Ambutal property was annexed in to the city of Crystal Lake.

In July 1981, the City Council authorized two members of the City Council to arrange a meeting with government officials in Springfield for the specific reason to investigate the possibility of securing a local hospital. Then in November 1981, a Crystal Lake Hospital Association requested adoption of a resolution enforcing a hospital in the Crystal Lake area.

MR. MORADO: Thirty seconds.

MR. WICKHAM: That makes it short.

The point is that at least three times, the City Council has authorized a proposal for a hospital in Crystal Lake, on three different occasions over a period of many years and as late as this year, most recently made -- again approved a hospital for Crystal Lake. Clearly the Mercy Hospital System provides the best location, because it is bounded by -- it is approached by two different highways, major highways, Highway 14 and 31. Nearly everyone -- I'm shortening this as much as possible.

CHAIRMAN GALASSIE: Thank you.

MR. WICKHAM: -- believes a need for a new hospital exists, especially the people in Crystal Lake.

When all calculations have been made and all arguments have been presented, it is the people in the community that best tell us what needs exist and how to

best meet those needs. I recommend and I request that the Board approve this project that Mercy Hospital has presented, because it is in the best needs of the people in the community.

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Wickham.

Tamera Demodica.

MS. DEMODICA: Good morning.

(Upcoming speakers identified.)

MS. DEMODICA: Good morning. I hope, Ms. Olson, I can give you something you haven't heard.

MS. OLSON: Thank you. I appreciate it.

MS. DEMODICA: Would you please imagine for a moment that you are a self-employed person, such as I and my husband are, without health insurance, unfortunately. The following is a true account, backed up with documentation, regarding the path that I have taken that led me to the Mercy Health System.

My husband has many medical conditions that require us to purchase a lot of medicine. But don't worry. We're getting really great medical care with Mercy Health system. With my husband's health in need of constant monitoring, he requires regular blood tests. Many years ago we went to Centegra for a blood test and we had no idea

that this blood test would cost as much as it did. We asked before the test how much it would be, but no one knew the answer. So, we just assumed that it would be somewhere between 150 and 200. Wow, were we surprised. It was several hundreds of dollars more for just one blood test.

After receiving this ridiculous joke of a bill, I contacted Centegra's corporate and asked if there was a mistake. But it was not a mistake. This is their blank check policy they have not been held accountable for. I mentioned that I didn't have health insurance and I felt it was wrong to charge so much for a blood test, and their response was, "Well, we have to pay for our testing equipment and we're entitled to make a profit."

The following week I received a certified letter in the mail from Centegra, stating they will no longer serve my family, and it was signed with a generic title, all because I questioned the cost of a blood test. This is a model example of the state of our healthcare system that is currently in place in McHenry County.

MR. MORADO: Thirty seconds.

MS. DEMODICA: It's somewhat of a monopoly that we have in McHenry County. This is a democracy. We need the proper values. Future excellence of our community demands it. If you don't allow Mercy to build their

hospital, we will all suffer in the hands of a blank check policy Centegra. The other ones are geographically unsuitable. If you don't understand what I mean, then I'm sure that Mayor Shepley can explain it to you.

If we don't have Mercy Health System to balance the competitiveness, then there will be a black cloud over our community. As I have mentioned before, please allow us to have our freedom of choice.

Thank you.

CHAIRMAN GALASSIE: Thank you very much. Appreciate your comments.

We are now moving into individuals who oppose the project, and we'll be starting with Blake Hobson.

MR. HOBSON: Good morning. My name is Blake Hobson. I serve as a Board member on the McHenry County Economic Development Corporation. I'm also a small business owner in Huntley.

As a board, the EDC considered both the Mercy and the Centegra proposals. After discussion and evaluation, we decided to issue a resolution in support of the Centegra proposal. Unfortunately and ultimately, we decided not to support Mercy, and the reason is simple. The Centegra proposal is in the best overall economic interests of McHenry County. Crystal Lake is great, but

Crystal Lake is well developed and is already well served by existing medical facilities. A new hospital in Huntley, on the other hand, would put hospital beds where they're needed most. If you look at a map you will see that in the south central area of McHenry County, there's a void. This is exactly where our community is growing. In the 2000 -- since the 2000 census, Huntley has grown by 324 percent and CMAP further projects another 100 percent in growth by the year 2030. Right now there are 109,000 residents within a five-mile radius of Huntley.

A hospital in this location would address the needs of the under served and also foster significant economic development in that area. Further, as a small business owner I employ 45 people. Recently, we've had two injuries that required a hospital visit. The closest hospital to us is the Sherman facility in Elgin. That's a 25-minute transit time. The Centegra facility in Huntley would be less than five minutes. I'm concerned that that 20 minute delta, that 20-minute difference in transport time could mean the difference between life and death.

Finally, the board of our local newspaper, the Northwest Herald, concurred with the conclusions of the McHenry County Economic Development Corporation that the Centegra project was the right project for McHenry County.

As my realtor friends say, it's all about location, location, location, and the Centegra project is in the right location. The Mercy project is not in the right location. I urge you to deny the Mercy request.

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Hobson. Appreciate your comments.

Good morning, Ms. Lambert.

MS. LAMBERT: Good morning. I'm Karen Lambert, and I'm President of Advocate Good Shepherd hospital. Thank you, Chairman GALASSIE and Members of the Board for being here today. I believe you have a very important decision to make.

Opposing projects isn't something that, as a hospital president, I like to do, but I feel very strongly about both of these projects and the lack of need for either one of them today. We're here to address whether this new hospital or any new hospital is needed in McHenry County. We're here today as part of the Certificate of Need process.

Six months ago, you heard testimony, reviewed the record, and voted an Intent to Deny both projects in McHenry County, and I ask what has changed? Mercy has significantly reduced the scope of their project, and while

we appreciate their attempt to minimize the negative impact, we now have a proposed project that doesn't comply with your rules.

What else has changed? We have not seen the trend towards closure of hospitals anywhere in the area would create such a need. In fact, the opposite is true. Fewer people are utilizing hospital care than a year ago. I know that applicants will likely stress that the Board's revised bed calculation, which extended population projections to 2018, showed an increase and that now this is proof that a hospital is needed. On the same day that the Board released its bed inventory, it also released its 2010 AHQ data, which showed a loss of med/surg, ICU, and OB volumes, and as an example, Centegra McHenry 2,500 fewer patients in 2010 than in 2009. Centegra Woodstock saw less than -- I'm sorry -- 1,800 fewer patients, and Mercy Harvard continued at about a 28 percent utilization.

MR. MORADO: Thirty seconds.

MS. LAMBERT: This is a national trend, and it's not just a decrease -- just not unique to this area. The Board's recent 2010 AHQ data suggests there are now more empty beds in McHenry County than there were in June and that the applicants are proposing to build new hospitals when they can't fill the beds in the hospitals

they already have.

There really is no need at this time, and I hope that you'll vote again.

Thank you.

CHAIRMAN GALASSIE: Thank you very much.

Mr. Doherty.

MR. DOHERTY: Good morning, Mr. Chairman and Members of the Board. My name is Jay Doherty. I'm President of the City Club of Chicago, a 108-year-old civic organization in Illinois' premiere public affairs forum. I also operate my own public affairs firm. I was born in McHenry County, in McHenry, the second of 10 children. My eight sisters and my brother still live in McHenry County. My father, 85 years young, served as Mayor of McHenry for 12 years and then on the County Board for 20 years. Both of my aunts, Beatrice Newkirk and Virginia Williams, served on the Hospital Board of McHenry Hospital. My cousin, Chris Newkirk, served on the Centegra Board for 15 years. I am a board member of Misericordia Hope and have served on that board over 10 years. I was honored last year to receive the for Special Olympics, Chicago's highest honor, the Supreme Court Justice Anne M. Burke Award.

When Sister Rosemary, a Sister of Mercy nun, who has run Misericordia for 43 years, asked me to

represent the children and adults with special needs on the Illinois Task Force for Health Planning Reform, I agreed on the spot. Anyone who knows Sister Rosemary knows you always agree with her immediately.

We all know why that Task Force was created. Number one, it was illegal activity in 2004 involving a corrupt board member; number two, influence peddling; three, kickbacks; and on and on and on.

MR. MORADO: Thirty seconds.

MR. DOHERTY: Coincidentally, as our former governor is being sentenced for what the U.S. Attorney described as pay to play on this very day on this very hour, the same people who were at ground zero of that 2000 project are coming back with the identical project, a 70-bed Mercy Crystal Lake hospital. I know McHenry County. The need for new hospital beds is not in Crystal Lake.

Finally, I'm a graduate of St. Patrick in McHenry, 1967, educated by the Sisters of Mercy. Our principal was Sister Paulina, a close friend of Sister Rosemary at Misericordia and also a friend of Sister Sheila Lyne at the real Mercy Hospital at 2500 South Michigan Avenue in Chicago. One thing I learned about growing up in McHenry County, I know who the Sisters of Mercy are, and I learned who they are, and the Mercy Alliance is not the

Sisters of Mercy. You can be sure that if it were the Sisters of Mercy running the organization, it's Chief Executive Officer would not be pulling down $4.2 million a year.

I hope we will not see that replay of 2004 and that this time the Mercy Crystal Lake project is denied.

Thank you very much.

CHAIRMAN GALASSIE: Thank you, Mr. Doherty.

Mr. Mulay.

MR. MULAY: Good morning. My name is Mike Mulay. I'm the Controller for Sherman Hospital at Elgin. I'm here in opposition of the establishment of the proposed Mercy Crystal Lake hospital and medical center. We simply cannot afford a new hospital at this time, particularly in an area like McHenry County, which is already well served by the existing hospitals.

Healthcare in its present form is unsustainable, representing 17 percent of this nation's GDP. The question now becomes how do we get ourselves out of this issue without assailing future generations with more debt? The answer is not to build more hospitals, but to ensure existing hospitals are strong and provide high quality, cost-effective healthcare to those in need, particularly the most vulnerable in our society.

Sherman is a Regional Safety Net Provider. In 2010, we provided approximately 45 million in community benefits to residents, which included nearly 3 million in charity care and 41 million unreimbursed care to Medicaid and Medicare beneficiaries.

As I'm sure this Board is aware, all levels of government are under extreme pressure to slash projects, and healthcare is in the crosshairs. Just two weeks ago, the U.S. Congressional Joint Select Committee on Deficit Direction, otherwise known as the Super Committee, announced it was unable to come to an agreement on a deficit reduction strategy. As a result, an automatic two percent cut in Medicare payments to providers over 9 years will go into effect, starting in January of 2013. Furthermore, uncontained Medicaid spending has contributed to the State's budget deficit and has resulted in uncertain reimbursement and longer payment delays. As such, faced with increasing demand for safety net services --

MR. MORADO: Thirty seconds.

MR. MULAY: -- existing providers are under constant pressure to continue to do more with less. A new hospital will impair the ability of existing hospitals, such as Sherman, to provide vital safety net services to the region's most vulnerable residents. The proposed

hospital will be located in an affluent area of McHenry County and will draw higher paying Medicare and commercial patients away from existing hospitals. Hospitals like Sherman need these patients to subsidize the safety net services we provide to the region. Without them, we will be forced to scale back or eliminate many critical programs.

Ensuring the strength and ongoing viability of existing hospitals which provide a crucial role in the health of the region is more important than establishing a new hospital closer to residents. I urge this Board to deny the application for the proposed Mercy Crystal Lake hospital. Thank you for your time.

CHAIRMAN GALASSIE: Thank you, Mr. Mulay.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Good morning, folks.

Ms. Glosson.

MS. GLOSSON: Good morning. My name is Dr. Frances Glosson. I'm currently the Director of Community Learning Strategies and Integration for Centegra Health System. I'm here today though to talk to you about the Healthy Community Study and the MAPP Initiatives, because I was involved with that process and that project. I am one of the Centegra associates who worked on it. I interviewed

key informants and matched key informants to the interviewers. I can talk about it with first-hand knowledge.

So, we, Centegra, we were one of the five core members, and we helped fund the 2010 Healthy Community Study. We led the planning and participated in all aspects of the study, just as we did in 2006. Remember, MAPP stands for Mobilizing for Action through Planning and Partnership, and it takes dedication and commitment.

Out of the 2006 Health Community Study, the MAPP group was formed as a way to address what we are learning from the study. So, you probably are familiar with this model through the National Association of County and City Health Officials. It's community-driven.

I want to make it very clear to you that Mercy made the choice not to continue to work with the MAPP group. They did not fund nor did they task the project. They also made the choice not to participate with the initiatives that were identified. In the public hearing on the project in October, Mr. Richard Gruber stated that "I am here to represent the fact" --

MR. MORADO: Thirty seconds.

MS. GLOSSON: " -- that we're here to serve the communities that we represent in our application." He

continued to say, and I quote, "We carefully reviewed the study." Reviewing the study is not the same as funding the study, partnering with the study, commitment and dedication and tasking the results of the study. So, I don't need to tell this Board that it takes more than just a review.

I am here to say that Centegra has served this community for 98 years. They are committed. They are dedicated, and I'm counting on you to make the right decision for our community, McHenry County.

Thank you for your time.

CHAIRMAN GALASSIE: Thank you, Dr. Glosson.

Kelly Clancy.

MS. CLANCY: Good morning. I'm Kelly Clancy, and I'm the Vice-President of External Affairs for Alexian Brothers Health System.

Our hospital, St. Alexius Medical Center, is one of several regional medical centers that provide outstanding care for southeastern McHenry County residents. I'd like to start off by recognizing the vital role that the Review Board has played in determining the healthcare needs of the McHenry County area.

Just a few months ago, Review Board members decided, by an eight-to-one vote, to deny this Mercy application, essentially saying that there is no need for a

new hospital. The Review Board is considering this proposal again, and despite the fact that this revised application asks for fewer beds, in reality nothing has changed. Just as the Review Board heard in June when it voted to deny this application, this hospital would cause a needless duplication of services, hurt nearby medical providers, and increase medical costs for everyone. Right now there are, on average, more than 300 empty hospital beds available every day at hospitals in the southeastern McHenry County area, more than 300 per day, enough to fill a couple of community hospitals. It's obvious that this new project does not fulfill a need. There is no need.

It is never a good time to approve a hospital that is destined to be under utilized. It's especially bad today. Like most people in this room, I've seen firsthand how brutal the financial environment is for hospitals. Federal, state and local governmental entities are broke, and that means cuts are on the way, such as the two percent slash in Medicare payments announced just last month.

MR. MORADO: Thirty seconds.

MS. CLANCY: Those cuts by the Federal government, with the uptick in charity care and more people on Medicaid because of the economy, are a recipe for disaster. A new hospital in McHenry County would result in

too few patients spread among too many hospitals, and the healthcare trend is for more patients to receive care outside of a hospital, which will create even more empty beds.

I'd like to ask the review Board to take these factors into consideration and once again deny this hospital application.

Thank you.

CHAIRMAN GALASSIE: Thank you, Ms. Clancy.

Mr. Michael Splitt.

MR. SPLITT: Good morning. My name is Mike Splitt. I'm a resident of McHenry County. I want to take this opportunity to thank you all for being here today and hearing everybody.

McHenry County is a booming area, and I don't think you guys need to be told that so many times, but it has changed from miles of farmland with two-lane roads off of Randall Road, and now Randall Road, most of it is four lanes and up to eight lanes in some places. The farthest exit to McHenry County off the expressway, which would be Route 47, getting to the edge of McHenry County is now being expanded because of a phenomenal growth in the County, with a $69 million project that is set to start in a year or two because of the extensive growth out that way.

Route 47 and I-90 into Huntley is currently being widened because of this increased traffic need. This is exactly where the future is going to be in this county.

Speaking of growth, McHenry County is a community that has nearly doubled in population since 1980. As your bed-need projections show, our community needs have increased in access to inpatient care. There are already three acute care hospitals in the county, and all three are located in the north or central portion of the county. Mercy's proposed hospital in Crystal Lake is located in an area that does not need any additional services. In fact, placing a hospital there would put it within 10 miles of three other hospitals. McHenry County is over 600 square miles of space. Approving a hospital that is so close to the other facilities would not only jeopardize the utilization of existing facilities, but also deny the residents in the growing southern portion of the county close access to healthcare.

MR. MORADO: Thirty seconds.

MR. SPLITT: Centegra is the largest employer in the county with close to 4,000 associates. One of the examples of the second largest employer is Wal-Mart, who does a lot of studies on demographics. They have put a Super Wal-Mart there in Huntley, and they usually know

where all of the growth is, and we would like to copy that mindset.

The Crystal Lake Zoning Board of Appeals spoke to Mercy in 2003 about their plans for the hospital. Two of the existing Board members of the Zoning Board expressed concerns about Mercy's proposed site, which remains the same, the site being the same as it was before.

MR. MORADO: Please conclude your comments.

MR. SPLITT: Thank you. I would like to thank you in advance for accepting and approving the Huntley site, and thank you very much.

CHAIRMAN GALASSIE: Thank you, Mr. Splitt.

Mr. Ploszek.

MR. PLOSZEK: Hi. Good morning, everyone. My name is Mike Ploszek. I am the Vice-President for Ambulatory Services and Community Strategy at Advocate Good Shepherd Hospital.

Back in June, you as a Board approved the construction of the new 94-bed Shiloh Hospital in St. Clair County. The applicants for the new McHenry County hospitals will tell you that the application for the Shiloh Hospital in St. Clair County and the one here in McHenry County is the same. Folks, the applications could not be more different.

Dr. Burden, I know you were especially concerned that day about denying two new hospitals earlier in the day and then approving Shiloh, but please know that the applications could not be more different, and your vote back in June was not inconsistent in any manner.

First, approval of Shiloh Hospital reduced 100 beds at a nearby hospital, resulting in a net decrease for the Planning Area. In contrast, a new McHenry County hospital will create a significant increase in beds.

Second, St. Clair County, home for the new Shiloh Hospital, has more substantial needs than McHenry County. I just ask you to reference the board I just put up. Recently completed study by the well-respected and nationally renown Robert Wood Johnson Foundation ranked Illinois and looked at the overall health status of 102 counties in the state of Illinois. Their study shows, as you can see here graphically represented, McHenry County has a very high health status, ranked fourth highest in the state on health outcomes, seventh highest on health factors.

MR. MORADO: Thirty seconds.

MR. PLOSZEK: In contrast, St. Clair, as you can see, ranked 94th in health outcomes and 100th on health factors. As well, economically-advantaged McHenry County,

7th highest county in Illinois versus 99th for St. Clair.

One last very important point that I'd like to bring up about the relative need for a new hospital in McHenry County. As you have heard before, Good Shepherd Hospital is located less than 4,200 feet from the McHenry County planning border. If the border were located less than one mile to the east, Good Shepherd would be located in the same planning area of the new hospital. The beds at Good Shepherd meet all of the beds needed to meet the State's recently-adjusted bed-need calculation. So, what I'm saying is that if the border were located just 4,200 feet to the east, the bed need in McHenry County would be nonexistent for med/surg, for OB, and for ICU beds. And so is the location of an arbitrary County Board planning border the basis for saying we should conclude we should have another hospital? I would argue not. I believe there is no need for another hospital in McHenry County, both based on health status and prosperity and particularly considering that the State bed need would be nonexistent if the county border planning border were simply 4,200 feet further east.

Thank you, and I ask you to affirm the no vote that you made earlier this year. Thank you very much.

CHAIRMAN GALASSIE: Thank you, Mr. Ploszek.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Good morning, sir.

MR. ZANCK: Thank you. My name is Tom Zanck. Thanks for the opportunity to visit with you today.

I'm a life-long resident of McHenry County, Illinois. I've had a business in downtown Crystal Lake for more than 35 years, employ more than 25 people there, and have for more than 15 years.

I have followed the application process of these hospitals through the years. I'm familiar, as we all are, with the flawed application of Mercy in 2003. I opposed that application at that time. I oppose the application at this time.

As we know, in 2003 that application was thrown out by Judge Maureen McIntyre. The next application occurred nine days after Centegra made a large press release that was covered all over McHenry County, indicating they were going to file an application with you ladies and gentlemen for a 128-bed hospital in Huntley, Illinois. Nine days later Mercy filed an application for a similar number, a 128-bed hospital. In June, you turned that application down. Okay. What did Mercy do? Mercy went back and contrived their numbers, went back to their old application, which was thrown out by Judge McIntyre in

'03. Basically, Mercy is in a position where they're either pandering to the Board or they're just saying whatever needs to be said to attempt to get an application.

We all know in McHenry County, in Crystal Lake, that this is the same application that was thrown out in '03. It's the same people. It's the same location. In fact, even Chicago, Illinois, through the Tribune, wrote an article the other day linking the '03 application to this application.

MR. MORADO: Thirty seconds.

MR. ZANCK: Okay. Bottom line, when we have medical concerns in downtown Crystal Lake, my employees or I, we go north a few minutes to Centegra in Crystal Lake or we go west a few minutes to Centegra in Woodstock or we go east to Good Shepherd Hospital. We're adequately served in Crystal Lake, Illinois. The people who don't have hospital care, who are removed from it, are the people in southwestern Crystal Lake, the people in Huntley, western Lake in the Hills and Algonquin. I oppose this project. I urge you to approve the Centegra Hospital in Huntley.

Thank you very much.

CHAIRMAN GALASSIE: Thank you, Mr. Zanck. We appreciate your comments.

Ms. Angela Felton.

MS. FELTON: Can I have my daughter pass out something to each of you?

CHAIRMAN GALASSIE: Sure.

(Pause)

CHAIRMAN GALASSIE: Feel free to begin while she's passing those out.

MS. FELTON: My name is Angela Felton. I'm a resident of Huntley. I'm here to strongly oppose a Mercy Hospital in Crystal Lake. This is personal for me and my family.

On February 15th, 2011, my husband Tom Felton died because he did not have immediate access to a hospital in Huntley. That day he picked up our kindergartner from the bus stop, came home and collapsed on the floor. Tom was a big, strong construction worker, and when he fell, it was scary for me and my daughter and my daycare children. I immediately called 911, and when the ambulance arrived to assess Tom, they took him to Sherman, the closest hospital to our home. It took 20 minutes to get to Sherman.

When my daughter and I arrived at Sherman, Tom was sitting on a gurney in the hallway. I won't share the horrible details with you, but we were terrified by his condition. He received an x-ray and was rushed to CAT scan, where he coded. I watched the staff do CPR on my

husband. They worked on him for 30 minutes, but nothing could be done. Tom was pronounced at 6:32 p.m. He was 36 years old. My daughter did not have a chance to say good-bye to her daddy.

I strongly believe Tom would be alive today if there would be a faster access to a hospital. I think about it every day. What I hear people talk about the available beds in our region, I wonder if they know how often ER's that serve Huntley are overcrowded. If Centegra Huntley Hospital were in the community last February, I would still have my husband, and my daughter would still have her daddy. We had wonderful plans for our future that included making Kayla a big sister and growing old together. I don't want another woman to have to go through the pain I've suffered in the past year.

So many people are making this about big business, and I understand that it's not simple to propose a hospital and have it approved. Still, I want you to remember the real people this hospital will help, like my husband, like me, and like my daughter. I think people like us are the real reason my community deserves better access to a hospital.

I do not understand why the Board would consider putting a new hospital in a city that is already

currently served by three others within eight miles. The new hospital needs to be in Huntley, not Crystal Lake.

Thank you.

CHAIRMAN GALASSIE: Thank you, Ms. Felton. We appreciate your comments, and we certainly share in your loss. Good luck to you. Thank you.

Mr. Piekarz.

MR. PIEKARZ: My name is Lee Piekarz. I'm Senior Manager with Deloitte Financial Advisory Services. I've been asked by Centegra Health system to comment on the Mercy modified application.

Centegra's existing hospitals are located within eight miles from Mercy's proposed site. Based on Mercy's CON application and physician referral letters, the project is dependent upon large volumes of patients being taken from the two nearest hospitals, Centegra Hospital Woodstock and Centegra Hospital McHenry. In fact, 88 percent of the new hospital's inpatients would come from Centegra facilities. This is a significant majority of Mercy Crystal Lake's proposed patient base. Even though they downsized their proposal, their second proposal, physician letters and the resulting referral were not reduced. The loss in inpatient volume alone would have a material impact on Centegra and would reduce the system's

financial standing by approximately $11.7 million. To put that number into context, Centegra Health System's net income for 2010 was $3 million. Mercy Crystal Lake hospital would put Centegra in the red. Such a loss could jeopardize the current healthcare services they provide.

It is also important to note that the anticipated impact that Mercy Crystal Lake hospital would have on Centegra is not based on projections as much as it is based on the promise of Mercy physicians to divert their patients to their proposed facilities. Worse, many of the patients they claim will use the facility will have to drive past at least one existing hospital to get there.

MR. MORADO: Thirty seconds.

MR. PIEKARZ: I ask this Board to consider the impact of a new hospital in Crystal Lake, what it would have on Centegra Health System and the community at large.

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Piekarz. Are you the auditing firm for Centegra?

MR. PIEKARZ: No.

CHAIRMAN GALASSIE: And you were asked to present here by whom?

MR. PIEKARZ: Centegra.

CHAIRMAN GALASSIE: Thank you.

MR. PIEKARZ: That was in my first sentence, too.

CHAIRMAN GALASSIE: I'm sure. I didn't hear it. I just need to know how many people are representing the organization.

Good morning, Ms. Mitchell.

MS. MITCHELL: Good morning. My name is Sara Mitchell. I'm a proud and active resident of Huntley, a mother of six, as well as one of the top real estate agents in McHenry County and a Director and Past President of the Huntley Area Chamber of Commerce.

I'm sure you are aware Huntley has been one of the fastest growing municipalities in the Chicagoland area for several years. In recent years, we were considered the fastest growing school district in the state. I'm here today because I understand McHenry County and more specifically Huntley and the Del Webb Sun City community. I understand what it's like to work in local real estate, and more so than any other agent in the county, I understand the tremendous growth that in the area of Huntley and the surrounding communities, such as Lake in the Hills, Algonquin, southern Crystal Lake and Lakewood, as well as northern Kane County. I have sold nearly 800 homes in the last 11 years, and the majority of these homes

were in these communities. I see the growth in Huntley because it's my job to be heavily involved in the residential housing market.

Last year, despite the lackluster economy, the Village of Huntley issued a whopping 107 permits. Through just May of this year, they issued another 175 residential permits, not to mention the increase we've seen in recent resale home sales.

The Village officials have also worked with the Illinois Department of Transportation on plans for new and widened roads in our village. Right now they're completing a major project to widen Route 47, which runs through the heart of town, and in case you haven't heard, IDOT is now set to begin construction this spring on a interchange project at I-90 and Huntley.

MR. MORADO: Thirty seconds.

MS. MITCHELL: This massive project is not just a means of improving our roadway infrastructure, it's a catalyst for the future. It has never been clearer that the growth we've been seeing in Huntley is for the long-term.

Crystal Lake is already an established city, and it's already receiving quality healthcare. I ask the Board to bring a new hospital where it's needed most.

That's in Huntley, which will serve the people of southern McHenry County and northern Kane County. I strongly believe it's critical to the health and well-being of our community, especially considering the medical needs of Del Webb Sun City residents. This community has supported and financially helped the Village of Huntley and our school district, so I would love to see us help them in return.

Over the years, I've had hundreds of potential Del Webb buyers ask where is the nearest hospital. I look forward to the day that I can say, "It's right up the road." Please do not approve the Mercy Crystal Lake.

Thank you.

CHAIRMAN GALASSIE: Thank you, Ms. Mitchell.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Folks, as you speak, could you please pull the mic close. We have some technical issues. We can't turn it up any farther. Thank you.

MR. QUIGLEY: My name is John Quigley. I'm a 25-year construction management professional with about 15 years in the healthcare industry, and I'm going to speak about why the schedule that's currently proposed is not feasible.

I've reviewed the available information in the

applications and, as proposed, Mercy has -- I think they're substantially understated for their schedule time frame. They've represented a 30-month time frame from the issuance of the CON to project completion. We perceive that Mercy would be back to the Board, looking for a schedule extension, and I'll explain a few reasons why.

For clarity, project completion would be all the components fulfilled as stated in the permit and exemptions. First of all, the front end due diligence that is required is significant at both the local, county, and state levels between zoning and planning, storm work management, Department of Transportation, IDPH, and the Building Department. This is a prescribed process with the County, that they are sequential and not concurrent events, and with the large implications for the already congested roadways and a major departure from the residentially-zoned property to now a special use property, it would be at least twelve months to submit and review and publicly submit.

There's a traffic study that will certainly be required on two State roads. Again, they're already congested. The traffic study could not be completed until next year. It would need to be executed, negotiated, and the implications brought into the documents.

MR. MORADO: Thirty seconds.

MR. QUIGLEY: Document preparation would take from 12 to 14 months for a project of this size, based on recent healthcare projects and similar healthcare projects completed. The construction alone would take 24 to 30 months, with three or four more months for owner furnishings and medical equipment installation.

So, as presented, we don't believe that there is adequate time for delays in public approval, construction time, the inspections and the move-in, and if approved as it is, will not achieve the goals and will be unable to provide the needs for the community as the time table allowed.

CHAIRMAN GALASSIE: Thank you, Mr. Quigley. Dr. Alissa.

MS. EROGBOGBO: Good morning. My name is Dr. Alissa Erogbogbo, and I'm an OB/GYN with Centegra Physician Care in Huntley and in Woodstock. I oppose Mercy's proposed Crystal Lake hospital on the grounds that it will not meet the healthcare needs of my patients and others in the area.

Because Mercy has said it will employ most of its physicians at Mercy Crystal Lake hospital, the facility would only serve inpatients who see a Mercy physician.

Local residents who now see Centegra or Advocate independent physicians and want to continue to do so will not be able to use the hospital. 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. That eliminates a patient's opportunity to choose a hospital based on quality outcomes and patient experience.

Centegra Physicians Care's model puts the needs of our patients first. My patients can choose a hospital that is convenient to them and provides the level of services they need. That is and should always be the top priority of a health system. In contrast to Mercy's proposal, medical staff at Centegra Hospital McHenry and Centegra Woodstock include a number of physicians who are employed by Mercy. My patients from the Huntley area are those who need nearby access to a hospital, not those who are currently served by my colleagues at Centegra Physician Care in Crystal Lake.

MR. MORADO: Thirty seconds.

MS. EROGBOGBO: The women of southern McHenry County and northern Kane County need improved access to obstetric and gynecological services. Just as it mindfully considers its patients' needs, Centegra has carefully

reviewed and planned for the new hospital that best meets the needs of the region.

Please reject Mercy's proposal for a hospital. Thank you.

CHAIRMAN GALASSIE: Thank you, Dr. Erogbogbo.

Mr. Marston.

MR. MARSTON: Good morning. My name is Greg Marston. I'm the Village President of Pingree Grove. I'm proud to be here today as Village President of Pingree Grove in northern Kane County. Our population was 124 people in 2000. However, rapid development in recent years has resulted in explosive growth, and a recent census conducted in 2010 reports we're now approaching 5,000. The next decade, the population is expected to reach 15,000 people in Pingree Grove alone, which is directly south of Huntley.

There is a misconception that growth has come to a halt recently, and this is not true in Huntley or in Pingree Grove. In fact, in Pingree Grove alone, we've issued over 80 building permits in the last three consecutive years. We'll likely conduct another special census in the next couple of years to capture the recent growth.

As I had recently stated, the Village of

Pingree Grove is located just south of Huntley, just east of Hampshire. The village understands and respects the need to promote commercial and business activity in the village to balance the tax base of our beautiful residential community. To that end, the village is in the process of creating new businesses along Route 20 and 47.

I'd like to state that Crystal Lake is not the right place for a new hospital. It will not help my constituents. Please consider the residents of Pingree Grove in northern Kane County and vote no.

I support the Huntley hospital, the Centegra Huntley hospital. I'd like to add two quick things. I think that the Board -- I appreciate all of your efforts and your time today. I think that you have a great opportunity to support the Centegra Huntley hospital, which accomplishes two major opportunities. One, you have the opportunity to save lives. That's been mentioned earlier today. And, number two, you have the opportunity to create jobs. Jobs is something that the state of Illinois desperately needs.

Thank you very much.

CHAIRMAN GALASSIE: Thank you, President Marston.

Ms. Linda Deering.

MS. DEERING: Good morning. My name is Linda Deering, and I'm the Executive Vice-President and Chief Operating Officer for Sherman Hospital in Elgin, and I'm here again in opposition of the proposed Mercy Crystal Lake hospital and medical center.

While we certainly empathize with those who support the project -- everyone wants to have the convenience of a hospital in their back yard -- but we must consider at what cost that decision would be made, because the more we as taxpayers are supporting the duplicatives and unnecessary costs of hospitals, the less money there is available to fund other vital services, such as education, public transportation, and senior services. We all agree that this decision must be made based on need for this region and not based on public opinion. So, let's look at a local example of what can happen when we allow unnecessary duplication of services.

We sit right now just four miles from the last new hospital that the Board approved, which is the Bolingbrook Hospital. It was the first one approved in the state of Illinois in over 25 years and is an example of performance that did not live up to promised expectations and targets. In fact, Bolingbrook was approved in 2004, and since that time, the utilization has been trending

downward ever since they opened in 2010, three years after completion. Three years after completion the Bolingbrook's medical/surgical operations --

MR. MORADO: Thirty seconds.

MS. DEERING: -- are only at 44 percent utilization. They promised 139 percent utilization of OB. It's functioning at 38. They promised 68 percent utilization of ICU. Functioning at 55 percent. In fact, it's important to know that there were three hospitals within 30 minutes of the Bolingbrook Hospital, all of whom had reduced utilization. Within the Mercy Hospital, there are six hospitals who would very likely follow the same course of decreased utilization. We know that even the Bolingbrook hospital itself didn't meet the expectations and negatively impacted all of the surrounding hospitals.

MR. MORADO: Please wrap up your comments.

MS. DEERING: We believe that now is definitely not the right time to approve this Mercy Crystal Lake hospital project.

CHAIRMAN GALASSIE: Thank you, Ms. Deering.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Mr. Ryder.

MR. RYDER: Hi. I believe it's now time to say good afternoon.

So, my name is Doug Ryder, and I'm Vice-President of Operations and Service Lines at Advocate Good Shepherd. Thank you for your time today.

Our focus at Advocate is to continually improve the value of our patient care, enhancing quality while reducing costs. Most hospitals have been managing costs by decreasing labor and supply expenses. By now most hospitals have reduced expenses in these areas to the extent possible.

To lower healthcare costs, we need to be innovative and identify other avenues to improve value. A key strategy at Advocate is to provide patients with resources to stay in their home safely and avoid inpatient admission. I would like to share with you a few of our recently-adopted, innovative initiatives to keep patients out of the hospital, reducing costly inpatient utilization. This past year, Advocate hired 60 nurses to partner with primary care physicians. These nurses help both employed and independent physicians manage the care of our sickest patients to prevent hospitalizations and unnecessary ER visits. In today's world, physicians simply cannot dedicate the time to do this important work, because there is little reimbursement associated with such activities. Most of these nurses are embedded in physician offices,

serving as liaisons between these challenging to manage patients primary care physicians. These nurse can dedicate the time and effort to help these patients manage their illnesses, such as diabetes and high blood pressure. The nurses conduct activities such as arranging for transportation to appointments and ensuring that patients have their medications.

Also, most importantly, they regularly monitor the health status of these patients so problems can be addressed at the first sign of trouble, before a hospitalization becomes necessary. Also, another major --

MR. MORADO: Thirty seconds.

MR. RYDER: Another major source of hospital admissions is nursing home patients, and we have developed a structured approach to coordinating with our nearby nursing homes to keep patients in the nursing home versus getting admitted to the hospital.

As hospital leaders who have historically focused on inpatient care, we may wish that inpatient utilization rates would remain the same. But constant inpatient utilization rates are not reality and are not in the best interests of our patients in the communities that we serve.

Thank you for your time and consideration.

CHAIRMAN GALASSIE: Thank you, Mr. Ryder. Appreciate your comments.

Mr. Goldberg.

MR. GOLDBERG: Thank you. My name is Edward M. Goldberg. I'm the President and CEO of St. Alexius Medical Center in Hoffman Estates, Illinois.

St. Alexius is the primary provider of both Medicaid and charity care services to the less-advantaged residents of the far northwest suburbs. Last year 20 percent of the patients admitted to St. Alexius, one in five, were Medicaid, and nearly 3.5 percent were without any medical coverage whatsoever. We provided care to them for no charge.

The proposed Mercy Hospital would make it much tougher for us to attract the kind of patients who make it possible to subsidize charity care services to the truly needed. Mercy knows this, and what is interesting is Mercy faced a similar situation several years ago when it opposed a competing hospital's bid to build a location close to Mercy Hospital in Janesville. Mercy's CEO was quoted in the local paper as saying the new hospital would be a significant hit to Mercy's bottom line. The story also reported that Mercy was starting to cut non-traditional health services because of the expected financial hit.

Remember what the Mercy CEO said and think about how significant the financial hit for Mercy's Crystal Lake Hospital would be to the Alexian Brothers and the other providers for McHenry County residents.

At St. Alexius Medical Center, we serve the most vulnerable, whether or not they're in our primary service area. For example, we have Bonaventure House in Chicago's Lakeview neighborhood, offering housing for AIDS patients for more than 20 years. The Harbor is the only licensed recovery home for people with HIV/AIDS in Lake County. Bettendorf Place recently opened on the south side of Chicago as a supportive facility for people with AIDS/HIV, offering housing as well as job training.

MR. MORADO: Thirty seconds.

MR. GOLDBERG: All of those programs would be affected by the significant negative financial impact of the Mercy Hospital project. The same could be said for our building to serve patients at Alexian's new Children's Hospital, which will open in 2013, approved by this Board. More than half of the patients we serve will be dependent on Medicaid.

I ask that you, the Members of the Review Board, consider the negative ramifications of a new Mercy hospital and reject this Certificate of Need request.

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Goldberg.

Mr. Newkirk.

MR. NEWKIRK: Thank you, Mr. Chairman. Good afternoon, Board. My name is Chris Newkirk. I'm a businessman in McHenry County and a fourth generation resident of the county. My family has been involved in wellness and healthcare in the county as long as I can remember.

One of the most important aspects of a healthcare organization is that its culture and purpose are to serve the needs of the community. My observation of some of the decisions of Mercy's system indicate that they are more concerned about profitability of their organization rather than the welfare of the community. For example, Mercy has a hospital in Harvard. Even though they employ many OB doctors, they have refused to reopen the OB service in their facility, forcing patients who live in the Harvard area to travel elsewhere for these critical services. In my opinion, this was a decision for monetary reasons and not a community service decision.

I understand that they've had their doctors send you letters stating they would move all of their inpatient services from Centegra to the new proposed Mercy

Hospital. How can this possibly be a benefit to the community that these doctors serve? It can only be a detriment to the existing hospitals. We are a close-knit community. When we believe in a worthy cause, we do everything to ensure its success. As a local business owner, I understand how your vote today will determine an important component of our community's culture and identity for years to come.

In closing, I would like to see the people of Huntley have the care from a great organization such as Centegra, that cares about its community, and I respectfully ask you to deny the Mercy application.

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Newkirk.

Gary Overbay.

MR. OVERBAY: That's right. Good afternoon. My name is Gary Overbay. I'm the current Board Chairman of the McHenry County Economic Development Corporation and a 25-year resident of Crystal Lake. I also have a number of other affiliations and experiences that I believe give me a unique perspective related to the Mercy System's proposal for the new hospital in Crystal Lake.

In my professional life, I'm a principal at Civil Tech Engineering, a traffic and transportation firm,

and in that role, I've been the Village of Huntley's Traffic Engineer for the last 14 years. Our firm is also one of six traffic engineering consultants pre-qualified by the City of Crystal Lake to perform traffic studies for both retention of development and property within the city and also for the city itself. In addition, my firm has prepared travel time studies for both Mercy Hospital and Centegra on previous CON applications.

I also served as the -- on the Crystal Lake Planning Commission for eight years during the 90's, ending my tenure as Chairman.

Realistically it would be very difficult, if not impossible, for southeastern McHenry County and northern Kane County to absorb all of the additional healthcare capacity being proposed by both Mercy and Centegra if both of these proposals were approved. Understanding that to be the case, McHenry County Economic Development Corporation found itself in the uncomfortable position of having to take sides between two of our investors, Mercy and Centegra, both of whom had members on our Board. I believe this commission will ultimately find itself in that same unenviable position.

I'm here today to speak against the plans --

MR. MORADO: Thirty seconds.

MR. OVERBAY: -- for the proposed Mercy Health System to construct a hospital in Crystal Lake. My position speaks more to the desirability of the Centegra proposal rather than any shortcoming in the Mercy proposal. For me the major issue that makes the Mercy proposal less desirable than Centegra is simply its location. The proposed Mercy site is directly in the center of a circle of four hospitals, including NIMC, Centegra Woodstock, Good Shepherd and Sherman, and I don't believe many of the people living within this circle -- which has seen little population growth in the past 10 years, with little available land -- would consider themselves to be too far from a hospital.

Conversely, the Centegra facility proposed in Huntley serves an area that has seen explosive growth in the past 15 years and is poised for additional growth. It would also serve the area to the west of Route 47 along the I-90 corridor, and Toll Highway Authority has just announced plans for over a billion dollars of improvement to the I-90 corridor, 460 million of which are west of Route 47.

MR. MORADO: Please conclude your comments.

MR. OVERBAY: Thank you for your time, and good luck with your very difficult decision.

CHAIRMAN GALASSIE: Thank you, Mr. Overbay. We appreciate your comments as well.

(Upcoming speakers identified.)

MR. ANDERSON: Good afternoon. My name is Jim Anderson. I'm the Director of Risk for Centegra Health System. I have the privilege of supporting their clinical care providers, and they continually amaze me every day with the compassion and caring that they provide to our patients.

As a result of that, it has been rather discouraging to sit through these hearings and hear very unsubstantiated attacks leveled against Centegra, but I'm really here to talk about some of the unsubstantiated claims and facts that have been made in Mercy's application, as well as here. In point of fact, unsubstantiated pronouncements describe Mercy's application and its leaders' testimony.

In June of 2011, Mercy's CEO, Javon Bea, sat before you and gave sworn testimony that Crystal Lake is a community of 160,000 people without a hospital and emergency services. He claimed he was not aware of any other community in the state of Illinois that large who did not have their own hospital and emergency services. He may not have been aware of that fact, because there is no such

community. Crystal Lake has a population of 40,000. It is readily served by three hospitals, all providing emergency services, as you all know and are well aware.

Next Mr. Bea claimed the location of Mercy's hospital on the southeast side of Crystal Lake would be in the highest concentration of low income and elderly people in all of McHenry County. Dan Colby, also a Mercy executive, stood before you and said the exact same thing. However, the claim is simply not true. According to the 2010 census data, a percentage of Crystal Lake residents in poverty is well below the McHenry County average.

MR. MORADO: Thirty seconds.

MR. ANDERSON: In fact, the community in McHenry County that has the greatest number of people in poverty is Woodstock.

Even more egregious is Mr. Bea and Mr. Colby's claim that Crystal Lake has one of highest concentrations of elderly people in the county. Nothing could be further from the truth. The highest concentration of people over age 65 can be found in Huntley, where it's 29 percent. Crystal Lake is 10 percent.

At the end of the day, it comes down to believability. Mercy's claims in their applications and at these public hearings are simply not believable. As you

listen to the comments and the testimony supporting Mercy's project today, I ask that you approach them critically and remember these few examples I have provided to you today in judging that credibility.

Thank you for your time.

CHAIRMAN GALASSIE: Thank you, Mr. Anderson.

That now concludes the portion of public comment for and against this application, and I will now be asking the applicants -- we will be calling Item No. 10-089, Mercy Crystal Lake Hospital, wishing to establish a 70-bed acute care hospital, to the table.

MR. CONSTANTINO: Mr. Chairman, we had three comments on the State Agency Report we need to pass out to the Board members. These had been previously e-mailed to all of the Board Members last week. I believe they're all relevant comments and should be approved to be put in the record.

CHAIRMAN GALASSIE: Would you want to give us a -- could you give us a synopsis of those comments, Michael?

MR. CONSTANTINO: Sure. Do you want me to do that now or after I --

CHAIRMAN GALASSIE: Let's let these folks introduce themselves and be sworn in, and we'll come to

Staff report.

So the Board knows, we're hoping to deal with the application on this issue at this point in time, and we're anticipating breaking about one o'clock. So we'll see where we are.

Gentlemen, if you could please introduce yourselves and spell your name for the record, and we will then have you sworn in.

MR. BEA: Javon Bea.

MR. GRUBER: Richard Gruber.

MR. KNIERY: John Kniery.

MR. GRIKIS: Linas Grikis.

MR. STEIN: Sanford Stein.

CHAIRMAN GALASSIE: Good morning, gentlemen. If we could please swear them in.

MR. KNIERY: Excuse me, Mr. Chair. There are other members with us today. Sue Ripsch, VP of Mercy; Dan Colby, Mercy.

CHAIRMAN GALASSIE: Can we just see a show of hands, where these people are?

MR. KNIERY: Charles Foley, Tom Jensen, David Kurtz, John Cook, and Barb Bortner, and Ralph Topinka.

CHAIRMAN GALASSIE: We'll assume the people at the table will be representing you today.

(Oath given)

CHAIRMAN GALASSIE: I think we're prepared for Staff report, Mr. Constantino.

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

The applicants are proposing to establish a 70-bed hospital in Crystal Lake, Illinois. The applicants received an Intent to Deny at the June 2011 State Board meeting. Subsequently, the applicants modified the project. They reduced the number of beds originally proposed from 128 to 70 beds. They also reduced the costs of the project from approximately 199 million to 115 million.

CHAIRMAN GALASSIE: Mike, I apologize. So Board members know, the three items that were just passed out to you, when Mike is done with his presentation he's going to give us a synopsis of that, so we can follow this presentation.

MR. CONSTANTINO: They've also reduced the gross square foot from approximately 265,000 to approximately 163,000.

We also -- the State Board Staff also conducted two public hearings regarding this project. A public hearing was held in Crystal Lake on March 18th,

2011. 83 individuals were in attendance but did not provide testimony at that hearing. 52 individuals provided supporting testimony, and 68 individuals provided opposition testimony.

A second public hearing was held in Crystal Lake on October 7th, 2011. 56 individuals were in attendance but provided no testimony at that October 7th hearing. 36 individuals provided supporting testimony. 20 individuals provided testimony in support, and 4 individuals provided written opposition testimony.

At that June meeting, the State Board asked the applicants to respond to three items, which we provided to you as a separate Appendix to your State Agency Report. You asked for three things. You asked for a response from the applicants regarding the concerned hospitals, who are Sherman, Advocate Good Shepherd, and St. Alexius Medical Center's response to the initial safety net impact of the proposed new hospital on their hospitals. McHenry (sic) provided that response, and that is in that Appendix.

The second thing you asked for was you asked them to comment on the slow-down in growth in McHenry County. That is also included in that Appendix that is attached.

The last thing you asked for was for their

comments on the 2010 McHenry County Community Health Report. That is also included in that Appendix.

The State Board Staff notes in regards to this application that the applicants do not meet the requirements. There are existing facilities within 30 and 45 minutes of the applicant's proposed facility operating below the State Board's target occupancy. They do not meet the performance requirements of 100 med/surg beds in an MSA.

Thank you, Mr. Chairman.

CHAIRMAN GALASSIE: Thank you, Michael.

Who would like to address the Board?

MR. STEIN: Thank you, Mr. Chairman. Good morning, Members of the Board. Once again, my name is Sanford Stein. I'm an attorney from the Chicago office of Quarles & Brady, representing Mercy.

CHAIRMAN GALASSIE: Sir, I apologize for interrupting. I forgot we have three comments that need to be incorporated in.

MR. CONSTANTINO: I've labeled this as Item 1. That is the first comment. I really don't know what to say to this comment. Unfortunately, the applicants feel that I was not consistent in my analysis of this application and the analysis of the Centegra application. I want to assure

the Board that we attempt to treat all of the applicants the same. I know, as can be seen by the number of the people in this room, we have hundreds of supervisors, George and I, and we get comments every day explaining to us what we do wrong. I can assure everyone in this room that the Chairman, Courtney, David, and Bill have all made it a top priority for George and I to make the reports, improve the reports, and make them as consistent as possible.

CHAIRMAN GALASSIE: Thank you, Mike. Appreciate that.

MR. CONSTANTINO: The second comment we provided -- this is labeled Item 2. We provided you with the applicant's comment in regards to the Safety Net Impact Statement as Appendix 1. You've all had an opportunity to review that. I cannot quantify the impact this hospital will have on hospitals within that planning area or within 30 or 45 minutes. The statute asks if the proposed project will have a material impact on safety net services, if reasonably known by the applicant, and whether the proposed hospital will have an impact on the ability of other providers to cross-subsidize safety net services, if reasonably known by the applicant. The applicants, in my estimation, responded to that criterion in the statute.

They also note in that Item 2 -- made comments regarding past SARS is important information that the Board's current rules do not require the Staff to consider in our assessment for a need for a new hospital.

The third item, Item 3, the proposed project does not meet the criteria in 1110.3030, Clinical Service Areas, other than Category of Service, and the number of beds proposed is 70 beds and 56, which are medical/surgical beds. The State Board Staff did not think these changes warranted the need to republish this report.

Our current rules require the applicant provide their charity care information, and I believe they did this.

The third point, we did not consider a decision made seven or eight years ago in our evaluation on this establishment of a hospital.

Thank you very much.

CHAIRMAN GALASSIE: Thank you, Michael.

Back to you, sir.

MR. STEIN: Thank you, Mr. Chairman, once again, Members of the Board.

CHAIRMAN GALASSIE: The Board has a decision the make with these three comments. We can accept them, incorporate them into the record, or not.

MR. SEWELL: Mr. Chairman, I move they be incorporated.

CHAIRMAN GALASSIE: Motion to incorporate them into the record.

MS. OLSON: Second.

CHAIRMAN GALASSIE: Roll call, please.

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

Dr. Burden?

MR. BURDEN: Yes.

MR. ROATE: Mr. Eaker?

MR. EAKER: Yes.

MR. ROATE: Justice Greiman?

MR. GREIMAN: Aye.

MR. ROATE: Mr. Hayes?

MR. HAYES: Yes.

MR. ROATE: Mr. Hilgenbrink?

MR. HILGENBRINK: Yes.

MR. ROATE: Ms. Olson?

MS. OLSON: Yes.

MR. ROATE: Mr. Sewell?

MR. SEWELL: Yes.

MR. ROATE: Chairman GALASSIE?

CHAIRMAN GALASSIE: Yes.

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

CHAIRMAN GALASSIE: This was my concern about efficiency when the Senator was here. Thank you for your indulgence.

MR. STEIN: Thank you very much. You're sure now?

CHAIRMAN GALASSIE: Now we hope so.

MR. STEIN: Once again, we'll try again. My name is Sanford Stein. You've got that part, I think. Representing the applicant, Mercy Crystal Lake hospital. At the outset, we want to start by saying we are pleased that Senator Althoff addressed some important procedural matters by her remarks at the outset of today's public comment section, and we endorse those comments regarding consistent, predictable, and transparent procedures. We think that's important, obviously, for this board and every board.

Of course, the substance of your decisions is yours and only yours. It's based -- of course, based on the facts and the record before you. Senator Althoff's comments do not and should not address the substance of your decision making. That is a matter left in your hands.

As you well know persistent -- consistent with

your rules, the failure of a project to meet one or more review criteria shall not prohibit the issuance of a permit and, also, your rules unambiguously state that the failure to satisfy one or more of the criteria shall not prevent issuance of the permit. In sum, there is no single rule that is or ought to be a determinative factor, and the need for beds locally is and ought to be paramount to your decision.

MR. KNIERY: I'd like to add quickly, if I may, Mr. Chairman, Members of the Board, specifically I think there's an issue of competing rules. You have the 100-bed med/surg bed rule, but you also have the issue of need, which one ex-officio member questioned at the last meeting. Furthermore, you will hear in more detail that there are use rates that are not current. Currently, the bed need in place is using 2008 data, a three-year average, when, in fact, 2010 data is out and the three-year average is approximately six percent lower. That's not -- does not take into effect the current bed need.

So, we must be also consistent and transparent to the foremost indicator, in my mind, of need, which is your bed need.

With that, I'd like to -- on behalf of Mercy, we appreciate the opportunity to be here once again.

Although we are back from an Intent to Deny, we felt the last presentation and exchange with this Board was overwhelmingly positive, and we look forward to continuing this dialogue.

So, I'd like to have Mr. Bea make some initial comments and then Mr. Gruber address the substance of the application.

CHAIRMAN GALASSIE: Thank you.

MR. BEA: Thank you. Good morning.

CHAIRMAN GALASSIE: Good afternoon.

MR. BEA: Good to see you again.

December 29th, almost a year ago, we filed our Certificate of Need application for a $200 million project in Crystal Lake, Illinois. I remember this date, because it was near that time that Sister Sheila, CEO of Mercy of Chicago, came up to give the keynote address at Mercy, as we were naming a new hospital building after Sister Michael Berry, a Sister of Mercy that I replaced, and Sister Sheila was very pleased with the 100-year history, pictorial history that we had of the Sisters of Mercy involved throughout southern Wisconsin and Illinois.

At our hearing in June, as John said, we listened closely to all of you and what you shared with us as your reasoning for the Intent to Deny, and as a result

from what we learned from you, we actually responded to this. We went back and modified our application, and that's why our modified project is reflecting 70 beds and a 45 multi-specialty physician office building in Crystal Lake.

We had three critical reasons for doing this. First, it reduces the cost of the project by $85 million, which is clearly one of the stated intents of the Illinois Planning Act, which is to reduce the cost of healthcare to consumers. Secondly, the 70-bed hospital proposal was in line at the time with this submission, and we submitted it with the Bed Need Inventory as reported by the Illinois Department of Public Health, and subsequently that has changed, but our proposal remains -- which Mr. Gruber will address -- prudent and conservative to serve the 160,000 residents in the Crystal Lake area, which includes Algonquin, Lake in the Hills and Cary. These 160,000 people really only have one choice right now, and that's Centegra, because they control and dominate all hospital beds in the whole McHenry County and can dictate pricing as a result.

Further, it reduces, arguably, the overstated impact that this project will have on competing facilities, because we have reduced the size of the project, as was

addressed in some of the comments. The last time we came before you, we shared with you that we don't back away from those that are in need. At our Mercy Hospital in Harvard, Illinois, in 2000 -- fiscal year 2010, we provided $6 million in charity care. We also took care of 32,893 Medicaid patients. Across the entire Mercy System, we provided in 2010 almost $30 million in charity care, which represents two and a half percent of our net bottom line, and we anticipate this and plan for this concentration of charity care growing because of the needs that we've been able to identify in the Crystal Lake area, which I'll address in a moment. But our percentage right now that we provide in charity care is 150 percent greater than one of the opponents that spoke here, who happens to be the largest healthcare provider in the state of Illinois. 150 percent greater is the percentage of net revenue.

Seven years ago, when we looked at trying to fulfill the unmet needs in Crystal Lake, we calculated that there was a need, and it was interesting to hear some of the public comments that the need goes back, by the citizens, all the way back to the early 60's. That need has just increased over the last seven years, and it's been exemplified by the growth of our Mercy Harvard Hospital, the fact that we now have had to add 20 multi-specialty

clinics with 84 physicians in 12 Illinois communities over these last years.

Our plan meets the needs of the community in addressing acute care needs, hospital bed needs. We've chosen to locate our hospital on the intersection of Route 31 and 14, because it is the most densely-populated area in McHenry County that suffers from excessive traffic congestion. Everyone knows that the road infrastructure did not keep up with the population growth, so it's very, very difficult. We've had a lot of public testimony about people delivering babies in ambulances and other common things that have happened because of the congestion on Highway 14 and not being able to get to the outer area hospitals.

Crystal Lake is the home of the most diverse population in McHenry County, and it does have a growing geriatric population -- which we can demonstrate factually -- in need of easier access to healthcare services. In addition, the emergency medical responders currently face uncertainty about hospital bed availability because of the shortage of beds in the area and the roadblockage due to the inadequate road infrastructure as I just stated.

I think this project has faced over the last

eight years what I term the trifecta barriers, and that's the 100-bed guideline, the 30-minute service guideline, and the 20 OB-bed guideline. Historically, this trifecta has been a very effective barrier at protecting existing providers, to protect their turf, but it does deny consumers choice, no matter how hard it is for them to get to services, and I can say that we've had a lot of public testimony that if you're not feeling well, if you're the elderly or the low income, it's very difficult to get to the outer area hospitals. Moreover, frankly, it is a goal I think of the Health Planning Act to try to increase accessibility, and it's because of these trifecta barriers, the good residents of Crystal Lake, Algonquin, Lake in the Hills, and Cary have not had reasonable access to hospital services and emergency services. However, the fact is that none of these hospitals -- the opponents have stated here, "Boy, there's a lot of hospitals in the area." Well, none of these hospitals are readily accessible, if you talk to the people in Crystal Lake, especially those who don't have transportation.

