



SAINT ANTHONY MEDICAL CENTER

VIA OVERNIGHT DELIVERY

October 27, 2015

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

RECEIVED

OCT 28 2015

HEALTH FACILITIES &
SERVICES REVIEW BOARD

RE: REASONS THE MERCYROCKFORD PROJECTS SHOULD BE DENIED

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 am President of OSF Saint Anthony Medical Center in Rockford and submit this letter in opposition to the MercyRockford projects #15-038, #15-039 and #15-040.

MercyRockford seeks to discontinue hospital services on Rockford's medically underserved West Side and relocate them farther east than any other hospital in Rockford. MercyRockford also wants to move its physicians away from the Health Professional Shortage Areas on the West Side to a new medical office building at the remote East Side location. MercyRockford's applications to remove critical health care services and professionals where they are most needed to a new location where they are not needed should be denied.

KEY REASONS FOR DENYING MERCYROCKFORD'S APPLICATIONS

- 1. Rockford Does Not Need Four Hospitals:** The population in Rockford has declined and all three existing hospitals are underutilized in most services. A fourth hospital in Rockford is simply not needed and a Certificate of Need should not be approved for it.
- 2. The Projects Impair Access To Health Care For Those Most In Need:** The West Side of Rockford is medically underserved with a significant shortage of health care professionals. Closing critical hospital services and relocating dozens of physicians from the West Side facility will exacerbate this underserved condition.
- 3. MercyRockford Can And Should Rebuild On The West Side Where Its Services Are Most Needed:** Contrary to MercyRockford's claims, it is not landlocked and there are multiple alternative West Side locations on which to build.
- 4. A Fourth Hospital In Rockford Will Adversely Impact Existing Providers:** For many decades, Rockford Memorial has served the West Side, SwedishAmerican Hospital has served the Central and Southern areas of Rockford, and OSF Saint

Anthony Medical Center has served the East Side. The proposed projects upset that balance by overloading services on the East Side and impairing access to residents of the West Side, and will severely and adversely impact existing facilities.

- 5. MercyRockford's Applications Do Not Substantially Comply With The Board's Review Criteria:** MercyRockford's proposed projects are not needed, will create both a duplication and maldistribution of hospital services in Rockford, and fail to comply with nearly all of the Review Board's need-based criteria.

I. ROCKFORD DOES NOT NEED FOUR HOSPITALS

Rockford currently has three general acute care hospitals. It does not need a fourth. It especially does not need an additional hospital on the East Side at the expense of reduced hospital services on the West Side.

A. Rockford Area Population Is Declining

The populations of Rockford and surrounding areas are declining. A study by Northern Illinois University, based on U.S. Census data, reports that Rockford "is leading the state in population decline." (See Attachment A.)¹ Rockford's population has declined by 2.5% from July 1, 2010 to July 1, 2014. Further, the adjacent towns of Machesney Park and Loves Park (where the new hospital is proposed) were also among the top 15 communities for population declines, with both declining nearly 2% during that four year period. Attachment A.

B. Rockford Hospital Utilization And Patient Days Are Declining

The medical/surgical utilization rates of Rockford's three hospitals are all below the State Board's target utilization rates. Rockford Memorial has the lowest utilization rate of only 48.4%. Moreover, inpatient days at all three hospitals have been declining since 2010, with total medical/surgical inpatient days down over 10% from 2010 to 2014 based on the Hospital Profile data. See Attachment B.²

C. The Applicants Double-Count Their Patient Days To Support The Requested Beds, Which Are Not Needed

Rockford Memorial is currently underutilized in *every* category of service it provides. Even with the proposed bed reduction, both the West Side and East Side MercyRockford hospitals would be **underutilized** based on existing patient volumes.

Rockford Memorial's 2014 patient days support only 123 medical/surgical beds, but the applicants request 154 total beds. The applicants cannot justify the beds they are requesting. They use the same historical patient days as justification for the beds at *both* hospitals. (See Attachment C.)³ In other words, they are double-counting their patient days. The two hospitals are not needed and are not justified.

¹ Attachment A: NIU Population Study, Summary and Table.

² Attachment B: Charts of Medical/Surgical Inpatient Days and Hospital Profiles.

³ Attachment C: Excerpts from Applications for Project Nos. 15-038 and 15-039 on patient days.

D. The Planning Area Has Excess Beds, Even With The Proposed Reduction

Rockford is located in Planning Area B-01 which has an excess of 283 medical/surgical beds and 40 OB beds. (See Attachment D.)⁴ Even with the applicant's proposed reduction of 69 medical/surgical beds, there would still be an excess of 214 beds. Moreover, MercyRockford would have to reduce its current med/surg bed compliment by 100 beds just to meet target utilization at its existing facility.

The problem of underutilization is not solved by building a fourth hospital in Rockford. Any operating efficiencies gained by the proposed reduction of beds is completely wiped out by the duplication of an entire hospital facility. MercyRockford itself admits that its operating costs will be higher with two hospitals instead of one. (See Attachment E.)⁵ A better alternative to this project is for the applicants to modernize their existing hospital while reducing beds at that site.

II. THE PROJECTS IMPAIR ACCESS TO HEALTH CARE FOR THOSE MOST IN NEED

The CON process is intended to "maintain and improve the provision of essential health services and **increase the accessibility of those services to the medically underserved and indigent.**" (Emphasis added; 20 ILCS 3960/2.) A majority of Rockford's medically underserved and indigent live on the West Side of the Rock River.

A. The West Side Is Medically Underserved And Suffers A Shortage Of Health Care Professionals

Rockford Memorial Hospital is currently located on the West Side of Rockford which includes large medically underserved areas federally designated as Health Professional Shortage Areas (HPSA). (See Attachment F.)⁶ The applicants propose to eliminate and curtail critical health care services at their West Side facility, while relocating those key services and many physicians to a new hospital and MOB on the East Side.

The area's Healthy Community Study, in which Rockford Memorial participated, shows that 50% of the population in Winnebago County resides in an HPSA with most of this population located on the West Side of Rockford. (See Attachment G.)⁷ With 49.95% of its population designated as underserved, Winnebago County has a significantly greater percentage of medically underserved persons than Illinois (36.98%) and the United States (37.55%). See Attachment G.

The Rockford Area Transportation Study graphically demonstrates that a large majority of Rockford's minority populations and indigent reside on Rockford's West Side. (See Attachment H.)⁸ MercyRockford's projects would leave the medically underserved West Side with no Level 1 Trauma Center, no cardiac catheterization services, no open heart surgical

⁴ Attachment D: Inventory of Hospital Services, update of October 16, 2015.

⁵ Attachment E: Excerpt from Permit Application for Project No. 15-039 on operating costs.

⁶ Attachment F: Map of Rockford Area HPSAs.

⁷ Attachment G: Excerpt from 2014 Healthy Community Study.

⁸ Attachment H: Maps from Rockford Area Transportation Study.

services, no Pediatric ICU, no pediatric unit, and no Neonatal ICU services. (See Attachment I.)⁹ The applicants desire to move all of these services to the East Side, but the need is on the West Side.

