

ADDENDUM STATE BOARD STAFF REPORT



Transcript of **BOARD MEETING**

Date: January 27, 2015

Case: STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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ILLINOIS DEPARTMENT OF PUBLIC HEALTH
HEALTH FACILITIES AND SERVICES REVIEW BOARD
OPEN SESSION

REPORT OF PROCEEDINGS

Bolingbrook, Illinois 60490

January 27, 2015

9:03 a.m.

BOARD MEMBERS PRESENT:

MS. KATHY OLSON, Chairperson

MR. JOHN HAYES, Vice Chairman

MR. PHILLIP BRADLEY

MR. DALE GALASSI

MR. RICHARD SEWELL

Job No. 74308

Pages: 1 - 200

Reported by: Melanie L. Humphrey-Sonntag,

CSR, RDR, CRR, CCP, FAPR

Notary Public, Kane County, Illinois

1 EX OFFICIO MEMBERS PRESENT:

2 MR. MATT HAMMOUDEH, IDHS

3 MR. MIKE JONES, IDHFS

4

5 ALSO PRESENT:

6 MR. JUAN MORADO, JR., General Counsel

7 MS. JEANNIE MITCHELL, Assistant General Counsel

8 MS. COURTNEY AVERY, Administrator

9 MS. CLAIRE BURMAN, Board Staff

10 MS. CATHERINE CLARKE, Board Staff

11 MR. MICHAEL CONSTANTINO, IDPH Staff

12 MR. BILL DART, IDPH Staff

13 MR. GEORGE ROATE, IDPH Staff

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1 CHAIRPERSON OLSON: Next is Project 14-043,
2 St. Elizabeth's Hospital, O'Fallon.

3 Would the Applicant please come to the table.

4 MR. CONSTANTINO: Madam Chair, we did receive
5 a comment on the State agency staff report for this
6 project.

7 CHAIRPERSON OLSON: Everybody received that --
8 was it e-mail?

9 MR. MORADO: And, Mr. Constantino, were those
10 comments received timely?

11 MR. CONSTANTINO: Yes.

12 MR. MORADO: And are they responsive to the
13 State Board report?

14 MR. CONSTANTINO: Yes. We've got copies if
15 you'd like for us to pass them out.

16 CHAIRPERSON OLSON: Does anybody need a copy?

17 MEMBER SEWELL: I do.

18 CHAIRPERSON OLSON: Okay. May I have a motion
19 to approve Project 14-043, St. Elizabeth's Hospital, to
20 discontinue an acute care hospital in Belleville and
21 reestablish an acute care hospital in O'Fallon.

22 MEMBER GALASSI: So moved.

23 MEMBER SEWELL: Second.

24 CHAIRPERSON OLSON: Would the Applicant be

1 sworn in, please.

2 THE COURT REPORTER: Raise your right hands,
3 please.

4 (Seven witnesses duly sworn.)

5 THE COURT REPORTER: Thank you.

6 CHAIRPERSON OLSON: Mr. Constantino, your
7 report.

8 MR. CONSTANTINO: Thank you, Madam Chairwoman.

9 The Applicants are proposing discontinuation
10 of a 303-bed hospital in Belleville, Illinois, and the
11 establishment of a 144-bed facility in O'Fallon,
12 Illinois. The approximate cost of the project is
13 \$254 million. The anticipated completion date is
14 December 31st, 2017.

15 We conducted two public hearings on this
16 project. We received a number of opposition and support
17 comments. We have findings on this project, also.

18 The Applicants address a total of 38 criteria
19 regarding this project.

20 Thank you, Madam Chairwoman.

21 CHAIRPERSON OLSON: Thank you, Mike.

22 Presentation for the Board?

23 MS. STARMANN-HARRISON: Yes. Good morning.

24 My name is Mary Starmann-Harrison, and I am

1 privileged to serve as the president and CEO of Hospital
2 Sisters Health System. I'd like to introduce our team,
3 who will share with you why we are seeking a certificate
4 of need for HSHS St. Elizabeth's Hospital to build a
5 replacement hospital.

6 We have Amy Ballance, our vice president of
7 strategy for HSHS southern Illinois division; Sister
8 Jomary Trstensky, the provincial superior and president
9 of Hospital Sisters of St. Francis; Maryann Reese, the
10 president and CEO of St. Elizabeth's Hospital;
11 Clare Ranalli, our legal counsel; Dr. Shelly Harkins, our
12 chief medical officer at St. Elizabeth's Hospital; and
13 Larry Schumacher, our HSHS chief operating officer. Four
14 of us plan to speak for a total of about 20 minutes.

15 I want to just take a moment to share with you
16 why this project is so important to Hospital Sisters
17 Health System, which operates 14 hospitals in Illinois
18 and Wisconsin.

19 HSHS has embraced health care reform and is
20 working diligently to transfer the delivery of care to
21 our patients. We are partnering with physicians in the
22 communities we serve to provide an integrated patient
23 experience.

24 The St. Elizabeth's replacement project is a

1 critical component of our care integration strategy. It
2 is designed to be a referral hospital for our southern
3 Illinois division, which includes HSHS St. Joseph's
4 Hospital in Highland, HSHS St. Joseph's Hospital in
5 Breese, and St. Anthony's Memorial Hospital in Effingham.

6 Our southern Illinois division also includes
7 approximately 115 physicians and midlevel providers from
8 the HSHS Medical Group and Prairie Cardiovascular.
9 Together, our doctors and hospitals in the southern
10 Illinois division deliver high-quality care that is
11 convenient to our patients and cost-effective. We need a
12 modern, state-of-the-art St. Elizabeth's hospital to
13 serve as the hub of this delivery model.

14 As we planned this project over the last
15 several years, we considered many factors. First, we
16 wanted to make sure the project would allow us to
17 continue our mission to care for all, particularly the
18 poor and vulnerable.

19 Second, we wanted to make sure the project
20 provides easy access to our patients who come to us from
21 across the region and including communities with the
22 highest poverty rates in the state.

23 And, third, we wanted to make sure we could
24 create a modern hospital campus that recognizes the trend

1 toward outpatient care, the role of technology, and a
2 hospital environment and how it positively impacts the
3 patient experience and improves criminal outcomes.

4 We are cautious students -- excuse me --
5 stewards of our health care resources, and within our
6 14-hospital system there are many needs for capital
7 investments. During our multiyear planning process, we
8 carefully weighed how this project would impact the
9 capital needs at our other hospitals.

10 This investment is significant, but we
11 concluded that the St. Elizabeth's replacement hospital
12 is necessary to sustain and enhance our mission in
13 southern Illinois for generations to come.

14 I thank you for your consideration and
15 appreciate all the hard work you and that the staff have
16 put in reviewing and analyzing this project.

17 And now I'd like to turn it over to Sister
18 Jomary Trstensky.

19 SISTER TRSTENSKY: Good morning. I am
20 Sister Jomary, the president of the Hospital Sisters of
21 St. Francis and provincial superior of the Hospital
22 Sisters.

23 I thank you for your time and your service to
24 the State of Illinois. I am here today to look you in

1 the eye and assure you that, in proposing a replacement
2 hospital, we are not abandoning Belleville, we are not
3 abandoning the poor.

4 It has been a long road for us finally to be
5 here today, and that road has been paved with hard work,
6 thoughtfulness, and prayer. I'm told that you, as a
7 Board, consider a number of factors when projects like
8 ours are before you. I'd like to address two that might
9 be on your mind.

10 One is the strong sense of emotion that
11 Belleville residents have expressed about St. Elizabeth's
12 anticipated move to another location outside of
13 Belleville. We share and understand that nostalgia.
14 I can only say that my sense of nostalgia is greatly
15 surpassed by our plans for a new and modern facility that
16 will take St. Elizabeth's and our mission into the next
17 100 years.

18 I also want you to understand that many
19 Belleville residents support our plan to replace
20 St. Elizabeth's. A great number of patients from our
21 area have expressed a true passion and gratitude for
22 St. Elizabeth's Hospital's service over many years, and
23 they support our replacement hospital.

24 While it may seem counterintuitive, we like to

1 think of the desire expressed by so many for us to stay
2 in Belleville as an outpouring of support for us and the
3 work we have done over the past nearly 140 years. While
4 it is true that, with your blessing, we plan to move
5 inpatient services offered at St. Elizabeth's, you have
6 my commitment that we are not abandoning Belleville. In
7 Belleville there will be many outpatient services and
8 offices, including physician offices, imaging and lab
9 services, and a walk-in clinic. We will continue to
10 serve the same patients we serve today. The claims that
11 we are abandoning our mission are completely unfounded.

12 The Hospital Sisters voted in June of
13 last year to build a replacement hospital because we
14 believe it is necessary, practical, and best for our
15 region. These plans carry us into the future through
16 investment in our mission and in the five-county region
17 we serve, including St. Clair, Madison, Clinton,
18 Randolph, and Monroe Counties.

19 Thank you for your attention. I would like
20 now to turn things over to St. Elizabeth's Chief
21 Executive Officer Maryann Reese.

22 MS. REESE: Thank you, Sister.

23 Good morning. I'm Maryann -- is it on?

24 SISTER TRSTENSKY: Yeah, it is but it's light.

1 MS. REESE: Good morning. I'm Maryann Reese
2 and I serve as the president -- I'm sorry. Let me start
3 over.

4 I'm -- good morning.

5 (Laughter.)

6 MS. REESE: I'm Maryann Reese. I'm a
7 registered nurse and I hold master's and doctoral degrees
8 in health care administration. For the last four years,
9 I've had the privilege to serve as the president and CEO
10 of HSHS St. Elizabeth's Hospital.

11 I would first like to thank your staff for the
12 support they've provided since we embarked on this
13 project. Their guidance and patience have been greatly
14 appreciated.

15 We are here today to seek your approval to
16 replace our current obsolete hospital with a modern
17 hospital that will have recognized standards of design,
18 construction, and operation and will provide the most
19 cost efficient alternative to the provision of quality of
20 care.

21 The reason we are seeking a replacement
22 facility is because it is extremely challenging to
23 operate a hospital that was designed and built for health
24 care in the 1950s. The State Board report correctly

1 states that we meet the criteria for discontinuation and
2 that there is a need for the replacement hospital.

3 Despite the challenges we face providing
4 health care in an obsolete facility, we still deliver
5 exceptional, high-quality patient care, as evidenced by
6 our recent awards, which include receiving the
7 prestigious Illinois Performance Excellence Award for
8 2013, being named for the last three consecutive years as
9 one of the top 50 heart hospitals in the entire nation by
10 Truman Analytics, attaining designation by the Illinois
11 Department of Public Health as an emergent, stroke-ready
12 hospital in Illinois, and also receiving recognition by
13 the American Heart Association for our stroke outcomes
14 and being named a top quality performer by the Joint
15 Commission for the last two years in a row.

16 We are proud of what we have accomplished and
17 do not want the quality of care we provide to our
18 patients to decline while we continually pour money into
19 an aging building that makes it difficult for us to
20 deliver modern health care. As Mary said, we spent
21 several years planning this project and looked at
22 different options and scenarios. How could we best serve
23 our patients in the region?

24 We looked at renovating the current hospital,

1 and we looked at trying to build on our 17-acre,
2 landlocked campus. After careful evaluation we
3 determined both options would be too costly, take too
4 long, and be too disruptive to our patients. It is also
5 very important to recognize that our current location is
6 not easily accessible to the 75 percent of our patients
7 who do not live in Belleville.

8 Let me repeat that: 75 percent of our
9 patients do not reside in the city of Belleville. As
10 Sister Jomary mentioned, for those patients who do live
11 in Belleville, we are committed to keeping health care
12 services at our downtown campus. In addition, many of
13 our business functions will remain on our current campus,
14 and we expect to have around 200 colleagues continue to
15 work in downtown Belleville.

16 The decision to move our inpatient acute care
17 services was made after much planning and analysis. In
18 the end we determined relocating St. Elizabeth's Hospital
19 to a different site best meets the long-term health care
20 needs of southern Illinois and the Metro East region.

21 There is overwhelming community support for
22 this new hospital. The letters of support exceed those
23 of opposition by more than six to one, and many of our
24 supporters include residents of Belleville.

1 (Indicating.)

2 Our project removes 159 beds from the planning
3 area and will equalize hospital-based services for the
4 region. It proposes a much more sensible approach to the
5 distribution of -- distribution of licensed beds in the
6 region.

7 The State Board report states, quote, "A new
8 hospital is necessary to continue to provide necessary
9 services for all residents of the F-1 planning area." We
10 are grateful to the staff Board -- to the State Board
11 staff for this finding and completely agree that our
12 replacement hospital is necessary.

13 I also want to point out that we have a unique
14 partnership with Scott Air Force Base, St. Louis
15 University, and Southern Illinois Health Care Foundation
16 to provide the family practice medicine residency program
17 at St. Elizabeth's Hospital. This unique program is the
18 only one of its kind in the nation and partners a
19 hospital, a medical school, an FQHC, and the military.
20 We have been proud to do our part by providing training
21 sites and by investing more than \$1 million a year for
22 this important partnership.

23 General Travis, the surgeon general of the
24 United States Air Force, came to the St. Elizabeth's

1 Hospital recently to review the residency program. He
2 was impressed with our plans to provide Air Force
3 personnel and their families, as well as the residency
4 program, with a state-of-the-art modern, high acuity
5 health care facility.

6 I want to reaffirm that the location of our
7 proposed replacement hospital puts us closer to the
8 majority of our patients. As Sister Jomary said, we are
9 not abandoning our mission. Our new location will
10 actually be closer to residents who live in 8 of the
11 10 communities with the highest poverty rates in the
12 region.

13 I want to point out the map in front of you
14 that was in your materials. This map shows the drive
15 times for those communities to our new location and our
16 existing campus. The two red circles are the only
17 two communities with higher drive times to
18 St. Elizabeth's.

19 Our mission calls us to care for the whole
20 person and to heal more than just physical ailments.
21 There are countless examples of our mission in action,
22 and I want to share just two of the many.

23 This past summer we treated a developmentally
24 delayed man from central Illinois who walked along the

1 railroad tracks for two days. He suffered from severe
2 dehydration and sunburn. He was trying to get away from
3 an abusive living arrangement. Once he recovered, our
4 colleagues worked closely with his family to find him a
5 secure place to live closer to his parents.

6 Another patient we serve was a 40-year-old
7 physically disabled female with diabetes who relied on
8 her aging mother to manage her diabetes. After learning
9 the mother suffered from dementia and was not equipped to
10 care for her daughter, our team closely worked with the
11 family at discharge to make assisted-living arrangements
12 so both the mother and the daughter could live together.

13 These examples reflect the work we do each and
14 every day. It is our profound desire to continue our
15 140-year mission to care -- to reveal and embody Christ's
16 healing love for all people through our high-quality
17 Franciscan health care ministry.

18 The reason we are asking this Board to approve
19 our replacement hospital is so that we can continue to
20 provide the type of holistic care to patients who come to
21 us from across southwestern Illinois. We believe a new,
22 modern hospital that is easier to reach will strengthen
23 our mission.

24 I appreciate your time and attention and

1 respectfully request and hope with all my heart that you
2 vote yes to approve this much needed replacement
3 hospital, making high-quality, high acuity health care
4 services more accessible to the region.

5 I will now turn it over to Clare Ranalli, who
6 will address the State Board report.

7 MS. RANALLI: Thank you, Maryann.

8 And I also would like to reiterate the
9 expression of thanks to Ms. Avery, Mr. Constantino, and
10 Mr. Roate for all of their technical assistance as well
11 as their work during the two public hearings that were
12 held on this project. It was truly appreciated.

13 With that said, of the 38 criteria that this
14 project was measured by, we met 30 criteria. Despite the
15 complexity and cost of this project and constructing an
16 entirely new hospital, the careful planning that
17 St. Elizabeth's engaged in was very consistent with your
18 rules and regulations, as evidenced by the fact that we
19 met all but eight criteria, six of which were entirely
20 outside of our control.

21 Those six that we did not meet that were
22 outside of our control relate to the excess of beds in
23 the area. There is nothing we can do about the fact that
24 many hospitals in the planning area have beds that they

1 don't use and will not relinquish them, but what we can
2 and did do in this project is voluntarily surrender
3 159 beds. That is a significant number of beds, and it
4 reduces the overbedding in the planning area; however,
5 because of the excess of beds, we could not meet
6 maldistribution and duplication of services review
7 criteria.

8 With that said, those review criteria are
9 applicable to this project because it is viewed as an
10 establishment hospital. In other words, a new hospital
11 to the planning area. You heard in opposition remarks
12 the referral many times to this being a new hospital, as
13 if somehow St. Elizabeth's has not existed for the past
14 140 years. The new replacement hospital will reduce beds
15 and offer the same services. We are not including any
16 new pieces of equipment or expanding any existing
17 services.

18 With respect to duplication, an argument made
19 by Memorial, I'm not sure what is more duplicative than
20 having two full-service hospitals with neurosurgery,
21 stroke, and open-heart in the same town of 42,000 people.
22 I don't understand why that's not duplicative and, yet,
23 moving a few miles away to a different town that's
24 also -- between Shiloh and O'Fallon -- 42,000 people

1 somehow is duplicative.

2 Also, we note that, with respect to
3 duplication of services, we have many support letters
4 from area hospitals -- not just HSHS referral hospitals
5 but other hospitals -- with respect to our planning
6 because those hospitals recognize the critical nature of
7 St. Elizabeth's services to the region.

8 With respect to the two criteria that we did
9 not meet that were within our control, one was the
10 technical performance criteria on obstetrical services.
11 Your rules require, in an MSA, a 20-bed unit. Our
12 utilization -- and throughout this project we looked at
13 2013 utilization and carried it through to support our
14 services. We didn't project; we didn't try to grow. In
15 fact, we're downsizing, and with OB we are downsizing.
16 Our utilization statistic could not support 20 beds.

17 We knew we would have a negative one way or
18 the other, the performance criteria or not meeting your
19 utilization, and we were not about ready to trump up
20 numbers to try and meet utilization targets, so we took
21 the hit on the technical performance and hope that, in
22 light of the excess beds, you feel that we justified that
23 particular finding.

24 The last finding is with respect to labor and

1 delivery recovery rooms, and I will tell you we wrung our
2 hands about whether we should come in for five LDRs or
3 three. We support three; we came in on five because
4 49 percent of the time in 2014 we had three LDRs busy
5 with women in labor. Another 15 percent of the time we
6 had four LDRs busy with women in labor. When we got to
7 five -- frequently there were five but we certainly
8 couldn't justify six.

9 Based upon the number of women we see at the
10 hospital currently who labor, we need those five rooms
11 and ask that you would give us those. And if it's an
12 impediment, we'll go down to three, but we don't think
13 that that best serves our patients.

14 So with that said, we appreciate your time in
15 hearing us out. This is an important project, and we're
16 happy to answer any questions you may have.

17 CHAIRPERSON OLSON: Questions from Board
18 members?

19 Mr. Sewell.

20 MEMBER SEWELL: Thank you very much.

21 This is an extraordinary reduction in bed
22 complement.

23 The rehab, the physical rehab beds -- this is
24 one of the findings that were not met. In your planning

1 was the alternative of not having this service considered
2 in the replacement facility?

3 MS. BALLANCE: It really wasn't. We have good
4 utilization of those services now, and they're very
5 limited with those types of beds within the immediate
6 area and within our market. It also fits within the
7 continuum of care that we provide for the growth of all
8 of our different services within the hospital.

9 We did, however, take into consideration
10 looking at how the change of care is provided for those
11 therapy patients and knowing that more would be going to
12 outpatient, and so we wanted to make sure that we planned
13 appropriately for those number of beds, which is why we
14 did reduce the number of beds that we're asking for.

15 THE COURT REPORTER: What's your name, please?

16 MS. BALLANCE: My name is Amy Ballance.

17 THE COURT REPORTER: Thank you.

18 CHAIRPERSON OLSON: Other questions or
19 comments?

20 MEMBER GALASSI: Yes. Actually, I do.

21 Was there ever a plan for a site in
22 Belleville?

23 MR. SCHUMACHER: In -- Larry Schumacher.

24 In 2010, when we began looking at this

1 project, we looked at several properties throughout the
2 geography, and we talked with Mayor Eckert about options
3 within -- within Belleville.

4 And when we asked for proposals, a proposal
5 was brought forward by the mayor to relocate our hospital
6 next to Southwestern College, which is about 4 1/2 miles
7 from our current location, but never did we get a
8 proposal or any kind of structured response from the City
9 of Belleville to replace the facility in Belleville.

10 We looked very closely at our property and our
11 space, and we deemed it just not sufficient and that we
12 could build -- rebuild on the site without it being
13 extraordinarily difficult and extraordinarily expensive.

14 MEMBER GALASSI: Thank you.

15 CHAIRPERSON OLSON: I need a little geography
16 lesson here.

17 So the new site is how many miles from the old
18 site?

19 MS. BALLANCE: About 6 1/2 miles.

20 CHAIRPERSON OLSON: Okay. And the new site is
21 how many miles from your opposition's new hospital?

22 MS. BALLANCE: The new -- how many miles is
23 the new site from --

24 CHAIRPERSON OLSON: Yeah. The two new

1 hospitals will be how far --

2 MS. BALLANCE: It's approximately 2 miles.

3 CHAIRPERSON OLSON: And the two old hospitals
4 are currently how far apart?

5 MS. BALLANCE: About -- between 4.3,
6 4.5 miles, depending on what source you use.

7 CHAIRPERSON OLSON: Okay.

8 So because I -- I guess I -- and I appreciate
9 the clarification between "new" and "relocation." So
10 we're really not adding a competitor into the market, but
11 the competition already exists between the two hospitals.

12 MS. BALLANCE: That is correct.

13 CHAIRPERSON OLSON: So it sort of seems to me
14 that what the other new hospital would like is to move
15 out to where the market share is, the different payer
16 source. And my concern is that leaves you -- because
17 people -- and I -- somebody brought up this Crain's
18 article.

19 And I read the Crain's article, and one of the
20 first points that the Crain's article makes is that the
21 hospitals that are not doing well are the newer
22 hospitals.

23 So I'm kind of of the philosophy that, if you
24 build it, they will come. I know there are going to be

1 restrictions on certain people getting there. But my
2 concern is, if one hospital builds outside of downtown
3 Belleville, that leaves the remaining hospital in
4 downtown Belleville to take care of the payer mix that's
5 really going to financially damage you. I think you need
6 to be able to compete on a level playing field, and
7 I don't see how -- I just wondered if you could comment
8 on that.

9 MS. REESE: I'd like to comment on the type of
10 hospital. There's an assumption that the hospitals are
11 exactly the same.

12 We are looking to move our hospital to our --
13 to totally replace our hospital. In Memorial's CON for
14 Memorial East, it says that they will not be doing
15 certain services at their satellite facility, which
16 includes -- they will not be doing -- quote, "they will
17 not be doing cardiovascular surgery, neurosurgery, or
18 high-risk OB services." They will also not have a
19 physician office building.

20 Our replacement hospital will have all of
21 those things, including neurosurgery, cardiovascular
22 surgery, a physicians office building. We will have a
23 high-intensity ICU that will have card -- trained
24 intensivists, physicians in our ICU, as well -- so

1 critical care doctors in our ICU. The total -- it's not
2 the same level of hospital.

3 That being said, it's similar to -- so
4 anything high acuity that shows -- that goes to St. --
5 Memorial East or the satellite facility will be
6 transferred to downtown Memorial in Belleville, similar
7 to our hospitals. Our replacement facility is a
8 facility -- a satellite -- or is a total replacement
9 hospital for our sister hospitals that are in Highland,
10 Breese. Same -- that Highland -- that satellite facility
11 in Shiloh will be that for Belleville Memorial downtown.
12 That's the relationship.

13 And so we are keeping -- and we're very
14 committed to Belleville. We're keeping services in
15 downtown Belleville, including physical therapy services,
16 back-to-work programs. We're keeping radiology services
17 including mammography services. We're keeping laboratory
18 services there. We're keeping --

19 MS. RANALLI: Urgent care.

20 MS. REESE: I'm sorry?

21 MS. RANALLI: Urgent care.

22 MS. REESE: Yeah. A walk-in clinic we're
23 keeping there. We're keeping physician offices there.
24 We're also keeping several physicians on that campus, as

1 well, so we will be servicing Belleville, as well, and we
2 believe that our patients will follow us.

3 Right now -- as I said in my opening remarks,
4 75 percent of our patients don't come from Belleville, so
5 we expect our payer mix to be the same where we are and
6 where we're moving to.

7 MS. RANALLI: And, Ms. Olsen, may I address
8 your issue on payer mix a little bit further also, just
9 very briefly?

10 It's been very frustrating because the fact
11 that moving might take us to a different payer mix has
12 been a constant theme of opposition, but it's completely
13 unsupported by the reality of the situation.

14 One would predicate upon that argument that
15 somehow Belleville is a very poor payer mix. It is not.
16 In fact, there is a higher level of Medicaid patients
17 from the zip codes St. Elizabeth's serves outside of
18 Belleville than inside of Belleville. There is just 1 or
19 2 percent slightly higher charity care from the zip codes
20 in Belleville, just 1 to 2 percent. The payer mixes are
21 really very equal.

22 So the thought of somehow being in downtown
23 Belleville places us in an area where currently we're
24 serving a very, you know, poor payer mix, that's not the

1 case.

2 And Memorial is also not in downtown
3 Belleville. It's somewhat on the outskirts. So it's not
4 as if you have these two hospitals right in downtown
5 Belleville.

6 Our payer mix and Medicaid is higher than
7 Memorial's, and we expect it fully to remain higher. In
8 fact, we're moving closer -- you asked about geography in
9 the region. I've worked with the hospitals in East
10 St. Louis for many, many years. I know the area so I'm
11 not just talking -- spouting right now based upon trying
12 to represent St. Elizabeth's here. We're moving closer
13 to Cahokia, Washington Park, Centreville, areas that have
14 a significantly high number of people living at or below
15 the poverty level. We will be closer to them.

16 And transportation will not be an issue
17 because there will be a bus stop right outside the new
18 proposed hospital, but we can't present IDOT plans
19 because they won't speak to us -- the local transit and
20 IDOT won't speak to us until we get approval. So we
21 couldn't submit those plans, but there will be ample
22 planning for transportation for anyone who needs it.

23 CHAIRPERSON OLSON: Mr. Sewell.

24 MEMBER GALASSI: IDOT won't speak to you until

1 what?

2 MS. RANALLI: Until they know this can be a
3 reality. They don't want to devote their State and
4 municipal and local resources unless they believe that
5 this may move forward.

6 CHAIRPERSON OLSON: Mr. Sewell.

7 MEMBER SEWELL: Yeah, I had a question for
8 Mike.

9 I want you to say more about this finding of
10 impact on area providers. It seems counterintuitive that
11 there would be such a reduction in bed complement and
12 then the finding that you'd still have a negative impact
13 on other facilities meeting their target utilization.

14 Can you say a little more about that?

15 MR. CONSTANTINO: Yeah. We reached that
16 conclusion based on the fact that all of the hospitals in
17 that area are underutilized, all the beds are
18 underutilized.

19 And when you -- even though there was a bed
20 reduction, those hospitals appeared to us that they would
21 still be underutilized.

22 MEMBER SEWELL: I see. Okay.

23 And then the other thing -- and maybe this is
24 for the Applicant.

1 I heard your explanation as to why you didn't
2 come in proposing 20 obstetric beds. I think that's in
3 there so that anyone doing delivery would have enough
4 capacity to deal with the exceptions.

5 You know, a normal delivery could probably
6 occur anyplace, but the others -- you know, you need the
7 backup in terms of staff, clinician and nonclinician
8 staff, so that they get enough familiarity with these
9 cases to handle them.

10 What's been the experience at St. Elizabeth's
11 with obstetrics? Do you have the kind of support for
12 those exceptions? Because you're going to have --
13 what? -- a 12 -- you're proposing a 12-bed unit. So
14 you wouldn't have the desirable planning ideal within a
15 metropolitan area.

16 So can you handle those exceptions that occur
17 with that type of capacity?

18 MS. REESE: Yes. We believe that we can, and
19 that's why we're asking for the five LDRs.

20 I'm not sure if -- are you asking about
21 capacity clinically can we handle --

22 MEMBER SEWELL: No. I guess it's expertise
23 and --

24 MS. REESE: Yes.

1 MEMBER SEWELL: -- seeing enough cases so that
2 people remain proficient.

3 MS. REESE: Oh, yes. Absolutely.

4 We do around 1200 births a year. We have a
5 very competent staff. We have pediatricians in our
6 hospital on a 24/7, actually. We have a Level II
7 nursery, and so we actually bumped it up so that we have
8 a pediatrician in-house to take care of those patients
9 who -- they're at all the deliveries.

10 And as you heard one of our OBs speak in
11 public comment, we've seen an increase in our births, as
12 well. Of course, we couldn't include that because of the
13 rules, but we've seen an increase in our ob-gyns, as
14 well.

15 So, yes, we're very, very competent to take
16 care of critically ill moms and babies.

17 MEMBER SEWELL: Thanks.

18 DR. HARKINS: And our family medicine
19 residency program, where we partner with Scott and
20 St. Louis University, it's critical that they do a
21 certain number of deliveries, and they are at this time
22 our highest service line for deliveries.

23 And Scott OBs -- Scott Air Force obstetricians
24 are on staff and take call and circle through, and all of

1 our family medicine residents deliver babies. And at
2 this time we've never not had enough rooms to do what we
3 needed to do.

4 We do pretty high-risk deliveries,
5 particularly those Air Force deliveries. It's an
6 important benefit for our Scott Air Force Base personnel.
7 We are their hospital. They do not have a hospital at
8 Scott, and our OB service line is critical to them.

9 So for all of those reasons we do have
10 exceptional expertise and the ability to handle fairly
11 high-risk deliveries.

12 MS. REESE: And I would add that we're the
13 highest provider of Tricare in our region, "Tricare"
14 being the medical insurance for the military.

15 MEMBER SEWELL: Yes.

16 CHAIRPERSON OLSON: Other questions or
17 comments?

18 Mr. Hayes.

19 VICE CHAIRMAN HAYES: Madam Chair, thank you.

20 I was just wondering if you could go over a
21 little bit about -- the City of Belleville had talked
22 about a partnership with Southwest College that is
23 located there. It's a rather -- it's been expanding
24 quickly.

1 What was that partnership -- what would that
2 partnership be like?

3 MR. SCHUMACHER: The basis of the discussion
4 was land that was next to the college that they thought
5 we could locate the hospital on.

6 And the second component of it is that
7 St. Elizabeth's has been the major clinical site for
8 education for the -- for Southwest College health
9 programs and other programs that they offer, and they
10 thought that there may be a partnership there.

11 The land was the basis of why they came to the
12 table, but we looked at alternate sites and chose the
13 site on I-64.

14 MS. REESE: The land was actually outside of
15 Belleville. They would have had to have annexed it into
16 Belleville, which I think they talked about. I wasn't
17 here at that time.

18 But we have a very good partnership with SWIC.
19 We have the respiratory school at St. Elizabeth's. Of
20 course, we do residencies with nursing, pharmacy, and we
21 will continue that relationship with SWIC, and we do
22 continue today even though that wasn't an option, a
23 viable option for us.

24 VICE CHAIRMAN HAYES: Now, SWIC or -- what is

1 it called, Southwest --

2 MS. REESE: Southwest Illinois College, yes.

3 VICE CHAIRMAN HAYES: Southwest Illinois
4 College, is that a four-year institution now?

5 MS. REESE: It's a -- no, it's not. It's a
6 two-year community college.

7 VICE CHAIRMAN HAYES: It's a community
8 college?

9 MS. REESE: I don't know if that's the right
10 word for it or not but -- it's a two-year college.

11 VICE CHAIRMAN HAYES: I noticed also that you
12 do have a -- what is your bond rating?

13 I think it's A. Is that correct?

14 MR. SCHUMACHER: Double A minus.

15 MS. STARMANN-HARRISON: Double A minus is our
16 bond rating.

17 VICE CHAIRMAN HAYES: Okay. So you're taking
18 on almost \$300 million for this project here.

19 Do you feel that you can handle that?

20 MS. STARMANN-HARRISON: Yes, we do.

21 We -- when I mentioned we carefully planned
22 this as good stewards of our resources, we've planned out
23 the expenditures of capital in what years, and we have
24 talked with the bond rating agencies to assure that we

1 would not run into any problems.

2 So it's a very carefully thought-out and
3 planned situation, and we do not expect any problems with
4 our bond rating or -- as we attempt to access capital
5 from the markets.

6 And we have -- we will have ability to have
7 some flexibility in the timing of that because we have
8 some cash set aside. We were very cautious on how we
9 planned for this project, and this is the way we do it
10 for all of our major projects in the system. We're
11 very -- we're very conservative and cautious.

12 VICE CHAIRMAN HAYES: Now, you have
13 14 hospitals in Illinois and Wisconsin.

14 MS. STARMANN-HARRISON: Correct.

15 VICE CHAIRMAN HAYES: What is your next -- is
16 St. Elizabeth your largest hospital?

17 MS. STARMANN-HARRISON: No. St. John's in
18 Springfield is our largest hospital.

19 VICE CHAIRMAN HAYES: Okay. What is the
20 next one?

21 MS. STARMANN-HARRISON: The next one is
22 St. Elizabeth's.

23 VICE CHAIRMAN HAYES: Okay. So this is a
24 major commitment to you. And as I mentioned before, the

1 280 or 90 million dollars, that includes this office
2 building, as well.

3 MS. STARMANN-HARRISON: It's about
4 \$250 million for the hospital, I'd say.

5 VICE CHAIRMAN HAYES: Hospital?

6 MS. STARMANN-HARRISON: And then the medical
7 office building, which will be developed with the use of
8 a -- with a partnership with a developer -- is on top of
9 that.

10 VICE CHAIRMAN HAYES: Okay. Well, thank you
11 very much.

12 MS. STARMANN-HARRISON: Thank you.

13 CHAIRPERSON OLSON: Other questions or
14 comments?

15 MEMBER SEWELL: Yes.

16 CHAIRPERSON OLSON: Yes.

17 MEMBER SEWELL: I want to push you a little
18 bit on this rehab category of service.

19 It looks like, from the State agency report,
20 that you have these underutilized rehab services at other
21 provider institutions in the planning area. Okay? So
22 that's what's making you out of compliance with this,
23 because you're -- there's an excess of these. So tell me
24 a little more about why you just didn't come in and

1 propose the alternative of exiting rehab services.

2 MS. RANALLI: Maryann will talk about --

3 MEMBER SEWELL: You already answered this but
4 I'm pushing you on it a little bit.

5 MS. RANALLI: Right. Right.

6 As Amy said -- and Maryann will speak more to
7 the clinical aspect of it but -- we are actually
8 proposing, I think, four -- approximately -- a few less
9 rehab beds than our 2013 utilization would support.

10 And so one might question, "Well, why would
11 you not propose the same number of beds that you had in
12 2013?" We did that because, to some extent of what
13 you're saying, we really looked at the excess beds in the
14 area and tried to be conservative in our planning.

15 We can always add beds or come back to you if
16 we're busting at the seams and ask for more, but if you
17 have more and you don't use them, that's not good for
18 anyone. It's not good for the planning area; it's not
19 good for the hospital. So we were very conservative on
20 that.

21 But in light of the volume that
22 St. Elizabeth's had -- which, again, is more in 2013 than
23 even what we're projecting out to 2019 -- we felt the
24 need for the service. And Maryann can speak as to why

1 that volume is there.

2 MS. REESE: So this is, as you know, an acute
3 inpatient rehab facility, and it is staffed by
4 physiatrists, specially trained physicians, physiatrists.

5 I spoke a little bit about our stroke program.
6 As we continue to improve our stroke program and have
7 more patients come to St. Elizabeth's with stroke, that
8 is an integral part of that program. It's also an
9 integral part of our neuroscience program where we have
10 orthopedic surgeons and our -- and our -- so those
11 patients go there to rehab, as well.

12 And we're Carver accredited -- it's a Carver-
13 accredited facility so -- I'm not sure about the other
14 facilities in the area and if that's a comparison, but
15 it's very important to our overall strategic priorities
16 to have our rehab.

17 DR. HARKINS: I just want to absolutely agree
18 with Maryann on that. And I appreciate very much what
19 you're saying about the underutilization that exists, but
20 if -- it is very difficult for us to consider our
21 hospital without our acute inpatient rehabilitation
22 center. It's a shining star for us.

23 We are very, very good at it, and it supports
24 all of the other -- many of the other service lines that

1 we have, and it's one of the -- it's the one reason
2 patients come from Missouri to Illinois for care, because
3 of our state-of-the-art, world class, world-renowned
4 rehabilitation facility. It's quite remarkable.

5 MEMBER SEWELL: One other thing.

6 That -- this is an Air Force base nearby?

7 MS. REESE: Yes.

8 MEMBER SEWELL: Okay. Do they use the other
9 inpatient facilities in the area, also?

10 MS. REESE: Do you want to answer that?

11 DR. HARKINS: Yes.

12 Scott Air Force Base is just a few miles away
13 from where we're located now and where we will be
14 located -- we're actually going to be located closer at
15 the proposed location if that is approved.

16 The Scott Air Force Base colleagues and
17 everyone there, they're encouraged to use
18 St. Elizabeth's, but they can go anywhere they choose.
19 And, yes, they do use other hospitals should they choose,
20 but, by far, we're the greater Tricare provider.

21 MEMBER SEWELL: Do they provide any support
22 for the programs at St. Elizabeth other than patients
23 coming there?

24 But funding, I guess -- I know you're not a VA

1 facility --

2 MS. REESE: We provide --

3 DR. HARKINS: They provide workforce for us.

4 MS. REESE: We provide funding. That's the
5 relationship. We provide the funding. We provide a
6 million dollars annually into the partnership.

7 MEMBER SEWELL: I see. Uh-huh.

8 DR. HARKINS: And in return we get Air Force
9 residents that serve as house staff for us. We have the
10 OB faculty that come on board and help the residents
11 train. And we have the family medicine residency active-
12 duty faculty on staff with us, and that is an exclusive
13 credentialing relationship that we have with those Scott
14 providers.

15 VICE CHAIRMAN HAYES: Now, when you have
16 individuals that are in the military or Scott Air Force
17 Base, they come through Tricare; is that correct?

18 DR. HARKINS: Yes, sir.

19 VICE CHAIRMAN HAYES: Okay.

20 CHAIRPERSON OLSON: Anything else?

21 (No response.)

22 CHAIRPERSON OLSON: I guess -- so I just want
23 to -- for the support comments made, you're also
24 anticipating, with the new site, an improved ability to

1 recruit or retain staff and be able to train because of
2 the better technology; is that correct?

3 MS. REESE: (No verbal response.)

4 CHAIRPERSON OLSON: Other questions or
5 comments?

6 (No response.)

7 CHAIRPERSON OLSON: Seeing none, we'll have a
8 roll call vote.

9 MR. ROATE: Motion made by Mr. Galassi;
10 seconded by Mr. Sewell.

11 Mr. Bradley.

12 MEMBER BRADLEY: As you look at the State
13 agency report, they reviewed 38 criteria. There were
14 findings on eight of the criteria, and the findings start
15 with the fact that they don't appear to be able to
16 justify five labor and delivery units, suites; they can
17 only justify three.

18 You go down and see that service access will
19 be improved. It does not appear that service access will
20 be improved with the establishment of this.

21 Then you go on down. It appears that a
22 duplication of services may result with the establishment
23 of this service.

24 You go over to the next criteria, and it says

1 that the new hospital may impact other facilities
2 currently operating, and that is a significant impact on
3 other area providers. Another phrase that you pick out
4 here is "it does not appear that access will be improved
5 with the establishment of this service."

6 You go on down again, and it talks about a
7 duplication of service.

8 All of these I believe are major impediments
9 to approving this project and, therefore, I vote no.

10 MR. ROATE: Mr. Galassi.

11 MEMBER GALASSI: I came here dissuaded by the
12 public health comments of St. Clair County on this
13 project. I will tell you that. I will also tell you
14 that your presentation persuaded me.

15 I will vote yes on this project.

16 MR. ROATE: Thank you.

17 Mr. Hayes.

18 VICE CHAIRMAN HAYES: I'll vote yes on this
19 project because I believe that we have to look at this as
20 being an important project for St. Elizabeth's. They
21 need -- and I think that it's very important that they
22 have a modern campus to be able to work with the
23 different military, their project with St. Louis Medical
24 Center -- University of St. Louis. I think that's

1 important, to have that. I also think it could be a
2 magnet for a significant amount of specialty care, which
3 this area will need.