The Mercy Crystal Lake project, we've tried -- based on what you told us in June and working with the Staff, we have really worked hard in making it the right sized project to serve the unmet needs of this area, and we

really hope that the Board will really consider the needs in the area and not get hung up on what has really been some old rules, the 100-bed rule, et cetera, that has really just served as a turf protector and denied consumers choice and cost competitiveness.

Thank you.

CHAIRMAN GALASSIE: Thank you.

MR. GREIMAN: Mr. Chairman, can we ask questions of them individually?

CHAIRMAN GALASSIE: Why don't we let them make their presentation, Judge, and then we'll open it up for questions.

MR. GRUBER: Thank you, Mr. Chairman, Members. Good afternoon.

Our project to build a hospital in Crystal Lake has really been a true testament, in my mind's eye, to the planning process. Before you, you have a project that's evolved into one that is in line with the Board's intent of the rule and the Act as any project that you've seen previously. It should be known that since the original State Agency Report was issued for this project, what was considered at the June meeting, the modified project before you now is in compliance with two additional review criteria: The size of the project under the general

view criteria, and the reasonableness of the project cost for a single line item. The project before you now is in total compliance, total compliance of Part 1120, Financial and Economic Review Criteria.

The trade-off, however, in the current State Agency Report was the new negative finding that this project did not meet the performance requirements of having a minimum 100-beds for medical and surgical purposes. This finding is the result of Mercy doing its modification of the project scope, which stems primarily from the uncertainty of the population model to be used and the lower average utilization that is shown in the 2010 three-year average, per the Board's rules. It is within this Board's purview to give one review criteria more or less credence, depending on the totality of the circumstances, as it did when the Board approved another hospital project located in a metropolitan statistical area that had less than a hundred med/surg bed complement, and was in worse shape both in terms of area, low average utilization, and excess beds that existed within that particular planning area.

However, to stay on point, 16 out of the 20 review criteria were found to be in conformance, 16 of 20 were found to be in conformance with the Board's rules.

So, I will limit my comments for the next few minutes to those potential findings.

Number one, Section 1110.530(b), Planning Area Need. If you look carefully at the criteria, you'll notice there are several indicators of need embedded within that review criteria. It appears that the Mercy project is overwhelmingly in compliance with these indicators. The State Agency Report concluded that Mercy met four of the five need indicators, holding that Mercy only did not meet the criterion that requires the applicant to look at the utilization of other area service providers within 45 minutes of the proposed project. No one in need of emergent hospital services, frankly, should have to travel that long or that far for medical care.

As we pointed out in our CON application and public hearing testimony, this project will provide access to a large and growing area that is under served by physicians, emergency and hospital services. This is demonstrated by several facts. First, the project will serve the largest concentration of existing population and patients. Second, the project will address the extensive out-migration of patients from Planning Area A-10. Third, the project will address the undocumented need for physicians in Planning Area A-10. Fourth, the project will

help address the under supply of hospital beds within the Planning Area, which is highlighted by the Board's revised hospital bed inventory numbers and the 2009 Henry J. Kaiser Family Foundation study, which states that McHenry County is 174 percent below state and national averages for hospital beds. By the State's own numbers, Planning Area A-10 has beds per thousand population of 1.0, as compared to the State, which has an average of bed per thousand of 2.6. Also, the U.S. average is 1.0.

Most importantly, however, this project will address the lack of emergency services for the density of the population that we're proposing to serve. Finally, the subsection of that review criterion at issue, Access to Care, can be satisfied if an applicant can demonstrate that there are access limitations due to payor status of patient; for example, Medicare, Medicaid, or charity care programs. As we have noted previously, in the 2010 McHenry County Healthy Community Analysis, cited by some of our competitors, the rapidly expanding number of Medicaid recipients in the county appear to be residing within the service area that we propose to serve. For example, in the year 2000, there were 6,293 residents in McHenry County on Medicaid, or 2.4 percent of the total population. By 2009, that number grew to 8 percent of the total population, or

25,623 residents. Most of that growth, we have documented to show, has occurred within the service area we propose for the Mercy Crystal Lake project.

The second criterion, 1110.530(c), Unnecessary Duplication of Services/Maldistribution. The Staff assessment of this criterion is similar to the assessment of the Planning Area need criteria; namely, all but one sub-criterion was found to be in conformance with the State norms and rules. Only one indicator of maldistribution -- utilization of area facilities -- is not in compliance with the State norms.

To address this issue of unnecessary duplication of services, Mercy has reduced the size and scope of our project to a point where it least impacts area providers and best addresses the lower projected population and nearly six percent reduction in hospital utilization that was reported for 2008, all according to your own State-released data. Based on Nielsen Claritas, Inc., McHenry County population estimates for 2010 and projections for 2015 and inpatient admissions for the period October 1, 2009 through September 30th, 2010, the largest number of McHenry County residents and hospital admissions are concentrated in the southeast area of the county. That's where our proposed hospital is going to be

located.

Additionally, this proposed project is a general, acute care hospital, offering community-based services to the local service area surrounding the facility. The proposed project will not provide tertiary care services. Thus, this project will not impact other area hospitals' ability to provide those tertiary care services. Mercy will work with the area tertiary providers to coordinate transfer of patients required for that level of service, and that's our commitment.

The project will also address the extensive out-migration of patients from the A-10 Planning Area. From the period July 1, 2009 to the period June 30, 2010, 53 percent of McHenry County residents received inpatient care outside of the county and 22 percent at hospitals outside the Defined Service Area. During the same period, 70 percent of the residents from the immediate service area -- that's Crystal Lake, Algonquin, Lake in the Hills and Cary -- received inpatient care outside of the county, and 21 percent at hospitals outside of our Defined Service Area.

The population growth of southern McHenry County will continue to drive the need for additional facilities. Mercy's proven track record of providing

higher quality care, lower cost healthcare services, via an integrated service delivery system will greatly reduce the out-migration from McHenry County.

The project will also address the demonstrated need for new physicians in McHenry County. The shortage of specialty physicians is one of the primary reasons that residents of McHenry County are leaving the county in order to seek medical care. McHenry County has a deficit of physicians. This is consistent with the national experience. Both the Council of Graduate Medical Education and the American Medical Association recognize a current physician shortage in the U.S. that will, frankly, only worsen in the years to come. As of January 1, 2011, Mercy Health System employed 76 full-time and 11 part-time physicians in northern Illinois, a major contribution of physician providers in the area. Mercy plans to add 45 new physicians in the Crystal Lake facility, which will assist in addressing the calculated need in McHenry County of nearly 50 physicians as of March 2010. These physicians will play a vital role in the future health of residents of McHenry County and, further, the operational model utilized by Mercy has been implemented effectively to recruit and retain needed physicians, thus helping the -- helping to reduce the out-migration of McHenry County.

I want to pause for just a second to make a point that needs to be made. It was stated by a number of individuals -- or at least two -- during this public comment process and several more during the public hearing process that Mercy would have a closed medical staff of Mercy Crystal Lake and Medical Center. That's totally contrary to fact and reality. Mercy will have an open medical staff. It's always been our practice and will continue to be our practice and that's always been our plan at Mercy Crystal Lake and will continue to be our plan at Mercy Crystal Lake.

Further, one has to consider the impact of health reform, which is somewhat unknown but at least somewhat predictable at the same time. For example, decreased inpatient admissions achieved because of an increased focus on outpatient treatments and preventative care could be offset, believe it or not, and even eclipsed by the increased inpatient population that has insurance coverage of some sort now and in the future because of healthcare reform. We projected that, notwithstanding the increased admissions currently occurring as a result of health reform in years one and two of operations of the project, admissions will be further impacted at a rate of five percent the first year and three percent the second

year over current rates because of the change in the total number of individuals who will be insured under the Health Reform Act. Mercy projects that other planning market -- other planning facilities within the area will see a similar impact.

It's because, in part, of the uncertainty surrounding the health reform and the fluctuating bed-need calculation for Planning Area A-10 that Mercy decided to modify our project and to modify the size downward. The conservative approach, we believe, will allow Mercy to meet the current demonstrated bed need in McHenry County. In addition, as additional need materializes in Planning Area A-10, Mercy is prepared to come back before this Board and propose expanding its Crystal Lake facility or, for that matter, work with other area providers to come up with a less costly alternative to meet those new needs as they arise.

Finally, as previously stated, the 2010 McHenry County Healthy Community Analysis sites expanding numbers of Medicaid residents in the county. In 2010, 30 percent of all Medicaid residents hospitalized in McHenry County lived in the southeast Planning Area, the southeast sub area. All of these residents, many without access to good transportation, must travel outside the area for

hospital services because they do not have a local hospital facility available. Mercy proposes to fill and serve that need and serve that population. In combination of these factors, it's our belief that in the long run, the area facilities will not be adversely affected by our project.

The third criteria, Section 1110.530(f), Performance Requirements. This is the criterion that was the trade-off to adhere more closely with the intent of the Planning Act instead of meeting the minimum bed criteria. Mercy feels that this criterion, while a good standard, may not be applicable today and certainly is not going to be applicable in the future. As we mentioned in our application, the review criterion originally appeared in the early 1980's and, in fact, it did show up in rules that we were able to research and find back in the 1970's. Since that time, as all of us hopefully are aware, the manner in which healthcare services has been delivered has changed dramatically and has resulted in smaller facilities being able to treat the same patient volume as some larger facilities that were required in the past. Specifically, environmental factors, such as the dramatically reduced or declining average lengths of stay, private rooms versus semi-private rooms, and the increased financial liability of smaller hospitals, have resulted in the fact that the

same number of patients can be served adequately by smaller facilities with fewer beds. The average length of stay for hospital inpatients has declined dramatically over the past 35 years, primarily due to advancement of technology and increase in outpatient procedures, and Medicare's implementation of respective reimbursement systems based upon Diagnosis Related Groups or DRG's that came back in October of 1983, and, finally, pressures of managed care reimbursements. As a result, a 70-bed hospital constructed in 2011 can adequately treat the same number of patients as a 100-bed hospital constructed in 1980. This point is further demonstrated when one compares the size of hospitals constructed in Illinois and four adjacent states, including Wisconsin, Indiana, Missouri, and Iowa, since the year 2000. Fifteen new general, medical/surgical, suburban hospitals have been built during this time period. You need to note that Wisconsin and Indiana do not have a Certificate of Need law, while Missouri and Iowa do. Those fifteen new general medical/surgical, suburban hospitals ranged in size from 32 beds to 143 beds, with the overall average size being 90 beds. Nine were built with less than 100 beds, while 6 were established with more than 100 beds.

Following the June 28th Board meeting, the Mercy leadership team really re-examined all of the facets

of our project. When we did that, more importantly, our reexamination took into account what we heard from you, the concerns that you raised. We listened very closely to what you had to say, and we've attempted to do, within this revised modified application, what we thought you indicated, be much more responsive to the needs that are there.

Also at the June meeting, this Board approved a hospital project at Shiloh that is also not in compliance with the State norms for the number of med/surg beds or OB beds for the project. Unlike Planning Area A-10, which has a calculated bed need, the other project's Planning Area had a tremendous bed surplus. In addition, a Board member even commented that many of the existing facilities in the service area had extremely low utilization rates. It appears --

CHAIRMAN GALASSIE: Sir, I'm sorry. I'm going to interrupt you. This Board has been instructed very closely not to do a comparative analysis. As you know, we have two hospitals in front of us today. So, the continued reference to Shiloh, truthfully, I find counter productive and, frankly, inappropriate.

MR. GRUBER: I apologize. I will not mention it again.

CHAIRMAN GALASSIE: Let's refrain from comparing Shiloh.

MR. GRUBER: I will not mention it anymore.

The fourth criterion I will address briefly is Section 1110.3030(a), Clinical Services Other Than Categories of Services. This criterion uses past physician referrals to project the ability to meet future utilization. The State Staff determined that since historic referrals were derived from the Planning Area, that the utilization of the proposed hospital will have a negative effect on existing hospitals. What this criterion does not look at is the ability of the applicant's capacity to bring in new physicians to the area, which will allow the residents of McHenry County the choice to stay at home to receive their healthcare as opposed to leaving the area. Mercy has a plan to recruit physicians and provide much needed services to the area, thus addressing the issue of out-migration and to further reduce the potential Impact on other area hospitals.

Additionally, the population projections supporting the project reflect an expanded population for the service area, and we've gone through those numbers previously, but we do believe that that service area will continue to grow, and we are the right hospital at the

right location at the right time to serve that particular facility. In combination of all of these factors, it's our belief that in the long run, the area facilities will not be adversely affected by this proposed project.

Let me conclude. The Certificate of Need process has many indicators of need. There's the utilization of area facilities, the ratio of beds to population, and the only forward-looking indicator of need, your bed-need calculation. When applying the Board's rules, other indicators of need become apparent, such as the area of heavy patient out-migration and beds per thousand for this Planning Area compared to that of the state of Illinois and the nation as a whole. 113 potentially under utilized beds out of 829 licensed beds are negligible in this particular area. 13.6 percent, I believe, is the calculation. Therefore, in our mind's eye, it appears that the area facilities are near appropriately utilized.

Second, another area that appears to present conflicting rules is the need to serve the Planning Area and the 30-minute travel time corridor. State Staff noted on page 20 of the State Agency Report that 83 percent of the expected patient volume is anticipated to come from the Planning Area. Furthermore, patient migration is normally

to a degree, as all county borders -- as all counties share borders. However, McHenry County has the highest outpatient migration rate as anywhere in the state, and we intend to address that issue and address it in a positive fashion.

When all of the criteria are viewed together, they illustrate, I think, a formidable picture of need for this project, a need that we hope you recognize. And with those comments we certainly are happy to address any comments you might have.

CHAIRMAN GALASSIE: Thank you very much. We appreciate your comments.

And I will now open it up to the Board, and I believe, Judge, you wanted to begin with a question or questions.

MR. GREIMAN: Yeah. You gave us a lot of statistics about what Mercy is doing, and one of the things that is curious to me is that there's been a 65 percent reduction of charity care patients from the year '08 to '10, 65 percent less, although it was a 30 percent increase in the cost of the 35 percent. So, the money went up that you spent, but the number of patients was reduced by 65 percent.

MR. KNIERY: If I may, Judge Greiman, one

issue is the reporting requirements. The way Mercy calculated that need is what drove the change. Also, you need to look at your own State's data profile for the Planning Area. It shows that the area net revenue for charity care is something less than 2 percent, where this project is proposing a charity care of -- committing to two and a half percent.

MR. GREIMAN: Well, yes, I understand that. My question is whether the reduction from 1,000 patients to 370 patients was a policy matter, or just you had less poor people walk in the door.

MR. GRUBER: To address that very specifically, Your Honor, there was a change in how we were required to report. Previously, we reported all applicants for community care, charity care, as well as those who were ultimate recipients. Under the new rules, we are now reporting those inpatients and outpatients that are actually receiving community care. So the number change, in terms of sheer patient numbers, is deceiving. Some people will apply and will not qualify, and how we calculate -- we were using the whole sum as opposed to those that qualify.

MR. GREIMAN: So does that explain why 1000 patients, possible patients costs four million six and 377

cost six million two? Is that --

MR. GRUBER: Again, you skew that denominator by virtue of having everyone who applied and then divide that against the total amount of charity care. If you reduce it to those who received the care, you have a much more accurate mathematical calculation.

MR. GREIMAN: Okay. Thank you.

CHAIRMAN GALASSIE: Other questions by Board members?

MS. OLSON: I have just a couple of questions. I wondered if you could respond to the gentleman who said that he does not believe that your time line is reasonable or feasible.

CHAIRMAN GALASSIE: Construction time line?

MR. SEWELL: Yeah.

MR. KNIERY: If I could make a comment first, I believe Rich can elaborate on it, but your process does allow for -- if we do see that we are running into problems, to come back before this Board to address those.

But, Rich, do you want to comment on the time line?

MR. GRUBER: At the same time, we put together a time line that calls for a completion of the project 30 months down the road, post your approval. We're confident

that we will be able to get through all of the necessary local and state regulatory approvals as it relates to planning and zoning. We have the planning in place, I believe. We have an excellent relationship with the communities, and we're confident we can address that in less than the 12 months that was suggested by the construction manager person. And, frankly, we are known to be very aggressive in our construction time lines, and we do that for a whole host of reasons, but the most important reason of all is we recognize that there is a grave need for additional access to quality healthcare services and the sooner we can become operational, the sooner we can address that need. We're confident, ma'am, that we can meet that construction time line.

MS. OLSON: Thank you. I think I heard you say that it's your belief that healthcare reform will increase inpatient utilization?

MR. GRUBER: It is. It is my belief that healthcare reform will ultimately increase inpatient utilization, and in a broad sense, the formula works like this: If you add approximately 32 million individuals to the insured ranks, those 32 million individuals now will have, with the insurance benefit available to them, greater opportunity to receive care within the inpatient setting or

even an outpatient setting. Consequently, when you add that additional number of persons into the mix, you will see a greater number of inpatient admissions occur across the board.

MS. OLSON: Just one other quick question. You alluded to the physician shortage. Do you not have any concerns that the building of a new hospital in the area will further dilute already the existing -- I mean, you can't just fabricate 45 doctors out of the air. Is there a concern?

MR. GRUBER: Our expertise, quite honestly, as a health system lies in our ability to work with physicians and recruit and retain physicians. We employ many physicians, nearly 400 physicians, across the System, and we employ them very successfully as a W-2 partner. We successfully built that particular network of physicians, and what it does is two things, in particular. One, it creates an environment where there's absolutely seamless ability for our physicians, whether it be entry point physicians, M.D.'s, I.M.'s, to work very closely with our specialists and provide the care that is needed in a continuity of care setting that ensures our docs, our hospitals, our managed care programs are in line.

The second thing, though, it does is, because

of the exceptionally sound relationships that we have in the process of making our physicians W-2 partners, physicians tend to talk, and as new physicians are coming into the area, they want to align with physicians that, frankly, they are happy -- that are happy physicians, and our system has proven to be one of those that has been successful in that point of integration, and the levels of satisfaction of our physicians is exceptionally high.

MS. OLSON: Thank you.

MR. GRUBER: And, by the way, I do want to comment that it is an open medical staff, as well. So, you'll have both Mercy physicians and other physicians within the area. If they want to apply for hospital privileges, we'll certainly consider them and hopefully admit as many as possible.

CHAIRMAN GALASSIE: Thank you.

Mr. Sewell?

MR. SEWELL: Yes. You have a small obstetrics unit at the proposed facility. Do you plan to do deliveries?

MR. GRUBER: Yes.

MR. SEWELL: Okay. What are you projecting, once you're operational, as to the volume of annual deliveries?

MR. GRUBER: I can pull that number for you. I don't have that immediately in front of me.

MR. SEWELL: Because it's a 10-bed unit.

MR. GRUBER: It is a 10-bed unit.

MR. SEWELL: At one time, the American College of Obstetrics and Gynecology had a recommended standard that if you're going to have a maternity unit, you have a minimum of 500 annual deliveries. Do you see yourself at that volume with a 10-bed unit?

MR. GRUBER: As I recall off the top of my head -- we're pulling the application as we speak. We did projections that do demonstrate that we will be, within a reasonable time frame, meeting the minimum standards for deliveries within the area. But give us a moment. We can pull that number. We have successfully operated smaller maternity operations in our critical access hospital in Lake Geneva, Walworth, and operated quite successfully there. But let me get the projection so I can address your question specifically.

CHAIRMAN GALASSIE: We'll take another question while the gentlemen are looking for the response to that.

MR. GRUBER: I have the response, if you're ready. On page 106 of the application, labor, delivery,

recovery, we're proposing to meet the State standard minimum -- the State standard minimum is 400 births per year, and we have met that standard. We'll have -- we are proposing 810 births. So, we've more than met the standards set up by the State and more than meet, by the way, that 500 number. It does reflect the shorter length of stay that exists today than what existed several years ago.

MR. CONSTANTINO: Mr. Sewell, they're required to document they'll meet the 60 percent target occupancy, and they did that.

CHAIRMAN GALASSIE: Thanks, Michael.

MR. GRUBER: Thank you, Mike.

CHAIRMAN GALASSIE: We are going to take a one-minute stretch.

(Recess)

CHAIRMAN GALASSIE: Thank you very much. We appreciate your indulgence. Our reporter needed a stretch. It's understandable.

I'm going to bring it back to additional questions from members of the Board for these folks. We have one member of the Board who stepped out and will be back very quickly. Any other questions?

MR. CARVALHO: There's both generic and

specific deja vu for me on this, because a few years back, you did have quite a few new hospital applications before you, and many of the same issues persist; in particular, the analysis of what is need. I think it's important for the Board to recall that there is no paramount standard for need. One of the speakers said that your rules are in conflict with each other and they are competing with each other. They are not. There are multiple perspectives on need, and none of them is paramount, and, in particular, the ratio of beds per population isn't even one of the criteria. But, oddly enough, that is one that keeps coming up in these applications, I guess in those applications.

MR. GRUBER: Mr. Chair, I'm prepared to answer a question when you have a question.

MR. CARVALHO: No, I don't have a question.

MR. GRUBER: You don't have a question?

CHAIRMAN GALASSIE: Mr. Carvalho is making a statement.

MR. CARVALHO: I'm here as an ex-officio representative for the Department of Public Health to offer perspectives on health policy. That's what I do. Okay? So, bear with me, because that's what I do.

I do have a question that -- well, let me just first offer the two perspectives on health policy. The --

you have several criterias on need. One of them is the inventory, as has been mentioned, but it is not your procedure nor your practice to treat the inventory as something where, bingo-bango, an application is turned down or accepted. You have other criteria relating to utilization of hospitals in the area and, as Mike indicated in the State Agency Report, by those two measures these projects fail. But, again, you look at all of them together. However, we know that inventory is somewhat artificially constructed. We know that the projections are off. They were antiquated in 2005. They projected population in 2010 that, in fact, hasn't been there. But, nonetheless, those are the projections that we continue to use. So, we know that one is off.

When there were multiple applications for hospitals many years back, one of the things I and others ended up saying over and over again is that this is a Certificate of Need process, not a certificate of want process. In every instance an application wants the project they bring before us. No one comes and says, "Please stop me before I build this project." But you aren't looking at what people across the street need or want, what the people down a few blocks from the site need or want, or people within miles need or want. You're

looking at what is necessary for the Planning Area and the healthcare system in the Planning Area.

It was suggested that some of these rules are designed to protect other hospitals, but I'd say they're not designed to protect them as hospitals for their own sake. They're designed to protect the healthcare system, which, of necessity, consists of other hospitals. So, these rules don't care about the hospitals as competitors or not. They care about whether the hospitals will continue to be viable within the healthcare system and provides the protection.

So, one of the roles that I often play is in defense of the rules. I just played that. The other one is, the reason I'm on the Board is to provide a policy perspective from Public Health. I, too, have been involved over the last several years on a lot of thinking about and actions relating to the Affordable Care Act, and I think there is a concensus developing that whatever the Supreme Court does or Congress does, the market will drive healthcare in many of the same directions that the Affordable Care Act seeks to; namely, increasing prevention and decreasing hospitalizations and redundancies in the healthcare system. I do think, from what I've seen and what I've seen from the Advisory Board and other respected

organizations, there will be a trend of fewer hospital beds, not more.

Again, there's one thing about averages. Maybe I've said it before, but you put one foot in hot water and one foot in cold water and on average you're comfortable. While on average you may see, especially in the short-term, an increase in hospitalization because of increase in people who are uninsured, you have to ask yourselves where will that occur? Where it will occur is where you have large numbers of uninsured persons who will be covered by the Affordable Care Act. Please recall that the Affordable Care Act will only cover citizens. So, where your uninsured populations are non citizens, the Affordable Care Act is not going to provide increased insurance, and while that may be a tragedy of the way the Act is written, it's also a reality.

Over the years, the Board has had a number of applicants for new green space hospitals in the greater Chicago region. None of them have met the criteria for need, and in every case, the Board has turned down the application, except one. Ironically, it was here in Bolingbrook, and the occupancy figures for that hospital for the last several years have been 30 percent, 39 percent, 44 percent. So, the impact on hospitals in the

region has been negative.

CHAIRMAN GALASSIE: We want to stay away from comparing, David.

MR. CARVALHO: These aren't comparing applications, Chairman. These are looking at the data. The data show that your need criteria, when looked at in totality, are pretty good at predicting whether something is going to be needed. That's the only reason I mention it.

MR. KNIERY: Can I address that?

CHAIRMAN GALASSIE: Briefly.

MR. KNIERY: I agree, Mr. Carvalho. I many times side with you in defending the rules. Your need has two major components: Use rates, which currently they're using the three-year average, so it would be 6, 7 and 8 from your data. You have up to year 10. Those show -- the three-year rate ending in 9, the three-year rate ending in 10 each show a decrease in use rates. I think also you had questioned --

CHAIRMAN GALASSIE: I'm going to stop you at this point. I'd rather let Mr. Carvalho continue -- he is counsel -- with his recommendations to the Board. Let him finish that.

MR. CARVALHO: I'll call myself done.

CHAIRMAN GALASSIE: Thank you very much.

I'm going to ask if there are any other questions on the part of the Board.

Did you want to finish that comment or are you comfortable?

MR. HAYES: I just had a brief comment. There appears to be a need for a project for hospitals. I'm hoping we can take -- learn from maybe two other hospitals that are recently approved in this area that were built and met the 100-bed standard and not -- I think those facilities are needed, but were 100 beds needed, is the question, and we have seen that they haven't been.

MR. GRUBER: And if I might, one last comment. In order for you to get the full picture of what this project represents and what it's all about, I'm not sure how many of you have taken the time to go up to Planning Area A-10 and look at it. What you see down here at the end of the table is a map that depicts the population concentration that exists within McHenry County, Planning Area A-10, and if you look to the southeast corner, the southeast quadrant of that particular map, you'll see it is nearly black, because that is where the concentration of people reside, is in that part of the county. As some people have characterized it, 160,000 people surrounded by

hospitals that are not easily accessible.

And I think in concluding, that gives you a better sense of what the community is looking for, what the community really truly needs. The growing area is there.

CHAIRMAN GALASSIE: Thank you.

Hearing no other questions from Board members, I'm going to propose a motion on Item 10-089, Mercy Crystal Lake hospital. The motion is -- I will be asking for the motion to approve Project 10-089 for the establishment of a 70-bed acute care hospital in Crystal Lake. Understand, a vote of yes is in support of this project, and a vote of no is in opposition of this project. Can I have a motion, please?

MR. SEWELL: So moved.

MR. BURDEN: Seconded.

CHAIRMAN GALASSIE: Moved by Member Sewell, seconded by Dr. Burden. Roll call, please.

MR. ROATE: Dr. Burden?

MR. BURDEN: Yes, I have purposely tried to refrain from saying too much, but now is my chance. It's now two and a half hours. I started off in a good mood, and I was dealt a little minor blow. I felt I was back in grammar school and the principal called me in for being a bad boy. I got a lecture of sorts.

I'm going to point out that I've been on this Board now for five years, and the guy who appointed me to this Board just got sent to prison for 14 years today. In his office were several lawyers who were patients of mine, who called me up and said, "We need a doctor on this Board; we've got a real problem and need somebody who has got business experience." My medical partner and I had the biggest beer distributor in the area you've been talking about. I'm no longer in it. He bought me out.

But for 14 years, I had a farm on 7924 Old Valley Road in the heart of Old Valley. I certainly know your community out there, maybe better than you do. I lived there, stayed there, saw the hospitals go up, encouraged facilities to come out to work at Northern Illinois down the street from me where my farm was, and I drive down 47. Now I don't even recognize it. Huntley has changed dramatically. Now, this is in my own personal background.

I'm inundated with data, details. I don't know whether the other Board members feel it, but I'm getting dizzy from listening to, shall we say, opinions that are not really in sync. So, I'm going to react to what I think I believe in, which is being truthful.

Three hospitals that are in front of us in the

last year are now combined, according to Crain's, and you can question the voracity of that news organization. I have several old patients of mine still claiming that they try to tell the truth. 1.3 billion dollars in long-term debt. And I'm well aware of the institutions that we thought we were supporting in a positive way, Sherman, Elmhurst and Silver Cross. I'm looking down the line, and I've heard comments about what might happen with Obama Care. No one really knows. The Supreme Court is going to tell us what is going to happen, and, indeed, if we do have what is built now, it's going to be a different landscape, no doubt about it.

But right now my attitude is need versus want. We have -- in this Board, I have seen numerous attempts to build, and now we're faced with mergers, major consolidations going on from large medical groups that have anxiety via what's coming ahead.

I am not convinced that the Mercy Hospital plan that you started with back in what was before I got on the Board. I am impressed with your perseverance. I'm certainly impressed with the amount of time you put up, the amount of data you present, the amount of detail. I lived in the area.

I remember going into the Squire down in the

middle -- on the rainy days and taking my five kids to get popcorn and a sandwich and go to a movie. So, I've traveled up and down. I remember the little nine-hole golf course across the street. I know where you're planning on building this, and I think it's a pretty dense area. A lot of people in real estate there remain friends of mine. This is all personal. Some of it is unfortunate that it's coming at the end of probably the third session we've had with this, and I'm not convinced, so I'm not going to vote for the Mercy Hospital plan, period.

CHAIRMAN GALASSIE: The record will show Dr. Burden a vote of no, in opposition.

MR. ROATE: Mr. Eaker?

MR. EAKER: I'll preface my vote by saying that it's a very difficult and almost impossible job to sift through all of the information that has been brought to our attention, so much of it in conflict, so much of it that tends to want to compare apples to oranges. I'm going to simply say that I cannot support your project from the consumer standpoint. I applaud the fact that you reduced the size of the hospital to save costs. I don't see where, though, it's going to really reduce healthcare costs. So I vote no.

MR. ROATE: Justice Greiman?

MR. GREIMAN: Well, frankly, I'm sort of disturbed by the response you gave relating to my question on the reduction of 65 percent reduction in charitable care and the answer -- I looked at the table of the other case, and they went from 1,500 to 2,200. So, they increased themselves by about 30, 40 percent where you decreased -- increased the cost but decreased the aid, and I'm a little disturbed by your answer. However, sitting on this Board, I've become a Libertarian, sort of, and I think you have presented some positions. I don't think the world is going to come to an end if you put $100 million into the commerce of the county and these two programs put almost $400 million at a time when we have critical economic problems. So, I'm going to vote aye.

MR. ROATE: Mr. Hayes?

MR. HAYES: My concerns here is that basically that the -- there does seem to be some competitive advantages here as well as some economic development possibilities here as well. I feel that these projects at about $400 million are important to the State of Illinois at this time, and I am willing to vote yes, to be able to put this project into the pipeline and to see how it goes in the future.

MR. ROATE: Mr. Hilgenbrink?

MR. HILGENBRINK: I don't believe that you've met all of the -- some of the conformance requirements of the review criteria, and I haven't really heard a compelling argument that would persuade me there should be any exceptions or variance, so I vote no.

MR. ROATE: Ms. Olson?

MS. OLSON: I would first like to say I have read everything that I've gotten my hands on. I spent a lot of time on this. I feel as though I've done my due diligence. I was at the hearing in Crystal Lake. I've listened. The one thing that I think I found most interesting was last Friday afternoon, when I picked up the Circuit Court of the 19th Judicial District, McHenry County ruling from prior applications, and because of that ruling and because I'm concerned for the other area hospitals that are below utilization, I have to vote no.

MR. ROATE: Mr. Sewell?

MR. SEWELL: I vote no. I don't think the project is needed. I'm concerned about the performance requirement on the size, and I would take issue with the lecture we received and the -- a little bit of the testimony of Mr. Stein. In the 80's, I was CEO of a local health planning organization in Illinois for HSA VII, and we made recommendations to this Board, the predecessors to

this Board. This Board makes findings. My board of my local group, many times when they recommended no and the State said yes, they pursued judicial review, and when they did, time after time the ruling by the judge was that the State may not violate a clear, unambiguous rule. Now, some of the things Mr. Carvalho mentioned add to ambiguity, such as the data of the need formula and those kinds of things. But there can be a single, clear, unambiguous rule that causes you to have a finding one way or the other. So I just wanted to put that out there, because it happened over and over again. It's in the record of the Cook County Circuit Courts.

MR. ROATE: Chairman GALASSIE?

CHAIRMAN GALASSIE: The Chairman is voting no, and for reasons -- rather than being redundant, I will say this: I think at another point in time in another location, this application could make great sense. I don't think at this point in time it meets the issues that I found, nor the community's desire. As a result of that, again I will be voting no.

MR. ROATE: That's six votes in the negative, two votes in the positive.

CHAIRMAN GALASSIE: Motion fails.

MR. GRUBER: Thank you very much for your

time.

CHAIRMAN GALASSIE: Thank you. Good luck to you.

We are going to recess for lunch. One can never predict the length of the meetings. We apologize to all, especially Board members. We will attempt to be back here at 2:30.

(lunch recess)

CHAIRMAN GALASSIE: Good afternoon. Thank you very much. We will bring this meeting back to order from a luncheon recess. Again, for those standing around, there are some empty seats up front in different areas, if you'd like to find them.

Again, out of respect to everyone here, we try to manage this process as well as we can and certainly for proper transparency purposes. We were under the impression when we broke for lunch that we had about 16 requests to speak. It turns out that there were additional requests to speak, totaling now of about 30. So we had to make a decision of which way to go, and the way we are going is we are going to allow for and against to speak. We are going to limit you to one minute. One minute is not a long time, so let me counsel you up front. For those of you who have got your three-page prepared statements, while you're

sitting there, go through your statements and see what it is you want to say to the Board. We don't need three pages of demographics, and I say that respectfully. We're hoping to hear what is new. We are hoping to hear who you are and what is your feeling on this project and why.

Again, when we give you timing, we will try to do it respectfully. I do apologize if we're cutting you off. The alternative is not allowing other people to speak, so we felt this was a reasonable approach to maintain transparency to this application.

We will move forward at this point in time. We will first start with public comment before we bring the applicants to the table. We will call off about four names, and we would ask that you cue up. The microphones are at the table. If I mispronounce names, I apologize up front, and when you do come to the table and you begin to speak, if you would simply spell your name for our recorder, please. There is no need to swear you in, because it's a public comment.

That having been said, we will start with opposition to the No. 10-090, Centegra Hospital Huntley, to establish 128-bed acute care hospital.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Mr. Brodine.

MR. BRODINE: Good afternoon, Mr. Chairman. Thank you for this opportunity. Warren Brodine, CEO of Chicago Family Health Center, which operates five FQHC sites in the south side of Chicago. We take care of about 27,000 patients. Most are on Medicaid. 39 percent are uninsured.

We work with Advocate Trinity and the whole Advocate System to care for these patients, and what would it mean for us if the Advocate System had to cut back on its care? It's our very life blood and survival. We deliver more than 800 babies a year on the south side of Chicago, the only reasonable L&D facility serving that community.

Why is this story important to McHenry County application? Advocate loses money every year providing this care on the south side.

MR. MORADO: Thirty seconds.

MR. BRODINE: And they rely on the entire network that they operate in order to subsidize that care.

I notice Centegra had an issue with Trinity testifying against this proposal. They said that, quote, "Advocate specifically contends it uses revenue from McHenry County to subsidize two of its hospitals in Chicago, and this is an absurd interpretation of the

Planning Act." The absurdity is to think that healthcare stops at a county line. Healthcare runs state-wide, and it's your job to ensure healthcare is available to all of Illinois.

Please disapprove the application. Thank you, Mr. Chairman.

CHAIRMAN GALASSIE: Thank you. We appreciate your comments. Thank you, Mr. Brodine.

Mr. Trent Gordon.

MR. GORDON: Good afternoon. My name is Trent Gordon. I'm the Director of Strategy at Good Shepherd Hospital.

Behind me you see three graphs. This first graph from Claritas shows the annual rate of population growth in McHenry County from 2000 to 2010. As you can see, the rate drops significantly and, in fact, the graph shows a decline in the actual population of the county from 2010 to 2011, which is supported by the submitted analysis of noted demographer and health planner Jules Cohen (phonetic).

Inpatient utilization has also been on decline, and this graph shows the decline of the three McHenry County hospitals. The newly-calculated bed need is still based on old rates, as was mentioned later --

earlier. If the 2010 use rates were used, far fewer beds would be required, and these downward trends are consistent with expert forecasts. The graph presented to IHA, based on the research of health actuarial firms, show that inpatient utilization rates would decline over the next decade by at least 20 percent, and these changes are due to a fundamental change in healthcare delivery.

In conclusion, given all of the forecast declines in inpatient use rates, volumes, and population, I ask you, does it make sense to add beds in an area with 347 available beds?

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Gordon. Appreciate your comments and your staff's excellent assistance holding up the boards.

(Laughter)

CHAIRMAN GALASSIE: Ms. Eileen Steiner.

MS. STEINER: Hi. I'm Eileen Steiner. I'm the Planning Manager of Good Shepherd.

You've heard about the population and utilization inputs to the bed need, and I'd now like to talk a little bit about another input for medical/surgical bed need, which is the recapture of out-migration. Most of the State's calculated bed need for McHenry County is to

recapture patients leaving the Planning Area. An out-migration adjustment makes sense when patients must leave the Planning Area due to a lack of availability beds. But this isn't the case in McHenry County. As you've heard, there are plenty of available beds in the county.

MR. MORADO: Thirty seconds.

MS. STEINER: Many travel one mile across the border to Good Shepherd, and, in fact, many residents in the Planning Area live closer to Good Shepherd than to the Centegra Huntley site. Adding 75 beds to the bed-need calculation for out-migration will simply duplicate the beds being used outside of the Planning Area.

Out-migration is not bad when it's due to patient choice, which is the case in McHenry County. In fact, applicant's own volume forecast is dependent on patients out-migrating from Kane and Lake Counties.

Most importantly, without the adjustment for out-migration, the bed need would be 75 beds fewer. To summarize, prudent planning suggestions that out-migration adjustment should be applied when residents have to leave the area due to lack of available beds. Since this is not the case in McHenry, the medical/surgical bed need of 114 is well overstated.

MR. MORADO: Please conclude your comments.

MS. STEINER: You've heard the bed need is overstated due to out-migration and high, outdated population growth rates and utilization rates. So, for these reasons, I suggest that these observations may help you reconcile the bed need based on the State forecast, in comparison with the actual 347 beds that are available in the area.

Thank you.

CHAIRMAN GALASSIE: Thank you, Ms. Steiner.

Again, we know we're rushing, folks. We appreciate your cooperation with this as well.

Mr. Richard Gruber.

MR. GRUBER: Thank you, Mr. Chairman and Members. While speed talking is not my forte, I'll try and go as quickly as I possibly can.

While we disagree with the Board's conclusion of the Mercy project, nonetheless the same standards and logic you used in denying the Mercy project should apply equally to the Centegra project. Accordingly, for the same reasons you denied the Mercy application, you should also deny the Centegra application.

Additionally, we first note that Centegra submitted no new information to justify overturning the Board's Intent to Deny. Normally at this stage in your

review, the Board should be focusing on what further evidence an applicant has put forward since the original Intent to Deny action, to justify approval of the application as being considered.

Second, the central argument made by Centegra to justify approval of this project, the new hospital, has been the population is growing so fast that there will soon be a need for additional beds in McHenry County.

MR. MORADO: Thirty seconds.

MR. GRUBER: At the same time, Centegra has argued that Mercy's Crystal Lake hospital proposal, which you just denied on the basis that there are no need for additional beds in McHenry County -- I just don't think that you can have that both ways, and that's what I would contend.

Finally, Centegra has provided extensive public hearing testimony that the Mercy Crystal Lake hospital project would have a catastrophic impact, to use their words, on its own hospitals. Centegra's officers testified at length at the October 7th Mercy public hearing about the devastating impact a new Crystal Lake hospital would have on their facilities, stating that the new hospital is, quote, "only viable at the expense of our existing hospitals," end quote. Doesn't that same argument

apply to Centegra Huntley?

MR. MORADO: Please conclude.

MR. GRUBER: In fact, their application shows a significant number of procedures being diverted from their Centegra facilities in order to justify the Huntley proposal. This whole argument, frankly, seems to me to be rather self-serving and certainly disingenuous.

Thank you for the opportunity to share some remarks.

CHAIRMAN GALASSIE: Thank you, Mr. Gruber.

Joe Ourth.

MR. OURTH: Yes, I'm Joe Ourth. I've got the privilege of representing Sherman Hospital, St. Alexius, and Advocate Good Shepherd today.

One of the things that you've been looking at on this is whether there's a negative impact on the existing hospitals. Judging from the debate that you had in June, I think what you'll appreciate is that you understand there is negative impact. The question that's difficult for you is to quantify that. How much negative impact is there? Fortunately, your rules provide for a basis for having to decide how much impact there is, and one of those bases is that your rules say that if there is an applicant for a new hospital, they shall provide

physician referral letters. Your rules say that, and it's information, quite frankly, that you're entitled to and that you should have. Even if you decide to ignore it, you should at least request and get that information.

While it's unusual to be sitting by Rich and agreeing with him on this, Mercy Hospital provided that, and what happened when they did is you saw that Centegra, as well as we, said, "Look at what the negative impact is." You can quantify it. While we may not agree on that, you can quantify it. 4,000 cases have been taken from existing hospitals. The Centegra application did not provide that. We think that it's clear that those regulations do require that, and while we acknowledge there may have been an exception for rapid population growth, what we did is after this argument did not get the attention that we think it merited, we had an independent population growth study done that said it does not meet the definition of your rules of rapid population growth. Maybe the population is growing up, but it doesn't meet that definition, and, consequently, there's no reason that there shouldn't be physician referral letters as part of that.

MR. MORADO: Please conclude.

MR. OURTH: Why does Centegra not want to supply those? It's fairly clear. If they supply those, it

would be very obvious what the outcome would be. Either they would not have enough letters to fill up their hospital, like they say they would, or they could do so only by decimating the volume of existing hospitals. We think that you need that information. You deserve it, and you should require that.

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Ourth.

(Upcoming speakers identified)

CHAIRMAN GALASSIE: Moving forward, Nancy Griffith.

MS. GRIFFITH: Good afternoon. I'm Nancy Griffith, and I've lived in Sun City Huntley for about six years. Thank you for giving me this opportunity.

I personally experienced the quality care at Sherman Hospital this summer when my husband had a pacemaker implanted. We could not have asked for better service. I am amazed that some of the residents of Sun City Huntley think it's an inconvenience to drive to Sherman, but they are willing to drive to Randall Road to save a few pennies in gasoline and groceries.

We have four or five convenient care facilities in the area, including --

MR. MORADO: Thirty seconds.

MS. GRIFFITH: -- outpatient services at the proposed Centegra hospital site. Do we really need a new small hospital? I would not want to use a small hospital when a larger hospital with more expertise is just a few minutes further. Since a smaller hospital would not have all services, such as open heart, I would not want to go there and then be transferred to another facility. That's really hard on the patient and the families.

MR. MORADO: Please wrap up your comments.

MS. GRIFFITH: Why would we senior citizens support a hospital that's going to create even more empty beds in the area?

I hope that the members of the Review Board will once again reject this proposal. Thank you.

CHAIRMAN GALASSIE: Thank you, Ms. Griffith. I appreciate your comments.

Linda Deering.

Can I just remind Board members, in case there is any confusion, we're seeing some of the same faces we saw before today. This is a new project, thus individuals have a right for public comment.

Ms. Deering.

MS. DEERING: Thank you. My name is Linda Deering, and I'm the Chief Operating Officer of Sherman

Health.

I'm just wondering how many of us had heard of the Village of Huntley prior to this proposal being introduced, and I think it's a germane question, because the population of that community is just 25,000, and we need to pay attention to the fact that there are at least 95 other communities in the state of Illinois that don't have hospitals, and they're much larger than the population of Huntley. So, it is not just because we want warrants the need.

I also want to point out in the state of Illinois, we spend as much money on healthcare expenses as we do education services, and so I beg us to consider --

MR. MORADO: Thirty seconds.

MS. DEERING: -- can we really afford to continue spending money on healthcare services which we think are largely duplicative of services already present.

Another crucial consideration is that healthcare reform is requiring that we decrease inpatient utilization and increase outpatient utilization. Why is it at this time of decreased utilization across our regional hospitals, we're looking to add more beds with healthcare reform is urging us to go in the complete opposite direction?

MR. MORADO: Please wrap up are comments.

MS. DEERING: In fact, nationally, inpatient hospitals have decreased 15 percent in the last 10 years, Illinois 5 percent, in Elgin 3 percent, and in McHenry down 10 percent. Those are facts.

Lastly, as I stated earlier, Bolingbrook is an example of unnecessary duplication, and I want to point out that their population is three times that of the area we're talking about today and they couldn't make their projections. What makes us believe that this one could? Clearly, now is not the time for another hospital in this region. We can always revisit this in the future, if and when there is a need and populations warrant.

Thank you.

CHAIRMAN GALASSIE: Thank you, Ms. Deering.

Karen Lambert.

MS. LAMBERT: Good afternoon again. Karen Lambert, President of Advocate Good Shepherd Hospital.

I know later this afternoon you're going to hear from many residents and community members in support of this project. I'd also like to acknowledge the many residents in the same community who are in opposition about this project and very concerned about the impact other hospitals. Due to the timing, they're not going to speak

today, but I would like to acknowledge those who are here today.

A new hospital project cannot be approved without adverse impact. You cannot just approve a new hospital and hope it doesn't have a negative one. In today's hospital environment, there will be harm, and I think --

MR. MORADO: Thirty seconds.

MS. LAMBERT: -- we all know that, despite what you may hear. If this hospital is approved, one of two things will happen: Centegra will have a struggling, half-empty new hospital; or will fill up and all existing hospitals will struggle with greater lack of resources. And very likely both will occur. There's not enough need for any other outcome. Creating more but weaker hospitals is not good health planning and not the reason the Board exists.

If, as you heard from Linda, there is a surge in inpatient utilization, Centegra can come back for a CON at that time. If, however, you decide to approve a new hospital and Centegra's forecasting is wrong, our area will be left with a $238 million half-empty hospital and several weaker hospitals. The damage is permanent.

Chairman GALASSIE, I agree with your earlier

comment.

MR. MORADO: Please wrap up your comments.

MS. LAMBERT: Now isn't the time.

Thank you. I hope you vote no on this project.

CHAIRMAN GALASSIE: Thanks, Ms. Lambert. And to those members of the community that came along as well and voiced your concern by standing rather than speaking, we appreciate that very much.

(Laughter)

CHAIRMAN GALASSIE: Mr. Floyd?

MR. FLOYD: Good afternoon. My name is Rick Floyd. I'm President and CEO of Sherman Health in Elgin, and as requested by Chairman GALASSIE, I'll just drop my prepared remarks and make two points from the heart.

The first is, make no mistake that a new hospital in Huntley will have a significant, damaging impact on all the surrounding hospitals, including Centegra's own Woodstock Hospital. And, secondly -- and this is to the concern that Dr. Burden made earlier -- Sherman is proud to have been an independent hospital for 123 years, community-governed, community-owned. A new hospital ten miles away from Sherman makes it much more difficult, possibly even impossible, to remain independent

as a result of the damaging impact.

That's all I need to say.

CHAIRMAN GALASSIE: Thank you, Mr. Floyd. Appreciate your comments.

MS. CLANCY: Thank you. Good afternoon. My name is Kelly Clancy with Alexian Brothers Health System.

I've seen many projects brought before this Board over the years, and recently quite a few of them have been mergers and acquisitions. I heard Dr. Burden say yesterday that this is a frightening time, and it is a frightening time for all of us, for providers and consumers. Everyone who is in healthcare planning really needs to strive for physical improvements and long-term strategic plans that emphasize efficiency and quality and avoid duplication. That job is even more difficult right now in the middle of an economic recession and a long-term slowdown in the housing market.

MR. MORADO: Thirty seconds.

MS. CLANCY: In short, this is no time to borrow hundreds of millions of dollars to build a new hospital in the middle of a well-served region, put existing hospitals at more risk, and reduce all hospitals' ability to serve the rapidly-growing under and uninsured population.

So, in closing, Centegra's proposed hospital for Huntley is unnecessary and an example of inefficient health planning. I urge you to not approve this project. Thank you.

CHAIRMAN GALASSIE: Thank you Ms. Clancy. I appreciate your comments, all of you.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Mr. Goldberg.

MR. GOLDBERG: My name is Ed Goldberg, and I'm President and CEO of St. Alexius Medical Center.

In his testimony against Mercy, Centegra's CFO said, "It's unacceptable to allow Mercy Crystal Lake hospital to enter the market simply to cannibalize Centegra patients, and that's exactly what would happen." Cannibalizing patients simply earn market share. That's exactly what Centegra Huntley hospital would do to other hospitals in the area.

Considering a project that would take thousands of patients every year from St. Alexius, Sherman, Advocate Good Shepherd, Provena, St. Joe would have a devastating effect on our ability to offer safety net and other services in the community. In McHenry County all hospitals are currently under --

MR. MORADO: Thirty seconds.

MR. GOLDBERG: -- utilized, according to state standards. National healthcare trends show that there will be fewer inpatient hospital stays in the coming year. In June, the Review Board members voted eight-to-one to reject the Centegra Huntley project. Nothing has changed. Please reject this application for a new hospital by Centegra.

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Goldberg.

MR. MULAY: Good afternoon. My name is Mike Mulay. I am the Controller for Sherman Hospital in Elgin. I'm here to oppose Centegra's plans for a hospital in Huntley.

Centegra Hospital Huntley should also be denied because it would endanger the region's vital safety net. In addition, Centegra cannot afford this new hospital. If it's built, it would jeopardize Centegra's financial viability. Centegra technically met the financial viability criteria per the CON when it provided evidence of an A bond rating from S&P, but that alone does not prove Centegra is fiscally fit. In fact, in August of 2011, S&P changed its outlook for Centegra from stable to negative, given S&P's concern about Centegra's high debt levels and decreasing operating margins.

MR. MORADO: Thirty seconds.

MR. MULAY: We can find more accurate indicators of Centegra's financial health through the Board's financial viability ratios. Based upon its 2010 audited financial statements, Centegra fails to meet four of these financial viability criteria, and it barely meets the remaining criteria. Centegra would be expected to fall below the Board's standards if the proposed hospital is built.

For more perspective, let's consider Morgan Stanley's recent analysis of several Chicago metropolitan health systems.

MR. MORADO: Please conclude your remarks.

MR. MULAY: Morgan Stanley found that Centegra ranked among and the least profitable and weakest health systems in the region, based upon operating margins, operating cash flow margin, cash on hand and cash at debt. Based on Centegra's current relatively weak financial position and proposed debt structure, Centegra's proposal makes no sense, except in the context of positioning for sale to a larger health system. It also clearly paves the way for the closing of the Woodstock Hospital.

I urge the Board to deny the application for the proposed Centegra hospital in Huntley. Thank you for your time.

CHAIRMAN GALASSIE: Thank you, Mr. Mulay.

That concludes twelve public statements regarding opposition to the Centegra hospital Huntley issue, and let the record show there was also approximately another 20 people who were here representing themselves in opposition, though they did not speak to the issue.

We will now be cueing up individuals who are in support of this application.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Mr. Sass.

MR. SASS: I'd like to thank you for the opportunity to speak once again in support of Centegra's request to build a new hospital in Huntley. I'm Chuck Sass, the Mayor of Huntley.

As I sit here today, six months later, that need has not changed. I believe Centegra has worked very hard to address the concerns you have expressed at your last meeting. Huntley has continued to grow, as has local support for the hospital. I've heard from area residents and businesses who are excited about the plans. Our community needs improved access to healthcare and, Centegra has the right location and vision to provide this to Huntley and the surrounding region. We stand strongly behind the proposal for Centegra Hospital Huntley.

MR. MORADO: Thirty seconds.

MR. SASS: We ask that those who claim a hospital isn't needed to look around in this room at the supporters -- if you want to stand up -- who aren't going to talk, and look at the population of our communities and look at the needs outlined clearly by the State health officials. Now is the right time. Huntley is the right place for a new, full-service, acute care hospital in McHenry County.

Thank you.

CHAIRMAN GALASSIE: Thank you Mayor. We appreciate your comments.

Mr. Gary Kaatz.

MR. KAATZ: Thank you, Mr. Chairman, Members of the Board Staff. My name is Gary Kaatz, and I'm President, CEO of Rockford Health System in Rockford, Illinois. I'm also the current Chair of the Illinois Hospital Associations Board of Trustees. I have served on the IHA Board with Centegra CEO Mike Eesley, and I support Centegra Hospital Huntley.

I commend Centegra for its sincere commitment to the people of greater McHenry County and northern Kane County. The process of building a new hospital, as you have seen today, is not necessarily for the faint of heart.

But Centegra's leaders have moved forward out of their dedication to the communities they serve. Although no one is certain exactly how healthcare reform will affect --

MR. MORADO: Thirty seconds.

MR. KAATZ: -- Illinois hospitals, we are left to predict the most appropriate ways to prepare for the future. To fully understand the needs of a community, the health system must have deep and far reaching roots. Centegra does more than care for the ill and injured in its region. It is a community partner that seeks to educate and to provide wellness, preventative health services to the people it serves. Centegra is the safety net services provider for Planning Area A-10. As an integrated health system, Centegra has developed the complete continuum of services to provide its patients seamless, high quality care.

I urge the Board to approve Centegra Hospital Huntley. Thank you very much.

CHAIRMAN GALASSIE: Thank you, Mr. Kaatz.

Mr. David Johnson.

MR. JOHNSON: Thank you. Good afternoon. My name is Dave Johnson. I'm the Village Manager for the Village of Huntley.

Over the course of the last year, I've sat

quietly through the public hearing process, listening to CEO's and CFO's, and now I can add COO's, and some of the best hired guns that money can buy speak in derogatory terms about our community. At times I found these comments to be insulting, and let me tell you why. Because we are a progressive community that is moving forward with the best planning practices. Huntley is one of only six communities in the state of Illinois that have internationally-accredited both police and fire services, and you'll hear from fire district representatives later. The other --

MR. MORADO: Thirty seconds.

MR. JOHNSON: -- communities include Naperville, Highland Park, and Wilmette.

During the last decade, Huntley was the fourth fastest growing municipality in the state of Illinois. In this year the US Census Bureau puts us only second to Naperville in the number of new residential permits issued so far in 2011. The State of Illinois has seen it fit to invest over $100 million in our community over the course of the last year in significant road projects that you've heard about.

Centegra is the healthcare provider that has invested millions in our community. We stand strongly and

passionately in support of the Centegra Hospital Huntley project, and I urge you to put the opponent's financial -- to not put the opponent's financial needs in front of the needs of the under served residents of our community.

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Johnson.

Mr. Brining, John Brining.

MR. BRINING: Thank you, Mr. Chairman and Board members, for the opportunity to be here today in support of the Centegra hospital proposal. I am the Executive Director of the Construction Industry Service Cooperation, and we represent all of the building and trades in the Chicagoland area, 140,000, and 8,000 contractors, many of whom are from McHenry County and from this region.

We look at this from a jobs perspective. I know you look at it from a needs perspective. But from a jobs perspective, we see the creation of 800 jobs during the construction process, 1,100 jobs after the project is complete and --

MR. MORADO: Thirty seconds.

MR. BRINING: -- with 30 percent unemployment in our industry, this is huge.

We look at the geography, we look at the

approval of the 90 interchange at 47 and the 90 improvements that only adds to why this is a viable project.

Centegra is ready to turn on the switch, ready to build, and we're ready to support those efforts. Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Brining. We appreciate your comments as well.

Mr. Gene Furey.

MR. FUREY: Good afternoon. Thank you, Mr. Chairman. My name is Gene Furey. I'm a Trustee in the Village of Lakewood. We are a residential community of 1,200 homes and about 3,500 residents, located in the population center of McHenry County.

When the initial proposals for the new medical facilities were announced, our board discussed the pros and cons of each at our meeting. We all agreed that the greater benefit to our village and its residents would come from the proposed Centegra site in the Village of Huntley, and passed a unanimous resolution to support that. Huntley, Lake in the Hills, Woodstock, and Crystal Lake share boundaries with our community. We recently annexed the areas adjacent to the intersections of Illinois 47 and 176 --

MR. MORADO: Thirty seconds.

MR. FUREY: -- and anticipate a great deal of future commercial and residential development in that area, which will increase our need for hospital services. The Centegra site is planned to be less than two miles from our Village limits.

If I may, I would like to tell you one aspect that is important to me. Some years ago I served as a firefighter in Newark, New Jersey and learned the value firsthand of emergency medical care. I learned how important the miracle hour is and in dire medical emergencies, life can hinge on a matter of minutes. Our village today has trained firefighters and EMT's, and many are paramedics. Our ambulance crews are staffed by paramedics and our police officers all carry defibrillators. In the last year, our fire crews have made 140 hospital runs, for a small village, and our Police Department was able to save two lives with the use of defibrillators.