Over 38% of Rockford's population resides on the West Side (58,000 of 153,000), according to the 2010 U.S. Census and over 18,000 of that population is below the poverty level. (See Attachment J.)¹⁰ Closing the Cardiac Services, the Level I Trauma Center, the OB services, the Pediatric services and the NICU services at the West Side facility and moving them to the far East Side impairs access to the indigent, the elderly and the children on the West Side.

B. The Projects Create Severe Access Problems For West Side Residents

The elderly, indigent and underserved do not have ready access to transportation. Many of the people struggling to survive on too little money are elderly. Many do not own a vehicle, or no longer drive, or have trouble getting to and from bus stops. These issues of transportation and accessibility relate not only to hospital treatment but also to clinic services. Thus, the difficulty for the poor to receive health care would increase for hospitalized care, routine checkups, follow-up care and other serious health issues. Neglecting those things, of course, leads to more serious illnesses, higher health care costs and a lower quality of care for many people.

The Rockford Area Transportation Study shows that the West Side includes many areas with high percentages of the population reliant on public transportation. In many areas, public transportation is used by more than 10% of the population. (See Attachment K.)¹¹ The relocation of critical hospital services to the East Side would make it more difficult for the approximately 58,000 people who live on Rockford's West Side to get to a hospital in the event of a stroke or heart attack. It would take longer to get care for health problems for which timely treatment is necessary for recovery. This could be a matter of life and death.

C. MercyRockford Is Breaking Rockford Memorial's Affirmative Commitments To The Community

Rockford Health System's most recent Community Benefit Plan included a "2014-17 Implementation Plan." (See Attachment L.)¹² Nothing in that Implementation Plan mentioned the closure of vital hospital services on the West Side, or the building of a new hospital on the East Side. To the contrary, the Implementation Plan reiterated Rockford Memorial's commitment to its local community and primary service area, which is the West Side.

The first strategy in the Implementation Plan was to "improve the general health of individuals living in the primary service area." (Attachment L.) Rockford Memorial's primary service area includes the West Side where a majority of its patients reside. (See Attachment M.)¹³ Shutting down hospital services on the West Side and relocating services and physicians to a new hospital and MOB on the East Side does not improve the health of individuals residing in Rockford Memorial's primary service area.

⁹ Attachment I: Excerpt from Permit Application for Project No. 15-038 on closure of services.

¹⁰ Attachment J: Census Tract Data for West Side of Rockford.

¹¹ Attachment K: Rockford Area Transportation Study, Percent Using Public Transportation Map.

¹² Attachment L: Excerpts from Rockford Health System's Community Benefit Plan.

¹³ Attachment M: Excerpt from CON Application Project No. 15-039 showing patient origin.

Rockford Health System also promised the community that it would, "Maintain commitment to the women and children of this community as the exclusive provider of comprehensive tertiary services (including perinatal, maternal, neonatal and pediatric intensive care services)..." (Attachment L, page 8.) MercyRockford is now abandoning this commitment by *closing* all of the perinatal, maternal, neonatal and pediatric ICU services on the West Side and moving them to the East Side.

For many decades, Rockford Memorial has served the West Side, SwedishAmerican Hospital has served the central and southern areas of Rockford, and OSF Saint Anthony has served the East Side. The proposed projects upset that balance by overloading services on the East Side while eliminating and curtailing services on the West Side. The Rockford area communities rely on the three health systems that serve the area to keep them well and to ensure they have access to safety net services most of us take for granted. Moving those essential health services out of reach of those West Side residents will be a major detriment to the health of those in that community.

III. MERCYROCKFORD CAN AND SHOULD REBUILD ON THE WEST SIDE WHERE ITS SERVICES ARE MOST NEEDED

MercyRockford claims that the Rockford Memorial Campus is landlocked and that there is no where else on the West Side to build anew. That is not so.

MercyRockford owns much of the property surrounding its current campus and could easily expand on site. (See Attachment N.)¹⁴ The other two Rockford hospitals, OSF Saint Anthony and SwedishAmerican, have both renovated their facilities on existing sites. Alternatively, Mercy could acquire one of numerous available properties on the West Side for a new facility. Attachment N.

Moreover, contrary to reported claims that its hospital has lost \$47 million in the last five years (See Attachment O),¹⁵ audited financial statements show that Rockford Health System had **total net revenue of over \$71 million** during that period. See Attachment P.¹⁶

IV. A FOURTH HOSPITAL IN ROCKFORD WILL ADVERSELY IMPACT EXISTING PROVIDERS

As noted above, all three existing Rockford hospitals are underutilized and the applicants' historical utilization comes no where near justifying the number of beds it is requesting. For MercyRockford's two hospitals to meet target utilization, the new East Side facility will have to draw substantial patient volume from the other two area facilities located East of the Rock River, primarily from OSF Saint Anthony.

¹⁴ Attachment N: Hinshaw Consulting Report on Available Sites.

¹⁵ Attachment O: Rockford Register Star article dated October 4, 2015.

¹⁶ Attachment P: Excerpts from Rockford Health System's Audited financial statements and table.

A. A New East Side Hospital Will Reduce OSF Saint Anthony's Utilization Further Below State Standards

The proposed location of the new hospital is within the primary service area of OSF Saint Anthony Medical Center. The financial impact on OSF Saint Anthony will be dramatic. Approximately 44%, which totals \$143 million, of the net revenue of Saint Anthony is derived from ZIP codes adjacent to the proposed new location. Nearly half of that revenue results from emergency room visits. While it is possible that Saint Anthony will be able to retain some of this volume due to the current patient relationships that exist, over time Saint Anthony will most certainly be dramatically impacted by the proposed new and unnecessary facility at the proposed location.

A financial impact analysis prepared by Deloitte Financial Advisory Services LLP (Deloitte) concludes that the impact of the new MercyRockford hospital on the East Side would result in an annual loss of revenue to OSF Saint Anthony of \$23.8 million and close to \$9.9 million in lost annual contribution margin available to offset operating costs. (See Attachment Q.)¹⁷ To reduce operating costs by that amount, OSF Saint Anthony would be required to reduce its workforce by approximately 200 Full Time Equivalents.

B. MercyRockford's Proposal To Operate Two Hospitals To Serve The Same Patients Served By Its Current Hospital Is Not Financially Viable

MercyRockford claims that the new East Side hospital and current West Side hospital will serve the same patient base as the current West Side facility, and it relies on the historical patient volume of the existing facility to justify both hospitals. The operation of two hospitals to serve the patients of only one is not economically or financially sound.

MercyRockford acknowledges in its application that its operating costs will be higher with two hospitals than with one. (Attachment E.) Indeed, operating costs will be significantly higher. Deloitte has analyzed the effect of MercyRockford's operation of two hospital facilities in place of one on the organization's operating costs. Deloitte concluded that MercyRockford would incur duplicative operating costs of \$3.9 million to \$5.4 million annually. Given that Rockford Memorial Hospital has not had net operating revenue of over \$3.2 million in any of the last four years (*see*, Attachment P), the proposed project would inevitably lead to net operating losses for MercyRockford going forward. *See* Attachment R.¹⁸

The \$485 million cost of the three CON projects combined will also negatively impact MercyRockford's credit rating, and further increase the costs of operating the two hospitals, as it would unlikely retain an "A" bond rating. *See* Attachment S.¹⁹

C. The Proposed Project Will Impair The Financial Viability Of OSF Saint Anthony's Recent \$85 Million Renovation Project

The Review Board recently approved a permit for OSF Saint Anthony to construct an \$85 million bed pavilion for the purpose of improving the facility at its current location.