4 I think that in this project 159 beds will be
5 removed from our inventory. I think that's a very
6 important positive here, and I think -- I believe,
7 ultimately, this will be a project that will be closer to
8 their patients, and that is a very persuasive idea here.
9 I think this project is important to keep the financial
10 viability of, you know, the -- of the hospital.

11 And, thus, I'm voting yes.

12 MR. ROATE: Thank you.

13 Mr. Sewell.

14 MEMBER SEWELL: This issue of Belleville
15 versus O'Fallon, I don't think we have rules that allow
16 us to support or not support just based on that.

17 Now, if it were true and could be supported
18 that St. Elizabeth was somehow chasing a better payer
19 mix, that could be an issue, but we haven't seen any
20 evidence of that. It looks like the demographic profiles
21 with respect to Medicaid patients or uninsured patients
22 is roughly the same. There's some slight differences but
23 it's not -- substantially the same.

24 I also think that, you know -- I think that

1 the planning that was done for this took into
2 consideration the limits that are in the rules of the
3 Facilities and Services Review Board. So I know that
4 these -- we've unpacked all of these issues in our
5 discussion, and I've heard a satisfactory response.

6 So I'm going to vote yes.

7 MR. ROATE: Thank you.

8 Madam Chair.

9 CHAIRPERSON OLSON: I'm going to vote yes, as
10 well.

11 I think the important distinction here is that
12 this is not a new hospital; it's a relocation. I think
13 the fact that they've done due diligence by decreasing
14 the number of beds to try to improve the bedding
15 situation in the planning area is important.

16 I think they've worked hard to work within our
17 rules, and I believe the fact that this will give them
18 the ability to recruit and retain staff is really an
19 access issue for all the patients that they're so
20 desperately trying to reach.

21 So for that reason I vote yes.

22 MR. ROATE: That's 4 votes in the affirmative,
23 1 vote in the negative.

24 CHAIRPERSON OLSON: The motion does not pass.

1 MR. MORADO: You're going to be receiving an
2 intent to deny notification from the Board. You will
3 have an opportunity to appear before the Board again, and
4 you may submit additional information if you so desire.

5 MS. RANALLI: Thank you.

6 MEMBER GALASSI: Madam Chair, if -- I'm sorry.

7 CHAIRPERSON OLSON: Please, go ahead.

8 MEMBER GALASSI: If I just may briefly, we've
9 had dialogue about this issue, and I would hope that we
10 have our staff, posthaste, working on this subject of our
11 voting rules.

12 Obviously, in a situation like today where we
13 only have a five-member quorum, that weights votes very
14 differently.

15 And I respect Member Bradley's right to vote
16 in any way, shape, or form as well as any other member,
17 but I do believe that we should be voting with the
18 majority -- and it should be a majority present -- of
19 that quorum, and I would hope very much that we would
20 look into that issue.

21 Whether others agree -- they may not -- but
22 I would like us to pursue that and, hopefully, pursue it
23 soon.

24 MEMBER BRADLEY: May I also comment on that?

1 I happen to agree with Dale on that matter.
2 While I don't think I should feel pressure to vote yes
3 simply because my vote is determinative in a situation
4 like this, I believe that the majority of the Board
5 should be able to work its will.

6 The current rules -- which, as I understand
7 it, are in statute -- give a person in my position an
8 absolute veto. And I think that's wrong, but I still
9 felt that I should exercise a vote based on how I felt
10 about the project.

11 CHAIRPERSON OLSON: I will say that that is
12 part of our legislative agenda upcoming. We will have to
13 see if we get support to push that piece of legislation
14 forward.

15 MEMBER GALASSI: We can put it on a fast
16 track.

17 MS. AVERY: We just cannot find any legislator
18 at this point that would support that because it's
19 consistent with other boards and commissions. It's a
20 quorum of five throughout the entire state, and they just
21 feel like to give three people that power to go by the
22 majority goes up and down on whoever's at the meeting,
23 and it's based on that.

24 So to keep it consistent, they leave it at the

1 five, which was created out of that task force that was
2 led by Senator Garrett. Because we had that in the past,
3 where there were three members that were on the Board,
4 there was only five, and it just went up and down.

5 So we have had that as a legislative issue --

6 MEMBER GALASSI: And while I hear that --

7 MS. AVERY: -- we just can't find a sponsor to
8 support it.

9 MEMBER GALASSI: Well, I hear that. And we
10 all know that the robust legislation that was created as
11 a reaction to what had happened with this Board
12 previously also included to have stipends and
13 compensation for Board members.

14 This is not a stipend or compensated Board.
15 It's a voluntary Board. And as a result of that, we
16 don't always have full membership presence -- or that as
17 well as other issues, obviously.

18 So I, for one, would be willing to work with
19 staff to talk to legislators on this issue because this
20 Board is one of the most significant boards in the state,
21 deals with more issues than almost any other board, and
22 it is a fully volunteer Board. And as a result of that,
23 to expect a significant -- or a consistent amount of all
24 members to be present I think is unrealistic.

1 So the -- I believe the alternative to
2 compensating Board members -- the alternative is, as we
3 just discussed, a majority vote of members present. It's
4 always going to be a minimum of three, clearly.

5 Thank you.

6 CHAIRPERSON OLSON: We are working with the
7 current Governor's office, too, to fill the vacancy and
8 the terms that are expired, so, hopefully, that will help
9 improve attendance.

10 In light of what just happened here, are you
11 wanting to defer your next project?

12 MS. RANALLI: You know, I'm glad you -- I'm
13 glad you raised that because I -- I want to do what is
14 best and most convenient for the Board with respect to
15 public comment, if it were to occur again and otherwise.

16 Obviously, that project is inextricably
17 linked, and I believe -- and maybe Juan would weigh in
18 here. I believe, if we defer the ACC project, it would
19 be heard before the hospital project.

20 MS. AVERY: We'll figure it out.

21 MS. RANALLI: And then -- so I would not
22 really want to ask for an intent to deny on the ACC
23 project, but we want them to be linked.

24 So if we defer the ACC project, what would

1 happen is we would come to whatever Board meeting that we
2 are placed on the agenda and present it almost as if it
3 was the full hospital project. It would be voted on, and
4 then we'd present the hospital project for an intent to
5 deny.

6 So it almost seems more logical to take --

7 CHAIRPERSON OLSON: I think Juan can weigh in
8 on that.

9 MS. RANALLI: Yeah.

10 MR. MORADO: In terms of its placement on the
11 agenda, we can definitely make an accommodation.

12 MS. AVERY: We're not at a year, are we?

13 We're fine.

14 MS. RANALLI: If that could be done, then we
15 could defer it. If it could be linked and maybe on the
16 intent-to-deny portion of the agenda, that may be the
17 absolute easiest way to go.

18 CHAIRPERSON OLSON: Is it better if the Board
19 defers it than the Applicant, or does that not make any
20 difference?

21 MR. MORADO: It would --

22 MS. RANALLI: I don't think we can defer it
23 because we deferred previously. I'm not sure we can.

24 MS. AVERY: You didn't defer that project.

1 MS. RANALLI: Oh, that's true. You're right.

2 CHAIRPERSON OLSON: Okay.

3 MS. RANALLI: So, certainly, if we could
4 request a deferral with the understanding that it would
5 be placed that you would be hearing them together,
6 I think that's probably your preference and certainly
7 ours.

8 CHAIRPERSON OLSON: We will work with you on
9 that.

10 MS. RANALLI: Okay.

11 CHAIRPERSON OLSON: So we are deferring?

12 MS. RANALLI: Yes.

13 CHAIRPERSON OLSON: Okay.

14 MS. RANALLI: And thank you.

15 CHAIRPERSON OLSON: Thank you.

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1 CHAIRPERSON OLSON: Okay.

2 (An off-the-record discussion was held.)

3 MS. RANALLI: I was just told by -- I don't
4 know that --

5 CHAIRPERSON OLSON: We're going to break for
6 lunch for approximately 45 minutes.

7 Thank you.

8 MEMBER GALASSI: Thank you.

9 MS. AVERY: Oh, Clare. I'm sorry.

10 MS. RANALLI: Someone mentioned to me -- I'm
11 not sure if it's true -- that the Board has to take State
12 action within a certain amount of time on a project.

13 MS. AVERY: We're under the year.

14 MS. RANALLI: We're fine? Okay. Thank you.

15 (A recess was taken from 12:15 p.m. to
16 1:06 p.m.)

17 CHAIRPERSON OLSON: I'll call the meeting back
18 to order.

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1 MS. MITCHELL: Next we have St. Elizabeth's
2 Hospital. And I'll be calling your names five at a time,
3 so please, when your name's called, come up.

4 We have Mark J. Turner, Ruth Holmes,
5 Dr. Adriena Beatty, Dr. Savoy Brummer, and Keith Cook.

6 And please don't forget to sign in.

7 Okay. Go ahead and start, Mr. Turner.

8 MR. TURNER: Yes.

9 Good morning, Chairwoman Olson and the rest of
10 the CON Board. My name is Mark Turner. I'm the
11 president and CEO of Memorial Hospital in Belleville,
12 Illinois.

13 We do support St. Elizabeth's but not this
14 project. We support the renovation of St. E's or the
15 construction of a replacement hospital in downtown
16 Belleville.

17 St. E's move to O'Fallon will substantially
18 diminish access to care for Belleville residents and
19 those to the south. Those residents represent a
20 significant number of the Medicaid and self-pay or
21 uninsured patients in our community.

22 Critical safety net services will be
23 negatively impacted. The St. Clair County Health
24 Department shares this concern in the letter to the Board

1 on this project.

2 The St. E's project would also have a
3 devastating impact on Memorial Belleville and the
4 patients we care for. Simply said, after the move our
5 hospital is not equipped to absorb the additional
6 emergency room and especially the ICU patient care that
7 would be brought to us as a result of the excess from
8 Belleville.

9 This Board has already addressed access
10 through its unanimous approval of our Memorial Hospital
11 East project located at the same exit and essentially the
12 same location just five minutes or less from the proposed
13 new site. Unnecessary duplication of services would
14 result from an approval of this project. Memorial
15 Hospital East has the great support of our community and
16 because we committed to maintain our inpatient services
17 in Belleville.

18 Finally, proponents say that there will be an
19 increase of jobs as a result of this project. That is
20 simply not true. Two types of jobs will be affected by
21 this project: Temporary construction jobs, which will be
22 the same whether St. E's proceeds in O'Fallon or builds
23 in downtown Belleville, but, more importantly, permanent,
24 high-paying hospital jobs such as nurses, techs,

1 et cetera, will suffer a huge loss. This job --

2 CHAIRPERSON OLSON: Please wrap up your
3 remarks.

4 MR. TURNER: Thank you.

5 This job loss has been documented in the
6 McManus report in your record. Memorial Hospital East
7 would be forced to eliminate approximately 200 jobs, and
8 that must not be overlooked.

9 The impact of St. E's move from Belleville
10 would be significant. We respectfully request you deny
11 this project.

12 Thank you.

13 CHAIRPERSON OLSON: Thank you.

14 MS. HOLMES: Good morning. My name is Ruth
15 Holmes. I'm the administrator for Memorial Hospital
16 East. This is located in Shiloh, Illinois.

17 I just want to remind the Board that you
18 unanimously approved Memorial East in June 2011. Just
19 yesterday the BND, which is a local paper, actually gave
20 us a very good article talking about the new facility and
21 how it is beginning to take shape, so currently we are on
22 schedule to open in April of 2016.

23 The St. E's project before you today would
24 result in a direct duplication of services with Memorial

1 East. As Mr. Turner mentioned, the site is just
2 five minutes apart. It will use the same exit. The
3 med/surg beds, ICU, and obstetrics would be provided at
4 both locations. Another hospital five minutes away from
5 us would have a devastating impact.

6 Memorial's projections used to support the
7 project to the State Board and the Board's staff analysis
8 did not contemplate at the time that a hospital in
9 O'Fallon -- that there would be another hospital in
10 O'Fallon. So, simply put, we would not have met Board
11 rules for approval at that time. More importantly, our
12 project is really not viable as approved if St. E's
13 relocates to O'Fallon. You have a McManus impact
14 report on file with you all. That indicates
15 approximately a 30 percent drop in admissions. We
16 estimate 200 jobs will be lost.

17 Though -- and through Memorial East the Board
18 has already addressed the access issue cited by St. E's
19 as its primary reason for moving to O'Fallon. We also
20 have in our approval the inclusion of closer access for
21 east zip codes St. E's cites when -- the high percentage
22 of residents below poverty, so we feel we've got that
23 covered, as well.

24 CHAIRPERSON OLSON: You have to conclude,

1 please.

2 MS. HOLMES: I don't know if you all saw the
3 Crain's report, but overbedding continues to be an issue
4 in the state of Illinois. I want you to seriously
5 consider making sure that the success of Memorial East is
6 made whole, and I urge your denial of this project.

7 CHAIRPERSON OLSON: Thank you.

8 DR. BEATTY: Hello. My name is --

9 MS. AVERY: Closer.

10 DR. BEATTY: Hello. My name is Dr. Adriena
11 Beatty.

12 Today St. Elizabeth's would tell you they
13 intend to establish a regional referral center. Nothing
14 could be further from the truth. This proposal has been
15 promoted for something it is not.

16 I've been practicing obstetrics/gynecology for
17 the last eight years. I feel strongly that this proposal
18 is seen for what it is. A regional referral center is a
19 full-service tertiary care hospital providing
20 specialization and expertise not available elsewhere.

21 A regional referral center does not
22 discontinue the inpatient AMI unit, discontinue the
23 inpatient pediatric unit, reduce the number of ICU beds,
24 reduce its number of ER stations, and abandon a city --

1 a central city's -- excuse me -- population that it has
2 served for several decades.

3 Regional referral centers in our area are
4 Barnes-Jewish Hospital and St. Mary's Hospital, located
5 just across the river in St. Louis. I hope you see this
6 plan for what it is and deny this plan.

7 Thank you.

8 CHAIRPERSON OLSON: Thank you.

9 DR. BRUMMER: Good morning. My name is
10 Savoy Brummer, and I am the immediate past American
11 College of Emergency Physicians medical director of
12 the year.

13 I --

14 MS. AVERY: Closer.

15 DR. BRUMMER: Sorry. You can't hear me?
16 Sorry.

17 My name is Savoy Brummer, and I am the
18 immediate past American College of Emergency Physicians
19 medical director of the year. I oversee the emergency
20 department, hospitalists, and ICU functions within our
21 organization, CEP America.

22 I also am the EMS director for Region 4 of the
23 Edwardsville region for all of Metro East and oversee all
24 of the ambulance services, the medics, and the

1 communities that we serve.

2 Closure of the St. Elizabeth's emergency
3 department and ICU would have a devastating effect for
4 the local community. Those patients that are in the most
5 need -- those patients that require timely emergent
6 care -- would subsequently have to come to the Memorial
7 emergency department because I direct our ambulance
8 services to take them there. You've got to go to the
9 closest hospitals for strokes, for heart attacks, for
10 traumas.

11 These patients, these needy patients, don't
12 have the luxury of minutes to resolve their complex
13 medical needs, and, unfortunately, our emergency
14 department is not equipped to handle such emergent volume
15 and acuity of a 40,000-volume emergency department over
16 at St. Elizabeth's.

17 In addition, once these patients are admitted
18 to the hospital, they've got to go to an ICU. Right now
19 we're operating at 80 percent capacity, and the State of
20 Illinois really suggests 60 percent. I walk in regularly
21 even now and I've got patients that are on breathing
22 machines and ventilators that have been there for 24 and
23 48 hours. And if there is a closure of this local
24 resource, I can't even imagine the context of patient

1 care that's there.

2 CHAIRPERSON OLSON: Please conclude your
3 remarks.

4 DR. BRUMMER: All right. I just want to
5 thank you for your time.

6 I think that, for me, this is more about the
7 social contract that we have with our community. And
8 I appreciate your time.

9 CHAIRPERSON OLSON: Thank you.

10 MR. COOK: Good morning. My name is Keith
11 Cook.

12 I serve on the Memorial Group board of
13 directors. I am here today as a representative of that
14 board, which is the parent of Memorial Belleville and
15 Memorial East.

16 Your Board unanimously approved the
17 construction of Memorial East in 2011, and we are
18 scheduled to begin admitting our first patients in less
19 than 16 months. Memorial East is located in Shiloh, less
20 than five minutes' driving time from St. E's proposed new
21 hospital. I cannot overstate the devastating impact that
22 St. E's proposed hospital in O'Fallon would have on
23 Memorial East.

24 Because this proposed hospital would result in

1 unnecessary duplication of services, McManus Consulting
2 estimates that Memorial East's admissions will decline by
3 29 percent and result in a decreased annual net revenue
4 by \$30 million. The economic harm to Memorial East would
5 not be sustainable.

6 As you know, Memorial Group approved the
7 expenditure of over \$125 million to build our new
8 hospital. That commitment would likely never have been
9 made if we had contemplated that this Board would allow
10 the construction of another hospital right down the road.

11 We understand that the purpose of this agency
12 is to prevent unnecessary duplication of services, and we
13 can think of no better example of a project that should
14 be turned down than this proposed new hospital. It is
15 unneeded and it is an egregious example of what the
16 certificate of need process was intended to prevent.

17 Thank you.

18 CHAIRPERSON OLSON: Thank you.

19 Next, Jeannie.

20 MS. MITCHELL: The next five, also for
21 St. Elizabeth's Hospital, are Al Wunderlich, David
22 Stephens, Honorable Mayor Mark Eckert, and Honorable
23 Mayor Alvin Parks, Jr.

24 Also -- and Police Chief William Clay.

1 THE COURT REPORTER: Please print your names.

2 CHAIRPERSON OLSON: Mr. Wunderlich, as soon as
3 you're ready, you can start.

4 MR. WUNDERLICH: My name is Al Wunderlich.
5 I'm the director of the Franklin Neighborhood Community
6 Association, our FNCA.

7 My opposition to this proposal is largely
8 based upon my 20 years' experience with FNCA, which is
9 less than one-half mile from St. Elizabeth's Hospital.
10 We provide community and educational support to
11 low-income families and to students in the Franklin
12 neighborhood. Many neighborhood residents face the daily
13 challenges of poverty and don't have the support or
14 resources to travel the longer distance to the new
15 location in O'Fallon.

16 The first survey was conducted using the FNCA
17 summer camp enrollees. Based on this sample survey,
18 87 percent or 80 people who currently go to
19 St. Elizabeth's will go to Memorial.

20 A second survey was conducted for the older
21 generation in the Franklin neighborhood. Based on this
22 sample survey, 81 percent or 42 individuals who currently
23 go to St. E's will go to Memorial. These are the
24 families living near St. Elizabeth's.

1 And while this is a sample, a small sampling
2 of Belleville's low-income families, it strongly
3 contradicts St. Elizabeth's repeated statements that
4 their patients will follow them.

5 Thank you very much.

6 CHAIRPERSON OLSON: Thank you.

7 Next.

8 MS. MITCHELL: David Stephens.

9 MR. STEPHENS: Thank you.

10 Good morning. My name is David Stephens. I'm
11 a principal with McManus Consulting. We are a national
12 health care research and consulting firm. We've
13 conducted a detailed market analysis looking at the
14 impact of the proposed St. Elizabeth's relocation.

15 We looked at market dynamics, access to care,
16 and forecast utilization on a zip code-by-zip code basis,
17 looking at 60 zip codes all across the market and how
18 those patterns would change.

19 Our analysis reflects this is a fundamental
20 shift between two markets. The proposed location
21 reflects an annual median household income that is
22 50 percent higher than the current location, percentage
23 of families in poverty that is 50 percent lower than the
24 current location, and the percentage of Medicaid,

1 charity, and self-paying patients is over 40 percent
2 lower. Again, a substantial shift.

3 In our experience, a shift of even 10 miles
4 produces dramatically different impacts in terms of
5 access, particularly for Medicaid, charity, and self-pay
6 patients.

7 St. E's will be leaving a densely populated
8 area with high health care needs, including emergency
9 service and inpatient care. A key part of our study was
10 looking at, again, that impact on Memorial. A relocation
11 would substantially reduce Memorial East's patient load
12 and significantly impair Memorial East's ability to
13 operate, specifically 29 percent reduction in admissions,
14 over 2,000 admissions that will no longer come to
15 Memorial, over a \$30 million financial impact annually,
16 and over 200 permanent jobs would be lost.

17 Thank you.

18 CHAIRPERSON OLSON: Next, please.

19 MS. MITCHELL: Honorable Mayor Mark Eckert.

20 MAYOR ECKERT: Good morning.

21 My name is Mark Eckert, and I have the
22 privilege of serving as mayor of Belleville since 2004.
23 Exploring a modern St. Elizabeth's Hospital in Belleville
24 has been a priority for myself and the City Council since

1 that time. Many discussions were held for several years,
2 and there was a time prior to 2009 when St. Elizabeth's
3 was actively discussing with us about rebuilding in
4 Belleville.

5 Then suddenly something happened. Discussions
6 stopped. I asked why and I was told in no uncertain
7 terms by executives in my office from St. Elizabeth's
8 they needed to get out to the interstate and O'Fallon to
9 get to a better payer mix.

10 Everyone wants a new St. Elizabeth's, but it
11 should not be done at the expense but, rather, the
12 support of the community that has hosted this hospital
13 for 140 years. We have a paid fire department and a paid
14 police department that has served this hospital all
15 those years.

16 Belleville has struggled to weather the
17 economic storms like many communities, and we're
18 unwilling to be one of those cities that withers on the
19 vine. We have worked incredibly hard to rebuild our
20 downtown, our central corridor, our Route 15 corridor.
21 Many, many wonderful things have occurred in Belleville
22 in the last 10 years.

23 Having the hospital of St. Elizabeth's be one
24 of our larger employers moving out to O'Fallon would

1 undermine all this hard work. It's not only the
2 immediate jobs lost but the loss to all the businesses,
3 the small businesses downtown that rely on the hospital,
4 its staff, and its visitors. Building this hospital
5 somewhere else would be devastating to Belleville, and
6 myself and the City Council oppose this move.

7 CHAIRPERSON OLSON: Thank you.

8 Next.

9 MS. MITCHELL: Honorable Mayor Alvin Parks, Jr.

10 MAYOR PARKS: Good morning. My name is Alvin
11 Parks, mayor of the City of East St. Louis, Illinois, and
12 I stand in opposition of St. Elizabeth's Hospital leaving
13 the city of Belleville.

14 St. Elizabeth's argues that its proposed
15 location on I-64 is going to improve access to health
16 care for many of the residents of my community. That's
17 simply not true.

18 Many of the residents of my community, first
19 of all, have an average household income of \$22,000 for
20 the entire household. Many do not own cars or they own
21 cars that are not reliable and good enough to put on the
22 highway, Highway 64, to get to O'Fallon on a regular
23 basis.

24 There is no public transportation system that

1 gets people on a regular basis back and forth between
2 East St. Louis and O'Fallon. There's no long-range plan
3 for a transit system to get people back and forth between
4 East St. Louis and O'Fallon.

5 This would basically eliminate access or
6 greatly reduce access to St. Elizabeth's Hospital for
7 employment as well as visiting patients or even accessing
8 the health care themselves. And since we lost
9 Kenneth Hall Hospital back in 2008, one of the things
10 that we were promised is that we would actually see an
11 increase in health care services to take up the space or
12 the gap that was lost when we lost Kenneth Hall. That
13 simply hasn't happened, and the last thing that our
14 residents need in a city like East St. Louis and the
15 other communities that are right around East St. Louis is
16 a reduction in services once again.

17 So we stand with the City of Belleville in
18 asking to not allow St. Elizabeth's Hospital to leave
19 Belleville. The concerns that have been expressed by me
20 this morning have been encapsulated in a resolution
21 passed by our City Council back in November of 2014, and
22 my personal opposition is voiced this morning.

23 Thank you very much.

24 CHAIRPERSON OLSON: Thank you, Mr. Mayor.

1 MS. MITCHELL: Police Chief William Clay.

2 CHIEF CLAY: Good morning. My name is William
3 Clay, and I am the police chief in Belleville.

4 From a public safety perspective, moving the
5 hospital from Belleville would be a terrible idea. Being
6 the county seat, Belleville hosts the county jail with a
7 population of over 400 inmates, the juvenile detention
8 center, and the entire court system. All of these yield
9 unexpected and immediate health care needs. The hospital
10 needs to be nearby.

11 We have dozens of festivals, parades, and
12 other events, all of which carry the potential need for
13 immediate and unexpected health care. The hospital needs
14 to be nearby.

15 We have 13 institutions of higher learning
16 and school districts with enrollments of more than
17 22,000 students, none of which can afford for
18 St. Elizabeth's to move 7 miles away. The central
19 location of the hospital just makes sense. It
20 immediately affects first responders and impacts
21 survivability in a crisis.

22 That is what we learned firsthand when one of
23 our officers, while taking a homicide suspect into
24 custody, was shot in the face. If it was not for

1 St. Elizabeth's and their quality staff being two blocks
2 away, I don't believe he would have survived.

3 I hear St. Elizabeth's claiming that the
4 downtown location creates access problems for emergency
5 care. To the contrary, I think the location is
6 essential, and I would ask this Board to vote against the
7 moving out to O'Fallon.

8 Thank you.

9 CHAIRPERSON OLSON: Thank you.

10 MS. MITCHELL: The next five are John
11 Langerman, Robert Hilgenbrink, Stephanie Dorris, Garrett
12 Hoerner, and Geri E. Boyer.

13 And please don't forget to sign in.

14 (An off-the-record discussion was held.)

15 MS. MITCHELL: John Langerman.

16 MR. LANGERMAN: Good morning.

17 My name is John Langerman, and I thank you for
18 this opportunity to be here this morning. I am the
19 executive director of the Greater Belleville Chamber of
20 Commerce.

21 If you look at the support of this project,
22 almost all of which is from St. Elizabeth's employees,
23 the support centers on the benefits of a new hospital.
24 All of those benefits can be accomplished at a new

1 hospital in Belleville, downtown Belleville.

2 The technology is available in Belleville; the
3 hospital can be built with union labor in Belleville; the
4 modern accommodations can exist in Belleville. The land
5 to build is already there, and St. E's already owns it.
6 O'Fallon does not need this hospital to survive.
7 Belleville does.

8 They asked us to trust them, that they will
9 leave health care in downtown Belleville, but I'm
10 reminded that these are the same people who, when before
11 your Board in September of 2013, swore under oath that
12 the closing of their mental health services was not a
13 first step in closing the Belleville hospital, yet here
14 we are today seeking permission to close the Belleville
15 hospital.

16 We all want a new St. Elizabeth's, but we want
17 it in Belleville. It would be better for access to
18 health care, better for the health of this community. It
19 can be done and it should be done. And when
20 St. Elizabeth's is ready to plan its future here in
21 Belleville, we will be there, ready to support them.
22 Until then, I must oppose this project.

23 Thank you.

24 CHAIRPERSON OLSON: Thank you.

1 MS. MITCHELL: Robert Hilgenbrink.

2 MR. HILGENBRINK: Thank you.

3 Good morning. My name is Robert Hilgenbrink,
4 and I'm a former member of the Health Facilities and
5 Services Review Board.

6 I'm used to Applicants providing much more
7 documentation. This application has lots of claims but
8 very little in the way of documentation backing up those
9 claims. They dismissed rebuilding in Belleville without
10 any site or architectural studies. They suggest that
11 this project will have no impact on other hospitals
12 without any basis for that claim.

13 This is more -- this is about more than
14 Belleville. It's about the entire community. I live in
15 Shiloh. The Board already approved a new hospital in
16 Shiloh-O'Fallon.

17 To approve another hospital in this same area
18 and allow St. Elizabeth's to close in downtown Belleville
19 will literally be redesigning 150 years of health care
20 delivery and infrastructure overnight. I can't imagine
21 doing that without having meaningful studies of how that
22 will affect health care in the community. Accordingly,
23 I oppose this project, No. 14-043.

24 One last point: As a former Board member, I'm

1 bothered that an Applicant seems to have concluded on its
2 own that it's okay for Illinois residents to leave the
3 state to get quality OB and pediatric care. They seem
4 okay with the explanation that Illinois residents are
5 going to St. Louis to get that type of care. That is
6 contrary to the CON concept and not for them but, rather,
7 this Board to decide.

8 Thank you.

9 CHAIRPERSON OLSON: Thank you.

10 Next, please.

11 Who's next, Jeannie?

12 MS. MITCHELL: Sorry. Stephanie Dorris.

13 MS. DORRIS: Thank you.

14 Thank you. Good morning. I'm Stephanie
15 Dorris from Belleville.

16 I've read almost everything about this
17 project, including news articles, the entire application,
18 all letters of support and opposition, and anything else
19 that was posted on your website. From those thousands
20 and thousands of pages, I cannot find one good reason why
21 St. E's should abandon Belleville.

22 They make the claims about access to care for
23 others. St. E's has been in Belleville for 140 years,
24 serving the community and its neighbors to the south and

1 west, 10 of which passed resolutions in opposition. What
2 about their care?

3 Only 51 beds will be left for all the
4 residents of those communities. St. E's claims there is
5 a population shift to the north, although all those
6 residents will soon be cared for by the new Memorial
7 Hospital. Where is the need? Nearly 1500 beds exist in
8 the region St. E's would like to build.

9 And let's look at who supports this project.
10 You heard from St. E's staff, board members, volunteers,
11 and HSHS management. Labor workers also sent in letters.
12 They're hopeful for a big project to work on. If St. E's
13 redevelops in Belleville, they can still look forward to
14 that new work and opportunity.

15 The opposition showed up in force. Over a
16 thousand citizens attended the two public hearings. It
17 was the largest turnout this Board has ever seen.
18 Hundreds of opposition letters were submitted, and
19 thousands of people signed an opposition petition, all of
20 it because we rely on St. E's.

21 Help us create something that Belleville, its
22 neighboring communities, and everyone involved can be
23 proud of. As the project stands now, we cannot.

24 MS. MITCHELL: Garrett Hoerner.

1 MR. HOERNER: Good morning. My name is
2 Garrett Hoerner. I'm the City Attorney for Belleville,
3 and I, too, oppose this project.

4 St. E's has publicly questioned the basis for
5 two of Belleville's biggest concerns, the belief that
6 this is about payer mix and that it is going to harm
7 Belleville. I would like to put both to rest.

8 The basis for believing that this is about
9 St. Elizabeth's wanting to obtain a better payer mix
10 comes from St. Elizabeth's own leadership. Mayor Eckert
11 already told you that St. Elizabeth's executives informed
12 him the reason they were unwilling to explore a new
13 hospital in Belleville is that they wanted to obtain a
14 better payer mix out on I-64.

15 The same statement was made by St. Elizabeth's
16 leaders to the St. Clair County Board Chairman, whose
17 assistant, Dorothy Meyer, submitted a letter to this
18 Board recounting that meeting, and that letter is in your
19 materials.

20 They also question our claims that closing the
21 hospital would have an adverse impact -- effect on
22 Belleville. Again, that information came directly from
23 St. Elizabeth's.

24 St. Elizabeth's and the Illinois Hospital

1 Association performed an economic impact study in 2010
2 describing the many benefits the hospital had upon the
3 community, including the creation of 2,000 jobs and
4 adding over \$300 million in economic impact to the
5 community. Of course, that's common sense.
6 St. Elizabeth's may not like these answers, but all the
7 information came directly from them.

8 I respectfully request that this Board deny
9 St. Elizabeth's application.

10 Thank you.

11 CHAIRPERSON OLSON: Thank you.

12 MS. MITCHELL: Geri E. Boyer.

13 MS. BOYER: Hi. My name is Geri Boyer, and
14 I'm the president of Belleville's Downtown Main Street
15 Association, and I'm a professional civil engineer. I'd
16 like to discuss St. E's claim that this project won't
17 work in downtown Belleville as well.

18 I looked at their CON and the design of the
19 hospital and office buildings that they want to build.
20 I looked at the land that St. Elizabeth's already owns
21 downtown and the adjacent land that is available to the
22 hospital's use at their current site.

23 In the materials already submitted to this
24 Board is a document I created illustrating that -- and

1 proves that they could pursue this project in downtown
2 Belleville. Any claim that they cannot is untrue.

3 The alternatives for building downtown they
4 presented were all slanted to cost more. They described
5 rebuilding on the same site in phases because it would
6 cost more to do it in phases, but St. Elizabeth's never
7 evaluated rebuilding a brand-new hospital downtown
8 utilizing their current site and the property adjacent
9 to it.

10 As an engineer, I know that it would not cost
11 more to rebuild downtown, to build on undeveloped land,
12 to buy that land and to put in the infrastructure -- and,
13 also, it's undermined, so the cost to stabilize that
14 undermined property is extensive. St. E's provides no
15 explanation in their documentation to support that this
16 hospital really would cost more if they built it
17 downtown.

18 As a Catholic, I also oppose this plan because
19 St. E's seems to have put their business plan ahead of
20 its charitable mission. This proposal forsakes the poor
21 in pursuit of profits.

22 I've seen St. E's own analysis. It shows they
23 selected the option that was better for their business
24 plan even though it was less consistent with their

1 Franciscan mission. When the Catholic church built its
2 senior cottages directly across the street --

3 CHAIRPERSON OLSON: Please conclude.

4 MS. BEYER: -- from St. Elizabeth's current
5 hospital, they were bargaining for health care next door,
6 not 7 miles away. St. E's hospital would be supported if
7 it was built downtown by myself and by the entire
8 community.

9 Thank you.

10 CHAIRPERSON OLSON: Thank you.

11 Next, Jeannie.

12 MS. MITCHELL: If Reverend Monsignor John T.
13 Myler is here and wishes to speak, please come up.

14 UNIDENTIFIED MALE: He's not available.

15 MS. MITCHELL: Then the next five are
16 Susan Beeler, Don DeGonia, Father Dieters, Tom Ferguson,
17 and Francisco Garza.

18 Please remember to sign in.

19 CHAIRPERSON OLSON: Whoever's ready can just
20 start. You don't have to be in any order, so please just
21 grab a microphone and start.

22 Are you ready?

23 MS. BEELER: Yes.

24 CHAIRPERSON OLSON: Identify yourself.

1 MS. BEELER: My name is Susan Beeler. I've
2 read every letter and was responsible for much of the CON
3 documentation in this project.

4 UNIDENTIFIED FEMALE: We can't hear you.

5 UNIDENTIFIED FEMALE: Can't hear you.

6 MS. BEELER: In summary, our community is
7 overwhelmingly in favor of a replacement hospital along
8 I-64. There are over a thousand letters of support.
9 There are only 155 letters of opposition. Many of those
10 letters of support come from Belleville residents,
11 East St. Louis, Smithton, and Millstadt.

12 I want to clarify a few misrepresentations by
13 the opposition.

14 Memorial has stated that their current
15 Belleville facility does not have enough ED capacity to
16 care for additional patients. There is no reason to
17 believe and no documentation to support that our patients
18 will not follow us to O'Fallon.

19 St. Elizabeth's believes all of our patients
20 will follow us to O'Fallon. Even if patients choose to
21 go to Belleville Memorial, they have the capacity based
22 on its 2013 AHQ submission.

23 (Member Bradley left the proceedings.)

24 CHAIRPERSON OLSON: Excuse me. I'm going to

1 have to ask you to stop. We don't have a quorum, so
2 we can't continue.

3 MEMBER GALASSI: You can continue without a
4 quorum. You just can't take action.

5 (An off-the-record discussion was held.)

6 MS. AVERY: We have to have a quorum for the
7 Open Meetings Act.

8 MEMBER GALASSI: I respectfully disagree. You
9 only have one member at public hearings and you have a
10 thousand people show up.

11 MS. AVERY: This is the Open Meetings Act,
12 though. We need five people for the open meetings.

13 MEMBER GALASSI: To take action.

14 MR. MORADO: To do anything.

15 MEMBER GALASSI: Okay.

16 MS. AVERY: Excuse me.

17 We're off the record.

18 (A recess was taken from 10:01 a.m. to
19 10:06 a.m. Member Bradley returned to the proceedings.)

20 CHAIRPERSON OLSON: Okay. As soon as
21 everybody is back in the room, I'm going to allow you to
22 start again. I don't think it's fair to interrupt you in
23 the middle of that.

24 So please start again.

1 MS. BEELER: My name is Susan Beeler. I have
2 read all the letters for this project and was responsible
3 for submitting much of the documentation.

4 In summary, the community has spoken and they
5 are overwhelmingly in favor of this hospital, replacement
6 hospital, along I-64.

7 There are over a thousand letters of support
8 spanning the entire region, including the communities of
9 Belleville, East St. Louis, Smithton, and Millstadt.
10 There are only 155 letters of in opposition, and I want
11 to clarify a few misrepresentations that the opposition
12 letters have stated.

13 Memorial has stated that their current
14 Belleville facility does not have the ED capacity to care
15 for any additional patients. There is no reason to
16 believe and no study to support that the patients who
17 bring themselves to St. Elizabeth's ED will not come to
18 O'Fallon. Even if a patient chooses an alternative such
19 as Memorial Hospital Belleville, they have the capacity
20 based on their 2013 AHQ submission.

21 Memorial would also like you to believe that
22 the approval of the St. Elizabeth's replacement hospital
23 project would financially devastate Memorial Hospital
24 East. Memorial Hospital made the choice to duplicate its

1 own services, dilute its own market share, and double
2 their expenses. This was Memorial's decision, not
3 St. Elizabeth's.

4 I humbly ask the Board to approve
5 St. Elizabeth's replacement project.

6 CHAIRPERSON OLSON: Thank you.

7 Next.

8 MR. DE GONIA: Good morning. My name is
9 Don DeGonia. I'm the business manager of Plumbers and
10 Gasfitters, Local 360, in East St. Louis.

11 I'm here to support St. Elizabeth in its plans
12 to build a replacement hospital. If approved, this
13 project will be tremendous for our members and their
14 families. Our membership has experienced almost
15 35 percent unemployment at times since 2008.
16 Construction of a new hospital with modern technology
17 along Interstate 64 in O'Fallon would provide our members
18 full-time employment for up to two years during
19 construction. The additional buildings that would be
20 constructed around the new hospital -- such as hotels,
21 restaurants, and other medical buildings -- also would
22 provide a much needed boost to a lagging economy.

23 In my opinion, moving St. Elizabeth's from
24 Belleville to its proposed location makes complete sense

1 for the region.

2 In closing, I urge the Review Board to support
3 the Metro East economy and its health care delivery
4 system by giving the go-ahead to St. Elizabeth's to build
5 a state-of-the-art hospital for the Metro East area.

6 Thank you.

7 CHAIRPERSON OLSON: Thank you.

8 Next.

9 FATHER DIETERS: Good morning. I am Father
10 Jim Dieters. I'm a Catholic priest and also a member of
11 the board of directors at St. Elizabeth's Hospital in
12 support of the replacement hospital this morning.

13 The word "Catholic" in its truest sense means
14 "universal and broad-minded thinking." The Hospital
15 Sisters have taken the word "Catholic" seriously in their
16 140-year mission by carefully choosing locations for
17 their hospitals that serve the most number of people,
18 especially the poor. They never select a location
19 without considering that. The locations of their
20 hospital, note, have saved the State of Illinois billions
21 and billions of dollars by how they choose their
22 location.

23 The opposite of having a Catholic vision that
24 serves the greatest number of people is what we call

1 parochialism. "Parochialism" means being small-minded
2 and limiting one's concerns to a small geographical area;
3 in this case, only concerned about the city of
4 Belleville.

5 St. Elizabeth's Hospital simply cannot exist
6 in its present location, and it would be a tragedy to
7 southern Illinois if the replacement hospital is not
8 approved, a real tragedy.

9 I am praying hard that your Board -- and
10 I trust you will -- votes beyond parochialism and beyond
11 politics and trust the 140-year wisdom and the in-depth
12 research of our administration to replace our hospital in
13 a more effective location that truly serves and is the
14 best thing for health care in our region.

15 Thank you very much.

16 CHAIRPERSON OLSON: Thank you, Father.

17 BISHOP DUDLEY: Good morning. My name is
18 Bishop Geoff Dudley. And though I'm not Catholic -- I am
19 a protestant bishop -- I stand with Father in his
20 decision and his agreement to move forward with this
21 project. Let me state why we do.

22 I'm Bishop Geoff Dudley, as I said, senior
23 pastor at New Life in Christ Interdenominational Church,
24 a nondenominational church with a diverse membership of

1 over 2,000 members, one of the fastest growing churches
2 in the Metro East.