MR. MORADO: Please conclude.

MR. FUREY: We need a hospital within minutes to ensure that the first responses continue as quickly as possible. As much as a hospital is a place for healing and delivering new life, the board believes that public safety

is an important responsibility and strongly recommend you support the Centegra proposal.

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Furey. We appreciate your comments as well.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Good afternoon, folks.

MR. GHERAN: Hello. My name is Michael Gheran. I'm a Junior at Huntley High School, and I support Centegra Hospital Huntley.

My family is deeply affected by this decision. My adopted brother, Charlie, who is six years old, was born addicted to drugs when his birth mother gave birth to him and DCFS took him into their care. He has 95 percent brain damage, cerebral palsy, a tracheotomy, a feeding tube and is cortically blind. Having a tracheotomy is extremely dangerous. If something were to go wrong, he only has minutes to live without oxygen. That is his life source. It scares me to death that the nearest hospital to my house is 25 to 30 minutes away. Not many people could hold their breath for 25 minutes.

On top of that, my mother has Type I diabetes that she has had since her childhood. As a complication for diabetes, she has developed gastroparesis. Basically

the nerves in her stomach don't work and she can no longer eat. She has a feeding tube, gastric pacemaker, a PICC line, and a ton of medicine.

She has gone to the Centegra Hospital Woodstock three to four times a week. It's my job to drive her there, and I have --

MR. MORADO: Thirty seconds.

MR. GHERAN: -- two jobs to support that, and I've had to quit them both to help my family.

Please vote yes to Centegra Hospital Huntley and know you are saving lives by doing so.

CHAIRMAN GALASSIE: Thank you, Mr. Gheran, and we certainly wish you well with those challenges you have in your home, and your hospital and community should be proud of you representing them here today.

Mr. Bernardi.

MR. BERNARDI: My name Dr. Pasquale Bernardi. Thank you, Mr. Chairman. I'm the Vice-President of Physician Services for Centegra Physician Care.

In March of this year, I came to McHenry County from Baltimore, where I was the Chief of Pediatrics for John Hopkins Community Physicians. I came because, as an integrated healthcare system with a strong mission to serve its community, Centegra was well positioned to be

successful in its efforts to navigate healthcare reform, and I wanted to be part of that. As challenging as healthcare reform is -- and that may be the one statement we all agree upon -- it is going to be a very good thing for our patients.

In this new model, healthcare providers are going to be competing against themselves and against national benchmarks to increase wellness and improve quality of care, patient satisfaction, all while using their general resources --

MR. MORADO: Thirty seconds.

MR. BERNARDI: -- in a more responsible manner. Centegra already offers a full continuum of services. In addition, the incentives for Centegra's primary care and specialty providers are aligned with Centegra's values and goals. A simple example of that, we are -- providers' compensation is integrating patient satisfaction scores, quality scores.

The growth projections tell us that southern McHenry County needs a hospital. Healthcare reform tells us that this hospital must be integrated in a system that is community-focused and able to manage all of its patient wellness and healthcare needs. This describe Centegra Health System.

Thank you.

CHAIRMAN GALASSIE: Thank you, Doctor. Appreciate your comments.

Mr. Chuck Ruth.

MR. RUTH: My name is Chuck Ruth. My grandkids are the sixth generation of our family that are proud to call Huntley home.

In the early 50's, a group of local farmers and Huntley businessmen pooled their money to build a small medical building for the sole purpose of luring a doctor to town. Today we join together to support a full-service hospital and hopefully make Centegra Huntley a reality. Centegra has long been a strong support of healthcare in the greater Huntley community. We need a full-service facility in Huntley.

I remind you of the current travel times to other facilities. It only seems logical that the Board would support a hospital that is needed and welcomed by a community, especially one that is home to the largest senior living community in the state of Illinois. Huntley Centegra would be governed by local community members --

MR. MORADO: Thirty seconds.

MR. RUTH: -- an executive team that lives nearby. To me this is of utmost importance.

Huntley needs, Huntley wants, Huntley deserves Centegra. I strongly urge this Board to vote yes.

CHAIRMAN GALASSIE: Thank you, Mr. Ruth. Appreciate those comments.

Dr. Goldrath.

MR. GOLDRATH: My name is Dr. David Goldrath. I'm an independent urologist on the medical staffs at Centegra Health System, Advocate Good Shepherd Hospital, and Sherman Hospital. I have many patients in the area that would be served by Centegra Hospital Huntley, and I fully support this project. I work closely with Centegra Health System on many projects, most recently developing a robotic surgery program, and I appreciated the support of my ideas and willingness to work with my practice.

Centegra's leaders approached this new program with the goal of answering one question: How can we best meet the needs of our patients and the community?

MR. MORADO: Thirty seconds.

MR. GOLDRATH: They've been passionate about developing a state-of-the-art service so that patients have access to the latest surgeries close to their homes. I've always found Centegra Health System to be approachable, easy to work with, and honest. While being fiscally responsible, the primary agenda has always been what's best

for the patients in the communities they serve. Centegra's team is also dedicated to continuous improvements so the community has access to not just a hospital but a hospital that's unmatched in commitment to excellence.

Because of my experience working with Centegra, I fully support its proposal to build a new hospital to care for my patients in southern McHenry County and northern Kane County. I recommend you approve this hospital today.

CHAIRMAN GALASSIE: Thank you, Dr. Goldrath. Appreciate that.

Mr. Ryan Farrell.

MR. FARRELL: Thank you. My name is Ryan Farrell. I'm a resident of the Village of Lakewood. I'm here today as a concerned citizen, but I think a little background would be helpful to explain my perspective.

I'm a lifelong resident of McHenry County; also work in Crystal Lake as a partner in a law firm, employing over 40 people. I'm an active member of the community. I serve as Chairman of the Crystal Lake Chamber of Commerce; I'm on the School Board for Crystal Lake; and I'm a Trustee for Leadership Greater McHenry County, an organization spearheaded by Centegra.

Everywhere I go, I see Centegra's footprint.

Their support of the community has been instrumental --

MR. MORADO: Thirty seconds.

MR. FARRELL: -- in making McHenry County what it is today. Centegra participated in over 500 events in the last year, as people won awards throughout the county, and has encouraged a culture of leadership.

My wife and I are raising two healthy sons in the Village of Lakewood, but I understand we can't take that for granted. Growing up in the southern end of Crystal Lake, my sister suffered from chronic renal failure. Two times that I can vividly remember she was rushed to the hospital, once for peritonitis and once for heart failure, and the doctors told her that if she was there minutes later, she would not have survived. Minutes matter in healthcare, and I don't believe that we have those minutes with the congestion in Crystal Lake anymore.

MR. MORADO: Please conclude your comments.

MR. FARRELL: I urge you to support this program.

CHAIRMAN GALASSIE: Thank you, Mr. Farrell. We appreciate your comments and your community support.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Welcome, Dr. Gerolimatos.

MR. GEROLIMATOS: Hello. Thank you for

listening to me. I am Dr. Spiridon Gerolimatos. I'm the Medical Director of Medical Imaging at Centegra, and I'm a very biased person. I am strongly biased towards this hospital, but I am biased in many things. I am biased towards the state of Illinois that received me when I came from my mother land. I am heavily biased towards the University of Illinois that gave me a degree in biology and chemistry. I am biased to being favored by the University of Illinois that gave me a degree in medicine and Presbyterian St. Luke's that gave me a degree in radiology.

MR. MORADO: Thirty seconds.

MR. GEROLIMATOS: My bias towards supporting Centegra is from my practice of patients, due to my position, and to the board in the ability to take a small hospital and develop it through the years to a very comprehensive, quality examination with leadership, courage and direction. I have already been present -- I am physically present in this community. We have an imaging center at Huntley with the imaging technology. We have provided a health center for the community, and now we are ready to address their deeper needs. I have personally given a number of lectures at Del Webb.

MR. MORADO: Please conclude your comments.

MR. GEROLIMATOS: I understand the education

and the intellect and the needs of the population, and I think we are uniquely qualified to deliver them, and Centegra has what it takes to make the so-called small hospital grow, as they have done with the other two facilities.

Thank you.

CHAIRMAN GALASSIE: Thank you, Doctor. Appreciate those comments.

Miss Hill.

MS. HILL: Hi. My name is Clare Hill. I am a community member here in McHenry County, and my family all moved here so we could be a part of a growing community. So, not only me and my brothers and siblings and their spouses, but my parents also.

January 21st of this year, my father suffered a heart attack in his home in Algonquin. It was 3.5 miles to the nearest EMT to get to him, get him, take him another 9.5 miles to Sherman Hospital. He did not make it. Had there been another hospital closer, the outcome may or may not have been different. We don't know.

MR. MORADO: Thirty seconds.

MS. HILL: But we did not just lose a father, we lost a community member who supported his community wholeheartedly, services, businesses. He kept his business

in this county. Not only did they lose but the neighbors lost, too, as we had to quickly get rid of a house that we could no longer keep or afford. When somebody dies unexpectedly when there could be a solution, it costs everybody in the community money.

A lot of these beds are empty in hospitals right now because people are out of work and they do not have insurance. We do need a closer facility for the people in southern McHenry County.

Thank you for hearing me.

CHAIRMAN GALASSIE: Thank you for your comments. We certainly are sorry for your loss.

Dr. John Burkey.

MR. BURKEY: Good afternoon. I'm John Burkey, and I'm the Superintendent of School District 158 in Huntley. Back in the 1980's, there was a really good movie called "Back to the Future," and at the end of the movie, the DeLorean rises off the street and goes off into the future and Doc Brown says, "Roads? Where we're going we don't need roads." And that's very true today, because as we move into the future, if we're going to be visionaries, we can't take roads; we have to design the map. That's something that we as a school district and Centegra have begun to partner on doing.

We're starting a medical academy in our high school, which currently has approximately 125 students.

MR. MORADO: Thirty seconds.

MR. BURKEY: This academy is going to open next fall. It's going to be a school within a school, and Centegra is a full partner with us in this. Our goal is, we want to provide a work force for the future that will be able to staff all of the medical needs. You know, there's no greater need in this country or no greater challenges than education and healthcare, and both of those areas take organizations that are leaders, that can map our way to the future, and in Huntley, we are doing that between our school district and Centegra, and together we are going to have a medical academy like nothing in the entire state of Illinois. We will be using "Project: Lead the Way" curriculum, which has already been approved, which is a nationally-rigorous medical curriculum. In the state of Illinois it is led by the University of Illinois in Champaign.

MR. MORADO: Please conclude your comments.

MR. BURKEY: In closing, I would just like to say that between us and the partnership we have in Huntley, we are truly, truly doing something that is going to be a model for the state of Illinois and, I believe, a model for

the entire nation.

CHAIRMAN GALASSIE: Thank you, Dr. Burkey. I suspect Board Members appreciate the reference to "Back to the Future" at 3:30, rather than more HSA statistics right now.

(Laughter)

CHAIRMAN GALASSIE: Ellen Ebann.

MS. EBANN: Good afternoon. My name is Ellen Ebann, and I am a Board member of the Family Health Partnership Clinic in Woodstock and McHenry. Our clinic's mission is to provide healthcare for the uninsured and the under insured of the area. We do not receive State or Federal dollars for our work, and we are dependent on our community to help us provide primary care that is so critical to the health of our area.

MR. MORADO: Thirty seconds.

MS. EBANN: Because we do not -- because we are not government-funded we must partnership with other people in our community. One of our strongest partners is Centegra Health System. They have been leaders in demonstrating their commitment to the community. They've always made a very strong effort to incorporate the clinic's well-being into their community mission. I could go on and on.

We are pleased with Centegra's plan to bring high quality healthcare to the southern portion of McHenry County. This attention to need over profit has been consistently demonstrated by Centegra through their involvement with our clinic, as well as the many other activities they foster, which are not profit-centered but instead address community concerns. This is the true definition of community-centered healthcare, and we are proud to support Centegra in its effort to deliver that.

MR. MORADO: Please conclude your comments.

MS. EBANN: Please approve Centegra Hospital Huntley. Thank you.

CHAIRMAN GALASSIE: Thank you, Ms. Ebann.

And I believe we have Chief Jim Saletta.

MR. SALETTA: Good afternoon. My name is Jim Saletta. I'm Fire Chief of the Huntley Fire Protection District, and I'm here representing the Fire District.

I'd like to state that we are in full support of Centegra Health System's proposal to build a hospital in Huntley. I'd like to make a few key points.

A lot has been said about travel time. Statistically what I can tell you is our current travel time to Woodstock Hospital is 15 minutes and our current travel time to Sherman Hospital is 16 minutes. If we had a

local hospital we could cut that time in half. We can have a travel time of six minutes or less in most cases, and it will be significant for us.

I'd like to talk about turnaround time.

MR. MORADO: Thirty seconds.

MR. SALETTA: Turnaround time is the time that an ambulance is out of service while it's on a call. If we transport somebody to a hospital and it's outside of our area, we're going to be out of service for at least an hour. We could cut that time down to 30 or 40 minutes if we have a local hospital, and that will also be significant. It will put our ambulances back in service, ready to service our communities.

Last thing I'd like to talk about is statistics. In 2001, we had 1,291 ambulance calls. In 2010, we had 2,731 ambulance calls, a 211 percent increase. Every year we see an increase in the number of ambulance calls, and we will see that same thing happen this year. Of special note is the population that we serve in the Del Webb community. There are over 9,000 senior adults in that community. Five years ago they represented 21 percent of our calls. This year they're going to represent 40 percent of our calls. As our population grows older, as we all know, we're going to require more medical attention and

more emergency medical attention. I think that's justification for a hospital in our area.

In summary, Centegra's proposed hospital in Huntley will provide improved emergency medical services as well as general medical services to the fastest-growing population center in McHenry County and northern Kane County. It will also provide needed medical care to a significant number of higher risk senior adults. In a few years, when this possibly goes into service, there will be an even greater need than there is today, and we need this medical facility today.

Thank you.

CHAIRMAN GALASSIE: Chief, thank you for your comments, and congratulations on your National Certification that your City Manager mentioned. I'm somewhat familiar with it, and I give you a lot of credit. Thank you, all of you.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Good afternoon, folks.

Ms. Rivera, if you'd like to begin.

MS. RIVERA: Okay. My name is Maggie Rivera, and I am a resident of Crystal Lake and the National Vice-President of the League of United Latin American Citizens in the Midwest region. LULAC is the oldest and

largest Latino civil rights organization in the United States. Our organization's main goal is to advance the economic condition, educational attainment, political influence, health, and civil rights of Hispanic Americans. We have more than 800 community-based LULAC councils nationwide. On the local level since our founding in 1968, LULAC has been integrally involved in advocacy with regards to healthcare.

The hospitals that became Centegra have been cornerstones in McHenry County for nearly a 100 years. Centegra has demonstrated its investment in the communities it serves by providing quality healthcare to anyone who needs it, without concern of ability to pay.

MR. MORADO: Thirty seconds.

MS. RIVERA: Centegra also provides key support for a number of residents. Centegra has shown foresight in involving the services in our community access to those services. Its leaders continually access our region's needs and tailor the healthcare they provide to make sure they stay on the leading edge of healthcare.

Centegra is rooted in our community, supportive of local charities, and is the hospitals we trust to provide healthcare services for the people of McHenry County. Over the years, Centegra has been a strong

support --

MR. MORADO: Please conclude your comments.

MS. RIVERA: -- and advocate for the health and well-being of Latino residents in McHenry County. I strongly ask you to support and vote yes for Centegra.

CHAIRMAN GALASSIE: Thank you, Ms. Rivera. Appreciate your comments.

Ms. Wicks.

MS. WICKS: Hello. My name is Kim Wicks. My story is not a sad one.

I, for the last month or so, have been making cold calls regarding the decision here today. I've been calling my fellow neighbors throughout Algonquin, Lake in the Hills, Crystal Lake, and Huntley. I wondered how many of these people are going to be rude to me, hang up in my ear versus how many would really be interested. Boy, was I surprised. These people were not rude at all. In fact, of the hundreds of phone calls I made, I actually only had two people hang up on me. These people were interested. They asked questions, if they didn't know about the project, and if they did, I almost immediately got a "Yes, I want a sign in my yard. We need a hospital in Huntley."

MR. MORADO: Thirty seconds.

MS. WICKS: I left a lot of messages, too.

People even called me back. This community took the time to call back a telemarketer. I've never done that. Some of them even came to our office when I told them it was going to be a few days before we could have a volunteer out there to put a sign in their yard. They came and picked them up.

Finally, I hope that you will listen to the communities of southern McHenry County. I have heard and spoke to these residents firsthand, and I am overwhelmed at how many people are in need of a hospital and want one in Huntley. Please say yes to Centegra Huntley.

Thank you.

CHAIRMAN GALASSIE: Thank you, Ms. Wicks. Appreciate your comments.

Marty Smith.

MR. SMITH: Good afternoon. I am Marty Smith. I'm a Senior Vice-President of Investments for Raymond James, as well as a certified financial planner. I'm also an Eagle Scout and a Silver Beaver for Boy Scouts and have been an active volunteer for the Boy Scouts for the last 30 years. I was born in a Centegra facility and lived in the community my entire life.

My (unintelligible) for you today is that of community service. Centegra provides vitality to our

community unlike anything I've ever seen in my entire life. There's a passion by employees, by the leadership, by the staff that filters through the community. Bottom line --

MR. MORADO: Thirty seconds.

MR. SMITH: -- is our communities are far better off because of the vision they have, the core values they have, the leadership of the community involvement they have.

Thank you very much.

CHAIRMAN GALASSIE: Thank you. We appreciate your comments.

Mr. Doug Meyer.

MR. MEYER: Thank you, Mr. Chairman and Board Members. Thank you for this opportunity to speak. I am Doug Meyer. I live in Lake in the Hills. I'll start by saying that I grew up in Crystal Lake, and I still have family that lives in the area. I have a great affinity in my heart for Crystal Lake, Twin Ponds Golf Course, Silver Nugget Pizza.

But I believe that the plan and the proposed site for Centegra Hospital Huntley is by far the best option to serve the area's needs for healthcare. We have seen explosive growth in the area. There was a period of time when the school district in Huntley was taking in as

many as 1,000 new students each year. At the same time, Del Webb Sun City was being developed and brought in 10,000 senior citizens.

MR. MORADO: Thirty seconds.

MR. MEYER: So, the community came together. It responded by building seven schools, new fire stations, in addition to the improvements and road expansion going on. So, I think if more of you lived or went through the area, you'd see that the need is real and it is justified. For me it's not a question of whether this is needed or not. It is.

The community is coming together once again. We had a gathering on the campus where the new hospital would be built to rally for our common cause last week, which is quality, full-service healthcare close to our homes, and by that I mean immediate care, physician facilities, a wellness center and a full-service hospital. I was very excited to be part of this reality. We have some pictures here. Kayla and Angela Felton were there, a bunch of other people.

MR. MORADO: Please conclude your comments.

MR. MEYER: So, as you make your decision today regarding these proposals, please consider that the need is real, the undeniable fact that the southwestern

McHenry County is where the most recent growth has been and where it will continue to be, and that it is a very large and diverse community, solidly behind Centegra Huntley. Thank you for your consideration.

CHAIRMAN GALASSIE: Thank you, Mr. Meyer. We appreciate your comments as well.

Mr. Pat Morehead.

MR. MOREHEAD: Hi. My name is Pat Morehead, and I am here in support of Centegra Health System's proposal of Centegra Hospital Huntley. By building Centegra Hospital Huntley, created efficiencies will benefit the people who are served, as well as Centegra, for years to come. Centegra's success comes from the way the organization is centralized. By operating as a unified system with leadership that oversees all of its entities, Centegra spreads fixed costs over a large patient population. Adding another hospital to the system will allow it to share costs even more, which will again increase efficiency. In order to create these same efficiencies --

MR. MORADO: Thirty seconds.

MR. MOREHEAD: -- many other Illinois health systems are combining to share costs. Centegra Hospital Huntley would do more than meet the healthcare needs of its

patients. It would also help other hospitals carry the financial burden of the Centegra system by providing care to the people of the region. While many Illinois healthcare systems are merging to improve efficiencies, Centegra has to examine its own market. There are still people living in our region who are under served, and that is why southern McHenry County is the right location for a new hospital. Centegra strives to bring high quality healthcare --

MR. MORADO: Please conclude your comments.

MR. MOREHEAD: -- to our community, and they have done the necessary research in order to execute this project.

I ask you to approve Centegra Hospital Huntley and give thousands of community members what they deserve. Thank you.

CHAIRMAN GALASSIE: Thank you. We appreciate your comments, ladies and gentlemen. Thank you very much.

(Upcoming speakers identified.)

CHAIRMAN GALASSIE: Dr. Campagna, if you would like to begin.

MR. CAMPAGNA: Dr. Dan Campagna. I'm the Associate Medical Director of the Department of Emergency Medicine for Centegra Hospital McHenry. Been an emergency

medical physician for approximately 15 years and, I joined Centegra Health System in July of 2000. It is my responsibility as an emergency medicine physician to respond to any medical emergency that comes to the Emergency Department. Centegra has provided me with all of the necessary resources to do my job effectively once the patient gets to our doors, but it is the responsibility of the healthcare system to respond to the changing needs of our community at large.

Our community in northern Illinois and healthcare in general have dramatically changed over the past 10 years. The population in southern McHenry and northern Kane Counties are booming. Huntley alone, as we have heard many times today, has tripled its population in the last 10 years. Patients are living longer, their care is becoming more complex, and primary care services are vital to --

MR. MORADO: Thirty seconds.

MR. CAMPAGNA: -- keep up with the demand of our communities as patients are looking for hospitals and emergency departments for their care. Centegra Health System is committed to our community and responding to its needs in a number of ways. We have two comprehensive hospitals with Level 2 trauma care. We have a Flight for

Life program at Centegra Hospital McHenry. In the last 10 years we have added cardiac cath and cardiovascular surgery programs, stroke and chest pain center designations, increased our number of staff, redesigned and renovated two Emergency Departments with state-of-the-art technology, and added two immediate care centers in the community. But where are we falling short?

MR. MORADO: Please conclude your comments.

MR. CAMPAGNA: We have a lack of readily-accessible care in southwestern McHenry and northern Kane Counties. In an emergency, time is critical. Huntley rescue takes 15 minutes transport to either Woodstock or Sherman, and it can easily take 30 minutes or more in bad weather, traffic, et cetera.

As a major healthcare provider of McHenry County, Centegra Health System is committed to our community. Centegra Hospital Huntley will provide the residents in our relatively under served regions the same access to emergency care that is consistent with emergency care in other areas of our county.

Thank you.

CHAIRMAN GALASSIE: Thank you, Dr. Campagna.

Mr. Francos.

MR. FRANCOS: Good afternoon. I am Rick

Francos. I am a McHenry County resident and local business owner, and I do appreciate the chance to speak to the panel today.

As we have seen from the stats, McHenry County's growth has been tremendous. The growth in southern McHenry County along the I-90 corridor, including Huntley, has resulted in the need for additional infrastructure and services. We have seen new and expanded roads, new schools, new churches, new fire stations.

MR. MORADO: Thirty seconds.

MR. FRANCOS: A newly approved I-90 interchange at Route 47 and now the need to serve the residents with a new hospital in Huntley.

I'm here today taking time away from my work to express to you that the time is now to say yes and commit to build a hospital that will serve McHenry County residents for decades to come. Need and now. As a co-founder of a local employer who recognized the need to expand our company's services to Huntley to serve an ever-growing population, so too has Centegra. They've analyzed the areas they serve and recognize the need for improved medical care exists today. The ability to improve service for that need relies on this Board approving the project proposed by Centegra now.

Concluding, not everyone from the local community can be here to express their wishes, but for someone who works and lives in McHenry County, I see the tremendous support the local community has given to Centegra to help in their efforts to expand and improve medical care in our community. So, as a member of that community, I ask you recognize the need and ask you to approve the new Centegra hospital to advance medical care in our community. Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Francos.

Mr. Harry Leopold.

MR. LEOPOLD: Thank you. My name is Harry Leopold. I'm a 9-year Trustee of the Village of Huntley and a 5-year member of the Sun City Community Association Board of Directors. We are an active adult community.

I want to add my support as a representative of the over 24,000 Huntley residents and nearly 10,000 residents of Huntley (sic) for the approval of Centegra Hospital Huntley. While it was good for a few laughs, I object to the stereotype earlier that people of Sun City object to driving to medical -- to get medical service but readily go to save two cents on gas.

For these reasons and many reasons --

MR. MORADO: Thirty seconds.

MR. LEOPOLD: -- that have already been stated, I want to add my support and urge you to support the Centegra hospital in Huntley.

CHAIRMAN GALASSIE: Thank you, Mr. Leopold. We'll let the record show folks at Sun City are willing to drive.

(Laughter)

CHAIRMAN GALASSIE: Mr. Timothy O'Grady.

MR. O'GRADY: Thank you, Mr. Chairman, Board Members. My name is Tim O'Grady, and I wanted to share how Centegra Health System changed my life.

I was taken to Centegra's Behavioral Health Department and received care that honestly and truly saved my life. Without the access to the care that I received, I don't think I'd be standing here today, telling you how important behavioral health services are to McHenry County. The series of events that brought me to Centegra Behavioral need not be discussed in this venue, but the details were pretty frightening.

I was diagnosed with Bipolar II disorder, a diagnosis which, oddly enough, gave me a great sense of relief, gave me a different perspective on myself, and named my mental illness. That helped me begin a journey of recovery. I have got to tell you that the team at Centegra

took care of me. They made me see life is worth living and, most importantly, they never gave up on me. Through group sessions, activities, counseling, and the ability to talk to other patients, I learned that my battle was not unique to me, there were others like me, and I believed a different way of living and recovery were possibilities --

MR. MORADO: Thirty seconds.

MR. O'GRADY: -- something I never conceived prior to receiving care at Centegra. Many, many years I just assumed that severe depression was always going to be a part of my life, but with the coaching from Centegra staff and their assistance in developing a wellness recovery plan for me, I now know there is a solution and a better way of living.

I understand how important any hospital is for our communities, but providing mental health service is beyond necessary, especially today. Looking around the room, I know many of us know someone who has suffered from or is currently living with a mental illness.

MR. MORADO: Please conclude your comments.

MR. O'GRADY: Not only genetics play and will continue to play a role in mental health issues, but also factors such as the economy are affecting many lives, as is the recent influx of heroin and other life-affecting drugs

in this county and region. For these kinds of illnesses special care is needed. Our community needs services to help the mentally ill.

I ask that you consider the snapshot of my story and how Centegra services of compassion, competency and determination saved my life. Build a hospital that can save a life both physically and mentally. Please approve Centegra's Hospital Huntley. Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. O'Grady. We appreciate your comments and your willingness to share your journey to recovery. I commend you for that.

Mr. Terrence Egan.

MR. EGAN: Good afternoon. My name is Terry Egan. I am President and CEO of Hearthstone Communities. I support Centegra Hospital Huntley because of Centegra's long-standing involvement in McHenry County.

Hearthstone Senior Living Community is a Continuing Care Retirement Community that has been serving the healthcare and residential needs of older adults since 1903. Our 200 residents include those living independently, as well as seniors requiring assisted living and skilled nursing care. Centegra has cared for our patients with acute healthcare needs since 1914.

MR. MORADO: Thirty seconds.

MR. EGAN: The long-term collaboration between Centegra and Hearthstone continues to this day, not only when our residents need emergency or acute care services, but also when patients from the community are discharged from the hospital and require post-acute care and nursing facilities such as Hearthstone. The proposed Centegra hospital is within Hearthstone's primary market area.

This I know. Now is the time for healthcare providers to create services to meet the needs of the dramatically increasing elderly population in our community. Hearthstone Communities fully supports Centegra's proposal for a new hospital in Huntley.

CHAIRMAN GALASSIE: Thank you, Mr. Egan. We appreciate your comments, and all of you as well. Thank you for your time.

This concludes the comments in support of this Project No. 10-090. There is -- there are 25 people that spoke in support of the project with a an additional 25 or so standing in silence but noting support in the project.

That having been said, prior to calling the applicants to the table, I am going to ask for a ten-minute stretch, because we had two glasses of iced tea at lunch rather than one. So we'll be back here in ten minutes.

(Recess)

CHAIRMAN GALASSIE: Thank you very much for that brief break. We appreciate it. We'll bring it back together here.

I'd like to make a comment before we get finished because many times when we're done, the room immediately breaks up. This Board hears applicants from all over the state and visits all areas over the state, and many items are contentious, as you can appreciate. We just want to compliment the community, because these applications today, while fully independent, have had significant impacts to your community, the strong feelings for and against, which we understand, and I think all of these feelings have been done respectfully and graciously, and I assure you, speaking for the Board, that that is not always the case in our experience. So, we commend the McHenry County, Crystal Lake, Huntley communities for the manner in which it conducted itselves today. Thank you very much.

(Applause)

CHAIRMAN GALASSIE: Otherwise by now we'd be passing out Advil along the Board. Thank you.

We have our applicants at the table. If you will introduce yourselves, spell your names and then we'll have the recorder swear you all in.

MR. SHEPLEY: Aaron Shepley.

MR. EESLEY: Mike Eesley.

MS. MILFORD: Susan Milford.

MR. SCIARRO: Jason Sciarro.

MS. STRENG: Hadley Streng.

CHAIRMAN GALASSIE: If you want to raise your hands, we assume you'll be speaking for the organization. They need to stand up and identify themselves.

MR. PIEKARZ: Lee Piekarz.

MR. ROSENBERGER: Robert Rosenberger.

MR. MURPHY: Neal Murphy.

MR. BERNARDI: Pasquale Bernardi.

MS. JOHNSON: Barb Johnson.

MR. LAWLER: Dan Lawler.

(Oath given)

CHAIRMAN GALASSIE: I think we might want to make a note to consider a sliding fee based on the number of people sworn.

(Laughter)

CHAIRMAN GALASSIE: We have two --

MR. CONSTANTINO: Two comments on the State Agency Report.

CHAIRMAN GALASSIE: Two comments that have been passed out to folks.

MR. CONSTANTINO: These were e-mailed to the Board members last week. I believe they're relevant and should be approved and included in the project file.

The first -- Item 4 dealt with our failure to put the opposition comments in the State Agency Report. We try to give the Board members a sample of opposition comments in our State Agency Report. We don't get every one in that, especially on projects of this size and scope.

The second comment that the letter made was regarding our bed inventory, and we're required by your rules to use the approved bed inventory that was approved by you in October 2011, and that's what we used for both this, the Centegra report, and the Mercy applications. That's what we're required to use, nothing else.

CHAIRMAN GALASSIE: And you're recommending both be included into the record?

MR. CONSTANTINO: Yes. Then there's Item 5, which I've also handed out. Again, this was also e-mailed to you last week. They requested my analysis of the service access issue. I believe the rule should be read as access is the result of -- access is not an issue unless all of the facilities are at target occupancy, and that's the way I've done this report and the Mercy application, and that's the way I considered it.

We ask four things regarding need for a project. Is there a calculated bed need? And in this area there is, there's a calculated bed need of 178 beds. Will the project serve the residents of the Planning Area? And for this application, the applicants have stated that the number of patients from this Planning Area will be about 60 percent; 40 percent will be outside this Planning Area. That is what they have given us. Is there a demand for the project? And this goes to the question of referral letters. In this case, they relied upon our calculated demand formula. That was approved at your meeting at the October 2011 Board meeting. And then will the proposed project Improve service access in the -- within 45 minutes of the proposed project?

CHAIRMAN GALASSIE: So having heard those three Staff recommendations, is there a motion to accept these three items and include them in the record?

MR. EAKER: So moved.

MR. SEWELL: Seconded.

CHAIRMAN GALASSIE: Accept them in the record and then proceed, two items. Motion and --

MR. ROATE: Motion made by Mr. Eaker and seconded by Mr. Sewell.

Dr. Burden?

MR. BURDEN: Yes.

MR. ROATE: Mr. Eaker?

MR. EAKER: Yes.

MR. ROATE: Mr. Greiman?

MR. GREIMAN: Yes.

MR. ROATE: Mr. Hayes?

MR. HAYES: Yes.

MR. ROATE: Mr. Hilgenbrink?

MR. HILGENBRINK: Yes.

MR. ROATE: Ms. Olson?

MS. OLSON: Yes.

MR. ROATE: Mr. Sewell?

MR. SEWELL: Yes.

MR. ROATE: Chairman GALASSIE?

CHAIRMAN GALASSIE: Yes.

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

CHAIRMAN GALASSIE: Motion passes. Thank you very much.

We will move directly to Staff report for Item 10-090, Centegra Hospital Huntley.

MR. CONSTANTINO: Thank you Mr. Chairman.

The applicants, Centegra Health System, are proposing to establish a 128-bed acute care hospital in

Huntley, Illinois. The total cost of the project is approximately $233 million. The anticipated project completion date is September 30th, 2016.

At the June meeting, an Intent to Deny was given by this Board. You asked for additional information. That is included as a separate Appendix to the information submitted to you. As part of that submittal, the applicants addressed the response to Safety Net Impact Statement submitted by the applicants. They addressed the 2010 McHenry County Community Health Study, and they addressed the decrease, the slow down, in the population growth in McHenry County. Once again, that was submitted to you as a separate Appendix to the information.

There was a public hearing held on this project. That hearing was February 16th, 2016 (sic), and we received a number of letters in support and opposition. When I say "we received," that means the State Board Staff separately received a number of letters in support and opposition. You were given over 7,000 pages of support and opposition letters submitted with this application. We tried to include a number of the excerpts from those letters in the body of this report. Hopefully, you've read them all.

The State Board Staff notes there are existing

facilities within 45 minutes that are operating below the target occupancy. There are existing facilities within 30 minutes, two of which are Centegra hospitals, operating below the State Board's target occupancy, and then the proposed clinical services, other than categories of service, will impact other area providers.

Thank you, Mr. Chairman.

CHAIRMAN GALASSIE: Thank you.

MR. SEWELL: Mr. Chairman, that public hearing was February of 2011.

MR. CONSTANTINO: February, yes.

MR. SEWELL: You said 2016.

MR. CONSTANTINO: I'm sorry. 2011.

CHAIRMAN GALASSIE: Thank you for the correction.

And who will be speaking for the Board?

MR. EESLEY: I'll start it anyway.

CHAIRMAN GALASSIE: Thank you.

MR. EESLEY: Just -- I'm Mike Eesley. I wanted to start off. I'm the CEO of the Health System, been with the Health System about 13 years now, CEO about 10 of those years.

It's a health system rich, as you've seen, in the fabric of the community. It's been a part of the

community for almost a hundred years, 98 years now. It is the essence of how healthcare delivery is in McHenry County.

I know that you've got a lot of paper in front of you, 7,000 pages. I assume you've read most of those. We've been supported by over 16,000 letters of support by our community, which I think is significant in respect to their commitment to this project. You hear through the public comments and through the discussion today a lot of emotions. What we're going to try to do with the group I have with me today is try to cut through some of those emotions and give you some facts and information that we think will minimize the gaps that you're hearing about and the concerns you're hearing about, so that you can get a better essence and feel for this project.

I will tell you that with our 100 years, that organization really is a -- like you heard from Chuck Ruth, for example, an individual within the community of five generations. We have a lot of those individuals that are part of Centegra Health System, part in the fact that -- they are part of a partnership or maybe they're on a board or they're in some relationship with Centegra. They really hold our feet to the fire to make sure that we provide great access to our community, that we are the essence of

safety net, and you'll hear about the safety net aspects of that.

We don't take CON's lightly. I'll tell you a little brief story about our CON journey, but the CON process is considered within our organization, and it's a very diligent process that we go through. It's a process where we've seen open heart approved, we've seen our ambulatory care services approved at the Huntley campus, we have seen ambulatory services approved for CON at each one of the campuses. We've been involved in a variety of CON's. All of them go through just as much scrutiny with you as they do with the board. The board is just as anxious about making sure that we don't step on any land mines or do anything inappropriate, because they don't want to throw the balance off of the delivery of healthcare in our local community. So, we really take that to heart.

It is difficult, though, when I hear some of my peers here talking about the impact and talking about how we're going to impact them. It is interesting when I go back and I take a look at. I'll give you one good example. Being new in my role a few years ago, I go to the board with an idea that we ought to move into open heart, and I thought, well, we have a cath -- a couple cath labs at our McHenry campus, and we do a number of cath

procedures. Coming from a university hospital, I thought, well, we should probably do open heart, because we don't have it in our community. The board, our board, says to me, "Well, what's the criteria?" So, I walk through the criteria, and they say, "Well, it sounds like you're a little short on the procedures of catheterization. Sounds like you have to be over a certain number," which I think at the time was about 1,100, and we were far short of that, about 700. They said, "You can't apply for that unless you meet those numbers. So continue the work, but really make sure that you're meeting the expectations before you bring it to the board." A little chastised by the Board, I still moved. And they're sitting back there saying, "God, he stills remembers?"

But why I tell you that is it wasn't a year later that I'm reading the CON agenda and there's Good Shepherd Advocate applying for open heart, and I'm thinking, well, maybe it's because they've got a more mature market; they're a little east of us; the transition from Chicago has occurred there before it's occurred in our location, and now we've seen that change occur within our location as well. As I walked through it, they didn't even have a cath lab. They were approved in that project without even a cath lab. Here my board held me to an

accountability of having over 1,200 caths.

Then this year -- and I will get to a point here. But this year I looked and they closed down the behavioral health area, and then they came to the Board for approval to close it down. Well, that's kind of interesting, because I'm trying to play by all of the rules and align myself with the community, and as you can see, we've got a lot of people behind us here that are counting on this table to represent the community, and it's really kind of an overwhelming issue when we consider it, because we've got all of these responsibilities of making sure that we provide great healthcare.

And you heard a gentleman say, opposing the project, says, "Why would you need a hospital? You're rated fourth healthiest area in the state." Why do you think that is? Because we take care of our state. We take care of our county. We take care of our people. And this isn't about a structure or a building. This is about making sure that we have the ability to provide healthcare in the best economical way possible, and we follow the rules. So it's real important that we do that.

The last note is real interesting, that I've been in discussion with Advocate four times over the last three years, and the desire is what? To buy me. You hear

the comment about eventually Centegra will be owned by a bigger organization. I don't think so, and why I don't think so is because we're a community organization that takes care of our community. We're in deep roots with our community. But Advocate is very interested in buying us, constantly, constantly trying to buy us. When they were eventually brought to the Huntley campus and we sat in our new building our Inventory Care Building, I showed them what our intent was and a very, very unique campus -- I think a gentleman referred to as we have a wellness -- we have a fitness facility that is 110,000 square feet. We have ambulatory services. We have immediate care. We have physician office practices. We have specialty physician practices, and now we're trying to bring a hospital to that land. When I showed them what we were thinking about doing and how it looked, they were gleeful, they were excited. The day I told them that I wasn't interested in being bought by them, that was the day everything dropped. That's the day everything happened.

And so I thought it real unusual, because I saw Legislators, I saw business owners, I saw in my local area theater groups being approached to not support our project. So kind of an atmosphere of what I would call a bully, that I like the way things go as long as they go my

way. So, very unique. So, I kind of discount how they view things. And as we see in the local paper, they're going to be bought, eventually buying into Sherman Hospital. So the linkage between Sherman and Advocate, no surprise here. So, kind of things that really gets the emotions going, no doubt.

I think the project -- Aaron will to touch base in a little bit on these gaps. It's our first attempt ever at trying to build a new hospital. We've really followed the rules. It's a 138-bed need, and we're requesting 100. It's a 22-bed need for obstetrics. We're requesting 20. It's an 18-bed need in ICU. We're requesting 8. It allows us to expand our safety net services. We're the primary provider of safety net. It gives a place for people to receive care locally. It's one of the fastest growing areas in Illinois, and it is the fastest growing area in McHenry County. We have 16,000 letters of support, and we're also supported by a number of Senators and State Representatives.

So, it is a project that we're very excited about, very passionate about, as you can see, and at this point, I'm going to turn it over to Aaron to talk to you about the findings from the Staff.

MR. SHEPLEY: Thank you, Mr. Eesley. And

thank you, Members of the Board, for your service here today. We recognize that you're all volunteers and that it has been quite a long day, and I'll try to be succinct in the points that I make.

It has been assigned to me to address the negative findings of the State Agency Report, and I suppose if you were looking at it as a good news/bad news scenario, the good news is -- and I think this weighs in favor of succinct comments -- is that there are only three negative findings, and that of those three negative findings, they all really surround one topic, and it's a topic that this Board is quite familiar with, not only based on what you've heard today, but some of the things that you've seen over the course of the last several months in your other projects, like dialysis centers. And that's utilization, the utilization of other area providers, and we respect that that issue is a big issue and one that we really do need to address, because, remember, our goal for our community is to secure your approval of our project, and we want to make sure -- we know that in order to do that, we have to address any concerns that you may have about our compliance and any variances between our project and the rules. So, my goal here is to assure you and to help you understand why we believe we're really not at variance with

the State standards and we're in substantial compliance with the rules, and we are hoping to get your approval at the end of the day.

On the utilization issue, the findings that have been made by the State Agency, State Staff -- and they've done a very thorough job on this report, as they have on many others. The findings do not require denial of our project for four very salient reasons. The first one is -- and I'm not going -- we don't want to argue this today, but, arguably, each of those three negative findings could, depending upon how you read the standards, be considered positive findings, and I recognize that it is certainly a topic upon which reasonable minds could differ, and I'll talk about that a little bit.

Second, your Board rules, that we so carefully try to follow, expressly allow projects to be approved even when other area facilities are not operating at target utilization rates. It does. It was mentioned earlier. We talked about that a little bit.

Number three -- and I think this is really at the heart of it. Three and four are at the heart of the issue. Based on the nature of this Board's important work, if unnecessary weight were given to the topic of utilization, it would transform this body's primary focus

from a planning focus to a reacting focus, and I'll talk to you about that in a minute.

And then, finally, the State bed-need formula is actually based on the assumption that at the end of the day, at the projected time period, all providers will be operating at 90 percent occupancy, and we'll talk a little bit about that.

So, let's just talk briefly about the first point, that depending upon how you read the State standard -- and, as I said, I recognize that there may be more than one -- I'm a lawyer by training. This may cause flashbacks for Justice Greiman, making these highly legal arguments. But our point is that at page 21 of the State Agency Report -- and this is on the Service Accessibility Criteria that Mr. Constantino referenced in his earlier report -- there is a provision that says that "the applicant shall document that at least one of the following factors exist in the Planning Area." I think Mr. Constantino would agree that we do document at least one. The way the standard is being interpreted is that you have to establish more than one. That's why we believe we've met the minimal criteria of that standard, and that's our position, and we believe that that should be a positive finding rather than a negative one.

I think you can make similar arguments about the other two negative findings, but I think the other points are far more salient and direct to some of the questions that you had as a board, so I want to talk about those first.

Your Board rules do contemplate the approval of projects even when other area providers are below target utilization. How do we know that? Because in a few different places within the State criteria, there is that standard that requires us, as an applicant, and other applicants for that matter, to document that within 24 months subsequent to completion of our project, we will not bring existing providers who are at target occupancy below target occupancy. And the second and more critical aspect of it is that we will not bring those who are currently below target occupancy lower. We have submitted the documentation to establish that we will do neither of those things, and when you read that, though, the second part, it expressly contemplates that. Why would I need to provide that attestation if you had a prohibition on approving projects when somebody is at below utilization? So that's the point of that.

I think another point -- and this is where we start talking about things that we've heard. The question

is how can a positive bed need of 138 beds really co-exist with other area providers that are below target utilization? And I think the answer is actually more simple than what we all want to make it. I think there is a tendency to want to over-complicate things. Utilization is a retrospective figure. It by definition is not a planning figure. It's a reacting figure, because our utilization numbers are what they were yesterday and the day before and the year before.

The bed need is projected out 10 years. We've got bed-need formula from 2008 to 2018, and so that is the real forward-looking planning tool, and if we gave undue weight to utilization, what we would be saying is that the purpose of the Board would be to tell applicants when it's okay to react to need that's honest, now and I think that that's a very key point about your rules, and I did hear it mentioned earlier on the other -- the petition. That's why your rules allow that you don't -- there is a provision for this Board to approve the project, even if they technically find we don't meet that particular standard on utilization, and that's the very reason why it is, is because it's a planning body.

The final thing -- and this is one of those things that probably come to people -- it came to me almost

like one of those pictures they used to have where you would stare at it long enough and something would jump at it you. You'd see a figure. I was staring at the bed-need formula, and let me assure you I am not a math guy. I'm a lawyer, so by definition I can't be. But what I would tell you is that if you look at that long enough, what you will understand is that one, utilization is worked into that formula. It's actually found in two locations of the formula: On the front end and on the back end. And at the back end, that formula says that -- presupposes when they set 138 as the bed need for med/surg beds in our area, what they're saying is that there's that need even when all the area providers are occupied at a 90 percent rate. If you factored that down under the State formula, the bed need would be higher. It would be 176, it would be 180, 200. So, I think those are aspects of the whole utilization piece of the State Agency Report.

We believe we can comply substantially with the rules, notwithstanding the findings we understand were made. One word on healthcare reform, because that did come up, and it has come up frequently in the topic of utilization. No one knows. I said this when we were here June 28th. No one knows. Everybody wishes they knew. Everybody is researching it, SD 2 is researching it,

Healthcare Advisory Board is researching it. I have a 2011 report from Healthcare Advisory, and what they say is that with healthcare reform, 6.2 percent growth in inpatient utilization, and they say may be slower with healthcare reform but still there, and I think that's really important, when we're sitting around guessing. And we are. I think we all acknowledge it, and we're up to our neck in the industry. I think we have to recognize that there's more than one school of thought out there, and the Healthcare Advisory Board, which has invested millions in this issue, says there's going to be growth.

Last couple points before I wrap it up and pass it on to my colleagues. There were some comments that were made -- and as Mr. Eesley pointed out, these are sometimes difficult to hear -- that basically suggested and, for lack of a better term, that in objecting to Mercy we were being hypocrites, and the fact of the matter is, they are two entirely distinct projects. The fact is -- and let's just take one factor, because I could go on for a long time.

CHAIRMAN GALASSIE: To be honest, sir, "he said, she said" isn't getting us very far. I appreciate your not wanting to hear those kinds of statements and--

MR. SHEPLEY: I understand. Thank you,

Mr. Chairman.

So, I guess the final thing that I would like to do is I would like to pass it to -- the ball to our Chief Financial Officer, Bob Rosenberger, so he can address some of the statements that were made with regard to our financial viability.

MR. SEWELL: Mr. Chairman, can I ask a question before -- this is a question of Staff.

CHAIRMAN GALASSIE: Oh, please do.

MR. SEWELL: I know for me it's been 25 years since I engaged in this stuff, but this sounds like a very compelling presentation, because it's a utilization-based formula. So, you know, our non-compliance issues in the State Agency Report relate to utilization within the region of other facilities.

MR. CONSTANTINO: Yes, sir.

MR. SEWELL: And I understand the perspective versus the retrospective thing. What's your perspective on that, either you or Mr. Carvalho, on what we just heard?

MR. CONSTANTINO: Well, we rely on that bed-need formula. It's the only planning tool we have, and we have to use that. You received a lot of information about the 2010 census. We did not touch that. We relied upon the 2000 census, and when we wrote our report, we used

that October 2011 inventory, bed-need calculation. You're projecting out 10 years. That's a 10-year projection. He's correct, we do use -- we're using 2008 -- we're using a three-year average, historical utilization of these facilities. So, you're looking at 6, 7 or 8 average historical utilization as part of that formula and trying to project out 10 years. This was done -- this was changed in the statute. Where it used to be 5, it is now 10.

CHAIRMAN GALASSIE: Years.

MR. CONSTANTINO: 10 years, yes.

MR. CARVALHO: I'll join in, because, sadly to say, I am a math person who became a lawyer. So, I was an Applied Math major in college.

The -- what Michael is alluding to is -- well, first off, we don't do any projections. We use the projections that the State of Illinois establishes as population projections, and then we use those in our formulas. We, when we were left to our own devices, used to use five years on the theory that while certainly, you know, wanting to know what the future looked like was better than merely documenting the past. Anybody who does projections will tell you once you get more than a few years into the future, it's just a wild guess. However, in a particular application and a particular location

elsewhere in the state, a legislator thought it might help that application by extending 5 years out to 10, because that makes the numbers bigger. So, the statute was revised to change 5 to 10. It wasn't anything your Staff recommended. It was what the legislator dictated.

The other thing that I was alluding to earlier -- and I have spoken to the Board about this before -- was these projections that we take from the State -- I believe right now the person who did them most recently was DCEO in 2005 -- have not been updated, and so just for curiosity we thought, well, let's look to see how well the 2005 projections hit 2010, because 2010 has now happened, and so we're no longer in 2009 wondering what 2010 is going to look like. Let's look at the actual number, and it varies across the state, but in this area, the projection overshot, which is to say the projection in 2005 with DCEO estimated a larger number of people in this area than are, in fact, here. So, for those purposes, the inventory tends to overstate.

The other thing that I think is a little confusing about the way it was just presented -- I forgot your name. I'm sorry.

MR. SHEPLEY: Aaron Shepley.

MR. CARVALHO: The way utilization appears in

two places, it has two meanings in the two places where it occurs. Where we're looking at utilization -- namely, what are the current hospitals doing with their beds now -- that gives you some indication of, are the needs of the area being addressed? But the other thing that you care about on inventory is how much stuff you want to be allowed to be built out there, because that's your job. You're the gatekeepers. You allow stuff to be built or you don't. If you take the argument Mr. Shepley made into account, what he's saying is you should be happy with stuff being built and only being used at a low percentage from now until eternity, and I would submit that that doesn't make sense. In fact, it's the opposite. You would prefer that stuff start to be used more and its utilization go up more than that it continue to be used at a low utilization and use that as a basis for forward-looking numbers.

So, I'm totally -- all the comments I made on the other application I would make on this one, which is to say of the several different tests of need, utilization of current use tells you something about what's going on now, and there's various reasons to think the inventory numbers are less reliable.

CHAIRMAN GALASSIE: Thank you.

Mr. Finance Director?

MR. ROSENBERGER: Thank you, Mr. Chairman. I did hear your comment earlier about not wanting to go into he said, she said. I'll keep this brief, but I think it's important for the Board to understand and for me to respond to something that was said earlier by Mr. Mulay from Sherman Hospital. He makes the statement that basically if Centegra does this, we're not going to be financially viable, we're putting ourselves up for sale, we're going to have to close our Woodstock Hospital. Nothing is farther from the truth. Centegra is a very strong, financially strong organization. If you look at our unrestricted net asset line, the last two audited financial statements, that's the bottom line on the income statement. 2010, positive $15 million; 2011, positive $30 million. Our day's cash on hand coincides with A-rated organizations.

He made the comment that Centegra was downgraded last year by S&P. Not only is that false, it's false twice. We get reviewed by S&P and by Fitch. Both S&P and Fitch have kept us at A-minus and stable for the past five, six years. I've been with the organization as CFO for five years, been here for seven years. We've always been A-minus and stable. Last year we talked to S&P, we talked to Fitch, both of them, before we had submitted the CON. We told them what our plans were. We

told them that we were taking care and looking forward to the future and I didn't want them to put their rating out there and a month later have us apply for a CON. They both knew what our plans were. They rated us A-minus and stable.

Centegra can do this project. We brought it to Deloitte to look at it from a financial perspective. Mr. Piekarz can tell you, the first meeting we had, the first thing I said to him is, "Your reimbursement on this is not dependent on your answer. I need you to tell me the truth. I need you to do the analysis. I need you to take a look at what it's going to be, what the outcome is going to be, and tell me the truth, because if this is not feasible, I don't want to find out in 2018, I don't want to find out in 2019. I need to find now." That is the direction we took, and we took it from a very conservative aspect.

But all of the organizations that have taken their shots at us from a financial standpoint, Centegra is a very strong financial organization, supported by the rating agencies and supported by our financials.

CHAIRMAN GALASSIE: Thank you.

Good afternoon.

MS. OLSON: Evening.

MS. MILFORD: As you can see, as you can tell, we are back. I talked to you also in June. Our team is very passionate about this project, and it's because -- I went into healthcare to truly make a difference in healthcare, and I really believe strongly that this project is needed, warranted, meets your rules, and I want to talk about a few of those things, but before I get into a couple of those points, I do want to let you know that we really are a forward-thinking, strategic-planning organization, just as you're looking at strategic planning for what to do for the entire state, and this project was taken with a lot of responsible development.

So, we bought the Huntley campus back in 2005, bought a lot of acres from a farmer who would not sell it for any more home developments, because there's new homes surrounding this campus, if you were there, and we -- he wanted it to be for healthcare services. He knew that healthcare services were needed. We came to you -- well, the first thing we did was we recruited new physicians for the area. There was a need for physicians. We put them in leased space, actually, for a while, because we didn't have a campus. We went to your Board. I realize it was a different -- most of you were not members then, but we went to that Board and got approval for an outpatient facility,

imaging, state-of-the-art imaging, immediate care services. There was none of these services in that area, and then we opened those in 2008, and we also put on that campus -- as Mike talked earlier, we're very focused on health and wellness and preventing disease, how do we manage the population's health. So we put our second Health Bridge Fitness Center on that campus as well. Well, they've been open for a couple of years. They've been thriving, and as a result, we are back, because you can't build a hospital in a day.

We applied one year ago, almost, for this project, and we spent months planning before we brought it to you. So, we know that it's going to take a few years to open this project. This is a plan that's right for the community, and it's based on forward thinking.

Now, I need to share a couple of things with you, because I want you to see how this is demonstrated. Hadley, my colleague, is going to pass out for you -- and this is from the CON application. It's the map of the service area for this new hospital, and that's important for you to see. I heard Linda Deering from Sherman talk about Huntley, the community of Huntley, 40,000 -- 25,000 people. This isn't just about Huntley. I love Huntley. Okay. But this is about a much larger area. Hospitals

don't just serve one community.

So, if you take a look at this map of the proposed service area, we didn't just draw a circle. We actually worked on projecting how many patients would come to this hospital. So, that white area, that's the top 10 zip codes. That's where 75 percent of the patients will come from. This is a community hospital. If you look, the population projections are also there. So, you can see that there will be 15 percent growth by -- why does it say 2018? Because your rules say that we have to be at target utilization by 2018. So, that's how we planned the project. We planned it with two methodologies.

Mr. Sewell, you asked me last time about rapid population growth. This was when the bed need was 83. Now the bed need is 138 for med/surg beds. Your State formula affirmed that. I understand what Mr. Carvalho is saying, but I respectfully disagree with some of his comments, because, frankly, just recently appearing in our project file two weeks ago, someone at IDPH sent us a memo directed by Mr. Carvalho that said -- recalculated the bed need in the service area based on the economic downturn. Now, in that calculation, in the service area the bed need was 114, still more than your rules say, still a little more aggressive than our conservative estimate of 104.

I know I'm saying a lot of numbers, but the bottom line is I want you to understand that we have worked hard on projecting this project accurately. This project is not just for 25,000 people. You can see right there that it's for about 360,000 people.

Advocate held a poster in front of you that said the population decreased. You asked us to respond to population. We responded to you. Yes, the population didn't go quite as high as it was projected in 2000, what the 2010 census would say, but it's still increased. It just didn't increase quite as much. It's at almost 310,000 right now, and it's still projected to go further.

And this hospital also serves some zip codes in northern Kane County. Northern Kane actually exceeded its projections. So, we're right, it is planning. It's not a perfect science, I understand that, but we've done the due diligence.

It's not just for us. It's for this community behind you. I just ask you to seriously consider the points that I'm talking about, because this group here is about meeting the community's healthcare needs.

And the last piece that I want to share with you -- and I have one more thing. This is also -- this was a response that I provided to all of you on June the 6th.

We talked a lot about healthcare reform. Centegra is also responsibly planning for healthcare reform. I want you to see --

MR. URSO: Is this in your application?

MS. MILFORD: It's in the response that we gave to you. It came from me on June the 6th, Mr. Urso.

MR. URSO: Thank you.

MS. MILFORD: And I want you to see it, because I want you to see that we're not just talking about hospitals, but we're talking about a full, integrated delivery system, and you'll see in the model here that it's based on what the future of healthcare is. We know there is a healthcare transformation going on. We know that Illinois has stated that when healthcare reform goes into effect, one million additional people will be on the healthcare -- will be insured. Now, some of those people are going to need hospital care. I mean, yes, they'll need outpatient, yes, we're focusing on prevention and wellness.