¹⁷ Attachment Q: Deloitte Financial Study on Adverse Impact.

¹⁸ Attachment R: Deloitte Financial Study on MercyRockford's operating costs.

¹⁹ Attachment S: Deloitte Financial Study on MercyRockford's bond rating.

(Attachment T.)²⁰ The financial ability to support this much-needed improvement is driven by the revenue associated with the people served who live in the area surrounding the new proposed site.

OSF Saint Anthony has the ability and capacity to serve the community surrounding the location of the proposed new hospital and has been successfully doing so for generations. The programs and services at OSF Saint Anthony have been developed to address the needs of the eastern and northeastern section of Winnebago County and beyond. Placement of a new hospital on the East Side of Rockford creates a tremendous maldistribution of health care services in the Rockford region and adversely impacts OSF Saint Anthony's financial viability.

V. THE MERCYROCKFORD APPLICATIONS DO NOT COMPLY WITH THE BOARD'S REVIEW CRITERIA

MercyRockford's three CON applications should be denied because they do not substantially comply with multiple applicable review criteria. The projects' patently fail many criteria and simply fail to respond to many others. The criteria not met or not responded to are summarized below with a more detailed analysis of the three applications addressed in Attachment U to this letter.²¹

A. The Discontinuation Application (#15-038) Does Not Comply With The Board's Review Criteria

The proposed discontinuation of services at the West Side facility in Project No. 15-038 also compels modernization of that facility. The application fails to adequately document compliance with the following criteria for discontinuation and modernization:

1. **Criterion 1110.130(a), Discontinuation, Information Requirements.**
2. **Criterion 1110.130(b), Discontinuation, Reasons for Discontinuation.**
3. **Criterion 1110.130(c), Discontinuation, Impact on Access.**
4. **Criterion 1110.230(a), Purpose of the Project.**
5. **Criterion 1110.230(b), Safety Net Impact Statement – Information Requirements.**
6. **Criterion 1110.230(c), Alternatives to the Proposed Project.**
7. **Criterion 1110.230(a), Purpose of the Project.**
8. **Criterion 1110.234(a), Size of Project.**
9. **Criterion 1110.234(b), Project Services Utilization.**
10. **Criterion 1110.234(c), Size of Project and Utilization.**
11. **Criterion 1110.530(e)(1), Deteriorated or Functionally Obsolete facilities.**
12. **Criterion 1110.530(e)(2), Documentation.**
13. **Criterion 1110.530(e)(3), Other Documentation.**
14. **Criterion 1110.530(e)(4), Occupancy Standards.**
15. **Criterion 1110.530(g), Performance Requirements.**

²⁰ Attachment T: Permit for Project #15-021, approved June 3, 2015.

²¹ Attachment U: Prism Consulting Services Analysis of MercyRockford's CON applications.

16. Criterion 1110.530(h), Assurances.

B. The New Hospital Application (#15-039) Does Not Comply With The Board's Review Criteria

Project No. 15-039 fails to meet the following review criteria for establishment of a new hospital:

1. **Criterion 1110.230(a), Background of the Applicant.**
2. **Criterion 1110.230(a), Purpose of the Project.**
3. **Criterion 1110.230(c), Alternatives to the Proposed Project.**
4. **Criterion 1110.234(a), Size of Project.**
5. **Criterion 1110.234(b), Project Services Utilization.**
6. **Criterion 1110.234(c), Size of Project and Utilization.**
7. **Criterion 1110.530(b), Background of the Applicant.**
8. **Criterion 1110.530(c)(5), Planning Area Need.**
9. **Criterion 1110.530(d), Unnecessary Duplication/Maldistribution.**
10. **Criterion 1110.530(f), Staffing Availability.**
11. **Criterion 1110.530(e)(4), Occupancy Standards.**
12. **Criterion 1110.530(g), Performance Requirements.**
13. **Criterion 1110.1230(a), Open Heart, Peer Review.**
14. **Criterion 1110.1230(b), Open Heart, Establishment.**
15. **Criterion 1110.1230(c), Open Heart, Unnecessary Duplication.**
16. **Criterion 1110.1330(b), Cardiac Cath, Establishment.**
17. **Criterion 1110.1330(b), Cardiac Cath, Unnecessary Duplication.**
18. **Criterion 1110.3030(c), Clinical Service Areas, Establishment.**

C. The MOB/Clinical Building Application (#15-040) Does Not Comply With The Board's Review Criteria

Project No 15-040 is non-compliant with the Review Board's rules in the following respects:

1. While the applicants claim Project No. 15-040 is non-substantive, it is in fact a project by and on behalf of a health care facility that includes clinical service areas and far exceeds the capital threshold minimum. The project should be treated as "substantive" and conform to the applicable review criteria.
2. Outpatient services are an integral component of a hospital and, as such, fall under Review Board Criterion 1110.3030 (Clinical Service Areas other than Categories of Service). There is no substantiated methodology to support the proposed Clinical Service Areas.
3. The equipment list in the applications indicate that certain clinical service areas will be developed beyond those stated in the permit application thereby requiring the

applicants to respond to all applicable criteria. These CSAs appear to include extensive procedural capabilities, neurological services, pulmonary services, capabilities for "ASTC-like" procedures (urology, GYN, dermatology) yet the application does not document compliance with the criteria applicable to these services.

4. As with the other two permit applications (15-038, 15-039) the applicants have not submitted complete information on all of their current health care facilities as required by Criterion 1110.230(1).

D. MercyRockford Appears To Be Shifting Hospital Related Project Costs Into The MOB Project

MercyRockford's MOB project (#15-040) has an astoundingly high \$25 million for Off-Site Work. This is 37% of the entire project cost of \$68 million. By contrast, the \$407 million new hospital project (#15-039) has Off-Site Work of only \$8.3 million which is about 2% of total project costs.

The Review Board's regulations define Off-Site Work as "all costs related to off-site activities such as drainage, pipes, utilities, sewage, traffic signals, roads and walks." 77 Ill. Adm. Code 1120.110(a)(4). It appears that MercyRockford is shifting new hospital project costs into the MOB project.

Conclusion

MercyRockford seeks Certificates of Need for projects that have no demonstrable need, will impair access to care for the medically underserved and indigent, and will adversely impact existing providers. The projects will also create both a maldistribution and unnecessary duplication of services by discontinuing and reducing services on the West Side of Rockford where they are needed, and relocating them to the East Side where they are not. For the above reasons, OSF Saint Anthony Medical Center respectfully requests the Review Board to deny MercyRockford's permit applications for Project No. 15-038, Project No. 15-039, and Project No. 15-040.