3 We stand with this project and hope that you
4 would vote for the project because our congregation is
5 made up of many in the entire region, not just in one
6 location but in all of the municipalities in the entire
7 Metro East.

8 We stand with this project because we believe
9 immediate access to state-of-the-art health care is in
10 dire need. Our pastoral care would be greatly enhanced.

11 In addition to that, we believe that the
12 progressiveness of this project and the progressiveness
13 of the Metro East and how it is growing and developing
14 will be complemented by this and enhanced by the
15 state-of-the-art hospital that will be replacing the one
16 that is currently serving the area.

17 Thank you so much.

18 CHAIRPERSON OLSON: Thank you.

19 Finally.

20 MR. GARZA: (Speaking Spanish.) Francisco
21 Garza. (Speaking Spanish.)

22 I live in Washington Park, Illinois, and I am
23 shown -- here to show support to St. Elizabeth's and its
24 replacement hospital.

1 My neurologist is at St. Elizabeth's, and
2 every time I would walk into the hospital I am treated
3 with great care, respect, and dignity, although I have to
4 say the building is old and difficult to navigate. I was
5 not sure what elevators to use to get to where I needed
6 to go, whether I was going to the lab, X-rays, or a
7 patient room. I am looking forward to a modern hospital
8 that is easier to navigate and that has more
9 state-of-the-art design.

10 I am also pleased to see the hospital move to
11 a location just off the main interstate, and I plan to
12 follow St. Elizabeth's to its new location because it
13 will be faster for me and my neighbors to get to the new
14 hospital.

15 I want to thank you for your time today, and
16 I hope that you will approve these plans for all the
17 surrounding communities.

18 CHAIRPERSON OLSON: Thank you.

19 Jeannie.

20 MS. MITCHELL: The next five are --

21 MS. AVERY: Call them all.

22 MS. MITCHELL: All right. We're going to call
23 the next six, Gary Graham, Dr. Loren Hughes, Dr. Bill
24 Manard, Dr. Shelley Harris, Michael Schifano, and

1 Tim Claxton.

2 And please don't forget to sign in.

3 CHAIRPERSON OLSON: Whoever's ready can start.
4 You don't have to wait.

5 DR. HUGHES: Hello. My name is Dr. Loren
6 Hughes, and I'm the president of HSHS Medical Group.

7 I've worked as an emergency medicine physician
8 as well as a primary care physician for 24 years at
9 various HS locations in Litchfield, Breese, and
10 Collinsville, Illinois.

11 I've had hundreds of opportunities over the
12 years to transfer patients to St. Elizabeth's Hospital,
13 but I found that, many times, patients balk at the
14 suggestion because of the current location. They claim
15 that it's hard to find, difficult to reach, congested and
16 narrow roads that weren't there when the hospital was
17 originally built. When informed of a possible new
18 hospital off of an interstate near O'Fallon, they
19 enthusiastically support the concept and would prefer
20 that location over traveling across the river to
21 St. Louis.

22 As president of HSHS Medical Group, I recruit
23 physicians to the region. Many candidates lose interest
24 when they interview at St. Elizabeth's due to the

1 limitations of age in that facility and its location.

2 Physician specialists often live in St. Louis,
3 and many are disqualified for hospital membership at
4 St. Elizabeth's due to a required 30-minute on-call
5 emergency response time, which is not possible due to the
6 current landlocked location of that hospital. Many
7 doctors that are greatly needed in southern Illinois are
8 lost to newer and more accessible hospitals. A new
9 hospital in O'Fallon would help us recruit and retain
10 desperately needed specialists.

11 We -- to counter some of the things I've heard
12 today about the payer mix, I will tell you that we just
13 opened, this month, a brand-new primary care office in
14 Shiloh, which is right next to the location where this
15 new hospital would be located and, in the first
16 three weeks, over 40 percent of the patients that we took
17 care of there were on Illinois Medicaid. So the payer
18 mix does not seem to be any different to our office, at
19 least for the beginning.

20 And so I encourage you to approve the plans
21 for this hospital.

22 CHAIRPERSON OLSON: Thank you, Doctor.

23 Next, please.

24 MR. CLAXTON: Hi. Good morning. My name is

1 Tim Claxton, and I have the privilege to read a statement
2 by Mr. James Snowden, a patient who wanted to be standing
3 here today to show his support for St. Elizabeth's
4 Hospital in O'Fallon.

5 He writes, "I reside in O'Fallon, and I have a
6 deeply personal relationship with St. Elizabeth's. You
7 see, I was one of the millions of uninsured people in the
8 United States that has had major medical problems.
9 I moved to the area and opened a restaurant near the
10 current St. Elizabeth's in Belleville. As you all know,
11 many businesses in the area, including mine, had to close
12 due to the economy.

13 "St. Elizabeth's treated me when I didn't have
14 anywhere else to turn. They provided me with excellent
15 care even though I had financial difficulties. I'm so
16 grateful to everyone at St. Elizabeth's for the care and
17 compassion they showed me, and I know many others feel
18 the same way. St. Elizabeth's helps the families that
19 need it most, and a new hospital will allow them to treat
20 even more families.

21 "I ask you to approve the new hospital so that
22 many more deserving families in the region have access to
23 quality medical care.

24 "Thank you."

1 CHAIRPERSON OLSON: Thank you.

2 Next.

3 DR. HARRIS: Good morning. I'm Dr. Shelley
4 Harris and I have the privilege to read for
5 Stephanie Mohr.

6 Stephanie respectfully asks the Review Board
7 to approve the St. Elizabeth's plan for a replacement
8 facility in O'Fallon. Stephanie acts as the director of
9 the East St. Louis School District 189 Career and
10 Technical Education Center, and St. Elizabeth's works
11 with she and her students to educate them about careers
12 in health care and help them obtain entry-level jobs in
13 the health care market.

14 When students learn valuable on-the-job skills
15 in a state-of-the-art facility, they are prepared for
16 careers in the 21st century health care. The new
17 St. Elizabeth's Hospital will train tomorrow's medical
18 professionals today. These colleagues will be more
19 likely to stay in the region rather than to seek
20 employment at other health care facilities in neighboring
21 states.

22 Just imagine the benefits high-quality health
23 care and highly skilled workers can bring to our
24 Metro East residents. A modern hospital with leading-

1 edge technology will be of great benefit to our entire
2 region and, also, the next generation of health care
3 workers.

4 It is for that and many other reasons that
5 Stephanie supports this plan. Thank you for allowing her
6 voice to be heard, and I ask, for her, that you vote yes
7 on St. Elizabeth's new hospital application.

8 CHAIRPERSON OLSON: Thank you, Doctor.

9 Next.

10 DR. SCHIFANO: Hello. My name is Dr. Michael
11 Schifano. I'm an obstetrician and the founder of
12 Heartland Women's Healthcare.

13 I'm here to ask you to approve St. Elizabeth's
14 plans to build a replacement hospital just off I-64 in
15 St. Clair County. St. Elizabeth's Hospital is just one
16 of our many hospital partners. Many of our patients
17 request St. Elizabeth's because of the compassionate care
18 they receive; however, our patients are also looking for
19 modern birthing suites and accommodations for partners
20 and family. The new St. Elizabeth's will provide that
21 experience.

22 Since coming to the Metro East in 2012, our
23 practice has grown more than 40 percent. We see no signs
24 of that growth slowing. In fact, as the economy picks

1 up, we expect our volume to increase, as well.

2 I want to note that hundreds of patients are
3 leaving care to go to Missouri. I believe this
4 replacement hospital and our new building off I-64 in
5 Shiloh will help keep patients in Illinois, which is good
6 for all of us.

7 Thank you for your time today, and I hope you
8 will vote yes on these plans.

9 CHAIRPERSON OLSON: Thank you, Doctor.

10 Next.

11 MAYOR GRAHAM: Good morning. Thank you for
12 your service. I'm Gary Graham -- can you hear me? --
13 mayor of O'Fallon since 1997.

14 I want to just note that I also supported the
15 move of Memorial's satellite to Shiloh, which is not in
16 O'Fallon, because I think it is parochial when you don't
17 allow new facilities to be built in the area.

18 As noted in the Belleville News Democrat,
19 St. Elizabeth's Hospital has a 140-year history of saving
20 lives, healing the poor, donating, making sacrifices, all
21 in the name of faith and mission. Approval of St. E's
22 CON for a new campus will change only one thing,
23 location, not the faith nor the mission.

24 Fact: Traffic studies prove 67 percent of all

1 St. Clair County -- whether poor, middle, or high
2 income -- have faster drive times to the new campus.

3 Fact: Metro East transit runs through
4 O'Fallon. The page is two -- it's two pages long of the
5 bus schedule to O'Fallon, Illinois. All St. E's is
6 asking to change is location. They have voluntarily
7 given up 159 beds.

8 What possible logic could deny the
9 500,000 citizens of Metro East a brand-new hospital that
10 is simply moving? There are two hospitals there today.
11 There is not a change. We're talking about location.
12 There are currently only 5 miles apart at the two
13 locations they're at.

14 What are we requesting? We're requesting you
15 approve this relocation.

16 Thank you for your service.

17 CHAIRPERSON OLSON: Thank you.

18 And finally.

19 DR. MANARD: Good morning. My name's Dr. Bill
20 Manard. I'm a family physician and I serve as the vice
21 chair of the department of family medicine at St. Louis
22 University School of Medicine. I partner in that role
23 with St. Elizabeth's Hospital, Southern Illinois Health
24 Care Foundation, which is an FQHC, and Scott Air Force

1 Base to oversee the family medicine residency based at
2 St. Elizabeth's Hospital.

3 This unique partnership's provided patients
4 from across southwestern Illinois, particularly military
5 families of Scott Air Force Base, with critically needed
6 access to primary care physicians. We annually recruit
7 residents that must be trained with the latest medical
8 technology as they prepare to become family physicians.

9 Most of our civilian graduates stay in
10 southern Illinois to practice, and many of our military
11 graduates eventually choose to return to the area.
12 Unfortunately, the current St. Elizabeth's Hospital is
13 built for delivering medical care in the 1950s and its
14 location is not easy to reach.

15 The new hospital will not only provide a
16 state-of-the-art clinical setting but will be in a much
17 better location for our military patients from Scott
18 Air Force Base, and it's ideally suited for convenient
19 access to downtown St. Louis, which is a factor for
20 recruiting young residents looking to move to the area.

21 Our residency program with St. Elizabeth's
22 Hospital is vitally important to the delivery of primary
23 care in southern Illinois, and I strongly urge you to
24 support their proposal to build a modern replacement

1 hospital.

2 Thank you.

3 CHAIRPERSON OLSON: Thank you, Doctor.

4 I believe that concludes the public
5 participation section of the meeting.

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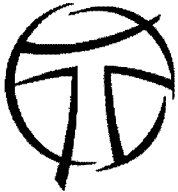
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Hospital Sisters
HEALTH SYSTEM

RECEIVED

MAR 27 2015

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Belleville, IL
HSHS St. Elizabeth's Hospital

March 27, 2015

Breese, IL
HSHS St. Joseph's Hospital

VIA HAND DELIVERY

Decatur, IL
HSHS St. Mary's Hospital

Courtney Avery
Illinois Health Facilities and Services Review Board
525 West Jefferson, 2nd Floor
Springfield, Illinois 62761

Effingham, IL
HSHS St. Anthony's Memorial Hospital

Re: Supplemental Material Submission Subsequent to Intent to Deny/Project 14.043

Highland, IL
HSHS St. Joseph's Hospital

Dear Ms. Avery:

Litchfield, IL
HSHS St. Francis Hospital

On behalf of St. Elizabeth's Hospital and Hospital Sisters Health System, we are submitting the following material in response to the Intent to Deny vote (4 positive, 1 negative votes) received at the January 27, 2015 Health Facilities and Services Review Board ("HFSRB" or "Board") meeting. We would like to thank the Board for its generally positive response to our project. The proposed replacement hospital project addresses our obsolescent facility in Belleville through the investment of significant capital. It will give the region a modern health care facility for patients needing a high acuity level of care. It reduces beds in planning area F-01 by 159 beds and does not propose any new categories of service or even pieces of equipment or treatment rooms. Our project is conservative and is designed with your planning policies and rules in mind.

Springfield, IL
HSHS St. John's Hospital

Streator, IL
HSHS St. Mary's Hospital

Chippewa Falls, WI
HSHS St. Joseph's Hospital

Eau Claire, WI
HSHS Sacred Heart Hospital

Attached are appendices which address the issues raised at the January 27, 2015 Board meeting and finding within the State Board Report. They are as follows:

Green Bay, WI
HSHS St. Mary's Hospital Medical Center
HSHS St. Vincent Hospital

- Appendix A: Action Taken To Remove Two Findings within Applicants' Control and Response to Third Finding
- Appendix B: Findings on Need, Maldistribution/Duplication and Impact
- Appendix C: Impact on Other Area Providers
- Appendix D: Payor Mix
- Appendix E: St. Clair County Health Department

Oconto Falls, WI
HSHS St. Clare Memorial Hospital

Sheboygan, WI
HSHS St. Nicholas Hospital

HSHS Medical Group

Prairie Cardiovascular

We hope this supplemental material is helpful. Also, we look forward to presenting our project to any Board member who did not have the opportunity to hear and consider it at the January meeting.

As always, thank you for your assistance. If you have any questions do not hesitate to contact us.

Sincerely,

Maryann Reese

Maryann Reese, CEO,
St. Elizabeth's Hospital

Mary Starmann-Harrison

Mary Starmann-Harrison, CEO
Hospital Sisters Health System

P.O. Box 19456
Springfield, Illinois
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Sponsored by the
Hospital Sisters
of St. Francis

cc: Susan Beeler; Clare Connor Ranalli; Janet Scheuerman

APPENDIX A

ACTION TAKEN TO REMOVE TWO FINDINGS WITHIN APPLICANTS' CONTROL AND RESPONSE TO THIRD FINDING

ACTION TAKEN TO REMOVE TWO FINDINGS WITHIN APPLICANTS' CONTROL AND RESPONSE TO THIRD FINDING

The project received overwhelmingly positive comments. The Board noted the compliance with multiple criterion despite the size and complexity of the project, and the effort taken by the applicants to meet the criterion in almost all areas the applicants could control (all relating to the fact this is a replacement hospital project, but under the Board's rules is reviewed as a "new" hospital project). However, there were three findings within the applicants' control that received findings. The applicants are reducing the number of labor delivery recovery rooms which result in the removal of two of the findings, and provide supplemental information in response to the other finding.

A. Reducing the Number of LDR Rooms Removes Two Findings of Non-Compliance

The Staff Report made findings of non-compliance under Criterion 1110.234(b), Project Services Utilization, and Criterion 1110.3030(b), Clinical Service Areas Other than Categories of Service. Both findings were based on a determination that 3 labor delivery recovery rooms were justified while 5 rooms were proposed.

The applicants are reducing the number of proposed labor/delivery rooms to 3, and converting the other 2 planned labor delivery recovery rooms to triage rooms. This will not result in any change in project costs or square footage as the equipment and build out of the rooms will remain the same. The triage rooms will be used, as other triage rooms, for women who are in labor but are not necessarily anticipated to deliver. This would include women in pre-mature labor who are given medications to stop labor, women who are experiencing potential Braxton-Hicks contractions and women who might be in labor but are not expected to deliver imminently during that visit and/or who are in such early stages of labor that they can be monitored, and then moved some time later to one of the delivery rooms when delivery is imminent.

The applicants understand that deliveries cannot occur in the triage rooms (absent emergency circumstances) and if a woman being monitored is ready to deliver, and the other 3 labor/delivery rooms are occupied, any patient laboring in a triage will need to be transferred to an OR for delivery. This was made clear by Illinois Department of Public Health, and St. Elizabeth's will comply with these instructions. St. Elizabeth's initially requested 5 labor/delivery rooms because almost half of the time 3 of its labor/delivery rooms are full. However, the conservative approach of 3 labor/delivery rooms will meet the HFSRB requirements on utilization for labor/delivery, as St. Elizabeth's 2013 and 2014 volumes support 3 labor/delivery rooms. If, after permit receipt and prior to the replacement hospital opening, St. Elizabeth's utilization supports more labor/delivery rooms, it will provide information and submit a request to HFSRB to alter the permit.

As a result of this step, the proposed replacement hospital meets 32 of the 38 criterion by which it is measured whereas when the HFSRB heard the application it met 30 of the 38. Of the remaining six criteria not met, five are due to the fact that the project is measured against criteria for a new hospital which treats the project as if it were

adding beds and services in the planning area, whereas this project proposes a replacement hospital that *reduces beds* within the planning area by 159 beds, and *does not add any new services*. Given that the project is reducing beds and not adding any new services, it constitutes neither an unnecessary duplication of services nor a maldistribution of services. This is supported by the State Board Report ("SBR") finding that the replacement hospital is necessary to provide access to care to the community.

B. The Proposed 12-Bed OB Unit Is Justified By St. Elizabeth's Historical Utilization, and the Planning Area Does Not Need Additional OB Beds

The SBR also includes a finding of non-compliance with Criterion 1110.530(g) Performance Requirements. The Report finds that the project *meets* the unit size requirements for its medical/surgical and ICU services, but is proposing 12 OB beds whereas the Criterion calls for 20 beds.

St. Elizabeth's historical utilization does not support 20 Obstetrics beds. The planning area is overbedded by 103 beds in this category of service. St. Elizabeth's 2013 and now 2014 data does not support a 20 bed unit. Rather than build out a unit for 20 beds, knowing it would not meet target utilization and would continue to contribute to overbedding, the applicants propose an Obstetrics unit appropriate to its historical utilization. A question was asked as to the viability of quality of care in a 12 bed unit. St. Elizabeth's has a full service obstetrics program. It offers the only family practice residency program in the area in conjunction with Scott Air Force Base, and it is the primary provider of obstetrics care to Scott Air Force Base residents. The program has received accreditation from the American Council of Graduate Medical Education. St. Elizabeth's is confident the unit is right sized and will provide excellent quality.

The Board has consistently approved projects where, as in St. Elizabeth's case, the applicant has justified the number of beds proposed and the planning area did not need the number of beds called for by the performance requirement criterion.

APPENDIX B

FINDINGS ON NEED, MALDISTRIBUTION/DUPLICATION AND IMPACT

FINDINGS ON NEED, MALDISTRIBUTION/DUPLICATION AND IMPACT

The State Board Report ("SBR") noted:

"The State Board Staff believes the discontinuation of the existing 303 acute care hospital is warranted given the age and obsolescence of the existing hospital. . . . Current State Board rules do not address the relocation of an existing acute care hospital to a different site within the same planning area. Therefore the State Board Staff has reviewed this application as the discontinuation of a 303 bed hospital in Belleville and the establishment of a new 144 bed acute care hospital in O'Fallon. This has resulted in conflicting results. The State Board Staff believes the discontinuation is warranted given the age and obsolescence of the existing 303 bed hospital. However, there remains a calculated excess of beds in the F-01 Planning Area for all bed services being proposed except intensive care services. This calculated excess of beds in this planning area does not warrant additional beds under current State Board Rules. While the current State Board rules do not warrant additional beds, the State Board Staff believes the new hospital is necessary to continue to provide necessary services for all residents in the F-01 planning area."

This statement, found on page 3 of the SBR, highlights the conundrum. The project is not adding beds to the area, it is **reducing beds in the planning area by 159 beds**. The State Board Staff noted this and therefore supported both the discontinuation of the current facility due to its outdated and obsolescent state, and the need for its replacement in the planning area, in order to serve the community as it has served for 100 plus years.

On page 22 of the SBR, the State Board Staff noted:

"This project would essentially relocate an acute care hospital in its entirety, downsizing in areas underutilized, and increasing space in areas requiring the extra spatial allocation for the provision of modern health care."

Again, the State Board Staff correctly noted the need for a modern facility and the careful planning of the applicants in addressing the need while reducing beds by 159 beds total in an overbedded area. The project adds no new beds, categories of service or equipment and simply relocates an existing hospital from Belleville, which currently has two full service acute care hospitals, to O'Fallon, where there is no hospital. The location in O'Fallon places St. Elizabeth's closer to approximately 70% of its patients, based on their respective zip code origin, than it is now (see attached fact sheet which was part of

the record when this project was initially heard). This project, as the State Board Staff noted, is needed for the community, will downsize and right size for utilization and quality care and will reduce overall beds in the area.

In addition, the State Board Staff must have taken into consideration, through its supporting comments on the project, the fact that St. Elizabeth's and Memorial, both located in Belleville have a high Case Management Index ("CMI"). A hospital's CMI reflects the diversity and clinical complexity of the patient population it serves. The higher the CMI, the more clinically complex the patient conditions and the greater number of resources that are required to care for those patients. In other words, the beds in the planning area may be the same by category of service, but the types of patients seen at St. Elizabeth's and Memorial are different than many of the other hospitals in the planning area based on level of acuity (see **attached**). St. Elizabeth's and Memorial are able to see patients with a higher acuity level because of the support services they offer, and the level of staffing provided to support those services. Examples are the neurology and stroke center/rehabilitation services provided by St. Elizabeth's and the open heart programs that exist at both hospitals. The fact that the two hospitals with the highest CMI levels are located in the same town makes no sense. Access to the level of services that St. Elizabeth's provides will be enhanced in the region generally once it moves to Interstate 64. The City of Belleville will not lose a hospital that offers high acuity services, as Memorial will obviously remain there. Therefore, separating the two hospitals with high CMI's within the planning area slightly more than they are separated now will provide better access and avoid the current duplication of services that exists due to both hospitals being located in Belleville.

The applicants cannot take any action that will remove the findings on need, maldistribution and/or duplication of services. As noted by Madam Chair Olson at the hearing on the project in January 2015, "these hospitals already exist in the same service area and planning area, so this is not anything new." These findings exist not because of the project, but in spite of it. The State Board Staff is compelled, per current Board rules on relocations/replacement of existing hospitals within a planning area to treat this project as if it is an entirely **new** project, adding beds to the service area, when **it is in fact a replacement hospital project *reducing* beds in the service area.**



Replacement Hospital Project, #14-043 Quick Reference Guide

<u>Opposition Statement/Position</u>	<u>Fact</u>
St. Elizabeth's is duplicating services by building so close to Memorial Hospital-East	Currently there are 554 inpatient hospital beds in Belleville. The city of Belleville has a population of 42,895. The cities of O'Fallon/Shiloh have a combined population of 42,025 and currently have "0" Inpatient beds. The St. Elizabeth's Replacement hospital will bring 144 inpatient beds and Memorial east will bring 94 for a total of 238 inpatient beds for the same amount of population. Once Memorial East opens, Memorial Belleville will continue to operate 210 beds in Belleville for its population. St. Elizabeth's is giving up 159 inpatient beds in area the HFSRB states is over-bedded, and Memorial is giving up 6. Ultimately, these changes result in a more equal distribution of beds.
	IDPH revised bed need determinations 4/23/14 indicate the F-001 planning area has 1134 licensed inpatient beds and the calculated need is for 548, so there is an excess of 586 beds. St Elizabeth's is relinquishing 159 of those inpatient beds to the state and shifting 144 inpatient beds to equalize the region with inpatient beds. St. Elizabeth's will not be duplicating services in O'Fallon/Shiloh, but enhancing and equalizing healthcare resources in the region
	The proposed St. Elizabeth's Hospital is a true replacement facility while the approved Memorial Hospital-East is a satellite facility to support the higher acuity services at Memorial Hospital-Belleville. Memorial East will not offer Neurosurgery, Open Heart Surgery, Rehab or Comprehensive Stroke services. St. Elizabeth's will provide all of these services in addition to a Critical Care unit is manned by physicians 24/7/365 with Intensivists (Doctors who specialize in Critical Care Medicine).

We are moving away from the underserved	St. Elizabeth's service area will not change with a new location. The payer mix of the population's service area remains the same.
	The new location in O'Fallon will more fairly distribute the inpatient beds in the region and through interstate access will allow quicker drive times for the underserved to cities to our west. The drive times for the 10 zip codes with the largest populations of people living below the poverty line, decreases for 6 of the 10 zip codes, when St. Elizabeth's moves to O'Fallon.
	St. Elizabeth's has initiated discussions with St. Clair County Transit District (SCCTD) to ensure we coordinate bus route options from the Belleville campus to the proposed O'Fallon location. SCCTD is open to these discussions but does not want to formally meet and make plans for revised routes and/or additional stops until a project is approved. St. Elizabeth's is planning for a bus stop on the new campus that will be immediately adjacent to one of the main entrances for easy patient access.
The hospital move will negatively impact the employees of St. Elizabeth's who have dedicated their careers to this ministry.	Slightly more than 70% of our colleagues live in cities other than Belleville. The drive time to work will only increase by 2 minutes on average. 38 Colleagues use public transportation to get to work
Two hospitals are needed in Belleville	77% of all inpatients served at St. Elizabeth's come from zip codes outside of Belleville zip codes, and 74% of all patients receiving care at St. Elizabeth's come from outside Belleville zip codes based on calendar year 2014 data (year to date)
Moving the facility to O'Fallon adversely affects the ability of Belleville patients to seek care/Belleville patients are not willing to seek services in O'Fallon	Of all the patients seeking outpatient care at the current O'Fallon Urgicare location, 21% of them came from Belleville in 2013 and 2014.
Why can't you just re-build it in Belleville?	It would cost more and take more time to rehab the current hospital than it would to re-build on a greenfield site.

	The current campus is difficult to access for the majority of patients we serve.
	The new hospital will be designed for POD nursing for better patient observation on the inpatient floors
	The hospital will have large OR's to accommodate state of the art equipment and surgical processes
	The new hospital will have better technology, and will allow for cell phone usage throughout the hospital, better electronic medical record management and better way finding and enhanced patient services.
	The new campus will be designed with walking paths and outdoor healing gardens
	The new hospital will be within 2-3 minutes of exiting Interstate 64 via two exits
	The new hospitals ED will have a more efficient ED space for patients who have to wait (and their families) as well as more private settings for patients in treatment bays and it will better accommodate behavioral health and isolation patients
	The new hospital will be up to date with all the current Life Safety Code standards (the old hospital is grandfathered due to its age and not required to be state of the art in this regard).
	The new hospital will have better and less expensive parking for the patients and their families and visitors (no city meters)
	Labor and Delivery area at the new hospital will provide a spa-like experience for mother and baby.

Why can't you do what BMH did and build a satellite facility?	It would cost more to build a satellite facility than to build an entirely brand new, state of the art hospital because construction costs alone are not the only issue. Building a satellite facility doubles the costs and the ongoing maintenance costs would be a drain the old facility. It duplicates staff, and ED and other essential services like lab, pathology and imaging. St. Elizabeth's is part of an integrated delivery system that includes two community hospitals in Highland and Breese. These facilities are an appropriate distance from the main referral hospital that readily accepts their higher acuity patients, much like Memorial Hospital-East will refer to Memorial Hospital-Belleville.
	Many healthcare services will remain on the Belleville campus: lab, radiology, therapy, primary care, Urgent Care, specialty clinic
You are just moving to get a better payer mix.	The payer mix at the O'Fallon campus is not predicted to be any different than the current payer mix, because St. Elizabeth's serves the region and its patients zip code by origin in not anticipated to change, other than to pull more patients from currently underserved areas. We agree with the statement by Mark Turner in his testimony to the HFSRB on 6/28/2011 on the O'Fallon Shiloh CON.
	Currently St. Elizabeth's sees more Medicaid patients from zip codes other than the Belleville area zip codes
	Currently there is only a 1.3% difference in uninsured patients from Belleville zip codes versus other zip codes the St. Elizabeth's serves.
	St. Elizabeth's serves more Medicare patients from zip codes other than Belleville at its current location
	St. Elizabeth's has a higher percent of charity care per net revenue than Memorial Hospital-Belleville. St. Elizabeth's is 2.8% per net revenue and Memorial Hospital-Belleville is 2.0% per net revenue

St. Elizabeth's move will leave all the vulnerable and indigent patients that go there now, left for Memorial Hospital-Belleville which will put Memorial Hospital in financial ruin.	The non-emergent patients that go to St. Elizabeth's for care will now have the opportunity to visit the Urgent care on the Belleville campus. If they need inpatient admission we will transfer them to our hospital in O'Fallon.
	The new St. Elizabeth's is closer to Scott Air Force Base which, like many subsets of our service area, is accesses many of our services today.
	The new St. Elizabeth's is closer to its sister hospitals in Breese and Highland than the current Belleville site
Memorial cannot handle any more patients at its Belleville hospital.	There is no factual basis for Memorial to state it could not handle any of the additional patients should patients decide they do not want to travel the 7 miles to O'Fallon. Memorial ignores significant OP services planned for the St. Elizabeth's Belleville campus. St. Elizabeth's plans to continue to care for all of the patients we serve today and be more accessible to many more.
	Based on 2013 AHQ data, Memorial Hospital-Belleville has current capacity within their ED of over 19,000 visits annually. With the additional 8 ED stations at Memorial Hospital-East, that excess capacity increases to over 35,000
St. Elizabeth's is decreasing services.	Going from 338 licensed beds to 144 licensed beds does not change the scope of services we will be providing to the new replacement hospital.

Facilities within 45 minutes of St. Elizabeth's Hospital (Belleville)

Comparison of Services being Proposed for St. Elizabeth's Hospital Replacement Facility

Facility	Location	Medical Surgical			Intensive Care ²			Obstetric			Rehab			Overall CMI excluding BHS ³
		Licensed Beds	CON Occupancy Rate	State Target Occupancy	Licensed Beds	CON Occupancy Rate	State Target Occupancy	Licensed Beds	CON Occupancy Rate	State Target Occupancy	Licensed Beds	CON Occupancy Rate	State Target Occupancy	
Memorial Hospital	Shiloh	72		75.0%	6		60.0%	16		75.0%	0	0.0%		n/a
Memorial Hospital	Belleville	175	89.0%	85.0%	19	78.5%	60.0%	8	164.7%	60.0%	0	0.0%		1.40
St. Elizabeth's Hospital-Current	Belleville	202	36.8%	85.0%	24	58.5%	60.0%	30	22.2%	78.0%	33	45.0%	85.0%	1.44
St. Elizabeth's Hospital-Proposed	O'Fallon	100		85.0%	16		60.0%	12		75.0%	16		85.0%	n/a
Couchette Regional Hospital	Centerville	56	21.1%	75.0%	8	31.6%	60.0%	33	11.1%	78.0%	0	0.0%		0.95
Anderson Hospital	Maryville	98	51.3%	75.0%	12	54.7%	60.0%	24	75.1%	75.0%	20	64.7%	85.0%	1.28
Sateway Regional Hospital	Granite City	166	23.9%	85.0%	12	29.4%	60.0%	27	7.1%	78.0%	14	20.6%	85.0%	1.28
Red Bud Regional Hospital ¹	Red Bud	25	29.1%	60.0%	0	0.0%		0	0.0%		0	0.0%		0.96
St. Joseph's Hospital ¹	Breese	56	11.8%	75.0%	4	0.5%	60.0%	6	59.7%	60.0%	0	0.0%	85.0%	1.10
St. Joseph's Hospital ¹	Highland	25	34.2%	60.0%	0	0.0%		0	0.0%		0	0.0%		1.15
Uton Memorial Hospital	Alton	117	48.0%	85.0%	12	85.4%	60.0%	25	18.0%	75.0%	0	0.0%		1.29
JSF St. Anthony's Health Center	Alton	101	24.2%	85.0%	19	49.5%	60.0%	20	12.9%	75.0%	0	0.0%		1.34
JSF St. Clare's Hospital	Alton	0	0.0%		0	0.0%		0	0.0%		28	38.1%	85.0%	

¹ Community based hospitals whom transfers patients to St. Elizabeth's Hospital-Belleville

² St. Elizabeth's offers an Intensivist Program where physicians who are Board Certified In Critical Care are available 24 hours per day, 7 days per week. In addition, St. Elizabeth's offers state of the art Cardiovascular care including interventional and Electrophysiology (EP) procedures. EP procedures being performed at St. Elizabeth's are currently not being performed by any other provider.

³ CMI stands for Case Mix Index. For comparison purposes, the CMI for BHS services was removed to normalize the comparison across similar services being provided.

Sources:

Licensed Beds: 2013 Hospital Profile, IL HFSRB

CON Occupancy Rate: 2013 Hospital Profile, IL HFSRB

State Target Occupancy: State of Illinois Administrative Code Med-Surg: 77 IL Admin Code 1100.520(c)(1); ICU: 77 IL Admin Code 1100.54(c); OB: 77 IL Admin Code 1100.530(c); Rehab: 77 IL Admin Code 1100.550(c)

Overall CMI excluding BHS: CompData, February 2015

APPENDIX C

IMPACT ON OTHER AREA PROVIDERS

IMPACT ON OTHER AREA PROVIDERS

One of the findings in the SBR related to Criterion 1110.530(c)(3), Impact on Area Providers. However, at page 5 of the SBR the State Board Staff noted only that “it appears the new hospital **may** impact other area facilities currently operating under State Board’s target utilization standards.” This of course relates back again to the treatment of this project per the Board’s rules as a “new” hospital that adds beds and services versus a replacement hospital. St. Elizabeth’s replacement hospital will have no impact on area facilities because it reduces beds and adds no new categories of service, equipment or rooms. Further, various area hospitals sent in support letters. The only provider claiming negative impact was Belleville Memorial, so we will address its stated issues.

It is difficult to dissect the alleged negative impact on Memorial. On one hand it claims that its Belleville hospital will receive patients that otherwise would have gone to St. Elizabeth’s (which it apparently objects to – although the negative impact criteria is generally designed to address a new facility *taking* patients from an existing facility) and on the other hand says the replacement hospital will take patients from its proposed Shiloh facility. We **attach** two simple maps that catalogue the distance between the hospitals now, and the distance between them when the replacement facility is built. The proposed replacement hospital will not cause any change in the current healthcare utilization, market share, services or general travel times, thus resulting in no negative impact.

Another example of the disingenuous nature of Belleville Memorial’s claims of negative impact is the following. Relying on the report of its consultant McManis (which interestingly was the consultant Memorial used to support its claims that the new Shiloh hospital would not impact the service area or change Memorial’s market share or payor mix), Memorial claims that it will have to take up to 900 patients of St. Elizabeth’s (presumably a year) and of these approximately half would be Medicaid. It provided no underlying data for this assumption. However, assuming that Memorial believes it will see more patients from Belleville when St. Elizabeth’s moves (although only approximately 27.4% of St. Elizabeth’s inpatients are from Belleville while 29.5% of its outpatients are and St. Elizabeth’s is maintaining outpatient services in Belleville) only 21.8% of these are Medicaid. So if the 900 patients are from Belleville, only 196 patients (21.8%) would be Medicaid. Belleville Memorial has said these patients are too poor to travel for care. In fact 87.1% of St. Elizabeth’s patients arrive by car, 2.4% by public transportation, 8% are brought by a family member/friend and 0.8% are “walk-ins.” The transportation issue is a red herring (see also the fact sheet units Appendix B).

It is possible Memorial also believes some of these 900 patients will come from Smithton, Millstadt and New Athens, and Lenzburg. These communities are located to the South of St. Elizabeth’s, and will indeed be about 10 minutes further from the proposed new site. In 2014, 5.2% of St. Elizabeth’s inpatients came from these communities (by zip code). It is certainly possible some of these patients may choose not to travel the extra distance, although we have support letters from patients residing in these communities in the record. In any event, assuming some patients choose not to travel to St. Elizabeth’s 53.8% are Medicare and 14.6% Medicaid (based on 2014 data for

patients from these communities, **attached**). Again, there is no evidence to support Belleville Memorial's allegation that it will see an additional 900 patients a year upon St. Elizabeth's relocation, and that half will be Medicaid. **If these 900 patients were to materialize, most of them will be Medicare or commercial pay based upon the above data**, and thus this would be a positive for Memorial and not a negative. Also, this would offset any purported loss of patients (which Memorial claims will occur) from its Shiloh facility.

Memorial's analysis (through McManis) completely ignores the substantial outpatient services St. Elizabeth's will maintain at its current Belleville campus. Memorial's allegations of impact should not be taken seriously when it ignores major components of the proposed replacement hospital and distorts facts. What Memorial really wants is for St. Elizabeth's to continue to have to provide care in an old, out of date building that is difficult to access. This will allow Memorial to expand and modernize at its 96 acre campus (versus St. Elizabeth's current landlocked 17 acres), leverage its modern satellite facility in Shiloh and over time drive St. Elizabeth's out of business. The only "negative" impact this project will have on Memorial is that Memorial will not be able to achieve that very objective.

On the point of an impact on Shiloh, we turn again to the maps. The distance between the two facilities is 2 miles. If a patient wants to go to Memorial, its satellite Shiloh facility or St. Elizabeth's - a mere few miles distance is not going to divert that patient. Further, most hospital inpatients are referred by physicians to a hospital for care, and follow the physician. The same is true for St. Elizabeth's patients, which is why St. Elizabeth's has absolutely no concern about building 2 miles from Shiloh. It is also important to note here the difference in services that Memorial Shiloh will provide. It is more of a community hospital, and will have a low CMI. It does not offer the type of high acuity services (stroke care and open-heart surgery/advanced cardiac technology) that St. Elizabeth's and Belleville Memorial offer. As a result its patient base, and the types of patients that physicians will refer to it, will be very different than those referred to St. Elizabeth's and Belleville Memorial.

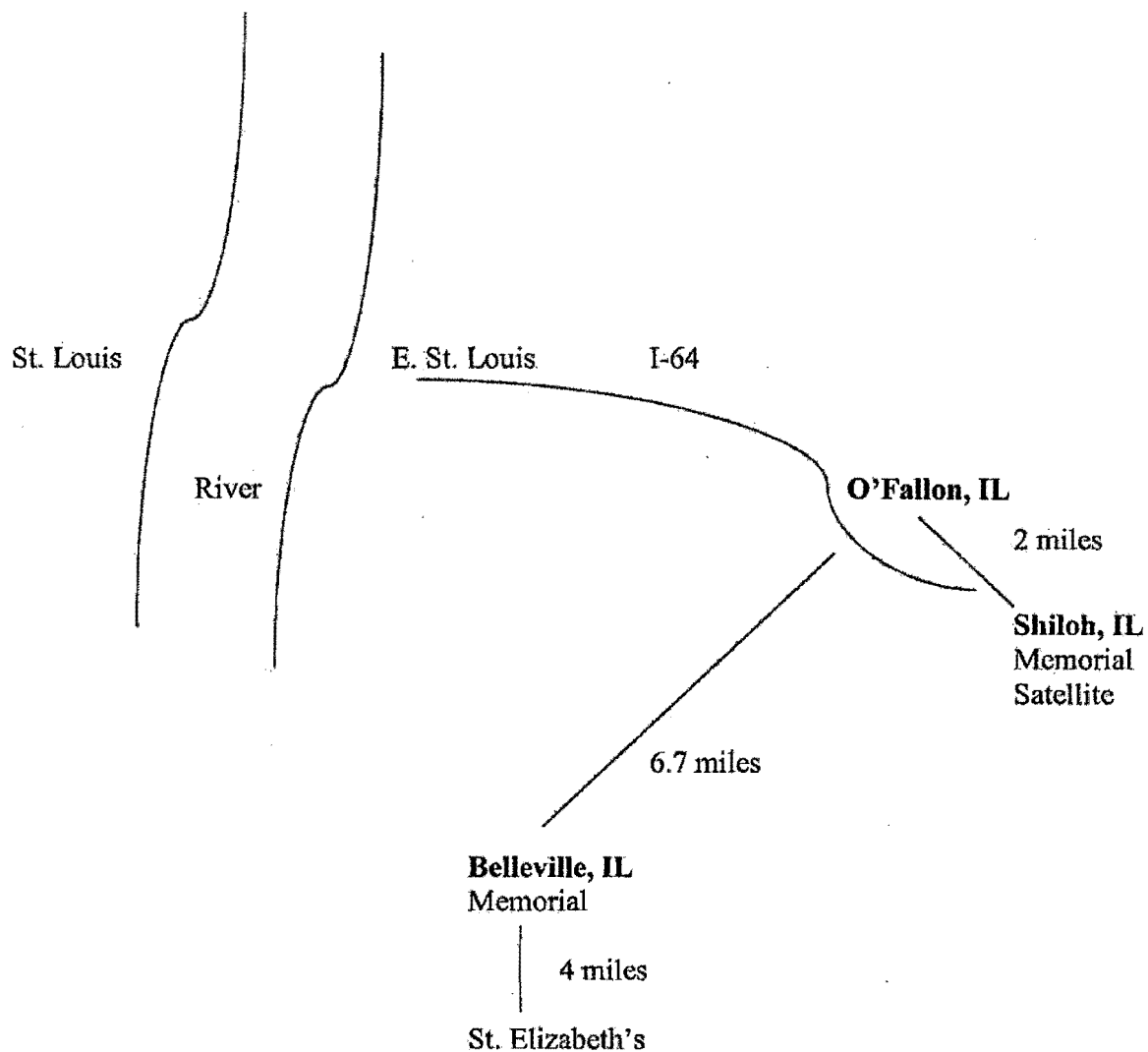
Another reason there will be no negative impact is as follows. When Belleville Memorial asked for approval of its *satellite facility* (its words) it made it very clear it would have no impact on area providers because although it was a new (and not replacement) hospital it would (1) see only patients previously seen at Memorial in Belleville (2) it was not adding new beds but re-distributing existing beds because when Shiloh was built its beds would come from reduced (surrendered) beds at the Belleville Memorial facility (3) it predicted no increase in market share since it would essentially re-distribute its existing patients between the Shiloh and Belleville facilities and (4) because of the latter factors it would not serve a different payor mix in any way whatsoever (see the **attached** pages 273, 275, 278-279, 282-283 of Mr. Mark Turner's testimony before the HFSRB on 06/28/2011 when the Memorial Shiloh satellite facility project was presented).