I would ask you to look at the side of the integrated model, the integrated delivery model. The triangular is kind of our one-page strategic plan. But this shows you what we are building in McHenry County. Healthcare is not the same as a competitive industry, like retail. Healthcare is about putting the right services in

the right place at the right time. For example, yes, you need some more convenient emergency departments, but we also put the areas first wound system in last year. You don't need three wound centers in a county, but you need one. So, that's how we're looking at it, that's how we're planning it, and I ask you today to really consider that.

And I think the last thing that we want to make you aware of and answer any of your questions -- our President and Chief Operating Officer, Jason Sciarro, is going to talk you to about the safety net, which I know you're very concerned about as well.

MR. SCIARRO: Thank you, Susan.

Good afternoon. I feel really good talking about safety net, especially after you've heard from our community members, because they specifically talked about the impact that our safety net services have. One thing we do know about health reform -- although there are many things that we don't know, we do know that it will be about delivering healthcare locally by local providers. That will never change.

Our testament to the role we play in our community couldn't be stated better than it was earlier today by McHenry County being the fourth ranked in the state as far as healthiest citizens. I want to tell you a

little bit about why we think that is. We take great pride in that. Our charity care dollars, as was mentioned earlier, care that we provide that we do not -- we will not receive pay from, has increased from 2007 to 2008 to 2009 and again will increase in 2010. That's about community need. We are -- while we're not the sole, we are the majority, the major, majority provider of charity care in our county. We are the major, majority provider of safety net services in our county. We are the full continuum of services.

Some of the things that we do -- employ physicians, as was mentioned earlier; we pay them in a payor class, neutral setting. We pay them for the quantity of work, not necessarily -- we don't pay them for whether they see a Medicaid patient versus a managed care patient. We partner with our Family Health Partnership Clinic. We don't just support them financially. We actually have a structured methodology where we require our physicians to volunteer their time to take care of patients who can't pay. We support openheartedly the new Federal Qualified Healthcare Center that was established in our county just a few months ago. We will provide the inpatient services for those patients as they are transferred to us.

We've talked about responsible growth. We are

only today presenting a new hospital. It's only after millions and multiple millions of reinvested dollars have gone into the infrastructure of our current services, in particular outpatient services. We have increased our ability to take care of patients by our Emergency Department. You heard that earlier. We operate two Emergency Departments. Over 65,000 patients a year visit those. They're never closed. They haven't been closed in two years. We've gotten efficient. We've gotten better at what we do.

As the primary provider of safety net services in 2011 alone, we paid 1.4 million for community health improvement initiatives, over $650,000 for health professional support services, pharmacy students, nursing students, medical students, over $500,000 in free patient transportation, over $800,000 in one year just to provide language interpretation services. We have an extremely diverse community. We meet the needs of that community.

We are very proud, we are very proud at Centegra of our operating income. It was mentioned earlier that that number is 3 million or .5 percent or 1 percent. We're extremely proud of our operating income, because we invest our profits back into the community. We are a sustaining organization for 98 years. We want to continue

to be here for 98 more, and we are extremely proud of the commitment that we have and arguably are the sole provider of safety net services.

While I can't explain to you how competing health systems deal with their own communities, all I can talk to you about is our community, and our community has a desperate need for access to care. We've been trying to meet that need all along, and this is just another way for us to continue to meet that need in the future and to continue that history that we have.

CHAIRMAN GALASSIE: We appreciate that very much. I think I'm going to try to move us forward now. We appreciate all of your comments and your application comments, obviously.

Let's open it up to any questions on the part of Board members.

MR. SEWELL: I just want to know, who is the FQHC?

MR. EESLEY: It's based out of Elgin.

MR. GREIMAN: I was sympathetic to your position primarily, frankly, because the notion that a quarter of a billion dollars would be spent in an Illinois county warmed my heart. But now I see it's going to be five years to finish this project. Why is it so long? Why

does it take such a long time to spend that quarter of a billion dollars? We need it now.

MR. SHEPLEY: Well, if I could address that, Justice Greiman -- and I think it's a great question, and we've heard it throughout the process. The first thing is that there are certain expenses that we don't want to invest or spend up front, such as developing detailed architectural drawings, getting all of the engineering plans, things of that nature. Now, certainly we have zoning approval for this type of facility, but that process of those drawings can in and of itself take a year to move forward before we even put the first shovel in the ground, and then on top of that, you have to put the -- responsibly put the contract out for bid. That's a long process. You have the contracting process, so there's a lot of detail work that -- it would be nice if we could invest that up front, but it would be a waste of money if we did that and then did not secure your approval.

MR. GREIMAN: So, the project itself takes that kind of time?

MR. SHEPLEY: Yes, sir.

MS. MILFORD: Could I just add one point to that? The first actual patients we're looking at taking is in about fall of 2015. So, as you know, we're getting

ready to knock on the door of 2012 coming up here. So as Aaron said, it is a very realistic time line. Again, we followed the CON rules and we have some experience with recent construction projects, and that's what it takes.

MR. GREIMAN: That's three years instead of five years.

MS. MILFORD: To the first patient, yeah.

CHAIRMAN GALASSIE: Thank you.

MR. EAKER: Mr. Chairman, I had a question. I'm not sure who to address this question to. Members of this Board come with a lot of different perspectives. Their eyes look at proposals and applications from a different angle. Mr. Eesley, you used the word "bully" referring to one of your competitors and their approach to you.

But earlier today, one of the people who spoke at the public comment section for the other proposal hit a nerve that didn't necessarily speak to that hospital as much as it does yours. The lady spoke about coming to your system for some blood tests, being uninsured, asked what the cost for those tests would be, and was told couldn't find out. The end result was the final bill was four times, if I heard her right, what was expected. When she addressed your facility -- I am assuming your patient

account people -- she received a certified letter saying that she and her husband was no longer welcome to your facility. That's the nerve that strikes with me, that speaks to the integrity of everything that you speak for. Would you like to address that?

MR. EESLEY: Absolutely. I think that is a big issue when you hear that. It struck a nerve with me in the back when I heard her say it. That isn't the process that we use at Centegra. I can't speak about her direct issue, because I don't know the details of it, but I can tell you that we have a very straightforward process. We don't turn people away. We see that in our Emergency Department, we see that with our charity care. This is an organization that is here for the community. So, I was like you, I was taken back by that comment, and I made a note myself of how could that have happened, because that isn't the norm of Centegra Health System. I have -- I am the CFO. I don't want to belabor the point, but I can have them tell you about our process, because it's a pretty straightforward process that all healthcare systems use, and I think you'll find that we're very accepting of people, and our organization, just so you know, is one of the highly ranked organizations when it comes to patient satisfaction. Those come -- those surveys go to people

after their care has been rendered and after they've paid their bill or had a bill sent to them. So we take great pride in that. I don't know -- I can't really address the issue for you. I'm sorry. I wish I could.

MR. EAKER: I know we can't address the specifics of that, but my concern is it does fit a pattern. I've addressed it in our own community when hospitals bully over the consumer, when they ask for how much is this procedure going to cost and are told "I don't know," but they're in a bind. They need the procedure done, only to, especially when they're uninsured, find out that it's going to cost many, many times over, and yet your financial people are talking and assuring us of their strong financial position and how wealthy you are. That's a direct contradiction.

MR. EESLEY: I'll tell you, we're far from wealthy. I'll tell you, we do a tremendous amount of charity care in our organization. Like Jason said, at the end of the day, we're lucky to hit .5 percent or 1 percent margin. We are the only healthcare provider within McHenry County and some surrounding areas to provide behavioral health, as an example. We lose five and a half million dollars a year net, and that all goes to the bottom lines. Like some organizations have shut that down, and we keep

that open. Why? Because you heard the gentleman here. It's a great story, but it's a story we hear over and over and over again, about individuals who have behavioral health needs and can come to our organization whether they have money or not, and the same holds true with ancillary services, that we accept all payors and all people.

So, I don't know if any of my colleagues want to add into that, but I think you would find Centegra a very straightforward organization, that it isn't about money. It truly isn't.

MR. EAKER: If you see my point, you were sensitive to being bullied, and I heard someone else on the lower end of the scale talk about being bullied.

MR. EESLEY: I can see how you make that comparison.

MS. MILFORD: One thing I think ties to this is in the area of the new hospital, Centegra Hospital Huntley -- just so you know, in our application we actually include federally-designated, medically under served areas, and that includes areas in Carpentersville, Marengo, Woodstock, Union, and Harvard. Just so you're aware, that's actually part of the project and was included in the service area.

MR. EAKER: Okay. Those communities and that

information doesn't mean that much to me, being from downstate, but how do you address a family without insurance who have needs?

MR. SCIARRO: Depending on how they access our system, it could go in different ways. For instance, if they access through the Emergency Room, obviously, we turn nobody away, we take care of that, and then we work with the family on their financial needs, if they have insurance, they don't have insurance. We certainly have many payment plans in place. We do it over time. We discount care I think initially of 25 percent right off the top for self-pay patients. We are actually very active in developing payment methodologies.

MR. EAKER: I'm sorry. I want to make sure I heard you. You discount non-insured people 25 percent.

MR. SCIARRO: Self-paid patients, we have a discount policy, yes, of all charges.

MR. EAKER: All right. That goes contradictory to what this lady seemed to think. The charges was like four times as much.

MR. SCIARRO: Yeah. Again, I don't know the specifics of that specific situation, but, you know, we're actually mandated to have certain policies in place through the State as far as, you know, discount and payments.

Bob, do you want to -- I'll let our CFO speak.

MR. ROSENBERGER: From an uninsured patient standpoint and from a charity care standpoint, we work off a sliding scale. 200 percent of the poverty level comes in, it's going to be written off 100 percent. Any patient that comes in that's a self-pay, we don't hold back any services. Now, if you come in and you want, you know, something that's not needed, we're going to have a conversation about it. But if it's needed services, you're going to get those services. We educate every one of our patients that comes in. Whether or not you are insured or not insured, we're going to try to make sure that you do understand what your responsibility is. This goes contradictory to what that individual said this morning and, again, I can't comment on that one individual, and I'd love to say that we are 100 percent, but there's always those individual pieces that don't go exactly as you would want it. But I guarantee you, I get many more complaints about us talking to patients and trying to educate them, from people that say, "I always pay my bills, why are you talking to me about this?" We weren't asking for money. We were trying to make sure they understood what their responsibility was going to be.

So, from our charity care policy, sliding

scale from 200 percent up to 600 percent of the Federal poverty level. Now, if you happen to have a lot of kids and your family members -- you've got 10 total family members, you would be getting 40 percent off your bill if you're making $250,000 a year. So that's -- I believe we do have a very generous charity care policy. We administer that to every patient that comes in, whether or not you have insurance or don't have insurance, because we feel it's best to educate our patients.

CHAIRMAN GALASSIE: I'd like to be on record. I'd rather pay full fee than have 10 family members.

Can we assume that there was an aberration that may well have taken place for an organization this size? I think if those issues were the norm and they were systemic, we'd be hearing a lot more about it.

Other questions.

Doctor?

MR. BURDEN: I'm sorry, Mr. Chairman. Just a second. I apologize. Perhaps this is buried somewhere, but I want to question the 208 facility that apparently I overlooked. What's on that facility? I heard somebody mention it. Is it a free-standing emergency center? Do you have certain facilities available? Do you have DR or Emergency Room or physicians on board? What's there?

MR. SCIARRO: The location where we're proposing the hospital currently has a full-service fitness and wellness center. It also has an ambulatory center that we established first. That's kind of our -- well, actually, our entry into this market was with physicians and putting physicians and employing physicians and putting primary care physicians, specifically pediatrics and internal medicine, first. Since then, through your approval, we built an ambulatory center. In that ambulatory center we have an immediate care center. We have outpatient laboratory and medical imaging services. We have many more primary care physicians that we have now put down in that facility since then. We've also established a state-of-the-art wound center. That's actually a mile down the road in a facility that we have.

So, I think the statement that we made before was that the responsible planning was we didn't just say this area needs a hospital. We started with physicians. We went without patient services, and then we graduated to this facility.

MR. BURDEN: Do you feel that this particular facility is adequate enough to handle some of the needs that you are apparently feeling that you are required to build a hospital for? The reason I point this out, I don't

need to name them, but many institutions in affluent communities came before us wanting to build a hospital. They wound up building very elaborate, more elaborate facilities of an emergency nature, much more, 8 to 9 rooms doing outpatient surgery of a pretty selective nature, of course being close enough for the ambulance service to get to an institution like a hospital if need be. That never crossed any of the discussions I heard. I've heard nothing except $230 million hospital to go up, not 60 or 70 or even $100 million facility. That would accomplish a lot, if it were more elaborate. That's just a question. I didn't see anything along the lines that led me to believe that the board was encouraging a discussion of that kind of facility. Since they're going up in other communities in Chicago, communities like yours, which I know very well having had a farm in your area for 15 years. But I'm asking.

MR. SCIARRO: Yeah, we considered and have considered through the years many alternatives as far as providing care in that area. All things came to a head, one, with the amount of services or -- the amount of community involvement we have seen since we have placed services there has just grown and grown and grown. The other thing is that with the location and its proximity to

other locations, that the growth the rapid growth. Five years ago it was unbelievable. Today it's just extremely growing fast due to the economic issues.

The amount of growth that we've seen and in our planning processes we've talked about earlier, the way we see it is there is certainly a need for a hospital. We wish that we could actually get it done quicker, but, unfortunately, that's how long healthcare takes. It's a plan, and so then our 2015 date for a new hospital is actually going to be probably needed maybe even sooner than that, due to our experience with our current services, how they're accessed and the continued population growth and certainly the growth in that area, the economic development.

MR. BURDEN: Your answer was sort of obtuse. You never answered my question. However, I'm not going to go further with it, because it's been a long day, period. Thank you for attempting. I'm not being facetious. I mean that. I'll mention communities like Grayslake and Naperville, where they had opportunities and they really wanted to build another hospital, and they built some very elaborate, free-standing emergency centers that have around-the-clock services and provide a lot that those communities -- maybe not necessarily as affluent as Lake

Forest. I'm sitting here for a long time and looking at the money, the numbers, everything that those people want to accomplish. Great difference between need and want, and that is a phrase that Dave Carvalho has engrained in me. I'm sorry. I appreciate your attempt, but that's what I'm getting to, and I'm not going to go further with it.

CHAIRMAN GALASSIE: Are we ready to bring this item to a vote?

MR. HAYES: Mr. Chairman. You know, first, I wanted to ask the CFO, now who is the auditor of Centegra?

MR. ROSENBERGER: KPMG.

MR. HAYES: And Deloitte & Touche, I think, you had a study done by, is that correct.

MR. ROSENBERGER: Yes, sir.

MR. HAYES: Who recommended them to do that study?

MR. ROSENBERGER: We actually looked at a couple different firms and tried to figure out who would fit best with us and who we have had a relationship with in the past. There was a partner that was with Deloitte & Touche that used to be with Anderson. I hope that doesn't go against them, but we had a relationship with Anderson prior to Anderson going down. We had a relationship with this partner. He's now with Deloitte, and that's how we

started the conversation.

MR. HAYES: Okay. So basically your -- has Deloitte & Touche ever worked for you?

MR. ROSENBERGER: They've done a number of different consulting engagements with us. To be honest with you, I don't think I would want KPMG to do this, because I kind of want to separate church and state. So KPMG takes care of our annual audits and everything is full disclosure, and Deloitte can do other consulting with us. KPMG can come in and see what Deloitte did at that point and kind of have those check and balances. So, you do want different organizations to do different parts. I didn't want to put everything in one basket. You want to have that separation.

MR. HAYES: I certainly understand that. So Deloitte & Touche has a significant amount of fees that you have paid them over the years for non-attest functions; is that correct.

MR. ROSENBERGER: Yes.

MR. HAYES: Okay. Obviously, this project has a Board of Director approval; is that correct? But there is certainly risks associated in the future, like funding, with your A-1 rating. Was it A-1?

MR. ROSENBERGER? We're an A-minus

organization.

MR. HAYES: There's also healthcare reform and basically project feasibility. What assurance does the Board have that you will go ahead and be able to complete this project?

MR. ROSENBERGER: From a financial standpoint?

MR. HAYES: Well, any project -- any part of it, really, here. Why would -- in a couple of years, if the healthcare reform environment has changed significantly or else the funding part of it, because you have -- you haven't obligated this project right now, have you.

MR. ROSENBERGER: We haven't obligated this project from a cash standpoint. We have the cash, so that piece is not an issue. From a bond financing standpoint, we've talked to a number of different organizations. We've talked to banks, and based on what we put into the application, I think we are more than satisfied that we can get at or below the rate that we put into this application. From a feasibility study, I think we came at things from a pretty conservative standpoint and worked very closely with Deloitte to come in and put a best guestimate out there. None of us have a crystal ball, so from that standpoint what happens a few years down the road -- we tried to take into account everything we know now and all of the

potential what-if scenarios to make sure we're not over stepping our bounds. So, to the best of our ability, the best we can project right, now I think it's a very conservative estimate based on what the growth is in that area, and we're not decimating other organizations, and we're not decimating our own organization.

MR. HAYES: If there was -- the competitive environment was to change and if other -- and it could be a variety of different areas or hospitals that could come in and open a similar facility that would essentially infringe on your market area, would you -- will you entertain the possibility of not going forward with this project.

MR. EESLEY: You're saying if somebody else wanted to build a hospital in that market, would we not --

MR. HAYES: Would you oppose that and would that stop your plans?

MR. EESLEY: I think the opposition to anybody building a hospital in our market depends on need, and I think that's one of the things that we've been talking about. Currently there is a need. That's why we're proposing our project. If the population continues to grow and there's more need there that's demonstrated that's not being met, obviously we're going to be supportive of anybody trying to do something in our market to help our

community. So, at this point in time, we're trying to help our community with this project.

MR. HAYES: How about if -- what assurance does the Board have that you will go ahead with this project in, like, 12 months, 24 months, every year while this project is being built? At any point you have the ability to be able to pull the rug under this -- out of this project.

MR. EESLEY: I think this is such a significant project, I think once you get started, you're moving forward, and our anticipation is it probably would take about 12 months to get everything in order before we could start making any -- digging our shovels, every shovel in the ground, so to speak, and I think at that point in time, we're all-in in the process, and we've always followed through on the projects that we have been a part of. It's our board that holds us accountable to that, and it's the community members, as well, and, as you can see, there's a lot of support in this. I don't know in addressing other issues with regards to why -- we put in a couple different alternatives into the project, as part of the CON, to address what other options are there, and in that, I think just a quick summary, we looked at the potential of having additional beds at our current McHenry

site. We looked at the women's health project that we had approved prior, and we thought at that point in time that moving everything into the Huntley campus made a lot more sense. When you take a look at those other communities and what they did from an ambulatory sense and heightened sense of ambulatory, because, one, there wasn't a bed need there at the time and, two, there's a limited amount of ability to -- or excessive amount of ability to provide services that are there. So that ambulatory nature was a great strategy for those communities, and I think we've had a great strategy in developing our ambulatory piece as well, and there's a strong commitment by our community, by or board, by our Executive Team, that this project will follow through and be initiated in a timely way and be a major, viable source of support for Centegra Health System.

MR. HAYES: Thank you very much.

CHAIRMAN GALASSIE: Thank you. I'm going to move this to a vote. Item 10-090, Centegra Hospital Huntley. I will entertain a motion to approve Project 10-090 for the establishment of a 128-bed acute care facility in Huntley, Illinois. A vote of yes is in support, a vote of no is in opposition.

MR. GREIMAN: Mr. Chairman, I would move to accept it but with this question, that within 21 months

from now, they have to report to us and tell us where they are.

CHAIRMAN GALASSIE: You'll accept that qualifier? So the motion will read to approve Project 10-090 for the establishment of a 128-bed acute care facility, and expect the applicant to come back within 21 months to give us a reasonably detailed report about the progress, in person.

MR. EESLEY: That's fine.

CHAIRMAN GALASSIE: Thank you.

MR. GREIMAN: So moved.

MR. SEWELL: Second.

MR. CONSTANTINO: They still have to provide the annual reports.

MR. SHEPLEY: We understand that. Thank you very much.

CHAIRMAN GALASSIE: Motion and seconded. Applicant understands their need to come back in 21 months while still maintaining the annual reports.

Can I have a roll call vote, please?

MR. ROATE: Motion made by Justice Greiman, seconded by Mr. Sewell.

Dr. Burden?

MR. BURDEN: It's been a long day. I respect

the lengthy presentation, the expertise demonstrated, the costs involved to bring all of that data to us for the second time in several months. As you might suspect, I'm a little reluctant to be endorsing this at this time. I feel concerned about the community, the other hospitals in the area that have very low census and unknown immediate future. If we had a comprehensive care center advising us, which is yet to be funded, this is an area that I would look to for further thought, other than what we can accomplish by listening to you and your adversaries present why they are opposed to what you want to do. It's difficult. I think you've got a location in the area that I'm more fond of. If you asked me what I thought about that, I believe that's a go. I just think it's a little early to be voting in a positive way, for me, from my perspective. I don't think the need is so great that we have to move so quickly. At least that's my opinion. It may come in the near future. That's a different story. But at this moment, I'm inclined to stay with what I thought several months ago. No.

MR. ROATE: Mr. Eaker?

MR. EAKER: I also have other concerns, the majority of which center around -- I cannot get my head around how spending $233 million on a project of this

nature is going to help healthcare consumers with lower healthcare costs. I vote no.

MR. ROATE: Justice Greiman?

MR. GREIMAN: I vote yes.

MR. ROATE: Mr. Hayes?

MR. HAYES: I believe the amount of economic development associated with this project of approximately $233 million is certainly -- weighs on my decision as well. I also feel that there are a variety of access to emergency services that are also very helpful here. I hope that this will allow for a competitive nature in this county and that other facilities also may consider this project so that this would go forward with other facilities also looking into their plans for the future, because we are looking at a hospital that would not open until September 30th of 2016. I feel that this is an aggressive time frame here, and I would like to vote -- I will vote yes.

MR. ROATE: Mr. Hilgenbrink?

MR. HILGENBRINK: I just want to say that I appreciate the Staff presentation's in a long day. It's very well received, but, unfortunately, I think there are some shortcomings with meeting the criteria, and I share many of the same concerns articulated by Dr. Burden. So, unfortunately, I'm going to vote no.

MR. ROATE: Ms. Olson.

MS. OLSON: At the risk of repeating myself, which I chastise anybody else for doing, I'm going to say that I, as well, put a great deal of time in reviewing everything in this contract. I think this is the hardest decision I've made since I've been on this Board. I think you guys did a great presentation. You obviously have a great deal of community support, which I would submit won't change regardless of the outcome of this, because you're committed to your community. But I have to say -- and I'm going to quote from you, Mr. Eesley. I feel like I need to play by the rules, and I have to vote no. I don't think a yes vote would be defendable.

MR. ROATE: Mr. Sewell?

MR. SEWELL: I vote yes.

MR. ROATE: Chairman Galassie?

CHAIRMAN GALASSIE: The Chair votes yes.

MR. ROATE: That's three votes in the positive and three votes in the negative.

CHAIRMAN GALASSIE: Four.

MR. ROATE: Four in the negative, four to four.

CHAIRMAN GALASSIE: It does not pass. You need five votes to pass it. Sorry, folks.

MR. SHEPLEY: Could I ask a point of order?

CHAIRMAN GALASSIE: We actually have additional business.

MR. SHEPLEY: I just want to ask a point of order, and the point of order would be is there any course of action on -- I'm directing this to Mr. Urso -- that we can take in --

CHAIRMAN GALASSIE: I'm going to suggest that you take that point up with Mr. Urso after the meeting, because this has taken place and we've put ample time into it. You folks are done right now. We're not. Thank you very much. Good luck to you and the community.

Moving forward, Item No. 5 on the agenda is Compliance Issues. Item 6, 7 and 8, we will not deal with today, folks. The Board members -- I know at least one Board member has already missed his flight, so the last bit of business for us today is, Mr. Urso, on compliance issues.

MR. URSO: Mike, do you want to do those legal referrals right away?

MR. CONSTANTINO: Yes. We're referring to legal counsel Highland Ambulatory Surgery Center. They discontinued the facility without a permit.

And then we have two final orders, HFR --

excuse me. HFSRB 11-08, 11-09, 11-10, RAI Care Center of Illinois.

MR. URSO: We'll take those one at a time. So, Board members, can we have a motion to refer Highland Ambulatory Surgical Center that discontinued without a permit, to Legal Counsel for reviewing for non-compliance, which may include sanctions detailed and specified in the Board's rules?

MS. OLSON: So moved.

MR. EAKER: Seconded.

CHAIRMAN GALASSIE: All in favor, say "aye".

("Ayes" heard.)

MR. GALASSIE: Unanimous vote.

MR. URSO: Move on to motion to approve the Final Order on Docket No. HFSRB 11-08, 9 and 10, which is RAI Care Centers of Illinois, Projects 10-083, 10-084, and 10-085.

MR. HILGENBRINK: So moved.

MR. SEWELL: Second.

CHAIRMAN GALASSIE: Moved and seconded. All in favor?

("Ayes" heard.)

CHAIRMAN GALASSIE: Motion passes, unanimous.

MR. URSO: Request a motion to approve Fox

River Pavilion, which is Docket No. HFSRB 10-01, Project No. 07-065, requesting a motion to approve.

MS. OLSON: So moved.

MR. SEWELL: Second.

CHAIRMAN GALASSIE: All in favor?

("Ayes" heard.)

CHAIRMAN GALASSIE: Opposed?

(No response)

CHAIRMAN GALASSIE: Hearing none, motion passes.

MR. URSO: That's it.

CHAIRMAN GALASSIE: Thank you. That's all we have. Thank you, ladies and gentlemen. We have had a long day. We should be proud of our efforts. Again, I'm sorry for those who have missed their flights and connections. I'm sure we will be hearing more about this issue.

Thank you very much. Happy holidays, everyone, and Staff. Have a good day. We're adjourned.

END TIME: 5:12 p.m.

CERTIFICATE OF REPORTER

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

_____

KAREN K. KEIM

CRR, RPR, CSR-IL, CCR-MO

N

STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
525 WEST JEFFERSON ST.• SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516• FAX: (217) 785-4111

December 9, 2011

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Ms. Hadley Streng, Director
Planning and Business Development
Centegra Health System
385 Millennium Drive
Crystal Lake, IL 60012

RE: **DENIAL OF APPLICATION**
Notice of an Opportunity for an Administrative Hearing
Illinois Health Facilities Planning Act
PROJECT: #10-090 - Centegra Hospital-Huntley
APPLICANT(S): Centegra Health System
Centegra Hospital-Huntley

Dear Ms. Streng:

On December 7, 2011 the Illinois Health Facilities Planning Board issued its denial of the application for permit for the above-referenced project. The State Board rendered its decision following consideration of the CON application, supplemental information, public hearing materials, the State Board Staff Agency Report and the testimony of the applicant. The State Board's decision is based upon the applicant's failure to document that Project #10-089 as that proposed is in compliance with State Board's review criteria. The following are the allegations of non-compliance the State Board observed in the application:

Allegations of Non-Compliance

The applicants did not document conformance with the following review criteria:

☐ Criterion 1110.1430(b) - Planning Area Need
☐ Criterion 1110.1430(c) - Unnecessary Duplication/Maldistribution
☐ Criterion 1110.3030(a) – Clinical Services Other Than Categories of Service

Section 10 of the Illinois Health Facilities Planning Act (the "Act"), P.A. 78-1156 as amended, [20 ILCS 3960/10] affords you the opportunity for a hearing before a hearing officer appointed by the Director of the Illinois Department of Public Health. Such hearing shall be conducted in accordance with the provisions specified in Section 10 of the Act and the implementing rules, 77 IAC Part 1130. If you decide to exercise your right to an administrative hearing, you must submit a written notice of a request for such hearing to the Administrator of the State Board, postmarked within 30 days of

receipt of this notice.

Notice to the Administrator may be made by forwarding the written request to my attention at the following address:

Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Notice to the Administrator constitutes notice to the State Board (77 IAC 1130.1020(b)). Failure to submit your request within this period constitutes a waiver of your right to an administrative hearing.

If you decide to exercise your right to an administrative hearing, the Illinois Health Facilities and Services Review Board, shall, within 30 days after the receipt of your request, appoint a hearing officer. The administrative hearing will afford you the opportunity to demonstrate that the application is consistent with the criteria upon which the action of the State Board was based. The State Board shall make a final determination following its consideration of the report of the administrative hearing, or upon default of the party to the hearing.

Should you have any questions, please contact Mike Constantino at 217 782 3516.

Sincerely,

Courtney Avery

Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board

Cc: Dale Galassie, Chairman
Frank Urso, General Counsel

Constantino, Mike

From: Urso, Frank
Sent: Monday, December 19, 2011 9:13 AM
To: Constantino, Mike
Cc: Avery, Courtney
Subject: FW: Technical Assistance Documentation

Mike,

For the 10-090 file.

Thanks, Frank.

From: Lawler, Daniel [mailto:daniel.lawler@klgates.com]
Sent: Friday, December 16, 2011 4:10 PM
To: Urso, Frank
Subject: Technical Assistance Documentation

Frank,

This email is to document the technical assistance call I had with you, Juan Morado and Courtney Avery on Friday December 2, 2011 for Project No. 10-090, Centegra Hospital-Huntley regarding the requirements of Section 1110.530(b)(5) on Service Accessibility and the public comment guidelines. As set forth in my letter to you dated November 18, 2011, the applicants understood that where Section 1110.530(b)(5) states that "an applicant shall document that at least one of the following factors exist", that specific provision is complied with when the applicant documents one of the five factors listed and that the provision does not require two factors to be documented. You stated you agreed with that interpretation. You also confirmed that the guidelines for public comment at the December Review Board meeting would be the written guidelines posted on the Review Board's website. Thank you for your assistance on these matters.

Dan

CentegraHealthSystem

Centegra Corporate Office
385 Millennium Drive
Crystal Lake, IL 60012
815-788-5826

Michael S. Eesley
Chief Executive Officer

December 20, 2011

VIA CERTIFIED MAIL AND EMAIL

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761

Re: Request for Administrative Hearing
Project No. 10-090, Centegra Hospital-Huntley

Dear Ms. Avery:

On behalf of Centegra Health System and Centegra Hospital-Huntley, the co-applicants in Project No. 10-090 Centegra Hospital-Huntley, I request a hearing before a hearing officer on the Illinois Health Facilities Planning Board's issuance of a denial of the application for permit on December 7, 2011. This request is made in accordance with the Notice of Opportunity for Administrative Hearing in your letter dated December 9, 2011, which I received on December 19, 2011.

Centegra Health System and Centegra Hospital-Huntley will be represented in this hearing by Daniel Lawler, K&L Gates LLP, 70 West Madison Street, Suite 3100, Chicago, Illinois 60602 (telephone 312.372.1121; email daniel.lawler@klgates.com). Please provide Mr. Lawler with notice of the appointment of the hearing officer and hearing date.

Sincerely,

Michael S. Eesley
Chief Executive Officer
Centegra Health System

cc: Dale Galassie, Chairman, IHFSRB via First Class Mail
Frank Urso, General Counsel, IHFSRB via First Class Mail
Daniel Lawler, K&L Gates LLP, Counsel for the Co-Applicants

Constantino, Mike

From: Avery, Courtney
Sent: Wednesday, December 21, 2011 11:34 AM
To: Constantino, Mike; Urso, Frank; Morado, Juan
Subject: Fw: Project No. 10-090 Request for Administrative Hearing
Attachments: Courtney Avery letter Project No 10-090 12-20-11.pdf

FYI

From: Shepley, Aaron [mailto:ATShepley@Centegra.com]
Sent: Tuesday, December 20, 2011 05:34 PM
To: Avery, Courtney
Cc: 'Lawler, Daniel' <daniel.lawler@klgates.com>; Streng, Hadley <HStreng@centegra.com>
Subject: Project No. 10-090 Request for Administrative Hearing

Dear Ms. Avery:

On behalf of the applicants in Project No. 10-090, please see the attached Request for Administrative Hearing. Thank you for your assistance in this matter.

Very Truly,

Aaron T. Shepley

Aaron T. Shepley
Senior Vice President, General Counsel
Centegra Health System
385 Millennium Drive
Crystal Lake, Illinois 60012
(815) 788-5837 (work)
(815) 245-6312 (cell)
atshepley@centegra.com

CentegraHealthSystem

Centegra Corporate Office
385 Millennium Drive
Crystal Lake, IL 60012
815-788-5826

Michael S. Eesley
Chief Executive Officer

December 20, 2011

VIA CERTIFIED MAIL AND EMAIL

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761

Re: Request for Administrative Hearing
Project No. 10-090, Centegra Hospital-Huntley

Dear Ms. Avery:

On behalf of Centegra Health System and Centegra Hospital-Huntley, the co-applicants in Project No. 10-090 Centegra Hospital-Huntley, I request a hearing before a hearing officer on the Illinois Health Facilities Planning Board's issuance of a denial of the application for permit on December 7, 2011. This request is made in accordance with the Notice of Opportunity for Administrative Hearing in your letter dated December 9, 2011, which I received on December 19, 2011.

Centegra Health System and Centegra Hospital-Huntley will be represented in this hearing by Daniel Lawler, K&L Gates LLP, 70 West Madison Street, Suite 3100, Chicago, Illinois 60602 (telephone 312.372.1121; email daniel.lawler@klgates.com). Please provide Mr. Lawler with notice of the appointment of the hearing officer and hearing date.

Sincerely,

Michael S. Eesley
Chief Executive Officer
Centegra Health System

cc: Dale Galassie, Chairman, IHFSRB via First Class Mail
Frank Urso, General Counsel, IHFSRB via First Class Mail
Daniel Lawler, K&L Gates LLP, Counsel for the Co-Applicants

STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: (217) 785-4111

March 8, 2012

CORRECTED
CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Ms. Hadley Streng, Director
Planning and Business Development
Centegra Health System
385 Millennium Drive
Crystal Lake, IL 60012

RE: **DENIAL OF APPLICATION**
Notice of an Opportunity for an Administrative Hearing
Illinois Health Facilities Planning Act
PROJECT: 10-090 - Centegra Hospital-Huntley
APPLICANT(S): Centegra Health System
Centegra Hospital-Huntley

Dear Ms. Streng:

On December 7, 2011 the Illinois Health Facilities Planning Board issued its denial of the application for permit for the above-referenced project. The State Board rendered its decision following consideration of the application, the State Board Staff Report and the testimony of the applicant. The State Board's decision is based upon the applicant's failure to document that a project of the nature and scope as that proposed is appropriate for the reasons stated in the following allegations of non-compliance:

Allegations of Non-Compliance

The applicants did not document conformance with the following review criteria:

□Criterion 1110.530(b) - Planning Area Need
□Criterion 1110.530(c) - Unnecessary Duplication/Maldistribution
□Criterion 1110.3030(a) – Clinical Services Other Than Categories of Service

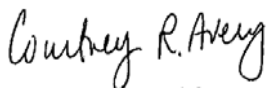
Section 10 of the Illinois Health Facilities Planning Act (the "Act"), P.A. 78-1156 as amended, [20 ILCS 3960/10] affords you the opportunity for a hearing before a hearing officer appointed by the Director of the Illinois Department of Public Health. Such hearing shall be conducted in accordance with the provisions specified in Section 10 of the Act and

the implementing rules, 77 IAC Part 1130. If you decide to exercise your right to a hearing, you must submit a written notice of a request for such hearing to the Administrator of the State Board, postmarked within 30 days of receipt or delivery of this notice.

Notice to Administrator may be made by forwarding the written request to my attention at the following address: Illinois Health Facilities and Services Review Board, Attention: Courtney R. Avery, Administrator, Division of Health Systems Development, 525 West Jefferson Street (2nd Floor), Springfield, Illinois 62761. Notice to the Administrator constitutes notice to the State Board (77 IAC 1130.1020(b)). Failure to submit your request within this period constitutes a waiver of your right to a hearing.

If you decide to exercise your right to a hearing, the Illinois Health Facilities and Services Review Board, shall, within 30 days after the receipt of your request, appoint a hearing officer. The hearing will afford you the opportunity to demonstrate that the application is consistent with the criteria upon which the action of the State Board was based. Following its consideration of the report of the hearing, or upon default of the party to the hearing, the State Board shall make its final determination.

Sincerely,



Courtney R. Avery, Administrator
Illinois Health Facilities and Services Review Board

State of Illinois
Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor, Springfield, Illinois 62761 (217) 782-3516, (217) 785-4111 (fax)
www.hfsrb@illinois.gov

A G E N D A

(M-316) **– FINAL** (per 2 IAC 1925.240)
Final Agenda will be posted no later than
9:00 A.M. Friday, June 1, 2012 at the
Health Facilities and Services Review Board's office
and at the meeting location.
Bolingbrook Golf Club
2001 Rodeo Drive
Bolingbrook, IL 60490

1. PUBLIC PARTICIPATION SIGN-IN, 9:30 A.M.

2. CALL TO ORDER: Tuesday June 5, 2012, 10:00 A.M.

3. APPROVAL OF AGENDA

4. APPROVAL OF MINUTES: April 17, 2012

5. POST PERMIT ITEMS APPROVED BY THE CHAIRMAN:

1. Permit #11-006 - Transitional Care of Arlington Heights approved for a permit renewal to extend the completion date to April 30, 2014.

2. Permit #11-006 – Transitional Care of Arlington Heights approved for an extension of obligation to February 28, 2013.

3. Permit #10-017 – Swedish Covenant Hospital approved for a permit alteration to change the project financing and increase the total cost of the project by 1.1% or $547,500 from $49,809,652 to $50,357,152**.**

4. Permit #10-059 – Trinity Medical Center Rock Island approved for alteration to increase the total project cost by 3.1% from $11,874,956 to $12,248,682 an increase of $372,726 and reduce the modernization gross square footage by 375 GSF.

5. Permit #10-059 – Trinity Medical Center Rock Island approved for a permit renewal to extend the completion date to March 31, 2015.

6. ITEMS FOR STATE BOARD ACTION:

A. PERMIT RENEWAL REQUESTS

Item	Class	Opposition	Facility	City	Number	
A-2	NA	No	Clare Oaks Permit Renewal	Bartlett	05-002	_____
A-1	NA	No	Northshore University HealthSystem 72-Month Permit Renewal to June 30, 2018	Skokie	09-025	_____

B. EXTENSION REQUESTS (none)

C. ALTERATION REQUESTS (none)

D. DECLARATORY RULINGS/OTHER BUSINESS (none)

E. HEALTH CARE WORKER SELF-REFERRAL ACT (none)

F. STATUS REPORTS ON CONDITIONAL/CONTINGENT PERMITS (none)

G. EXEMPTION REQUESTS (none)

H. APPLICATIONS SUBSEQUENT TO INITIAL REVIEW

Item	Class	Opposition	Facility	City	Number	
H-01	Sub	No	Skokie Hospital Modernization of Med/Surg and Surgery	Skokie	12-020	_____
H-02	Non-Sub	No	Silver Cross Renal Ctr. Change of Ownership	New Lenox	11-117	_____
H-03	Non-Sub	No	Silver Cross Renal Ctr. Morris Change of Ownership	Morris	11-118	_____
H-04	Non-Sub	No	Silver Cross Renal Ctr. West Change of Ownership	Joliet	11-119	_____
H-05	Non-Sub	No	Crystal Springs Dialysis Change of Ownership	Crystal Lake	12-017	_____
H-06	Sub	No	Elmhurst Memorial Hospital Relocate Oncology Program	Elmhurst	12-019	_____
H-07	Sub	Yes	Lisle Ctr. for Pain Management Establish a Ltd. Specialty ASTC	Lisle	11-121	_____

Item	Class	Opposition	Facility	City	Number	
H-08	Sub	Yes	Manor Court of Freeport Add 27 Beds to 90-Bed LTC Facility	Freeport	12-014	_____
H-09	Sub	Yes	FMC North Pekin Establish 9-Station ESRD Facility	North Pekin	12-004	_____
H-10	Sub	No	Schaumburg Renal Center Add 6-stations to Existing 14 station facility	Schaumburg	12-009	_____
H-11	Sub	No	FMC Oak Forest Establish 12-Station ESRD Facility	Oak Forest	12-012	_____

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

I-01	Sub	No	Lake County Dialysis Discontinue 16-Station ESRD Establish 20-Station Replacement Facility	Vernon Hills	11-114	_____
I-02	Sub	Yes	FMC East Aurora Establish 12-Station ESRD Facility	Aurora	11-120	_____

7. EXECUTIVE SESSION

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

8. COMPLIANCE ISSUES / SETTLEMENT AGREEMENTS / FINAL ORDERS

A. Referrals to Legal Counsel
   1. Dupage Medical Group- Lisle Medical Office Building and Cancer Center
   2. Mercer County Hospital

B. Final Orders
   1. Marklund Children's Home – HFPB 07-065
   2. Rosary Hill - HFSRB 07-096

9. OTHER BUSINESS
   1. Legislative Update
   2. April 2012 Financial Report

10. RULES DEVELOPMENT
   1. Rulemaking Status Report

11. OLD BUSINESS (none)

12. NEW BUSINESS

1. Centegra Hospital-Huntley, Project # 10-090, HFSRB 11-11
2. Extend the IGA with the Illinois Department of Public Health
3. Bethshan Association II in Palos Heights discontinuation of 16 bed ICF/DD facility
4. Brooke Hill in Eldorado discontinuation of 16 bed ICF/DD facility
5. Good Samaritan -Knoxville discontinuation of 30 bed long term care facility
6. Advocate Christ Medical Center adjust Hospital Profile data for medical surgical and obstetric utilization for CY 2005-2011
7. Approval of 2013 Meeting Dates

13. ADJOURNMENT

FOR TRANSCRIPTS OF THIS MEETING CONTACT:
Health Facilities and Services Review Board Office
525 West Jefferson Street, 2nd Floor
Springfield IL 62761-0001
217-782-3516

14. NEXT MEETING:

July 23- 24, 2012
Bolingbrook Golf Club
2001 Rodeo Drive
Bolingbrook, IL 60490

15. FUTURE MEETINGS:

Health Facilities Planning Board – Meetings – 2012		
Date	City	Location
September 11, 2012	TBA	TBA
October 30, 2012	TBA	TBA
December 18, 2012	TBA	TBA

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STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

PROCEEDINGS HELD IN OPEN SESSION MEETING

JUNE 5, 2012

NATIONWIDE SCHEDULING

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STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 West Jefferson Street, 2nd Floor

Springfield, Illinois 62761

217-782-3516

OPEN SESSION

Regular session of the meeting of the State of Illinois Health Facilities and Services Review Board was held on June 5, 2012, at the Bolingbrook Golf Club, 2001 Rodeo Drive, Bolingbrook, Illinois.

PRESENT:

Dale Galassie - Chairman
Ronald Eaker
John Hayes
John Burden
Alan Greiman
Kathy Olson
Richard Sewell
David Penn

ALSO PRESENT:

Courtney Avery - Administrator
Frank Urso - General Counsel
Juan Morado - Assistant Counsel
Alexis Kendrick - Board Staff
Michael Constantino - IDPH Staff
George Roate - IDPH Staff
Bonnie Hills - IDPH Staff
Claire Burman - Board Staff
Michael C. Jones - DHFS

Reported by:

Karen K. Keim
CRR, RPR, CSR-IL, CRR-MO
Midwest Litigation Services
711 North 11th Street
St. Louis, Missouri 63101

START TIME: 10:02 a.m.

CHAIRMAN GALASSIE: Good morning, ladies and gentlemen. Welcome here on a beautiful day. We should be outside, rather than in here, but that's how it goes sometimes.

I would call the meeting to order. We do have a quorum. We have two members as of now missing, to our knowledge. Member Hilgenbrink will not be here. And can I have a roll call for those present, please?

MR. ROATE: Dr. Burden?

(No response)

MR. ROATE: Absent.

MR. ROATE: Mr. Eaker?

MR. EAKER: Present.

MR. ROATE: Justice Greiman?

MR. GREIMAN: Present.

MR. ROATE: Mr. Hayes?

MR. HAYES: Present.

MR. ROATE: Ms. Olson?

MS. OLSON: Present.

MR. ROATE: Mr. Penn?

MR. PENN: Present.

MR. ROATE: Mr. Sewell?

Item 9-2, the Financial Updates. Courtney has handed out similar. Anyone have any questions to the financial update? We will pass on a report.

(Pause)

CHAIRMAN GALASSIE: Hearing none, moving forward. Thank you very much.

Rules Development. Claire, did you have a handout?

MS. BURMAN: Yes.

CHAIRMAN GALASSIE: Similarly, Claire has given us kind of a status report on our rules development.

MS. BURMAN: Just one thing I would like everyone to be aware of. Monday, June 11th, is the last day to submit your public comment on 1130.

CHAIRMAN GALASSIE: Thanks, Claire.

Any other --

MS. BURMAN: That will be posted on the web site.

CHAIRMAN GALASSIE: Good. Any other questions for Claire?

(Pause)

CHAIRMAN GALASSIE: Hearing none, moving to Old/Unfinished Business, we have none, to my knowledge.

Seeing none, Item 12, New Business, Centegra

Hospital-Huntley. We have five or six requests under the Open Meetings Act for comment. I would simply ask folks, respectfully, we will limit you to two minutes, and we appreciate your attention to that matter. I hope I pronounce your names correctly. I apologize if I do not. I'll call up three or four folks so you can cue up if that's all right.

The proponents, Susan Milford; an opponent, Linas Grikis. Are you two in the room? Come on up. Sonya Reece and Joe Ourth.

(Pause)

CHAIRMAN GALASSIE: Just spell your name. You don't have to be sworn in.

MR. GRIKIS: Linas Grikis, L-i-n-a-s, G-r-i-k-i-s.

Mr. Chairman, Members of the Board, my name is Linas Grikis. I'm an attorney with Polsinelli Shughart, counsel for Mercy Health System, and I will keep my comments brief.

As you are aware, much like Centegra Health System, Mercy had a hospital project in McHenry County that was denied by the Board at its December meeting. Mercy, like Centegra, has appealed the Planning Board's decision, and that appeal is working its way through the

administrative process; that is, until the matters you have been discussing came to light. Specifically, it was noted during the administrative process that there was an error in the record of both the Mercy project and the Centegra project. In short, the Administrative Law Judge has sent both matters back to you all to figure out what to do about it.

Mercy understands that none of us on this side of the table are Board members. Therefore, we cannot determine whether something was or was not important in your decision-making process. Any decision you reach today regarding how to handle the error in the record of the Centegra project is your decision. That stated, we would like you to consider a few things.

First, I understand that only Centegra is on the agenda today, but as your Board Counsel may have informed you, the Mercy project -- same issue in the Mercy project is coming along right behind this matter. So, since the issues before you in the Centegra record are the exact same in the Mercy record, we would ask that the Board apply any decision you reach today to the Mercy decision -- or the Mercy matter as well, and that will help ensure that Mercy doesn't incur any additional delay in its appeal. In the same vein, we would also ask you to be mindful of all

of the resources of the parties on this side of the table.

If you ultimately conclude that additional reconsideration of the project is required -- because, as you all are aware, this circle of friends are going to be commenting on both projects. If there is a reconsideration, we would ask that that reconsideration take place at the same Board meeting.

CHAIRMAN GALASSIE: Thank you.

Mr. Ourth?

MS. REECE: Actually, I'm going to go first, if you don't mind.

Good afternoon. I'm Sonya Reece. I'm the Director of Health Facilities Planning for Advocate Health and Hospitals Corporation. Advocate would like to provide limited public comment, as the Board considers the administrative review action in the Centegra-Huntley matter.

It's likely that in your Executive Session today you discussed the pending litigation in which Centegra has filed action against the Review Board and the Administrative Law Judge. You may have also discussed Centegra and Mercy's administrative hearing. I, and two of my colleagues, would like to briefly give you perspective of those hospitals who would oppose these new hospital

projects.

As you know, the Administrative Law Judge in the Centegra matter has proposed remanding the case back to you to correct a misfiling in the record. As you will recall, the Administrative Board had voted an Intent to Deny for the Centegra and Mercy projects in June of last year. Subsequently, the Review Board voted a final denial in December, after exhausting hearings and submissions. Following these denials, both Centegra and Mercy filed for administrative review to appeal these actions. Prior to the action -- actual hearing occurring, it was discovered that one opposition document labeled for Mercy was actually in the Centegra file and vice versa. This document was a report submitted on behalf of Sherman Hospital, St. Alexius Medical Center, and Advocate Good Shepherd Hospital. Upon discovering the cross-filed document, counsel for the Review Board notified the Administrative Law Judge and subsequently requested that the matter be remanded back to the Review Board.

MR. MORADO: Thirty seconds.

CHAIRMAN GALASSIE: Ms. Reece, respectfully, we know that whole story. You might want to tell us what you want to tell us that we don't know.

MS. REECE: The issue at present is whether

one report in an 11,000 page record should cause the matter to be reconsidered and, if so, under what type of reconsideration? My colleagues would like to address this matter in more detail.

CHAIRMAN GALASSIE: Thank you.

MR. GORDON: Good afternoon. My name is Trent Gordon. I'm the Director of Strategic Planning at Advocate Good Shepherd Hospital.

In my hands, I hold copies of the documents in question that were misfiled that led the Administrative Law Judge to recommend the remand of both Centegra and Mercy. Let me briefly quote you a couple statements from the Market Assessment and Impact Study that was performed on the proposed Centegra-Huntley Hospital. "There is existing capacity to meet the current needs of McHenry County residents. Area residents are already being served by existing hospitals, and a new hospital in McHenry County will have substantial adverse impact on existing hospitals' volume and (unintelligible). Even with population growth, there is not enough demand to support a new 128-bed hospital in McHenry County, and any new beds will largely ship discharges from hospitals already serving residents in the Planning Area."

Now let me quote you several statements

from the Market Assessment and Impact Study that was performed on the proposed Mercy Crystal Lake Hospital. "There is existing" --

CHAIRMAN GALASSIE: Actually, I think you have to limit your comments right now to Centegra.

MR. GORDON: All right. So, basically, the exact same conclusions that I just read to you about Centegra were the exact same conclusions, word for word, that were found in the Mercy study. Now, there were some minor differences. So, for example, the Huntley study found that 89 percent of the proposed Huntley service area residents lived within 15 minutes of an existing hospital. For the Mercy Crystal Lake study, it found that percentage to be 81 percent.

MR. MORADO: Thirty seconds.

CHAIRMAN GALASSIE: So, in summary, these documents affirm both your vote in June and December to deny both of these projects. Even if you read the documents in the wrong file, it would have had no impact on your vote in June or December. A partial remand to fix the record is the proper course of action here. A full remand to vote on these projects a third time is not good use of your time, nor a good use of the time of the applicants, nor a good use of the time of the concerned hospitals.

Thank you very much.

CHAIRMAN GALASSIE: Thank you, Mr. Gordon.

Mr. Ourth?

MR. OURTH: Yes. Members of the Board, I'm Joe Ourth, counsel for Advocate, and we have submitted our briefs, but we'd like to take two minutes more to summarize our position on this.

As with any project with a record of 11,000 pages in it, it's not unusual that there may be a misfiling in that record. Our position in talking with the Administrative Law Judge was that this record issue was one that could be resolved as part of the hearing process and it would not be necessary for this to come back to the Board. We believed it to be efficient to allow the appeal process to run its course, and, interestingly enough, Centegra and us both agreed on that, because we were both interested in the efficiency of moving that forward. But we believe it's a troublesome precedent that if there is any time that there is a record -- that may mean that a project automatically comes back to the Board, and that may be a precedent that could be troublesome in the future. Indeed, in fact, it's come to light that there's already some other things in the record or there are some other issues in the record, so whatever that might mean for the

future on this project as well as others.

We also note that in addition to the administrative case, Centegra has filed suit against the Board in Circuit Court, and that this litigation is still pending in Circuit Court and in the Appellate Court as well. But, you now have it back in front of you. And so now what? What do you do with it? Let me boil down the legal issue for you very simply.

You have two reports that you got on the same day, for the same two projects, from the same meeting, that are very similar. The whole issue was that this project was put in this stack (indicating) and this one was put in this stack (indicating).

MR. MORADO: Thirty seconds.

MR. OURTH: We're not over estimating your abilities as Board members, but I kind of also thought you could handle that amount of processing without a whole lot of confusion, and that that's probably something that you would handle and would not require the Board to do a complete do-over of the project.

The question as you're going forward would seem to be, if the two reports were in the right stack, would that have changed the vote? It's not -- this is not an issue where there needs to be a do-over of the project.

You voted on it twice before, and I think that it's the proper course to correct the record that was sent back but to not start over on the process.

Thank you.

CHAIRMAN GALASSIE: Thank you. And we have two folks that signed up as proponents on the issue. Aaron Shepley and Susan Milford. Good afternoon, folks.

MR. SHEPLEY: Good afternoon to you, too. As was noted, my name is Aaron Shepley. Seated with me here today is Susan Milford. We appreciate the opportunity to address you at this late hour on a very long day for you, so I'll keep my comments brief.

Nominally, our project is on the agenda, as you know, pursuant to the recommendation of the ALJ, and as you pointed out, Mr. Chairman, you're all very well aware of that, but it's to correct a record -- and I put that in quotes, correct an error in the record. What I would suggest is that there really never was an error. But we're here, and it is what it is.

Really, what Mr. Ourth explained, I am in total agreement with. There were two transmittal letters, and the wrong reports got submitted by Advocate's attorney when they sent them to the State. The State did exactly what the State should have done. They put them in the file

with the cover letters that were on top of them. That being said, we're really here -- and I ask for an opportunity to speak, and signed up under public comment for two reasons. One, I really want to talk about process, because I feel like our project has gotten off track a little and, two, we want to make sure that you know -- and I will renew our request -- we are fully committed to this project. We would encourage you to approve this project in the most expeditious manner possible.

We right now are three months behind schedule that we should have been, and I want to talk about that very briefly. We are fully committed to this project. Our community is committed to the project. This has been a long -- and even for you, too, I'm sure -- a long and sometimes painful journey. We have spent over $3 million on this project to date. We have invested thousands of volunteer hours. We've invested thousands of working hours, all for the goal of serving our community, and it's in everybody's best interests that this process stay on track and that it stay fair, and that's really where we come to the fork in the road.

As was pointed out, we did file a lawsuit on this action, and I want to explain that, and I want to clear the air on it, because we don't have the opportunity

to call all the Board members and say, "This is why we did this and the other thing." But this is our opportunity to explain our position and why we did what we did. Everything about this project -- and, by the way, our lawsuit has nothing to do with what you decided on December 7th. It has everything to do with what has not happened since December 7th. We started down a path, and we were on a perfect track. I will tell you that. The ALJ, the appointment of the ALJ, everything was done precisely as it should be done under the rules. The ALJ was appointed within thirty days, he set a prehearing conference, all the parties appeared. We did everything we needed to do, and he set a hearing that was within the 90-day rule or the State rule as required.

MR. MORADO: Thirty seconds.

MR. SHEPLEY: It was high-five for everybody around. But what happened is that on March 19th, because of this so-called error in the record -- which I would agree with Mr. Gordon, and I wish he would have been there arguing at the time -- that it wasn't a material error, but what I would tell you is that the irony of the so-called error in the record is that that new report makes our project better, because the report that was in the file showed the health system or the hospital facility having a

greater impact on existing facilities than the report that should have been in the file. So, that's the irony. If you correct the record, we now have a stronger case for approval than we had the last time through.

CHAIRMAN GALASSIE: I'm going to ask you to bring it to a close.

MR. SHEPLEY: Yes, I will bring it to a close, and then my intention was for only me to speak. If --

CHAIRMAN GALASSIE: Susan is going to give you her two minutes? We'll split the difference.

MR. SHEPLEY: Thank you very much. I appreciate that.

So, basically, what I was saying is that the error makes our project better. So, once we went down the path where we were not getting a hearing that we were entitled to under the rules, we felt like we had no choice but to file a lawsuit, because all we really wanted was the process that is provided by the Planning Act and by your rules to be followed to the letter, and we didn't really feel like that was that much to ask. We knew we were running a risk. No one likes to be sued, and I believe I've been on that end, too.

CHAIRMAN GALASSIE: The Board recognizes your right to sue.

MR. SHEPLEY: Absolutely, but what we want to do at this point is get our project back on track. Certainly, we would welcome approval of our project. If you wanted to vote to approve our project today, we would gladly accept that approval. Short of that approval at today's meeting, what we would ask this Board to do is to set a defined project with deadlines and with a structured content in order for us to move forward, so that we have certainty. See, that was the nice thing about the way it was working before March 19th, was that there were deadlines, thirty days for this, ninety days for this, you have to -- the hearing officer's report, thirty days after that. We should have been here today for a final action of this Board on our project, if that had been followed. If you defer this over to the July meeting, what we would ask is that you define the process, that you do vote on it on the July meeting, and that you give -- that you limit the consideration of that to what has changed, that report. Public comments should be limited to what was changed, that report, all of those things, and that's just in the interest of fairness.