Very truly yours,

OSF Saint Anthony Medical Center



Paula A. Carynski, MS, RN, NEA-BC, FACHE
President

Attachments

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NIU Population Study, Summary and Table

Illinois population shifts

New **U.S. Census Bureau** estimates indicate that Rockford, the third largest city in Illinois, is leading the state in population decline.

From July 1, 2010 to July 1, 2014, Rockford's population declined by 2.5 percent or 3,840 people—the biggest numerical drop of any Illinois city during that period, according to census data provided to Northern Illinois University's **Center for Governmental Studies (CGS)**.

Further, the adjacent towns of Machesney Park and Loves Park also were among the top 15 communities for population declines during that four-year stretch, losing 456 and 448 residents, respectively.

Illinois has nearly 1,300 incorporated villages, towns and cities. CGS monitors demographic changes in Illinois as a coordinating agency in the U.S. Census Bureau **State Data Center Network**.

Suburban North Chicago was second on the list of towns seeing the greatest population decline, losing 2,189 residents, followed by Decatur (-2,079), Belleville (-1,549), Moline (-824), Freeport (-764) and Danville (-759).

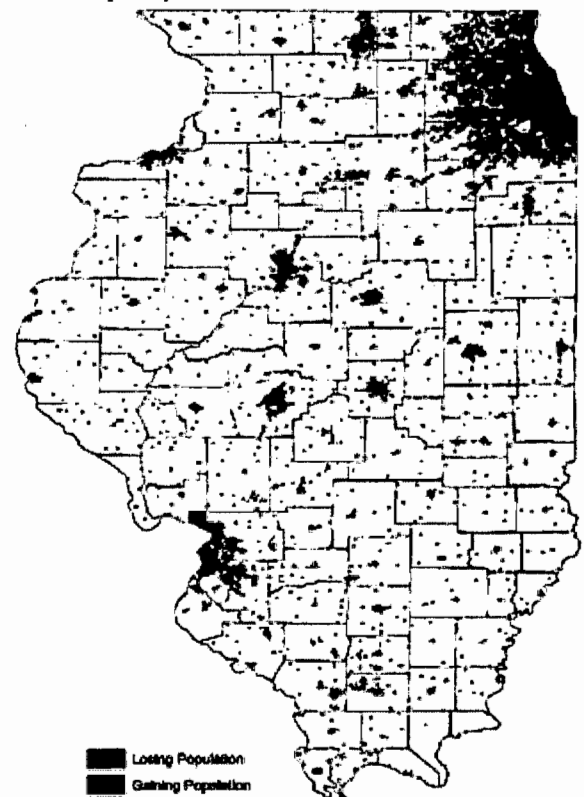
"Population loss might be a greater concern for larger communities because of population-based aid they receive from state and federal sources," says **Eric Zeemering**, a professor of **public administration** at NIU. He says towns that are losing a substantial number of residents need to make adjustments.

"Municipalities with declining populations must be vigilant about scaling back services to match local needs," Zeemering says. "If population loss is accompanied by a reduced percentage of occupied properties and the closure of businesses, communities must cope with lost revenue from property taxes and other fee-supported services, like water and sewer services."

In March, CGS reported that census data showed **Illinois had nearly 10,000 fewer residents in 2014** than in the previous year – the largest numerical decline of any state in the nation and the first statewide population dip since the mid-1980s.

"When communities lose population, it's typically a sign of lost jobs or an aging population," says **Sherrie Taylor**, a CGS researcher. "The national birth rate has been decreasing as families are starting later in life and not having as many children. This trend, coupled with the aging baby boomer generation, is creating a decrease in the population throughout Illinois. Some residents are also leaving for jobs in other states."

City Population Growth/Loss 2010-2014



Illinois cities leading in population loss 2010-14

Incorporated Place	2010	2014	Population Loss	Percent Loss
1 Rockford	155,963	145,123	-10,840	-7.0%
2 North Chicago	32,584	30,395	-2,189	-6.7%
3 Decatur	76,089	74,010	-2,079	-2.7%
4 Belleville	44,078	42,529	-1,549	-3.5%
5 Moline	43,509	42,685	-824	-1.9%
6 Freeport	25,615	24,851	-764	-2.9%
7 Danville	33,002	32,243	-759	-2.3%
8 Alton	27,886	27,127	-759	-2.7%
9 Kankakee	27,531	26,800	-731	-2.7%
10 Granite City	29,849	29,113	-736	-2.5%
11 Collinsville	35,536	34,800	-736	-2.1%
12 Carbondale	15,229	14,589	-640	-4.2%
13 Galesburg	22,184	21,879	-305	-1.4%
14 Machesney Park	21,427	20,971	-456	-2.1%
15 Loves Park	21,799	21,351	-448	-2.0%
16 Dixon	15,706	15,258	-448	-2.9%
17 Sterling	15,425	15,011	-414	-2.7%
18 Streator	13,996	13,580	-416	-2.9%
19 Canton	14,203	13,707	-496	-3.5%
20 Macomb	27,019	26,523	-496	-1.8%
21 Rock Island	39,006	38,510	-496	-1.3%
22 Mattoon	18,567	18,211	-356	-1.9%
23 Macomb	19,284	18,928	-356	-1.8%
24 Rock Falls	9,993	9,637	-356	-3.6%
25 Lincoln	14,486	14,130	-356	-2.5%

*Source: U.S. Census Bureau

But new immigrants sometimes make up for the loss in the more urban settings, such as Chicago.”

Many cities in Illinois continue to grow, including Chicago, which added 25,070 people from 2010 to 2014. That amounts to modest growth of just under 1 percent.

Naperville added 3,828 residents, the second largest numerical increase of Illinois cities, followed by Champaign (3,314), Elgin (2,813), Oswego (2,565), Aurora (2,295) and Plainfield (2,188). If current trends continue, Joliet and Naperville, the fourth and fifth largest Illinois cities respectively, will surpass Rockford in population size within the next year or two, Taylor says.

In terms of percentage population increases, the fastest growing communities from 2010 to 2014 were the small villages of Volo in Lake County and Pingree Grove in Kane County.

Volo's population swelled by slightly more than 28 percent to 3,870 residents; Pingree Grove's population jumped by nearly 28 percent to 5,878 residents. The Village of East Dundee ranked third with 11 percent growth to 3,198 residents. Each of those villages annexed property during the time period.

“Population gain may be viewed as a positive sign of growth, particularly if accompanied by a decline in vacant properties or an increase in new housing starts,” Zeemering says. “More residents occupying more tax-paying parcels is generally viewed favorably by local officials.

“However, communities experiencing rapid growth or communities confronting a capacity limit on critical infrastructure, such as a water system, may find new growth to be costly, as the local government will need to invest in new or expanded infrastructure to support new residents,” he adds.

Population changes taking place in Illinois also include a shift from rural to urban settings.

“This reflects a national trend,” Taylor says. “The global tipping point was in 2007, when the worldwide population in urban settings first exceeded rural settings. In the United States, the trend is no different as people have been moving to urban settings for decades. Now more than 80 percent of the country's population is in urban areas, and that percentage continues to grow. Urban areas offer convenience, jobs and an opportunity for a greater quality of life.”