Astonishingly, Memorial argues now that a hospital could not possibly move a few miles and maintain the same payor mix and market share. The bottom line is if there

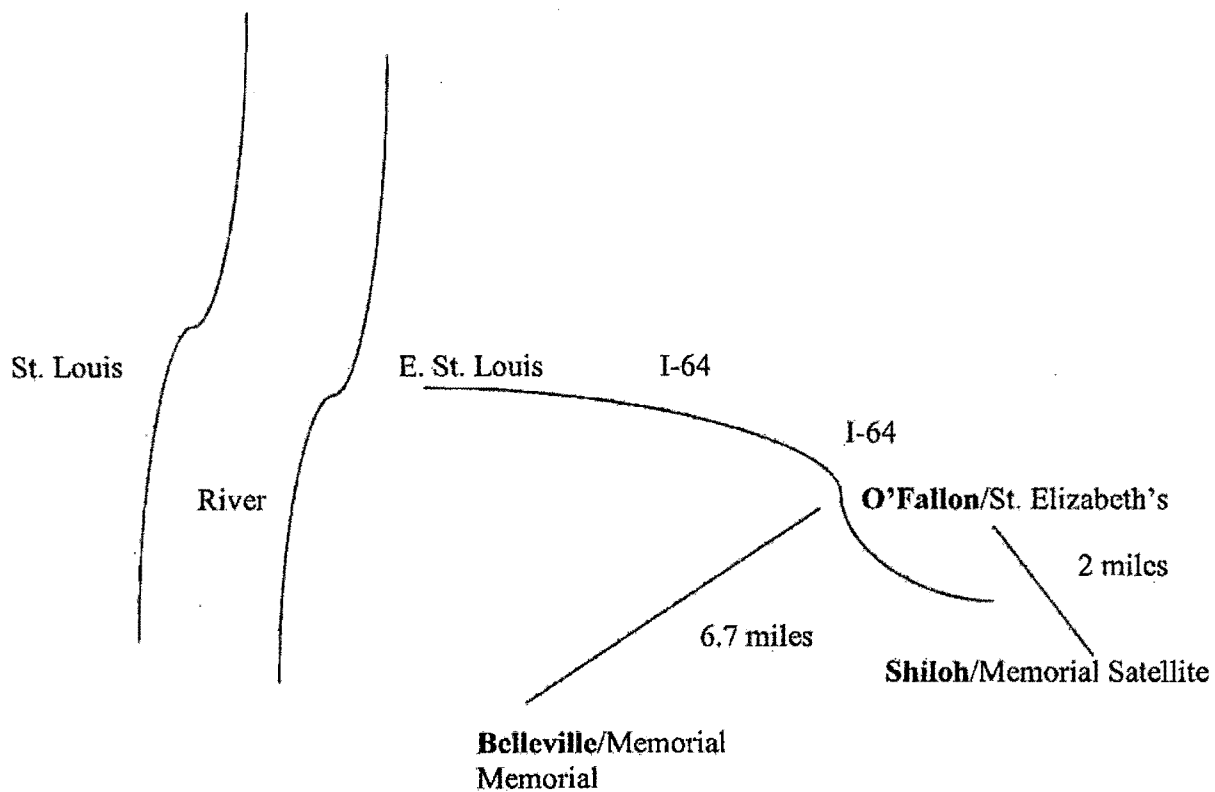
are enough patients in the region to support St. Elizabeth's currently and Memorial currently (the Memorial Satellite will be the same as Belleville Memorial as when it is constructed the beds to be established there will be complimented by a like reduction in the same beds at Belleville Memorial) then there are enough to provide a need for the same two hospitals only with 159 fewer beds, given St. Elizabeth's appropriate planning to reduce its bed capacity, versus holding on to what it has.

The replacement of St. Elizabeth's is a non-issue regarding impact on Belleville Memorial. Currently the two facilities are located in one town and essentially mirror one another. If the replacement hospital is approved, St. Elizabeth's and Memorial will continue to serve the same patients, service area and payor mix as they do today. However, their respective beds/services will be distributed in a way that provides better access on the whole to the region. St. Elizabeth's will reduce beds, be closer to a majority of its patients, more accessible to the region generally (off I-64) and provide its services in a modern facility.

CURRENT SITUATION



PROPOSED SITUATION



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1 whole community faces -- if you're on the north of side of
2 64, just the way the Roads run, it's very difficult to
3 access the hospitals that exist to serve that area. Our
4 cardiac surgery, neurosurgery and high risk OB will
5 continue to stay at our Belleville campus. We'll continue
6 to provide those services there.

7 In response to the State Agency Report, just a
8 few items. Forgive me for moving so quickly. I'm just
9 trying to be respectful of your time. A couple of things I
10 want to say there. The State Agency's Report indicates
11 that we don't meet the OB utilization, and we recognized
12 that by splitting the OB services. However, we don't want
13 to pull OB out of Belleville. We are a 53-year-old
14 community hospital, the only community-owned hospital in
15 the Belleville market. We're there to stay. We want to
16 continue to provide OB there. However, OB is part of the
17 services that are out-migrated, and we want to provide OB
18 services in Shiloh. So, we're trying to meet that need as
19 well.

20 The second issue that the Staff Report
21 identifies is the excess of med/surg beds. In fact, the
22 key point here is we're not adding med/surg beds. We're
23 reducing total beds by a total count of 6. So our license
24 would go from 316 beds to 310.

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1 going to skip most of the things I was going to say.

2 CHAIRMAN GALASSIE: It's the late hour of the
3 day, but you shouldn't feel rushed. It's not fair to you.

4 MR. AXEL: That's perfectly all right. This
5 project as designed, because of the way the bed numbers
6 were put together -- and it's in Attachment 20-B(3) of the
7 application. This project will have no impact whatsoever
8 on the utilization of any other Illinois hospital, with the
9 exception of Memorial in Belleville. The incremental
10 patients coming from other facilities will be those
11 Illinois patients that are now leaving the State and going
12 to Missouri.

13 Thank you very much.

14 CHAIRMAN GALASSIE: Thank you.

15 MR. EAKER: I'd like to respond to that. How
16 do you know that.

17 MR. AXEL: Thanks for that question. Memorial
18 brought in McManus Consulting, which does work across the
19 country on patient origin, where patients are going for
20 their services. They used the data of the Missouri
21 Hospital Association, which is very similar to the data
22 from the IHA. They were able to identify all of the
23 patients in 2009 that went from the hospital's 21 zip code
24 service area to Missouri for their care. As Mr. Turner

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1 important, extremely important to me and our organization
2 that you understand we are not leaving Belleville. We are
3 staying. We are just going to provide all private rooms to
4 our Belleville residents and all private rooms to the other
5 residents who, for the most part, are already leaving our
6 community.

7 MR. SEWELL: What's the population of Shiloh?

8 MR. TURNER: Shiloh -- O'Fallon is
9 approximately 25,000. Shiloh is 12,600.

10 MR. SEWELL: What are you estimating will be
11 your payor mix at the Shiloh facility in terms of
12 Medicare/Medicaid.

13 MR. TURNER: Again, a very good question. We
14 anticipate it being very, very similar to what we have now.

15 MR. SEWELL: Do I have assurances from you
16 that there's no long-term plan to build up Shiloh and
17 eventually close Belleville?

18 MR. TURNER: You have long-term assurance,
19 sir. You don't invest \$15 million a year, \$25 million
20 right now under way, \$5 million renovation on our nursing
21 facility -- in fact, part of this is when you look at the
22 financial ratios, as a not-for-profit hospital, a
23 community-owned organization, you put the money back in to
24 it. If we -- if we wanted to be a bank, we could have done

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1 MR. BURDEN: What's going to happen to these
2 other institutions which we agonized over basically
3 earlier? St. Anthony's, 36 percent; Gateway Regional -- I
4 don't know anything about Granite City, 25 percent; St.
5 Joe's Hospital, wherever that is, 24 percent. These places
6 are ready to close. I'm surprised they're still open.

7 MR. AXEL: The real short answer is nothing is
8 going to happen to them, because if you -- looking at page
9 101 to the application, the way we identified the number of
10 beds that we were going to need -- "we" being Memorial --
11 whether they be Memorial Belleville, Memorial Shiloh, is we
12 took each zip code that contributes patients to us; we
13 looked at it on an age breakout; we took utilization rates,
14 which we were able to do for each zip code; we applied the
15 demographic changes, some zip codes increasing in number,
16 some zip codes actually going down in number. More
17 important, however, is the aging of the area. So what
18 we're doing is we're holding our market share of Illinois,
19 our market share of Illinois constant. We're not taking
20 from anybody else.

21 MR. BURDEN: Fellow Board Member Mr. Sewell
22 asked a key question. You guys are river boat gamblers.
23 Who the hell is going to recommend you to sign something
24 you're not going to pull off and be gone, and you mentioned

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APPENDIX D
PAYOR MIX

PAYOR MIX

The move to a location outside of Belleville was based on geography and cost, not payor mix. There was simply no better location than land owned by the applicants off Interstate 64. The proposed site is closer to a greater number of communities living at or below the poverty level. The replacement hospital will be directly on a bus line (see **attached**) and as referenced its current patients primarily arrive to it by car (see the fact sheet **attached** to Appendix A). Given the greater accessibility to these communities and the location directly off the interstate and on a bus line, the new location will place it in an area that is more accessible to the entire region – including the underserved.

In addition, the cost of building onsite was prohibitive due to phasing of the construction process that would then cause the project to take three times as long to complete. In addition to being financially unviable, rebuilding at the existing location would not improve the accessibility problem that St. Elizabeth's current location presents.

The payor mix argument assumes that Belleville is a poor city with a high number of Medicaid patients and that St. Elizabeth's supposedly is trying to avoid Medicaid patients. The argument is false, and the data proves it is false. Based on 2013 and available 2014 data from Kaufman Hall and IHA CompData, of Belleville residents who received inpatient services at acute care hospitals, 18.5% were Medicaid patients. Residents of the applicants' proposed service area who received inpatient services consisted of 19.9% Medicaid. This establishes that St. Elizabeth's proposed service area has a **higher** percentage of Medicaid patients than the City of Belleville, where the Hospital is currently located. Therefore, the objectors' assertion that St. Elizabeth's decision to relocate was driven by payor mix is refuted by the facts.

To confirm the applicants' own payor mix analysts, St. Elizabeth's retained Deloitte Financial Advisory Services to conduct an independent analysis of the market and payor mix. Deloitte found that St. Elizabeth's payor mix at the proposed site will be virtually the same as St. Elizabeth's current payor mix. Moreover, Deloitte projects that St. Elizabeth's percentage of Medicaid and self-pay patients will marginally **increase** for medical/surgical services and the percentage of commercial pay patients will slightly **decrease** for those services. Deloitte's complete written analysis will be submitted to the Board under separate cover.

Opposition claims O'Fallon has a greater median income and fewer patients living at or below the poverty level than the City of Belleville. While this is true, it is completely irrelevant. St. Elizabeth's current facility does not merely serve Belleville *only*, and its proposed facility will not merely serve O'Fallon *only*. The Hospital's service area includes much more than Belleville, and much more than O'Fallon, and the service area will change very little by the relocation. Moreover, because the new location will be more accessible to communities with a greater number of underserved patients, we are anticipating a **lower** percentage of commercial pay across service lines and **higher** percentages of self-pay and Medicaid for Medical/Surgical services and ICU services. Deloitte's independent analysis confirms this expectation.

APPENDIX E
ST. CLAIR COUNTY HEALTH DEPARTMENT

ST. CLAIR COUNTY HEALTH DEPARTMENT

Opposition has claimed the St. Clair County Health Department is opposed to this project. That is not the case. Rather, the Health Department raised concerns, which St. Elizabeth's has satisfactorily addressed in a written response as well as at an in person meeting with the Executive Director of the St. Clair County Health Department, Mr. Kevin Hutchinson, to address the Department's concerns. **Attached** is an editorial sent in by Executive Director Hutchinson making it clear that **the Health Department does not oppose the project.** If approved, St. Elizabeth's will work arduously with the Health Department to assure that its services in Belleville provide appropriate outpatient care in the community and that residents who need care are able to access the new location. It will work collaboratively with Belleville Memorial and other hospitals serving the County and region to care for the communities located in St. Clair County. This will be the most effective way to honor the 100 year plus historical mission of the Sisters serving St. Clair County, and to take it into the future 100 years.

LETTERS

Not opposing St. E's move

In your editorial last Sunday, "Moving St. E's into the future," you incorrectly stated that the St. Clair County Health Department is opposing moving St. Elizabeth's Hospital from Belleville.

Our Oct. 17 letter to the Illinois Health Facilities and Services Review Board expressed concern that the proposed replacement hospital location will adversely impact the safety net services currently provided by St. Elizabeth's Hospital to the residents of St. Clair County. As I stated to your reporter in the article published Nov. 16, the Health Department neither supports nor opposes St. Elizabeth's Hospital's request to the state board for a certificate of need.

Your Nov. 7 editorial, "Can safety net survive a move?", more accurately conveys the position of our department. You stated: "The county's concerns do not necessarily mean that the state should deny St. E's application; however, the state does need to ensure that the county Health Department's concerns are considered and addressed before action on the hospital's application."

We support a strong health care system that provides safety net services needed by medically underserved and vulnerable populations. Our goal was to review the application and its impact on essential services to all residents of St. Clair County.

Kevin D. Hutchison
Executive director, St. Clair County
Health Department
Belleville

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March 31, 2015

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

RECEIVED

APR 01 2015

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Re: Project 14-043, St. Elizabeth's Hospital, Hospital Replacement Project

Dear Ms. Avery:

Deloitte Financial Advisory Services LLP has been retained by Barnes & Thornburg LLP in connection with its representation of Hospital Sisters Health System and its subsidiaries ("HSHS") to perform an independent analysis of the McManis Consulting report titled "St. Elizabeth's Hospital, Discontinuation of Belleville Hospital and Establishment of O'Fallon Hospital" dated November 24, 2014.

The McManis Report focuses on two specific areas: a) market findings and b) the impact on Memorial-East and Memorial-Belleville. This report fails to provide any additional information or detailed analysis to support its conclusions of the proposed project.

Our analysis indicates:

- The proposed relocation is not a shift from one market to another but in fact the current and proposed St. Elizabeth's locations fall within the areas of St. Elizabeth's highest market concentration
- St. Elizabeth's would be unable to accommodate the 2,019 discharges that McManis Consulting is estimating that Memorial-East would lose to St. Elizabeth's.
- St. Elizabeth's new location is not moving away from the lower income population or towards a higher income population
- Both Memorial-Belleville and St. Elizabeth's have a similar payor mix and stating that 45-55 percent of the patients that may now go to Memorial-Belleville will be Medicaid, Charity Care and Self-Pay patients is not reasonable or even supported.

- Redefined St. Elizabeth's total service area based on the estimated discharges by zip code
- Calculated the new payor mix in the service area by allocating the estimated discharges using St. Elizabeth's payor mix within each zip code

Our market assessment highlighted a higher proportion of commercial patients outmigrate to Missouri for both medical/surgical and obstetrics/gynecology cases. In addition, Memorial Belleville and St. Elizabeth's Belleville have a similar payor mix. See pages 22 and 43 in attached St. Elizabeth's Hospital Market Assessment.

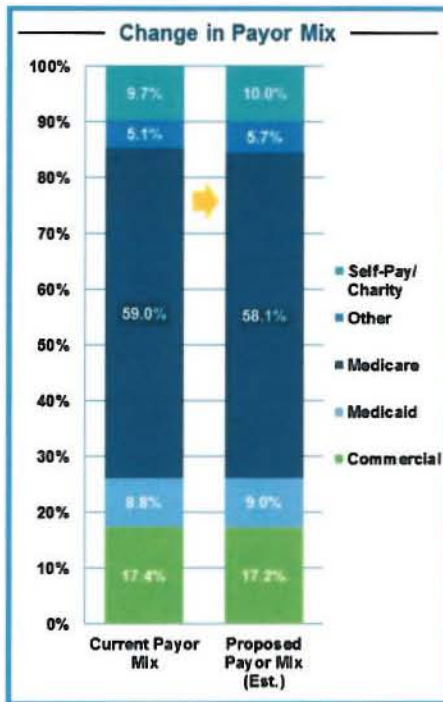
Based on the proposed relocation, we estimated a new service area and a shift in market share resulting from the move using St. Elizabeth's current payor mix percentage within each zip code. Our analysis of payor mix indicated that the zip codes with the highest Medicaid and Self-pay percentage of patients in St. Elizabeth's Total Service Area ("TSA") are located in East St. Louis. The proposed move decreased drive times for four out of six of these zip codes. The top three zip codes with the highest commercial percentage of patients in the St. Elizabeth's TSA are located south of St Elizabeth. Those zip codes are Millstadt (62260), Smithton (62285), and Freeburg (62242).

Our demographic analysis of household income indicated that:

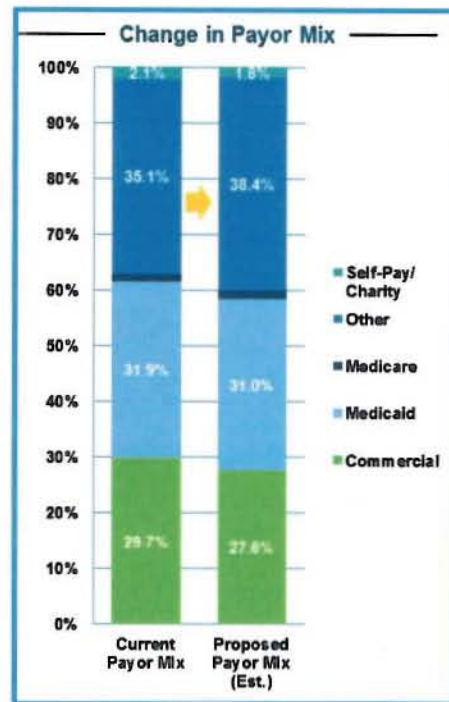
- While there is a significant difference in the median household income between the prior home zip code Belleville (62220) and the new proposed home zip code O'Fallon (62269), the relocation does not indicate a shift away from a lower income population or towards a higher income population within the TSA.
- Further, the weighted average median household income in the total service area is expected to decrease from \$54,882 in the current location to \$54,144 in the new location.
- Weighted average drive times for both the five highest and five lowest median household income zip codes decrease as a result of the move to O'Fallon.

Tables I and II on the next page summarize the market share shift and change in payor ix for both medical/surgical and obstetrics/gynecology services.

**Table I- Medical/Surgical
Payor Mix Shift**



**Table II- OB/GYN
Payor Mix Shift**



Conclusion

In conclusion, Deloitte independently performed a market assessment, based on 2013 CompData, to analyze the market changes as a result of the proposed relocation of St. Elizabeth's Hospital to O'Fallon, IL. Our market assessment indicated that while there would be a shift in the market service area, it does not indicate a shift away from a lower income population or towards a higher income population within the TSA and there would be minimal change to St. Elizabeth's payor mix for both medical/surgical and obstetrics/gynecology cases.

Respectfully submitted,

By: 

Richard Lee Piekarz

Senior Manager, Deloitte Financial Advisory Services, LLP

QUALIFICATIONS

The individuals responsible for performing this analysis are members of Deloitte's health care financial advisory service practice.

Richard Lee Piekarz is the lead on this assignment and has been active in coordinating our fieldwork, overseeing the analyses and reviewing the final work product. Lee is a senior manager in Deloitte's health care financial advisory practice. Lee has over 20 years of extensive industry experience working with health systems, hospitals and physician groups. Lee provides these clients counsel in the areas of financial consulting, due diligence on business acquisitions, regulatory compliance, and market assessments.

Pippa Laundy is a manager on the assignment. She has over seven years of financial advisory experience and has performed numerous projects with respect to health care entities, including hospitals, immediate care centers, ambulatory care centers and nursing facilities.

March 31, 2015

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

Re: Project 14-043, St. Elizabeth's Hospital, Hospital Replacement Project

Dear Ms. Avery:

Deloitte Financial Advisory Services LLP has been retained by Barnes & Thornburg LLP in connection with its representation of Hospital Sisters Health System and its subsidiaries ("HSHS") to perform an independent analysis of the McManis Consulting report titled "St. Elizabeth's Hospital, Discontinuation of Belleville Hospital and Establishment of O'Fallon Hospital" dated November 24, 2014.

The McManis Report focuses on two specific areas: a) market findings and b) the impact on Memorial-East and Memorial-Belleville. This report fails to provide any additional information or detailed analysis to support its conclusions of the proposed project.

Our analysis indicates:

- The proposed relocation is not a shift from one market to another but in fact the current and proposed St. Elizabeth's locations fall within the areas of St. Elizabeth's highest market concentration
- St. Elizabeth's would be unable to accommodate the 2,019 discharges that McManis Consulting is estimating that Memorial-East would lose to St. Elizabeth's.
- St. Elizabeth's new location is not moving away from the lower income population or towards a higher income population
- Both Memorial-Belleville and St. Elizabeth's have a similar payor mix and stating that 45-55 percent of the patients that may now go to Memorial-Belleville will be Medicaid, Charity Care and Self-Pay patients is not reasonable or even supported.

Market Findings

The McManis Report recognizes that the metro east health care market area includes a diverse set of communities with distinct economic, social and demographic characteristics but aside from showing a number of maps, it only highlights the differences between Belleville (zip code 62220) and O'Fallon (zip code 62269). While these two zip codes are substantially different in median household incomes and the percentage of Medicaid, charity and self-paying patients, the statement that this move is a fundamental shift from one market to another is incorrect. This is only a move of approximately six to seven miles and does not represent a move from one market to another. Both the current and proposed St. Elizabeth's locations fall within the areas of highest St. Elizabeth's market concentration. See Table I and II.

Relocating St. Elizabeth's to the proposed location will not negatively impact access to care for the overall indigent (Medicaid and Self-Pay/Charity) population within the Total Service Area ("TSA"). The majority of zip codes with above average Medicaid & Self-Pay/Charity populations (>17.5% for Med/Surg and 47.0% for OB/GYN, in red on the maps below) are located in the northwestern region (Missouri border) of St. Elizabeth's current service area. Only two southern zip codes have above average Medicaid & Self-Pay/Charity populations for the St. Elizabeth TSA.

The highest Medicare population is located both to the north and south of St. Elizabeth's. The majority of zip codes with above average Medicare populations (>55.4%, in blue on the map) are located in St. Elizabeth's secondary service area (SSA). The proposed location for the new St. Elizabeth's O'Fallon is closer to several zip codes with a greater than average Medicare population than the current location. See Table V.

The highest commercial population is located to the south of St Elizabeth's. The zip codes with above average Commercial populations (>22.6% for Med/Surg and >40.4% for OB/GYN, in green on the maps) are fairly evenly distributed across SEB's current total service area. The proposed new location for St Elizabeth's O'Fallon is further away from the zip codes with the highest Commercial populations than the current St. Elizabeth's Belleville location. See Table VI and VII.

While there is a difference in average income between the prior home zip code and new home zip code, relocating St. Elizabeth's to O'Fallon does not indicate an overall shift away from the lower income population or towards a higher income population within the TSA. In fact, the zip codes with the lowest household income are to the northwest of St. Elizabeth's in which drive times would decrease at the new location. The zip codes with the highest median household income span the

diagonal center of the service area from the southwest to northeast region. See Table VIII. For example, St. Elizabeth's is moving further away from Millstadt (zip code 62260) which has a median household income of \$76,271 and Freeburg (zip code 62243) which has a median household income of \$75,286.

Relocating St. Elizabeth's to the proposed new location has minimal impact on the overall average median household income of the service area and will reduce drive time for patients within the highest and lowest income zip codes within the PSA/SSA. We performed a market shift analysis on a zip code level to estimate the service area for the proposed location and actually, the weighted average median household income of the current and proposed service areas went down from \$54,882 to \$54,144. Patients within the top five highest income zip codes will experience a reduced weighted average drive time of 9 minutes and patients within the top five lowest income zip codes will experience a reduced weighted average drive time of 3 minutes demonstrating that access improves for patients across all income brackets.

It is apparent that the McManis Report only used two zip codes to support their conclusion that this was a fundamental shift from one market to another because if they included more zip codes that conclusion could not be supported. Therefore, we believe their conclusions are misleading and incorrect.

Impact on Memorial-East

The estimated impact on Memorial-East is flawed and impossible. Based on the information included in the St. Elizabeth's Certificate of Need ("CON"), the proposed new hospital is 128 beds (excluding rehabilitation beds), which is a reduction of 142 beds from its existing beds of 270. The projected 2019 inpatient medical surgical, ICU and OB/GYN admissions and days indicate that the hospital's average daily census will be approximately 111 indicating overall occupancy around 87 percent. At this level of current occupancy, it is impossible for the proposed hospital to accommodate the 2019 discharges that McManis Consulting has estimated. There would physically not be enough beds to absorb the impact that McManis Consulting estimated. If Memorial-East will not lose 2,019 discharges then the two other statements by McManis Consulting that Memorial-East will have a net revenue decrease by at least \$30 million and that 200 jobs would be lost are also incorrect.

Impact on Memorial-Belleville

McManis Consulting attempts to conclude that since St. Elizabeth's is moving six to seven miles to O'Fallon that approximately 900 patients from the southern zip codes will all come to Memorial- Belleville and that 43.5 percent of those patients will be Medicaid and Self Pay/Charity patients. As indicated in Table VI and VII, the southern zip codes have some of the highest commercial

Ms. Courtney R. Avery
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populations in the TSA. Also, our analysis does not indicate an overall shift away from the lower income population or towards a higher income population within the TSA. See Table VIII. These two facts refute the statement that Memorial-Belleville will be negatively impacted by St. Elizabeth's relocation to O'Fallon.

Another important observation we made was that Memorial-Belleville and St. Elizabeth's Belleville have a similar payor mix, with St. Elizabeth's currently providing care to a slightly higher portion of Medicaid and self-pay patients (versus commercial). Our analysis also shows that based on the move to O'Fallon, commercial discharges are expected to decrease slightly for St. Elizabeth's, while Medicaid discharges are expected to increase slightly as a result of the move. Overall, a minimal impact to St. Elizabeth's payor mix is expected. Therefore if Memorial-Belleville treats patients that previously went to St. Elizabeth's, the payor mix of those patients will be similar to the payor mix of Memorial-Belleville currently.

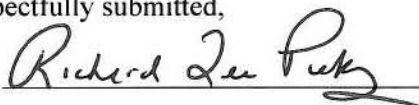
Conclusion

In conclusion, Deloitte independently performed a market assessment, based on 2013 CompData, to analyze the market changes as a result of the proposed relocation of St. Elizabeth's Hospital to O'Fallon, IL. Our analysis does not indicate this proposed relocation is a shift from one market to another but in fact confirms that both the current and proposed St. Elizabeth's locations fall within the areas of St. Elizabeth's highest market concentration.

St. Elizabeth's is proposing to build a replacement hospital that is smaller than its current facility but able to support its current volume of patients (with population growth) and would have high occupancy. Therefore, St. Elizabeth's would be unable to accommodate the 2,019 discharges that McManis Consulting is estimating that Memorial-East would lose to St. Elizabeth's.

If Memorial-Belleville treats patients that previously went to St. Elizabeth's, the payor mix of those patients will be similar to the overall payor mix of Memorial-Belleville or St. Elizabeth's currently. Both Memorial-Belleville and St. Elizabeth's have a similar payor mix and stating that 45-55 percent of the patients that may now go to Memorial-Belleville will be Medicaid, Charity Care and Self-Pay patients is not reasonable or even supported.

Respectfully submitted,

By: 

Richard Lee Piekarz

Senior Manager, Deloitte Financial Advisory Services, LLP

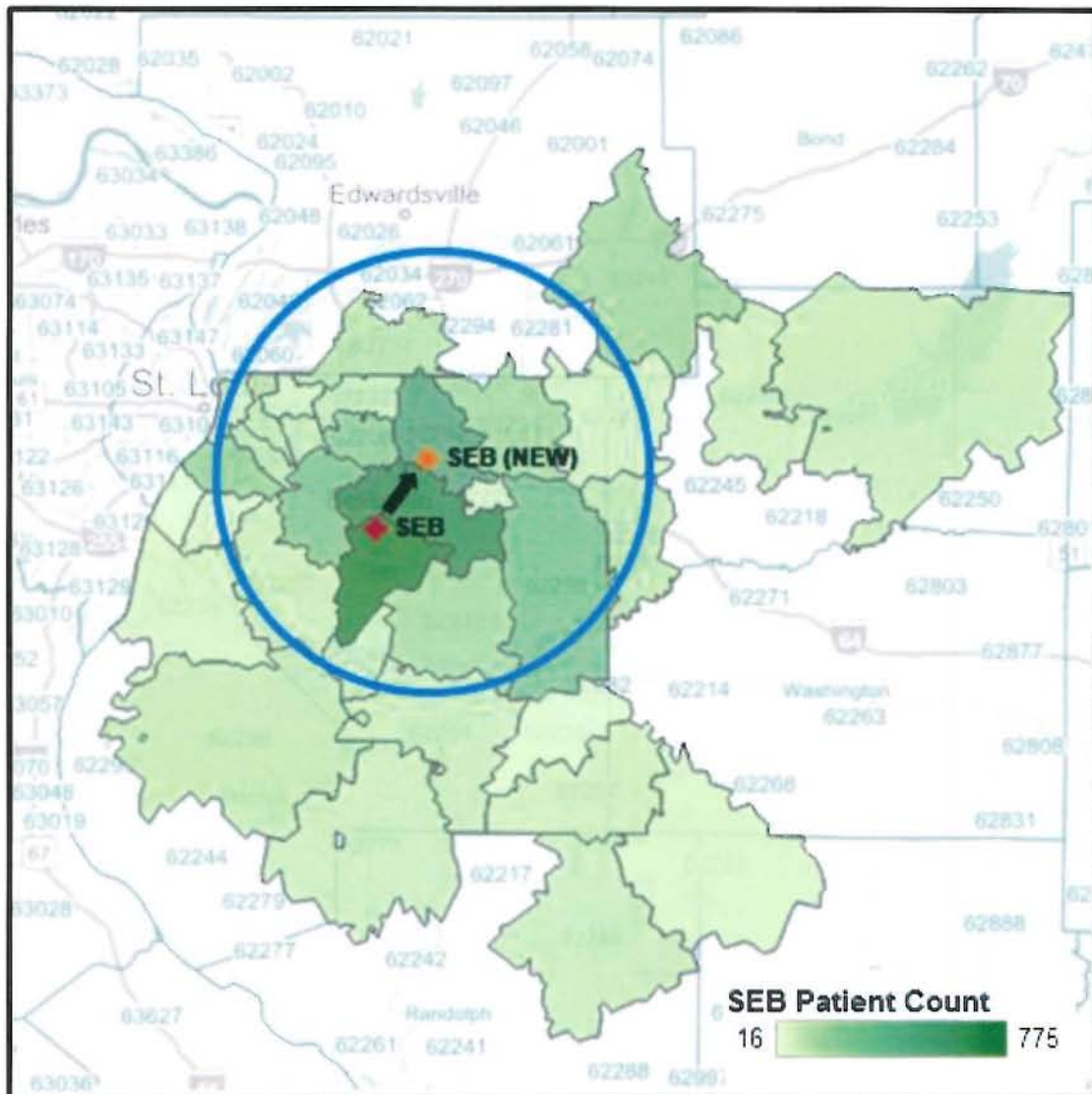
TABLES

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Table I- St. Elizabeth's Med/Surg Patient Density

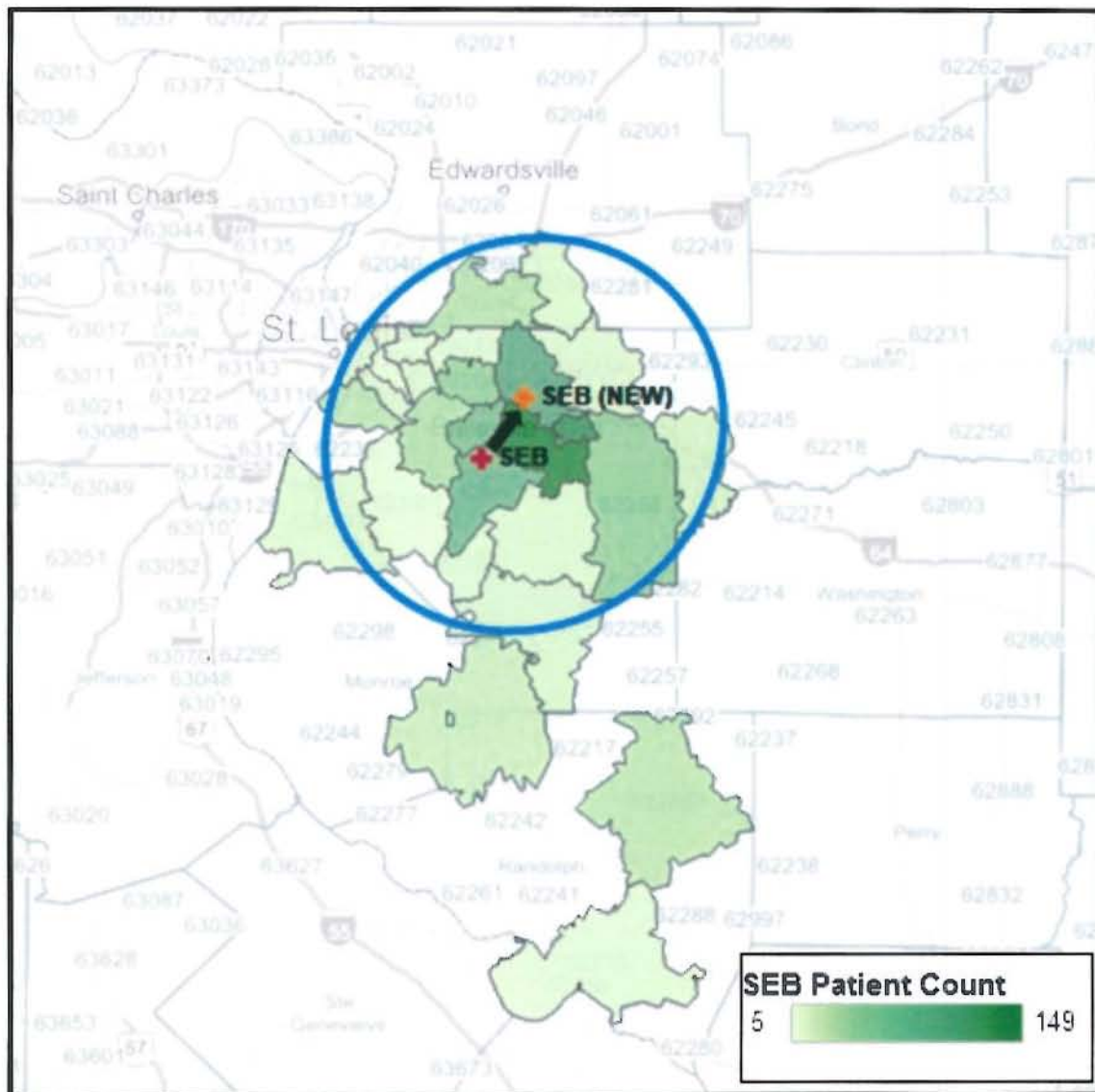


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Table II- St. Elizabeth's OB/GYN Patient Density

