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FAX COVER SHEET  
TO

NAME: Ms. COURTNEY AVERY TITLE: ADMINISTRATOR  
FIRM NAME: I/I HEALTH FACILITIES & SVS REVIEW BD DATE: 06.07.11  
TELEPHONE #: \_\_\_\_\_ FAX: 217.785.4111

FROM

NAME: MARK J. TURNER TITLE: PRESIDENT  
DEPARTMENT: ADMINISTRATION FAX NUMBER: 618.257.6766  
NUMBER OF PAGES (Including this page): 7 DIRECT NUMBER: 618.257.5642

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# MEMORIAL GROUP INC.



June 7, 2011

**VIA FAX**  
**217/785-4111**

Ms. Courtney Avery  
Administrator  
Illinois Health Facilities  
and Services Review Board  
525 West Jefferson  
Springfield, IL 62761

**RE: Public Comment Submission in Support of Project 11-017  
Memorial Hospital-East**

Dear Ms. Avery:

This letter is being submitted pursuant to the Illinois Health Facilities and Services Review Board's Public Comment provisions, and responds to the June 2, 2011 letter submitted by Hospital Sisters Health System ("Hospital Sisters"). The information provided by us in this letter in response to the Hospital Sisters' letter was presented in the application, which was deemed complete by the State Agency, as filed.

Project #11-017 was filed in late March by Memorial Group, Inc. and Metro East Services, Inc. d/b/a Memorial Hospital-East, and proposes the establishment of a satellite hospital to Memorial Hospital in Belleville.

As the Illinois Health Facilities and Services Review Board is aware, Hospital Sisters was given notice of this project pursuant to the Board's rules and elected not to request a Public Hearing on this project. In fact, no public hearing was requested by any party and the June 2 letter filed by the Hospital Sisters is the only expression of concern that has been received by the Board in connection with any aspect of this project.

We believe the Hospital Sisters' letter to be the sole indication of opposition to the project filed with the State Agency. Alternatively, our review of the State Agency's website indicates that as of today, the Board has received 19 letters of support from a wide range of individuals and organizations within our community, including:

- Congressman Jerry Costello
- Senator James F. Clayborne, Jr.

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- Representative Thomas Holbrook
- Mark Kern, St. Clair County Board Chairman
- The St. Clair County Board of Health
- The St. Clair County Medical Society
- Mark W. Eckert, Mayor of Belleville, Illinois
- Gary Graham, Mayor of O'Fallon, Illinois
- James A. Vernier, II, Mayor of Shiloh, Illinois
- Area Physicians
- McKendree University
- Southwestern Illinois College
- Lindenwood University
- The Greater Belleville Chamber of Commerce
- The O'Fallon-Shiloh Chambers of Commerce

The following responds to the concerns raised by the Hospital Sisters:

- The project will not result in the "unnecessary duplication of services." The Hospital Sisters state that the project would result in the "unnecessary duplication of services." The application provides documentation showing that "unnecessary duplication of services" will not result from the approval of this project. We have summarized below that documentation.
  1. Project results in a reduction of inpatient beds. By the time that Memorial Hospital – East inpatient beds are operational, the overall project will serve to reduce inpatient services, rather than duplicate unnecessary services. The Hospital Sisters' argument is flawed because it does not acknowledge that net bed reduction. When the semi-private rooms at Memorial Hospital are converted to private rooms, there will be a net reduction of six (6) beds in the planning area, consistent with identified need. The impetus for this project, as enumerated throughout the application, is the conversion of Memorial Hospital into an all-private room facility, consistent with contemporary best practices and standards. The application addresses the establishment of a satellite hospital, which will promote the efficient delivery of accessible services in the region. At the same time, it will allow Memorial Hospital to convert its semi-private rooms into

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private rooms, while reducing the total number of beds in the planning area. Because the application addresses the establishment of Memorial Hospital - East, it does not go into detail concerning the plans to remove 100 beds from Memorial Hospital's bed complement. The application explicitly states however, that the number of beds provided at Memorial Hospital will be reduced. Pursuant to the Board's rules, the "discontinuation" of the beds at Memorial Hospital does not, in itself, require a Certificate of Need Permit. To alleviate any confusion regarding Memorial's commitment regarding its plans, please see the attached letter. With the opening of Memorial Hospital - East, and the prospective placement of patients at both Memorial Hospital and Memorial Hospital - East, the size of each of the bed-related categories of service at Memorial Hospital will be reduced. No "unnecessary duplication" will result from the project.