Tom Parisi, NIU Media and Public Relations

Related:

- **Illinois leads nation in population decline**

Illinois cities leading in population gain 2010-14

Incorporated Place	2010	2014	Population Gain	Percent Gain
1 Chicago	2,697,319	2,722,389	25,070	0.91%
2 Naperville	142,300	146,128	3,828	2.69%
3 Champaign	81,195	84,513	3,314	4.08%
4 Elgin	108,304	111,117	2,813	2.60%
5 Oswego	30,534	33,099	2,565	8.40%
6 Aurora	198,161	200,456	2,295	1.16%
7 Plainfield	39,950	42,138	2,188	5.48%
8 Glenview	44,735	46,923	2,188	4.91%
9 Bloomington	76,757	78,945	2,188	2.87%
10 Normal	51,033	53,221	2,188	4.29%
11 Oakland Park	56,735	58,923	2,188	3.87%
12 Elmhurst	44,184	46,372	2,188	4.95%
13 Pingree Grove	4,395	5,878	1,483	33.99%
14 Murrelet	34,347	35,830	1,483	4.32%
15 Yorkville	87,007	88,490	1,483	1.70%
16 Evanston	74,582	76,065	1,483	1.99%
17 New Lenox	24,430	25,913	1,483	6.07%
18 Peoria	134,888	136,371	1,483	1.10%
19 Shawneetown	15,022	16,505	1,483	9.87%
20 Arlington Heights	75,163	76,646	1,483	1.97%
21 Vernon Hills	23,050	24,533	1,483	6.43%
22 Volo	3,014	3,870	856	28.40%
23 Montgomery	14,400	15,256	856	5.94%
24 Downers Grove	48,217	49,073	856	1.78%
25 Palatine	58,805	59,661	856	1.46%

*Source: U.S. Census Bureau

Illinois cities leading in population loss 2010-14

	Incorporated Place	2010	2014	Population Loss	Percent Loss
1	Rockford	152,963	149,123	-3,840	-2.51%
2	North Chicago	32,584	30,395	-2,189	-6.72%
3	Decatur	76,089	74,010	-2,079	-2.73%
4	Belleville	44,078	42,529	-1,549	-3.51%
5	Moline	43,509	42,685	-824	-1.89%
6	Freeport	25,615	24,851	-764	-2.98%
7	Danville	33,002	32,243	-759	-2.30%
8	Alton	27,886	27,177	-709	-2.54%
9	Kankakee	27,531	26,860	-671	-2.44%
10	Granite City	29,840	29,183	-657	-2.20%
11	Collinsville	25,539	24,883	-656	-2.57%
12	Cahokia	15,229	14,588	-641	-4.21%
13	Galesburg	32,184	31,659	-525	-1.63%
14	Machesney Park	23,492	23,036	-456	-1.94%
15	Loves Park	23,999	23,551	-448	-1.87%
16	Dixon	15,708	15,285	-423	-2.69%
17	Sterling	15,425	15,011	-414	-2.68%
18	Streator	13,696	13,289	-407	-2.97%
19	Canton	14,702	14,307	-395	-2.69%
20	McHenry	27,019	26,630	-389	-1.44%
21	Rock Island	39,008	38,642	-366	-0.94%
22	Mattoon	18,567	18,211	-356	-1.92%
23	Macomb	19,284	18,943	-341	-1.77%
24	Rock Falls	9,391	9,062	-329	-3.50%
25	Lincoln	14,486	14,162	-324	-2.24%

***Source: U.S. Census Bureau**

Charts of Medical/Surgical Inpatient Days and Hospital Profiles

**Rockford Hospital Med/Surg Utilization
2010 and 2014**

Hospital	CY 2010 M/S Utilization	CY 2014 M/S Utilization	Decline in Utilization
Rockford Memorial	49.6%	48.4%	-2.4%
OSF Saint Anthony	65.3%	60.8%	-6.9%
SwedishAmerican	68.1%	60.1%	-11.7%

Source: Hospital Profiles for CY 2010 and CY 2014

**Rockford Hospitals Med/Surg Inpatient Days
2010 and 2014**

Hospital	CY 2010 M/S Inpatient Days	CY 2014 M/S Inpatient Days	% Decline in M/S Inpatient Days
Rockford Memorial	38,824	37,199	
OSF Saint Anthony	39,240	37,502	
SwedishAmerican	50,588	39,985	
Total	128,652	114,686	-10.9%

Source: Hospital Profiles for CY 2010 and CY 2014

Ownership, Management and General Information

ADMINISTRATOR NAME: Gary Kaatz
 ADMINSTRATOR PHONE: 815-971-7265
 OWNERSHIP: Rockford Health System
 OPERATOR: Rockford Memorial Hospital
 MANAGEMENT: Not for Profit Corporation (Not Church-R)
 CERTIFICATION:
 FACILITY DESIGNATION: General Hospital
 ADDRESS: 2400 North Rockton Avenue

Patients by Race

White 80.9%
 Black 15.1%
 American Indian 0.0%
 Asian 0.4%
 Hawaiian/ Pacific 0.0%
 Unknown: 3.5%

Patients by Ethnicity

Hispanic or Latino: 4.7%
 Not Hispanic or Latino: 91.8%
 Unknown: 3.5%
 IDPH Number: 2048
 HPA B-01
 HSA 1

CITY: Rockford COUNTY: Winnebago County

Facility Utilization Data by Category of Service

<u>Clinical Service</u>	Authorized CON Beds 12/31/2010	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2010	Staff Bed Occupancy Rate %
Medical/Surgical	231	159	135	8,476	38,824	3,028	4.9	114.7	49.6	72.1
0-14 Years				0	0					
15-44 Years				1,448	5,505					
45-64 Years				2,579	11,792					
65-74 Years				1,677	7,937					
75 Years +				2,772	13,590					
Pediatric	35	27	20	1,074	3,808	597	4.1	12.1	34.5	44.7
Intensive Care	29	29	29	1,646	7,063	17	4.3	19.4	66.9	66.9
Direct Admission				1,402	5,303					
Transfers				244	1,760					
Obstetric/Gynecology	35	32	32	2,065	7,083	48	3.5	19.5	55.8	61.1
Maternity				1,967	6,904					
Clean Gynecology				98	179					
Neonatal	46	46	46	461	13,411	0	29.1	36.7	79.9	79.9
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds				0	0		0.0	0.0		
Acute Mental Illness	20	12	12	676	2,737	0	4.0	7.5	37.5	62.5
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	396			14,154	72,926	3,690	5.4	209.9	53.007	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
	35.5%	25.6%	7.5%	21.8%	0.3%	9.2%	
Inpatients	5021	3627	1067	3090	43	1306	14,154
	20.5%	32.1%	5.5%	30.5%	7.3%	4.1%	
Outpatients	17656	27643	4736	26245	6259	3540	86,079