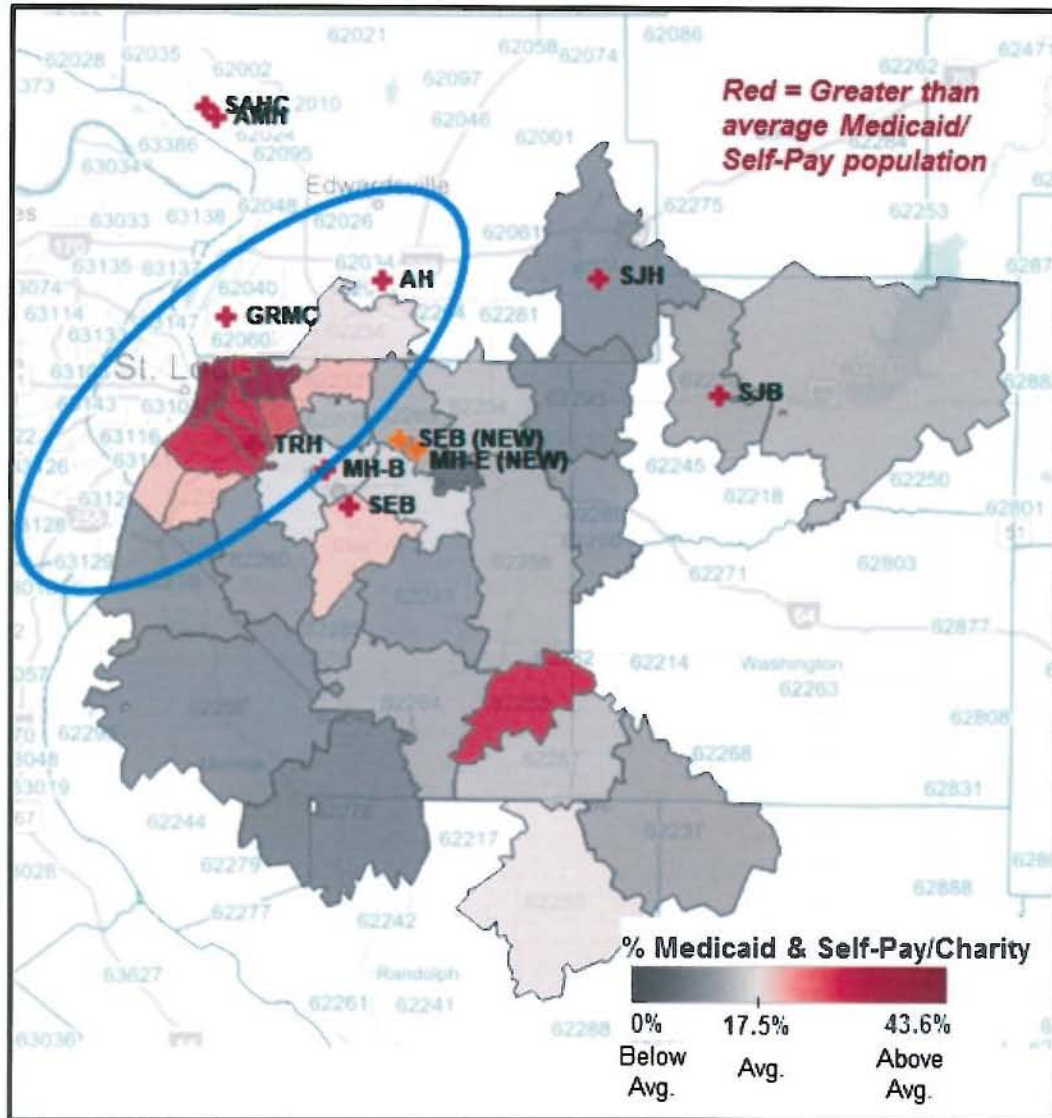


Ms. Courtney R. Avery

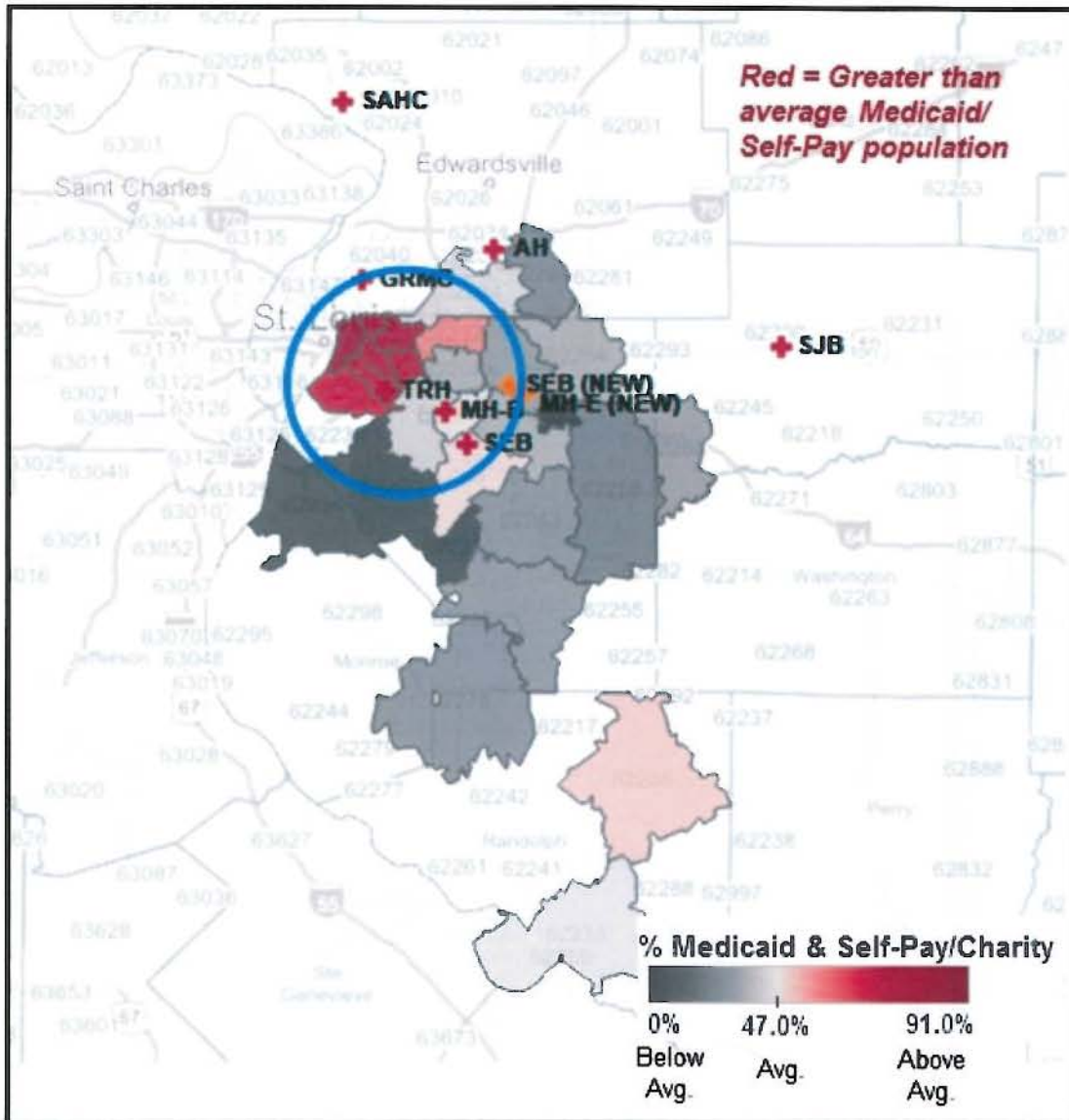
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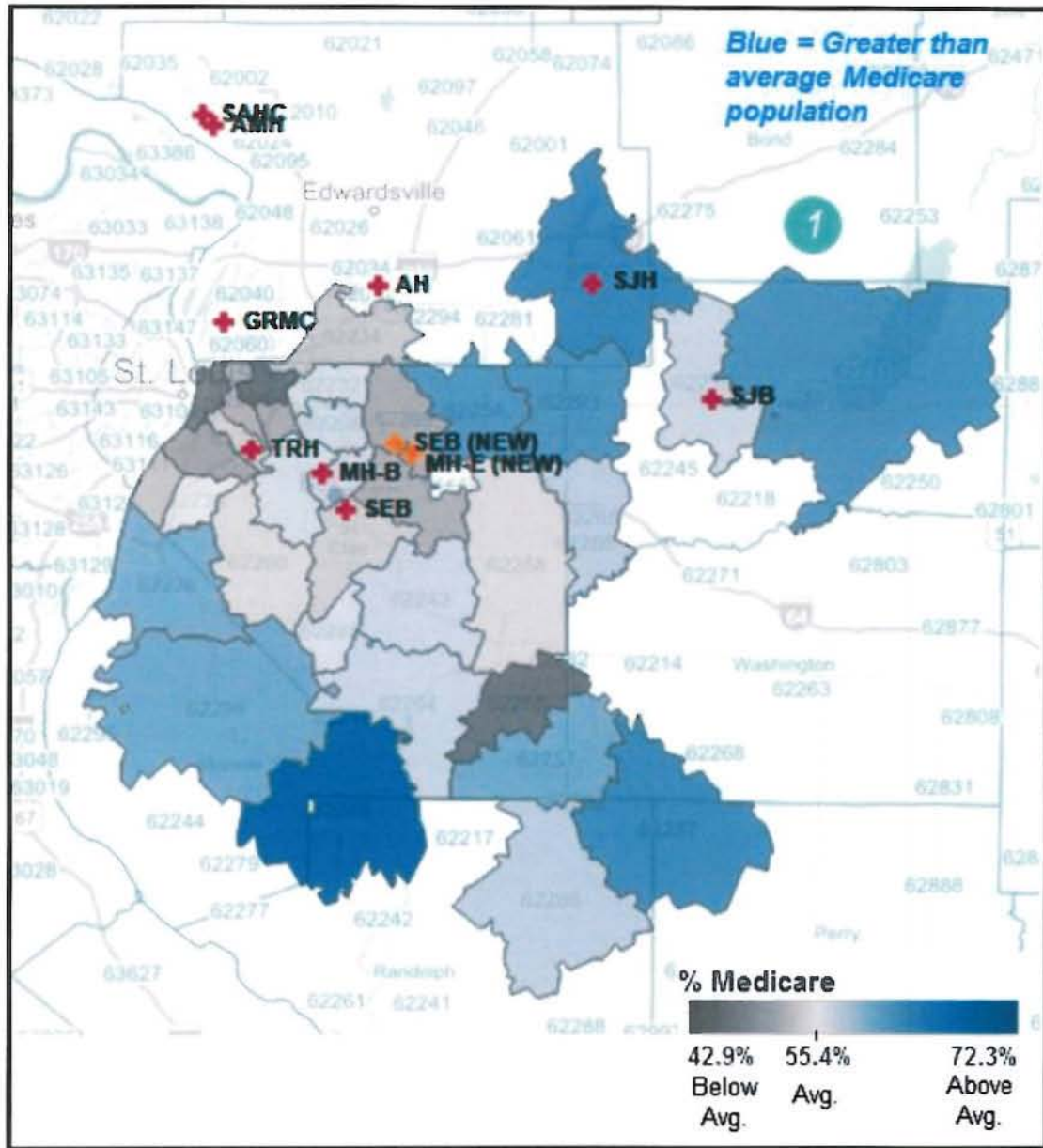
Table III- St. Elizabeth's Med/Surg Medicaid & Self-Pay/Charity Patient Density



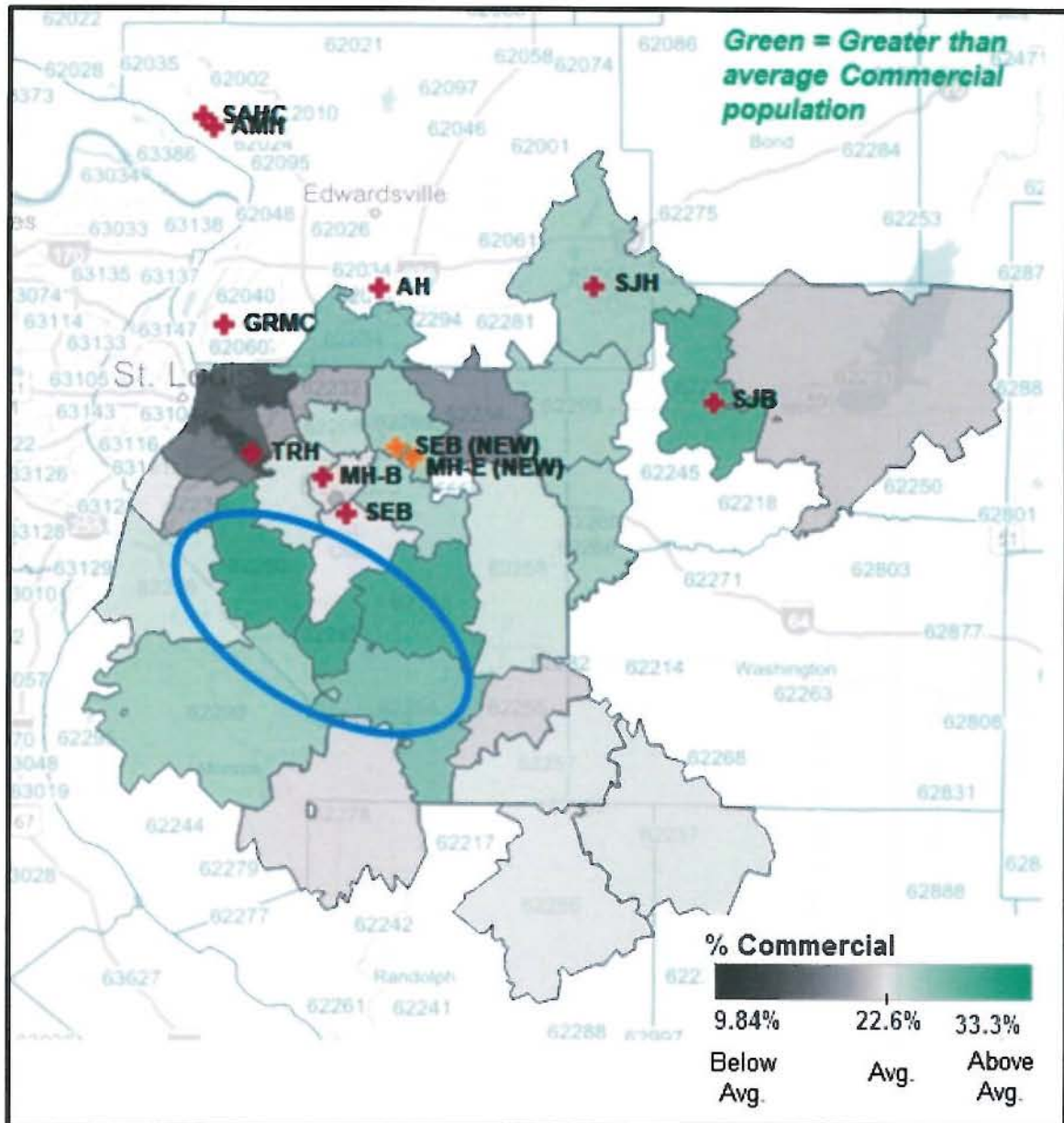
**Table IV- St. Elizabeth's OB/GYN Medicaid &
Self-Pay/Charity Patient Density**



**Table V- St. Elizabeth's Med/Surg Medicare
Patient Density**



**Table VI- St. Elizabeth's Med/Surg Commercial
Patient Density**

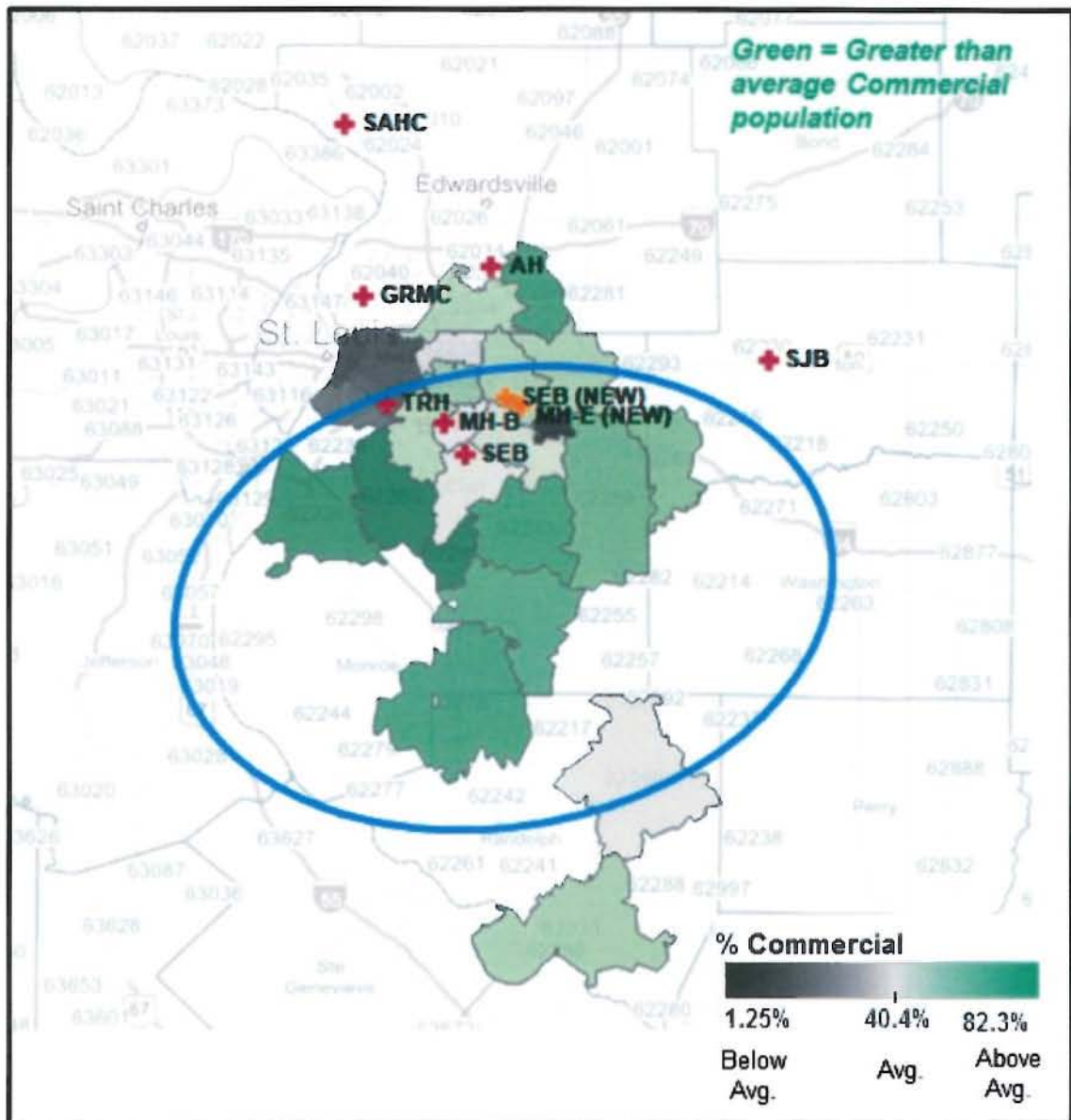


Ms. Courtney R. Avery

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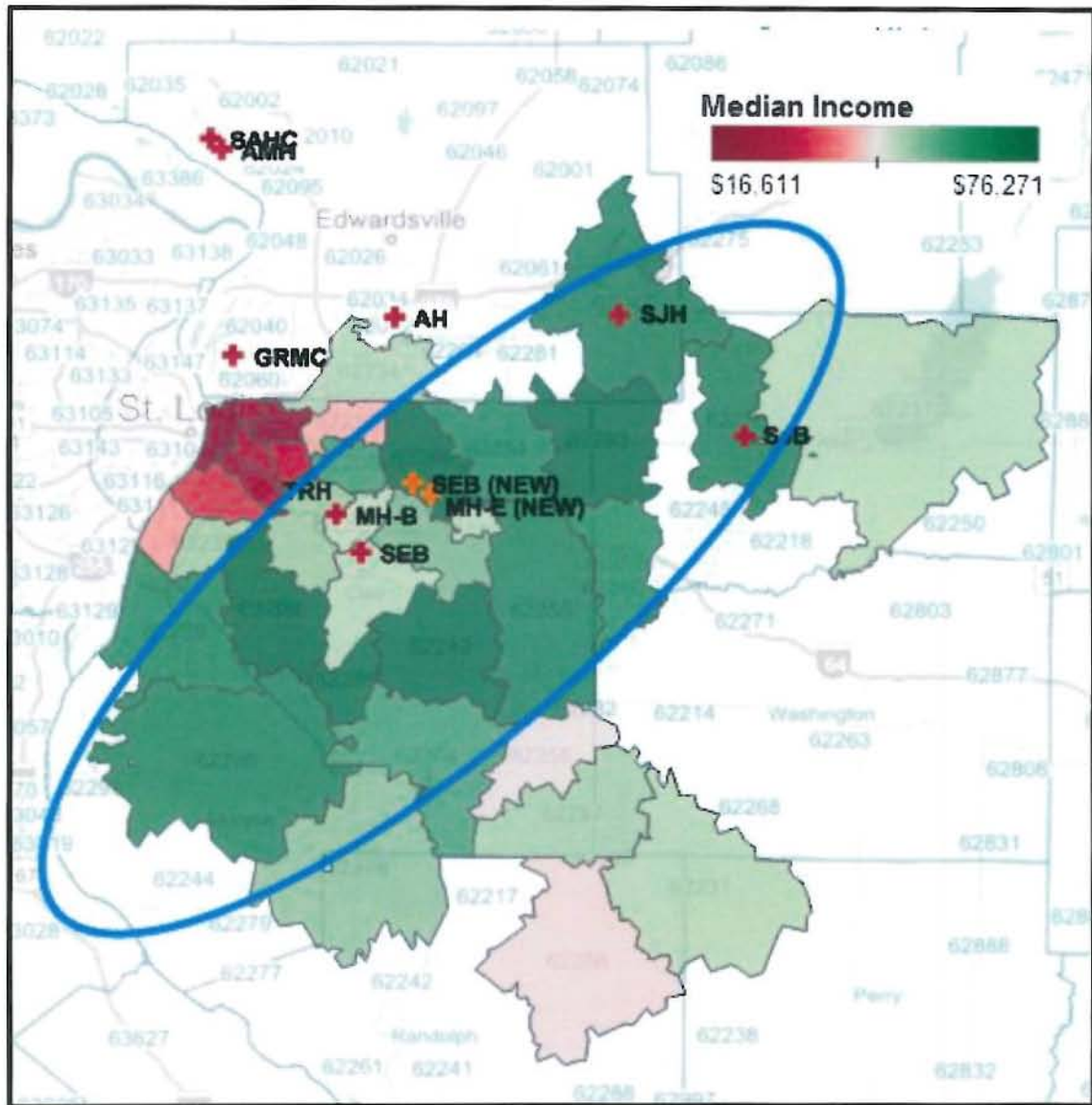
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Table VII- St. Elizabeth's OB/GYN Commercial Patient Density



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**Table VIII- Median Household Income
CY2013 SEB TSA**



QUALIFICATIONS

The individuals responsible for performing this analysis are members of Deloitte's health care financial advisory service practice.

Richard Lee Piekarz is the lead on this assignment and has been active in coordinating our fieldwork, overseeing the analyses and reviewing the final work product. Lee is a senior manager in Deloitte's health care financial advisory practice. Lee has over 20 years of extensive industry experience working with health systems, hospitals and physician groups. Lee provides these clients counsel in the areas of financial consulting, due diligence on business acquisitions, regulatory compliance, and market assessments.

Pippa Laundy is a manager on the assignment. She has over seven years of financial advisory experience and has performed numerous projects with respect to health care entities, including hospitals, immediate care centers, ambulatory care centers and nursing facilities.



St. Elizabeth's Hospital Market Assessment

March 31, 2015

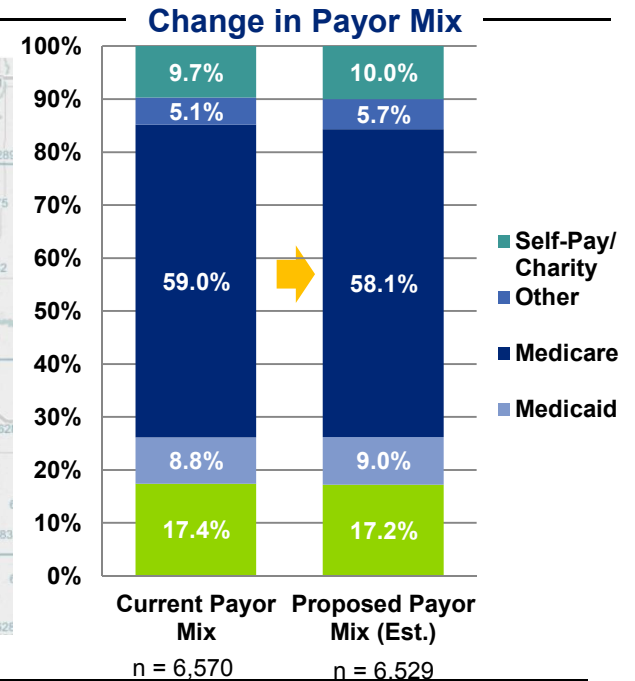
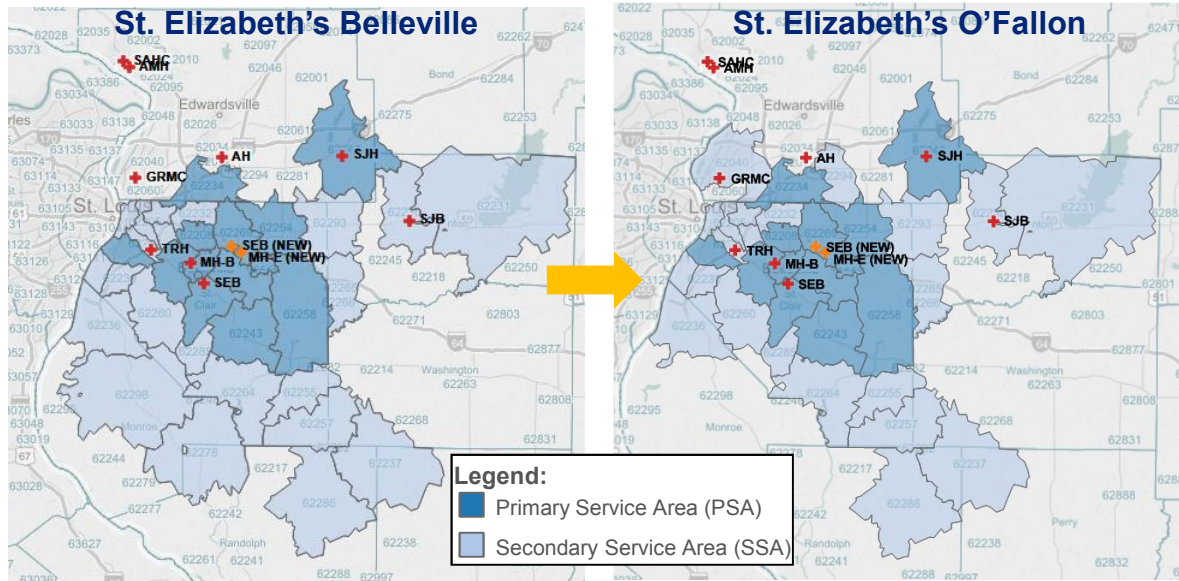
Deloitte.

Executive Summary

- Changes in market share on a zip code level are expected as a result of the relocation
- The zip codes included in the redefined total service area for both medical/surgical and obstetric/gynecology services, after applying market share adjustments to each zip code, do not change significantly
- Payor mix analysis indicates that:
 - The zip codes with the highest Medicaid & Self-pay/Charity percentage of patients in St. Elizabeth's Belleville (SEB) total service area (TSA) are located in East St. Louis. Drive times decrease for 4 out of 6 of these zip codes.
 - The top 3 zip codes with the highest commercial percentage of patients in the SEB TSA are located south of SEB: Millstadt (62260), Smithton (62285), and Freeburg (62242).
- Demographic analysis on household income indicates that:
 - While there is a significant difference in the median household income between the prior home zip code Belleville (62220) and the new proposed home zip code O'Fallon (62269), the relocation **does not indicate a shift away from a lower income population or towards a higher income population within the TSA.**
 - Further, the weighted average median household income in the total service area is expected to **decrease from \$54,882 in the current location to \$54,144 in the new location.**
 - Weighted average drive times for **both the 5 highest and 5 lowest median household income zip codes** decrease as a result of the move to O'Fallon.
 - High market share, relative to proximity, in the southern and northeastern zip codes indicate relationships that will not be materially impacted solely due to the move.

Medical/Surgical Market Shift Summary

Market Shift



Observations

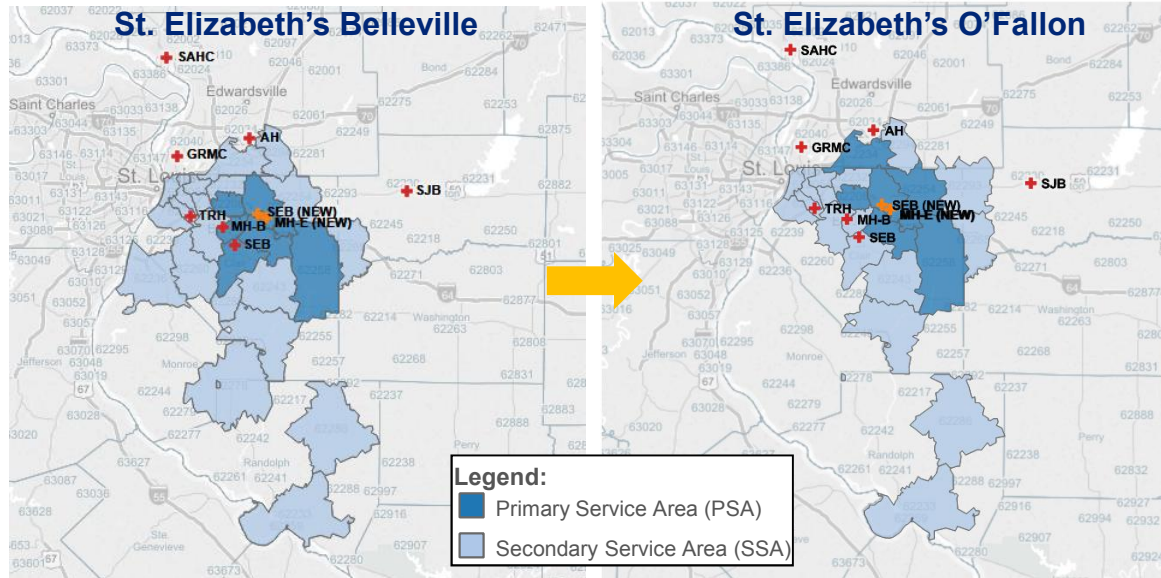
New Zip Codes	
Zip Code	City
62040	Granite City
62294	Troy

Dropped Zip Codes	
Zip Code	City
62278	Red Bud
62298	Waterloo

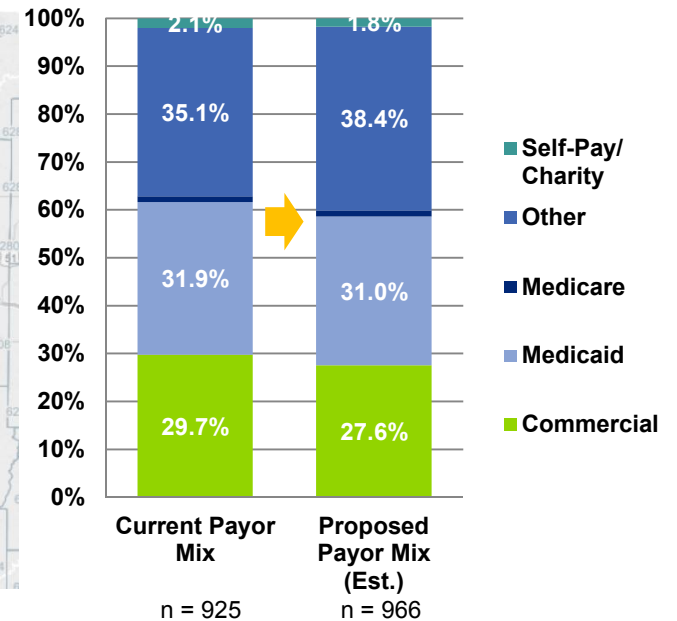
- As a result of the proposed relocation from Belleville to O'Fallon, it is estimated that two new zip codes will be added to St. Elizabeth's service area, and two will be dropped (see table to the left).
- Discharges originating from the new TSA are expected to decrease by 41 or 0.6% of total discharges
- Total discharges are expected to increase from 7,593 to 7,597, an increase of 4 or 0.1%.
- Minimal impact to SEB's payor mix is expected (see chart to right).

Obstetric/Gynecology Market Shift Summary

Market Shift



Change in Payor Mix



Observations

New Zip Codes	
Zip Code	City
62293	Trenton

Dropped Zip Codes	
Zip Code	City
62278	RedBud
62285	Smithton
62236	Columbia
62260	Millstadt

- As a result of a relocation from Belleville to O'Fallon, it is estimated that one new zip code will be added to St. Elizabeth's service area, and four will be dropped (see table to left).
- Discharges originating from the new TSA are expected to decrease by 41 or 4.5% of total discharges
- Total discharges are expected to increase from 1,072 to 1,132, an increase of 60 or 6.4%.
- Minimal impact to SEB's payor mix is expected (see chart to right).

Engagement Overview

Background

- Pursuant to the engagement letter dated February 24, 2015 (“Engagement Letter”), Deloitte Financial Advisory Services LLP (“Deloitte FAS”) was engaged by Barnes & Thornburg LLP (“Counsel”) in connection with its representation of Hospital Sisters Health System and its subsidiaries (“HSBS”) to assist Counsel and HSBS with financial consulting services in connection with its analysis of the market and financial impacts of the proposed relocation of St. Elizabeth’s Hospital located in Belleville, IL (“SEB”).
- This document summarizes our market assessment of the proposed relocation of SEB in connection with its filing of CON #14-043.
- This deliverable is subject to the terms of our Engagement Letter and are incorporated herein by reference. The information herein is intended solely for the information and use of Counsel and HSBS and should not be distributed, disclosed, referenced, quoted to, or used by, anyone, in whole or in part without Deloitte FAS’ prior written permission.

Background

- HSHS owns and operates SEB, a 303 bed acute care hospital, and is seeking approval to build a replacement facility 6.5 miles away in O'Fallon, Illinois.
 - SEB is located in Health Service Area (HSA) 11 and Health Planning Area (HPA) F-01 primarily serving patients across Clinton, Madison, Monroe, and St. Clair County.
 - The proposed location is within the same planning area (F-01)
 - The following acute care hospitals provide services within HPA F-01 and are within a 45 minute drive time of the proposed new location:

Acute Care Hospital	City	County	Authorized M/S Beds	Authorized OB/GYN Beds
Alton Memorial Hospital	Alton	Madison	117	25
Anderson Hospital	Maryville	Madison	98	24
Gateway Regional Hospital	Granite City	Madison	166	27
Memorial Hospital	Belleville	St. Clair	175	8
Memorial Hospital-East *	Shiloh	St. Clair	72	16
St. Anthony's Hospital	Alton	Madison	101	20
St. Elizabeth's Hospital	Belleville	St. Clair	202	30
St. Joseph's Hospital	Highland	Madison	25	-
St. Joseph's Hospital	Breese	Clinton	56	6
Touchette Regional Hospital	Ceterville	St. Clair	66	33

* New facility currently under construction

Market Assessment Approach

- Our approach to the market analysis included the following steps:
 - Defined SEB's current market service area for both (i) medical/surgical and (ii) obstetric/gynecology services
 - Analyzed the market dynamics within the defined service area including demographics, market share, payor mix, utilization patterns, population growth, and drive times
 - Estimated the expected changes in market share on a zip code level within the current defined service area and for any zip codes that could potentially shift into the new service area
 - Redefined St. Elizabeth's O'Fallon (SEO) total service area based on the estimated discharges by zip code
 - Calculated the new payor mix in the SEO service area by allocating the estimated discharges assuming the current SEB payor mix within each zip code

Market Shift Approach

- Recognizing southwestern Illinois' unique market, we individually analyzed each zip code within SEB's current TSA and other zip codes within a 30 minute drive time from the proposed O'Fallon location.
 - Market share adjustments were applied to CY2013 SEB market share to determine market share by zip code for the proposed location.
 - Zip code level market share adjustments were estimated considering the following fact patterns:
 - Distance and drive times to the current location, proposed location, and other area providers
 - Current market presence and outmigration trends to Missouri hospitals
 - Other affiliated HSHS hospitals within the service area
 - Strategic relationships in the southern and northeastern sections of the SEB service area
- Discharges were then calculated, considering the new market share by zip code, and the service area for the proposed location was redefined using the same criteria.

Key Assumptions

- **St. Elizabeth's current and proposed market service areas were defined as follows:**
 - The primary service area (PSA) was composed of the top 60% of discharges.
 - The secondary service area (SSA) was composed of the next 25% of discharges (60%-85%).
 - In order to create a contiguous service area, several zip codes not originally identified as part of the medical/surgical PSA/SSA based on volume were incorporated into the SSA in order to eliminate any identified 'holes' in the service area
- **Payor Mix:**
 - The payors identified in the CompData report were grouped as follows for the purposes of our analysis:

CompData Category	Deloitte Grouping
MEDICARE FEE FOR SERVICE	Medicare
SELF PAY	Self-Pay/Charity
COMMERCIAL HMO	Commercial
COMMERCIAL INSURER	Commercial
MEDICAID FEE FOR SERVICE	Medicaid
MEDICAID MANAGED CARE	Medicaid
MEDICARE MANAGED CARE	Medicare
OTHER*	Other
SELF-ADMINISTERED	Other
WORKERS COMPENSATION	Other
CHARITY	Self-Pay/Charity

**Note that the 'Other' category in the CompData report includes Tricare, a governmental payor.*

Sources of Information

- **Patient Data:** COMPdata based on the following report criteria:
 - *Medical/Surgical Services*
 - ILIP, MOIP
 - CY 2013
 - MSDRG - All product lines excluding normal newborn, OB, Gynecology, and Psych
 - Ages 15+
 - *Obstetrics/Gynecology Services*
 - ILIP, MOIP
 - CY 2013
 - MSDRG - OB & Gynecology product lines only
 - Ages 15+
- **Population data:** Nielson Claritas estimates for CY 2013, CY 2014, and CY 2019
- **Median Household Income:** U.S. Census Bureau – American FactFinder estimates for CY 2013
- **Drive times:** MapQuest

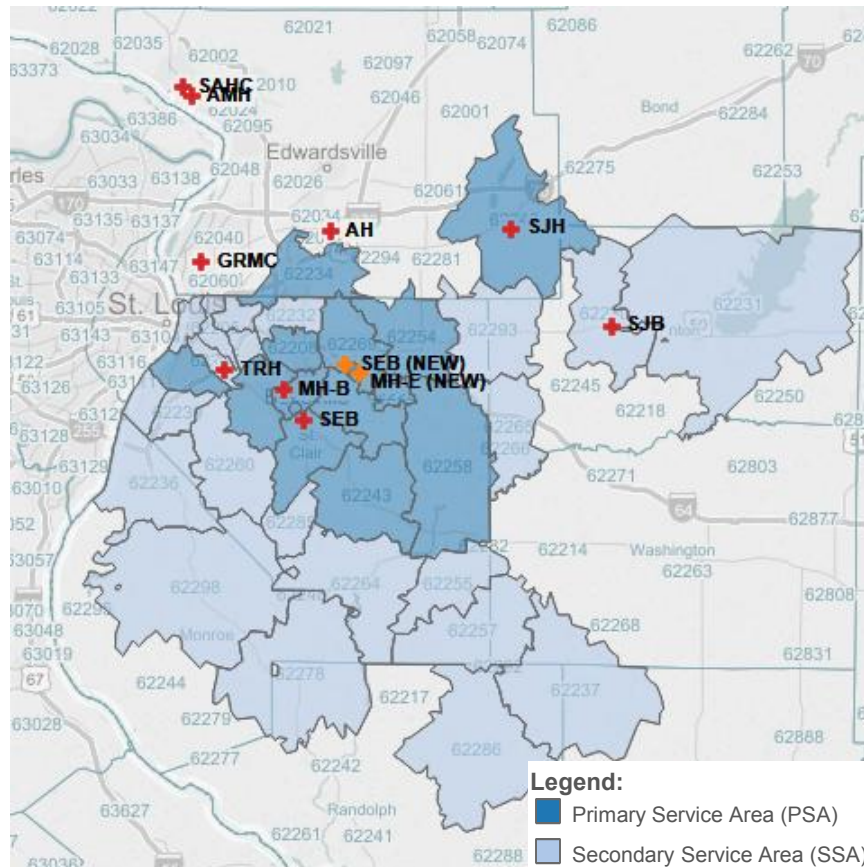
Medical/Surgical

Current Service Area

CY2013 SEB M/S Total Service Area

SEB's total service area (TSA) is composed of the following zip codes:

St. Elizabeth's Belleville (SEB)



SEB TSA Zip Codes

Primary Service Area (PSA)			Secondary Service Area (SSA)		
Zip Code	City	# Patients	Zip Code	City	# Patients
62220	Belleville	775	62265	New Baden	121
62221	Belleville	691	62298	Waterloo	121
62226	Belleville	676	62207	East St. Louis	118
62269	O Fallon	523	62205	East St. Louis	116
62258	Mascoutah	335	62203	East St. Louis	111
62223	Belleville	322	62286	Sparta	106
62208	Fairview Heights	261	62264	New Athens	103
62206	East St. Louis	241	62232	Caseyville	102
62249	Highland	196	62260	Millstadt	101
62254	Lebanon	191	62231	Carlyle	100
62243	Freeburg	185	62285	Smithton	100
62234	Collinsville	136	62278	Red Bud	97
62225	Scott Air Force Base	50*	62257	Marissa	95
			62230	Breese	91
			62293	Trenton	80
			62236	Columbia	78
			62204	East St. Louis	73
			62237	Coulterville	61
			62201	East St. Louis	60
			62239	Dupo	60
			62255	Lenzburg	44*
			62240	East Carondelet	34*
			62248	Hecker	16*

*Zip codes added to TSA to create contiguous service area

CY2013 Patients in TSA = 6,570

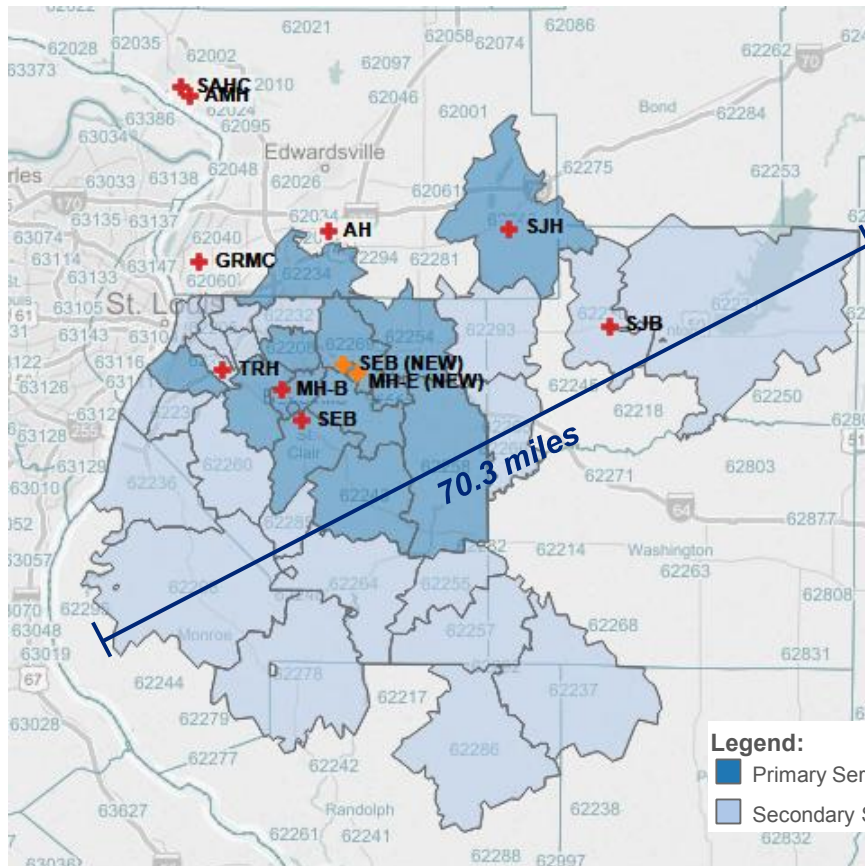
CY2013 Total Patients at SEB = 7,593

TSA defined as top 85% of patients. PSA defined as top 60% of patients, and SSA defined as 60%-85% of patients.

