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HEALTH FACILITIES &
SERVICES REVIEW BOARD

October 15, 2014

PROJECT #14-043

Mr. Mike Constantino
Illinois Health Facilities and Services Review Board
Second Floor,
525 W. Jefferson Street
Springfield, IL 62761

Dear Mr. Constantino,

The management of St. Elizabeth's Hospital in Belleville, Illinois, has applied to the Illinois Health Facilities Review Board requesting permission to move from Belleville and to build a new hospital at a new location near O'Fallon, Illinois. We would like to comment on this proposed move. There are a number of considerations that should be addressed before such a change is permitted.

1. St Elizabeth's management has stated that the present structure in Belleville is obsolete and needs to be replaced. The other hospital in Belleville is Memorial Hospital and it was built at approximately the same time as the present St. Elizabeth's structure – but Memorial Hospital seems to be doing just fine in a facility as old as the St. Elizabeth's structure. A few years ago the High School District in Belleville claimed that one of their schools was obsolete and built a new school at great cost. Lindenwood University took over the old "obsolete" campus and is thriving there today. Is St. Elizabeth's claim another similar situation? Most buildings can be rehabbed and continued in use for a very long time if they are maintained properly. Maintaining the building is a part of management's job. St. Elizabeth's management has also stated that they will continue to use the old "obsolete" building even after building the new one. Isn't this inconsistent with their original statements?

2. From the many statements provided by St. Elizabeth's management, it seems that the management is interested in spending a lot of money for a new smaller facility no matter what. They seem to be presenting every justifications they can muster to accomplish this goal. They offer no other alternatives or locations. There doesn't seem to be a concern for the needs of the public. The building is said to be inadequate. Why is the building inadequate – just what is wrong with it? How did it get that way? What are the other alternative solutions that could fix the problem? It is management's job to answer these questions. The hospital management has had a lot of turnover. Are they trying to buy their way out of what is really a management problem? That can't be done.

3. The proposed new St. Elizabeth's structure is said to be located "only" seven miles from the current location – the implication being that the travel time added by the new location is insignificant. Even if it is "only" seven miles, these are highly congested roads and emergency travel to the new facility would probably be seriously delayed. The new location is near a busy shopping center that is very congested. Many emergencies would

no doubt opt to go to Memorial Hospital because of the congestion. What the effect on the Emergency Room at Memorial Hospital would be is a question that needs to be answered. What the delay might mean to those transported these additional miles is also a question that needs to be addressed.

4. Memorial Hospital is nearing completion on a satellite hospital in the same area as the proposed new St. Elizabeth Hospital. The move by St. Elizabeth's would provide a lot of hospital capacity in the same area. Is this the best choice? Hospitals need to be where the people who need them are located. Special consideration also needs to be given to the poor and the elderly who will have trouble getting to the new St. Elizabeth's location.

5. St. Elizabeth's previous experience with the choice of a location for a facility is curious. Not long ago St. Elizabeth's opened a new facility in Columbia, Illinois but closed it after only a very short time. Has there been adequate study given to the new location or will the new hospital also be struggling to survive in a short time? How careful have the management been with this new location choice? They will be entrusted with a three hundred million dollar facility under their current plan.

6. There are many people in the neighboring Belleville community of East St. Louis who need hospital services. Many of them come to Belleville hospitals for needed care. Many of them are poor. If St. Elizabeth's leaves Belleville where will these people go? If they all go to Memorial Hospital in Belleville, will Memorial Hospital be overloaded? Maybe St. Elizabeth's is needed in Belleville where they can continue to share this load with Memorial Hospital instead of leaving the city? If the move occurs, is O'Fallon the best choice? The need is great in East St. Louis but East St. Louis is not a prosperous community.

7. The center of highly specialized medical care in this part of Illinois is in St. Louis and is centered around St. Louis University and Washington University, with their Medical Schools, hospitals, and a multitude of highly specialized units focused on specific medical problems. Surrounding this core are a large number of local hospitals that provide care but at a less specialized level. St. Elizabeth's is one of these. Its function in the whole system is to be a good local hospital serving the needs of people in its area. If it abandons the area it now serves, who will fill the vacancy? Memorial Hospital in Belleville does a wonderful job today, but can Memorial handle the substantial additional load that will be put upon it if St. Elizabeth's abandons the Belleville area to move to the northeast fringe of the metro area? If building a new hospital is really needed, it should be located where the need is. Since a new hospital is already nearing completion in the area of the proposed new location, moving St. Elizabeth's to the proposed location will not serve anyone not now served, but will reduce services that are needed in the area now served by St. Elizabeth's. It will duplicate services in the new area but will create a lack of services in the area being abandoned. There are lots of better locations for a new hospital. Locations that will not duplicate services already available. Locations that will not deprive the existing St. Elizabeth's area of needed services. Why not build the new building on part of the property where the existing building is located? This location is already surrounded by a large number of medical office buildings. Also, I do not believe the existing site is undermined which may not be true of the proposed new site.

8. In the light of the profound changes that are imminent in the medical field, perhaps consideration should be given to promoting a merging of both Belleville hospitals into one unit, or at least a merging of services. This may sound strange today but the future must be considered. I have attached a copy of an article that appeared in the Wall Street Journal on September 16, 2014 that brings up a number of advantages of larger rather than smaller hospitals. These advantages are important for the future. The article may not be an exact parallel to the Belleville situation but many of the points made certainly apply. The

present medical network to which St. Elizabeth's belongs is spread all over the State of Illinois and cannot achieve the kind of improvements outlined in the article since these depend on closer proximity. However, a combination of two hospitals located in the same area could probably improve services for everyone in the area. Some of this may be speculative but the article makes a number of interesting points.