Financial Year Reported: 1/1/2010 to 12/31/2010Inpatient and Outpatient Net Revenue by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense	Total Charity Care Expense
	28.0%	28.4%	5.5%	37.8%	0.3%	100.0%		9,380,477
Inpatient Revenue (\$)	61,219,162	62,217,309	12,036,818	82,739,016	551,214	218,763,519	6,835,262	Totals: Charity Care as % of Net Revenue
	16.7%	9.5%	4.4%	62.5%	6.9%	100.0%		
Outpatient Revenue (\$)	17,614,506	10,070,523	4,615,066	65,954,654	7,265,098	105,519,847	2,545,215	2.9%

Birth Data

Number of Total Births: 1,727
 Number of Live Births: 1,715
 Birthing Rooms: 0
 Labor Rooms: 0
 Delivery Rooms: 1
 Labor-Delivery-Recovery Rooms: 11
 Labor-Delivery-Recovery-Postpartum Rooms: 0
 C-Section Rooms: 2
 CSections Performed: 663

Newborn Nursery Utilization

Level 1 Patient Days 3,145
 Level 2 Patient Days 9
 Level 2+ Patient Day 0
 Total Nursery Patientdays 3,154

Organ Transplantation

Kidney: 0
 Heart: 0
 Lung: 0
 Heart/Lung: 0
 Pancreas: 0
 Liver: 0
 Total: 0

Laboratory Studies

Inpatient Studies 621,339
 Outpatient Studies 241,997
 Studies Performed Under Contract 634,364

* Note: Frequently the facility exceeds the maximum CON bed capacity in various categories of service. Their peak bed set up and staffed max out the CON beds in times of need. Hospital has one dedicated daVinci robotic surgery which is used to perform both urological and gynecological surgery cases. Dedicated room under the OBGynecology section captures this data. Hospital does not have dedicated C-Section rooms, procedures performed within the operating room. All mammography exams performed are done so under our physician group, Rockford Health Physicians.

<u>Ownership, Management and General Information</u>			<u>Patients by Race</u>			<u>Patients by Ethnicity</u>		
ADMINISTRATOR NAME:	David Schertz		White	90.1%	Hispanic or Latino:	4.0%		
ADMINISTRATOR PHONE	815-227-2161		Black	4.5%	Not Hispanic or Latino:	95.1%		
OWNERSHIP:	OSF Healthcare System		American Indian	0.1%	Unknown:	0.9%		
OPERATOR:	OSF Healthcare System		Asian	0.7%				
MANAGEMENT:	Church-Related		Hawaiian/ Pacific	0.0%	IDPH Number:	2253		
CERTIFICATION:			Unknown:	4.6%	HPA	B-01		
FACILITY DESIGNATION:	General Hospital				HSA	1		
ADDRESS	5666 East State Street	CITY: Rockford	COUNTY:	Winnebago County				

Facility Utilization Data by Category of Service

<u>Clinical Service</u>	Authorized CON Beds 12/31/2010	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2010	Staff Bed Occupancy Rate %
Medical/Surgical	190	179	108	7,483	39,240	6,044	6.1	124.1	65.3	69.3
0-14 Years				0	0					
15-44 Years				900	3,883					
45-64 Years				2,252	11,575					
65-74 Years				1,622	8,867					
75 Years +				2,709	14,915					
Pediatric	13	9	1	125	268	247	4.1	1.4	10.9	15.7
Intensive Care	38	36	27	2,695	9,830	49	3.7	27.1	71.2	75.2
Direct Admission				2,127	7,551					
Transfers				568	2,279					
Obstetric/Gynecology	13	11	6	762	1,834	82	2.5	5.2	40.4	47.7
Maternity				594	1,458					
Clean Gynecology				168	376					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds				0	0		0.0	0.0		
Acute Mental Illness	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	254			10,497	51,172	6,422	5.5	157.8	62.123	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	43.9%	8.1%	0.3%	41.2%	1.1%	5.4%	
	4610	853	29	4322	113	570	10,497
Outpatients	31.7%	16.3%	0.4%	46.8%	2.5%	2.3%	
	79805	41093	979	117966	6368	5873	252,084

<u>Financial Year Reported:</u>	10/1/2009 to	9/30/2010	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>						<u>Charity Care Expense</u>	<u>Total Charity Care Expense</u>
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals				
Inpatient Revenue (\$)	33.0%	13.5%	1.0%	52.1%	0.4%	100.0%				
	53,130,276	21,686,104	1,620,635	83,733,288	692,311	160,862,614	4,837,006			
Outpatient Revenue (\$)	21.2%	4.1%	1.0%	68.7%	5.1%	100.0%				
	30,330,037	5,823,203	1,422,729	98,192,655	7,234,489	143,003,113	3,357,154			
										8,194,160
										Totals: Charity Care as % of Net Revenue
										2.7%

Birth Data

Number of Total Births:	569
Number of Live Births:	568
Birthing Rooms:	0
Labor Rooms:	0
Delivery Rooms:	0
Labor-Delivery-Recovery Rooms:	5
Labor-Delivery-Recovery-Postpartum Rooms:	0
C-Section Rooms:	0
CSections Performed:	202

Newborn Nursery Utilization

Level 1 Patient Days	1,269
Level 2 Patient Days	40
Level 2+ Patient Day	0
Total Nursery Patientdays	1,309
<u>Laboratory Studies</u>	
Inpatient Studies	543,521
Outpatient Studies	685,090
Studies Performed Under Contract	75,012

Organ Transplantation

Kidney:	0
Heart:	0
Lung:	0
Heart/Lung:	0
Pancreas:	0
Liver:	0
Total:	0

Ownership, Management and General Information

ADMINISTRATOR NAME: Kathleen Kelly, MD
ADMINSTRATOR PHONE 815-489-4007
OWNERSHIP: SwedishAmerican Hospital
OPERATOR: SwedishAmerican Hospital
MANAGEMENT: Not for Profit Corporation (Not Church-R)
CERTIFICATION:
FACILITY DESIGNATION:

Patients by Race

White 82.5%
 Black 14.1%
 American Indian 0.0%
 Asian 1.0%
 Hawaiian/ Pacific 0.0%
 Unknown: 2.3%

Patients by Ethnicity

Hispanic or Latino: 7.2%
 Not Hispanic or Latino: 91.0%
 Unknown: 1.8%
 IDPH Number: 2725
 HPA B-01
 HSA 1

ADDRESS 1401 E State Street**CITY:** Rockford**COUNTY:** Winnebago County**Facility Utilization Data by Category of Service**

Clinical Service	Authorized CON Beds 12/31/2010	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2010	Staff Bed Occupancy Rate %
Medical/Surgical	209	209	182	11,992	50,588	1,334	4.3	142.3	68.1	68.1
0-14 Years				0	0					
15-44 Years				2,165	7,903					
45-64 Years				4,299	17,626					
65-74 Years				2,409	10,004					
75 Years +				3,119	15,055					
Pediatric	28	14	14	498	1,283	82	2.7	3.7	13.4	26.7
Intensive Care	30	30	30	1,867	8,123	7	4.4	22.3	74.2	74.2
Direct Admission				500	2,175					
Transfers				1,367	5,948					
Obstetric/Gynecology	34	33	33	3,237	8,211	17	2.5	22.5	66.3	68.3
Maternity				2,774	7,185					
Clean Gynecology				463	1,026					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds				0	0		0.0	0.0		
Acute Mental Illness	32	32	25	1,078	6,493	0	6.0	17.8	55.6	55.6
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	333			17,305	74,698	1,440	4.4	208.6	62.642	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	41.6%	25.3%	0.6%	24.3%	5.2%	3.1%	
	7191	4372	111	4204	894	533	17,305
Outpatients	27.6%	24.3%	0.9%	33.5%	10.6%	3.2%	
	49477	43497	1553	59968	19078	5668	179,241