CY2013 M/S Total Service Area

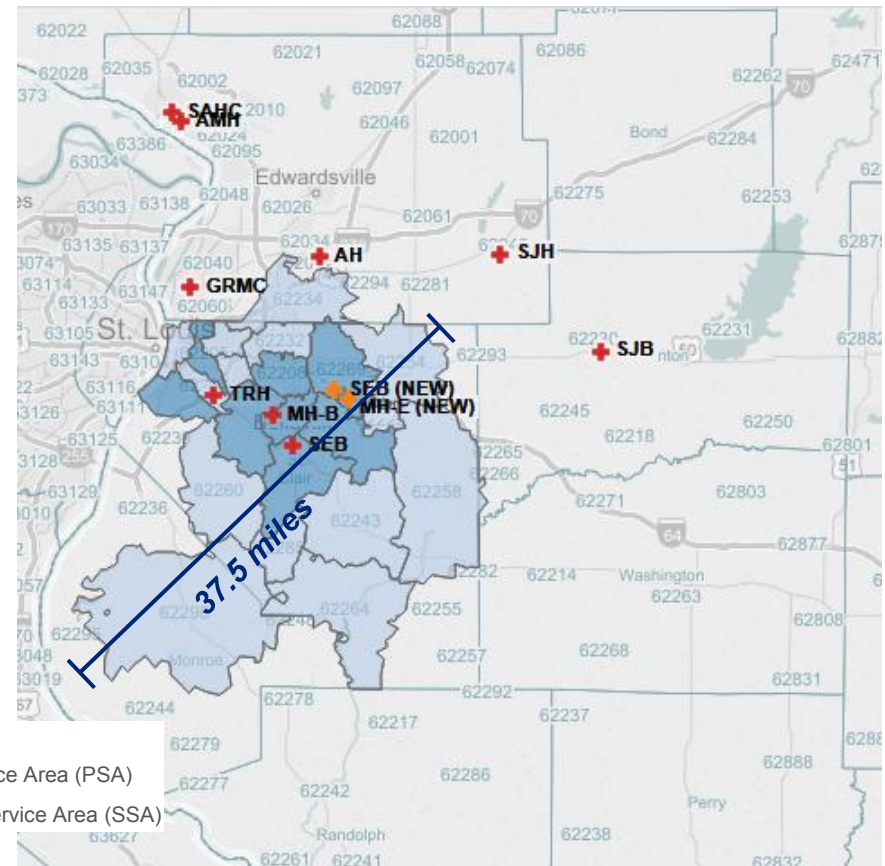
SEB's service area extends much further than Memorial Belleville which is only ~4.5 miles away.

St. Elizabeth's Belleville (SEB) TSA



SEB's overall market share in its defined service is 19.0%

Memorial - Belleville (MH-B) TSA

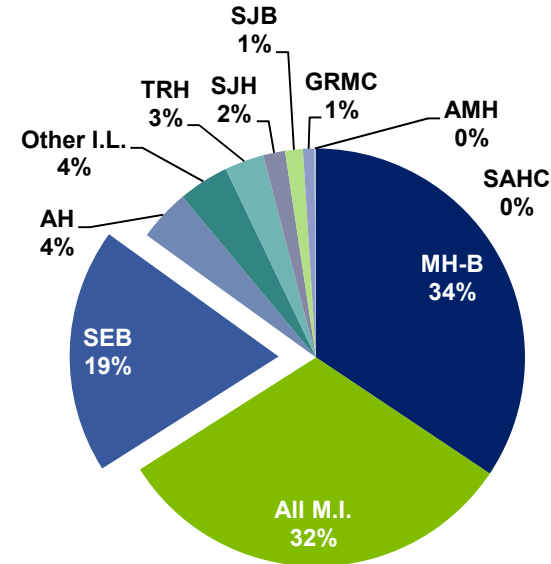


MH-B's overall market share in its defined service area is 40.3%

Market Share CY2013 SEB M/S TSA

In SEB's total service area (TSA), St. Elizabeth holds the 3rd highest market share, trailing both Memorial Hospital – Belleville and Missouri Hospitals.

Provider	Abbrev.	Total Market Share	Market Share %
Memorial Hospital - Belleville	MH-B	11,907	34.4%
All Missouri Hospitals	All M.I.	10,949	31.6%
St. Elizabeth's Hospital - Belleville	SEB	6,570	19.0%
Anderson Hospital	AH	1,394	4.0%
All Other Illinois Hospitals	Other I.L.	1,360	3.9%
Touchette Regional Hospital	TRH	1,050	3.0%
St. Joseph's Hospital - Highland	SJH	584	1.7%
St. Joseph's Hospital - Breese	SJB	479	1.4%
Gateway Regional Medical Center	GRMC	300	0.9%
Alton Memorial Hospital	AMH	38	0.1%
St. Anthony's Health Center - Alton	SAHC	10	0.0%
Total		34,641	100.0%



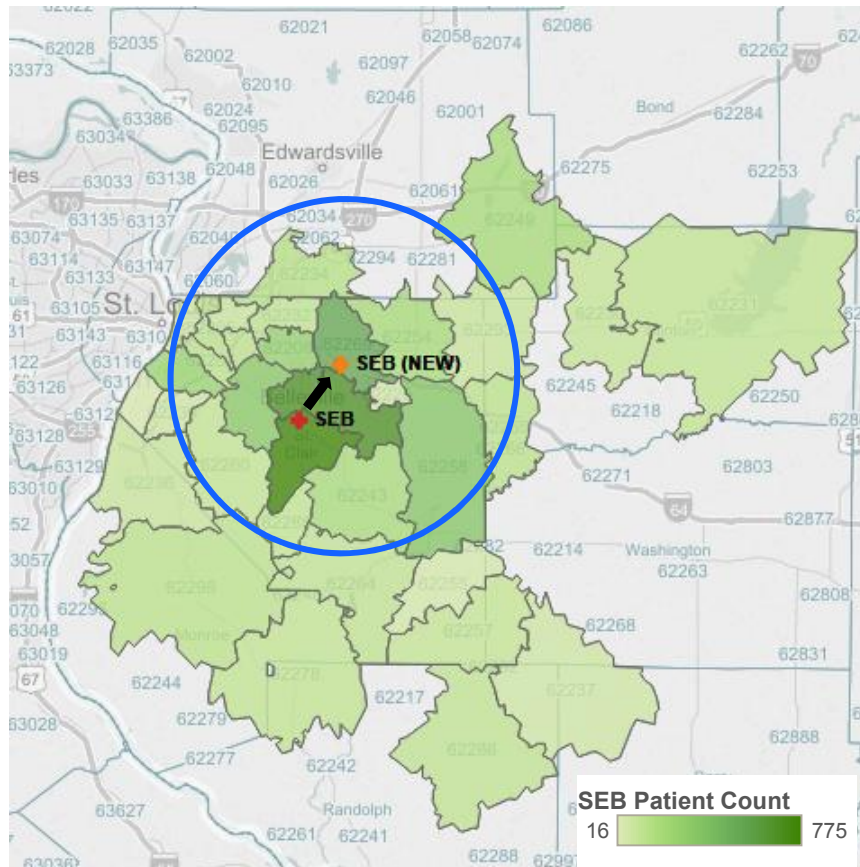
Observations

- **SEB has the 3rd highest market share** within its service area, with a market share of 19% (as compared to Memorial Belleville at 34%).
- Missouri hospitals have the 2nd highest market share, **with 32% of patients outmigrating to Missouri hospitals.**
- **Memorial Hospital Belleville has the largest market share (34%)** within SEB's service area.

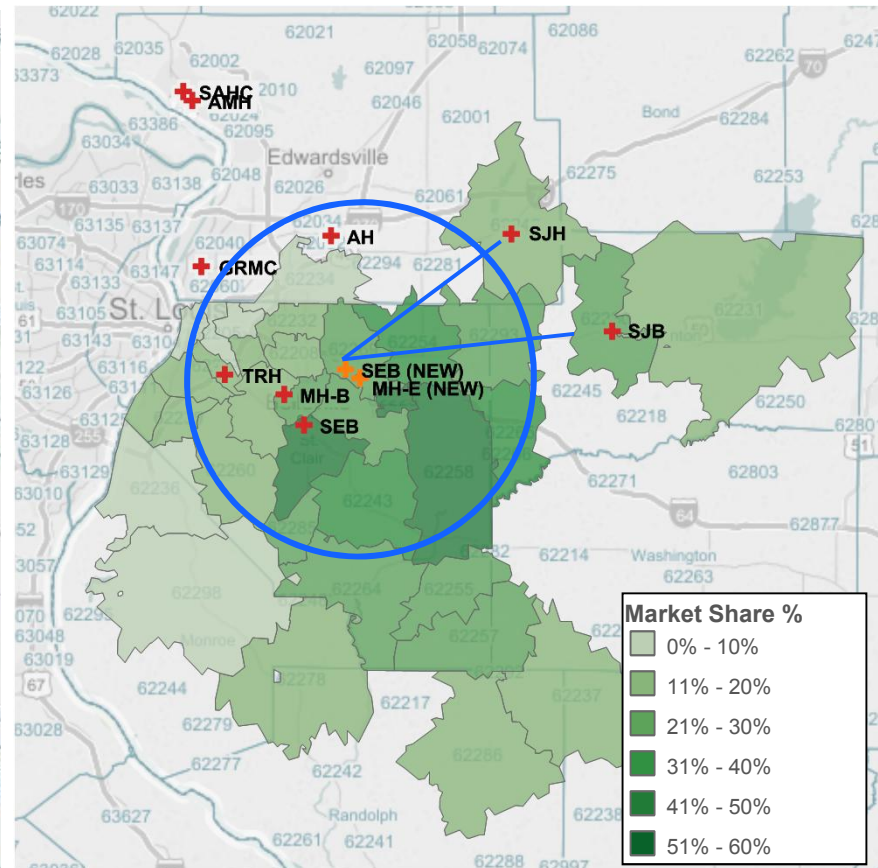
Market Share CY2013 SEB M/S TSA

Both the current and proposed St. Elizabeth locations fall within the areas of highest SEB market concentration. Furthermore, the proposed location is closer to HSHS's other hospitals (SJH & SJB) which refer to SEB.

SEB Patient Density



SEB Market Share %



Market Share & Drive Times CY2013 SEB M/S TSA

SEB's market share doesn't always correlate with proximity as they have strong relationships in southern and northeastern zip codes.

SEB Market Share by Drive Time

Drive Time (Minutes)	Zip Code Count	SEB Market Share		
		Minimum	Maximum	Average
Under 10	4	16.2%	42.1%	27.5%
11 to 15	7	11.9%	45.9%	24.3%
16 to 20	9	7.7%	46.1%	20.5%
21 to 30	9	5.2%	34.2%	17.4%
Over 30	7	14.6%	26.1%	20.0%

Minimum and maximum market share % by drive time category was considered as a final reasonableness check for the adjusted market share by zip code after the move.

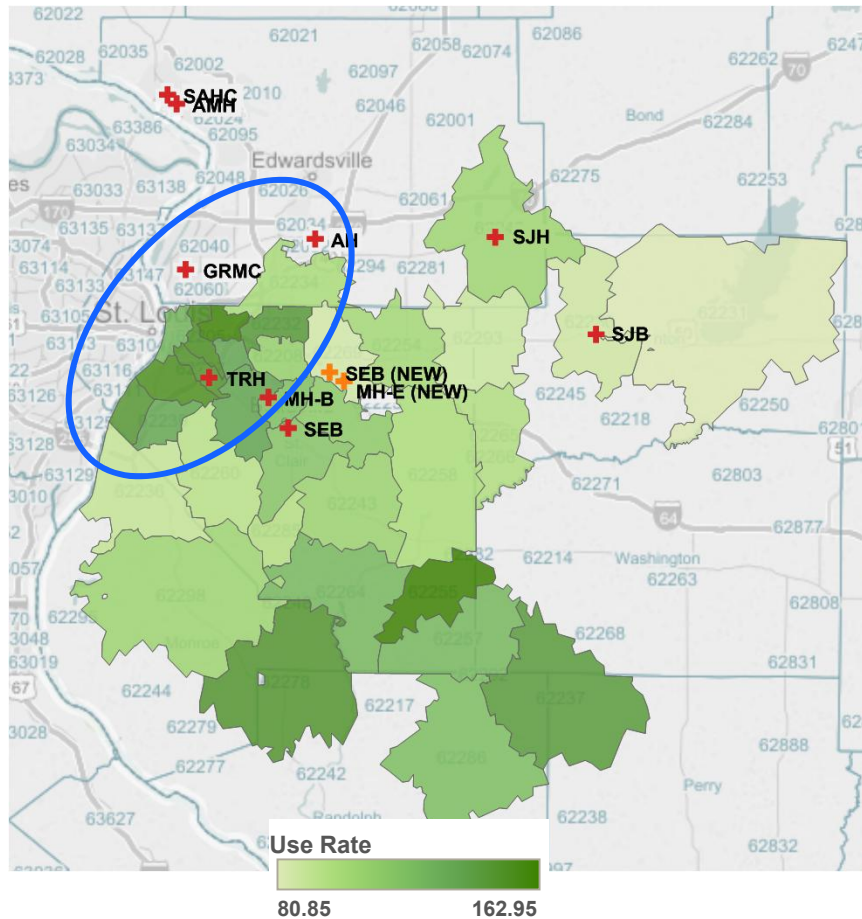
Observations

- Average market share loosely correlates to proximity and drive time for zip codes that are within 30 minutes from the current facility.
- The minimum and maximum observed market share within each drive time category ranges significantly.
- Average market share in zip codes with a drive time over 30 minutes is higher than those zip codes between 21 to 30 minutes away.
- Zip codes over a 40 minute drive time primarily come from:
 - Northeast where HSHS hospitals St. Joseph's - Highland and St. Joseph's - Breese refer patients to SEB.
 - Sparta (62286) and Coulterville (62237), southern zip codes in which SEB has fostered a relationship with the critical access hospital for transfers from the area.

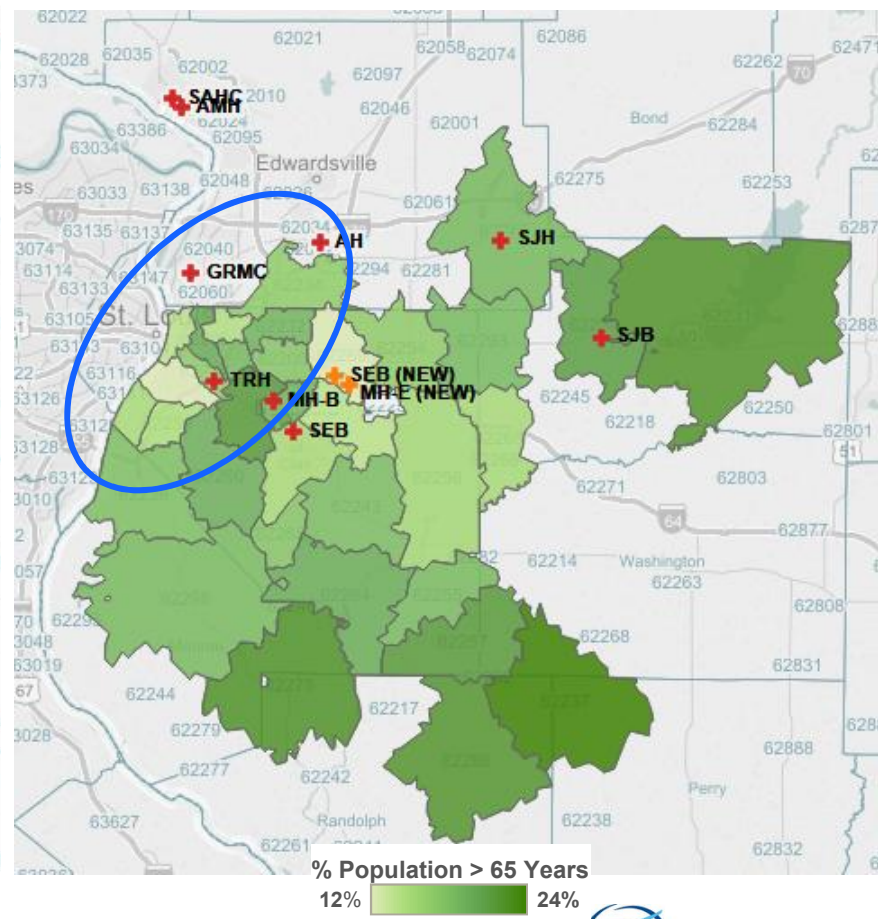
Utilization CY2013 SEB M/S TSA

The zip codes located near the St. Louis border have a low proportion of the population over the age of 65 yet some of the highest use rates in the service area. The zip codes in the southern region also have high use rates and high proportion of the population over 65 years old.

**SEB Service Area
Use Rates**



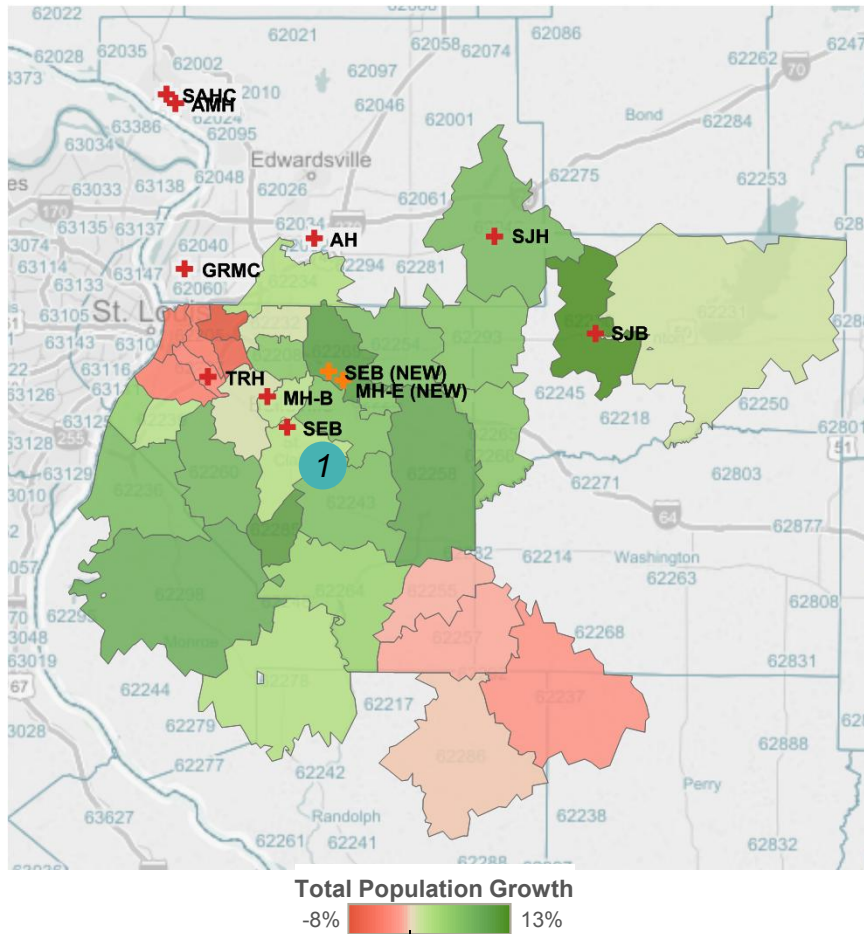
**SEB Service Area
% of Population > 65 Years**



Population Growth CY2013 SEB M/S TSA

Relocating St. Elizabeth's to the proposed O'Fallon location will enable St. Elizabeth's to serve the zip codes with the highest expected population growth.

Population Growth



Age Distribution

2

Age Group	Current Year	2019	Total Growth
15-44 Years	172,043	173,366	0.8%
45-64 Years	121,868	123,328	1.2%
65-74 Years	30,894	38,156	23.5%
75+ Years	29,024	31,191	7.5%
Total	353,829	366,041	3.5%

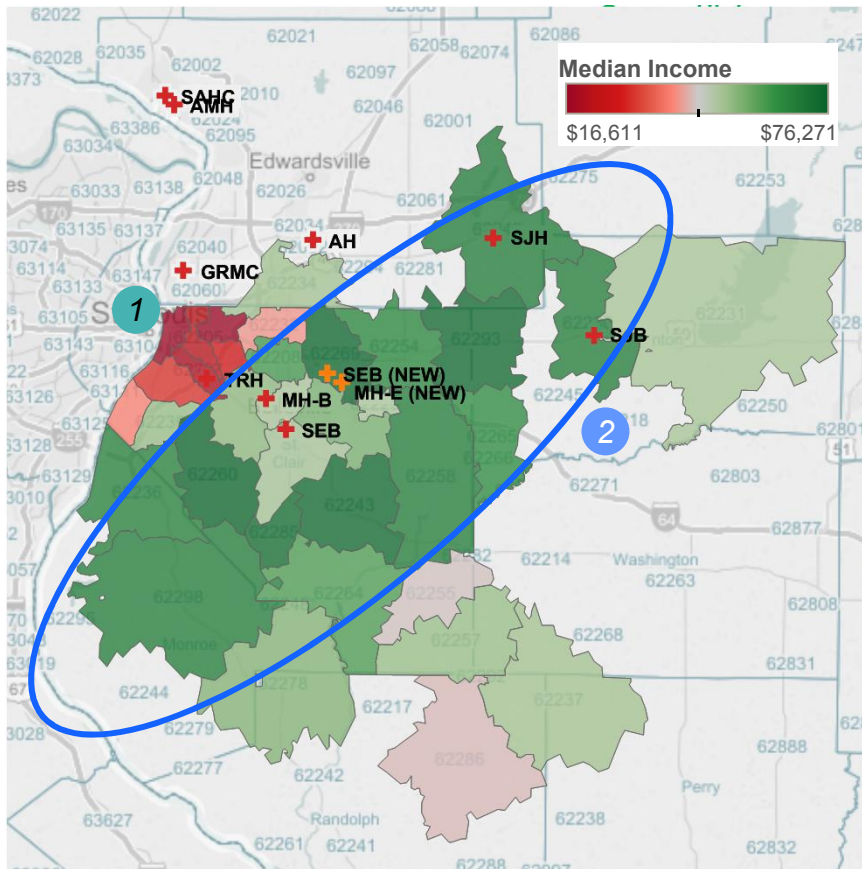
Observations

- 1 The St. Louis metropolitan area is expected to experience negative population growth, while the center of SEB's proposed service area is expected to experience the highest population growth.
- 2 The overall population is expected to grow by 3.5% by 2019, with the 65-74 age cohort growing the fastest at 23.5% followed by the 75+ age cohort growing by 7.5%.

Median Household Income CY2013 SEB M/S TSA

While there is a difference in average income between the prior home zip code and the new home zip code, relocating St. Elizabeth's does not indicate an overall shift away from the lower income population or towards a higher income population within the TSA.

SEB TSA



Observations

- The median household income, based on U.S. census data, for the SEB TSA is below the state median and above the national median:

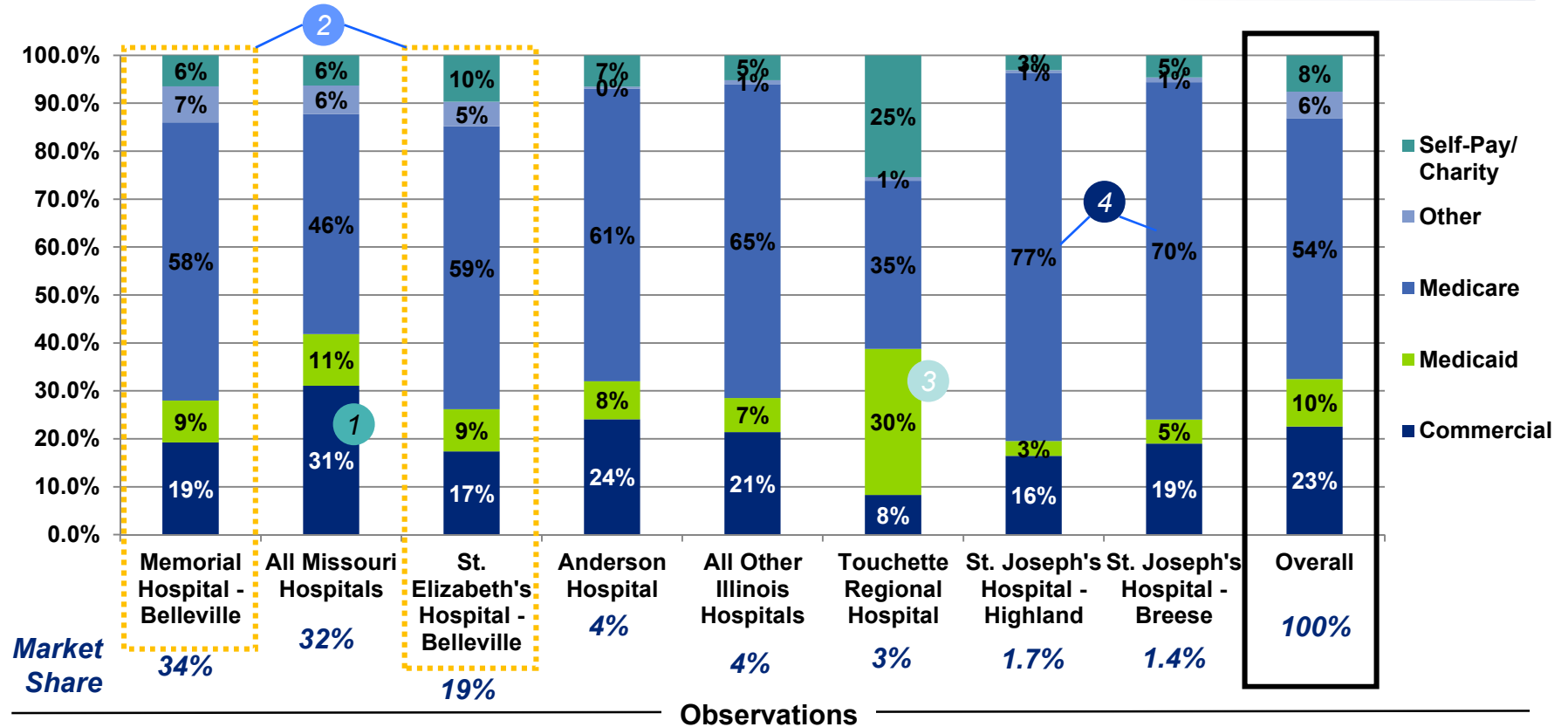
- **SEB TSA: \$54,882**
- **State (IL): \$56,797**
- **National: \$53,046**

- Median household income for SEB current and proposed home zip codes:

- Belleville (62220): \$51,992
- O'Fallon (62269): \$75,903

- The zip codes with the lowest household income are to the northwest of SEB in which drive times would decrease at the new location.
- The zip codes with the highest median household income span the diagonal center of the service area from the southwest to northeast region.

Payor Mix Within Defined TSA CY2013 SEB M/S TSA

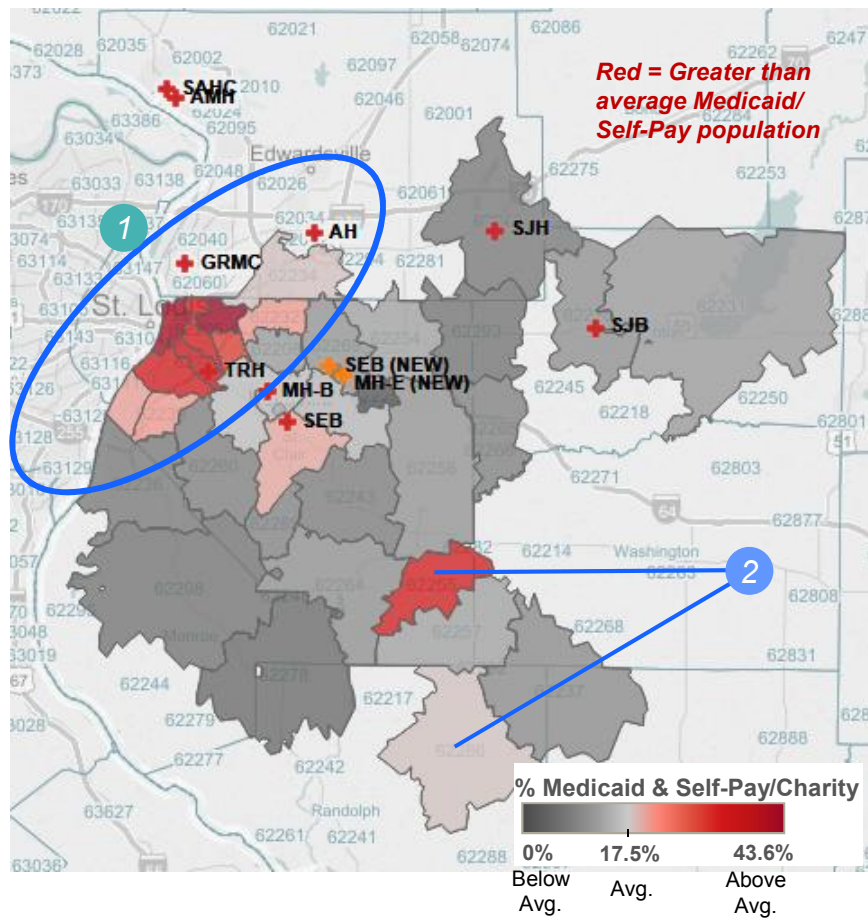


- 1 A higher proportion of commercial patients outmigrate to Missouri, while a higher proportion of Medicare patients remain in Illinois. **44% of total Commercial patients in the SEB service area outmigrate to Missouri hospitals (compared to 32% of all patients).**
- 2 Memorial Belleville and St. Elizabeth's Belleville have similar payor mix, with **SEB serving a slightly higher portion of Medicare and self-pay patients** (versus commercial).
- 3 **Touchette serves a higher proportion of Medicaid and self-pay patients**, and lower proportion of Commercial patients.
- 4 Both HSHS St. Joseph's hospitals serve a higher proportion of the Medicare population.

Payor Mix – Medicaid & Self-Pay/Charity Patient Density CY2013 SEB M/S TSA

The most concentrated zip codes with high Medicaid & Self-Pay/Charity populations are located northwest of SEB

SEB TSA



Observations

- The SEB TSA has an **average of 17.5%** Medicaid and Self-Pay/Charity patients:
 - Commercial: 22.6%
 - **Medicaid: 9.9%**
 - Medicare: 54.4%
 - Other: 5.5%
 - **Self-Pay/Charity: 7.6%**

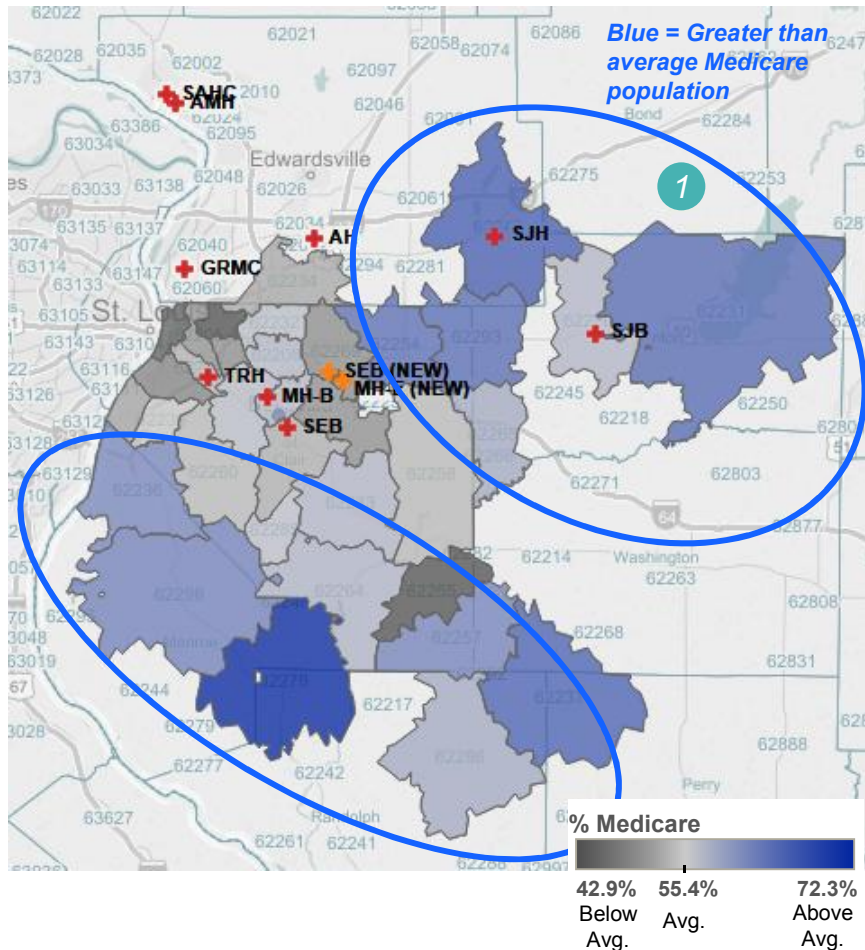
- 1 The majority of zip codes with above average Medicaid & Self-Pay/Charity populations (>17.5%, in red on the map) are located in the northwestern region (Missouri border) of the SEB TSA
- 2 Only 2 southern zip codes have above average Medicaid & Self-Pay/Charity populations in the SEB TSA

Note: Payor percentages are based on patient discharges per CompData

Payor Mix – Medicare Patient Density CY2013 SEB M/S TSA

The highest Medicare population is located both to the north and south of SEB.

SEB TSA



Note: Payor percentages are based on patient discharges per CompData

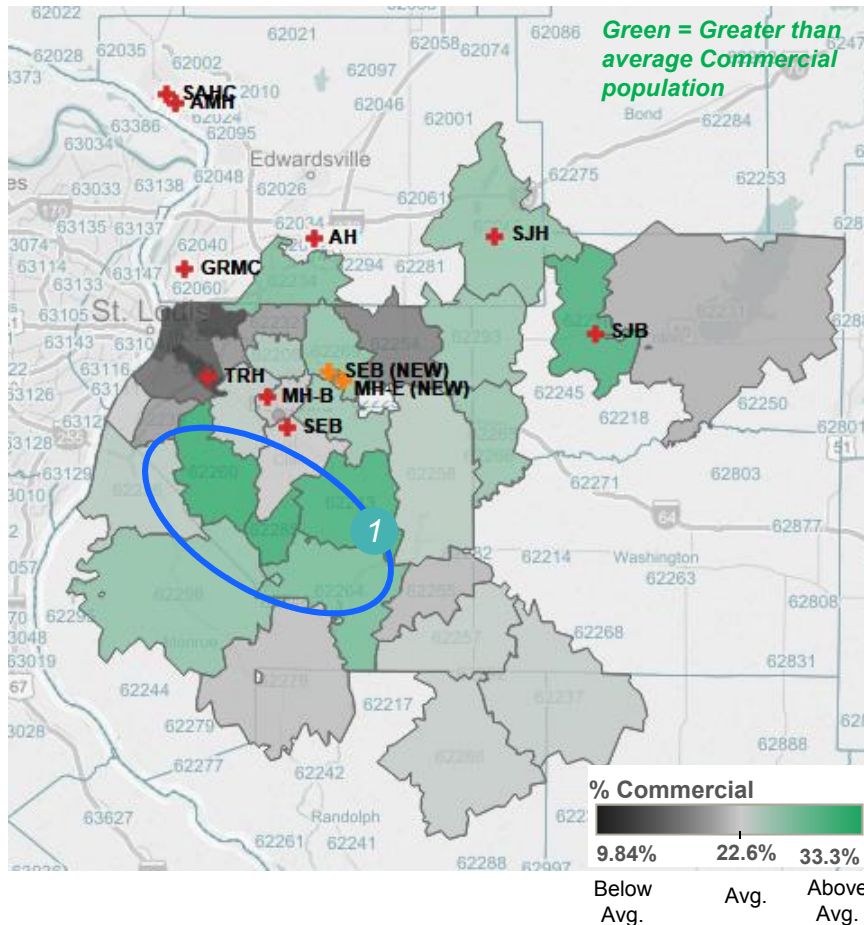
Observations

- The SEB TSA has an average of **55.4%** Medicare patients:
 - Commercial: 22.6%
 - Medicaid: 9.9%
 - Medicare: 55.4%**
 - Other: 5.5%
 - Self-Pay/Charity: 7.6%
- The majority of zip codes with above average Medicare populations (>55.4%, in blue on the map) are located in the SEB's secondary service area (SSA).
- The highest Medicare population is to the south and northeast
- 1 The proposed location for the new SEB is closer to several zip codes with a greater than average Medicare population than the current location.

Payor Mix – Commercial Patient Density CY2013 SEB M/S TSA

The highest commercial population is located to the south of SEB

SEB TSA



Observations

- The SEB TSA has an average of 22.6% Commercial patients:
 - Commercial: 22.6%
 - Medicaid: 9.9%
 - Medicare: 54.4%
 - Other: 5.5%
 - Self-Pay/Charity: 7.6%
- The zip codes with above average Commercial populations (>22.6%, in green on the map) are fairly evenly distributed across SEB's current total service area.
- 1 The proposed new location for SEB is further away from the zip codes with the highest Commercial populations than the current SEB location.

Note: Payor percentages are based on patient discharges per CompData

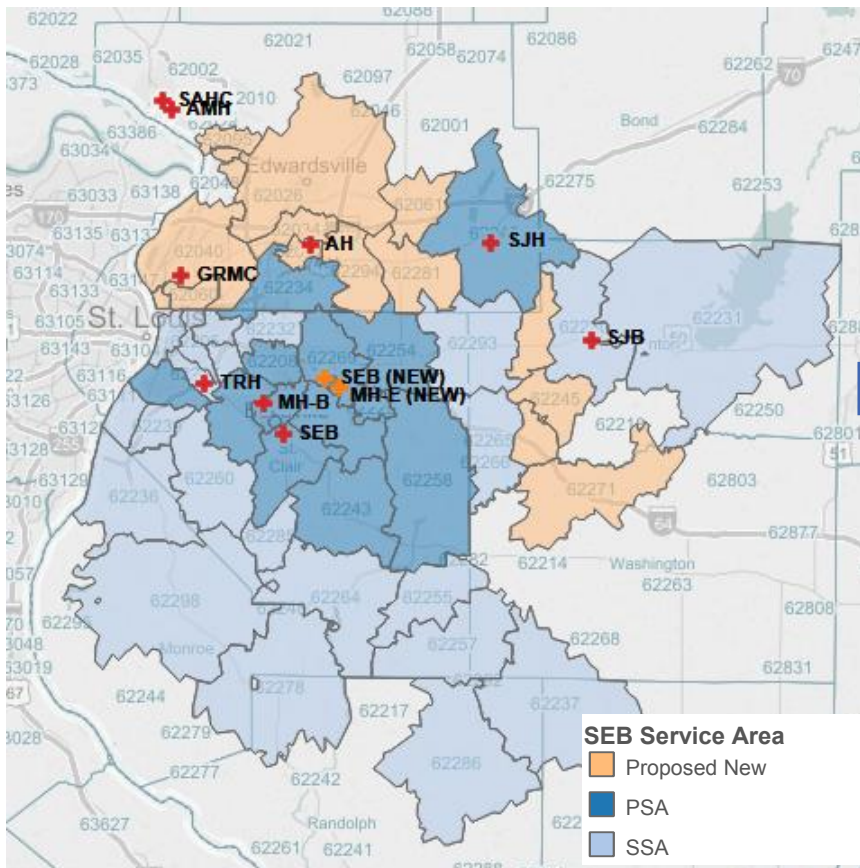
Market Shift

Proposed Shift in M/S Service Area

We performed a market shift analysis to estimate the impact to St. Elizabeth's service area as a result of the proposed move.