2. Memorial will continue to monitor the utilization of all services provided to insure best outcomes and efficiencies. Hospital Sisters point out that some clinical services at Memorial Hospital are operating at less than the target utilization. Memorial notes, in response, that many of the clinical services offered at Hospital Sisters' Belleville hospital (St. Elizabeth's) are below the target utilization. In fact, each of the Hospital Sisters' Illinois hospitals operates clinical services at levels that are below the target utilization. Memorial also notes that, as operations proceed, evaluations will be made regarding the downsizing of certain clinical capacities, based on anticipated utilization. Memorial is committed to make sure that its facilities operate efficiently and that goal would be undermined if we were to staff un-used equipment or services.
- The Board has recognized, in practice and from a legal standpoint, that projects do not need to receive a positive finding on all criteria to receive the unanimous support of the Board. St. Elizabeth's assertion that a project's failure to meet all applicable review criteria should result in a denial of a permit flies in the face of the Board's practice and is rejected by legal precedent. The Board has the discretion, in full compliance with its rules, to approve projects that are in noncompliance with review criteria. In fact, as the Board and its staff are aware, nearly every hospital project of any complexity fails to comply with every review criterion.
  - The project is the best alternative available to bring contemporary inpatient treatment settings to our community. Hospital Sisters' state, without support or authority, that the proposed project is not the best or most cost-effective alternative to providing the "contemporary inpatient treatment setting" desired. Not only is this assertion without foundation, but it is contradicted by both hospital planning experts and by each and every other community organization that has opined about the importance of this project to the community. As the application details, several alternatives were evaluated, both by hospital management as well as national consulting firms that have expertise in making these assessments, and their conclusions corroborate our conclusion.

The Hospital Sisters' position that the size of Memorial Hospital's site alone should result in the applicants' conclusion that the most reasonable alternative would be to build a bed tower on site is, again, without foundation. The Hospital Sisters' letter, for example criticizes our planning process for failing to consider the development of a bed tower on

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the hospital site, when that very alternative was identified as one considered by hospital management and its Board.

- All costs associated with the project were thoughtfully and specifically considered by Memorial's management team and its nationally recognized consultants. Hospital Sisters asserts that the applicants "...did not consider that their [Memorial's] health system will incur additional significant operating costs by establishing a new hospital at a different location". The thought that Memorial's Board, management, and outside consultants would fail to do so is without merit.

As discussed in the application and mentioned earlier in this document, Memorial Hospital-East will be built and operated as a satellite of Memorial Hospital, with common management, from the CEO to the department level, will have staff that can "float" from one facility to the other depending on need, will have a common medical staff, will have common policies and procedures, and will have fully-integrated medical records and information systems. These operations-related plans are all designed to minimize operating costs without impacting patient care. Secondary programs, such as open heart surgery, will not be duplicated at the satellite hospital.

- The project is financially viable. Hospital Sisters' letter suggests that Memorial failed to demonstrate that the proposed project is financially viable. Again, this inflammatory charge is without foundation, is inconsistent with Memorial's proven management and track record, contradicts the evaluations that Memorial has dutifully performed, is and runs counter to Regions Bank's expressed interest in financing the project as a result of their assessment of Memorial's financial condition. A letter from Regions Bank, expressing their interest is provided in Attachment 39 to the application.
- Hospital Sisters failed to acknowledge or take into account the out-migration of Illinois citizens to Missouri for necessary care. Hospital Sisters chose to ignore the migration of Illinois citizens, and chose to be silent on the desirability of reducing the number of area residents — annually over 8,000 medical, surgical and pediatric patients — who chose to leave Illinois and cross the river to Missouri for inpatient care. This growing number of Illinois out-migrators have "voted with their feet" due to inadequate accessibility to hospital services in the Shiloh/O'Fallon area. This project directly addresses that problem.