Financial Year Reported:	6/1/2009 to	5/31/2010	Inpatient and Outpatient Net Revenue by Payor Source					Charity Care Expense	Total Charity Care Expense
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals			
Inpatient Revenue (\$)	41.1%	21.4%	1.0%	35.8%	0.8%	100.0%			8,242,136
	68,442,051	35,719,853	1,592,067	59,566,406	1,252,726	166,573,103	4,325,580		
Outpatient Revenue (\$)	16.0%	7.6%	0.5%	62.7%	13.2%	100.0%			
	18,874,744	8,994,494	641,159	74,158,738	15,633,853	118,302,988	3,916,556		2.9%

Birth Data

Number of Total Births: 2,495
 Number of Live Births: 2,485
 Birthing Rooms: 0
 Labor Rooms: 0
 Delivery Rooms: 0
 Labor-Delivery-Recovery Rooms: 9
 Labor-Delivery-Recovery-Postpartum Rooms: 0
 C-Section Rooms: 2
 CSections Performed: 792

Newborn Nursery Utilization

Level 1 Patient Days 4,222
 Level 2 Patient Days 0
 Level 2+ Patient Day 2,145
 Total Nursery Patientdays 6,367
Laboratory Studies
 Inpatient Studies 381,184
 Outpatient Studies 759,501
 Studies Performed Under Contract 149,934

Organ Transplantation

Kidney: 0
 Heart: 0
 Lung: 0
 Heart/Lung: 0
 Pancreas: 0
 Liver: 0
 Total: 0

* Note: Radiation section includes treatments and not courses of treatments.

<u>Ownership, Management and General Information</u>				<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Dan Parod			White	76.4%	Hispanic or Latino:	6.3%
ADMINISTRATOR PHONE	815-971-6708			Black	15.6%	Not Hispanic or Latino:	91.4%
OWNERSHIP:	Rockford Health System			American Indian	0.1%	Unknown:	2.3%
OPERATOR:	Rockford Memorial Hospital			Asian	0.4%		
MANAGEMENT:	Not for Profit Corporation (Not Church-R			Hawaiian/ Pacific	0.1%	IDPH Number:	2048
CERTIFICATION:	None			Unknown	7.5%	HPA	B-01
FACILITY DESIGNATION:	General Hospital					HSA	1
ADDRESS	2400 North Rockton Avenue	CITY: Rockford	COUNTY: Winnebago County				

Facility Utilization Data by Category of Service

<u>Clinical Service</u>	Authorized CON Beds 12/31/2014	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Bed Occupancy Rate %
Medical/Surgical	223	171	171	7,579	37,199	2,199	5.2	107.9	48.4	63.1
0-14 Years				0	0					
15-44 Years				1,196	4,652					
45-64 Years				2,581	11,923					
65-74 Years				1,567	8,416					
75 Years +				2,235	12,208					
Pediatric	35	20	16	991	2,733	618	3.4	9.2	26.2	45.9
Intensive Care	32	28	28	2,435	6,211	24	2.6	17.1	53.4	61.0
Direct Admission				2,014	4,590					
Transfers				421	1,621					
Obstetric/Gynecology	35	35	32	1,684	5,069	192	3.1	14.4	41.2	41.2
Maternity				1,612	4,906					
Clean Gynecology				72	163					
Neonatal	46	46	46	413	11,956	0	28.9	32.8	71.2	71.2
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds			0	0	0		0.0	0.0		
Acute Mental Illness	20	14	14	681	4,120	0	6.0	11.3	56.4	80.6
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	16					1661				
Facility Utilization	391			13,362	67,288	4,694	5.4	197.2	50.4	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	32.9%	29.8%	8.2%	22.5%	-0.7%	7.1%	
	4402	3986	1102	3013	-96	955	13,362
Outpatients	19.3%	38.7%	7.3%	25.9%	3.0%	5.8%	
	18860	37749	7100	25258	2950	5686	97,603

Financial Year Reported: 1/1/2014 to 12/31/2014Inpatient and Outpatient Net Revenue by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense	Total Charity Care Expense
Inpatient Revenue (\$)	24.6%	30.2%	7.3%	39.2%	-1.3%	100.0%		4,779,953
	51,381,965	63,083,993	15,259,189	81,924,470	-2,775,539	208,874,078	2,456,931	
Outpatient Revenue (\$)	14.1%	16.8%	5.3%	62.0%	1.8%	100.0%		
	17,362,055	20,629,507	6,539,339	76,268,185	2,234,835	123,033,921	2,323,022	Total Charity Care as % of Net Revenue 1.4%

Birth DataNewborn Nursery UtilizationOrgan Transplantation

Number of Total Births:	1,514	Level I	Level II	Level II+	Kidney:	0
Number of Live Births:	1,504	Beds	26	0	Heart:	0
Birthing Rooms:	0	Patient Days	2,735	0	Lung:	0
Labor Rooms:	0	Total Newborn Patient Days		2,735	Heart/Lung:	0
Delivery Rooms:	0				Pancreas:	0
Labor-Delivery-Recovery Rooms:	12				Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	0				Total:	0
C-Section Rooms:	2	<u>Laboratory Studies</u>				
CSections Performed:	594	Inpatient Studies		562,174		
		Outpatient Studies		255,409		
		Studies Performed Under Contract		765,452		

Ownership, Management and General Information

ADMINISTRATOR NAME: Paula A. Carynski
ADMINSTRATOR PHONE 815-395-5343
OWNERSHIP: OSF HealthCare System
OPERATOR: OSF HealthCare System
MANAGEMENT: Church-Related
CERTIFICATION: None
FACILITY DESIGNATION: General Hospital
ADDRESS 5666 East State Street

Patients by Race

White 89.0%
 Black 5.4%
 American Indian 0.1%
 Asian 0.8%
 Hawaiian/ Pacific 0.0%
 Unknown 4.7%

Patients by Ethnicity

Hispanic or Latino: 3.9%
 Not Hispanic or Latino: 95.7%
 Unknown: 0.4%
 IDPH Number: 2253
 HPA B-01
 HSA 1