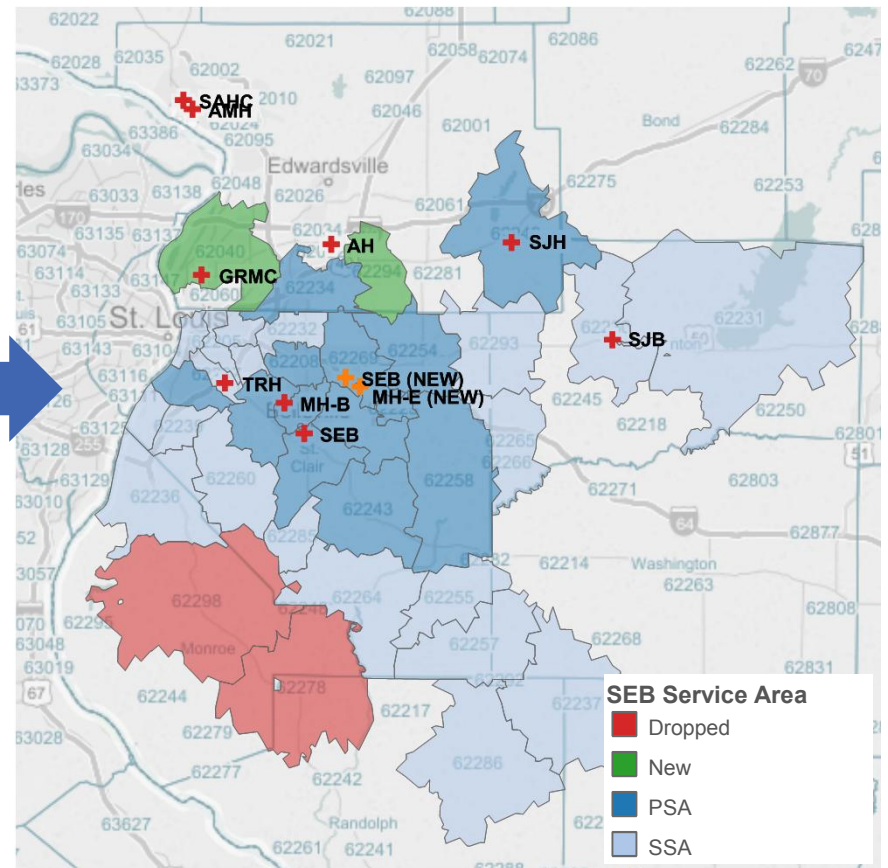
Proposed New Zip Codes

The zip codes in **orange** were analyzed and considered for addition to St. Elizabeth's new service area:



Service Area Adjustments

Ultimately, the zip codes in **green** are estimated to be added to St. Elizabeth's service area and those in **red** are estimated to be dropped :



M/S Market Share Adjustments

We applied the following market share adjustments to each zip code within the SEB CY2013 TSA

Market Share Adjustments – SEB CY2013 TSA

Zip Code	City	Drive Time - Belleville Location	Drive Time - O'Fallon Location	Change in Drivetime	Deloitte Time Category	CY2013 SEB Market Share	SEB Market Share Adjustment	SEB Adjusted MS	CY2013 SEB Discharges	SEB Adjusted Discharges	Net Impact
62220	Belleville	4	17	13	Under 10 min	42.1%	-15%	27.1%	775	499	(276)
62226	Belleville	6	13	7	Under 10 min	22.6%	-5%	17.6%	676	526	(150)
62223	Belleville	8	16	8	Under 10 min	16.2%	-7%	9.2%	322	183	(139)
62221	Belleville	10	8	(2)	Under 10 min	29.0%	0%	29.0%	691	691	-
62260	Millstadt	11	26	15	11 to 15 min	18.1%	-10%	8.1%	101	45	(56)
62208	Fairview Heights	13	8	(5)	11 to 15 min	16.6%	5%	21.6%	261	340	79
62225	Scott Air Force Base	13	11	(2)	11 to 15 min	45.9%	3%	48.9%	50	53	3
62285	Smithton	13	26	13	11 to 15 min	29.5%	-10%	19.5%	100	66	(34)
62243	Freeburg	14	20	6	11 to 15 min	36.0%	-5%	31.0%	185	159	(26)
62203	East St. Louis	15	13	(2)	11 to 15 min	11.9%	3%	14.9%	111	139	28
62207	East St. Louis	15	17	2	11 to 15 min	12.4%	-3%	9.4%	118	89	(29)
62205	East St. Louis	17	15	(2)	16 to 20 min	10.5%	3%	13.5%	116	149	33
62206	East St. Louis	18	20	2	16 to 20 min	12.9%	-3%	9.9%	241	185	(56)
62269	O Fallon	18	5	(13)	16 to 20 min	24.0%	15%	39.0%	523	849	326
62204	East St. Louis	19	14	(5)	16 to 20 min	7.7%	5%	12.7%	73	121	48
62258	Mascoutah	19	15	(4)	16 to 20 min	46.1%	0%	46.1%	335	335	-
62232	Caseyville	20	13	(7)	16 to 20 min	11.7%	5%	16.7%	102	146	44
62236	Columbia	20	25	5	16 to 20 min	8.5%	-3%	5.5%	78	51	(27)
62264	New Athens	20	26	6	16 to 20 min	30.2%	0%	30.2%	103	103	-
62248	Hecker	20	32	12	16 to 20 min	32.7%	-7%	25.7%	16	13	(3)
62201	East St. Louis	21	15	(6)	21 to 30 min	8.4%	5%	13.4%	60	96	36
62240	East Carondelet	21	22	1	21 to 30 min	15.6%	0%	15.6%	34	34	-
62234	Collinsville	22	15	(7)	21 to 30 min	5.2%	5%	10.2%	136	268	132
62239	Dupo	22	23	1	21 to 30 min	11.3%	0%	11.3%	60	60	-
62254	Lebanon	25	13	(12)	21 to 30 min	34.2%	3%	37.2%	191	208	17
62265	New Baden	27	18	(9)	21 to 30 min	31.1%	0%	31.1%	121	121	-
62278	Red Bud	27	40	13	21 to 30 min	11.8%	-7%	4.8%	97	39	(58)
62298	Waterloo	28	38	10	21 to 30 min	8.6%	-7%	1.6%	121	23	(98)
62255	Lenzburg	29	36	7	21 to 30 min	30.1%	-1%	29.1%	44	43	(1)
62293	Trenton	31	19	(12)	Over 30 min	24.7%	3.0%	27.7%	80	90	10
62257	Marissa	32	35	3	Over 30 min	26.1%	-1.0%	25.1%	95	91	(4)
62230	Breese	41	29	(12)	Over 30 min	22.5%	3.0%	25.5%	91	103	12
62249	Highland	42	30	(12)	Over 30 min	14.6%	3.0%	17.6%	196	236	40
62286	Sparta	46	53	7	Over 30 min	15.5%	-3.0%	12.5%	106	86	(20)
62237	Coulterville	47	51	4	Over 30 min	19.4%	-1.0%	18.4%	61	58	(3)
62231	Carlyle	51	40	(11)	Over 30 min	17.1%	3.0%	20.1%	100	118	18
Total from CY2013 Service Area						19.0%	-0.5%	18.5%	6,570	6,414	(156)

M/S Market Share Adjustments

We applied the following market share adjustments to each of the proposed new zip codes

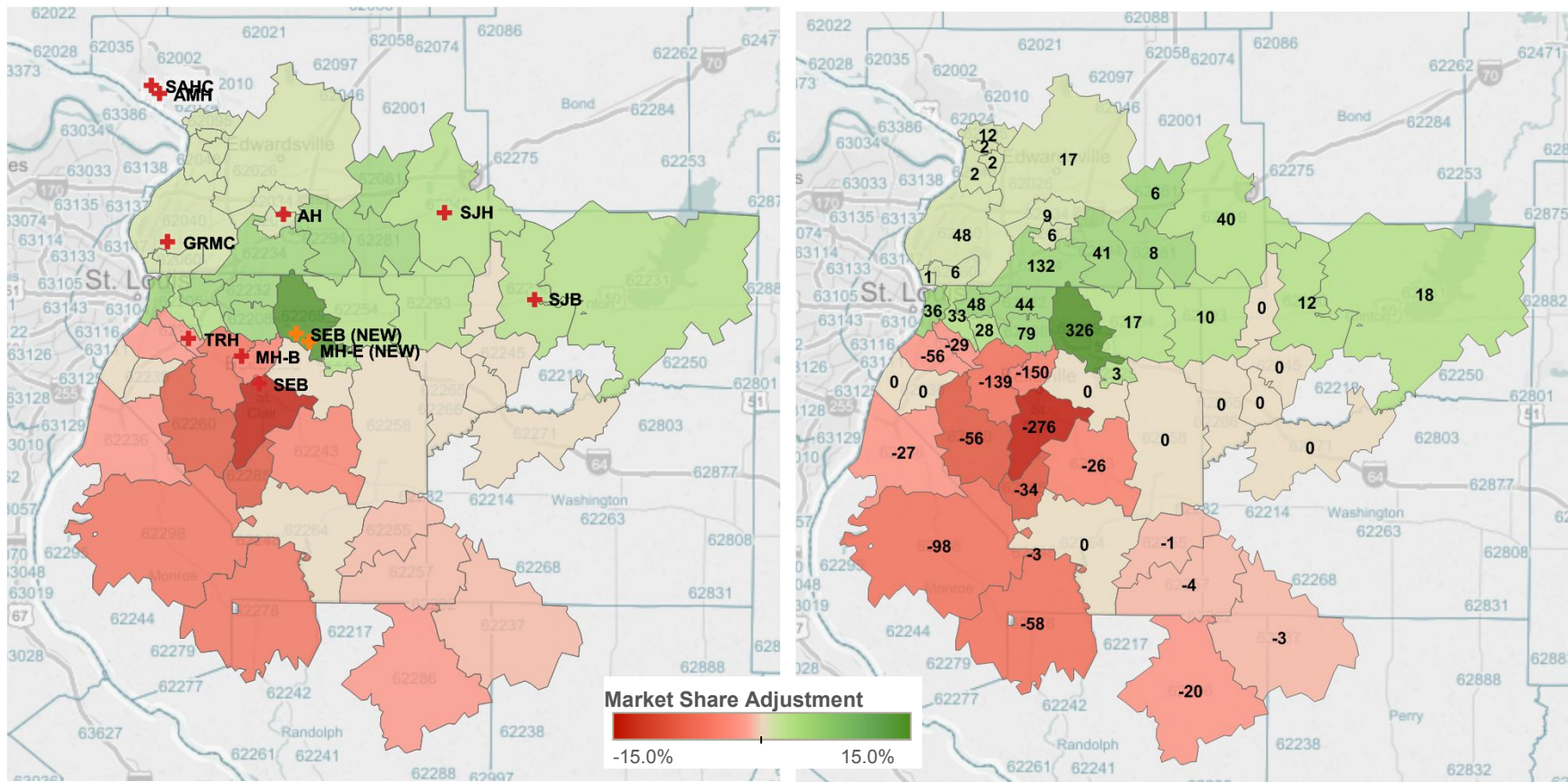
Market Share Adjustments – Proposed Zip Codes

Zip Code	City	Drive Time - Belleville Location	Drive Time - O'Fallon Location	Change in Drivetime	Deloitte Time Category	CY2013 SEB Market Share	SEB Market Share Adjustment	SEB Adjusted MS	CY2013 SEB Discharges	SEB Adjusted Discharges	Net Impact
62271	Okawville	38	26	(12)	Outside TSA	21.0%	0.0%	21.0%	33	33	-
62215	Albers	32	19	(13)	Outside TSA	20.4%	0.0%	20.4%	20	20	-
62245	Germantown	36	24	(12)	Outside TSA	22.0%	0.0%	22.0%	20	20	-
62216	Aviston	36	24	(12)	Outside TSA	15.7%	0.0%	15.7%	25	25	-
62281	St. Jacob	34	22	(12)	Outside TSA	7.0%	5.0%	12.0%	11	19	8
62061	Marine	39	28	(11)	Outside TSA	2.7%	5.0%	7.7%	3	9	6
62294	Troy	30	18	(12)	Outside TSA	4.3%	5.0%	9.3%	35	76	41
62062	Maryville	28	23	(5)	Outside TSA	2.6%	1.0%	3.6%	17	23	6
62034	Glen Carbon	31	27	(4)	Outside TSA	0.9%	1.0%	1.9%	8	17	9
62025	Edwardsville	38	32	(6)	Outside TSA	1.0%	1.0%	2.0%	18	35	17
62040	Granite City	31	27	(4)	Outside TSA	1.1%	1.0%	2.1%	54	102	48
62048	Hartford	35	31	(4)	Outside TSA	0.0%	1.0%	1.0%	-	2	2
62087	South Roxana	34	30	(4)	Outside TSA	0.5%	1.0%	1.5%	1	3	2
62084	Roxana	31	27	(4)	Outside TSA	0.6%	1.0%	1.6%	1	3	2
62060	Madison	26	20	(6)	Outside TSA	1.8%	1.0%	2.8%	11	17	6
62090	Venice	26	21	(5)	Outside TSA	1.8%	1.0%	2.8%	2	3	1
62095	Wood River	34	30	(4)	Outside TSA	0.9%	1.0%	1.9%	11	23	12
Total from Proposed New Zip Codes						2.2%	1.3%	3.5%	270	430	160

Shift in M/S Service Area

We estimated the following impact to St. Elizabeth's service area.

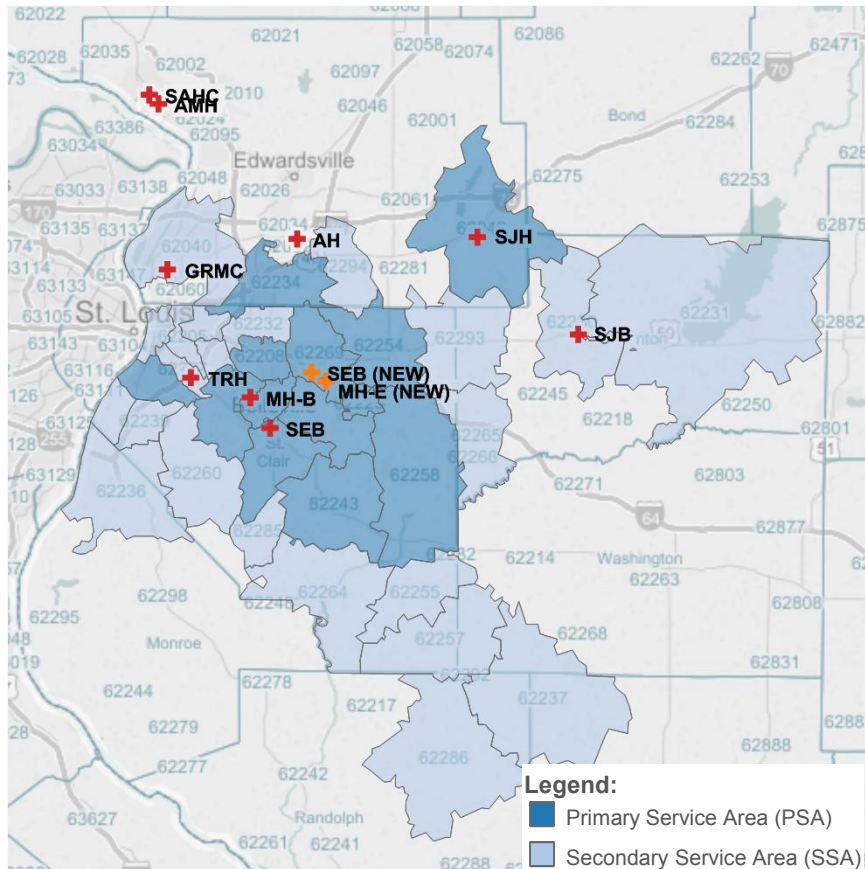
Change in Discharges



Proposed M/S TSA (O'Fallon)

St. Elizabeth's Hospital O'Fallon's (SEO) total service area is composed of the following zip codes:

St. Elizabeth's O'Fallon (SEO)



SEO TSA Zip Codes

Primary Service Area (PSA)			Secondary Service Area (SSA)		
Zip Code	City	# Patients	Zip Code	City	# Patients
62269	O Fallon	849	62205	East St. Louis	149
62221	Belleville	691	62232	Caseyville	146
62226	Belleville	526	62203	East St. Louis	139
62220	Belleville	499	62265	New Baden	121
62208	Fairview Heights	340	62204	East St. Louis	121
62258	Mascoutah	335	62231	Carlyle	118
62234	Collinsville	268	62230	Breese	103
62249	Highland	236	62264	New Athens	103
62254	Lebanon	208	62040	Granite City	102
62206	East St. Louis	185	62201	East St. Louis	96
62223	Belleville	183	62257	Marissa	91
62243	Freeburg	159	62293	Trenton	90
62225	Scott Air Force Base	53	62207	East St. Louis	89
			62286	Sparta	86
			62294	Troy	76
			62285	Smithton	66
			62239	Dupo	60
			62237	Coulterville	58
			62236	Columbia	51
			62260	Millstadt	45
			62255	Lenzburg	43
			62240	East Carondelet	34
			62248	Hecker	13

CY2013 Patients in TSA = 6,529

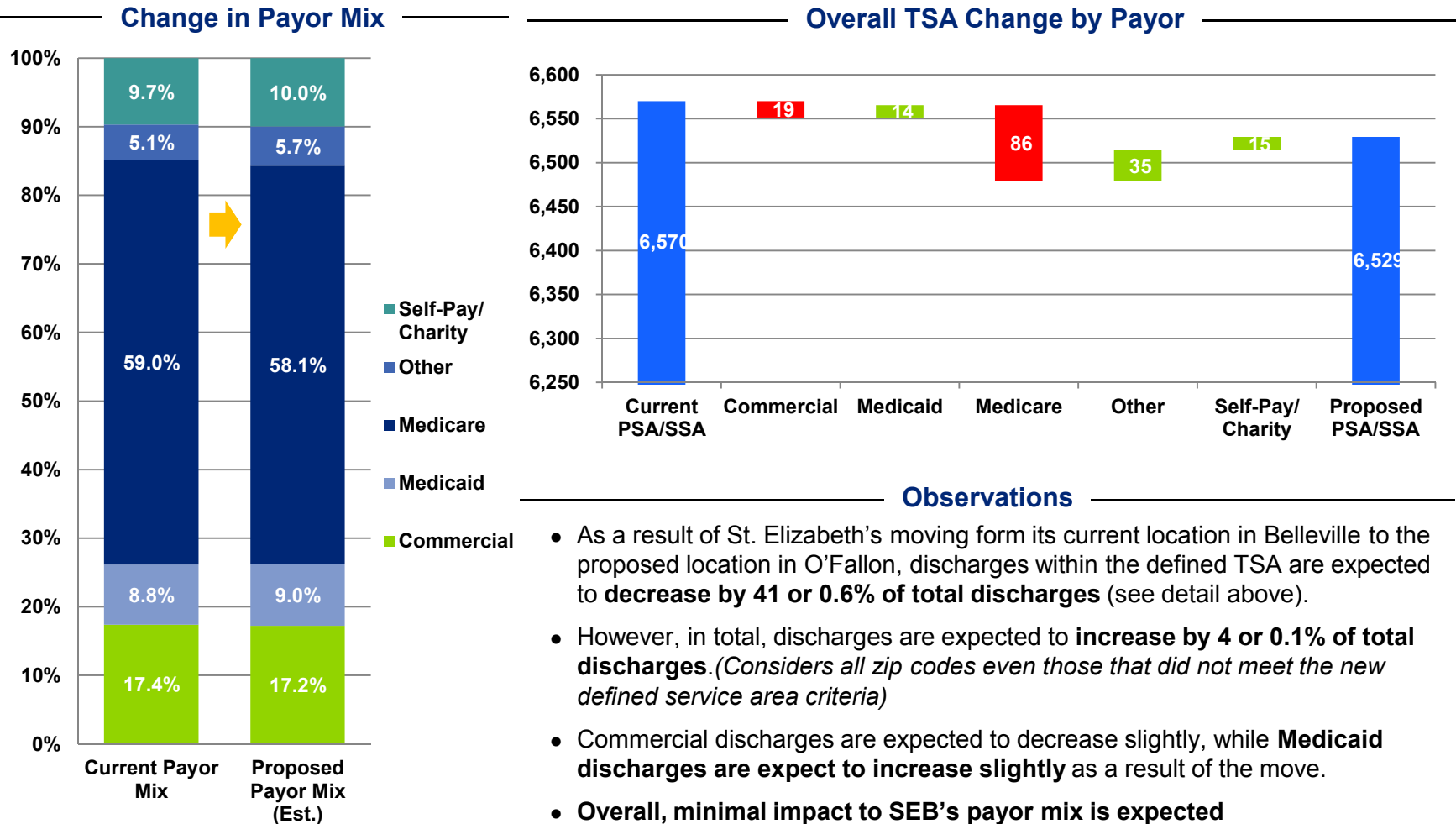
CY2013 Total Patients at SEB = 7,597

TSA includes top 85% of patients. PSA defined as top 60% of patients, and SSA defined as 60%-85% of patients.

Payor Mix Shift

Current M/S Service Area vs. Proposed M/S Service Area

Although we expect a slight shift in market share resulting from the move, we do not expect that St. Elizabeth's payor mix % within each zip code would change. Therefore, to calculate the new payor mix we allocated the estimated discharges by zip code applying SEB's CY2013 payor mix by zip code.

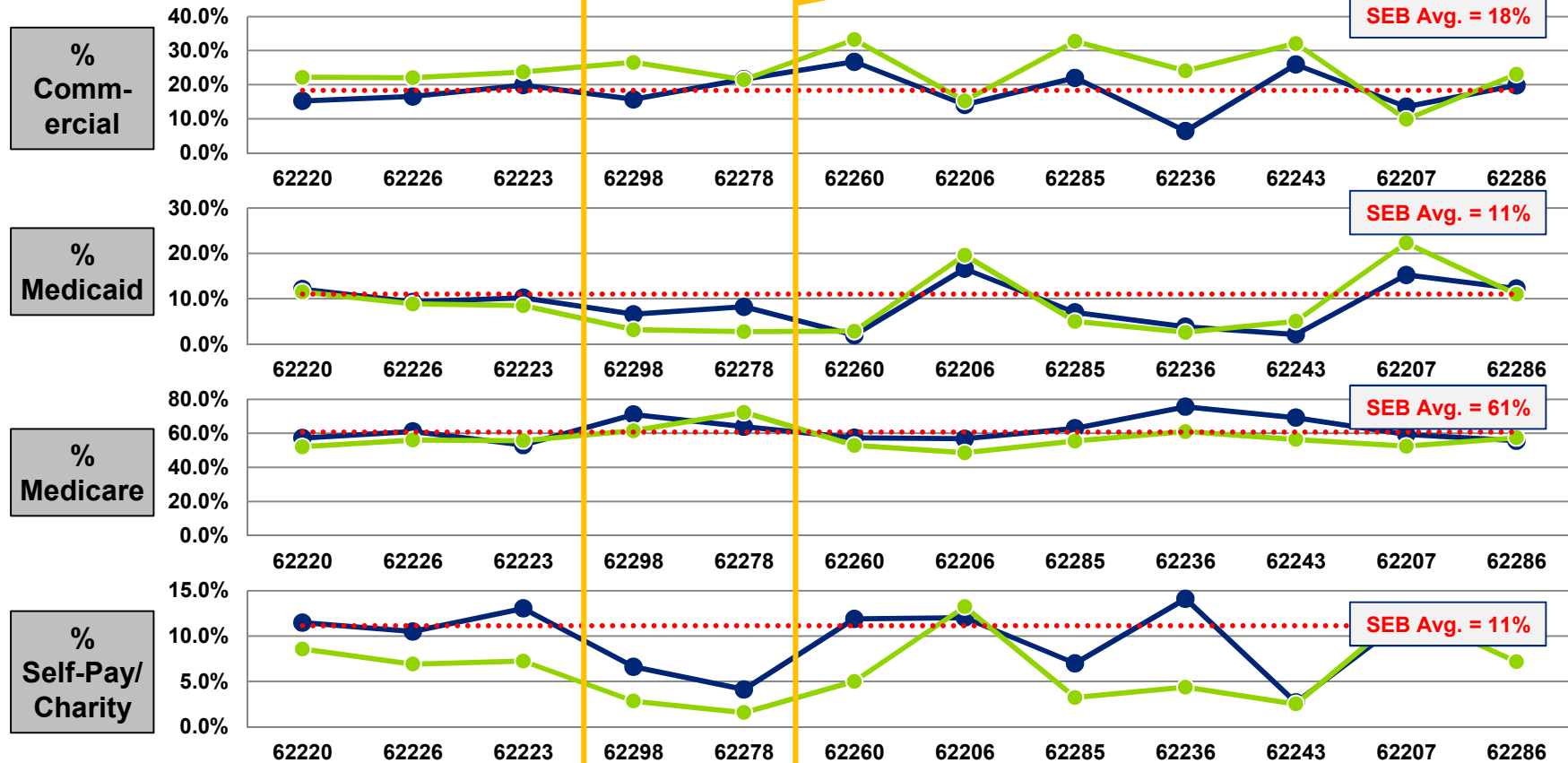


Payor Mix Shift Zip Codes with Reductions in M/S Discharges



Zip codes with reduced discharges from St. Elizabeth's service area, have a lower percentage of Medicaid and Self-Pay/Charity patients as compared to the service area average.

Zip Codes Dropped from PSA/SSA

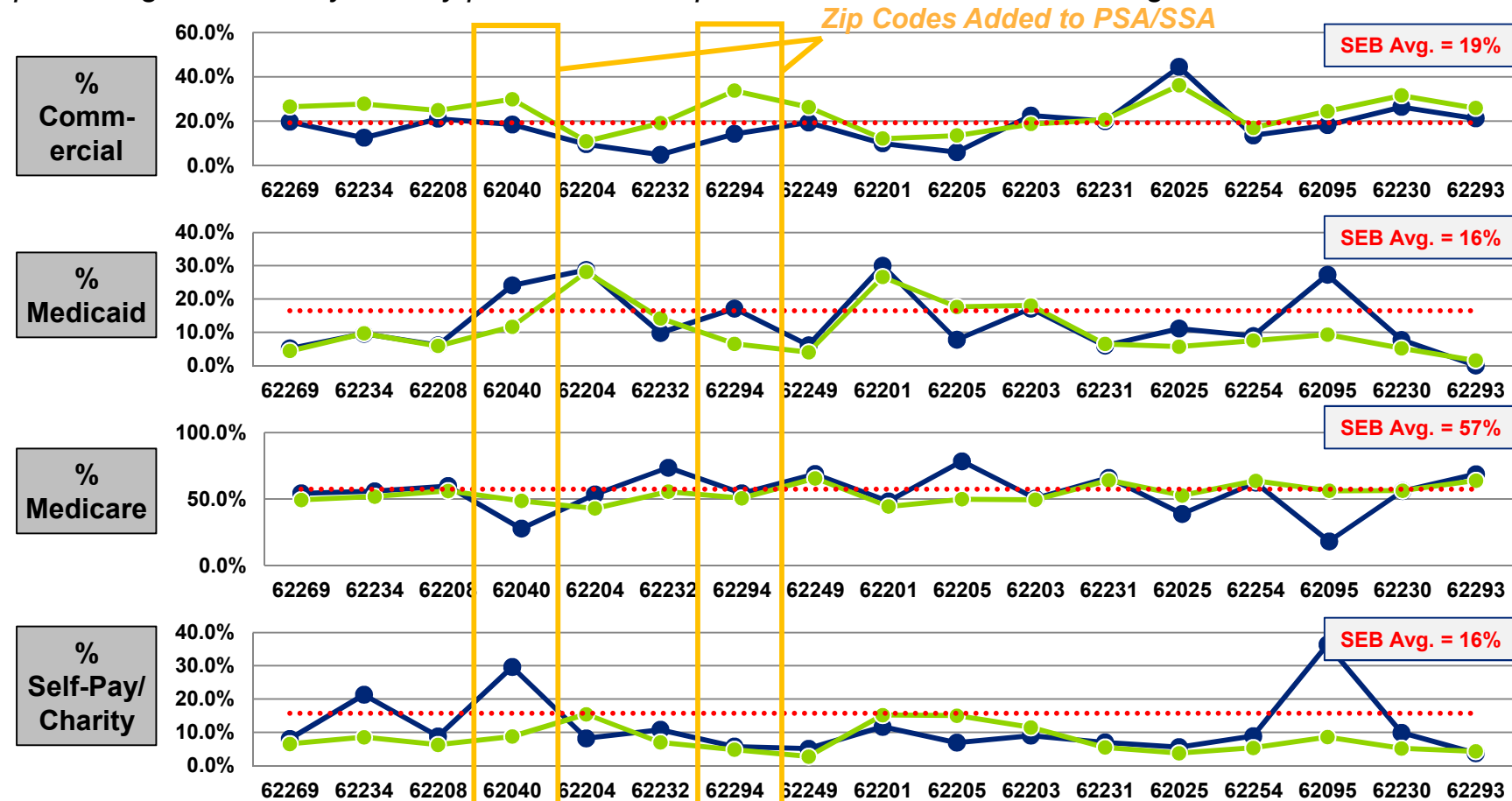


Zip Code	62220	62226	62223	62298	62278	62260	62206	62285	62236	62243	62207	62286
Market Share Adj.	-15.0%	-5.0%	-7.0%	-7.0%	-7.0%	-10.0%	-3.0%	-10.0%	-3.0%	-5.0%	-3.0%	-3.0%
Discharges	-276	-150	-139	-98	-58	-56	-56	-34	-27	-26	-29	-20

Payor Mix Shift Zip Codes with Additions in M/S Discharges

SEB Payor Mix
Overall Payor Mix

Zip codes with increased discharges, have a lower percentage of Commercial patients and a greater percentage of Self-Pay/Charity patients as compared to the service area average.



Zip Code	62269	62234	62208	62040	62204	62232	62294	62249	62201	62205	62203	62231	62025	62254	62095	62230	62293
Market Share Adj.	1.0%	1.0%	1.0%	3.0%	1.0%	1.0%	1.0%	3.0%	5.0%	5.0%	1.0%	3.0%	1.0%	1.0%	3.0%	3.0%	3.0%
▲ Discharges	326	132	79	48	48	44	41	40	36	33	28	18	17	17	12	12	10

Change in Drive Time

Relocating St. Elizabeth's to the proposed new location has minimal impact on the overall average median household income of the TSA and will reduce drive time for patients within the highest and lowest income zip codes.

Highest Income Zip Codes

Zip Code	City	PSA/ SSA?	Median Income	Drive Time: Belleville Location	Drive Time: Proposed Location	▲ Drive Time	# Estimated Patients
62294	Troy	SSA	\$77,671	30	18	(12)	76
62260	Millstadt	SSA	\$76,271	11	26	15	45
62269	O Fallon	PSA	\$75,903	18	5	(13)	849
62243	Freeburg	PSA	\$75,286	14	20	6	159
62293	Trenton	SSA	\$75,160	31	19	(12)	90

Weighted Average Change in Drive Time for Estimated Patients (9)

Lowest Income Zip Codes

Zip Code	City	PSA/ SSA?	Median Income	Drive Time: Belleville Location	Drive Time: Proposed Location	▲ Drive Time	# Estimated Patients
62201	East St. Louis	SSA	\$16,611	21	15	(6)	96
62204	East St. Louis	SSA	\$16,751	19	14	(5)	121
62207	East St. Louis	SSA	\$19,212	15	17	2	89
62205	East St. Louis	SSA	\$22,054	17	15	(2)	149
62203	East St. Louis	SSA	\$28,308	15	13	(2)	139

Weighted Average Change in Drive Time For Estimated Patients (3)

Observations

- The weighted average median household income of the current and proposed service areas:
 - Current location: \$54,882**
 - New location: \$54,144**
- The weighted average median household income for the new zip codes considered in the analysis is **\$60,309** but only two of these new zip codes landed within the SEO defined TSA.
- Patients within the top 5 highest income zip codes will experience a **reduced weighted average drive time of 9 minutes.**
- Patients within the top 5 lowest income zip codes will experience a **reduced weighted average drive time of 3 minutes.**

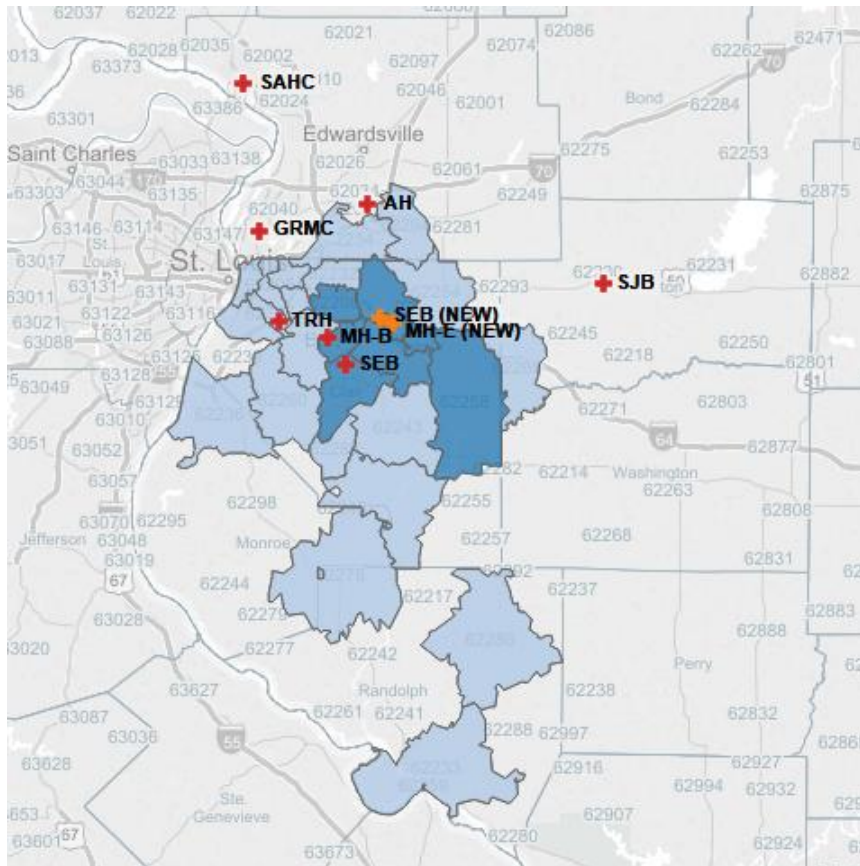
OB/GYN

Current Service Area

CY2013 SEB OB/GYN Total Service Area

SEB's TSA is composed of the following zip codes:

St. Elizabeth's Belleville (SEB)



SEB TSA Zip Codes

Primary Service Area (PSA)			Secondary Service Area (SSA)		
Zip Code	City	# Patients	Zip Code	City	# Patients
62221	Belleville	149	62223	Belleville	33
62225	ScottAirForceBase	131	62234	Collinsville	30
62269	OFallon	102	62206	EastSt.Louis	28
62220	Belleville	81	62286	Sparta	27
62226	Belleville	68	62278	RedBud	21
62258	Mascoutah	54	62265	New Baden	16
62208	Fairview Heights	49	62264	New Athens	13
			62294	Troy	12
			62254	Lebanon	12
			62207	EastSt.Louis	11
			62203	EastSt.Louis	11
			62243	Freeburg	11
			62236	Columbia	11
			62285	Smithton	10
			62201	EastSt.Louis	10
			62233	Chester	9
			62232	Caseyville	8
			62204	EastSt.Louis	7*
			62260	Millstadt	6*
			62205	EastSt.Louis	5*

CY2013 Patients in TSA = 925

CY2013 Total Patients at SEB = 1,072

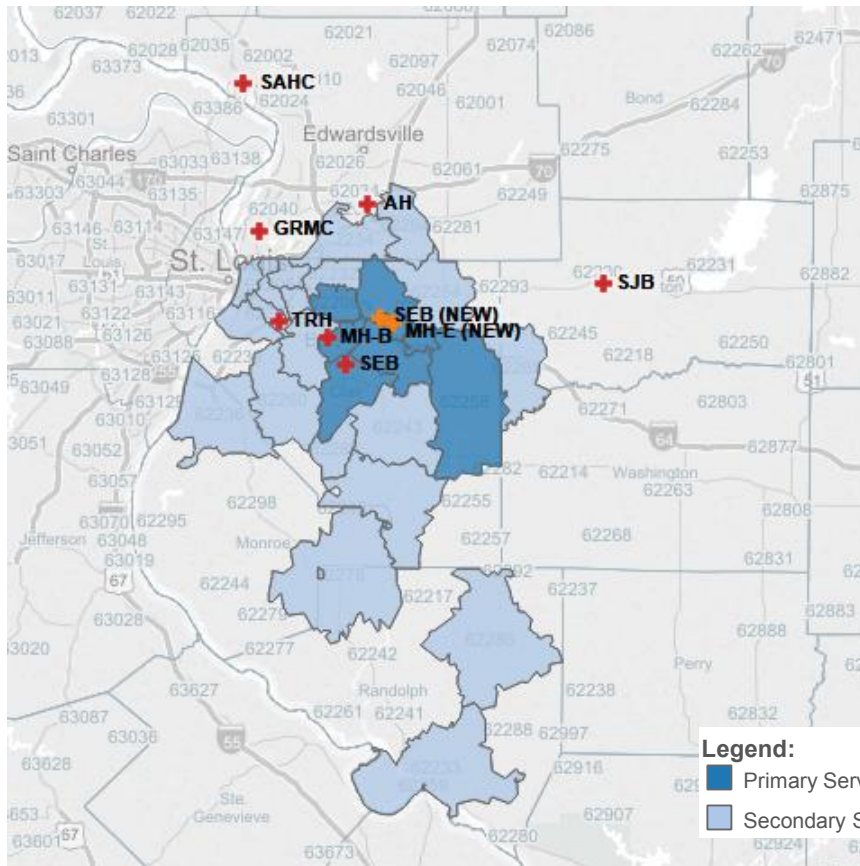
*Zip codes added to TSA to create contiguous service area

TSA defined as top 85% of patients. PSA defined as top 60% of patients, and SSA defined as 60%-85% of patients.

CY2013 OB/GYN Total Service Area

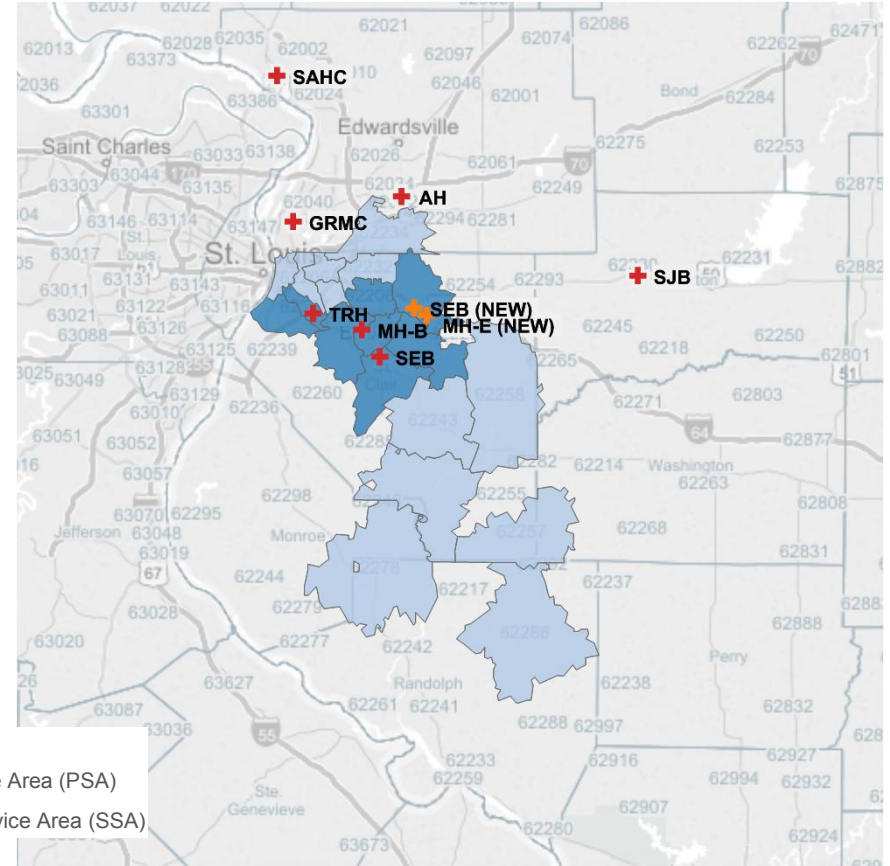
SEB is located on the western side of its primary service area while MH-B is located in the center of its primary service area.