The new location for St. Elizabeth's will cause them to go into head to head competition with Memorial Hospital in this new area. If instead, St. Elizabeth's built their new hospital in Belleville, and also reached out to Memorial Hospital to coordinate their combined services, the public might receive substantially improved medical services. Head to head competition in the O'Fallon area makes no sense for either hospital. Joint ventures and cooperation could mean a lot to everyone.

9. St. Elizabeth's hospital has been supported financially, politically, and socially, at their current site by the people in the community of Belleville for 140 years. Their success is not due to themselves alone. The aid and assistance they have received from the Belleville community should be respected. There is an implied fiduciary responsibility on their part to the people who made their success possible.

10. Is the building really the problem? Is this the real problem? Is the problem management's inability to control costs or to generate revenues? It is easy to blame the building but if the cause of the problem is not the building, a new building will not change the operating results. It will only result in a lot of unnecessary spending that will do nothing to change the operating results.

Very truly yours,

The block contains two handwritten signatures in cursive. The first signature is 'Donald P. Bedell' and the second is 'Kathryn A. Bedell'. They are written in dark ink and are positioned side-by-side.

Donald P. Bedell, Kathryn A. Bedell

Hospital Mergers Can Lower Costs and Improve Medical Care

By Kenneth L. Davis

Decades ago, hospital mergers set off alarm bells. Some worried that they would decrease competition and raise costs. Yet thanks to cataclysmic changes in the delivery of health care, hospital mergers now offer the potential for higher quality and more efficiency.

Individual fee-for-service health care is transforming to population health management. This is a welcome development because fee-for-service often gives physicians an incentive to overutilize resources and treat illnesses rather than to maintain patients' good health. That is a major reason U.S. medical expenditures are so high—nearly \$9,000 per capita, according to the Organization for Economic Cooperation and Development—well above any other nation. This puts a huge strain on families, businesses and federal and state budgets.

The Affordable Care Act, as well as changes in how employers and insurance companies address health care, will try to change these disincentives and encourage health-care providers to manage populations. A population may include a company's employees and their families, a union's members, a group of individuals who purchase a like product on the insurance exchange, or a group of Medicare or Medicaid beneficiaries.

However the populations is defined, in the near future a hospital's health-care delivery network will be paid a certain amount to care for a given population, and no more. In this model there is an incentive to keep patients healthy and out of the hospital to hold costs down. However, if expenses for proper care of its designated population climb above the level the hospital has been paid, the cost is borne by the hospital.

This raises the stakes for all health-care providers. To mitigate that risk, hospitals need to broaden the populations they serve, and offer services that cover a larger geographical area. Without that wide range, there is too great a risk that costs beyond hospital walls during post-acute care, patients who are high utilizers of medical services, will unbalance the scales. Hospitals need a large pool to survive any increased medical needs and costly care. The larger net also allows hospitals to learn from different patient populations, such as the elderly, and make strategic decisions to improve their care.

Stand-alone hospitals have neither the number of patients to manage the actuarial risk of population management, nor the geographic coverage to serve a large population. Hence the

reason for allowing strategic hospital mergers.

Population health management means services must be coordinated so that primary-care physicians, specialists and hospital departments work together with all caregivers familiar with a patient's unique needs and status. This requires hospital systems to provide a full suite of services for their patient populations, warranting expansion through acquisitions of other hospitals, as well as physician medical practices and outpatient clinics.

Hospitals will also need to track patient conditions and treatments through sophisticated electronic medical records, which requires major technology investments. Additionally, hospitals must add an army of care coordinators to serve as the backbone of an integrated-care team. These are expensive investments that large hospital systems can bear far more readily than stand-alone facilities.

Mergers can improve the quality of care in many ways. Combining smaller hospitals with large medical centers gives more patients access to top specialists. Physicians participating in larger networks will be able to learn more about the best treatments because they will have larger populations from which to draw conclusions. For

Stand-alone hospitals have too few patients to thrive in the new era of population health management.

example, through large patient populations, one can apply supercomputer resources to mine the data collected on them and create predictive models of diseases. We can identify patterns in clinical syndromes and link them with genetic data and lifestyle behaviors to help individuals better understand their risk of illness, and customize a prevention or treatment strategy.

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Hospital mergers can reduce unnecessary overlap in regional health-care offerings. For example, after Mount Sinai Health System's merger with Continuum Health Partners last year, the health system ended up with two kidney transplant centers, located only a mile and a half apart. Combining the two centers increased efficiency and eliminated unnecessary costs, while ensuring all patients access to world-class transplantation care. It is far more beneficial for patients to have one center that performs many hundreds of specialty procedures each year rather than multiple facilities that each conducts only dozens.

Another benefit of a larger hospital network is the preservation of a hospital's role to support community needs. Critical services such as pediatrics, psychiatry and obstetrics, which often rely heavily on Medicaid for payment, can leave hospitals at a financial loss. In a successful merger, the reduction of back-office expenses and elimination of clinical duplication—for example, consolidating three behavioral-health inpatient units which are rarely full into two full units—can allow several hospitals in the larger network to continue offering these services. Stand-alone community hospitals may have to eliminate these costly services to survive.

Finally, the fear that mergers curtail competition, leading to higher prices for medical care, reflects an old way of thinking that doesn't account for the introduction of population-health management. This line of thought ignores the fact that health-care delivery has become more efficient. Health care has changed, too: Medical advances mean that people recover from serious illness and injury faster and live longer, healthier lives. Hospital mergers are the way to promote these positive trends while delivering high-quality, better-coordinated care, improving efficiency and rooting out unnecessary costs.

Dr. Davis is CEO and president of Mount Sinai Health System in New York City.