Recognizing the historical problem of out-migration from Illinois, in 2010 Memorial commissioned McManis Consulting, a national health care planning consulting firm, to analyze the out-migration from Memorial Hospital's service area to Missouri hospitals, and to identify what impact the locating of services in the Shiloh/O'Fallon area could have on reducing the out-migration.

McManis identified 24 Zip Codes from which Memorial historically attracts 80-82% of its medical/surgical patients as Memorial's primary service area (PSA), and smaller ZIP Code-specific Illinois areas to the north and south as Memorial's secondary services area (SSA), from which Memorial historically attracts 5-6% of its medical/surgical patients. Missouri Hospital Association data was used to identify the number of patients being admitted to Missouri hospitals from Memorial's PSA/SSA, as well as the number of patient

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days of care that were being provided to those patients. This process allowed McManis to identify an average daily census (ADC) of 223 medical/surgical patients from Memorial's PSA/SSA in Missouri hospitals.


Understanding that among the Missouri hospitals attracting Illinois residents were a number of regional referral centers, McManis, using the patients' DRGs, identified 36.2% of the out-migration patient days as "primary", 48.3% as "secondary", and 15.6% as "tertiary". Conservatively, McManis estimated that if hospital services were located at the proposed Shiloh site of Memorial Hospital-East, 25% of the "primary" patient days and 15% of the "secondary" patient days could realistically be retained. The assumption was also made that all patients in need of "tertiary" care would continue to migrate to Missouri.

- Hospital Sisters elected not to address methodology used by Memorial to justify the combined bed complements of Memorial Hospital and Memorial Hospital-East. That methodology relied exclusively on population change and (more importantly) aging, as well as the reduced out-migration to Missouri discussed above. It assumed no market share shift between Memorial Hospital/Memorial Hospital-East and Hospital Sisters' Belleville Hospital, St. Elizabeth's Hospital. In electing not to address this obvious concern, Hospital Sisters has attempted to shroud Memorial's desire to bring private beds to the community and to reduce out-migration by raising peripheral and typically unfounded issues.

In conclusion, while the Hospital Sisters, in a direct challenge to the unanimous community support that has been registered for this project, have expressed concern about our project, we believe that their arguments are without merit and our application provides documentation consistent with the IHFSRB's rules. Hospital Sisters' letter fails to acknowledge the reduction of beds that will result from this project, and the critical out-migration that occurs now because Illinois services are not accessible.

Memorial is grateful for the breadth of support for our project, and we are honored looking forward, to our continued partnership with our community in serving its health care needs for many years to come.

Sincerely,



Mark J. Turner  
President & CEO

Enclosure

# MEMORIAL GROUP INC.

June 3, 2011

Mr. Michael Constantino  
c/o Illinois Health Facilities and  
Services Review Board  
525 West Jefferson  
Springfield, IL 62761

**RE: Project 11-017  
Memorial Hospital-East**

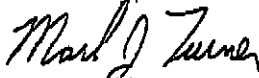
Dear Mr. Constantino:

This letter is being sent to confirm the intent of Memorial Hospital in Belleville to "discontinue" a total of 100 beds upon the opening of Memorial Hospital-East (Project 11-017). The "discontinued" beds will include 78 medical/surgical/pediatrics beds, 1 ICU bed and 21 obstetrics beds.

As discussed in the Memorial Hospital-East application on file with your office, it is our full intent to continue to operate Memorial Hospital in Belleville, and that hospital will, upon the opening of Memorial Hospital-East provide 216 beds in private rooms and all of the clinical services currently provided at the hospital, including its secondary and tertiary care programs.

Please do not hesitate to call me, if you desire further information related to any aspect of either Project 11-017 or Memorial Hospital.

Sincerely,



Mark J. Turner  
President & CEO

Notarized: Judy L. Lynch