So at the end of the day, I appreciate that you have a job to do. I know that you're going to vote one way or the other. I only ask that you do consider the

fairness to our organization and the level of investment that we have already put in this project that is way behind schedule. At the end of the day, it's going to be a two-year-plus process for us here, because the anniversary is December for two years.

So, we appreciate your time and we appreciate your consideration.

CHAIRMAN GALASSIE: Thank you. I can assure you this Board has every intention of being as fair as it possibly can.

That closes the public comment for Agenda 12-1, Centegra Hospital-Huntley project.

Mr. Urso, Counsel?

MR. URSO: Mr. Chair, Board members, there are several motions that I would like to present to the Board. These various motions have to do with the Centegra Hospital-Huntley, Project No. 10-090, Docket No. HFSRB 11-11.

There is a motion to adopt the Administrative Law Judge Hart's recommendations to correct Centegra's record in order to include the Market Assessment and Impact Study for the proposed Centegra-Huntley Project 10-090 and exclude the Market Assessment and Impact Study for the proposed Mercy Crystal Lake Hospital Project 10-089, and,

finally, to reconsider Centegra's application for permit with the corrected record. So, motion to adopt.

MR. SEWELL: So moved.

MS. OLSON: Second.

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

MR. ROATE: Dr. Burden?

MR. BURDEN: Yes.

MR. ROATE: Mr. Eaker?

MR. EAKER: Yes.

MR. ROATE: Justice Greiman?

MR. GREIMAN: Yes.

MR. ROATE: Mr. Hayes?

MR. HAYES: Yes.

MR. ROATE: Ms. Olson?

MS. OLSON: Yes.

MR. ROATE: Mr. Sewell?

MR. SEWELL: Yes.

MR. ROATE: Chairman Galassie?

CHAIRMAN GALASSIE: Yes.

MR. ROATE: That's six votes in the affirmative.

CHAIRMAN GALASSIE: Motion passes.

MR. ROATE: Seven.

CHAIRMAN GALASSIE: Continuing on.

MR. URSO: The second motion is to conduct a limited reconsideration of the pages listed in the Market Assessment and Impact Study for the proposed Centegra-Huntley Hospital Project 10-090.

MS. OLSON: So moved.

MR. SEWELL: Second.

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

MR. ROATE: Dr. Burden?

MR. BURDEN: Yes.

MR. ROATE: Mr. Eaker?

MR. EAKER: Yes.

MR. ROATE: Justice Greiman?

MR. GREIMAN: Yes.

MR. ROATE: Mr. Hayes?

MR. HAYES: Yes.

MR. ROATE: Ms. Olson?

MS. OLSON: Yes.

MR. ROATE: Mr. Sewell?

MR. SEWELL: Yes.

MR. ROATE: Chairman Galassie?

CHAIRMAN GALASSIE: Yes.

MR. ROATE: That's seven votes in the

affirmative.

CHAIRMAN GALASSIE: Motion passes.

Moving on.

MR. URSO: Next motion is to allow for an opportunity for a public hearing and written public comments for the limited reconsideration of the Centegra-Huntley Hospital Project 10-090. It's a motion to allow.

MS. OLSON: So moved.

MR. SEWELL: Second.

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

MR. ROATE: Dr. Burden?

MR. BURDEN: No.

MR. ROATE: Mr. Eaker?

MR. EAKER: No.

MR. ROATE: Justice Greiman?

MR. GREIMAN: No.

MR. ROATE: Mr. Hayes?

MR. HAYES: No.

MR. ROATE: Ms. Olson?

MS. OLSON: No.

MR. ROATE: Mr. Sewell?

MR. SEWELL: No.

MR. ROATE: Chairman Galassie?

CHAIRMAN GALASSIE: No.

MR. ROATE: That's seven votes in the negative.

CHAIRMAN GALASSIE: Motion fails.

Moving on.

MR. URSO: Next motion is to conduct the limited reconsideration of the Centegra-Huntley Hospital Project 10-090 at the next, July 23rd-24th, Health Facilities and Services Review Board meeting in 2012.

MS. OLSON: So moved.

MR. SEWELL: Second.

CHAIRMAN GALASSIE: Moved and second. Roll call, please.

MR. ROATE: Dr. Burden?

MR. BURDEN: Yes.

MR. ROATE: Mr. Eaker?

MR. EAKER: Yes.

MR. ROATE: Justice Greiman?

MR. GREIMAN: Yes.

MR. ROATE: Mr. Hayes?

MR. HAYES: Yes.

MR. ROATE: Ms. Olson?

MS. OLSON: Yes.

MR. ROATE: Mr. Sewell?

MR. SEWELL: Yes.

MR. ROATE: Chairman Galassie?

CHAIRMAN GALASSIE: Yes.

MR. ROATE: That's seven votes in the affirmative.

CHAIRMAN GALASSIE: Motion passes.

Moving on.

MR. URSO: The next motion is a motion to approve the May 18th, 2012 settlement proposal presented by Centegra Health Systems versus Administrative Law Judge Hart as well as the Board, No. 12-MR-146. Motion to approve the settlement proposal.

MS. OLSON: So moved.

MR. SEWELL: Second.

MR. ROATE: Dr. Burden?

MR. BURDEN: No.

MR. ROATE: Mr. Eaker?

MR. EAKER: No.

MR. ROATE: Justice Greiman?

MR. GREIMAN: No.

MR. ROATE: Mr. Hayes?

MR. HAYES: No.

MR. ROATE: Ms. Olson?

MS. OLSON: No.

MR. ROATE: Mr. Sewell?

MR. SEWELL: No.

MR. ROATE: Chairman Galassie?

CHAIRMAN GALASSIE: No.

MR. ROATE: Seven votes in the negative.

CHAIRMAN GALASSIE: Motion fails.

MR. URSO: Thank you, Mr. Chairman, Board members.

CHAIRMAN GALASSIE: Thank you.

Moving on to Item 12-2, extending the IGA with Illinois Department of Public Health. Ms. Avery.

MS. AVERY: We just have it for signature to extend it. Frank has it for your signature, to July 2013.

MR. URSO: Yes. We have a copy for Board members. What this amendment calls for is extension of the term to June 30th, 2013, rather than the current term of June 30th, 2012.

CHAIRMAN GALASSIE: That's good.

MR. URSO: Perhaps we need a motion to approve that.

MR. SEWELL: So moved.

CHAIRMAN GALASSIE: Second, please?

MS. OLSON: Second.

State of Illinois
Health Facilities and Services Review Board
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www.hfsrb@illinois.gov

A G E N D A

(M-316) – **FINAL** (per 2 IAC 1925.240)
Final Agenda will be posted no later than
9:00 A.M. Thursday, July 19, 2012 at the
Health Facilities and Services Review Board's office
and at the meeting location.
Bolingbrook Golf Club
2001 Rodeo Drive
Bolingbrook, IL 60490

Applicants Note: Due to the number of applications to be considered, please limit all comments to the State Board Staff Report within a 4 minute timeframe. Thank you.

1. **PUBLIC PARTICIPATION SIGN-IN: 9:30 A.M. – 10:00 A.M.**

2. **CALL TO ORDER: Monday, July 23, 2012 10:00 A.M.**

3. **APPROVAL OF AGENDA**

4. **APPROVAL OF MINUTES: June 5, 2012**

5. **POST PERMIT ITEMS APPROVED BY THE CHAIRMAN:**

    1. Permit #09-068 – Pinckneyville Hospital approved permit renewal from October 1, 2012 to October 1, 2014.

    2. Permit #09-077 - Asbury Pavilion Nursing and Rehabilitation Center approved permit renewal from July 31, 2012 to December 31, 2012.

    3. Permit 11-024 – U.S. Renal Care Oak Brook Dialysis approved for permit renewal from August 1, 2012 to December 31, 2012.

    4. Permit 11-025 – U.S. Renal Care Bolingbrook Dialysis approved for permit renewal from August 1, 2012 to December 31, 2012.

    5 Permit 11-026 – U.S. Renal Care Streamwood Dialysis approved for permit renewal from August 1, 2012 to December 31, 2012

    6. Permit #07-153 – University of Chicago approved alteration for permit to increase the cost of the project from $785,745,988 to $797,496,507 or $11,750,919 or 1.49%.

NOTICE: THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT **BONNIE HILLS** AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **July 19, 2012.**

6. ITEMS FOR STATE BOARD ACTION:

A. PERMIT RENEWAL REQUESTS

A-1	NA	No	South Loop Endoscopy 4-Mo. Permit Renewal 6/30/12 to 12/31/12	Chicago	08-078	_____

B. EXTENSION REQUESTS (none)

C. EXEMPTION REQUESTS

Item	Opposition	Facility	City	Number	
C-01	No	Hoopeston Community Memorial Hospital	Hoopeston	E-002-12	_____

D. ALTERATION REQUESTS (none)

E. DECLARATORY RULINGS/OTHER BUSINESS

E-01 #09-068 Pinckneyville Hospital – Request to Extend the Obligation Date

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

G. STATUS REPORTS ON CONDITIONAL/CONTINGENT PERMITS

G-01 #08-104 Fresenius Medical Care Elgin

G-02 #07-148 Silver Cross Hospital and Medical Center- New Lenox

H. APPLICATIONS SUBSEQUENT TO INITIAL REVIEW

Item	Class	Opposition	Facility	City	Number	
H-01	Non-Sub	No	Advanced Eye Surgery and Laser Ctr. Change of Ownership	Decatur	12-023	_____
H-02	Non-Sub	No	Orland Park Surgical Center Change of Ownership	Orland Park	12-028	_____
H-03	Non-Sub	No	Danville Healthcare, LLC Change of Ownership	Danville	12-024	_____
H-04	Non-Sub	No	FMC Elgin Change of Ownership	Elgin	12-030	_____
H-05	Sub	No	Center for Comprehensive Services, Inc. Establish 8-Bed Residential	Palatine	12-033	_____

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Item	Class	Opposition	Facility	City	Number	
			Rehab Ctr.			
H-06	Non Sub	No	Resthave Home Expand LTC Facility, Add 21 Beds	Morrison	12-022	_____
H-07	Non Sub	Yes	Lutheran Home for the Aged, Inc. Major Modernization/Expansion	Arlington Heights	12-025	_____
H-08	Sub	Yes	Good Samaritan-Pontiac Replace 122-Bed Skilled Nursing Facility	Pontiac	12-027	_____
H-09	Sub	No	Alden Courts of Shorewood Add 50 Skilled Nursing Beds to 100 Bed LTC Facility	Shorewood	12-032	_____
H-10	Sub	No	Healthcare Center at Monarch Landing Establish 96-Bed LTC Facility	Naperville	12-036	_____
H-11	Sub	Yes	ManorCare Health Services Establish 130-Bed SNF Facility	Crystal Lake	12-039	_____
H-12	Sub	No	The Admiral at the Lake Establish a36-Bed Long Term Care facility	Chicago	12-048	_____
H-13	Non Sub	No	Franciscan St. James Health Ctr. Modernization of Med/Surg	Olympia Fields	12-037	_____
H-14	Non Sub	No	Central DuPage Hospital Expansion/Add 14 ICU Beds	Winfield	12-038	_____
H-15	Non-Sub	No	LaRabida Children's Hospital Expansion/Modernization Project	Chicago	12-040	_____
H-16	Non Sub	No	Midwestern Regional Medical Center Modernize Existing Facility	Zion	12-042	_____

7. EXECUTIVE SESSION

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

NOTICE: THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT **BONNIE HILLS** AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **July 19, 2012.**

Item	Class	Opposition	Facility	City	Number	

8. COMPLIANCE ISSUES / SETTLEMENT AGREEMENTS / FINAL ORDERS

B. Referrals to Legal Counsel
1) #09-048 Ottawa Pavilion, Ottawa
2) #08-022 Polar Creek Surgical Center, Oak Brook
3) #08-083 Greenfields of Geneva, Geneva
4) #08-099 Dialysis Access Center, LLC, Moline
5) #09-063 Roseland Community Hospital, Chicago

C. Final Orders
1) #07-39 Community Care Center, Chicago
2) #11-02 Lincoln Prairie Behavioral Health Hospital
3) #11-03 Riveredge Hospital
4) #11-04 Streamwood Behavioral Health Hospital

9. RECESS 4:00 P.M.

DAY TWO Tuesday, July 24, 2012

10. PUBLIC PARTICIPATION SIGN-IN: 9:30 A.M. – 10:00 A.M.

11. CALL TO ORDER: Tuesday, July 24, 2012 10:00 A.M.

12. UNFINISHED BUSINESS
1. Centegra Hospital, Huntley

APPLICATIONS SUBSEQUENT TO INITIAL REVIEW Contd.

H-17	Sub	No	St. Mary's Hospital Discontinue 30-Bed LTC Service	Streator	12-035	_____
H-18	Non Sub	No	DaVita Stony Island Dialysis Add 8 ESRD Stations to Existing 24-Station ESRD Facility	Chicago	12-008	_____
H-19	Sub	No	Fresenius Medical Care Schaumburg Establish 12-Station ESRD Facility	Schaumburg	12-015	_____
H-20	Sub	No	DaVita Evanston Renal Ctr. Relocate 18-Station ESRD Facility	Evanston	12-010	_____
H-21	Sub	No	U.S. Renal Care, Villa Park Dialysis Establish a 13-Station ESRD	Villa Park	12-026	_____

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Item	Class	Opposition	Facility	City	Number	
			Facility			
I. **APPLICATIONS SUBSEQUENT TO INTENT TO DENY**						
I-01	Sub	Yes	DaVita Lawndale Dialysis Establish 16-Station ESRD Facility	Chicago	11-103	_____
I-02	Sub	Yes	Fresenius Medical Care North Pekin Establish a 9 Station ESRD Facility	Pekin	12-004	_____

13. OTHER BUSINESS

1. Legislative Update
2. May and June 2012 Financial Report

14. RULES DEVELOPMENT

1. Rulemaking Status Report

15. NEW BUSINESS

1. Mercy Crystal Lake Hospital and Medical Center
2. Approval of 2011 Hospital, ASTC, Long Term Care, and ESRD Profiles
3. Canterbury Manor Nursing Center – Waterloo Discontinue 74 bed long term care facility
4. Tinley Park Mental Health Center – Tinley Park Discontinue 75 bed chronic mental health facility effective June 30, 2012
5. FY 2013 Capital Expenditure Threshold Increase
6. Long Term Care Application for Permit
7. Executive Meeting Minutes

16. ADJOURNMENT 4:00 P.M.

FOR TRANSCRIPTS OF THIS MEETING CONTACT:
Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield IL 62761-0001
217-782-3516

NOTICE: THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT **BONNIE HILLS** AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **July 19, 2012.**

17. NEXT MEETING:

September 11 and 12, 2012
Location: Normal

18. FUTURE MEETINGS

Health Facilities Planning Board – Meetings – 2012		
Date	City	Location
October 30, 2012	TBA	TBA
December 10, 2012	TBA	TBA

GLOSSARY OF ABBREVIATIONS	
AMI	Acute Mental Illness
ADRD	Alzheimer's Disease and Related Disorders
ASTC	Ambulatory Surgical Treatment Center
Bldg.	building
Cath.	Catheterization (as in Cardiac Catheterization)
CCRC	Continuing Care Retirement Community
Comm.	Community
Const.	Construct
Ctr.	Center
CON	Certificate of Need
Dis.	Discontinue
ED	Emergency Department
ESRD	End Stage Renal Disease
Est.	Establish
Hlth.	Health
Hosp.	Hospital
ICF/DD	Intermediate Care Facility for the Developmentally Disabled
ICU	Intensive Care Unit
LDR	Labor-Delivery-Recovery
LTACH	Long-term Acute Care Hospital
LTC	Long Term Care
MOB	Medical Office Building
Med/Surg	Medical-Surgical
NIC	Neonatal Intensive Care
OB	Obstetric
OR	Operating Room
Peds	Pediatrics
Rehab	Rehabilitation
SNF	Skilled Nursing Facility
Swing beds	Acute care beds certified for extended care category of service
TBA	To Be Announced

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STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: (217) 785-4111

TRANSMITTAL
REQUESTED BY THE STATE BOARD
CENTEGRA HOSPITAL - HUNTLEY

We have enclosed the pages that were mistakenly inserted into the Mercy–Crystal Lake Hospital Project #10-089 for your review as requested by the Chairman. Also included are the two State Board Staff reports for #10-090 Centegra Hospital – Huntley.

ARNSTEIN & LEHR LLP
ATTORNEYS AT LAW SINCE 1893

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Joe Ourth
312.876.7815
jourth@arnstein.com

June 2, 2011

VIA Federal Express

Mr. Dale Galassie
Chair
Illinois Health Facilities and Services
Review Board
525 W. Jefferson
Springfield, IL 62761

Re: Market Assessment and Impact Study
Mercy Crystal Lake Hospital
Project No. 10-089

Dear Chairman Galassie:

Sherman Hospital, St. Alexius Medical Center, and Advocate Good Shepherd Hospital wish to submit the enclosed Market Assessment and Impact Study relative to the proposed Mercy Crystal Lake Hospital project. We believe the enclosed study provides detailed analytical information showing that the proposed new 128-bed hospital is not needed.

Very truly yours,

Joe Ourth

JRO:eka
Enclosures

Market Assessment and Impact Study

Proposed Centegra-Huntley Hospital (Project 10-090)

May 24, 2011

KRENTZ
CONSULTING

KRENTZ
CONSULTING

Krentz Consulting LLC is pleased to provide this independent *Market Assessment and Impact Study* in response to Centegra Health System's request for Certificate of Need approval (Project 10-090) to build a new hospital in Huntley in Illinois Health Planning Area A-10 (McHenry County).

Krentz Consulting LLC
Krentz Consulting LLC

24 May 2011
Date

About Krentz Consulting LLC

Krentz Consulting LLC is a management consulting firm providing strategic planning services to the health care industry, including community hospitals, health systems, academic medical centers and medical schools, children's hospitals, and industry and professional associations. Krentz Consulting is nationally recognized for its strategic planning expertise, frequently serving as faculty at educational programs and writing articles for national publications.

Susanna E. Krentz, President of Krentz Consulting, has over twenty-nine years experience as a health care consultant and oversaw the process and reviewed all analyses for this project. As a recognized leader in strategy development for health care organizations, she has worked with numerous hospitals and health care systems across the country in the development of strategic plans, physician strategy, growth plans, resource allocation, and competitive strategy. She has a Master of Business Administration from the Booth School of Business, University of Chicago and a Bachelor of Arts from Yale University.

Tracey L. Camp, Senior Consultant, has 25 years of experience in health care planning and strategy and provided the analytical support for this project. Her areas of expertise include strategic planning, service line planning and demand modeling, medical staff development studies, and market research. She is expert at converting data into meaningful information to support decision making. She has a Bachelor of Arts from Northwestern University.

Market Assessment and Impact Study
Proposed Centegra-Huntley Hospital (Project 10-090)

Table of Contents

I. Executive Summary

Executive Summary

Background

Centegra Health System has sought Certificate of Need approval to build a new hospital in Huntley in Illinois Health Planning Area A-10 (McHenry County). Centegra is seeking approval to add 128 beds including 100 medical/surgical, 20 obstetric, and 8 intensive care beds, citing the shortage of beds identified by the Illinois Health Facilities and Services Review Board (HFSRB).

Krentz Consulting was retained by Advocate Good Shepherd Hospital, Sherman Health, and St. Alexius Medical Center (the "Concerned Hospitals") to develop an independent *Market Assessment and Impact Study* to assess the need for a new hospital in McHenry County by reviewing the geographic access for residents, current patient migration patterns, and existing hospital utilization and capacity. As part of this analysis, we have updated the State's projection of bed need for McHenry County using more recent use rates, patient migration information, and Census 2010-based population projections. In addition, we have assessed the utilization impact and expected volume loss that the addition of a new hospital would have on existing area hospitals.

Key Findings

1. Area residents already have timely geographic access to existing hospitals.

100 percent of the population in Centegra-Huntley's proposed service area is within 30 minutes driving time of an existing hospital and 89 percent of the population is within 15 minutes driving time. There are only three ZIP codes in the Centegra-Huntley service where no existing hospital is within 15 minutes drive time of the ZIP code (Huntley, Marengo, and Union), and the combined population base in these ZIP codes represents only 11 percent of Centegra-Huntley's proposed service area.

2. Applicant overstates projected population growth and hospital bed demand.

Census figures for 2010 show that McHenry County's total population is approximately 28,000 people (or 8 percent) lower than the 2010 population estimated by the Department of Commerce and Economic Opportunity (DCEO). 2015 projected population for McHenry County, updated for the lower 2010 Census base population, is expected to be approximately 31,600 lower than the DCEO's original population projection for 2015, reducing projected demand for inpatient hospital beds.

Key Findings (Continued)

3. There is existing hospital capacity to meet the current health care needs of McHenry County residents, only rare instances of emergency bypass, and numerous immediate care centers.

There is capacity at several nearby hospitals with an average of 295 med/surg beds, 34 ICU beds, and 41 OB beds going unoccupied per day even while currently serving patients from Centegra-Huntley's proposed service area. Five of seven area hospitals fall below targeted occupancy levels for med/surg beds.

Area hospitals were rarely on emergency department (ED) bypass in 2010, totaling fewer than 16 hours in aggregate for the entire year and with many hospitals having zero hours on bypass.

Aside from emergency department access, McHenry County has seven immediate care centers to treat urgent, but non-life threatening conditions; six of these seven centers are located in Centegra-Huntley's proposed primary or secondary service area.

4. Area residents are already being served by existing hospitals and a new hospital in McHenry County will have a substantial adverse impact on existing hospitals' volume and payer mix.

The entire proposed service area of the Centegra-Huntley hospital is contained within the current service areas of existing hospitals. Any duplication of services by a new hospital would adversely impact the volumes and capacity of those existing hospitals. Sherman, Advocate Good Shepherd, and Centegra-Woodstock would be impacted most should Centegra build a new hospital in Huntley. Nearly half of Sherman's total facility discharges, 54 percent of Advocate Good Shepherd's total facility discharges, and 75 percent of Centegra-Woodstock's total facility discharges originate from Centegra-Huntley's proposed service area.

In aggregate, area hospitals (including Advocate Good Shepherd, Centegra-Woodstock, Centegra-McHenry, Provena St. Joseph, Sherman Health, and St. Alexius) are estimated to lose over 8,000 inpatient discharges from Centegra-Huntley's defined service area. Of this total, it is estimated that the two existing Centegra hospitals in McHenry County will lose 2,977 cases to the proposed Centegra-Huntley Hospital.

Because Centegra-Huntley will be geographically more proximate to the economically most attractive areas of the region, the volume that area hospitals are estimated to lose from those markets would have an adverse effect on their overall payer mix and compromise their ability to subsidize needed community and safety net services, meet debt obligations, or optimize quality. The loss of commercially-insured patients is particularly problematic for obstetric services, where the Concerned Hospitals' proportion of discharges that are Medicaid/self-pay would increase by six percent.

Key Findings (Continued)

5. Even with population growth, there is not enough demand to support a new 128-bed hospital in McHenry County, and any new beds will largely shift discharges from hospitals already serving residents of the Planning Area.

The HFSRB's most recent calculation of bed need for Planning A-10 (McHenry County) was published on March 1, 2011. The HFSRB determined demand for hospital beds using 2003-2005 use rates and migration patterns. The HFSRB also used population projections for 2015 from the DCEO that were projected using 2000 Census information. Since the HFSRB developed their bed need calculations, new information suggests that the calculated need for 83 medical/surgical beds is overstated.

The bed need formula used by HFSRB also incorporates as a significant consideration the retention of patients who currently leave the Planning Area for care (outmigration), even if the travel times to the hospitals outside the Planning Area are within 15 or 30 minutes. It is not reasonable to assume that a patient traveling just beyond the border of the Planning Area to an adjacent community is undesirable outmigration that needs to be changed.

Key Findings (Continued)

6. The Applicant's volume forecasts understate the impact on current planning area sister hospitals while overstating its ability to draw patients from other areas.

Centegra has indicated that Woodstock (ZIP code 60098) and Crystal Lake (ZIP code 60012) would be part of its secondary service area, not its primary service area. The Centegra-Huntley facility will be 18 minutes driving time from the center of the Woodstock ZIP code and 22 minutes from the center of the Crystal Lake ZIP Code. Because Centegra has shelved its plans to update its Woodstock facility, it is not inconceivable that residents of these ZIP codes would choose to go to a new Centegra facility in Huntley, over an older facility at Woodstock.

On page 327 of Centegra's Certificate of Need (CON) application, the Applicant indicates that Centegra-Woodstock and Centegra-McHenry will lose 619 medical/surgical cases (or less than 10% of their current discharges from Centegra-Huntley's proposed service area) when the new Huntley facility opens. Using the assumptions shown below, the existing Centegra facilities are likely to lose nearly 2,500 discharges.

	2010[1] Medical/Surgical Discharges		
Centegra-Huntley Defined Service Area	**Centegra-Woodstock/ Centegra-McHenry 2010 Discharges**	**Loss Assumption**	**Estimated Lost Discharges**
Centegra PSA-McHenry ZIPs	3,549	50%	1,775
Centegra PSA-Kane ZIPs	46	100%	46
Centegra SSA-East	297	50%	149
Centegra SSA-North	2,519	20%	504
Total Service Area	**6,413**		**2,474**

On page 334 of Centegra's CON application, the Applicant forecast that by 2018, the new Huntley facility would capture 1,952 medical/surgical discharges from the four Kane County ZIP codes of its service area, or 29 percent of the 6,701 total medical/surgical market discharges they forecast for these ZIP codes in 2018. The Applicant also states that the new Huntley facility would capture 5,213 medical/surgical discharges from the McHenry County ZIP codes of its primary service area, which is 32 percent of the 16,468 total medical/surgical discharges they project for these ZIP codes in 2018. While a Centegra-Huntley facility will attract some patients from Kane County, it does not seem reasonable to assume that a new Centegra-Huntley facility would capture a nearly equivalent market share from the Kane County ZIP codes as it would from the McHenry County ZIP codes when over 80% of the population in those Kane County ZIP codes are between 7 and 16 minutes drive time to Sherman Health, a regional medical center with a new replacement facility and tertiary services.

[1] From COMPdata using 9 months CY 2010 discharges (and annualized using a simple annualization method); excludes discharges in obstetric, neonatal, psychiatry, substance abuse, and rehabilitation MS-DRGs.

II. Geographic Access

Area Residents Already Have Timely Geographic Access to Existing Hospitals

Area Residents Already Have Timely Geographic Access to Existing Hospitals

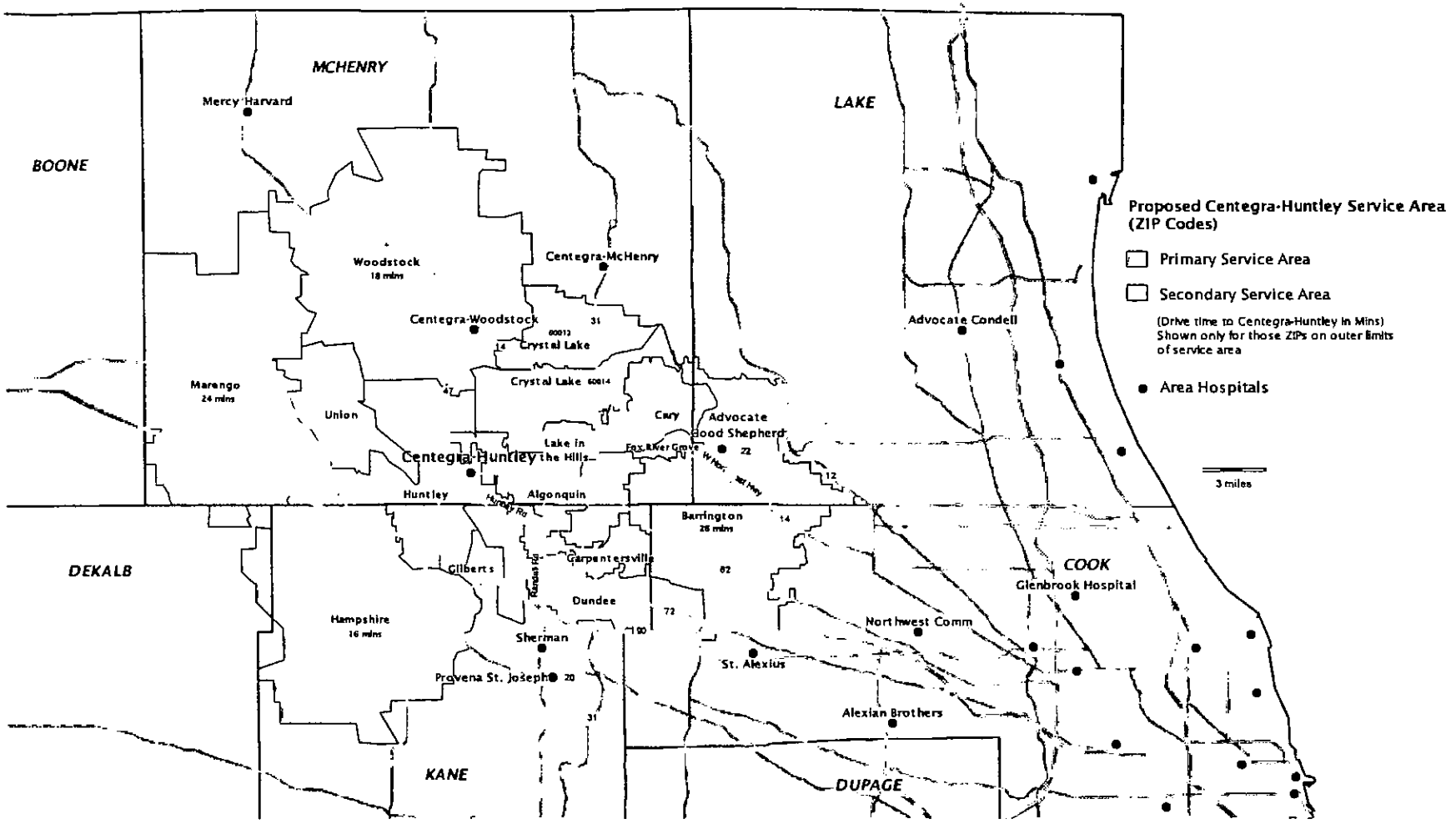
Centegra-Huntley Service Area

Centegra defined a service area for the proposed Huntley hospital that the Applicant states largely mirrors the patient origin of its current ambulatory care facility located at the same site. A map of the proposed service area is shown in *Exhibit 1*. The proposed hospital's primary service area covers southern McHenry County in Planning Area A-10 and extends into northern Kane County in Planning Area A-11. The proposed hospital's secondary service area extends further north in McHenry County as well as east into parts of Lake and Cook County.

As shown in *Exhibit 2*, 100 percent of the population in Centegra-Huntley's proposed service area is within 30 minutes driving time of an existing hospital and 89 percent of the population is within 15 minutes driving time. There are only three ZIP codes in the Centegra-Huntley service where no existing hospital is within 15 minutes drive time of the ZIP code (Huntley, Marengo, and Union), and the combined population base in these ZIP codes (40,381) represents only 11 percent of Centegra-Huntley's proposed service area. *Only Huntley will have a sizeable time savings to a new Centegra-Huntley facility; the other two ZIP codes will still be greater than 15 minutes from the proposed location and would only reduce the travel time from existing hospitals by one minute for Marengo and no more than four minutes for Union.*

A drive time analysis for each ZIP code in Centegra-Huntley's service area is presented in *Attachment 1* and shows that all ZIP codes of the proposed service area are within the State's standard of 30 minutes driving time to existing hospitals.

Exhibit 1
Centegra-Huntley
Proposed Service Area



KRENTZ CONSULTING

Exhibit 2
2010 Estimated Population by Drive Time
Proposed Centegra-Huntley Service Area

For ZIP Codes in Centegra-Huntley's Proposed Service Area	2010 Estimated Population		
	Drive Time within 30 Mins of Existing Hospitals	Drive Time within 15 Mins of Existing Hospitals	Total Population in Geography
Primary Service Area	237,016	196,635	237,016
Secondary Service Area	125,368	125,368	125,368
TOTAL SERVICE AREA	**362,384**	**322,033**	**362,384**
Primary Service Area	100%	83%	
Secondary Service Area	100%	100%	
TOTAL SERVICE AREA	**100%**	**89%**	

Source: Nielsen Claritas. Estimate for 2010 population. Does not reflect the most recent Census 2010 population because Census population by ZIP code is not yet available.

III. Population Projections

Applicant Overstates Projected Population Growth and Hospital Bed Demand

Applicant Overstates Projected Population Growth and Hospital Bed Demand

Population projections for 2010 to 2015 are shown in *Exhibit 3* for McHenry County. The 2010 total population for McHenry is based on actual 2010 Census information. Census 2010 data are not yet available by gender and age cohort. The total Census 2010 population for McHenry County (308,760) was distributed by gender and age cohort using the gender and age distributions estimated for 2010 by the DCEO, the HFSRB's preferred source for population estimates and projections. 2015 projections were made by applying DCEO's average annual growth rates for 2010-2015 by age cohort and gender to actual 2010 Census population for McHenry County.

- Census figures for 2010 show that McHenry County's total population is approximately 28,000 people (or 8 percent) lower than the 2010 population estimated by the DCEO. 2015 projected population for McHenry County, updated for the lower 2010 Census base population, is expected to be approximately 31,600 lower than the DCEO's original population projection for 2015, reducing projected demand for inpatient hospital beds.

- Since Census population was not yet available at the time of Centegra's CON filing, the Applicant overstates projected hospital demand.

Exhibit 3
Updated Population Projections for McHenry County, 2010-2015

	DCEO Population Projections - Existing			DCEO Population Projections – Updated with 2010 Census		
	DCEO Estimated 2010	DCEO 2015 Projection	Avg Annual Growth Rate: 2010-2015	2010 Updated Census[1]	2015 Projection Updated[2]	Change: 2010-2015
TOTAL POPULATION	**337,034**	**377,315**	**2.3%**	**308,760**	**345,662**	**36,902**
Distribution by Age Cohort:						
0-14	22.7%	21.4%	1.1%	70,031	73,991	3,960
15-44	42.2%	41.7%	2.1%	130,219	144,144	13,925
45-64	26.1%	26.3%	2.4%	80,649	90,953	10,304
65-74	5.4%	6.7%	6.7%	16,778	23,214	6,437
75+	3.6%	3.9%	3.8%	11,083	13,359	2,276
TOTAL	100.0%	100.0%	2.3%	308,760	345,662	36,902
% 65+	9.0%	10.6%				
FEMALE POPULATION	**167,812**	**188,161**	**2.3%**	**153,734**	**172,376**	**18,642**
Distribution by Age Cohort:						
0-14	22.0%	20.8%	1.1%	33,884	35,829	1,945
15-44	41.6%	41.0%	2.0%	63,945	70,607	6,662
45-64	25.9%	26.0%	2.4%	39,794	44,889	5,095
65-74	5.9%	7.2%	6.7%	9,015	12,491	3,477
75+	4.6%	5.0%	3.8%	7,096	8,559	1,463
TOTAL	100.0%	100.0%	2.3%	153,734	172,376	18,642
% Females 15-44	41.6%	41.0%		41.6%	41.0%	

[1] Census 2010 data are not yet available by gender and age cohort. The total Census 2010 population for McHenry County (308,760) was distributed by gender and age cohort using the gender and age distributions estimated for 2010 by the Department of Commerce and Economic Opportunity (DCEO).
[2] 2015 projections were made by applying DCEO's average annual growth rates for 2010-2015 by age cohort and gender to 2010 Census county total population.
Sources: Department of Commerce and Economic Opportunity population projections for 2010 and 2015, downloaded March 2011, http://www.commerce.state.il.us/dceo/Bureaus/Facts_Figures/Population_Projections. US Census Bureau website for Census 2010 total population.

IV. Existing Hospital Capacity and Access

There is Existing Hospital Capacity to Meet the Current Health Care Needs of McHenry County Residents, Only Rare Instances of Emergency Bypass, and Numerous Immediate Care Centers

There is Existing Hospital Capacity to Meet the Current Health Care Needs of McHenry County Residents

Exhibit 4 shows that there is capacity at several nearby hospitals with an average of 295 med/surg beds, 34 ICU beds, and 41 OB beds going unoccupied per day even while currently serving patients from Centegra-Huntley's proposed service area. Five of seven area hospitals fall below targeted occupancy levels for med/surg beds.

Exhibit 4
Capacity of Nearest Hospitals
Serving Centegra-Huntley's Proposed Service Area

Falls below targeted occupancy level

Nearest Hospitals	Adjusted Authorized CON Beds 12/31/09*	Target Occupancy Based on Bed Size 77 Ill. Adm Code 1100	2009 Occupancy	Unoccupied Beds (on average per day)
Med/Surg (adult and pediatrics)				
Centegra-McHenry	129	85%	78.6%	28
Centegra-Woodstock	60	80%	89.9%	6
Mercy-Harvard	17	80%	26.8%	12
Planning Area A-10	**206**		**77.6%**	**46**
Sherman Health	197	85%	47.9%	103
Advocate Good Shepherd	127	85%	80.3%	25
St. Alexius	274	90%	60.1%	109
Provena St. Joseph	99	80%	87.6%	12
TOTAL Med/Surg	**903**		**67.3%**	**295**
ICU				
Centegra-McHenry	18	60%	95.1%	1
Centegra-Woodstock	12	60%	79.3%	2
Mercy-Harvard	3	60%	10.5%	3
Planning Area A-10	**33**		**81.7%**	**6**
Sherman Health	30	60%	44.3%	17
Advocate Good Shepherd	18	60%	101.1%	0
St. Alexius	29	60%	72.0%	8
Provena St. Joseph	15	60%	76.9%	3
TOTAL ICU	**125**		**72.7%**	**34**
OB				
Centegra-McHenry	19	75%	42.7%	11
Centegra-Woodstock	14	75%	61.3%	5
Mercy-Harvard	0	-	-	-
Planning Area A-10	**33**		**50.6%**	**16**
Sherman Health	28	78%	56.4%	12
Advocate Good Shepherd	24	75%	52.2%	11
St. Alexius	28	78%	91.4%	2
Provena St. Joseph	0	-	-	-
TOTAL OB	**113**		**63.9%**	**41**

*Adjusted beds at Centegra-Woodstock to reflect the abandonment of their CON project which reduces their med/surg bed count by 14 and their OB bed count by 6. Source: 2009 Annual Hospital Questionnaires, IDPH.

There Are Only Rare Instances of Emergency Bypass

Exhibit 5 shows that area hospitals were rarely on ED bypass in 2010, totaling fewer than 16 hours in aggregate for the entire year and with many hospitals having zero hours on bypass. This low ED bypass rate is an indicator that there are sufficient available beds to meet current health care needs. It is important to note that when hospitals go on bypass, it is only for non life-threatening conditions; trauma patients will always be treated. In addition, a hospital may go on bypass not because an inpatient bed is unavailable, but simply because certain diagnostic equipment is temporarily inoperable in the emergency department.

Exhibit 5
Hours on ED Bypass in 2010 – Nearby Hospitals

Nearby Hospitals	Hours on ED Bypass in 2010
Advocate Good Shepherd	1.98
Centegra-McHenry	0.00
Centegra-Woodstock	0.00
Northwest Community Hospital	0.00
Provena St. Joseph	0.00
Sherman	5.67
St. Alexius	8.07
Total	**15.72**
Average per hospital	2.25

Source: IDPH Hospital Health Alert Network.

There Are Numerous Immediate Care Centers

Aside from emergency department access, McHenry County has a substantial number of immediate care centers to treat urgent, but non-life threatening conditions. The immediate care centers located in McHenry County are shown in *Exhibit 6*. Six of these seven centers are located in Centegra-Huntley's proposed primary or secondary service area.

Exhibit 6
Immediate Care Centers Located in McHenry County

Advocate Good Shepherd Outpatient Center – Crystal Lake*
Centegra Immediate Care – Crystal Lake*
Centegra Immediate Care – Huntley*
Mercy McHenry Medical Center – McHenry
Mercy Woodstock Medical Center – Woodstock*
Provena Acute Care – Lake in the Hills*
Sherman Immediate Care – Algonquin*

*Located in Centegra-Huntley's proposed primary or secondary service area.

V. Current Patient Migration Patterns and Impact on Existing Hospitals

Area Residents are Already Being Served by Existing Hospitals, and A New Hospital in McHenry County Will Have a Substantial Adverse Impact on Existing Hospitals' Volume and Payer Mix

Area Residents Are Already Being Served by Existing Hospitals

Exhibit 7 shows the number of inpatients currently being treated at existing area hospitals and the portion of these patients who reside in Centegra-Huntley's proposed service area. Sherman, Advocate Good Shepherd, and Centegra-Woodstock would be impacted most should Centegra build a new hospital in Huntley. Sherman currently treats the most inpatients from this market (6,803), which represents nearly half of its total facility discharges. Advocate Good Shepherd currently treats 6,141 inpatients from this market, representing 54 percent of its total facility discharges. As a smaller facility, Centegra-Woodstock treats fewer inpatients from this market (4,978), but this represents 75 percent of its total facility discharges.

Exhibit 7
Inpatient Patient Origin for Existing Area Hospitals, Annualized 9 Months CY 2010
Centegra-Huntley Proposed Service Area

	Discharges by Where Patients Reside		
Existing Hospital	**Centegra Total Service Area**	**All Other Areas**	**FACILITY TOTAL**
Sherman	6,803	8,181	14,984
Advocate Good Shepherd	6,141	5,196	11,336
Centegra-Woodstock	4,978	1,654	6,632
Centegra-McHenry	2,588	7,485	10,073
St. Alexius	2,070	16,267	18,337
Provena St. Joseph	1,294	3,770	5,065
TOTAL	**23,873**	**42,553**	**66,426**

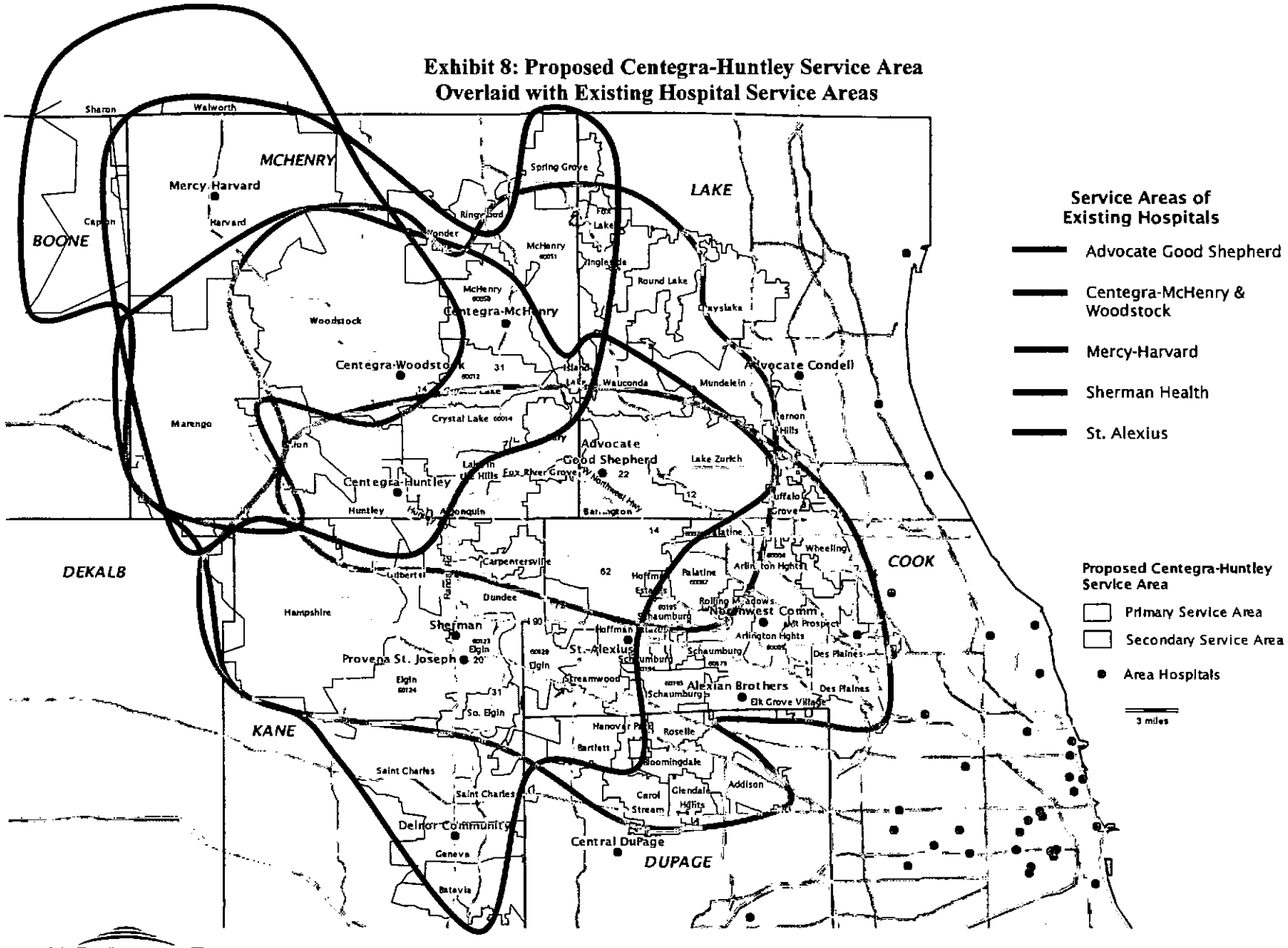
	Percentage of Discharges by Where Patients Reside		
Existing Hospital	**Centegra Total Service Area**	**All Other Areas**	**FACILITY TOTAL**
Sherman	45.4%	54.6%	100.0%
Advocate Good Shepherd	54.2%	45.8%	100.0%
Centegra-Woodstock	75.1%	24.9%	100.0%
Centegra-McHenry	25.7%	74.3%	100.0%
St. Alexius	11.3%	88.7%	100.0%
Provena St. Joseph	25.6%	74.4%	100.0%
TOTAL	**35.9%**	**64.1%**	**100.0%**

Source: Illinois COMPdata. Data represent a simple annualization of 9 months CY 2010 data. Discharges exclude normal newborns in MS-DRG 795, psychiatry, substance abuse, and rehabilitation (psychiatry, substance abuse, and rehabilitation are not included in Applicant's proposed bed complement).

Service Areas of Existing Hospitals

As shown in the map in *Exhibit 8*, the entire proposed service area of the Centegra-Huntley hospital is contained within the current service areas of the existing hospitals. Any duplication of services by a new hospital would adversely impact the volumes and capacity of those existing hospitals.

Exhibit 8: Proposed Centegra-Huntley Service Area Overlaid with Existing Hospital Service Areas



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Service area definitions for Advocate Good Shepherd, Sherman Health, and St. Alexius were provided by those hospitals; service area definitions for Centegra-McHenry & Woodstock and Mercy Harvard were imputed from COMPdata by Krentz Consulting to comprise 75% of their inpatient origin (ex. normal newborns) during the first 9 mos of 2010.

A New Hospital in McHenry County Will Have a Substantial Adverse Impact on Existing Hospitals' Volume

Krentz Consulting modeled the impact that the proposed Centegra-Huntley hospital would have on the utilization of existing hospitals. We completed a detailed impact analysis for Advocate Good Shepherd Hospital, Sherman Health, and St. Alexius Medical Center (the "Concerned Hospitals") by service line and level of acuity. The methodology and assumptions used in the impact analysis are described below.

Volume Impact Methodology for Concerned Hospitals

1. Centegra-Huntley's proposed primary and secondary service area was segmented into meaningful sub-geographies with which to judge current and expected patient migration patterns (see *Exhibit 9* for map of sub-geographies).

2. Discharges for inpatients residing in the sub-geographies were grouped into service lines and levels of acuity. The source of the discharge information was obtained by COMPdata for discharges occurring in the first nine months of calendar year 2010 and annualized using a simple annualization method.

3. Service line definitions and levels of acuity were defined by Krentz Consulting using the Centers for Medicare and Medicaid Services' MS-DRGs.

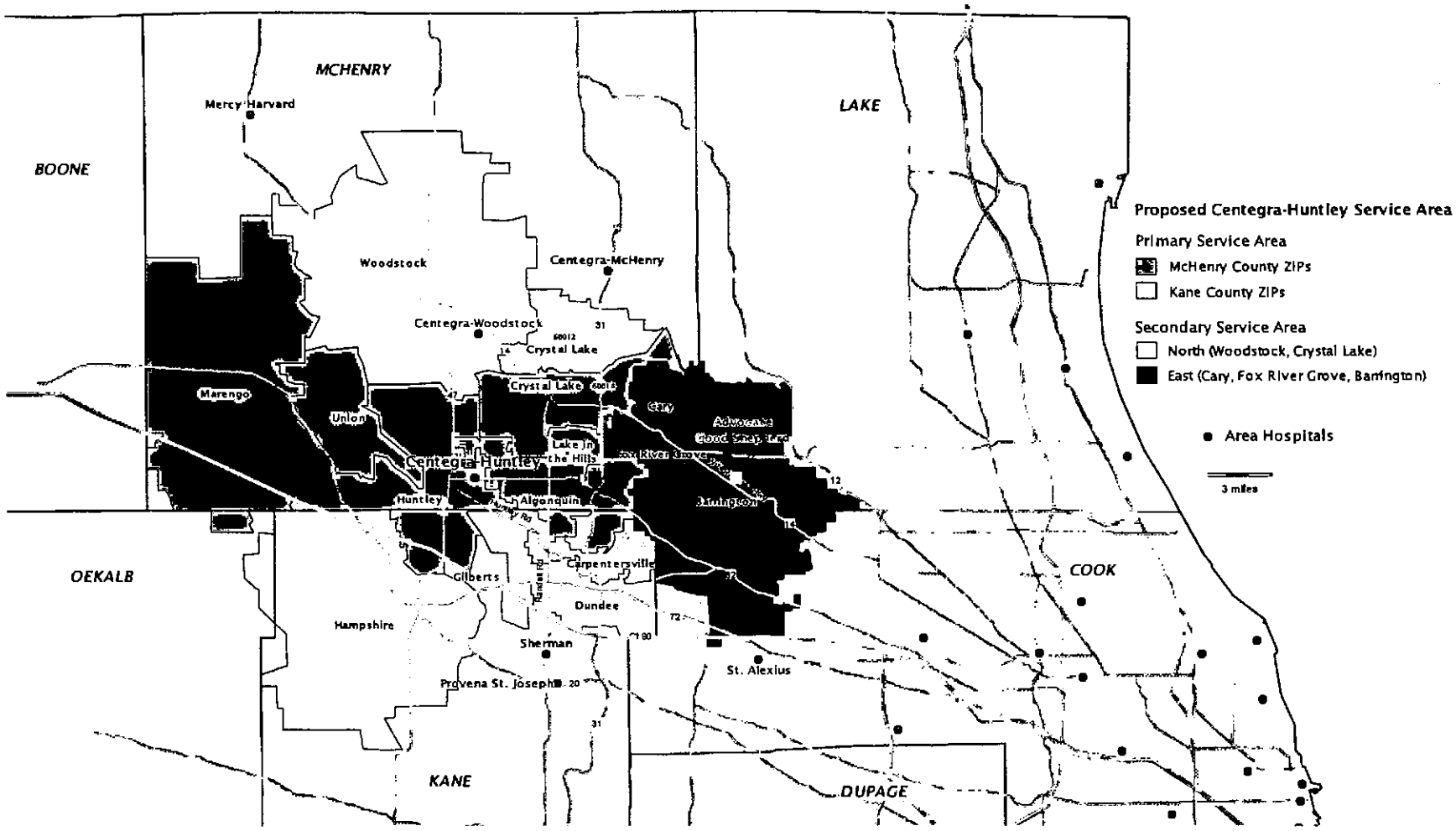
4. For each sub-geography, assumptions of volume loss were made by service line and level of acuity for each of the Concerned Hospitals.

   - It was assumed that the Concerned Hospitals would lose a higher proportion of their lower acuity cases, but a lower proportion of their highest acuity cases.

   - Centegra-Huntley will not offer cardiac catheterization, cardiac angioplasty/stent, or open heart surgery services; it was assumed that none of the existing hospitals would lose that volume.

The utilization impact was also modeled for "Other Area Hospitals" (Centegra-Woodstock, Centegra-McHenry, and Provena St. Joseph) by applying overall assumptions of volume loss by sub-geography for medical, surgical, OB, and neonatal services.

Exhibit 9
Centegra-Huntley Proposed Service Area
Submarkets Defined for Impact Analysis



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McHenry PSA=60014,60102,60142,60152,60156,60180
Kane PSA=60110,60118,60136,60140

North SSA=60012,60098
East SSA=60010,60013,60021

Estimated Volume Impact on Area Hospitals

Exhibit 10 shows the estimated volume impact of a new Centegra-Huntley hospital on the Concerned Hospitals' current discharges from Centegra-Huntley's defined service area[1]. In aggregate, area hospitals are estimated to lose over 8,000 inpatient discharges from Centegra-Huntley's defined service area.

- Among Concerned Hospitals, Sherman Health is estimated to lose over 2,000 discharges or 30 percent of its volume originating from Centegra-Huntley's defined service area. Advocate Good Shepherd is estimated to lose over 1,600 discharges or 27 percent of its volume from this market, and St. Alexius is estimated to lose over 800 discharges or 42 percent of its volume from this market.

- Other Area Hospitals (Centegra-Woodstock, Centegra-McHenry, and Provena St. Joseph) are estimated to lose over 3,400 discharges or 39 percent of their volume originating from Centegra-Huntley's defined service area.

Exhibit 10
Impact of Centegra-Huntley Hospital on Area Hospital Volume

		Total Current Area Hospital Discharges (2010 annualized)					Potential Loss of Area Hospital Discharges (2010)				
	Total Market Discharges (2010 annualized)	Advocate Good Shepherd	Sherman Health	St. Alexius	Total Current Concerned Hospital Discharges	Other Area Hospitals (Centegra-Woodstock, Centegra-McHenry, Provena St. Joseph)	Advocate Good Shepherd	Sherman Health	St. Alexius	Total Current Concerned Hospital Discharges	Other Area Hospitals (Centegra-Woodstock, Centegra-McHenry, Provena St. Joseph)
Centegra Total Service Area											
Medical/Surgical	25,232	4,925	5,154	1,612	11,692	7,722	1,140	1,558	640	3,338	2,985
OB	4,310	1,024	1,205	364	2,592	1,008	433	350	186	969	410
Neonatal	1,316	209	493	94	796	233	87	138	46	271	95
TOTAL	30,858	6,158	6,852	2,070	15,080	8,963	1,660	2,046	872	4,578	3,490
Overall % Loss							27%	30%	42%	30%	39%

Notes: Medical/surgical volume would include care delivered in the ICU. Volume excludes normal newborns in MS-DRG 795.

Additional detail by sub-geography is presented in *Attachment 2*.

[1] Source of volume from COMPdata for discharges and patient days occurring in the first nine months of calendar year 2010 and annualized using a simple annualization method.

A New Hospital in McHenry County Will Have a Substantial Adverse Impact on Existing Hospitals' Payer Mix

Because Centegra-Huntley will be geographically more proximate to the economically most attractive areas of the region, the volume that the Concerned Hospitals are estimated to lose from those markets would have an adverse effect on their overall payer mix and compromise their ability to subsidize needed community services. *Exhibit 11* shows that a new Centegra-Huntley facility would capture a high percentage of commercial patients, reducing the Concerned Hospitals' percentage of volume that is commercially insured and increasing their proportion of Medicaid/self-pay patients. This loss of commercially-insured patients is particularly problematic for obstetric services, where the Concerned Hospitals' proportion of discharges that are Medicaid/self-pay would increase by six percent.

Exhibit 11
Impact of Losing Volume to Centegra-Huntley on Payer Mix of Concerned Hospitals

Payer	Concerned Hospitals 2010 Total Actual Payer Mix of Discharges	Centegra-Huntley's Payer Mix of Estimated Volume Shifted from Concerned Hospitals
Medical/Surgical Discharges		
Commercial/HMO	38.6%	45.5%
Medicare	47.8%	43.6%
Medicaid/Self-Pay/Other	13.6%	10.9%
TOTAL	**100.0%**	**100.0%**
Obstetric Discharges		
Commercial/HMO	57.5%	77.2%
Medicare	0.3%	0.1%
Medicaid/Self-Pay/Other	42.2%	22.7%
TOTAL	**100.0%**	**100.0%**

Source: COMPdata, 9 months calendar year 2010 data for all inpatient discharges excluding all neonatal, psychiatry/substance abuse, and rehabilitation patients.