St. Elizabeth's Belleville (SEB) TSA



SEB's overall OB/GYN market share in its defined service is 19.0%

Memorial Belleville (MH-B) TSA

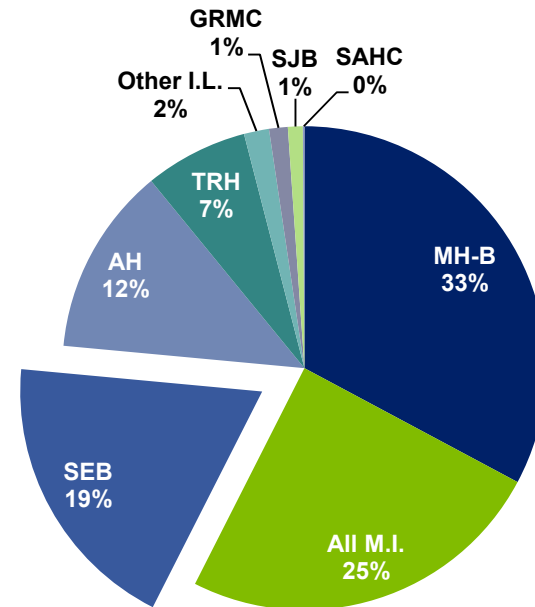


MH-B's overall OB/GYN market share in its defined service area is 37.3%

Market Share CY2013 SEB OB/GYN TSA

Similar to Med/Surg, in SEB's TSA, St. Elizabeth holds the 3rd highest market share, trailing both Memorial Hospital – Belleville and Missouri Hospitals.

Provider	Abbrev.	Total Market	Market Share %
Memorial Hospital - Belleville	MH-B	1,598	32.8%
All Missouri Hospitals	All M.I.	1,201	24.7%
St. Elizabeth's Hospital - Belleville	SEB	925	19.0%
Anderson Hospital	AH	614	12.6%
Touchette Regional Hospital	TRH	336	6.9%
All Other Illinois Hospitals	Other I.L.	82	1.7%
Gateway Regional Medical Center	GRMC	61	1.3%
St. Joseph's Hospital - Breese	SJB	48	1.0%
St. Anthony's Health Center - Alton	SAHC	5	0.1%
Total		4,870	100.0%



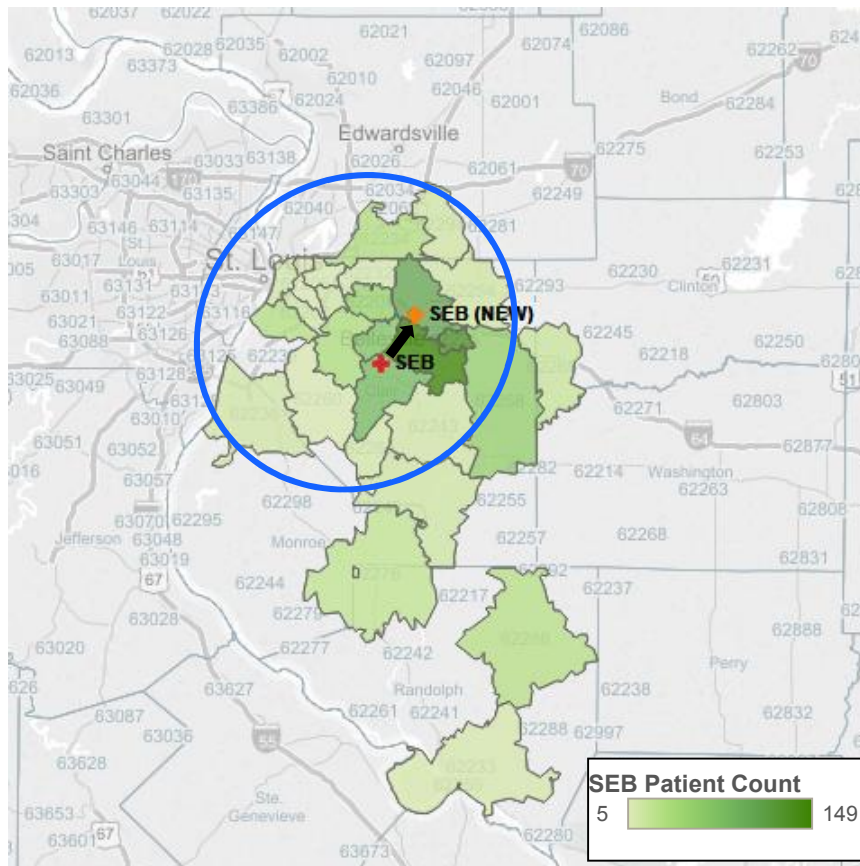
Observations

- **Similar to Med/Surg, SEB has the 3rd highest OB/GYN market share** within its service area, with a market share of 19% (as compared to Memorial Belleville at 33%).
- Missouri hospitals have the 2nd highest market share, **with 25% of patients outmigrating to Missouri hospitals.**
- **Memorial Hospital Belleville has the largest market share (33%)** within SEB's service area.

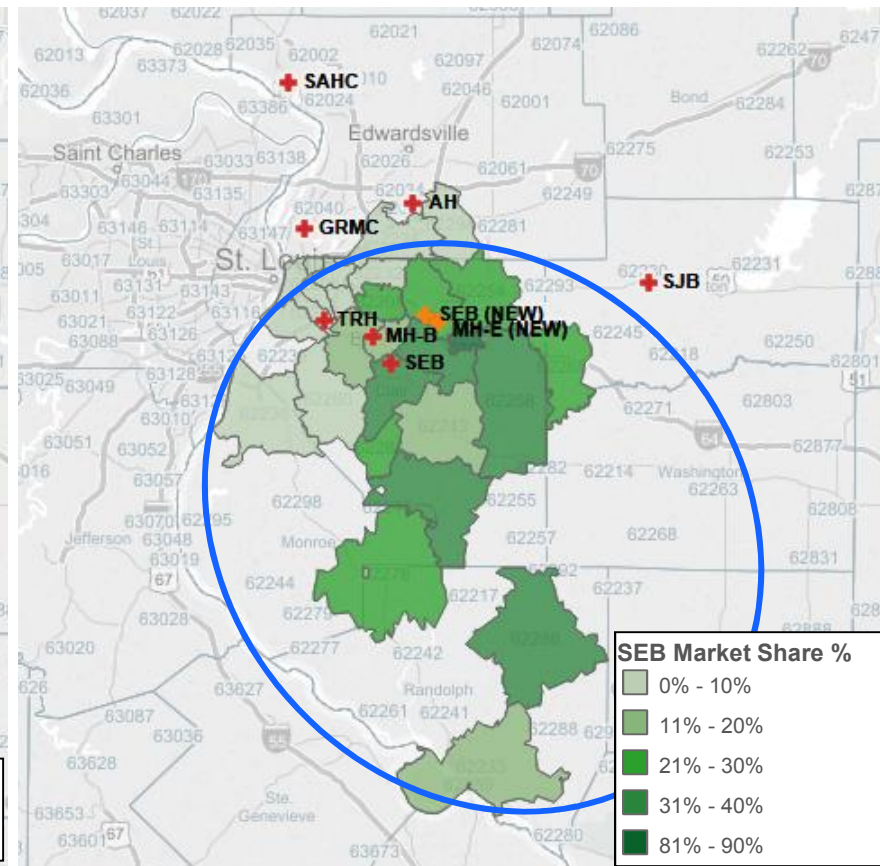
Market Share CY2013 SEB OB/GYN TSA

SEB currently has more discharges originating from O'Fallon (62269) than its home zip code Belleville (62220). SEB also has significant market presence in the less densely populated southern zip codes.

SEB Patient Density



SEB Market Share %



Market Share & Drive Times CY2013 SEB OB/GYN TSA

SEB market share doesn't correlate with proximity as they have strong relationships in southern and northeastern zip codes.

SEB Market Share by Drive Time

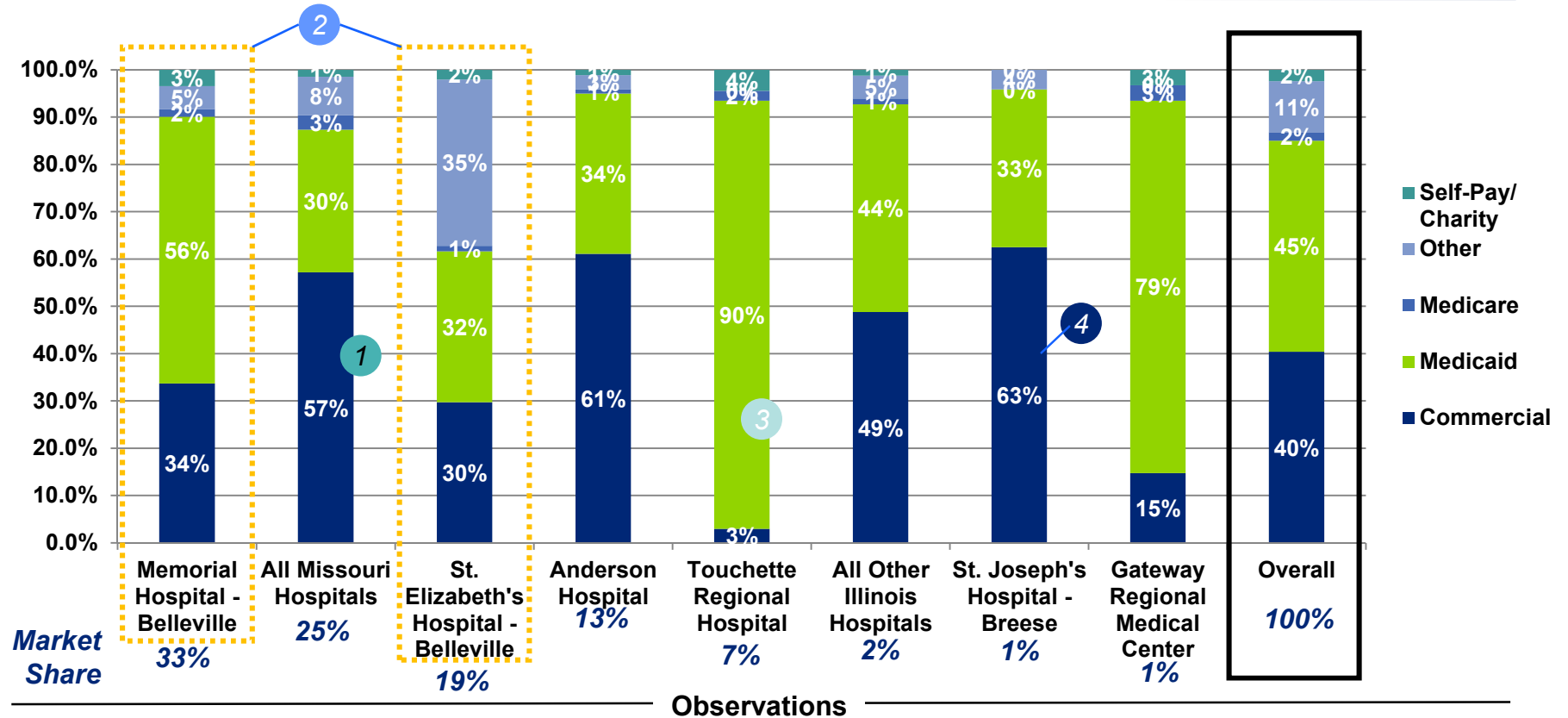
Drive Time (Minutes)	Zip Code Count	SEB Market Share		
		Minimum	Maximum	Average
Under 10	4	14.3%	34.0%	24.8%
11 to 15	7	6.1%	81.9%	24.6%
16 to 20	8	3.0%	39.4%	15.9%
21 to 30	6	5.3%	24.2%	14.1%
Over 30	2	12.2%	35.1%	23.6%

Minimum and maximum market share % by drive time category was considered as a final reasonableness check for the adjusted market share by zip code after the move.

Observations

- Average market share loosely correlates to proximity and drive time for zip codes that are within 30 minutes from the current facility.
- The minimum and maximum observed market share within each drive time category ranges significantly.
- Average market share in zip codes with drive times around 40 minutes is higher than average market share in zip codes between 16 to 30 minutes away.
- Zip codes over a 40 minute drive time come from:
 - 62286 (Sparta) and Coulterville (62237)
 - Heartland Womens Healthcare, an OB practice that delivers at SEB, has an OB outreach clinic in Sparta which contributes to SEB's high market share.

Payor Mix Within Defined TSA CY2013 SEB OB/GYN TSA

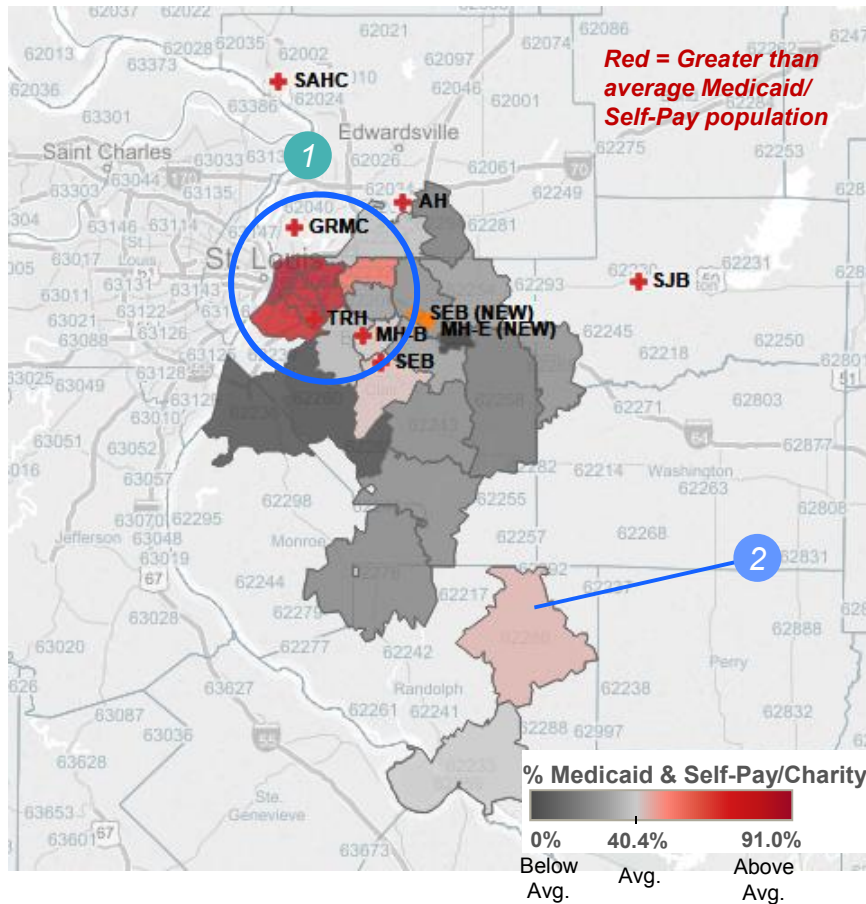


- 1 A higher proportion of commercial patients outmigrate to Missouri, while a higher proportion of Medicaid patients remain in Illinois. **35% of total Commercial patients, but only 17% of Medicaid patients in the SEB service area outmigrate to Missouri hospitals (compared to 25% of all patients).**
- 2 **SEB serves a larger 'Other' or TRICARE population** than Memorial Belleville and all other area providers. Memorial Belleville comparatively serves a higher Medicaid population.
- 3 **Touchette serves a higher proportion of Medicaid patients (90%),** and lower proportion of Commercial patients (3%).
- 4 HSHS St. Joseph's Hospital Breese serves a higher proportion of Commercial patients than average.

Payor Mix – Medicaid & Self-Pay/Charity Patient Density CY2013 SEB OB/GYN TSA

The most concentrated zip codes with high Medicaid & Self-Pay/Charity populations are located northwest of SEB

SEB TSA



Observations

- The overall SEB TSA has an average of 47.0% Medicaid and Self-Pay/Charity patients:

- Commercial: 40.4%
- Medicaid: 44.6%**
- Medicare: 1.8%
- Other: 10.8%
- Self-Pay/Charity: 2.4%**

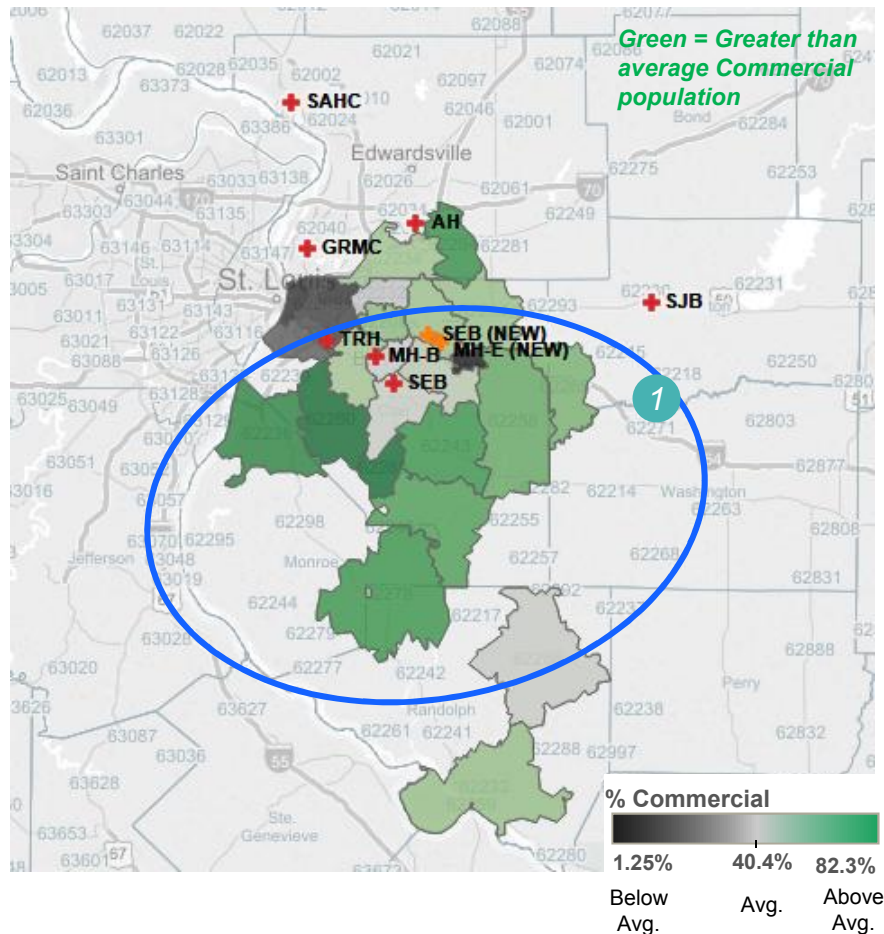
- The majority of zip codes with above average Medicaid & Self-Pay/Charity populations (>40.4%, in red on the map) are located in the northwestern region (Missouri border) of the SEB current service area.
- Only 1 southern zip code has above average Medicaid & Self-Pay/Charity populations for the SEB TSA

Note: Payor percentages are based on patient discharges per CompData, not based on Net Patient Service Revenue.

Payor Mix – Commercial Patient Density CY2013 SEB OBGYN TSA

The highest commercial population is located to the south of SEB

SEB TSA



Observations

- The overall SEB TSA has an average of 40.4% Commercial patients:
 - Commercial: 40.4%
 - Medicaid: 44.6%
 - Medicare: 1.8%
 - Other: 10.8%
 - Self-Pay/Charity: 2.4%
- The zip codes with above average Commercial populations (>40.4%, in green on the map) are fairly evenly distributed across SEB's current total service area.
- 1 The proposed new location for SEB is further away from the zip codes with the highest Commercial populations than the current SEB location.

Note: Payor percentages are based on patient discharges per CompData

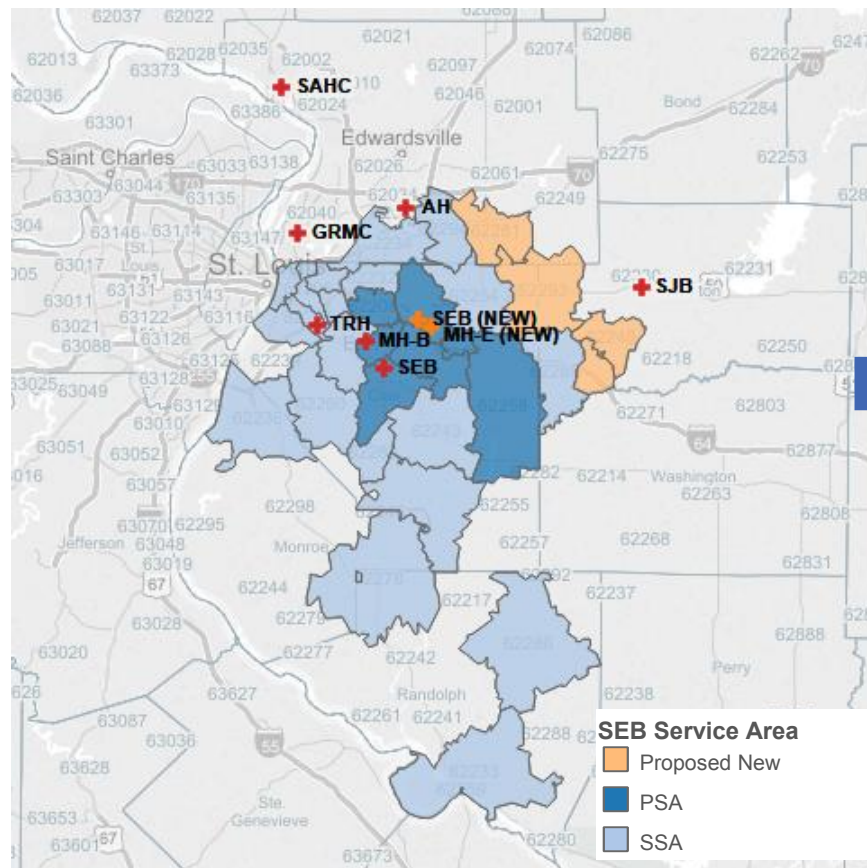
Market Shift

Proposed Shift in OB/GYN Service Area

We performed a market shift analysis to estimate the impact to St. Elizabeth's service area as a result of the proposed move.

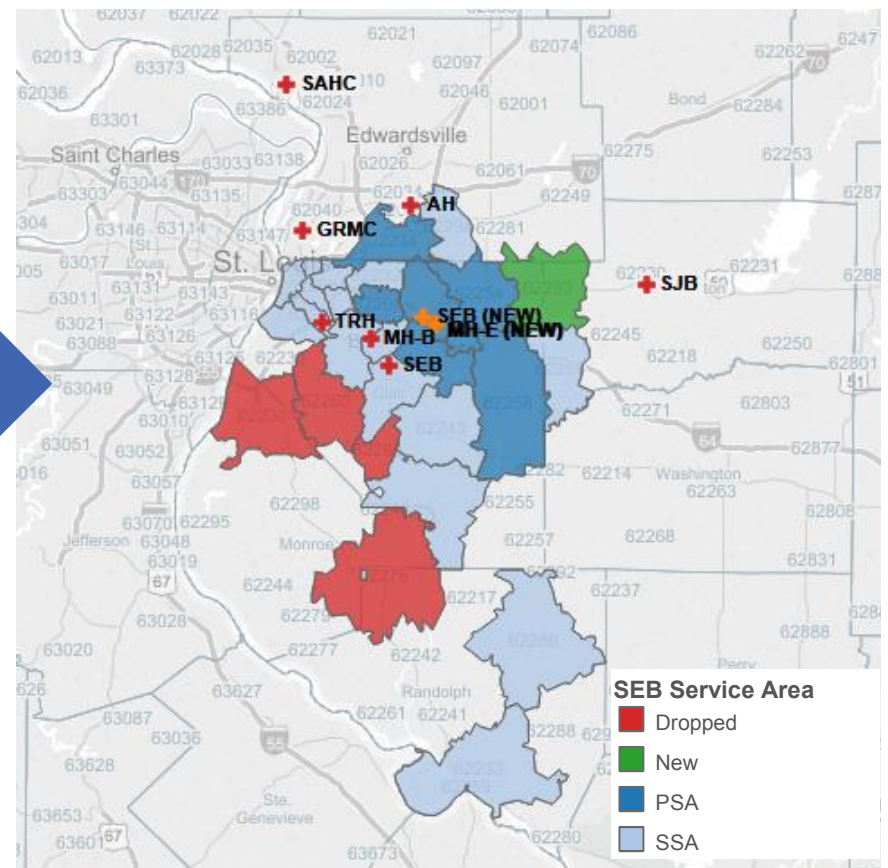
Proposed New Zip Codes

The zip codes in **orange** were analyzed and considered for addition to SEB's new service area:



Service Area Adjustments

Ultimately, the zip codes in **green** are estimated to be added to SEB's current service area and those in **red** are estimated to be dropped:



Market Share Adjustments

We applied the following market share adjustments to all proposed zip codes and those included in SEB's CY2013 TSA

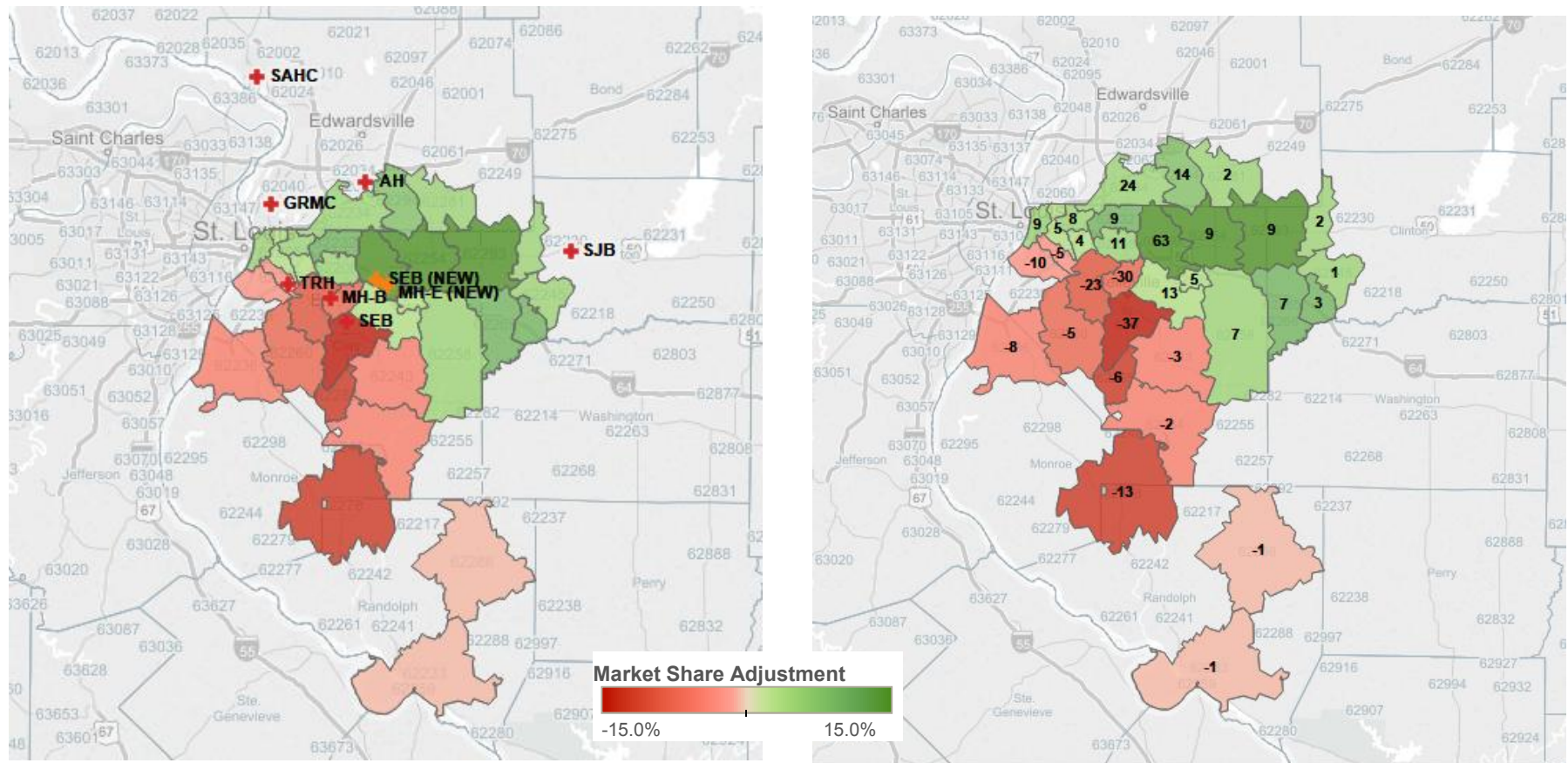
Market Share Adjustments

Zip Code	City	Drive Time - Belleville Location	Drive Time - O'Fallon Location	Change in Drivetime	Deloitte Time Category	CY2013 SEB Market Share	SEB Market Share Adjustment	SEB Adjusted MS	Total Market Discharges	CY2013 SEB Discharges	SEB Adjusted Discharges	Net Impact
62220	Belleville	4	17	13	Under 10	32.7%	-15%	17.7%	248	81	44	(37)
62221	Belleville	10	8	(2)	Under 10	34.0%	3%	37.0%	438	149	162	13
62226	Belleville	6	13	7	Under 10	18.0%	-8%	10.0%	377	68	38	(30)
62223	Belleville	8	16	8	Under 10	14.3%	-10%	4.3%	230	33	10	(23)
62203	East St. Louis	15	13	(2)	11 to 15	8.9%	3%	11.9%	124	11	15	4
62207	East St. Louis	15	17	2	11 to 15	6.1%	-3%	3.1%	179	11	6	(5)
62208	Fairview Heights	13	8	(5)	11 to 15	23.2%	5%	28.2%	211	49	60	11
62225	Scott Air Force Base	13	11	(2)	11 to 15	81.9%	3%	84.9%	160	131	136	5
62243	Freeburg	14	20	6	11 to 15	20.0%	-5%	15.0%	55	11	8	(3)
62285	Smithton	13	26	13	11 to 15	22.2%	-13%	9.2%	45	10	4	(6)
62260	Millstadt	11	26	15	11 to 15	9.7%	-8%	1.7%	62	6	1	(5)
62204	East St. Louis	19	14	(5)	16 to 20	4.2%	5%	9.2%	168	7	15	8
62205	East St. Louis	17	15	(2)	16 to 20	3.0%	3%	6.0%	166	5	10	5
62206	East St. Louis	18	20	2	16 to 20	8.7%	-3%	5.7%	323	28	18	(10)
62232	Caseyville	20	13	(7)	16 to 20	8.5%	10%	18.5%	94	8	17	9
62236	Columbia	20	25	5	16 to 20	6.5%	-5%	1.5%	168	11	3	(8)
62258	Mascoutah	19	15	(4)	16 to 20	39.4%	5%	44.4%	137	54	61	7
62264	New Athens	20	26	6	16 to 20	32.5%	-5%	27.5%	40	13	11	(2)
62269	O Fallon	18	5	(13)	16 to 20	24.2%	15%	39.2%	422	102	165	63
62201	East St. Louis	21	15	(6)	21 to 30	5.3%	5%	10.3%	189	10	19	9
62234	Collinsville	22	15	(7)	21 to 30	6.2%	5%	11.2%	487	30	54	24
62254	Lebanon	25	13	(12)	21 to 30	21.1%	15%	36.1%	57	12	21	9
62265	New Baden	27	18	(9)	21 to 30	24.2%	10%	34.2%	66	16	23	7
62278	Red Bud	27	40	13	21 to 30	21.2%	-13%	8.2%	99	21	8	(13)
62294	Troy	29	17	(12)	21 to 30	6.9%	8%	14.9%	174	12	26	14
62286	Sparta	46	53	7	Over 30	35.1%	-1%	34.1%	77	27	26	(1)
62233	Chester	63	72	9	Over 30	12.2%	-1%	11.2%	74	9	8	(1)
Total from CY2013 Service Area						19.0%	0.9%	19.9%	4,870	925	969	44
62215	Albers	32	19	(13)	Outside TSA	8.0%	10.0%	18.0%	25	2	5	3
62216	Awiston	36	24	(12)	Outside TSA	0.0%	5.0%	5.0%	35	-	2	2
62245	Germantown	36	24	(12)	Outside TSA	16.7%	5.0%	21.7%	12	2	3	1
62293	Trenton	31	19	(12)	Outside TSA	6.6%	15.0%	21.6%	61	4	13	9
62281	St. Jacob	34	22	(12)	Outside TSA	3.2%	5.0%	8.2%	31	1	3	2
Total from Proposed New Zip Codes						5.5%	9.5%	15.0%	164	9	25	16

Shift in OB/GYN Service Area

We estimated the following impact to St. Elizabeth's current service area.

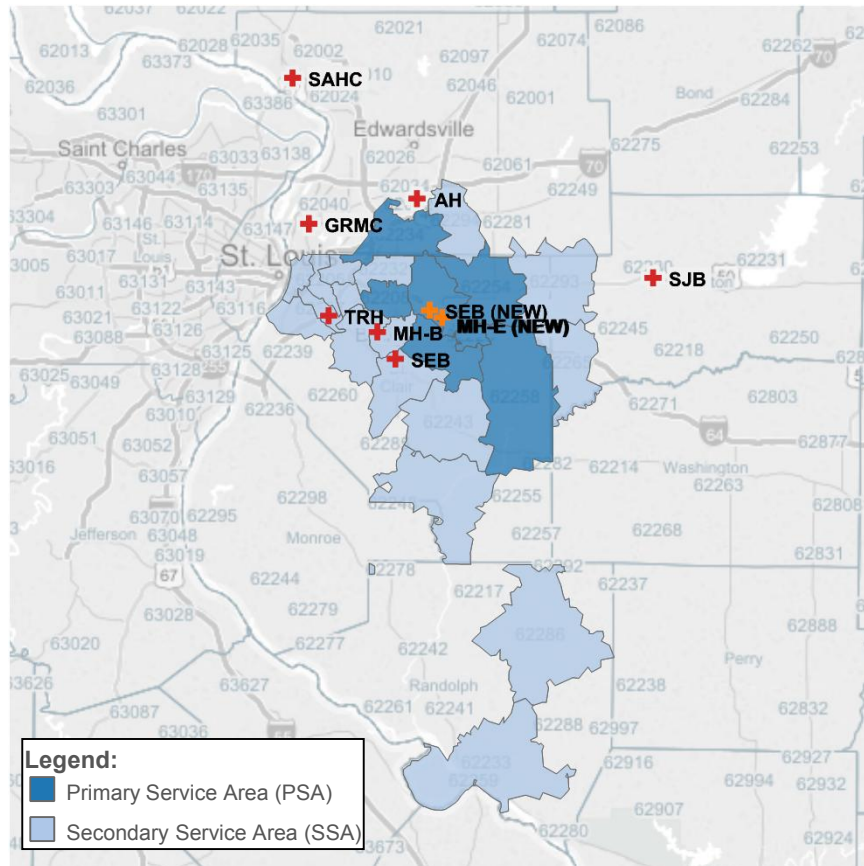
Change in Discharges



Proposed OB/GYN TSA (O'Fallon)

St. Elizabeth's Hospital O'Fallon's (SEO) total service area is composed of the following zip codes:

St. Elizabeth's O'Fallon (SEO)



SEO TSA Zip Codes

Primary Service Area (PSA)			Secondary Service Area (SSA)		
Zip Code	City	# Patients	Zip Code	City	# Patients
62269	O'Fallon	165	62220	Belleville	44
62221	Belleville	162	62226	Belleville	38
62225	ScottAirForceBase	136	62286	Sparta	26
62258	Mascoutah	61	62294	Troy	26
62208	Fairview Heights	60	62265	New Baden	23
62234	Collinsville	54	62201	EastSt.Louis	19
62254	Lebanon	21	62206	EastSt.Louis	18
			62232	Caseyville	17
			62204	EastSt.Louis	15
			62203	EastSt.Louis	15
			62293	Trenton	13
			62264	New Athens	11
			62223	Belleville	10
			62205	EastSt.Louis	10
			62233	Chester	8
			62243	Freeburg	8
			62207	EastSt.Louis	6

CY2013 Patients in TSA = 966

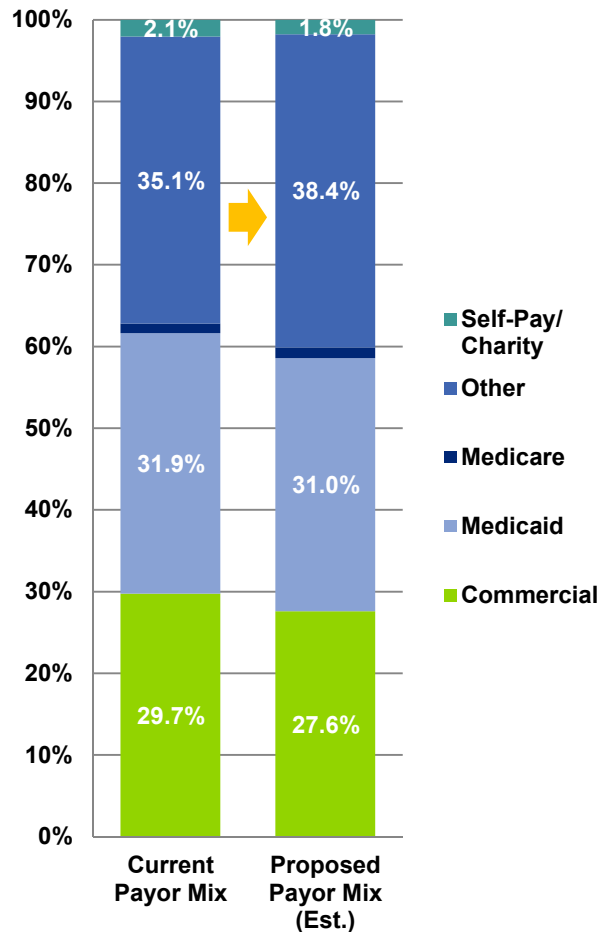
CY2013 Total Patients at SEB = 1,132

TSA includes top 85% of patients. PSA defined as top 60% of patients, and SSA defined as 60%-85% of patients.

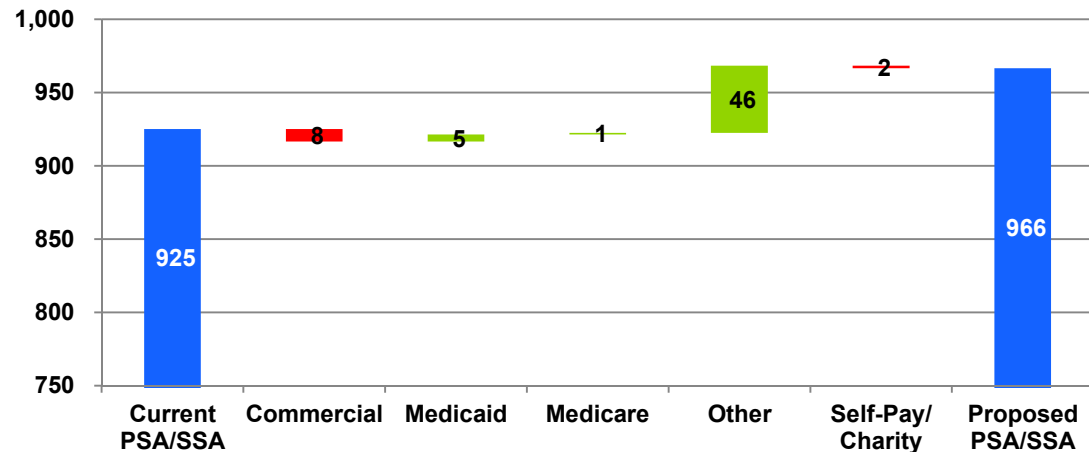
Payor Mix Shift Current OB/GYN Service Area vs. Proposed OB/GYN Service Area

Although we expect a slight shift in market share resulting from the move, we do not expect that SEB's payor mix % within each zip code would change. Therefore, to calculate the new payor mix we allocated the estimated discharges by zip code applying SEB's CY2013 payor mix by zip code.

Change in Payor Mix



Overall TSA Change by Payor



Observations

- As a result of SEB moving from its current location in Belleville to the proposed location in O'Fallon, discharges in the new TSA are expected to increase **by 41 or 4.5% of total discharges** (see detail above).
- However, in total, discharges are expected to **increase by 60 or 6.4% of total discharges**. (Considers all zip codes even those that did not meet the new defined service area criteria)
- Commercial discharges are expected to decrease slightly, while **Other discharges are expected to increase** as a result of the move.
- Overall, minimal impact to SEB's payor mix is expected**