

VIA OVERNIGHT DELIVERY

November 5, 2015

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

RECEIVED

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

RE: Barnes & Thornburg LLP Comment on State Board Staff Reports for:
Project #15-038, Rockford Memorial Hospital-Rockton Avenue Campus
Project #15-039, Rockford Memorial Hospital-Riverside Boulevard Campus
Project #15-040, Rockford Memorial Hospital-Riverside Boulevard Campus
Medical Clinics Building, Rockford

Dear Ms. Avery:

I represent OSF Saint Anthony Medical Center in Rockford and submit this response to the State Board Staff Reports for the above MercyRockford Projects #15-038, #15-039 and #15-040, pursuant to Section 6(c-5) of the Health Facilities Planning Act that allows written responses regarding the facts and findings set forth in staff report. 20 ILCS 3960/6(c-5).

We are supportive of the staff's conclusions as reflected in the Executive Summary of the reports, though additional negative findings could be justified based upon our previous submissions. We wish here to raise only two further points in connection with the staff reports.

First, clarification is needed as to the status of the applicants as identified in the staff reports for the above projects. As shown in the attached letter from Mercy Health System of Janesville, Wisconsin, the applicant Interstate Alliance, Inc., intends to eliminate its co-applicant Rockford Health System, which is the sole corporate member of Rockford Memorial Hospital (also a co-applicant). According to Mercy's letter, Rockford Health System will "cease to exist" upon certain action being pursued by Interstate Alliance.

Mercy's elimination of Rockford Health System raises a question as to whether there has, or will be, a change in the applicants to the above project and whether opportunity for public hearing based on a Type A modification is required under Section 1130.650(a)(6) of the Review Board's regulations. Among other considerations, Rockford Health System has long had a community-based board of directors and the elimination of that board would be of great significance to the Rockford community and to these projects.

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Second, the applicants have avoided CON review of nearly \$60 million in capital expenditures by shifting them into the "non-reviewable" portion of the Medical Clinics Building project. This move can be seen in the aberrational cost allocations between the projects as reflected in the staff reports. Among other things, the \$68 million clinics building project has Offsite Work totaling over \$25 million (more than a third of total project costs), while the \$407 million new hospital project on the same campus has Offsite Work of only \$8 million. Something is clearly out of line here and close scrutiny of the cost allocations as between the projects is in order.

Very truly yours,

BARNES & THORNBURG LLP

A handwritten signature in black ink, appearing to read "D. Lawler", written in a cursive style.

Daniel J. Lawler

DJL:dp
Attachments



1000 Mineral Point Ave., P.O. Box 5003
Janesville, WI 53547-5003
608.756.6000



With all our heart. With all our mind.

MercyHealthSystem.org

Via FedEx

September 28, 2015

15-038
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SEP 29 2015

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
69 W. Washington, Suite 3501
Chicago, Illinois 60602

RE: Technical Assistance Question
Interstate Alliance, Inc. (n/k/a MercyRockford
Health System Corporation)
Potential Reorganization

Dear Ms. Avery:

It was a pleasure meeting you Monday morning, and I appreciate the time that your staff took to meet with Jack Axel and me.

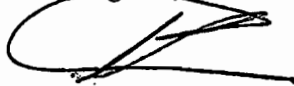
The purpose of this letter is to seek confirmation that the contemplated reorganization of MercyRockford Health System Corporation ("MercyRockford") presented to Mr. Morado, Ms. Mitchell, Mr. Constantino, and Mr. Roate will not require action by or the approval of the Illinois Health Facilities and Services Review Board ("HFSRB").

The attached organizational chart, which was included in Certificate of Exemption applications E-038-14 and E-039-14, approved by the HFSRB on November 16, 2014 (the "COE Applications"), was referenced during our meeting to describe a limited reorganization to your staff. Specifically, MercyRockford (Interstate Alliance, Inc. in the org chart) is contemplating the consolidation of Mercy Alliance, Inc. ("MAI") and Rockford Health System ("RHS") into MercyRockford. As noted in the System Formation Agreement provided with the COE Applications, the intent was to combine Mercy and RHS into one unified system. This proposed action is consistent with that goal. Further, "control," (per the HFSRB's definition) of the licensed health care facilities, Rockford Memorial Hospital and Mercy Harvard Hospital, Inc., is currently and will continue to be held by MercyRockford. The MAI and RHS entities would cease to exist upon completion of consolidation actions.

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MercyRockford's position is that the limited actions described above do not require any HFSRB action of approval. With this letter, I respectfully request your confirmation of our position.

Best regards,



Paul Van Den Heuvel
Vice President and General Counsel

Attachment

cc: J. Morado, Jr. – Chicago, IL
J. Mitchell – Chicago, IL
M. Constantino – Springfield, IL
G. Roate – Springfield, IL