VI. Updated Bed Need in Planning Area

Even with Population Growth, there is Not Enough Demand to Support a New 128-Bed Hospital in McHenry County, and Any New Beds will Largely Shift Discharges from Hospitals Already Serving the Residents of the Planning Area

Even with Population Growth, there is Not Enough Demand to Support a New 128-Bed Hospital in McHenry County

The HFSRB's most recent calculation of bed need for Planning A-10 (McHenry County) was published on March 1, 2011. The HFSRB determined demand for hospital beds using 2003-2005 use rates and migration patterns. The HFSRB also used population projections for 2015 from the DCEO that were projected using 2000 Census information. Since the HFSRB developed their bed need calculations, new information suggests that the calculated need for 83 medical/surgical beds is overstated:

- The actual 2010 census for McHenry County is 8% lower than the estimate for 2010 in the bed need calculations. Since the 2010 population is lower than expected, it is reasonable to assume that the projections for 2015 are overstated by at least a similar amount.

Any New Beds will Largely Shift Discharges from Hospitals Already Serving the Residents of the Service Area

The bed need formula used by HFSRB also incorporates as a significant consideration the retention of patients who currently leave the Planning Area for care (outmigration), even if the travel times to the hospitals outside the Planning Area are within 15 or 30 minutes. It is not reasonable to assume that a patient traveling just beyond the border of the Planning Area to an adjacent community is undesirable outmigration that needs to be changed.

Attachments

Attachment 1

Driving Times (Minutes)
Proposed Centegra-Huntley Service Area

Drive Time ≤ 15 Mins

Drive Time 15-30 Mins

	2010 Estimated Population	Sherman Hospital	Advocate Good Shepherd	Centegra-Woodstock	Centegra-McHenry	St. Alexius	Provena St. Joe
Primary Service Area							
60014 Crystal Lake	51,100	19.6	18.4	11.5	17.3	32.2	26.5
60110 Carpentersville	40,768	15.0	23.0	32.2	28.8	18.4	20.7
60102 Algonquin	34,875	15.0	24.2	26.5	25.3	27.6	20.7
60156 Lake in the Hills	30,066	15.0	21.9	20.7	20.7	32.2	21.9
60142 Huntley	25,824	17.3	33.4	19.6	32.2	32.2	23.0
60118 Dundee	18,930	6.9	27.6	31.1	29.9	16.1	12.7
60140 Hampshire	14,226	16.1	42.6	28.8	41.4	32.2	15.0
60152 Marengo	13,072	31.1	46.0	25.3	40.3	46.0	36.8
60136 Gilberts	6,670	6.9	33.4	32.2	32.2	24.2	13.8
60180 Union	1,485	27.6	43.7	21.9	36.8	42.6	33.4
Secondary Service Area							
60010 Barrington	44,088	28.8	8.1	33.4	29.9	16.1	34.5
60098 Woodstock	33,657	31.1	35.7	6.9	18.4	47.2	38.0
60013 Cary	30,084	26.5	10.4	23.0	18.4	29.9	32.2
60012 Crystal Lake	11,265	27.6	23.0	11.5	9.2	38.0	33.4
60021 Fox River Grove	6,274	29.9	4.6	26.5	21.9	25.3	36.8

Source of 2010 population: Nielsen Claritas, does not reflect recent Census 2010 data. Source of drive times: MapQuest. Per HFSRB rules, travel time from each hospital location to the geographic center of each ZIP code has been calculated using MapQuest's drive time multiplied by 1.15. Ambulance transport times would be faster.

Attachment 2

Impact of Centegra-Huntley Hospital on Area Hospital Volume

	Total Market Discharges (2010 annualized)	Total Current Area Hospital Discharges (2010 annualized)					Potential Loss of Area Hospital Discharges (2010)				
		Advocate Good Shepherd	Sherman Health	St. Alexius	Total Current Concerned Hospital Discharges	Other Area Hospitals (Centegra-Woodstock, Centegra-McHenry, Provena St. Joseph)	Advocate Good Shepherd	Sherman Health	St. Alexius	Total Current Concerned Hospital Discharges	Other Area Hospitals (Centegra-Woodstock, Centegra-McHenry, Provena St. Joseph)
Centegra PSA-McHenry ZIPs											
Medical/Surgical	11,803	1,584	2,678	623	4,885	4,244	731	1,211	298	2,240	2,122
OB	1,773	475	354	119	948	528	286	213	72	571	264
Neonatal	499	91	131	35	257	123	55	79	21	155	62
TOTAL	**14,075**	**2,150**	**3,163**	**777**	**6,090**	**4,895**	**1,072**	**1,503**	**391**	**2,966**	**2,447**
Overall % Loss							50%	48%	50%	49%	50%
Centegra PSA-Kane ZIPs											
Medical/Surgical	4,732	147	2,313	568	3,028	650	67	298	250	615	198
OB	1,373	99	814	202	1,115	25	49	122	101	272	25
Neonatal	519	21	346	45	413	5	11	52	22	85	5
TOTAL	**6,623**	**267**	**3,474**	**816**	**4,556**	**681**	**127**	**472**	**373**	**972**	**228**
Overall % Loss							47%	14%	46%	21%	34%
Centegra SSA-East											
Medical/Surgical	5,258	2,976	83	380	3,439	305	246	14	73	333	156
OB	646	345	20	36	401	95	34	5	9	48	48
Neonatal	166	74	7	13	94	25	7	1	3	11	13
TOTAL	**6,070**	**3,395**	**110**	**429**	**3,933**	**425**	**287**	**20**	**85**	**392**	**217**
Overall % Loss							8%	18%	20%	10%	51%
Centegra SSA-North											
Medical/Surgical	3,439	218	80	41	340	2,524	96	35	19	150	509
OB	519	106	16	7	128	360	64	10	4	78	72
Neonatal	132	23	9	0	32	79	14	6	0	20	16
TOTAL	**4,090**	**346**	**106**	**48**	**500**	**2,963**	**174**	**51**	**23**	**248**	**597**
Overall % Loss							50%	48%	48%	50%	20%
Centegra Total Service Area											
Medical/Surgical	25,232	4,925	5,154	1,612	11,692	7,722	1,140	1,558	640	3,338	2,985
OB	4,310	1,024	1,205	364	2,592	1,008	433	350	186	969	410
Neonatal	1,316	209	493	94	796	233	87	138	46	271	95
TOTAL	**30,858**	**6,158**	**6,852**	**2,070**	**15,080**	**8,963**	**1,660**	**2,046**	**872**	**4,578**	**3,490**
Overall % Loss							27%	30%	42%	30%	39%

Notes: Medical/surgical volume would include care delivered in the ICU. Volume excludes normal newborns in MS-DRG 795.

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STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
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DOCKET NO:	BOARD MEETING:	PROJECT NO:	PROJECT COST:
H-2	June 28, 2011	10-090	Original: $233,160,352
FACILITY NAME: Centegra Hospital – Huntley		CITY: Huntley	
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicants (Centegra Hospital-Huntley and Centegra Health System) are proposing to establish a 128 bed acute care hospital in Huntley, Illinois. The total cost of the project is $233,160,352.

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EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Centegra Hospital-Huntley and Centegra Health System) are proposing to establish a 128 bed acute care hospital in Huntley, Illinois. The total cost of the project is $233,160,352.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are before the State Board because the project proposes the establishment of a new health care facility as required by the Act. (20 ILCS 3960)

PURPOSE OF THE PROJECT:

- The purpose of the project is to address the calculated bed need in the A-10 planning area, address the rapid population growth in the planning and market areas and address identified Medically Underserved and Health Manpower Shortage Areas in the market area.

BACKGROUND/COMPLIANCE ISSUES:

- None

PUBLIC HEARING AND COMMENTS:

- The State Board conducted a public hearing on this project February 16, 2011 and has received a number of letters in support and opposition.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and its "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

CONCLUSION:

- There is a calculated bed need for 83 medical surgical beds, 8 ICU beds and 27 obstetric beds in the A-10 planning area. The applicants are requesting 17 medical surgical beds in excess of the calculated medical surgical bed need. In addition there are existing hospitals within 30 minutes operating below the State Board's target occupancy for medical surgical and obstetric beds.

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
1110.530 (b) Planning Area Need	The applicants have requested beds in excess of the calculated need and there are existing facilities in the planning area operating below target occupancy

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State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
1110.530 (c) Unnecessary Duplication of Service/Maldistribution	There are existing facilities within 30 minutes operating below the State Board's target occupancy.
1110.3030 (a)- Clinical service areas other than categories of service	The proposed clinical services other than categories of service will impact other area providers that are not operating at target occupancy.

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STATE AGENCY REPORT
Centegra Hospital-Huntley
PROJECT #10-090

Applicants	Centegra Hospital-Huntley Centegra Health System
Facility Name	Centegra Hospital-Huntley
Location	Huntley
Application Received	December 29, 2010
Application Deemed Complete	January 10, 2011
Review Period Ended	May 10, 2011
Review Period Extended by the State Agency	Yes
Public Hearing Requested	Yes
Applicants' Deferred Project	No
Can Applicants Request Another Deferral?	No
Applicants' Modified the Project	No

I. The Proposed Project

The applicants are proposing the establishment of a 128 bed acute care hospital in Huntley, Illinois. The total cost of the project is $233,160,352.

II. Summary of Findings

A. The State Agency finds the proposed project does not appear to be in conformance with the provisions of Part 1110.

B. The State Agency finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Centegra Hospital-Huntley and Centegra Health System. Centegra Health System is the parent corporation. The facility will be located at the East Side of Haligus Road between Algonquin Road and Reed Road. The operating entity licensee is Centegra Hospital-Huntley and the owner of the site is NIMED Corporation a subsidiary of Centegra Health System. The facility will be located in the HSA VIII service area and the A-10 hospital planning area.

There are three additional hospitals in the A-10 hospital planning area. These hospitals are Harvard Mercy Memorial-Harvard (owned by Mercy Alliance, Inc.), Centegra Hospital -Woodstock, Centegra Specialty Hospital-Woodstock and Centegra Hospital-McHenry; all owned by Centegra Health System. Centegra Specialty Hospital has a 40 bed long term care category of service, and 36 bed acute mental illness category of service and a Stand-By Emergency Department**. Centegra Specialty Hospital will not be considered in the evaluation of this project.** No other services are provided. The May 2011 Update to the Inventory of Health Care Facilities and Services and Need Determination shows a calculated bed need for 83 medical surgical beds, 8 intensive care beds, and 27 obstetric beds in the A-10 planning area by CY 2015. The A-10 planning area consists of McHenry County. **Table One** below outlines the number of facilities within 30 minutes (adjusted per 77 IAC 1100.510 (d)). There are two facilities located within the A-10 planning area and within 30 minutes of the proposed site; Centegra Hospital – McHenry, and Centegra Hospital – Woodstock and two facilities located in the A-11 planning area within 30 minutes: Sherman Hospital and Provena St. Joseph Hospital. There is one additional facility within 30 minutes Advocate Good Shepherd Hospital located in the A-09 planning area. **The State Board's target occupancy** to add medical surgical ("M/S") beds is 80% for a M/S bed complement of 0-99 beds, 85% for a M/S bed complement of 100-199 beds, and 90% for a M/S bed complement of 200 beds and over. To add intensive care beds the State Board's target occupancy is 60% no matter the number of beds, and for obstetric beds ("OB") the target occupancy is 60% for OB beds of 1-10 beds, 75% for OB beds of 11-25 beds, and 78% for OB beds of 26 beds and over.

TABLE ONE
Facilities within 30 minutes of the proposed site

					2009 Number of Beds			2009 Bed Occupancy		
Facility Name	**City**	**Minutes Adjusted**	**Miles**	**Planning Area**	**M/S**	**ICU**	**OB**	**M/S %**	**ICU %**	**OB %**
Centegra Hospital - Woodstock	Woodstock	16	11.26	A-10	60	12	14	73%	79%	43%
Sherman Hospital	Elgin	20	15.11	A-11	189	30	28	47%	75%	44%
Provena Saint Joseph Hospital	Elgin	24	13.9	A-11	99	15	0	88%	77%	0%
Centegra Hospital McHenry	McHenry	25	17.83	A-10	129	18	19	79%	95%	43%
Advocate Good Shepherd	Barrington	28	16.61	A-09	113	18	24	86%	101%	52%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X
Bed and Utilization information taken for IDPH 2009 Hospital Questionnaire

The project proposes the following bed categories:

TABLE TWO	
Centegra Hospital – Huntley	
Category	**Beds**
Medical Surgical	100
Intensive Care	8
Obstetrics	20
Total	128

The project is a substantive project and subject to Part 1110 and Part 1120 review. Project obligation will occur after permit approval. The anticipated project completion date is September 30, 2016.

Support and Opposition Comments

The State Board conducted a public hearing on this project February 16, 2011. 153 individuals did not provide testimony, 134 individuals spoke in support of the project, and 85 individuals spoke in opposition. Below is a sample of comments in support and opposition to this project.

Peggy Troy, CEO, Children's Hospital & Health System stated *Children's Hospital and Centegra Health System have collaborated in the best interest of patients by entering into an agreement for transfer of pediatric patients between respective institutions. This has allowed me to see the level of commitment that Centegra has to the community it serves. Based upon my observations and interactions, Centegra's proposal to construct a new hospital in Huntley is only the latest example of its commitment.*

Christa Gehard, Lake in the Hills stated *I know Centegra Health System takes its responsibility to the community very seriously and continues to look for ways to improve the care it provides. Centegra has long been committed to Huntley and the surrounding communities through outpatient services and other health services that have already been brought to the area. Centegra purchased the land in Huntley several years ago and has created a strong, long term plan for responsible development of that site. I personally appreciate that, along with needed healthcare services, this project will bring new jobs and tax revenue to the Huntley community. Given the community's need for hospital services and improved access to healthcare this project will provide for southern*

McHenry County and surrounding areas, I strongly urge the Board to approve the application by Centegra Health System for a new hospital in Huntley.

Kevin J. Rynders Algonquin-Lake in the Hills Fire Protection District stated *"I support Project #10-090 and Centegra Health System's proposal to bring a new hospital to southern McHenry County. Huntley and the surrounding communities make up one of the fastest growing areas not only in the McHenry County, but in the entire State. Based on this I believe there is a need for a full-service hospital in this area."*

Milford Brown, President, Huntley Board of Trustees stated *The Huntley Fire Protection District fully supports Project #10-090, and Centegra Health System's proposal to bring a new hospital in southern McHenry County. The need for a full-service hospital is warranted. Huntley and the surrounding communities make up one of the fastest growing areas not only in McHenry County, but in the entire State. These communities are currently underserved by health care facilities, leaving local residents and workers with significant travel times to existing area hospitals*

Kathleen Boyle, Owner, Century Tile, Lombard stated *Centegra has demonstrated its investment in the communities it serves by providing quality healthcare to anyone who needs it without concern for ability to pay, jobs for 3,700 employees, and key support for a number of vital programs that assist the county's neediest residents. This organization has shown foresight in evolving its services and access to those services, so that when a need is identified, Centegra is ready and able to address that need. A health system that is rooted in the community, supportive of local charities and programs, and that plans ahead to address community needs is the right system to build and operate the new proposed hospital. Centegra is that system.*

William Petasnick, President, Froedert Health, Inc. stated *The collaboration between Froedert and Centegra, in the form of transfer agreements and educational programs has allowed us to see first hand the level of commitment that Centegra has to the community. Centegra's proposal to construct a new hospital in Huntley is only the latest example of that commitment.*

Andrew Ward Algonquin Road Surgery Center stated *" I am here today to urge the Illinois Health Facilities and Services Review Board to reject Centegra's certificate of need application for a hospital in Huntley. In fact many of the arguments you will hear or have heard today in opposition to Centegra's proposal are the very same arguments Centegra used in 2004 and 2007 to oppose similar projects in the area. How times have changed."*

Claudia Lawson Sherman Health stated "*I am here today to oppose Centegra's proposal to build a limited service hospital in Huntley because I believe this area already has a strong network of inpatient facilities immediate care and other outpatient facilities and doctor's offices."*

Marilyn Parenzan Advocate Good Shepherd Hospital stated *" this proposed hospital will dilute volumes among hospitals that will negatively impact patient quality and patient safety. This proposed hospital will add nearly 50% more beds to McHenry County. As you know this hospital is located less than one mile away from McHenry County. There is little doubt that adding another hospital with that many beds in the region will negatively impact the volumes of area hospitals and may impact quality of care.*

Dr. Giangrasso Advocate Good Shepherd Hospital stated *"existing hospitals in the area have more than enough capacity to serve emergency needs of McHenry County residents. Last year Good Shepherd was able to serve additional emergency patients 99.9% of the time. This means that we were rarely on bypass and for only 5 hours all year had to direct ambulances to other hospitals due to capacity constraints in the emergency department."*

Joe Ourth, Legal Counsel, Arnstein & Lehr filed a Safety Net Impact Response Statement. He stated *for Centegra to state that a new hospital "will not impact other hospitals" is simply incorrect. In response, Sherman, Good Shepherd, and St. Alexius hospitals commissioned Krentz Consulting to quantify the impact of new Huntley hospital and the Concerned Hospitals' ability to provide safety net services to their communities. The result is that net revenue for existing area hospitals would decrease by $116 million annually and combined contribution margin by $39 million (dollars). These loses severely impact the ability of Concerned Hospitals to continue to provide Safety Net Services.*

Kenneth Grubb, Crystal Lake, stated *I've lived in Crystal Lake almost 30 years and I do not believe there is a need for another hospital in our region. Today, the people in southern McHenry County are no more than a 15-minute drive to one of our three hospitals. These include Good Sheppard in Barrington, Centegra in Woodstock, and Sherman Hospital in Elgin. These are each fine hospitals, so there is no lack of easy access or excellent medical care.*

Mary Jo Olszewski, Woodstock stated *I consider Advocate Good Shepherd and the other hospitals in our region a tremendous asset to the area. Good Shepherd offers a variety of health care services and wellness programs and I always receive outstanding care there. Now is the time for Good Shepherd and other area hospitals to think about adding services at their current facilities. Now is NOT the time to be proposing a new, unnecessary hospital in McHenry County. I ask members of the Review Board to do the right thing and vote no on this project.*

David Nelson, Supervisor, Cuba Township stated *I am also concerned about our existing hospitals. Taking volume from area hospitals will damage hospitals such as Good Shepherd, Sherman, St.Alexius, and Centergra's own hospitals in Woodstock and McHenry. With reduced volume, I am concerned that the existing hospitals will not have adequate patient volume to provide high quality cost-effective care. Also, the existing area hospitals provide charity care and community benefit services. I wonder how the hospitals will be able to fund the services for the indigent and community if the hospitals are operating on only razor thin financial margins due to reduced volume.*

IV. The Proposed Project - Details

The applicants propose to establish a 128 bed hospital in a total of 384,135 gross square feet ("GSF") at a total estimated project cost of $233,160,352. Categories of services being provided at the proposed hospital include medical surgical, intensive care and obstetric services. Other clinical services being provided are general radiology flouroscopy, X-Ray, mammography, ultrasound, CT Scan, MRI, Nuclear Medicine, 8 room surgical suite, recovery stations, and an emergency department.

V. Project Costs and Sources of Funds

The project will be funded with cash and securities of $48,010,352, a bond issue of $183,000,000 and lease of capital equipment of $2,150,000. A complete itemization of the cost detailed in Table Three can be found at pages 62-63 of the application for permit. The estimated start-up costs and operating deficit is $13,224,000.

TABLE THREE **Project Costs and Sources of Funds**			
Use of Funds	**Clinical**	**Non Clinical**	**Total**

TABLE THREE Project Costs and Sources of Funds			
Use of Funds	**Clinical**	**Non Clinical**	**Total**
Preplanning	$1,729,015	$1,205,985	$2,935,000
Site Survey and Soil Investigation	$41,849	$43,151	$85,000
Site Preparation	$1,028,988	$1,061,012	$2,090,000
OffSite Work	$5,356,644	$5,523,356	$10,880,000
New Construction Contracts	$68,851,517	$57,881,296	$126,732,813
Contingencies	$6,540,894	$5,498,723	$12,039,617
Architectural and Engineering Fees	$4,045,356	$3,400,804	$7,446,160
Consulting and Other Fees	$3,972,992	$3,751,737	$7,724,729
Movable of Other Equipment	$24,170,213	$6,064,753	$30,234,966
Bond Insurance Expense	$1,477,016	$1,522,984	$3,000,000
Net Interest Expense	$13,514,695	$13,935,305	$27,450,000
FMV of Leased Equipment	$2,150,000	$0	$2,150,000
Other Costs to be Capitalized	$193,030	$199,037	$392,067
Total Project Costs	$133,072,209	$100,088,143	$233,160,352
Sources of Funds			
Cash and Securities	$40,824,172	$7,186,180	$48,010,352
Bond Issues	$90,098,037	$92,901,963	$183,000,000
Leases	$2,150,000	$0	$2,150,000
Total Sources of Funds	$133,072,209	$100,088,143	$233,160,352

VI. Cost Space Requirements

The hospital comprises a total of 384,135 gross square feet. Only the clinical cost and clinical GSF footage will be reviewed per 20 ILCS 3960/5.

TABLE FOUR Clinical GSF				
Department	**New Construction**		**Department**	**New Construction**
Medical Surgical	59,112		Admitting Registration	2,412
Intensive Care	5,415		Administration	9,734
Obstetrics	13,071		Social Services	1,768
Surgery	21,525		Quality Management	1,013
Post Anethesia Recovery	1,382		Facilities Management	3,616

TABLE FOUR Clinical GSF				
Department	**New Construction**		**Department**	**New Construction**
Surgical Prep	12,717		Central On Call Rooms	1,500
Endoscopy	2,175		Conference Rooms	10,535
Emergency Department	10,431		Family Support Services	18,482
Diagnostic Imaging	10,785		Housekeeping	3,275
LDR Suite	9,445		Information Systems	6,962
C-Section Suite	4,026		Gift Shop	1,163
Newborn Nurseries	3,167		Mail Room	156
Inpatient PT/OT	1,204		Materials Management	9,529
Non Invasive Diagnostic	7,830		Mechanical Space	65,000
Respiratory Therapy	2,772		Medical Records	1,500
Pre Admission	1,428		Serving and Dining Rooms	6,604
Inpatient Acute Dialysis	1,904		Biomedical Engineering	500
Clinical Laboratory	3,720		Pastoral Care	1,020
Pharmacy	4,844		Physician Services	5,652
Central Sterile Supply	5,256		Security	348
Dietary	6,916		Staff Support Services	2,386
Total Clinical	**189,125**		Volunteers	420
Total	**384,135**		Entrances Lobbies	15,763
			Interdepartmental Circulation	11,946
			Stairs	5,808
			Elevators/Shafts/ Elevators	7,918
			Total Non Clinical	**195,010**

VII. Safety Net Impact Statement

The Health Facilities Planning Act stipulates that applicants for a new facility must provide Safety Net impact information.

TABLE FIVE			
Centegra Hospital – McHenry, Centegra Hospital-Woodstock and Centegra Specialty Hospital			
Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	FY 2007	FY 2008	FY 2009
Inpatient	364	377	435
Outpatient	1,228	1,464	1,810
Total	1,592	1,841	2,245

TABLE FIVE			
Centegra Hospital – McHenry, Centegra Hospital-Woodstock and Centegra Specialty Hospital			
Safety Net Information per PA 96-0031			
Charity (cost in dollars)			
Inpatient	$2,863,329	$2,040,983	$2,521,623
Outpatient	$938,459	$903,530	$1,449,166
Total	$3,801,788	$2,944,513	$3,970,789
MEDICAID			
Medicaid (# of patients)			
Inpatient	2,407	2,369	2,445
Outpatient	24,070	26,329	31,525
Total	26,477	28,698	33,970
Medicaid (revenue)			
Inpatient	$9,458,502	$7,745,806	$18,037,202
Outpatient	$22,475,574	$13,009,516	$7,502,869
Total	$31,934,076	$20,755,322	$25,540,071

TABLE SIX Projected Payor Mix		
Projected Payor Mix	**FY 2017**	**FY 2018**
Medicare	36.60%	37.70%
Medicaid	9.40%	9.50%
Other Public	0.00%	0.00%
Private Insurance	52.00%	50.70%
Private Pay	0.30%	0.40%
Charity Care	1.70%	1.70%
	100.00%	100.00%
Projected Net Patient Revenue	$192,624,000	$254,309,000
Projected Charity Care Expense	$3,642,000	$4,910,000
Projected Ratio of Charity Care to Net Patient Revenue	1.89%	1.93%

VIII. Section 1110.230 - Project Purpose, Background and Alternatives

A) Criterion 1110.230 (a) - Background of Applicant

An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of health care service for the community.*

The applicants own three hospitals in Illinois; Centegra Hospital – McHenry and Centegra Hospital-Woodstock and Centegra Specialty Hospital- Woostock, South Street. In addition the applicants own a number of ambulatory care facilities and medical office buildings in Illinois. The applicants provided a list of all facilities currently owned by the applicants, and an attestation that no adverse actions (as defined by the State Board) have been taken against the applicants in the past three calendar years.

B) Criterion 1110.230 (b) - Purpose of the Project

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:

A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;

B) The population's morbidity or mortality rates;

C) The incidence of various diseases in the area;

D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);

E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).

2) The applicant shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).

3) The applicant shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.

4) For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records.

The purpose of the project is

- To address the calculated bed need in the A-10 and A-11 planning areas;
- To address the outmigration of patients from the A-10 planning area;
- To address the increase in population in the A-10 planning area (McHenry County) by 2018;
- To address the market areas that has been identified by the U. S Department of Human Services as Medically Underserved and Health Manpower Shortage Areas.

The applicants believe the population in McHenry County will increase by 8% from 2015-2020. With this increase the applicants believe there will sufficient bed need to justify 104 medical surgical beds by 2018 the second year after project completion. The market area for this facility is 16 zip codes which are located in McHenry County and in adjacent towns in Kane, Lake, Cook, and Dekalb Counties. The market area for this hospital is based upon the patient orgin data derived from the Centegra

Ambulatory Center located on the same site of the proposed hospital. See pages 101-112 of the application for permit for a complete discussion of the purpose of the project.

C) Criterion 1110.234 (c) - Alternatives to the Proposed Project
The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

1) Alternative options shall be addressed. Examples of alternative options include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Other considerations.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.

3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available

1. <u>Modernize Memorial Medical Center-Woodstock</u>

This alternative was originally approved by the State Board as Project #08-002 and subsequently abandoned by the applicant. This project proposed to construct a women's pavilion and modernized existing space in the

hospital and add 14 M/S beds and 6 OB beds. **Capital Costs were $52,201,702.**

2. <u>Modernize Centegra Hospital-McHenry and Centegra Hospital - Woodstock</u>

This alternative proposed to add 100 Medical Surgical Beds (40 beds at McHenry and 60 Beds at Woodstock), addition of 8 ICU beds (6 at McHenry and 2 at Woodstock) and 20 Obstetric beds (6 at McHenry and 14 at Woodstock). This alternative was rejected because it would not assure the efficient distribution of beds in the planning area, would be approximately the same cost as a new hospital, and an imprudent use of capital resources to add high cost addition to aging facilities. **Capital Costs $206,572,661.**

IX. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234(a) - Size of Project

1) The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage (SF) cannot deviate from the SF range indicated in Appendix B, or exceed the SF standard in Appendix B if the standard is a single number, unless SF can be justified by documenting, as described in subsection (a)(2).

The applicants have met the State Standards for all clinical departments/ services in which the State Board has size standards.

TABLE SIX
Size of Project compared to State Standards

Department	Number of Beds/ Unit	Proposed GSF	State Standard	Per Unit	Met Standard?
Medical Surgical	100 Beds	59,112	500-660 DGSF	591 DGSF	Yes
Intensive Care	8 Beds	5,415	600-685 DGSF	677 DGSF	Yes
Obstetrics	20 Beds	13,071	500-660 DGSF	654 DGSF	Yes
Surgery	8 OR's	21,525	2,750 DGSF/room	2,690 DGSF	NA
Recovery	8 Rooms	1,382	180 DGSF/station	173 DGSF	Yes

TABLE SIX Size of Project compared to State Standards					
Department	**Number of Beds/ Unit**	**Proposed GSF**	**State Standard**	**Per Unit**	**Met Standard?**
Surgical Prep/Stage 2 recovery	32 Rooms	12,717	400 DGSF/station	397 DGSF	Yes
Endoscopy	2 Rooms	2,175	1,100 DGSF	1,088 DGSF	Yes
Emergency Department	13 Stations	10,431	900 DGSF	802 DGSF	Yes
Diagnostic Imaging		10,785			Yes
General Radiology	2 Rooms		1,300 DGSF Unit	2,600 DGSF	Yes
Radiology and Fluoroscopy	1 Room		1,300 DGSF/Unit	1,300 DGSF	Yes
Ultrasound	2 Rooms		900 DGSF/Unit	1,800 DGSF	Yes
CT Scanning	1 Room		1,800 DGSF/Unit	1,800 DGSF	Yes
MRI	1 Room		1,800 DGSF/Unit	1,800 DGSF	Yes
Nuclear Medicine	1 Room		1,600 DGSF/Unit	1,600 DGSF	Yes
Labor Delivery Recovery	6 Rooms	9,445	1,120-1,600 DGSF/Room	1,574 DGSF	Yes
C-Section Suite	2 Rooms	4,026	2,075 OR	2,013 DGSF	Yes
Newborn Nursery	14 Stations	3,167	160 DGSF/OB Bed	158 DGSF	Yes

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF THE PROJECT – REVIEW CRITERION (77 IAC 1110.234(a)).

B) Criterion 1110.234 (b) - Project Services Utilization
The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B.

The applicants have successfully addressed the projected utilization for services departments proposed by this project.

TABLE SEVEN Projected utilization of Proposed facility					
Department	**State Board Standard**	**2018 Projected Number of Days/Hours**	**Number of Beds/Rooms Justified**	**Number of Beds Proposed/Units**	**Met Standard?**

TABLE SEVEN Projected utilization of Proposed facility					
Department	**State Board Standard**	**2018 Projected Number of Days/Hours**	**Number of Beds/Rooms Justified**	**Number of Beds Proposed/Units**	**Met Standard?**
Medical Surgical	85% occupancy	34,867 days	113	100	Yes
Intensive Care	60% occupancy	2,850 days	13	8	Yes
Obstetrics	75% occupancy	5,647 days	21	20	Yes
Surgery	1,500 Hours per room	11,169 hours	8	8	Yes
Recovery	NA	NA	8	8	Yes
Surgical Prep Stage Recovery	NA	NA	32	32	Yes
Endoscopy	1,500 Hours/ room	2,899	2	2	Yes
Emergency Department	2,000 Visits/room	30,586	16	13	Yes
Diagnostic Imaging					Yes
General Radiology	8,000 proc/room	9,571	2	2	Yes
Radiology and Fluoroscopy	6,500 proc/room	14,904	2	1	Yes
Ultrasound	3,100 visits/unit	3,709	2	2	Yes
CT Scanning	7,000 visits/unit	4,187	1	1	Yes
MRI	2,500/proc/unit	2,743	2	1	Yes
Nuclear Medicine	2,000 Visits/room	988	1	1	Yes
Labor Delivery Recovery	400 births/LDR	2,022	6	6	Yes
C-Section Suite	800 proc/room	819	2	2	Yes
Newborn Nursery	NA	NA	NA	14 Stations	Yes

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH PROJECT UTILIZATION – REVIEW CRITERION (77 IAC 1110.234(b)).

C) Criterion 1110.234 (c) - Size of the Project and Utilization:
For clinical service areas for which norms are not listed in Appendix B (for example, central sterile supply, laboratory, occupational therapy, pharmacy, physical therapy, respiratory therapy, cardiac rehabilitation, speech pathology and audiology), the applicant shall document that the proposed departmental gross square footage is necessary and appropriate.

As a basis for the determining departmental gross square footage for areas in which norms are not listed in Appendix B of the State Board's rules the

applicants relied upon IDPH 77 ILL Administrative Code 250.2440 General Hospital Standards and the AIA (American Institute of Architects) Guidelines for Construction and Design of Health Care Facilities -2006 Edition. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH SIZE OF THE PROJECT AND UTILIZATION – REVIEW CRITERION (77 IAC 1110.234(c)).

D) Criterion 1110.234(e) - Assurances
The applicant shall submit the following:

1) The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

The applicants have attested that by the second year after project completion that they will be at target occupancy.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES – REVIEW CRITERION (77 IAC 1110.234(c)).

X. Section 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care – Review Criteria

A) Criterion 1110.530 (b) - Planning Area Need
The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100 (formula calculation)

A) The number of beds to be established for each category of service is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

B) The number of beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.

2) Service to Planning Area Residents

A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

3) Service Demand – Establishment of Bed Category of Service
The number of beds proposed to establish a new category of service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest two-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and either subsection (b)(3)(B) or (C):

C) Project Service Demand − Based on Rapid Population Growth
If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area (as experienced annually within the latest 24-month period), the projected service demand shall be determined as follows:

i) The applicant shall define the facility's market area based upon historical patient origin data by zip code or census tract;

ii) Population projections shall be produced, using, as a base, the population census or estimate for the most recent year, for county, incorporated place,

township or community area, by the U.S. Census Bureau or IDPH;

iii) Projections shall be for a maximum period of 10 years from the date the application is submitted;

iv) Historical data used to calculate projections shall be for a number of years no less than the number of years projected;

v) Projections shall contain documentation of population changes in terms of births, deaths, and net migration for a period of time equal to, or in excess of, the projection horizon;

vi) Projections shall be for total population and specified age groups for the applicant's market area, as defined by HFPB, for each category of service in the application; and

vii) Documentation on projection methodology, data sources, assumptions and special adjustments shall be submitted to HFPB

5) Service Accessibility

The number of beds being established or added for each category of service is necessary to improve access for planning area residents. The applicant shall document the following:

A) Service Restrictions

The applicant shall document that at least one of the following factors exists in the planning area:

i) The absence of the proposed service within the planning area;

ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;

iii) Restrictive admission policies of existing providers;

iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;

v) For purposes of this subsection (b)(5) only, all services within the 45-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

The applicants justify the number of beds being proposed based upon the calculated bed need identified in IDPH's Inventory of Health Care Facilities and Services Need Determination May 2008 (Updated) and the rapid population growth in the planning and market areas. The number of ICU and obstetric beds being proposed fall within the current number of calculated beds needed (Update May 2011). The number of medical surgical beds being requested (100 beds) exceeds the number of calculated beds needed (83 beds). The applicants are justifying the additional 17 medical surgical beds based upon the rapid population growth in the planning and market area.

Planning Area Need

The May 2011 Update to the Inventory of Health Care Facilities and Services and Need Determination shows a calculated need for 83 medical surgical beds, 8 intensive care beds, and 27 obstetric beds in the A-10 planning area. The applicants are proposing 100 medical surgical beds, 8 intensive care beds, and 20 obstetric beds. The number of medical surgical beds requested by the applicants exceeds the calculated need by 17 medical surgical beds.

TABLE SEVEN

Inventory of Health Care Facilities and Services and Need Determination					
Bed Category	Approved Beds	Calculated Beds Needed 2015	Need	Number requested by applicants	Exceeds Calculated Need
Medical Surgical	206	289	83	100	17
Intensive Care	33	41	8	8	0
Obstetrics	33	60	27	20	(7)

Service to Planning Area Residents

The applicants proposed hospital will be located in McHenry County and the applicants are projecting that more than 60% of the patients will come from McHenry County by 2018 the second year after project completion.

Service Demand

The applicants are basing the demand for the 17 additional medical surgical beds on the rapid population growth in the market area. The market area is primarily located within Planning Area-10. The applicants provided a Market Assessment and Impact Study prepared by Deloitte and Touche Financial Advisory Services that identified population growth by zip code. The applicants concluded that the population in the market area is expected to increase by 13% from 2010 to mid 2018 with the population in the primary market area increasing by 15% from 2010 and the secondary market area by 9%. Using this information the applicants calculated an adjusted bed need for 104 medical surgical beds in this planning area by mid- 2018.

Service Accessibility

There is no absence of services within this planning area, nor access limitations due to payor status, or evidence of restrictive admission policies at existing facilities in the planning area. In addition the applicants provided evidence of 3 census tracts within Planning Area A-10 that have been designated at Medically Underserved Population, 1 census tract in the primary service area as designated Medically Underserved Area/Population, four townships in the market area designated as Health Manpower Shortage Areas. Finally Planning Area's A-10 and A-11 have the highest and second highest Bed Need of all planning areas in the State of Illinois and are only 2 of 3 planning areas with a bed need.

The applicants have requested 100 medical surgical beds which is greater than the calculated need of 83 medical surgical beds. In addition, there are existing providers within 45 minutes not at the State Board's target occupancy for medical surgical and obstetric services.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE NEED FOR THE PROJECT – REVIEW CRITERION (77 IAC 1110.530(b)).

B) Criterion 1110.530 (c) - Unnecessary Duplication/Maldistribution

1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:

A) A list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site;

B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois); and

C) The names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.

2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services characterized by such factors as, but not limited to:

A) A ratio of beds to population that exceeds one and one-half times the State average;

B) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the occupancy standard established pursuant to 77 Ill. Adm. Code 1100; or

C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above occupancy standards.

3) The applicant shall document that, within 24 months after project completion, the proposed project:

A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

The bed to population ratio in A-10 was provided as required and all facilities within 30 minutes were identified. There are existing facilities within the planning area and within 30 minutes of the proposed site that are below the State Board's target occupancy. The applicants state *that because of the population growth projections and the aging population the establishment of Centegra Hospital- Huntley will not impact other area providers.* Existing hospitals within 30 minutes are not at target occupancy; therefore it would appear that the proposed hospital would impact other area providers. The applicants have not met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS DOES <u>NOT</u> APPEAR TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION/MALDISTRIBUTION REQUIREMENTS OF PROJECT – REVIEW CRITERION (77 IAC 1110.530(d)).

TABLE EIGHT
Facilities within 30 minutes of the proposed site

					2009 Number of Beds			2009 Bed Occupancy		
Facility Name	**City**	**Minutes Adjusted**	**Miles**	**Planning Area**	**M/S**	**ICU**	**OB**	**M/S %**	**ICU %**	**OB %**
Centegra Hospital - Woodstock	Woodstock	16	11.26	A-10	60	12	14	73%	79%	43%
Sherman Hospital	Elgin	20	15.11	A-11	189	30	28	47%	75%	44%

TABLE EIGHT
Facilities within 30 minutes of the proposed site

					2009 Number of Beds			2009 Bed Occupancy		
Facility Name	**City**	**Minutes Adjusted**	**Miles**	**Planning Area**	**M/S**	**ICU**	**OB**	**M/S %**	**ICU %**	**OB %**
Provena Saint Joseph Hospital	Elgin	24	13.9	A-11	99	15	0	88%	77%	0%
Centegra Hospital McHenry	McHenry	25	17.83	A-10	129	18	19	79%	95%	43%
Advocate Good Shepherd	Barrington	28	16.61	A-09	113	18	24	86%	101%	52%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X
Bed and Utilization information taken for IDPH 2009 Hospital Questionnaire

C) Criterion 1110.530 (e) - Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

The applicants have provided a narrative at **pages 293-296 of the application** for permit that indicates that a sufficient workforce will be available once the hospital becomes operational by 2015.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING REQUIREMENTS OF PROJECT – REVIEW CRITERION (77 IAC 1110.530(e)).

D) Criterion 1110.530 (f) - Performance Requirements

1) Medical-Surgical

The minimum bed capacity for a medical-surgical category of servicewithin a Metropolitan Statistical Area (MSA) is 100 beds.

2) Obstetrics

A) The minimum unit size for a new obstetric unit within an MSA is 20 beds.

B) The minimum unit size for a new obstetric unit outside an MSA is 4 beds.

3) Intensive Care
The minimum unit size for an intensive care unit is 4 beds.

4) Pediatrics
The minimum size for a pediatric unit within an MSA is 4 beds.

The applicants are proposing a medical surgical bed capacity of 100 beds, 20 obstetric beds and 8 intensive care beds. The applicants have met the requirements of this criterion. **See page 296 of the application for permit**

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PERFORMANCE REQUIREMENTS OF PROJECT – REVIEW CRITERION (77 IAC 1110.530(f)).

E) Criterion 1110.530 (g) - Assurances
The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

The applicants have provided the necessary assurance that the facility will achieve and maintain the occupancy standards specified for each category of service proposed. **See page 297-298 of the application for permit.**

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES REQUIREMENT – REVIEW CRITERION (77 IAC 1110.530(g)).

XI. Section 1110.3030 – Clinical Service Areas Other Than Categories of Service − Review Criteria

These criteria are applicable only to those projects or components of projects (including major medical equipment), concerning Clinical Service Areas (CSAs) that are not "Categories of Service", but for which utilization standards are listed in Appendix B, including: Surgery,

Emergency Services and/or Trauma, Ambulatory Care Services (organized as a service), Diagnostic and Interventional Radiology/Imaging (by modality), Therapeutic Radiology, Laboratory, Pharmacy, Occupational Therapy/Physical Therapy, Major Medical Equipment.

A) Criterion 1110.3030 (b) - Need Determination
The applicant shall describe how the need for the proposed establishment was determined by documenting the following:

1) Service to the Planning Area Residents

A) Either:

i) The primary purpose of the proposed project is to provide care to the residents of the planning area in which the proposed service will be physically located; or

ii) If the applicant service area includes a primary and secondary service area that expands beyond the planning area boundaries, the applicant shall document that the primary purpose of the project is to provide care to residents of the service area; and

B) Documentation shall consist of strategic plans or market studies conducted, indicating the historical and projected incidence of disease or health conditions, or use rates of the population. The number of years projected shall not exceed the number of historical years documented. Any projections and/or trend analyses shall not exceed 10 years.

2) Service Demand
To demonstrate need for the proposed CSA services, the applicant shall document one or more of the indicators presented in subsections (b)(2)(A) through (D). For any projections, the number of years projected shall not exceed the number of historical years documented. Any projections and/or trend analyses shall not exceed 10 years.

A) Referrals from Inpatient Base

For CSAs that will serve as a support or adjunct service to existing inpatient services, the applicant shall document a minimum two-year historical and two-year projected number of inpatients requiring the subject CSA.

B) Physician Referrals
For CSAs that require physician referrals to create and maintain a patient base volume, the applicant shall document patient origin information for the referrals. The applicant shall submit original signed and notarized referral letters, containing certification by the physicians that the representations contained in the letters are true and correct.

C) Historical Referrals to Other Providers
If, during the latest 12-month period, patients have been sent to other area providers for the proposed CSA services, due to the absence of those services at the applicant facility, the applicant shall submit verification of those referrals, specifying: the service needed; patient origin by zip code; recipient facility; date of referral; and physician certification that the representations contained in the verifications are true and correct.

D) Population Incidence
The applicant shall submit documentation of incidence of service based upon IDPH statistics or category of service statistics.

3) Impact of the Proposed Project on Other Area Providers
The applicant shall document that, within 24 months after project completion, the proposed project will not:

A) Lower the utilization of other area providers below the utilization standards specified in Appendix B.

B) Lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the utilization standards.

4) Utilization

Projects involving the establishment of CSAs shall meet or exceed the utilization standards for the services, as specified in Appendix B. If no utilization standards exist in Appendix B, the applicant shall document its anticipated utilization in terms of incidence of disease or conditions, or historical population use rates.

Because this is a proposed new hospital the applicants provided projected utilization information because historical utilization was not available. Generally the projected patient volumes for clinical services other than categories of services were calculated based upon the applicants expected market share, the projected population growth in the market area and the historical experience at existing hospitals within the Centegra Health System. See Tables Six and Seven above. However because existing hospitals are not operating at State Board occupancy targets it would appear that the additional services would lower utilization at other area providers.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE CLINICAL SERVICE AREA OTHER THAN CATEGORY OF SERVICE – REVIEW CRITERION (77 IAC 1110.3030(b)).

XII. Section 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120).

XIII. Section 1120.130 - Financial Viability

The applicants are required to provide a financial viability ratio if proof of an "A" Bond rating has not been provided.

The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1110.130).

XIV. Section 1120.140 - Economic Feasibility

A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements

If the applicant does not have an "A bond rating the applicant shall document the reasonable of financing arrangements by providing a notarized statement attesting that the project will be funded by cash and securities or the project will be funded in total or in part by borrowing because a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals or borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1110.140 (a)).

B) Criterion 1110.140 (b) - Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) **That the selected form of debt financing for the project will be at the lowest net cost available;**

2) **That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;**

3) **That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with**

leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

The applicants have attested the selected form of debt financing for this project will be the issuance of bonds through the Illinois Health Finance Authority as well as the leasing of capital equipment. The applicants have attested the selected form of debt financing for the project will be at the lowest net cost available. In addition a portion of the project will involve the leasing of capital equipment and the expenses incurred with leasing are less costly than the purchase of new equipment.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF DEBT FINANCING CRITERION (77 IAC 1110.140 (b)).

C) Criterion 1110.140 (c) - Reasonableness of Project and Related Costs
The applicant shall document that the estimated project costs are reasonable and shall document compliance preplanning costs, site survey, soil investigation fees and site preparation, construction and modernization costs per square foot, contingencies, architectural/engineering fees, all capitalized equipment not included in construction contracts building acquisition, net interest expense, and other estimated costs.

By statute only the clinical costs are being reviewed.

Preplanning Costs – These costs total $1,729,015 and are 1.74% of new construction contingency and movable equipment. This appears reasonable when compared to the State Standard of 1.8%

Site Survey and Soil Investigation Site Preparation – These costs total $1,070,937 and are 1.42% of construction and contingency costs. This appears reasonable when compared to the State Board Standard of 5%.

Offsite Work – These costs total $5,356,644. The State Board does not have a standard for these costs.

New Construction Cost and Contingencies – These costs total $75,392,411 or $398.64 per gross square feet ("GSF"). This appears reasonable when compared to the State Board standard of $403.39 GSF.

Contingencies – These costs total $6,540,894 or 9.5% of construction costs. This appears reasonable when compared to the State Board standard of 10%.

Architectural/Engineering Fees – These costs total $4,045,356 or 5.37% of construction and contingency fees. This appears reasonable when compared to the State Board standard of 3.59-5.39%.

Movable and Other Equipment – These costs total $24,170,213. The State Board does not have a standard for these costs.

Bond Issuance Expense – These costs total $1,477,016. The State Board does not have a standard for these costs.

Net Interest Expense During Construction – These costs total $13,514,695. The State Board does not have a standard for these costs.

FMV of Leased Equipment – These costs total $2,150,000. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs total $193,030. The State Board does not have for these costs.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1110.140 (c)).

D) Criterion 1110.140 (d) - Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs means the fully allocated costs of salaries, benefits and supplies for the service.

These costs are $1,772 per equivalent patient day. The State Board does not have a standard for these costs.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1110.140 (d)).

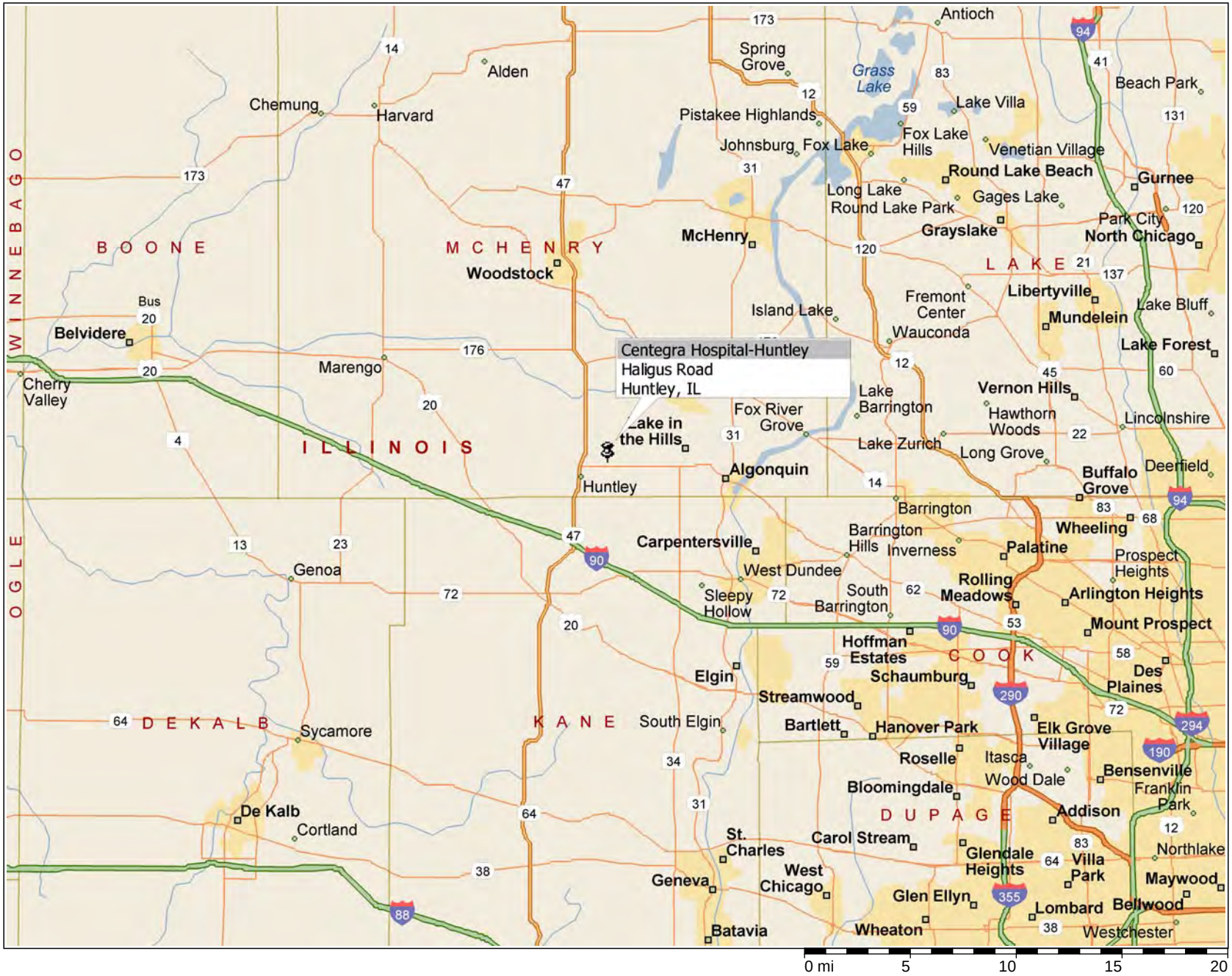
E) Criterion 1110.140 (e) - Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

These costs are $223 per equivalent patient day. The State Board does not have a standard for these costs.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1110.140(e)).

10-090 Centegra Hospital - Huntley



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WESTJEFFERSON ST.● SPRINGFIELD, ILLINOIS 62761 ● (217)782-3516 ● FAX: (217) 785-4111

SUPPLEMENTAL STATE BOARD STAFF REPORT
ISSUED AFTER THE JUNE 2011 INTENT TO DENY

STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 •(217) 782-3516 FAX: (217) 785-4111

DOCKET NO:	BOARD MEETING:	PROJECT NO:	PROJECT COST:
I-02	December 6-7, 2011	10-090	Original: $233,160,352
FACILITY NAME: Centegra Hospital – Huntley		CITY: Huntley	
TYPE OF PROJECT: Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicants (Centegra Hospital-Huntley and Centegra Health System) are proposing to establish a 128 bed acute care hospital in Huntley, Illinois. The total cost of the project is $233,160,352. **The anticipated project completion date is September 30, 2016.**

EXECUTIVE SUMMARY

PROJECT DESCRIPTION AND TIMELINE:

- The applicants (Centegra Hospital-Huntley and Centegra Health System) are proposing to establish a 128 bed acute care hospital in Huntley, Illinois. The total cost of the project is $233,160,352. **The anticipated project completion date is September 30, 2016.**

- This project received an **Intent to Deny** at the **June 28, 2011 State Board Meeting**. **Transcripts from that meeting are attached as a separate document in your packet.**

- **On July 14, 2011 the State Board Staff** requested the applicants' provide the following: **(Response to this request is provided as a separate Appendix to this report and is included in your packet of material)**

    - **Response to the Safety Net Impact Statement Response submitted by opponents to the proposed project.**

Centegra's response: *the objecting hospitals' safety net impact statement response is fundamentally flawed because it does not account for the population growth and has not provided even the most basic calculations and data from which the claimed financial losses were allegedly derived. None of the objecting hospitals are significant providers of safety net services in McHenry County. They want the patient revenues of McHenry County to fund their own facilities in Lake, Kane and Cook counties. The Objecting Hospitals want the IHFSRB to maintain the status quo of high outmigration from McHenry County in order to benefit their hospitals in Lake, Kane, and Cook counties.*

    - **Response to the 2010 McHenry County Community Health Study.**

Centegra's response: *While the McHenry County Healthy Community Study is informative, it was not and is not a document appropriately used for assessing the need for additional beds or hospital services. The lead researcher for the 2010 Study; has confirmed the study was not intended as a needs assessment for any particular type of service.*

    - **Response to the decrease in the population growth in McHenry County will affect the size and the viability of the proposed hospital.**

Centegra's response: *The applicants original population projections were based upon adjusted population figures for McHenry County updated through 2010 and were not based on older projections that turned out to be overly high. The applicants used population projections from*

Claritas that were generated using 2010 population estimates. Claritas updated its five year projections annually to reflect market and economic changes in population estimates. For example Claritas in 2008 estimated the five year compounded growth rate for McHenry County at 2.4%, adjusted it down to 2.2% in 2009 and ultimately to 1.7% in 2010. The applicants based its analysis on the more conservative 2010 estimates of compounded annual growth rates as determined by Claritas in justifying the size and viability of Centegra Hospital-Huntley.

- **On October 12, 2011 the State Board approved a revised Inventory of Health Care Facilities and Services and Need Determination.** This revision increased the bed need in the A-10 planning area from a calculated bed need of 83 medical surgical beds, 8 intensive care beds, and 27 obstetric beds by CY 2015 to 138 medical surgical beds, 18 intensive care beds, and 22 obstetric beds by CY 2018.

	Applicants' Proposed Beds	Beds Needed		
	28-Jun-11	28-Jun-11	12-Oct-11	Difference
Bed Category		**CY 2015**	**CY 2018**	**CY 2018-CY 2015**
Medical Surgical Beds	100	83	138	+55
Intensive Care Beds	8	8	18	+10
Obstetrics Beds	20	27	22	-5
Total	**128**	**118**	**178**	**+60**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project proposes the establishment of a new health care facility as required by the Act. (20 ILCS 3960)

NEED:

- To determine the need for a new hospital the applicant must address the following:
  - Is there a calculated bed need in the planning area,
  - Will the proposed new hospital provide service to the residents of the planning area,
  - Is there a demand for the new hospital,
  - Will the proposed hospital improve access, and
  - Will the proposed hospital create an unnecessary duplication of service or maldistribution?

BACKGROUND/COMPLIANCE ISSUES:

- None

PUBLIC HEARING AND COMMENTS:

- The State Board conducted a public hearing on this project February 16, 2011 and has

received a number of letters in support and opposition. Excerpts from a number of these letters are included in the body of this report.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and its "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

CONCLUSION:

- There is a calculated bed need for 138 medical surgical beds, 18 ICU beds and 22 obstetric beds in the A-10 planning area by CY 2018 according to the **most current Updated Inventory (October 21, 2011).** Service to planning area residents and demand for the new hospital is based upon the calculated bed need and the population growth in the market area of 13% from 2010-2018. The applicants have attested that 60% of the patients for the new hospital will come from within the A-10 planning area. There is no absence of services, or access limitations due to payor status, or evidence of restrictive admission policies at existing facilities in the planning area. There are existing hospitals within 30 and 45 minutes currently operating below the State Board's target occupancy for medical surgical, obstetric and intensive care services which may result in an unnecessary duplication of service. The proposed clinical services other than categories of service will impact other area providers that are not operating at target occupancy.

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
1110.530 (b) Planning Area Need (Service Accessibility)	There are existing facilities within 45 minutes operating below target occupancy.
1110.530 (c) Unnecessary Duplication of Service/Maldistribution	There are existing facilities within 30 minutes operating below the State Board's target occupancy.
1110.3030 (a)- Clinical service areas other than categories of service	The proposed clinical services other than categories of service will impact other area providers that are not operating at target occupancy.

STATE OF ILLINOIS
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SUPPLEMENTAL
STATE BOARD STAFF REPORT
Centegra Hospital-Huntley
PROJECT #10-090

Applicants	Centegra Hospital-Huntley Centegra Health System
Facility Name	Centegra Hospital-Huntley
Location	Huntley
Application Received	December 29, 2010
Application Deemed Complete	January 10, 2011
Review Period Ended	May 10, 2011
Review Period Extended by the State Board Staff	Yes
Public Hearing Requested	Yes
Support and Opposition Letter Received?	Yes
Intent to Deny Received?	Yes
Applicants' Deferred Project	No
Can Applicants Request Another Deferral?	No
Applicants' Modified the Project	No

I. The Proposed Project

The applicants are proposing the establishment of a 128 bed acute care hospital in Huntley, Illinois. The total cost of the project is $233,160,352.

II. Summary of Findings

A. The State Board Staff finds the proposed project does not appear to be in conformance with the provisions of Part 1110.

B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Centegra Hospital-Huntley and Centegra Health System. Centegra Health System is the parent corporation. The facility will be located at the East Side of Haligus Road between Algonquin Road and Reed Road. The operating entity licensee is Centegra Hospital-Huntley and the owner of the site is NIMED Corporation a subsidiary of Centegra Health System. The facility will be located in the HSA VIII service area and the A-10 hospital planning area. The A-10 planning area consists of McHenry County. There are three additional hospitals in the A-10 hospital planning area. These hospitals are Harvard Mercy Memorial-Harvard (owned by Mercy Alliance, Inc.), Centegra Hospital - Woodstock, Centegra Specialty Hospital-Woodstock and Centegra Hospital-

McHenry; all owned by Centegra Health System. Centegra Specialty Hospital has a 40 bed long term care category of service, and 36 bed acute mental illness category of service and a Stand-By Emergency Department**. Centegra Specialty Hospital will not be considered in the evaluation of this project.** No other services are provided at this hospital. The October 2011 Update to the Inventory of Health Care Facilities and Services and Need Determination shows a calculated bed need for 138 medical surgical beds, 18 intensive care beds, and 22 obstetric beds in the A-10 planning area by CY 2018. **Table One** below outlines the number of facilities within 30 minutes (adjusted per 77 IAC 1100.510 (d)). There are two facilities located within the A-10 planning area and within 30 minutes of the proposed site; Centegra Hospital – McHenry, and Centegra Hospital – Woodstock and two facilities located in the A-11 planning area within 30 minutes: Sherman Hospital and Provena St. Joseph Hospital. There is one additional facility within 30 minutes Advocate Good Shepherd Hospital located in the A-09 planning area. **The State Board's target occupancy** to add medical surgical ("M/S") beds is 80% for a M/S bed complement of 0-99 beds, 85% for a M/S bed complement of 100-199 beds, and 90% for a M/S bed complement of 200 beds and over. To add intensive care beds the State Board's target occupancy is 60% no matter the number of beds, and for obstetric beds ("OB") the target occupancy is 60% for OB beds of 1-10 beds, 75% for OB beds of 11-25 beds, and 78% for OB beds of 26 beds and over.

TABLE ONE
Facilities within 30 minutes of the proposed site

					2010 Number of Beds			2010 Bed Occupancy		
Facility Name	**City**	**Minutes Adjusted**	**Miles**	**Planning Area**	**M/S**	**ICU**	**OB**	**M/S %**	**ICU %**	**OB %**
Centegra Hospital - Woodstock	Woodstock	16	11.26	A-10	60	12	14	83.5%	77.3%	53.4%
Sherman Hospital	Elgin	20	15.11	A-11	189	30	28	63.8%	55.8%	70.0%
Provena Saint Joseph Hospital	Elgin	24	13.9	A-11	99	15	0	71.1%	60.4%	0.0%
Centegra Hospital McHenry	McHenry	25	17.83	A-10	129	18	19	74.1%	91.8%	40.0%
Advocate Good Shepherd	Barrington	28	16.61	A-09	113	18	24	81.6%	84.7%	50.2%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X
Bed and Utilization information taken for IDPH 2010 Hospital Questionnaire

The project proposes the following bed categories:

TABLE TWO	
Centegra Hospital – Huntley	
Category	**Beds**
Medical Surgical	100
Intensive Care	8

TABLE TWO	
Centegra Hospital – Huntley	
Category	**Beds**
Obstetrics	20
Total	128

The project is a substantive project and subject to Part 1110 and Part 1120 review. Project obligation will occur after permit approval. **The anticipated project completion date is September 30, 2016.**

Support and Opposition Comments

The State Board conducted a public hearing on this project February 16, 2011. 153 individuals did not provide testimony, 134 individuals spoke in support of the project, and 85 individuals spoke in opposition. Below is a sample of comments in support and opposition to this project.

Peggy Troy, CEO, Children's Hospital & Health System stated *Children's Hospital and Centegra Health System have collaborated in the best interest of patients by entering into an agreement for transfer of pediatric patients between respective institutions. This has allowed me to see the level of commitment that Centegra has to the community it serves. Based upon my observations and interactions, Centegra's proposal to construct a new hospital in Huntley is only the latest example of its commitment.*

Christa Gehard, Lake in the Hills stated *I know Centegra Health System takes its responsibility to the community very seriously and continues to look for ways to improve the care it provides. Centegra has long been committed to Huntley and the surrounding communities through outpatient services and other health services that have already been brought to the area. Centegra purchased the land in Huntley several years ago and has created a strong, long term plan for responsible development of that site. I personally appreciate that, along with needed healthcare services, this project will bring new jobs and tax revenue to the Huntley community. Given the community's need for hospital services and improved access to healthcare this project will provide for southern McHenry County and surrounding areas, I strongly urge the Board to approve the application by Centegra Health System for a new hospital in Huntley.*

Kevin J. Rynders Algonquin-Lake in the Hills Fire Protection District stated *"I support Project #10-090 and Centegra Health System's proposal to bring a new hospital to southern McHenry County. Huntley and the surrounding communities make up one of the fastest growing areas not only in the McHenry County, but in the entire State. Based on this I believe there is a need for a full-service hospital in this area."*

Milford Brown, President, Huntley Board of Trustees stated *The Huntley Fire Protection District fully supports Project #10-090, and Centegra Health System's proposal to bring a new hospital in southern McHenry County. The need for a full-*

service hospital is warranted. Huntley and the surrounding communities make up one of the fastest growing areas not only in McHenry County, but in the entire State. These communities are currently underserved by health care facilities, leaving local residents and workers with significant travel times to existing area hospitals

Kathleen Boyle, Owner, Century Tile, Lombard stated *Centegra has demonstrated its investment in the communities it serves by providing quality healthcare to anyone who needs it without concern for ability to pay, jobs for 3,700 employees, and key support for a number of vital programs that assist the county's neediest residents. This organization has shown foresight in evolving its services and access to those services, so that when a need is identified, Centegra is ready and able to address that need. A health system that is rooted in the community, supportive of local charities and programs, and that plans ahead to address community needs is the right system to build and operate the new proposed hospital. Centegra is that system.*

William Petasnick, President, Froedert Health, Inc. stated *The collaboration between Froedert and Centegra, in the form of transfer agreements and educational programs has allowed us to see first hand the level of commitment that Centegra has to the community. Centegra's proposal to construct a new hospital in Huntley is only the latest example of that commitment.*

Andrew Ward Algonquin Road Surgery Center stated *" I am here today to urge the Illinois Health Facilities and Services Review Board to reject Centegra's certificate of need application for a hospital in Huntley. In fact many of the arguments you will hear or have heard today in opposition to Centegra's proposal are the very same arguments Centegra used in 2004 and 2007 to oppose similar projects in the area. How times have changed."*

Claudia Lawson Sherman Health stated "*I am here today to oppose Centegra's proposal to build a limited service hospital in Huntley because I believe this area already has a strong network of inpatient facilities immediate care and other outpatient facilities and doctor's offices."*

Marilyn Parenzan Advocate Good Shepherd Hospital stated *"this proposed hospital will dilute volumes among hospitals that will negatively impact patient quality and patient safety. This proposed hospital will add nearly 50% more beds to McHenry County. As you know this hospital is located less than one mile away from McHenry County. There is little doubt that adding another hospital with that many beds in the region will negatively impact the volumes of area hospitals and may impact quality of care.*

Dr. Giangrasso Advocate Good Shepherd Hospital stated *"existing hospitals in the area have more than enough capacity to serve emergency needs of McHenry County residents. Last year Good Shepherd was able to serve additional emergency patients*

99.9% of the time. This means that we were rarely on bypass and for only 5 hours all year had to direct ambulances to other hospitals due to capacity constraints in the emergency department."

Joe Ourth, Legal Counsel, Arnstein & Lehr filed a Safety Net Impact Response Statement. He stated *for Centegra to state that a new hospital "will not impact other hospitals" is simply incorrect. In response, Sherman, Good Shepherd, and St. Alexius hospitals commissioned Krentz Consulting to quantify the impact of new Huntley hospital and the Concerned Hospitals' ability to provide safety net services to their communities. The result is that net revenue for existing area hospitals would decrease by $116 million annually and combined contribution margin by $39 million (dollars). These loses severely impact the ability of Concerned Hospitals to continue to provide Safety Net Services.*

Kenneth Grubb, Crystal Lake, stated *I've lived in Crystal Lake almost 30 years and I do not believe there is a need for another hospital in our region. Today, the people in southern McHenry County are no more than a 15-minute drive to one of our three hospitals. These include Good Sheppard in Barrington, Centegra in Woodstock, and Sherman Hospital in Elgin. These are each fine hospitals, so there is no lack of easy access or excellent medical care.*

Mary Jo Olszewski, Woodstock stated *I consider Advocate Good Shepherd and the other hospitals in our region a tremendous asset to the area. Good Shepherd offers a variety of health care services and wellness programs and I always receive outstanding care there. Now is the time for Good Shepherd and other area hospitals to think about adding services at their current facilities. Now is NOT the time to be proposing a new, unnecessary hospital in McHenry County. I ask members of the Review Board to do the right thing and vote no on this project.*

David Nelson, Supervisor, Cuba Township stated *I am also concerned about our existing hospitals. Taking volume from area hospitals will damage hospitals such as Good Shepherd, Sherman, St.Alexius, and Centergra's own hospitals in Woodstock and McHenry. With reduced volume, I am concerned that the existing hospitals will not have adequate patient volume to provide high quality cost-effective care. Also, the existing area hospitals provide charity care and community benefit services. I wonder how the hospitals will be able to fund the services for the indigent and community if the hospitals are operating on only razor thin financial margins due to reduced volume.*

IV. The Proposed Project - Details

The applicants propose to establish a 128 bed hospital in a total of 384,135 gross square feet ("GSF") at a total estimated project cost of $233,160,352. Categories of services being provided at the proposed hospital include medical surgical, intensive care and obstetric services. Other clinical services being provided are general radiology flouroscopy, X-Ray, mammography, ultrasound, CT Scan,

MRI, Nuclear Medicine, 8 room surgical suite, recovery stations, and an emergency department.

V. Project Costs and Sources of Funds

The project will be funded with cash and securities of $48,010,352, a bond issue of $183,000,000 and lease of capital equipment of $2,150,000. A complete itemization of the cost detailed in Table Three can be found at pages 62-63 of the application for permit. The estimated start-up costs and operating deficit is $13,224,000.

TABLE THREE
Project Costs and Sources of Funds

Use of Funds	**Clinical**	**Non Clinical**	**Total**
Preplanning	$1,729,015	$1,205,985	$2,935,000
Site Survey and Soil Investigation	$41,849	$43,151	$85,000
Site Preparation	$1,028,988	$1,061,012	$2,090,000
OffSite Work	$5,356,644	$5,523,356	$10,880,000
New Construction Contracts	$68,851,517	$57,881,296	$126,732,813
Contingencies	$6,540,894	$5,498,723	$12,039,617
Architectural and Engineering Fees	$4,045,356	$3,400,804	$7,446,160
Consulting and Other Fees	$3,972,992	$3,751,737	$7,724,729
Movable of Other Equipment	$24,170,213	$6,064,753	$30,234,966
Bond Insurance Expense	$1,477,016	$1,522,984	$3,000,000
Net Interest Expense	$13,514,695	$13,935,305	$27,450,000
FMV of Leased Equipment	$2,150,000	$0	$2,150,000
Other Costs to be Capitalized	$193,030	$199,037	$392,067
Total Project Costs	$133,072,209	$100,088,143	$233,160,352
Sources of Funds			
Cash and Securities	$40,824,172	$7,186,180	$48,010,352
Bond Issues	$90,098,037	$92,901,963	$183,000,000
Leases	$2,150,000	$0	$2,150,000
Total Sources of Funds	$133,072,209	$100,088,143	$233,160,352

VI. Cost Space Requirements

The hospital comprises a total of 384,135 gross square feet. Only the clinical cost and clinical GSF footage will be reviewed per 20 ILCS 3960/5.

TABLE FOUR Clinical GSF				
Department	**New Construction**		**Department**	**New Construction**
CLINICAL			**NON CLINICAL**	
Medical Surgical	59,112		Admitting Registration	2,412
Intensive Care	5,415		Administration	9,734
Obstetrics	13,071		Social Services	1,768
Surgery	21,525		Quality Management	1,013
Post Anethesia Recovery	1,382		Facilities Management	3,616
Surgical Prep (Stage 2 Recovery)	12,717		Central On Call Rooms	1,500
Endoscopy	2,175		Conference Rooms -Education	10,535
Emergency Department	10,431		Family Support Services	18,482
Diagnostic Imaging	10,785		Housekeeping	3,275
LDR Suite	9,445		Information Systems	6,962
C-Section Suite	4,026		Gift Shop	1,163
Newborn Nurseries	3,167		Mail Room	156
Inpatient PT/OT	1,204		Materials Management	9,529
Non Invasive Diagnostic (Neurodiagnostic, Pulmonary Function Testing	7,830		Mechanical Space	65,000
Respiratory Therapy	2,772		Medical Records	1,500
Pre Admission	1,428		Serving and Dining Rooms	6,604
Inpatient Acute Dialysis	1,904		Biomedical Engineering	500
Clinical Laboratory	3,720		Pastoral Care	1,020
Pharmacy	4,844		Physician Services	5,652
Central Sterile Supply	5,256		Security	348
Dietary	6,916		Staff Support Services	2,386
Total Clinical	**189,125**		Volunteers	420
Total	**384,135**		Entrances Lobbies	15,763
			Interdepartmental Circulation	11,946
			Stairs	5,808
			Elevators/Shafts/ Elevators	7,918
			Total Non Clinical	**195,010**

VII. Safety Net Impact Statement

The Health Facilities Planning Act stipulates that applicants for a new facility must provide Safety Net impact information.

TABLE FIVE
Centegra Hospital – McHenry, Centegra Hospital-Woodstock and Centegra Specialty Hospital
Safety Net Information per PA 96-0031

TABLE FIVE			
Centegra Hospital – McHenry, Centegra Hospital-Woodstock and Centegra Specialty Hospital			
Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	FY 2007	FY 2008	FY 2009
Inpatient	364	377	435
Outpatient	1,228	1,464	1,810
Total	1,592	1,841	2,245
Charity (cost in dollars)			
Inpatient	$2,863,329	$2,040,983	$2,521,623
Outpatient	$938,459	$903,530	$1,449,166
Total	$3,801,788	$2,944,513	$3,970,789
MEDICAID			
Medicaid (# of patients)			
Inpatient	2,407	2,369	2,445
Outpatient	24,070	26,329	31,525
Total	26,477	28,698	33,970
Medicaid (revenue)			
Inpatient	$9,458,502	$7,745,806	$18,037,202
Outpatient	$22,475,574	$13,009,516	$7,502,869
Total	$31,934,076	$20,755,322	$25,540,071

TABLE SIX Projected Payor Mix		
Projected Payor Mix	**FY 2017**	**FY 2018**
Medicare	36.60%	37.70%
Medicaid	9.40%	9.50%
Other Public	0.00%	0.00%
Private Insurance	52.00%	50.70%
Private Pay	0.30%	0.40%
Charity Care	1.70%	1.70%
	100.00%	100.00%
Projected Net Patient Revenue	$192,624,000	$254,309,000
Projected Charity Care Expense	$3,642,000	$4,910,000
Projected Ratio of Charity Care to Net Patient Revenue	1.89%	1.93%

VIII. Section 1110.230 - Project Purpose, Background and Alternatives

A) Criterion 1110.230 (a) - Background of Applicant

An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of health care service for the community.*

The applicants own three hospitals in Illinois; Centegra Hospital – McHenry and Centegra Hospital-Woodstock and Centegra Specialty Hospital- Woostock, South Street. In addition the applicants own a number of ambulatory care facilities and medical office buildings in Illinois. The applicants provided a list of all facilities currently owned by the applicants, and an attestation that no adverse actions (as defined by the State Board) have been taken against the applicants in the past three calendar years.

B) Criterion 1110.230 (b) - Purpose of the Project

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:

A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;

B) The population's morbidity or mortality rates;

C) The incidence of various diseases in the area;

D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);

E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).

2) The applicant shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).

3) The applicant shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.

4) For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records.

The purpose of the project is

- To address the calculated bed need in the A-10 and A-11 planning areas;
- To address the outmigration of patients from the A-10 planning area;
- To address the increase in population in the A-10 planning area (McHenry County) by 2018;
- To address the market areas that has been identified by the U. S Department of Human Services as Medically Underserved and Health Manpower Shortage Areas.

The applicants believe the population in McHenry County will increase by 8% from 2015-2020. With this increase the applicants believe there will sufficient bed need to justify 104 medical surgical beds by 2018 the second year after project completion. The market area for this facility is 16 zip codes which are located in McHenry County and in adjacent towns in Kane, Lake, Cook, and Dekalb Counties. The market area for this hospital is based upon the patient origin data derived from the Centegra Ambulatory Center located on the same site of the proposed hospital. See pages 101-112 of the application for permit for a complete discussion of the purpose of the project.

C) Criterion 1110.234 (c) - Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

1) Alternative options shall be addressed. Examples of alternative options include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Other considerations.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.

3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available

1. <u>Modernize Memorial Medical Center-Woodstock</u>

This alternative was originally approved by the State Board as Project #08-002 and subsequently abandoned by the applicant. This project proposed to construct a women's pavilion and modernized existing space in the hospital and add 14 M/S beds and 6 OB beds. **Capital Costs $52,201,702.**

2. <u>Modernize Centegra Hospital-McHenry and Centegra Hospital - Woodstock</u>

This alternative proposed to add 100 Medical Surgical Beds (40 beds at McHenry and 60 Beds at Woodstock), addition of 8 ICU beds (6 at

McHenry and 2 at Woodstock) and 20 Obstetric beds (6 at McHenry and 14 at Woodstock). This alternative was rejected because it would not assure the efficient distribution of beds in the planning area, would be approximately the same cost as a new hospital, and an imprudent use of capital resources to add high cost addition to aging facilities. **Capital Costs $206,572,661.**

IX. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234(a) - Size of Project

1) The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage (SF) cannot deviate from the SF range indicated in Appendix B, or exceed the SF standard in Appendix B if the standard is a single number, unless SF can be justified by documenting, as described in subsection (a)(2).

The applicants have met the State Standards for all clinical departments/ services in which the State Board has size standards.

TABLE SIX
Size of Project compared to State Standards

Department	Number of Beds/ Unit	Proposed GSF	State Standard	Per Unit	Met Standard?
Medical Surgical	100 Beds	59,112	500-660 DGSF	591 DGSF	Yes
Intensive Care	8 Beds	5,415	600-685 DGSF	677 DGSF	Yes
Obstetrics	20 Beds	13,071	500-660 DGSF	654 DGSF	Yes
Surgery	8 OR's	21,525	2,750 DGSF/room	2,690 DGSF	NA
Recovery	8 Rooms	1,382	180 DGSF/station	173 DGSF	Yes
Surgical Prep/Stage 2 recovery	32 Rooms	12,717	400 DGSF/station	397 DGSF	Yes
Endoscopy	2 Rooms	2,175	1,100 DGSF	1,088 DGSF	Yes
Emergency Department	13 Stations	10,431	900 DGSF	802 DGSF	Yes
Diagnostic Imaging		10,785			Yes
General Radiology	2 Rooms		1,300 DGSF Unit	2,600 DGSF	Yes
Radiology and Fluoroscopy	1 Room		1,300 DGSF/Unit	1,300 DGSF	Yes
Ultrasound	2 Rooms		900 DGSF/Unit	1,800 DGSF	Yes
CT Scanning	1 Room		1,800 DGSF/Unit	1,800 DGSF	Yes
MRI	1 Room		1,800 DGSF/Unit	1,800 DGSF	Yes

TABLE SIX Size of Project compared to State Standards					
Department	**Number of Beds/ Unit**	**Proposed GSF**	**State Standard**	**Per Unit**	**Met Standard?**
Nuclear Medicine	1 Room		1,600 DGSF/Unit	1,600 DGSF	Yes
Labor Delivery Recovery	6 Rooms	9,445	1,120-1,600 DGSF/Room	1,574 DGSF	Yes
C-Section Suite	2 Rooms	4,026	2,075 OR	2,013 DGSF	Yes
Newborn Nursery	14 Stations	3,167	160 DGSF/OB Bed	158 DGSF	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF THE PROJECT – REVIEW CRITERION (77 IAC 1110.234(a)).

B) Criterion 1110.234 (b) - Project Services Utilization
The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B.

The applicants have successfully addressed the projected utilization for services departments proposed by this project.

TABLE SEVEN Projected utilization of Proposed facility					
Department	**State Board Standard**	**2018 Projected Number of Days/Hours**	**Number of Beds/Rooms Justified**	**Number of Beds Proposed/Units**	**Met Standard?**
Medical Surgical	85% occupancy	34,867 days	113	100	Yes
Intensive Care	60% occupancy	2,850 days	13	8	Yes
Obstetrics	75% occupancy	5,647 days	21	20	Yes
Surgery	1,500 Hours per room	11,169 hours	8	8	Yes
Recovery	NA	NA	8	8	Yes
Surgical Prep Stage Recovery	NA	NA	32	32	Yes
Endoscopy	1,500 Hours/ room	2,899	2	2	Yes
Emergency Department	2,000 Visits/room	30,586	16	13	Yes
Diagnostic Imaging					Yes
General Radiology	8,000 proc/room	9,571	2	2	Yes
Radiology and Fluoroscopy	6,500 proc/room	14,904	2	1	Yes
Ultrasound	3,100 visits/unit	3,709	2	2	Yes

TABLE SEVEN Projected utilization of Proposed facility					
Department	**State Board Standard**	**2018 Projected Number of Days/Hours**	**Number of Beds/Rooms Justified**	**Number of Beds Proposed/Units**	**Met Standard?**
CT Scanning	7,000 visits/unit	4,187	1	1	Yes
MRI	2,500/proc/unit	2,743	2	1	Yes
Nuclear Medicine	2,000 Visits/room	988	1	1	Yes
Labor Delivery Recovery	400 births/LDR	2,022	6	6	Yes
C-Section Suite	800 proc/room	819	2	2	Yes
Newborn Nursery	NA	NA	NA	14 Stations	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH PROJECT UTILIZATION – REVIEW CRITERION (77 IAC 1110.234(b)).

C) Criterion 1110.234 (c) - Size of the Project and Utilization:
For clinical service areas for which norms are not listed in Appendix B (for example, central sterile supply, laboratory, occupational therapy, pharmacy, physical therapy, respiratory therapy, cardiac rehabilitation, speech pathology and audiology), the applicant shall document that the proposed departmental gross square footage is necessary and appropriate.

As a basis for the determining departmental gross square footage for areas in which norms are not listed in Appendix B of the State Board's rules the applicants relied upon IDPH 77 ILL Administrative Code 250.2440 General Hospital Standards and the AIA (American Institute of Architects) Guidelines for Construction and Design of Health Care Facilities -2006 Edition. The applicants have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH SIZE OF THE PROJECT AND UTILIZATION – REVIEW CRITERION (77 IAC 1110.234(c)).

D) Criterion 1110.234(e) - Assurances
The applicant shall submit the following:

1) The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of

operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

The applicants have attested that by the second year after project completion that they will be at target occupancy.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES – REVIEW CRITERION (77 IAC 1110.234(c)).

X. Section 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care – Review Criteria

A) Criterion 1110.530 (b) - Planning Area Need
The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100 (formula calculation)

A) The number of beds to be established for each category of service is in conformance with the projected bed deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.

B) The number of beds proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the occupancy standard specified in 77 Ill. Adm. Code 1100.

2) Service to Planning Area Residents

A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

3) Service Demand – Establishment of Bed Category of Service
The number of beds proposed to establish a new category of service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the

latest two-year period, as evidenced by historical and projected referrals, or, if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals. The applicant shall document subsection (b)(3)(A) and either subsection (b)(3)(B) or (C):

C) Project Service Demand − Based on Rapid Population Growth

If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area (as experienced annually within the latest 24-month period), the projected service demand shall be determined as follows:

i) The applicant shall define the facility's market area based upon historical patient origin data by zip code or census tract;

ii) Population projections shall be produced, using, as a base, the population census or estimate for the most recent year, for county, incorporated place, township or community area, by the U.S. Census Bureau or IDPH;

iii) Projections shall be for a maximum period of 10 years from the date the application is submitted;

iv) Historical data used to calculate projections shall be for a number of years no less than the number of years projected;

v) Projections shall contain documentation of population changes in terms of births, deaths, and net migration for a period of time equal to, or in excess of, the projection horizon;

vi) Projections shall be for total population and specified age groups for the applicant's market area, as defined by HFPB, for each category of service in the application; and

vii) Documentation on projection methodology, data sources, assumptions and special adjustments shall be submitted to HFPB

5) Service Accessibility
The number of beds being established or added for each category of service is necessary to improve access for planning area residents. The applicant shall document the following:

A) Service Restrictions
The applicant shall document that at least one of the following factors exists in the planning area:

i) The absence of the proposed service within the planning area;

ii) Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care or charity care;

iii) Restrictive admission policies of existing providers;

iv) The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;

v) For purposes of this subsection (b)(5) only, all services within the 45-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

The applicants justify the number of beds being proposed based upon the calculated bed need identified in the Update Inventory of Health Care Facilities and Services Need Determination October 2011 and the rapid population growth in the planning and market areas. The number of medical surgical beds, ICU and obstetric beds being proposed fall within the current number of calculated beds needed in the A-10 planning area.

Planning Area Need

The October 2011 Update to the Inventory of Health Care Facilities and Services and Need Determination shows a calculated need for 138 medical surgical beds, 18 intensive care beds, and 27 obstetric beds in the A-10 planning area. The applicants are proposing 100 medical surgical beds, 8 intensive care beds, and 20 obstetric beds. The number of beds requested by the applicants has met the planning area's need requirement.

TABLE SEVEN
Inventory of Health Care Facilities and Services and Need Determination

Bed Category	Approved Beds	Calculated Beds Needed 2018	Need	Number requested by applicants	Calculated Need
Medical Surgical	206	344	138	100	(38)
Intensive Care	33	51	18	8	(10)
Obstetrics	33	55	22	20	(2)

Service to Planning Area Residents

The applicants proposed hospital will be located in McHenry County and the applicants are projecting that more than 60% of the patients will come from McHenry County by 2018 the second year after project completion.

Service Demand

The market area for the proposed hospital is primarily located within Planning Area-10. The applicants provided a Market Assessment and Impact Study prepared by Deloitte and Touche Financial Advisory Services that identified population growth by zip code. The applicants concluded that the population in the market area is expected to increase by 13% from 2010 to mid 2018 with the population in the primary market area increasing by 15% from 2010 and the secondary market area by 9%. Using this information the applicants calculated an adjusted bed need for 104 medical surgical beds in this planning area by mid- 2018. **The State Board Staff notes that there is a calculated need for 138 medical surgical beds in this planning area by 2018.**

Service Accessibility

There is no absence of services within this planning area, nor access limitations due to payor status, or evidence of restrictive admission policies at existing facilities in the planning area. The applicants provided evidence of 3 census tracts within Planning Area A-10 that have been designated as a Medically Underserved Population, 1 census tract in the primary service area as designated Medically Underserved

Area/Population, four townships in the market area designated as Health Manpower Shortage Areas. Planning Area's A-10 and A-11 have the second and third highest Bed Need of all planning areas in the State of Illinois and are 2 of the 4 planning areas with a bed need. However, there are existing facilities within 45 minutes that are operating below the State Board's target occupancy for medical surgical, intensive care and obstetric beds.

TABLE EIGHT
Facilities within 45 minutes of proposed hospital

NAME	CITY	Adjusted Time	MS Beds	ICU Beds	OB Beds	MS %	ICU %	OB %
Centegra Hospital - Woodstock	Woodstock	16	60	12	14	83.50%	77.30%	53.40%
Provena Saint Joseph Hospital	Elgin	20	99	15	0	71.10%	60.4%	0.00%
Sherman Hospital	Elgin	24	189	30	28	63.80%	55.80%	70.00%
Centegra Hospital - McHenry	McHenry	25	129	18	19	74.10%	91.80%	40.00%
Advocate Good Shepherd Hospital	Barrington	28	113	18	24	81.60%	84.70%	50.20%
St. Alexius Medical Center	Hoffman Estates	31	212	35	38	71.00%	57.00%	62.10%
Delnor Community Hospital	Geneva	36	121	20	18	56.50%	67.80%	69.50%
Mercy Harvard Memorial Hospital	Harvard	37	17	3	0	27.50%	9.50%	0.00%
Kishwaukee Community Hospital	DeKalb	40	70	12	12	72.70%	26.90%	61.70%
Alexian Brothers Medical Center	Elk Grove Villa	43	241	36	28	82.70%	71.50%	72.70%
Northwest Community Hospital	Arlington Hts.	44	336	60	44	61.30%	50.90%	55.00%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X
Bed and Utilization information taken for IDPH 2010 Hospital Questionnaire

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE NEED FOR THE PROJECT – REVIEW CRITERION (77 IAC 1110.530(b)).

B) Criterion 1110.530 (c) - Unnecessary Duplication/Maldistribution

1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:

A) A list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site;

B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois); and

C) The names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.

2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified area (within the planning area) has an excess supply of facilities, beds and services characterized by such factors as, but not limited to:

A) A ratio of beds to population that exceeds one and one-half times the State average;

B) Historical utilization (for the latest 12-month period prior to submission of the application) for existing facilities and services that is below the occupancy standard established pursuant to 77 Ill. Adm. Code 1100; or

C) Insufficient population to provide the volume or caseload necessary to utilize the services proposed by the project at or above occupancy standards.

3) The applicant shall document that, within 24 months after project completion, the proposed project:

A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

B) Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.

The bed to population ratio in A-10 was provided as required and all facilities within 30 minutes were identified. There are existing facilities within the planning area and within 30 minutes of the proposed site that are below the State Board's target occupancy. The applicants state *that because of the population growth projections and the aging population the establishment of Centegra Hospital- Huntley will not impact other area providers.* Existing hospitals within 30 minutes are not at target occupancy; therefore it would appear that the proposed hospital would impact other area providers. The applicants have not met the requirements of this criterion.

TABLE NINE
Facilities within 30 minutes of the proposed site

					2010 Number of Beds			2010 Bed Occupancy		
Facility Name	**City**	**Minutes Adjusted**	**Miles**	**Planning Area**	**M/S**	**ICU**	**OB**	**M/S %**	**ICU %**	**OB %**
Centegra Hospital - Woodstock	Woodstock	16	11.26	A-10	60	12	14	83.5%	77.3%	53.4%
Sherman Hospital	Elgin	20	15.11	A-11	189	30	28	63.8%	55.8%	70.0%
Provena Saint Joseph Hospital	Elgin	24	13.9	A-11	99	15	0	71.1%	60.4%	0.0%
Centegra Hospital McHenry	McHenry	25	17.83	A-10	129	18	19	74.1%	91.8%	40.0%
Advocate Good Shepherd	Barrington	28	16.61	A-09	113	18	24	81.6%	84.7%	50.2%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X
Bed and Utilization information taken for IDPH 2010 Hospital Questionnaire

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION/MALDISTRIBUTION REQUIREMENTS OF PROJECT – REVIEW CRITERION (77 IAC 1110.530(d)).

C) Criterion 1110.530 (e) - Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

The applicants have provided a narrative at **pages 293-296 of the application** for permit that indicates that a sufficient workforce will be available once the hospital becomes operational by 2015.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING REQUIREMENTS OF PROJECT – REVIEW CRITERION (77 IAC 1110.530(e)).

D) Criterion 1110.530 (f) - Performance Requirements

1) Medical-Surgical

The minimum bed capacity for a medical-surgical category of servicewithin a Metropolitan Statistical Area (MSA) is 100 beds.

2) Obstetrics

A) The minimum unit size for a new obstetric unit within an MSA is 20 beds.

B) The minimum unit size for a new obstetric unit outside an MSA is 4 beds.

3) Intensive Care
The minimum unit size for an intensive care unit is 4 beds.

4) Pediatrics
The minimum size for a pediatric unit within an MSA is 4 beds.

The applicants are proposing a medical surgical bed capacity of 100 beds, 20 obstetric beds and 8 intensive care beds. The applicants have met the requirements of this criterion. **See page 296 of the application for permit**

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PERFORMANCE REQUIREMENTS OF PROJECT – REVIEW CRITERION (77 IAC 1110.530(f)).

E) Criterion 1110.530 (g) - Assurances
The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

The applicants have provided the necessary assurance that the facility will achieve and maintain the occupancy standards specified for each category of service proposed. **See page 297-298 of the application for permit.**

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES REQUIREMENT – REVIEW CRITERION (77 IAC 1110.530(g)).

XI. Section 1110.3030 – Clinical Service Areas Other Than Categories of Service – Review Criteria

These criteria are applicable only to those projects or components of projects (including major medical equipment), concerning Clinical Service Areas (CSAs) that are not "Categories of Service", but for which utilization standards are listed in Appendix B, including: Surgery, Emergency Services and/or Trauma, Ambulatory Care Services (organized as a service), Diagnostic and Interventional Radiology/Imaging (by modality), Therapeutic Radiology, Laboratory, Pharmacy, Occupational Therapy/Physical Therapy, Major Medical Equipment.

A) Criterion 1110.3030 (b) - Need Determination
The applicant shall describe how the need for the proposed establishment was determined by documenting the following:

1) Service to the Planning Area Residents

A) Either:

i) The primary purpose of the proposed project is to provide care to the residents of the planning area in which the proposed service will be physically located; or

ii) If the applicant service area includes a primary and secondary service area that expands beyond the planning area boundaries, the applicant shall document that the primary purpose of the project is to provide care to residents of the service area; and

B) Documentation shall consist of strategic plans or market studies conducted, indicating the historical and projected incidence of disease or health conditions, or use rates of the population. The number of years projected shall not exceed the number of historical years documented. Any projections and/or trend analyses shall not exceed 10 years.

2) Service Demand
To demonstrate need for the proposed CSA services, the applicant shall document one or more of the indicators presented in subsections (b)(2)(A) through (D). For any projections, the number of years projected shall not exceed the number of historical years documented. Any projections and/or trend analyses shall not exceed 10 years.

A) Referrals from Inpatient Base
For CSAs that will serve as a support or adjunct service to existing inpatient services, the applicant shall document a minimum two-year historical and two-year projected number of inpatients requiring the subject CSA.

B) Physician Referrals
For CSAs that require physician referrals to create and maintain a patient base volume, the applicant shall document patient origin information for the referrals. The applicant shall submit original signed and notarized referral letters, containing certification by the physicians that the representations contained in the letters are true and correct.

C) Historical Referrals to Other Providers
If, during the latest 12-month period, patients have been sent to other area providers for the proposed CSA services, due to the absence of those services at the applicant facility, the applicant shall submit verification of those referrals, specifying: the service needed; patient origin by zip code; recipient facility; date of referral; and physician certification that the representations contained in the verifications are true and correct.

D) Population Incidence
The applicant shall submit documentation of incidence of service based upon IDPH statistics or category of service statistics.

3) Impact of the Proposed Project on Other Area Providers
The applicant shall document that, within 24 months after project completion, the proposed project will not:

A) Lower the utilization of other area providers below the utilization standards specified in Appendix B.

B) Lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the utilization standards.

4) Utilization

Projects involving the establishment of CSAs shall meet or exceed the utilization standards for the services, as specified in Appendix B. If no utilization standards exist in Appendix B, the applicant shall document its anticipated utilization in terms of incidence of disease or conditions, or historical population use rates.

Because this is a proposed new hospital the applicants provided projected utilization information because historical utilization was not available. Generally the projected patient volumes for clinical services other than categories of services were calculated based upon the applicants expected market share, the projected population growth in the market area and the historical experience at existing hospitals within the Centegra Health System. See Tables Six and Seven above. However because existing hospitals are not operating at State Board occupancy targets it would appear that the additional services would lower utilization at other area providers.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE CLINICAL SERVICE AREA OTHER THAN CATEGORY OF SERVICE – REVIEW CRITERION (77 IAC 1110.3030(b)).

XII. Section 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120).

XIII. Section 1120.130 - Financial Viability

The applicants are required to provide a financial viability ratio if proof of an "A" Bond rating has not been provided.

The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1110.130).

XIV. Section 1120.140 - Economic Feasibility

A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements

If the applicant does not have an "A bond rating the applicant shall document the reasonable of financing arrangements by providing a notarized statement attesting that the project will be funded by cash and securities or the project will be funded in total or in part by borrowing because a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals or borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The applicants have provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System (the applicant) on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1110.140 (a)).

B) Criterion 1110.140 (b) - Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

The applicants have attested the selected form of debt financing for this project will be the issuance of bonds through the Illinois Health Finance Authority as well as the leasing of capital equipment. The applicants have attested the selected form of debt financing for the project will be at the lowest net cost available. In addition a portion of the project will involve the leasing of capital equipment and the expenses incurred with leasing are less costly than the purchase of new equipment.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF DEBT FINANCING CRITERION (77 IAC 1110.140 (b)).

C) Criterion 1110.140 (c) - Reasonableness of Project and Related Costs
The applicant shall document that the estimated project costs are reasonable and shall document compliance preplanning costs, site survey, soil investigation fees and site preparation, construction and modernization costs per square foot, contingencies, architectural/engineering fees, all capitalized equipment not included in construction contracts building acquisition, net interest expense, and other estimated costs.

By statute only the clinical costs are being reviewed.

Preplanning Costs – These costs total $1,729,015 and are 1.74% of new construction contingency and movable equipment. This appears reasonable when compared to the State Standard of 1.8%

Site Survey and Soil Investigation Site Preparation – These costs total $1,070,937 and are 1.42% of construction and contingency costs. This appears reasonable when compared to the State Board Standard of 5%.

Offsite Work – These costs total $5,356,644. The State Board does not have a standard for these costs.

New Construction Cost and Contingencies – These costs total $75,392,411 or $398.64 per gross square feet ("GSF"). This appears reasonable when compared to the State Board standard of $403.39 GSF.

Contingencies – These costs total $6,540,894 or 9.5% of construction costs. This appears reasonable when compared to the State Board standard of 10%.

Architectural/Engineering Fees – These costs total $4,045,356 or 5.37% of construction and contingency fees. This appears reasonable when compared to the State Board standard of 3.59-5.39%.

Movable and Other Equipment – These costs total $24,170,213. The State Board does not have a standard for these costs.

Bond Issuance Expense – These costs total $1,477,016. The State Board does not have a standard for these costs.

Net Interest Expense During Construction – These costs total $13,514,695. The State Board does not have a standard for these costs.

FMV of Leased Equipment – These costs total $2,150,000. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs total $193,030. The State Board does not have for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1110.140 (c)).

D) Criterion 1110.140 (d) - Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years

following project completion. Direct costs means the fully allocated costs of salaries, benefits and supplies for the service.

These costs are $1,772 per equivalent patient day. The State Board does not have a standard for these costs.

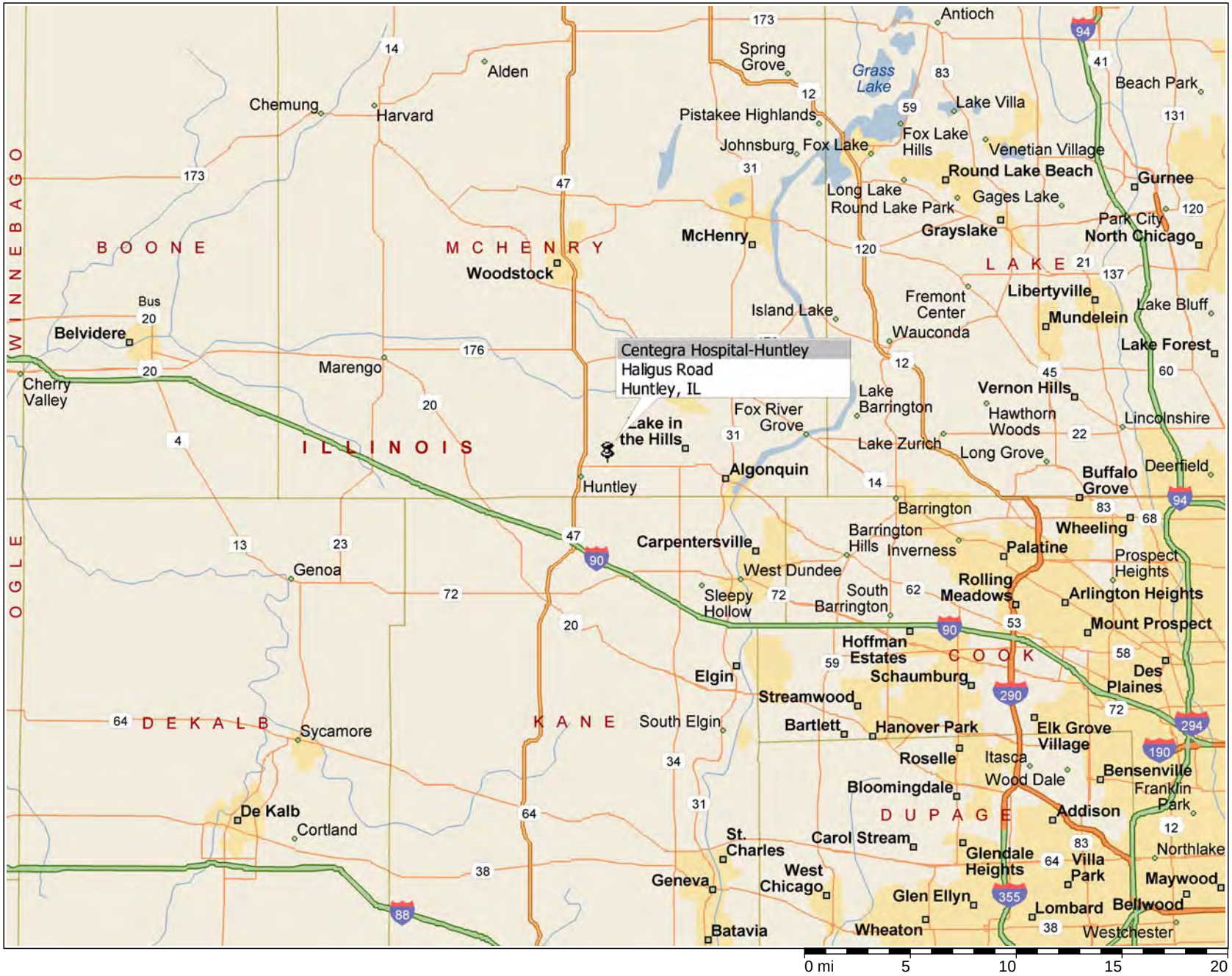
THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1110.140 (d)).

E) Criterion 1110.140 (e) - Total Effect of the Project on Capital Costs
The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

These costs are $223 per equivalent patient day. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1110.140(e)).

10-090 Centegra Hospital - Huntley



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HEALTH FACILITIES &
SERVICES REVIEW BOARD

STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

PROCEEDINGS
OPEN SESSION

JULY 24, 2012

ORIGINAL

STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 West Jefferson Street, 2nd Floor

Springfield, Illinois 62761

217-782-3516

OPEN SESSION

July 24, 2012

Regular session of the meeting of the State of Illinois Health Facilities and Services Review Board was held on July 23 and 24, 2012, at the Bolingbrook Golf Club, 2001 Rodeo Drive, Bolingbrook, Illinois.

PRESENT:

Dale Galassie - Chairman
Ronald Eaker
John Hayes (present July 24 only)
James Burden
Alan Greiman
Kathy Olson
Richard Sewell
David Penn
Robert Hilgenbrink

ALSO PRESENT:

Courtney Avery - Administrator
Catherine Clark - Administrative Assistant
Frank Urso - General Counsel
Juan Morado - Assistant Counsel
Alexis Kendrick - Board Staff
Claire Burman - Board Staff
Michael Constantino - IDPH Staff
George Roate - IDPH Staff
David Carvalho - IDPH
Bill Dart - IDPH
Michael C. Jones - DHFS
Michael Pelletier - DHS (present July 23 only)

Reported by:
Karen K. Keim
CRR, RPR, CSR-IL, CRR-MO
Midwest Litigation Services
401 N. Michigan Avenue
Chicago, IL 60611

START TIME: 10:45 a.m.

CHAIRMAN GALASSIE: Thank you very much. We are out of executive session. We have a couple motions subsequent to executive session, and then we will move into the public comment portion of today's meeting.

Mr. Urso?

MR. URSO: Thank you, Mr. Chairman.

We request a motion to refer the following matters to Legal Counsel for the review and filing of any notices of non-compliance, which may include sanctions detailed and specified in the Board's Act and Code. The following matters are Project 09-048, Ottawa Pavilion Ottawa; Project No. 08-022, Poplar Creek Surgery Center, Oak Brook; Project No. 08-083, Greenfields of Geneva; Project 08-099, Dialysis Access Center, LLC, Moline; and the final referral is Project No. 09-063, Roseland Community Hospital in Chicago. May we have some action on the motion, please?

CHAIRMAN GALASSIE: Motion to approve?

MR. EAKER: So moved.

MR. SEWELL: Second.

CHAIRMAN GALASSIE: Moved and seconded. Roll call.

MR. SEWELL: Yes.

MR. ROATE: Chairman Galassie?

CHAIRMAN GALASSIE: Yes.

MR. ROATE: Nine votes in the affirmative.

CHAIRMAN GALASSIE: Motion passes. Thank you very much.

Any other business?

MR. URSO: We have no more. We can go into Public Participation.

CHAIRMAN GALASSIE: We move into Public Participation. We have 14 individuals that have asked to comment to the Board. As you recall, if you have spoken before, we would ask that you not be speaking again. One bite at the apple, folks. We have a two-minute limit, and that is done respectfully for everyone in the room, not just ourselves. We will have a timer and give you a thirty-second notice. We appreciate you trying to be focused and concise.

Just a recommendation. If you have brought a written statement, you're welcome to use it. You can submit it. Tell the Board the point you want to make. That's really your best bet. Just tell us what it is you want us to hear.

That having been said, I'm going to ask

Ms. Avery to call four names. You folks will come up, introduce yourselves, spelling your last name. You do not need to be sworn in.

And let's start out with --

MS. AVERY: Linas Grikis, Nikola Curth, Dan Colby, and Richard Gruber.

CHAIRMAN GALASSIE: When you begin your statements, too, I would also like you to advise if you are in support of or opposed to your issue. Go ahead.

MR. GRIKIS: My name is Linas Grikis, outside counsel for Mercy Health System, opposed to the Centegra project.

The purpose of the Board's reconsideration of the project, as stated in the motion you passed in the June meeting, is to conduct a limited reconsideration of the pages and the corrected consulting report applicable to the Centegra project. For purposes of your limited reconsideration of the project, it's clear that the Krentz report supports the Board's decision to deny the Centegra project, and others will speak to that in greater detail. More importantly, Centegra itself believes the Krentz report supports your decision to deny this project.

In conducting the limited reconsideration, each of you essentially needs to ask yourself whether the

correct record would have made a difference in your original consideration of the project. This is not the first time this question has been asked. During the administrative appeals process, Judge Richard Hart asked whether anyone, other than the Board itself, could state as a matter of fact whether the Board's decision to deny the Centegra project would have been the same had it had the correct report before it. Counsel for the Board, Mercy and Advocate all stated in essence that, since they were not Board members, they could not conclude as a matter of fact whether the correct report would have made a difference. However, Centegra's legal counsel stated on the record to Judge Hart that, quote, "I would have to say that we could state as a matter of fact that certainly the document, since it was not helpful to us, would not have changed the Board's decision" end quote. Further, he said to Judge Hart, quote, "There are only two decisions the Board makes. They approve the application or they deny the application. Here it was denied. The only other" --

MR. MORADO: Thirty seconds.

MR. GRIKIS: -- "action the Board could have done was to approve it, and there is no way this document, the Krentz report, could have given the vote weight in favor of approval. So, really, there are only -- there is

no harm at all and, no, there should be no suggestion involved that this document would have resulted in approval," end quote.

The Board acted correctly in December. The Krentz report supports your decision. Given that and the limited focus of your reconsideration and Centegra's position on this matter, we would ask that you affirm the decision to deny the project.

CHAIRMAN GALASSIE: Thank you very much.

MR. COLBY: Good morning my name is Dan Colby. C-o-l-b-y, and I'm here to oppose the Centegra project, and it's based on the Krentz report as well.

The Krentz report supports the conclusions the Board reached in December, a fact even Centegra's own advisors have acknowledged. Specifically, the Krentz report found that the impact on existing hospitals is understated by Centegra, noting, one, the 2018 bed-need formula used by the State assumes that existing hospitals outside of McHenry County will lose patients through the recapture of out-migration by the potentially new hospital. Two, the applicant assumes that the only patients existing hospitals will lose are (unintelligible) new population that will arrive in the market between now and 2018. And, three, because of the slowing rates of growth, the new

population will not be as large as the applicant assumes. This is supported by the recent U.S. census data posted just last month that showed the population in McHenry County grew by only one-tenth, one tenth of a percent last year, which is well below the growth rate in the state of Illinois for the same period.

To reach Centegra Huntley's 2018 forecast, discharges of 8,072, means it would need to achieve a 60 percent share of new discharges resulting from population growth --

MR. MORADO: Thirty seconds.

MR. COLBY: -- which is not reasonable, simply cannot be done. The only way that Centegra-Huntley will achieve this forecast discharge is by serving some patients who currently use existing providers, which will negatively affect utilization levels, financial performance at those hospitals, including their own Woodstock facility.

While we disagree with some of the particulars in the Krentz report, for purposes of deliberations for the Board today, it is clear that it supports your decision, and, as such, we ask that you support your decision and leave it stand.

Thank you.

CHAIRMAN GALASSIE: Thank you very much.

MS. CURTH: Good morning, Chairman Galassie and members of the Board and Staff. My name is Nikola (phonetic) Curth, C-u-r-t-h. I'm Assistant Director for Business Development for Presence Health, which includes Provena St. Joseph Hospital in Elgin, Illinois. I'm here today to speak in opposition of the Centegra project. Thank you for your time today.

This project previously received a denial based on over bedding in the area, as well as excess capacity at nearby hospitals, as noted in the State Agency Report. The additional information submitted for review does not impact or change either of these crucial points which factored into your prior decision.

Provena St. Joseph submitted correspondence to you in November 2011 regarding the impact of this project, and this information showed that St. Joseph did not meet your average utilization target, based on number of beds, patient days, and average daily occupancy. This remains the case in 2011 and year-to-date 2012. As, like many hospitals, inpatient utilization continues to decline.

The applicants state that their proposed new hospital will meet its target utilization solely through the projected population growth in the area. New census data confirms that this growth is slow.

MR. MORADO: Thirty seconds.

MS. CURTH: And, in fact, utilization will continue to decline. Any new hospital will have to take a share of patients currently receiving care at existing hospitals in order to be successful. Therefore, Provena St. Joseph Hospital and Presence Health wish to reiterate our opposition to the Centegra Huntley project. Bringing a new hospital into this area will only increase the number of excess beds, exacerbate the existing excess capacity, and add to the cost of healthcare.

Thank you.

CHAIRMAN GALASSIE: Thank you very much.

MR. GRUBER: Good morning, Mr. Chair, members. My name is Richard Gruber, Mercy Health Center. I'm here in opposition to the Centegra Huntley project.

In December, Centegra's executives stated that Centegra was financially strong and had the wherewithal to complete the Huntley project. Their executives pointed out to the net, unrestricted assets as an indicator of their financial strength. However, they failed to tell you some of the more salient facts that you need to take into consideration.

Over the past several years, Centegra has experienced a decline in overall operating performance,

reporting losses in the last three years, producing negative operating margins in FY-09, 10, and FY-11. Further, they abandoned their Centegra Woodstock women's center project in order to pursue this particular project, and I would hope that that probably had something to do with financial condition as well. Their debt to capitalization ratio of 48 percent is lower than S&P's respected A-minus rating hospital medians, which is 35 percent.

What does that all mean? If approved, proposed project will nearly double Centegra's long-term debt, likely resulting in a multi notch-down grade of its S&P rating and substantial increase in current and future capital costs. In fact, if this project is approved, all but one of Centegra's key financial ratios on a pro forma basis will be below the respected investment grade medians. A lot of financial data, but important financial data for your consideration.

A technical clarification I'd like to make.

MR. MORADO: Thirty seconds.

MR. GRUBER: The Administrative Code states that rapid population growth is specifically defined as an average of three of the most recent annual growth rates of the defined geographic area population. That has exceeded

the average of three to seven immediately preceding annual growth rates. That's the proof of the rapid population argument that needs to be presented to you, in order to take that argument into consideration today. Centegra, in fact, failed to provide the data to prove that argument and, in fact, failed to provide you the data relative to physician referrals that would support their contention that the project is needed and necessary.

For those reasons, I would hope that you would sustain your decision from December and deny the Centegra project. Thank you very much.

CHAIRMAN GALASSIE: Thank you very much. Moving forward, calling to the table we have --

MS. AVERY: Karen Lambert, Mike Mulay, Kelly Clancy, and Trent Gordon.

(Pause)

CHAIRMAN GALASSIE: Good mornings, folks. As you begin, if you'll introduce yourselves and spell your last name, and please speak into the microphone so everyone can hear you.

MS. LAMBERT: Good morning. I'm Karen Lambert, L-a-m-b-e-r-t, President of Advocate Good Shepherd Hospital, and I'm here today to oppose this project.

I am here due to a misfiling of a document and

not due to an increased need or a change in the proposal. I want to personally join four other hospitals, St. Alexius, Sherman, Provena, and Mercy, in again affirming that a new hospital in Huntley is not needed and area providers will be affected. I ask that the Board affirm its earlier decisions. Nothing has changed, since the last vote, that would support approving a new hospital in this area and, in fact, the rationale for not building a new hospital has become even stronger, and there's five points I would like to make.

First, there has been no increase in utilization. Centegra sought to justify the need for the project by increased demand. Inpatient, med/surg volumes are not increasing, as predicted by Centegra, in the Service Area for the Huntley hospital. In fact, last year the volume in the Service Area declined for med/surg admissions. The 25 percent volume growth predicted by Centegra is not occurring.

The new hospital will result in taking volume from existing hospitals. New legislation will reduce the bed-need calculation. Senate Bill 2934, legislation initiated by this Board and Staff, provides that population projections will be based on five years --

MR. MORADO: Thirty seconds.

MS. LAMBERT: -- not ten-years projections. This recalculation will not justify a need.

This creates, we believe, bad procedural precedent. I hope you can appreciate how the precedent of allowing a misfiled document to justify overturning a Board decision would create significant uncertainty amongst those you regulate. As our attorney will tell you shortly, there is a sizable document that was misfiled by Centegra. Does this mean that we'll be back at the next meeting to address this misfiling.

We have continued concern for the financial viability of area hospitals. The State of Illinois has reduced hospital reimbursement effective July 1st.

MR. MORADO: Please conclude your comments.

MS. LAMBERT: As a new hospital would further reduce utilization in area hospitals, this will again impose financial difficulty on other hospitals.

Again, I hope you reaffirm your last vote. Thank you.

CHAIRMAN GALASSIE: Thank you, Ms. Lambert.

MS. CLANCY: Good morning. I'm Kelly Clancy, C-l-a-n-c-y. I'm the Vice-President for External Affairs for Alexian Brothers Health system, and I'm here in opposition of this project. I've appeared before you on

other occasions to express our opposition, and I realize that your review today may be limited to only the misfiling of reports, reports that Centegra has characterized as immaterial in their previous testimony. Nevertheless, I feel it's important to tell you that our reasons for opposition have not changed. In fact, they've been reinforced by recent data and trends.

First and most important, a new hospital is not justified by population or inpatient volume trends. Your new method of calculating population trend correctly reduces the length of time from ten to five years. We now know that population projections previously submitted were excessive and did not take into account critical factors, such as the housing bust. Combine stagnating population growth with national trends of less inpatient volume and you have a situation that suggests over bedding, much less the need for more beds. Recent age (unintelligible) data shows that almost every hospital in Illinois has stagnated or experienced decreased volume, including our own hospitals. Trends in medicine support these continued decreases, and it will cause all hospitals to rethink the need for additional beds, as paying down the debt on those beds becomes increasingly difficult.

MR. MORADO: Thirty seconds.

MS. CLANCY: In summary, we support the decision that you made last April when the Centegra-Huntley application was not approved. Newer data further supports the decision of the Board, and we do not believe that any further review is warranted. Thank you.

CHAIRMAN GALASSIE: Thank you, Ms. Clancy.

MR. MULAY: Good morning. My name is Mike Mulay, M-u-l-a-y, and I'm Controller for Sherman Health at Elgin, and we're in opposition.

I'm here to remind members of the Review Board that you did the right thing last December by voting to deny Centegra's plan for a hospital in Huntley. Thank you. There is no need for an additional hospital. The continuing trend of inpatient services being shifted to the outpatient setting is driving down admission use rates both nationally and here in the state of Illinois. The decline in use rates eliminate the need for any additional beds in that there is already excess capacity in the Planning Area where Centegra is looking to build.

As you know, nothing related to this application has changed. Bed capacity still exists in the Planning Area, and based on Centegra's most recent audited financial statements, they are not in a position to spend significant capital on a new facility. As referenced in

the January 2011 report from Standard & Poors, if Centegra spent significant cash on capital projects, their bond rating could drop, as their cash position is not strong enough to support a project of this magnitude. Based on current inpatient volumes and projections, showing that inpatient use rates will continue to decline, a difficult financial position, a struggling economy, an excess capacity already in the Service Area, there is no need to build the proposed hospital.

I urge this Board to uphold its no vote on the application for the proposed Centegra hospital in Huntley. Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Mulay.

Mr. Gordon?

MR. GORDON: Good morning. My name is Trent Gordon, and I'm the Director at Strategic Planning at Advocate Good Shepherd Hospital, and I'm here in opposition of the project.

Briefly, I want to remind you about the findings of the misfiled Krentz report, which is the reason that we're here today. The two misfiled Market Assessment and Impact Studies both concluded, quote, "Area residents are already being served by existing hospitals, and a new hospital in McHenry County will have substantial adverse

impact on existing hospitals' impairments. Even with population growth, there is not enough demand to support a new 128-bed hospital in McHenry County, and any new beds will largely shift discharges from hospitals already serving residents in the Planning Area," unquote. So, the two studies were not materially different, and the conclusions for one or the other should not affect any decisions to disapprove an application.

The Board's previous two votes to deny the project should be upheld. In fact, recent downward volume trends support the Board's concerns over adverse impact on area hospitals. Centegra's application asserted that the 10,762 inpatients to be served at Centegra-Huntley would not adversely impact area hospitals, due to the huge forecast in growth. You heard from previous speakers that population growth is not meeting Centegra's projections, and I want tell you that the volume projections are not -- the current volume, rather, is not meeting Centegra's projections either.

MR. MORADO: Thirty seconds.

MR. GORDON: Admissions for the proposed Service Area have declined, two percent for med/surg and four percent for obstetrics, for the most recent 12 months of available COMPdata, compared to the previous year.

Without the predicted 25 percent growth in the Huntley Service Area, the new hospital will have an even greater adverse impact on area hospitals. Further, the new hospital will increase the number of med/surg beds by 50 percent in the Planning Area. Again, without the predicted huge growth, an additional 50 percent could only adversely impact already low occupancy levels of area hospitals, which have 347 available beds, on average every day.

MR. MORADO: Please conclude your comments.

MR. GORDON: In summary, the misfiled documents demonstrate the adverse impact of the new hospital on existing hospitals, and correcting the record does not change the conclusion that there is no need for another hospital.

Thank you.

CHAIRMAN GALASSIE: Thank you.

MS. AVERY: Next we have Michael Ploszek, John Kniery, Joe Ourth, and Rick Floyd.

CHAIRMAN GALASSIE: Good morning, gentlemen. Again, as you begin to speak, if you would introduce yourself and spell your last name for our reporter, and please pull the mike close to you so the entire room can hear you.

MR. PLOSZEK: Good morning. I'm Mike Ploszek,

P as in Peter, l-o, S as in Sam, z-e-k. I'm Vice-President of Ambulatory Services and support services at Advocate Good Shepherd Hospital, and I'm here to urge you to affirm your two previous votes in opposition to the Centegra Huntley project and for a third time, vote no to a new hospital in McHenry County.

This is a straightforward decision for you. Thirteen months ago in Joliet, you voted against this project and did so again right here in this building in December. Has there been any new information since December that would cause you to hesitate or possibly change your mind? The answer is a resounding no. The findings of the misplaced document which Mr. Gordon read still stand today.

Three points I would like to make. First, there is existing capacity at area hospitals to meet the healthcare needs of McHenry County. Even within McHenry County, there is existing capacity. Nine of the ten med/surg and OB units at hospitals within thirty minutes of the proposed Huntley location are below target occupancy.

Second, area residents already have ready access to facilities. Advocate Good Shepherd, Sherman, and St. Alexius Medical Center have a long tradition of serving McHenry County. Good Shepherd is located only 4,200 feet

over the county line. A new hospital will have a negative substantial impact on these three hospitals.

And, finally, in this era of healthcare reform, we need to spend our healthcare dollars wisely. A new hospital --

MR. MORADO: Thirty seconds.

MR. PLOSZEK: -- where one is not needed goes against the very tenets of healthcare reform. Based on the Supreme Court ruling, expanding insurance coverage, outpatient services will certainly grow, but there will not be a similar boom in inpatient services and certainly not enough growth to warrant a new hospital. We only need to look at Massachusetts, where there was a reduction in inpatient admissions after health insurance was mandated. And, specifically, only three percent of the Huntley population is uninsured, and most of these are young and low utilizers of inpatient care.

MR. MORADO: Please conclude your comments.

MR. PLOSZEK: For a third time, I ask you to vote against this project. Thank you very much.

CHAIRMAN GALASSIE: Thank you, Mr. Ploszek.

MR. KNIERY: Good morning, Mr. Chair, members of the Board. My name is John Kniery, K-n-i-e-r-y. I'm here today to urge the Board to affirm their decision

reached in December, once again, and deny Centegra's project.

As applied to the Centegra application, the purpose of the review criteria 1110.530(b) is to demonstrate that the Planning Area and the existing care system exhibit indicators of medical care problems. In finding in the State Agency Report Centegra did not meet this criteria, the Board Staff found that there were existing facilities within 45 minutes that are operating below the State Board's occupancy targets. The Board Staff's conclusion is supported by the Krentz report. In an attempt to meet this review criteria, Centegra suggested that three census tracks within the Planning Area A-10 have been designated as a medically underserved population. One census track in the primary Service Area was designated as a medically underserved area and population in four townships in the market area designated as a health (unintelligible) coverage shortage area. What they did not tell you, the three census tracks relied on by Centegra, while located in McHenry County, were not located in the primary service area. Further, the MUP designations that were made almost a decade ago have not been reaffirmed during this time period.

MR. MORADO: Thirty seconds.

MR. KNIERY: Centegra has had an existing facility -- has an existing facility in Woodstock. As you might recall, they abandoned their $60 million hospital renovation project in Woodstock. It seems to be disingenuous for Centegra to claim that they're now going to address the medically underserved population situation with the Huntley facility, which is already a much more costly plan that would have addressed the situation as the one they abandoned.

I urge you to reaffirm your decision. Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Kniery.

MR. OURTH: Good morning. I'm Joe Ourth, O-u-r-t-h, and I've had the privilege of working with St. Alexius, Sherman and Advocate Good Shepherd hospitals on this project, and because of the brevity of time, I'll get right to the points in opposition.

This matter is before you on limited review, and we believe the question is, if the record is corrected, would that make a change in the decision and the outcome to justify overturning the Board's decision? We believe not. Centegra has argued that the report that was filed has disadvantaged them because it was cross-filed. The report was on file for six months, and they could have addressed

it then and brought it to your attention. More importantly, Centegra knew about the misfiling from the beginning. As your counsel can tell you, they conceded that in part of the administrative law record and chose not to bring that to anyone's attention, presumably for tactical reasons.

We think it's a bad precedent to allow do-overs for any misfiled document and that it undermines the finality of the Board's decision. In fact, subsequently, it has come to light, as we review the record further, that there is another misfiled document in this case, one that Centegra filed or their general counsel filed, a 75-page document intended to be in the Mercy file. You can look at it on your file under the June 7th things. What does that mean? Does that mean that there's going to be another do-over because of this?

The other thing is, to the extent that this was not limited review and that it was going to be a full review, we believe that your rules under 1130 would require that there be the availability of written comment. We wanted to draw that to your attention as well.

The other thing we want to point out is, it's not necessary to take action here to approve that. If Centegra thinks there is a problem, they have a remedy:

Pursue the appeal process or simply file a new application --

MR. MORADO: Please conclude your comments.

MR. OURTH: -- in which case you would have a lot of the new information about utilization and other things that would be relevant.

Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Ourth.

MR. FLOYD: Good morning, Mr. Chairman. My name is Rick Floyd, F-l-o-y-d. I'm President and CEO of Sherman Health, which is based in Elgin, Illinois. I'm here today to urge this Board to affirm its denial of this proposed new hospital.

This is a case of plenty of want and no need. Hospital utilization rates, as you have heard, are declining, and not just in the affected area; statewide, nationwide. For the area surrounding the proposed new site, if you take the volumes of the six hospitals in that area, the two Centegra hospitals, Advocate Good Shepherd, St. Alexius and then Provena St. Joe and Sherman in Elgin, their volumes for inpatient cases from 2009 to 2011 have declined by over 900. On a statewide basis, inpatient cases have declined by 45,000 over the same time frame. And this is not just a sour economy. This is a long-term

trend, and as we move further into the era of healthcare reform, hospital utilization will decline further.

Please do not condemn local hospitals to a future of insufficient volume. I urge you to deny the application. Thank you.

CHAIRMAN GALASSIE: Thank you, Mr. Floyd.

Moving forward.

MS. AVERY: Next is Tonya Hudson and Victor Narusis.

CHAIRMAN GALASSIE: Good morning.

MR. NARUSIS: Good morning. My name is Victor Narusis, N-a-r-u-s-i-s. I'm the Business Recruitment Coordinator for the Village of Huntley, and I'm speaking in support of the Centegra-Huntley project.

I'd like to take the opportunity to address several of the conclusions regarding Huntley's population growth reached by the Krentz study commissioned by Advocate, Sherman and Alexian Hospitals. First, Huntley continues to grow at a rate far out-pacing other suburban communities. Huntley's population grew by 321 percent from 2000 to 2010, while McHenry County grew by 18.7 percent, and Kane County grew by 25.7 percent during the same period. Additionally, Huntley reports the highest number of residential building permits issued in suburban Chicago

thus far in 2012. 182 on residential building permits issued so far in 2012 represent a 20 percent increase of the permits issued during all of 2011. 141 new residential building permits issued in 2011 ranked Huntley second in suburban Chicago, and in seven of the last nine years, Huntley ranked in the top five for the number of the residence building permits issued. Finally, for the twelve months ended March 31st, 2012, Huntley was home to the top three fastest-growing residential projects in suburban Chicago.

Second, the Del Webb community, representing approximately 9,500 of Huntley's residents, significantly increases the need for healthcare availability. While Census Bureau statistics report that Illinois communities maintain approximately 32.4 percent of the residents in the 55 and older age groups, Huntley's Del Webb community reports that residents age 55 and older represent 75.8 percent of its population, a figure more than twice the State average. So while the 2010 census reports Huntley's population at approximately 25,000, Huntley's actual healthcare needs are more representative of an average Illinois community with over 5,000 residents.

MR. MORADO: Thirty seconds.

MR. NARUSIS: Third, Huntley's growth is

projected to continue at rates well above the other communities. Population estimates provided by Claritus project Huntley to be the fourth fastest-growing community in Illinois at 20.4 percent, in the upcoming five-year period. Despite the economic downturn, Huntley remains at the top of Chicago's housing growth.

In closing, Centegra Hospital is needed in Huntley, and we look forward to that future in Huntley, as its healthcare needs will only increase. Centegra Hospital Huntley needs your approval to ensure that the residents of Huntley and its neighboring communities of McHenry and Kane Counties are provided with high quality healthcare to meet demand associated with increased population and employment.

Thank you.

CHAIRMAN GALASSIE: Thank you, sir.

Is Ms. Hudson in the room?

MS. HUDSON: I will withdraw my request.

CHAIRMAN GALASSIE: Thank you very much.

That concludes our public comment portion of the meeting. We will now be moving to the agenda item 12.1, Unfinished Business, Centegra Hospital in Huntley. Do we have folks representing Centegra?

(Pause)

CHAIRMAN GALASSIE: Gentlemen, if you would

introduce yourselves when you come to the table, spelling your last name, and then we will have you sworn in. You need to pull the mike close if you're speaking. And ladies.

(Pause)

MR. ROSENBERGER: Good morning. My name is Robert Rosenberger, R-o-s-e-n-b-e-r-g-e-r. I'm the Chief financial Officer for Centegra Health System.

MR. SHEPLEY: Aaron Shepley, S-h-e-p-l-e-y. I'm the General Counsel for Centegra Health System.

MR. EESLY: Mike Eesly, CEO, Centegra Health System. That's double E-s-l-y.

MS. MILFORD: Susan Milford, Senior Vice-President of Strategic Planning for Centegra Health System, M-i-l-f-o-r-d.

MR. PIEKARZ: Richard Lee Piekarz, Deloitte Financial Advisory Services.

MR. SCIARRO: Good morning. Jason Sciarro, S-c-i-a-r-r-o, President and Chief Operating Officer for Centegra.

CHAIRMAN GALASSIE: Thank you. Can we do a collective swearing in?

(Oath given)

CHAIRMAN GALASSIE: Mike, Staff report?

MR. CONSTANTINO: We don't have a Staff report on this.

CHAIRMAN GALASSIE: We'll open it up for comments to the Board. You have four minutes for your presentation, whoever is going to speak.

MR. EESLY: We'll make it quick. We try to respect your time and pulled all public comment out, since you probably heard a lot of that before. The team and I are here to answer any questions.

Again, we're a 501(c)(3), not-for-profit organization, 14 board members, numerous individuals as a part of our organization. We provide a full array of services that our two facilities that are Level 2 trauma centers, similar to what we would have in Huntley. The project, as you know, is a 128-bed, 100-bed med/surg, 20 beds obstetrics, 8 intensive care.

I think if you looked at the campus, very unique setting in which we have a wellness, fitness facility, ambulatory services, and with this approval of this project would be an acute care facility, which kind of aligns with what the healthcare reform is after, is trying to keep our community healthy, in which we can do it on a single campus.

This would employ about 1,100 permanent,

full-time employees, as well as about 800 construction workers over the duration of the project.

There are three negative findings by the State. They focus on a single factor: Current under utilization of some services at existing facilities. We noted in December, the critical issue is, really, what will happen after this facility is opened, and I'm going to have Lee Piekarz address that. He's from Deloitte.

MR. PIEKARZ: The Krentz report provides no basis upon which to deny Huntley a hospital. To the contrary, the report raises issues that validates the need for Centegra's hospital.

CHAIRMAN GALASSIE: Can you pull that microphone a little closer, please?

MR. PIEKARZ: Let me explain. The report claims that we overstated projected population growth and would have you believe that the population of McHenry County has actually declined over the last 10 years. This is simply false. In fact, the actual 2010 census data shows that McHenry County grew by 18.7 percent from 2000 to 2010, or annually at 1.7 percent. Kane County grew at 27.5 percent, or annually at 2.5 percent. While Krentz claims that we overstated projected population growth, we actually used a lower growth rate in preparing our own pro forma

than Krentz did. We used a conservative 1.7 percent rate, and they used 2.3.

The Krentz report claims that existing hospital capacity is there to meet the current healthcare needs of McHenry County residents, but they completely miss the point. This is a planning process that, under your rules, the ultimate question is not what we have done today, but what will be needed and used in the future? The Review Board's most recent bed-need determination projects the need for the requested beds. This is what we predicted when Centegra filed its application almost two years ago.

Finally, Krentz' impact analysis of area hospitals ignore population growth entirely and estimated the so-called impact as if the new hospital was built today. Had they performed an appropriate analysis, using their own growth rate or even our more conservative growth rate, they would have determined, as we did, that rapid population growth will result in overall increased utilization for all area hospitals.

MR. EESLY: To address one more concern, when we met with Standard & Poors -- we've actually met with them twice since the submission of this project -- they've given us an A-minus stable rating since that time, with full disclosure of the project. As well, we've met with

lenders, of which we've received a lot of interest from quality lenders that are interested in financing this project.

Some interesting facts -- and just quickly -- I'll note that in 40 Planning Areas that we have in the state of Illinois, we rate second in the need for beds, medical/surgical beds, first in medical/surgical beds and pediatric occupancy rates, third for net out-migration, second for population growth.

MR. MORADO: Thirty seconds.

MR. EESLY: And first for the least number of beds per thousand population.

We look forward to your support of this project and answer any questions.

CHAIRMAN GALASSIE: Thank you. There has obviously been significant dialogue and discussion regarding this matter. Are there any additional questions by Board members at this point in time?

(Pause)

CHAIRMAN GALASSIE: Hearing none, do we have a motion to propose?

MR. URSO: There's a motion to correct the record and for the Board to accept the corrected record.

CHAIRMAN GALASSIE: Could I have a motion to

support that?

MR. SEWELL: So moved.

MR. BURDEN: Seconded.

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

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

Dr. Burden?

MR. BURDEN: Yes.

MR. ROATE: Mr. Eaker?

MR. EAKER: Yes.

MR. ROATE: Justice Greiman?

MR. GREIMAN: Yes.

MR. ROATE: Mr. Hayes?

MR. HAYES: Yes.

MR. ROATE: Mr. Hilgenbrink?

MR. HILGENBRINK: Yes.

MR. ROATE: Ms. Olson?

MS. OLSON: Yes.

MR. ROATE: Mr. Penn?

MR. PENN: Yes.

MR. ROATE: Mr. Sewell?

MR. SEWELL: Yes.

MR. ROATE: Chairman Galassie?

CHAIRMAN GALASSIE: Yes.

MR. ROATE: Nine votes in the affirmative. Motion passes.

Moving forward, may I have a motion to approve Project 10-090, Centegra Hospital-Huntley, with the corrected record, to establish a 128-bed acute care hospital?

MR. GREIMAN: So moved.

MS. OLSON: Seconded.

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

MR. ROATE: Motion made Justice Greiman, seconded by Ms. Olson.

Dr. Burden?

MR. BURDEN: Yes.

MR. ROATE: Mr. Eaker?

MR. EAKER: I vote no, same reasons.

MR. ROATE: Justice Greiman?

MR. GREIMAN: Yes.

MR. ROATE: Mr. Hayes?

MR. HAYES: Yes.

MR. ROATE: Dr. -- Mr. Hilgenbrink?

MR. HILGENBRINK: I vote no and affirm my previous decision, based on not meeting State standards of

Planning Area need and under utilization.

MR. ROATE: Ms. Olson?

MS. OLSON: Yes.

MR. ROATE: Mr. Penn?

MR. PENN: Yes.

MR. ROATE: Mr. Sewell?

MR. SEWELL: No. Insufficient demand in the Planning Area.

MR. ROATE: Chairman Galassie?

CHAIRMAN GALASSIE: I vote yes.

MR. ROATE: Six votes in the affirmative.

CHAIRMAN GALASSIE: Motion passes. Congratulations. Thank you very much.

It's 11:30. Our reporter wants a break, so we're going to take a 10-minute stretch.

(Recess)

CHAIRMAN GALASSIE: Thank you very much for being timely.

We are moving forward to Item -- under "Applications Subsequent to Initial Review," Item H-17, project 12-035, St. Mary's Hospital in Streator. Do we have anyone here representing St. Mary's?

(Pause)

CHAIRMAN GALASSIE: Good morning, folks. If

STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: (217) 785-4111

July 30, 2012

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Hadley Streng
Director of Planning and Business Development
Centegra Health System
385 Millennium Drive
Crystal Lake, Illinois 60012

Re: **Permit Approval**
PROJECT NUMBER: 10-090
FACILITY NAME: Centegra Hospital- Huntley
APPLICANTS: Centegra Hospital-Huntley, Centegra Health System

Dear Ms. Streng:

On July 24, 2012, the Illinois Health Facilities and Services Review Board approved the application for permit for the referenced project based upon the project's substantial conformance with the applicable standards and criteria of 77 Ill Adm. Code 1110 and 1120. In arriving at a decision, the State Board considered the findings contained in the State Agency Report, the application material, public hearing testimony and documents, any testimony made before the State Board, and the Illinois Health Facilities Planning Act (20 ILCS 3960).

- **PROJECT: #10-090 – Centegra Hospital-Huntley** – The permit holders are approved for the establishment of a 128 bed acute care hospital consisting of 100 medical surgical beds, 20 obstetric beds, and 8 intensive care beds located at the East Side of Haligus Road, between Algonquin Road and Reed Road. The new facility will consist of 384,135 gross square feet of new construction. The operating entity licensee is Centegra Hospital-Huntley and the owner of the site is NIMED Corporation.

- **PERMIT HOLDERS:** Centegra Hospital-Huntley and Centegra Health System, 385 Millennium Drive, Crystal Lake, Illinois

- **PERMIT AMOUNT:** $233,160,352

- **PROJECT OBLIGATED BY**: January 24, 2014

- **PROJECT COMPLETION DATE**: September 30, 2016

This permit is valid only for the defined construction or modification, site, amount and the named permit holder and **is not transferable or assignable.** In accordance with the Planning Act, the permit is valid until such time as the project has been completed, provided that all post permit requirements have been fulfilled, pursuant to the requirements of 77 Ill. Adm. Code 1130 and may result in an invalidation of the permit, sanctions, fines and/or State Board action to revoke

the permit.

The permit holder is responsible for complying with the following requirements in order to maintain a valid permit. Failure to comply with the requirements may result in expiration of the permit or in State Board action to revoke the permit.

1. OBLIGATION-PART 1130.720

   The project must be obligated **by the Project Obligation Date,** unless the permit holder obtains an "Extension of the Obligation Period" as provided in 77 Ill. Adm. Code 1130.730. Obligation is to be reported as part of the first annual progress report for permits requiring obligation within 12 months after issuance. For major construction projects which require obligation within 18 months after permit issuance, obligation must be reported as part of the second annual progress report. If project completion is required prior to the respective annual progress report referenced above, obligation must be reported as part of the notice of project completion. The reporting of obligation must reference a date certain when at least 33% of total funds assigned to project cost were expended or committed to be expended by signed contracts or other legal means.

2. ANNUAL PROGRESS REPORT-PART 1130.760

   An annual progress report must be submitted to IDPH every 12-month from the permit issuance date until such time as the project is completed.

3. PROJECT COMPLETION REQUIREMENTS-PART 1130.770

   The permit holder must submit a written notice of project completion as defined in Section 1130.140. Each permit holder shall notify IHFSRB within 30 days following the project completion date and provide supporting documentation within 90 days following the completion date and must contain the information required by Section 1130.770.

   This permit does not exempt the project or permit holder from licensing and certification requirements, including approval of applicable architectural plans and specifications prior to construction. **Please note the Illinois Department of Public Health will not license the proposed facility until such time as all of the permit requirements have been completed.**

Should you have any questions regarding the permit requirements, please contact Mike Constantino at 217-782-3516.

Sincerely,

Courtney R. Avery

Courtney R. Avery, Administrator
Illinois Health Facilities and Services Review Board

cc: Dale Galassie, Chairman

ShermanHealth
Every life, every moment, every day

1425 North Randall Road
Elgin, Illinois 60123
phone 847-742-9800
shermanhealth.com

August 17, 2012

Ms. Courtney Avery
Administrator
Illinois Department of Public Health
525 West Jefferson, 2nd Floor
Springfield, Illinois 62761-1146

Re: Centegra Hospital – Huntley
Project No.: 10-090

Dear Ms. Avery:

We appreciate the opportunity afforded by the Health Facilities Planning Act to request a written decision of a final decision. On July 24, 2012 the Review Board voted to approve the above Project on reconsideration of a prior denial. Pursuant to section 12(11) of the Planning Act, we respectfully request a written decision of the Board's approval of the Centegra project referenced above. [As provided in the Planning Act, we ask that the written decision identify the applicable criteria and factors listed in the Act and the Board's regulations that were taken into consideration when coming to the Board's final decision.]

We thank you for this opportunity.

Sincerely,

Mary Martini
Vice President, Professional Services

10282847.1

Advocate Good Shepherd Hospital

Medical Office Bldg 1-Suite 13 || 27790 W. Highway 22 || Barrington, IL 60010 || advocatehealth.com

Ms. Courtney Avery
Administrator
Illinois Department of Public Health
525 West Jefferson, 2nd Floor
Springfield, Illinois 62761-1146

Re: Centegra Hospital – Huntley
Project No.: 10-090

Dear Ms. Avery:

We appreciate the opportunity afforded by the Health Facilities Planning Act to request a written decision of a final decision. On July 24, 2012 the Review Board voted to approve the above Project on reconsideration of a prior denial. Pursuant to section 12(11) of the Planning Act, we respectfully request a written decision of the Board's approval of the Centegra project referenced above. As provided in the Planning Act, we ask that the written decision identify the applicable criteria and factors listed in the Act and the Board's regulations that were taken into consideration when coming to the Board's final decision.

We thank you for this opportunity.

Very truly yours,

Trent Gordon, FACHE
Director, Business Development

10282847.1

K&L|GATES

K&L Gates LLP
70 West Madison Street
Suite 3100
Chicago, IL 60602-4207

T 312.372.1121 www.klgates.com

August 30, 2012

Via E-Mail and U.S. Mail

Daniel J. Lawler
D 312.807.4289
F 312.827.8114
daniel.lawler@klgates.com

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761

Re: Centegra Hospital-Huntley, Project No. 10-090

Dear Ms. Avery:

I represent the applicants, Centegra Health System and Centegra Hospital-Huntley, in Project No. 10-090 and am responding to the two letters posted this week on the website of the Illinois Health Facilities and Services Review Board ("State Board") that were sent to you by Trent Gordon of Advocate Good Shepherd Hospital ("Advocate") and Mary Martini of Sherman Health ("Sherman"). Sherman's letter is dated August 17, 2012 but Advocate's is undated. Both letters were received by the State Board on August 23, 2012. The nearly identical letters request "a written decision of the Board's approval of the Centegra project" and cite Section 12(11) of the Illinois Health Facilities Planning Act (20 ILCS 3960/12(11) ("Planning Act").

Neither letter complies with the requirements of Section 12(11) of the Planning Act and should be disregarded by the State Board for this reason. In addition, the permit letter issued by the State Board to the Centegra applicants on Project No. 10-090 dated July 30, 2012 ("Permit Letter") fully conforms to the requirements of Section 12(11) and, therefore, no additional written decision is required under the Planning Act. Finally, the Advocate and Sherman letters rely on a provision of the Planning Act that does not even apply to Centegra's project, and the letters should be disregarded for this additional reason.

I. The Advocate and Sherman Requests Fail to Comply with Section 12(11) of the Planning Act and Should be Disregarded

While Section 12(11) of the Planning Act allows requests for written decisions, such requests are *only* permitted from "the applicant or an adversely affected party." 12 ILCS 3960/12(11). Advocate and Sherman are not the applicants on Project No. 10-090 and neither Advocate's letter nor Sherman's letter demonstrate or even claim that they are "an adversely affected party" as required by Section 12(11). The letters from Advocate and Sherman do not even identify their interest in the matter much less demonstrate how any

interest they might have was adversely affected as required by the Planning Act. For this reason alone, the letter requests should be disregarded.

In addition, the letter requests from Advocate and Sherman are untimely. The State Board approved Project No. 10-090 at its meeting on July 24, 2012. Representatives of Advocate and Sherman were not only present at that meeting but testified during the public comment on Centegra's project. Consequently, both Advocate and Sherman knew on July 24, 2012 that the State Board approved the project. Nevertheless, Advocate and Sherman waited over three and a half weeks before even deciding to make their requests. Indeed, the letters posted on the State Board's website show that both letters were not received by the State Board until August 23, 2012 which was a full 30 days after the State Board's decision. Section 12(11) of the Planning Act indicates that requested written decisions are to be issued "within 30 days of the meeting in which a final decision has been made." 20 ILCS 3960/12(11). A request that is not received by the State Board until the last day on which the decision is required to be issued is clearly untimely. Even if the Board had received the letters on the day that Sherman's letter is dated (August 17, 2012) that still would have provided the Board with only five business days to prepare and issue a written decision within the statutory time period and would also be untimely.

II. The Permit Letter Issued by the State Board on July 30, 2012 Conforms With All the Requirements of Section 12(11) of the Planning Act

The State Board has already issued a written decision that fully conforms to the requirements of the Planning Act. Consequently, the letter requests of Advocate and Sherman are moot.

Section 12(11) of the Planning Act, as applied to Centegra's project, requires that (a) the decision be in writing, (b) the decision be issued within 30 days of the meeting at which the decision was made, (c) the decision be prepared by the State Board's staff, and (d) the State Board approve a final copy of the written decision for inclusion in the formal record. Centegra's Permit Letter dated July 30, 2012 conforms to these requirements in that it was in writing, it was prepared by the State Board's staff, and it was issued within 30 days of the July 24, 2012 State Board meeting. With regard to the requirement that "the State Board shall approve a final copy for inclusion in the formal record," this is purely an administrative and ministerial task that the State Board's Administrator is authorized to carry out by regulation. Section 1925.240(d) of the State Board's administrative rules empowers the State Board's Executive Secretary (which was the predecessor position to the Administrator) to "represent the State Board whenever necessary; write and issue letters and other communications on its behalf" and to "perform other duties as directed by the State

Board, or by its Chairman." 2 Ill. Adm. Code 1925.240(d)(7)and (8). The issuance of written decisions in the form of permit letters, and the inclusion of such letters in the formal record of a project, has been a longstanding duty of the Administrator and Executive Secretary, and a longstanding practice of the State Board. Consequently, the Permit Letter issued on the Centegra Project dated July 30, 2012 complies with all requirements of the Planning Act and renders moot the letter requests of Advocate and Sherman.

III. The Advocate and Sherman Letters Rely on a Provision of the Planning Act that is Not Applicable to Centegra's Project

The Advocate and Sherman letters request a written decision that identifies "applicable criteria and factors listed in the Act and the Board's regulations that were taken into consideration when coming to a final decision." Both letters claim that this is "provided in the Planning Act." Advocate and Sherman fail to recognize that the referenced provision does *not* apply to Centegra's project.

The provision referenced by Advocate and Sherman was added to Section 12(11) by Public Act 97-1115. Section 19.5.1 of Public Act 97-1115 specifically states:

> "The changes to this Act made by this amendatory Act of the 97 General Assembly apply *only to applications or modifications to permit applications filed on or after the effective date of this amendatory Act of the 97th General Assembly.*"

Emphasis added; 20 ILCS 3960/19.5.1, effective August 27, 2012. *See* attached copies of Section 19.5.1 and Section 12(11), as amended by P.A. 97-1115.

The effective date of the Public Act was August 27, 2012 when it was signed by the Governor. Because Centegra's application was filed on December 29, 2010 the changes effected by Public Act 97-1115, including the provision relied upon by Advocate and Sherman, simply do not apply to Centegra's project.

For all the above reasons, the requests of Advocate and Sherman for a written decision on Project No. 10-090, Centegra Hospital-Huntley, should be disregarded.

Very truly yours,

K&L GATES LLP

Daniel J. Lawler

DJL:dp

cc: Frank Urso, General Counsel, IHFSRB (by email)
Juan Morado, Assistant General Counsel, IHFSRB (by email)
Aaron T. Shepley, Senior Vice President and General Counsel, Centegra Health System

(20 ILCS 3960/19.5.1 new)

Sec. 19.5.1. Applicability of changes made by this amendatory Act of the 97th General Assembly. The changes to this Act made by this amendatory Act of the 97th General Assembly apply only to applications or modifications to permit applications filed on or after the effective date of this amendatory Act of the 97th General Assembly.

Section 99. Effective date. This Act takes effect upon becoming law.

INDEX

Statutes amended in order of appearance

20 ILCS 3960/4	from Ch. 111 1/2, par. 1154
20 ILCS 3960/5	from Ch. 111 1/2, par. 1155
20 ILCS 3960/6	from Ch. 111 1/2, par. 1156
20 ILCS 3960/6.2 new	
20 ILCS 3960/10	from Ch. 111 1/2, par. 1160
20 ILCS 3960/12	from Ch. 111 1/2, par. 1162
20 ILCS 3960/12.5	
20 ILCS 3960/14.1	

Effective Date: 8/27/2012

(11) Issue written decisions upon request of the applicant or an adversely affected party to the Board within 30 days of the meeting in which a final decision has been made. A "final decision" for purposes of this Act is the decision to approve or deny an application, or take other actions permitted under this Act, at the time and date of the meeting that such action is scheduled by the Board. The staff of the State Board shall prepare a written copy of the final decision and the State Board shall approve a final copy for inclusion in the formal record. The written decision shall identify the applicable criteria and factors listed in this Act and the Board's regulations that were taken into consideration by the Board when coming to a final decision. If the State Board denies or fails to approve an application for permit or certificate, the State Board shall include in the final decision a detailed explanation as to why the application was denied and identify what specific criteria or standards the applicant did not fulfill.

State of Illinois
Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor, Springfield, Illinois 62761 (217) 782-3516, (217) 785-4111 (fax)
www.hfsrb@illinois.gov

A G E N D A

(M-316) – **FINAL** (per 2 IAC 1925.240)
Final Agenda will be posted no later than
9:00 A.M. Friday, September 7, 2012 at the
Health Facilities and Services Review Board's office
and at the meeting location.
Marriott Bloomington-Normal
Hotel & Conference Center
201 Broadway St.
Normal, IL 61761

1. PUBLIC PARTICIPATION SIGN-IN: 9:30 A.M. – 10:00A.M.

2. CALL TO ORDER: Tuesday, September 11, 2012, 10:00 A.M.

3. ROLL CALL

4. APPROVAL OF AGENDA

5. APPROVAL OF MINUTES: July 23-24, 2012

6. POST PERMIT ITEMS APPROVED BY THE CHAIRMAN

Project #11-002 - Apollo Healthcare, Ltd. Obligation Extension Request
Project #11-002 - Apollo Healthcare, Ltd. Permit Renewal Request (18 months)
Project #10-077 - Heartland Regional Medical Ctr. Permit Renewal Request (3 months)
Project #E-006-12 – Fresenius Medical Care Glendale Heights approved to add 4 stations
Project #11-095 - Palos Hills Surgery Center approved for permit renewal to 09/15/2013
Project #12-023- Advanced Eye Surgery and Laser Center. Permit Renewal Request (4 Months)
Project #10-065 – South Elgin Healthcare and Rehabilitation Center Permit Renewal to May 31, 2014 (20 months)
Project #10-065 – South Elgin Healthcare and Rehabilitation Center Extension of Obligation to June 14, 2013

7. EXECUTIVE SESSION

8. UNFINISHED BUSINESS

Item	Class	Opposition	Facility	City	Number	
7-A	Sub	Yes	Mercy Crystal Lake Hospital & Medical Center Establish a 128-Bed Acute Care Hospital	Crystal Lake	10-089	_____

9. ITEMS FOR STATE BOARD ACTION:

NOTICE: THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT **BONNIE HILLS** AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **September 7, 2012.**

A. EXEMPTION REQUESTS (none)

B. DECLARATORY RULINGS/OTHER BUSINESS (none)

C. HEALTH CARE WORKER SELF-REFERRAL ACT (none)

D. APPLICATIONS SUBSEQUENT TO INITIAL REVIEW – No findings and no opposition

Item	Class	Opposition	Facility	City	Number	
D-01	Non-Sub	No	Fullerton Kimball Medical & Surgical Ctr. Change of Ownership	Chicago	12-045	_____
D-02	Non-Sub	No	Methodist Hospital of Chicago Discontinue 23-Bed LTC Unit	Chicago	12-057	_____
D-03	Non-Sub	Yes	Rehab & Care Ctr. Jackson County Discontinue a 178-Bed LTC Facility	Murphysboro	12-050	_____
D-04	Sub	No	Manor Court of Carbondale Establish a 120-Bed LTC Facility	Carbondale	12-049	_____
D-05	Non-Sub	No	DuPage Medical Group MOB Establish a MOB	Lisle	12-051	_____
D-06	Sub	Yes	Hawthorn Surgery Center Discontinue/Reestablish an ASTC	Vernon Hills	12-041	_____

10. RULES DEVELOPMENT (none)

11. COMPLIANCE ISSUES / SETTLEMENT AGREEMENTS / FINAL ORDERS

A. Referrals to Legal Counsel

1. Project #12-001 Highland Ambulatory Surgical Center, LLC

B. Final Orders

1. Project #09- 048 Ottawa Pavilion
2. Project #02-046 Deerpath Orthological Surgical Center HFPB 07-076

NOTICE: THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT **BONNIE HILLS** AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **September 7, 2012.**

12. NEW BUSINESS

A. Open Meetings Act/Public Comment Discussion
B. Centegra Hospital – Project #10-090 Final Decision
C. David Carvalho
D. Financial Report
E. Legislative Update

13. RECESS 4:00 P.M.

DAY TWO Wednesday, September 12, 2012

14. PUBLIC PARTICIPATION SIGN-IN: 9:30 A.M. – 10:00A.M.

15. CALL TO ORDER: Wednesday, September 12, 2012

16. ITEMS FOR STATE BOARD ACTION contd.

E. PERMIT RENEWAL REQUESTS

Item	Class	Name of Facility	City	Project Number	
E-01	NA	Pleasant View 12-Month Permit Renewal November 30, 2012 to November 30, 2013	Ottawa	08-081	_____

F. ALTERATION REQUESTS

Item	Class	Name of Facility	City	Project Number	
F-01	NA	Pinckneyville Community Hospital	Pinckneyville	09-068	_____

G. EXTENSION REQUESTS (none)

H. REPORTS ON CONDITIONAL/CONTINGENT PERMITS

Item	Class	Name of Facility	City	Project Number	
H-01	NA	Gold Coast Surgicenter	Chicago	10-015	_____

D. APPLICATIONS SUBSEQUENT TO INITIAL REVIEW Contd.

Item	Class	Opposition	Facility	City	Number	
D-13	Sub	Yes	Singer Mental Health Center Discontinue 76-Bed AMI	Rockford	12-060	_____

NOTICE: THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT **BONNIE HILLS** AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **September 7, 2012.**

Item	Class	Opposition	Facility	City	Number	
			Facility			
D-07	Non-Sub	No	FMC West Belmont Add 4 ESRD Stations to an Existing 13-Station Facility	Chicago	12-043	_____
D-08	Sub	No	BMA Southwestern Illinois Discontinue/Establish a 19-Station ESRD Facility	Alton	12-029	_____
D-09	Sub	No	DaVita Red Bud Dialysis Establish 8-Station ESRD Facility	Red Bud	12-034	_____
D-10	Sub	No	FMC Spoon River Discontinue 8 Station ESRD Establish 9-Station Replacement Facility	Canton	12-046	_____
D-11	Sub	Yes	FMC Plainfield North Establish 12-Station ESRD Facility	Plainfield	12-047	_____
D-12	Sub	Yes	Davita Tazewell Cty. Dialysis Establish an 8-Station ESRD Facility	Pekin	12-052	_____

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

Item	Class	Opposition	Facility	City	Number	
I-01	Sub	No	Fresenius Medical Care Prairie Meadows Establish a 12 station ESRD Facility	Libertyville	11-099	_____
I-02	Sub	Yes	DaVita Lawndale Dialysis Establish 16-Station ESRD Facility	Chicago	11-103	_____

17. ADJOURNMENT

FOR TRANSCRIPTS OF THIS MEETING CONTACT:
Illinois Health Facilities and Services Review Board
525 West Jefferson
Springfield IL 62701
217-782-3516

NOTICE: THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT **BONNIE HILLS** AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **September 7, 2012.**

18. NEXT MEETING:

October 30, 2012 Location: Bolingbrook

19. FUTURE MEETINGS

Health Facilities & Services Review Board – Meetings – 2012		
Date	City	Location
December 10, 2012	TBA	TBA

GLOSSARY OF ABBREVIATIONS	
AMI	Acute Mental Illness
ADRD	Alzheimer's Disease and Related Disorders
ASTC	Ambulatory Surgical Treatment Center
Bldg.	building
Cath.	Catheterization (as in Cardiac Catheterization)
CCRC	Continuing Care Retirement Community
Comm.	Community
Const.	Construct
Ctr.	Center
CON	Certificate of Need
Dis.	Discontinue
ED	Emergency Department
ESRD	End Stage Renal Disease
Est.	Establish
Hlth.	Health
Hosp.	Hospital
ICF/DD	Intermediate Care Facility for the Developmentally Disabled
ICU	Intensive Care Unit
LDR	Labor-Delivery-Recovery
LTACH	Long-term Acute Care Hospital
LTC	Long Term Care
MOB	Medical Office Building
Med/Surg	Medical-Surgical
NIC	Neonatal Intensive Care
OB	Obstetric
OR	Operating Room
Peds	Pediatrics
Rehab	Rehabilitation
SNF	Skilled Nursing Facility
Swing beds	Acute care beds certified for extended care category of service
TBA	To Be Announced

NOTICE: THIS MEETING WILL BE ACCESSIBLE TO PERSONS WITH SPECIAL NEEDS IN COMPLIANCE WITH PERTINENT STATE AND FEDERAL LAWS UPON NOTIFICATION OF ANTICIPATED ATTENDANCE. PERSONS WITH SPECIAL NEEDS SHOULD CONTACT **BONNIE HILLS** AT THE HEALTH FACILITIES AND SERVICES REVIEW BOARD OFFICE BY TELEPHONE AT (312) 814-2793 (TTY # 800-547-0466 FOR HEARING IMPAIRED ONLY) OR BY LETTER NO LATER THAN **September 7, 2012.**

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DRAFT

Illinois Health Facilities and Services Review Board

Written Final Decision regarding

Centegra Hospital-Huntley, Illinois

Centegra Health System, Project #10-090

September 2012

Introduction

The Centegra Health System (Centegra) proposed to establish a 128 bed hospital in a total of 384,135 gross square feet ("GSF") at a total estimated project cost of $233,160,352 in Huntley, Illinois. The categories of services that would be provided at the proposed hospital included medical surgical, intensive care and obstetric services. Other clinical services would be general radiology flouroscopy, X-Ray, mammography, ultrasound, CT Scan, MRI, Nuclear Medicine, 8 room surgical suite, recovery stations, and an emergency department.

On July 24, 2012, after the Board considered the Centegra hospital project at two previous meetings, the Board approved Centegra's application for permit for project #10-090 by a vote of 6 to 3 approving the project. The Board considered the findings contained in the State Agency Reports for the Centegra project. The Board also considered the 11,415 pages of documents in the Centegra project file, which included; the Centegra application material, public hearing testimony and documents, and any testimony made before the Board.

I.

The Illinois Health Facilities and Services Review Board (Board) considered the Centegra project #10-090 on June 28, 2011 and on December 7, 2011. The Board found that Centegra provided the required information that complied with the following standards in the Board's processing, classification policies and review criteria in 77 Ill Adm. Code 1110:

1. Section 1110.230 - Project Purpose, Background and Alternatives

   A) Criterion 1110.230 (a) - Background of Applicant

   Centegra owns three hospitals in Illinois; Centegra Hospital – McHenry and Centegra Hospital-Woodstock and Centegra Specialty Hospital- Woodstock, South Street. In addition Centegra owns a number of ambulatory care facilities

and medical office buildings in Illinois. Centegra provided a list of all facilities they currently owned, and an attestation that no adverse actions (as defined by the Board) have been taken against the Centegra Health System in the past three calendar years. Therefore, Centegra demonstrated that it was fit, willing and able, and had the qualifications, background and character, to adequately provide a proper standard of health care service for the community.

B) Criterion 1110.230 (b) - Purpose of the Project

The Board considered Centegra's stated purposes for the project which were to address: the calculated bed need in the A-10 and A-11 planning areas, the outmigration of patients from the A-10 planning area, the rapid population growth in the A-10 planning area by 2018, and the areas identified by the U. S. Department of Human Services as Medically Underserved and Health Manpower Shortage Areas in the market area.

C) Criterion 1110.234 (c) - Alternatives to the Proposed Project

Centegra documented that the proposed project was the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The Board considered the following two alternatives: Modernizing Memorial Medical Center in Woodstock with a Capital Cost of $52,201,702 and Modernizing Centegra Hospital in McHenry and Centegra Hospital in Woodstock with a Capital Cost of $206,572,661.

The modernization of Memorial Medical Center-Woodstock alternative was originally approved by the Board as Project #08-002 and subsequently abandoned by the applicant. This project proposed to construct a women's pavilion, modernize existing space in the hospital, and add 14 medical surgical beds and 6 obstetric beds.

The modernization of Centegra Hospital in McHenry and Centegra Hospital in Woodstock alternative proposed to add 100 medical surgical beds (40 beds at McHenry and 60 Beds at Woodstock), add of 8 intensive care unit beds (6 at McHenry and 2 at Woodstock) and add 20 obstetric beds (6 at McHenry and 14 at Woodstock). This alternative was rejected because it would not assure the efficient distribution of beds in the planning area, would be approximately the same cost as a new hospital, and an imprudent use of capital resources to add a high cost addition to an aging facilities.

2. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234(a) - Size of Project

Centegra proposed project met the State Standards for all clinical departments and services in which the Board has size standards.

B) Criterion 1110.234 (b) - Project Services Utilization

Centegra successfully addressed the projected utilization for services departments proposed by this project.

C) Criterion 1110.234 (c) - Size of the Project and Utilization:

As a basis for determining departmental gross square footage for areas in which norms are not listed in Appendix B of the Board's rules, Centegra relied upon IDPH 77 ILL Adm. Code 250.2440, General Hospital Standards and the AIA (American Institute of Architects) Guidelines for Construction and Design of Health Care Facilities-2006 Edition. The Hospital met the requirements of the Size of the Project and Utilization criterion.

D) Criterion 1110.234(e) - Assurances

Centegra attested that by the second year after project completion that they will be at target occupancy and therefore, Centegra met the requirements of the Assurances criterion.

3. Section 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care – Review Criteria

A) Criterion 1110.530 (e) - Staffing Availability

Centegra provided information on the permit application that indicated that a sufficient workforce would be available once the hospital became operational by 2015.

B) Criterion 1110.530 (f) - Performance Requirements

Centegra proposed a medical surgical bed capacity of 100 beds, 20 obstetric beds and 8 intensive care beds. Centegra met the requirements of the Performance Requirements criterion.

C) Criterion 1110.530 (g) – Assurances

Centegra provided the necessary assurances that the facility would achieve and maintain the occupancy standards specified for each category of service proposed. Centegra met the requirements of the Assurances criterion.

II.

The Board also considered the standards that were not met. The unmet standards were the following:

1. Section 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care – Review Criteria

A) Criterion 1110.530 (b) - Planning Area Need

Board staff concluded and reported to the Board that there was no absence of services within the A-10 planning area where the Centegra hospital was to be located, nor access limitations due to payor status, or evidence of restrictive admission policies at existing facilities in the planning area. Centegra provided evidence of three (3) census tracts within planning area A-10 that have been designated as a Medically Underserved Population, one (1) census tract in the primary service area was designated Medically Underserved Area/Population, four townships in the market area designated were Health Manpower Shortage Areas.

Planning areas A-10 and A-11 have the second and third highest bed need of all planning areas in Illinois and they are two (2) of the four (4) planning areas with a bed need. However, there are existing facilities within 45 minutes that are operating below the Board's target occupancy for medical surgical, intensive care and obstetric beds. Target occupancies for medical/surgical beds range from 80% to 90%. Target occupancy for intensive care beds is 60%. Target occupancies for obstetric beds range from 60% to 78%. Centegra did not meet the requirements of this criterion. (See Table One)

Table One

Facilities within 45 minutes of proposed hospital

NAME	CITY	Adjusted Time	MS Beds	ICU Beds	OB Beds	MS %	ICU %	OB %
Centegra Hospital - Woodstock	Woodstock	16	60	12	14	83.50%	77.30%	53.40%
Provena Saint Joseph Hospital	Elgin	20	99	15	0	71.10%	60.4%	0.00%

Sherman Hospital	Elgin	24	189	30	28	63.80%	55.80%	70.00%
Centegra Hospital - McHenry	McHenry	25	129	18	19	74.10%	91.80%	40.00%
Advocate Good Shepherd Hospital	Barrington	28	113	18	24	81.60%	84.70%	50.20%
St. Alexius Medical Center	Hoffman Estates	31	212	35	38	71.00%	57.00%	62.10%
Delnor Community Hospital	Geneva	36	121	20	18	56.50%	67.80%	69.50%
Mercy Harvard Memorial Hospital	Harvard	37	17	3	0	27.50%	9.50%	0.00%
Kishwaukee Community Hospital	DeKalb	40	70	12	12	72.70%	26.90%	61.70%
Alexian Brothers Medical Center	Elk Grove Villa	43	241	36	28	82.70%	71.50%	72.70%
Northwest Community Hospital	Arlington Hts.	44	336	60	44	61.30%	50.90%	55.00%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X

Bed and Utilization information taken for IDPH 2010 Hospital Questionnaire

B) Criterion 1110.530 (c) - Unnecessary Duplication/Maldistribution

Board staff concluded and reported to the Board that the bed to population ratio in A-10 was provided as required and all facilities within 30 minutes were identified. There were existing facilities within the planning area and within 30 minutes of the proposed site of the Hospital that are below the Board's target occupancy. Centegra reported that because of the population growth projections and the aging population the establishment of Centegra Hospital- Huntley will not impact other area providers. Existing hospitals within 30 minutes are not at target occupancy; therefore it would appear that the proposed Hospital would impact other area providers. Centegra did not meet the requirements of this criterion. (See Table Two)

Table Two

Facilities within 30 minutes of the proposed site

					2010 Number of Beds			2010 Bed Occupancy		
Facility Name	**City**	**Minutes Adjusted**	**Miles**	**Planning Area**	**M/S**	**ICU**	**OB**	**M/S %**	**ICU %**	**OB %**
Centegra Hospital - Woodstock	Woodstock	16	11.26	A-10	60	12	14	83.5%	77.3%	53.4%
Sherman Hospital	Elgin	20	15.11	A-11	189	30	28	63.8%	55.8%	70.0%
Provena Saint Joseph Hospital	Elgin	24	13.9	A-11	99	15	0	71.1%	60.4%	0.0%
Centegra Hospital McHenry	McHenry	25	17.83	A-10	129	18	19	74.1%	91.8%	40.0%
Advocate Good Shepherd	Barrington	28	16.61	A-09	113	18	24	81.6%	84.7%	50.2%

*Time and Distance based on MapQuest and adjusted per 77 IAC 1100.510 (d) by 1.15X

Bed and Utilization information taken for IDPH 2010 Hospital Questionnaire

2. Section 1110.3030 (b) – Clinical Service Areas Other Than Categories of Service − Review Criteria

Board staff concluded and reported to the Board that because this is a proposed new hospital, Centegra projected utilization information because historical utilization was not available. Generally, the projected patient volumes for clinical services other than categories of services were calculated based upon the applicants expected market share, the

projected population growth in the market area and the historical experience at existing hospitals within the Centegra Health System. However, because existing hospitals were not operating at Board occupancy targets it would appear that the additional services would lower utilization at other area providers. Centegra did not meet the requirements of this criterion.

III.

The Board found that Centegra provided the information that complied with all of the following standards in the Board's financial and economic feasibility review rules in 77 Ill Adm. Code 1120:

1. Section 1120.120 - Availability of Funds

   Centegra provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System. The Board considered that the Hospital project would be funded with cash and securities of $48,010,352, a bond issue of $183,000,000 and lease of capital equipment of $2,150,000. Centegra met the requirements of the Availability of Funds criterion.

2. Section 1120.130 - Financial Viability

   Centegra provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System. The Board considered that the Hospital project would be funded with cash and securities of $48,010,352, a bond issue of $183,000,000 and lease of capital equipment of $2,150,000. Centegra met the requirements of the Financial Viability criterion.

3. Section 1120.140 - Economic Feasibility

   A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements

   Centegra provided evidence of an "A-" rating from Standard and Poor's for Centegra Health System on the Illinois Health Facilities Authority 1998 revenue bonds and it's "A-" underlying rating on the Authority's 2002 revenue bonds issued by Centegra Health System. The Board considered that the Centegra project would be funded with cash and securities of $48,010,352, a bond issue of $183,000,000 and lease of capital equipment of $2,150,000. Centegra met the

requirements of the Reasonableness of Financing Arrangements criterion.

B) Criterion 1110.140 (b) - Conditions of Debt Financing

Centegra attested that the selected form of debt financing for this project would be the issuance of bonds through the Illinois Health Finance Authority as well as the leasing of capital equipment. They also attested that the selected form of debt financing for the project would be at the lowest net cost available. In addition, a portion of the project would involve the leasing of capital equipment and the expenses incurred with leasing are less costly than the purchase of new equipment. Centegra met the requirements of the Conditions of Debt Financing criterion.

C) Criterion 1110.140 (c) - Reasonableness of Project and Related Costs

The following Centegra costs were provided to the Board:

Preplanning Costs – These costs total $1,729,015 and are 1.74% of new construction contingency and movable equipment. These costs appeared reasonable when compared to the State Standard of 1.8%

Site Survey and Soil Investigation Site Preparation – These costs total $1,070,937 and are 1.42% of construction and contingency costs. These costs appeared reasonable when compared to the Board Standard of 5%.

Offsite Work – These costs total $5,356,644. The Board does not have a standard for these costs.

New Construction Cost and Contingencies – These costs total $75,392,411 or $398.64 per gross square feet (“GSF”). These costs appeared reasonable when compared to the Board standard of $403.39 GSF.

Contingencies – These costs total $6,540,894 or 9.5% of construction costs. These costs appeared reasonable when compared to the Board standard of 10%.

Architectural/Engineering Fees – These costs total $4,045,356 or 5.37% of construction and contingency fees. These costs appeared reasonable when compared to the Board standard of 3.59-5.39%.

Movable and Other Equipment – These costs total $24,170,213. The Board does not have a standard for these costs.

Bond Issuance Expense – These costs total $1,477,016. The Board does not have a standard for these costs.

Net Interest Expense During Construction – These costs total $13,514,695. The Board does not have a standard for these costs.

FMV of Leased Equipment – These costs total $2,150,000. The Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs total $193,030. The Board does not have for these costs.

The Hospital met the requirements of the Reasonableness of Project and Related Costs criterion.

D) Criterion 1110.140 (d) - Projected Operating Costs

These costs are $1,772 per equivalent patient day. The Board does not have a standard for these costs.

E) Criterion 1110.140 (e) - Total Effect of the Project on Capital Costs

These costs are $223 per equivalent patient day. The Board does not have a standard for these costs.

IV.

At the June 28, 2011 meeting the Board considered that there was a calculated bed need for 83 medical surgical beds, 8 ICU beds and 27 obstetric beds in the A-10 planning area, where the Hospital would be located. At the December 7, 2011 meeting the Board considered the revised calculated bed need which was 138 medical surgical beds, 18 intensive care unit beds and 22 obstetric beds in the A-10 planning area by 2018 according to the most current and updated bed inventory (October 21, 2011).

The Board also conducted a public hearing regarding the Centegra project on February 16, 2011. At the public hearing one hundred and fifty-three (153) individuals were present but did not provide testimony, one hundred and thirty-four (134) individuals spoke in support of the project, and eighty-five (85) individuals spoke in opposition. The Board also received a number of letters in support and opposition to the Centegra project. The Board considered the transcript of the public hearing and the letters in support and opposition to the Centegra project.

V.

The Centegra project was not approved by the Board at the June 28, 2011 Board meeting. The project received an “intent to deny”. The Centegra project was again considered at the December 7, 2011 Board meeting and was not approved. The project received a denial. Centegra requested an administrative hearing to contest the project denial. In preparation for the hearing it was discovered that the Centegra record, that was considered by the Board, contained documents regarding the Mercy Hospital project #10-089. Administrative Law Judge Hart recommended that the Centegra record be corrected and for the Board to reconsider the Centegra hospital project with the corrected record.

The Board adopted Administrative Law Judge Hart’s recommendations and reconsidered and approved the Hospital project with the corrected record at the July 24, 2012 Board meeting. The Board approved the corrected application for permit for the Centegra hospital project #10-090 based upon the project’s substantial conformance with the applicable standards and criteria of 77 Ill Adm. Code 1110 and 1120. In arriving at a decision, the Board considered the findings contained in the State Agency Report, the application material, public hearing testimony and documents, any testimony made before the Board, and the Illinois Health Facilities Planning Act (20 ILCS 3960).

VI.

This is a written, final decision by the Illinois Health Facilities and Services Review Board about the Centegra Hospital-Huntley, Illinois, Centegra Health System Project #10-090. This written, final decision was approved by the Board at the September 11-12, 2012 Board Meeting.

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Dale Galassie Date

Chairman