CITY: Rockford

COUNTY: Winnebago County

Facility Utilization Data by Category of Service

<u>Clinical Service</u>	<u>Authorized CON Beds 12/31/2014</u>	<u>Peak Beds Setup and Staffed</u>	<u>Peak Census</u>	<u>Admissions</u>	<u>Inpatient Days</u>	<u>Observation Days</u>	<u>Average Length of Stay</u>	<u>Average Daily Census</u>	<u>CON Occupancy Rate %</u>	<u>Staffed Bed Occupancy Rate %</u>
Medical/Surgical	190	179	144	7,847	37,502	4,642	5.4	115.5	60.8	64.5
0-14 Years				0	0					
15-44 Years				797	3,760					
45-64 Years				2,390	11,155					
65-74 Years				1,787	8,678					
75 Years +				2,873	13,909					
Pediatric	13	9	3	47	98	136	5.0	0.6	4.9	7.1
Intensive Care	38	38	38	2,608	8,434	70	3.3	23.3	61.3	61.3
Direct Admission				2,174	6,730					
Transfers				434	1,704					
Obstetric/Gynecology	13	11	11	639	1,344	2	2.1	3.7	28.4	33.5
Maternity				474	1,042					
Clean Gynecology				165	302					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds			0	0	0		0.0	0.0		
Acute Mental Illness	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	254			10,707	47,378	4,850	4.9	143.1	56.3	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payer Source

	<u>Medicare</u>	<u>Medicaid</u>	<u>Other Public</u>	<u>Private Insurance</u>	<u>Private Pay</u>	<u>Charity Care</u>	<u>Totals</u>
Inpatients	45.7%	10.8%	0.7%	38.6%	0.7%	3.5%	
	4889	1155	78	4137	74	374	10,707
Outpatients	33.5%	17.0%	0.5%	44.2%	2.7%	2.1%	
	73230	37117	1071	96583	5893	4629	218,523

Financial Year Reported: 10/1/2013 to 9/30/2014**Inpatient and Outpatient Net Revenue by Payer Source**

	<u>Medicare</u>	<u>Medicaid</u>	<u>Other Public</u>	<u>Private Insurance</u>	<u>Private Pay</u>	<u>Totals</u>	<u>Charity Care Expense</u>	<u>Total Charity Care Expense</u>
Inpatient Revenue (\$)	32.6%	11.8%	0.4%	54.6%	0.6%	100.0%		6,924,818
	57,262,577	20,768,297	658,814	95,941,947	988,360	175,619,995	3,700,901	
Outpatient Revenue (\$)	18.7%	8.2%	1.1%	68.6%	3.3%	100.0%		
	28,683,266	12,507,473	1,739,656	105,031,775	5,106,861	153,069,031	3,223,917	2.1%

Birth Data

Number of Total Births: 458
 Number of Live Births: 458
 Birthing Rooms: 0
 Labor Rooms: 0
 Delivery Rooms: 0
 Labor-Delivery-Recovery Rooms: 5
 Labor-Delivery-Recovery-Postpartum Rooms: 0
 C-Section Rooms: 0
 CSections Performed: 168

Newborn Nursery Utilization

Level I 20
 Level II 3
 Level II+ 0
 Beds 940
 Patient Days 41
 Total Newborn Patient Days 981

Organ Transplantation

Kidney: 0
 Heart: 0
 Lung: 0
 Heart/Lung: 0
 Pancreas: 0
 Liver: 0
 Total: 0

Laboratory Studies

Inpatient Studies 428,867
 Outpatient Studies 725,836
 Studies Performed Under Contract 70,501

Ownership, Management and General Information

ADMINISTRATOR NAME: Kathy Kelly, MD
ADMINSTRATOR PHONE 779-696-9110
OWNERSHIP: SWEDISHAMERICAN HOSPITAL
OPERATOR: SWEDISHAMERICAN HOSPITAL
MANAGEMENT: Not for Profit Corporation (Not Church-R
CERTIFICATION: None
FACILITY DESIGNATION:
ADDRESS 1401 E State Street

Patients by Race

White 82.9%
 Black 14.8%
 American Indian 0.1%
 Asian 1.0%
 Hawaiian/ Pacific 0.0%
 Unknown 1.1%

Patients by Ethnicity

Hispanic or Latino: 8.6%
 Not Hispanic or Latino: 90.3%
 Unknown: 1.1%
 IDPH Number: 2725
 HPA B-01
 HSA 1

CITY: Rockford

COUNTY: Winnebago County

Facility Utilization Data by Category of Service

Clinical Service	Authorized CON Beds 12/31/2014	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Bed Occupancy Rate %
Medical/Surgical	209	196	139	9,745	39,985	5,841	4.7	125.6	60.1	64.1
0-14 Years				0	0					
15-44 Years				1,474	5,206					
45-64 Years				3,619	14,087					
65-74 Years				2,161	9,242					
75 Years +				2,491	11,450					
Pediatric	28	10	8	221	578	164	3.4	2.0	7.3	20.3
Intensive Care	30	22	22	1,985	5,285	296	2.8	15.3	51.0	69.5
Direct Admission				515	1,401					
Transfers				1,470	3,884					
Obstetric/Gynecology	34	34	29	2,958	7,165	142	2.5	20.0	58.9	58.9
Maternity				2,711	6,569					
Clean Gynecology				247	596					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds			0	0	0		0.0	0.0		
Acute Mental Illness	32	32	29	1,353	7,594	0	5.6	20.8	65.0	65.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	10					1185				
Facility Utilization	333			14,792	60,607	7,628	4.6	186.9	56.1	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	40.7%	29.4%	1.4%	26.8%	0.3%	1.4%	
	6016	4344	210	3970	50	202	14,792
Outpatients	35.0%	24.6%	1.3%	31.6%	5.5%	2.0%	
	80086	56271	2952	72394	12704	4616	229,023

Financial Year Reported: 6/1/2013 to 5/31/2014**Inpatient and Outpatient Net Revenue by Payor Source**

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense	Total Charity Care Expense
Inpatient Revenue (\$)	34.1%	18.3%	0.9%	36.3%	10.5%	100.0%		8,666,418
	64,070,909	34,402,409	1,672,341	68,262,636	19,699,377	188,107,672	4,693,089	
Outpatient Revenue (\$)	17.2%	3.6%	0.9%	60.2%	18.0%	100.0%		
	36,364,005	7,704,616	1,914,480	127,251,425	38,119,142	211,353,668	3,973,329	2.2%

Birth Data

Number of Total Births: 2,564
 Number of Live Births: 2,558
 Birthing Rooms: 0
 Labor Rooms: 0
 Delivery Rooms: 0
 Labor-Delivery-Recovery Rooms: 9
 Labor-Delivery-Recovery-Postpartum Rooms: 0
 C-Section Rooms: 2
 CSections Performed: 826

Newborn Nursery Utilization

Level I 36
 Level II 0
 Level II+ 14
 Patient Days 4,469
 Total Newborn Patient Days 6,815
Laboratory Studies
 Inpatient Studies 301,759
 Outpatient Studies 886,870
 Studies Performed Under Contract 149,050

Organ Transplantation

Kidney: 0
 Heart: 0
 Lung: 0
 Heart/Lung: 0
 Pancreas: 0
 Liver: 0
 Total: 0

**Excerpts from Applications for
Project Nos. 15-038 and 15-039 on Patient Days**

Dept./ Service	2014 Historical Utilization* (Patient Days) (TREATMENTS)	PROJECTED UTILIZATION* (patient days)		STATE STANDARD	MET STANDARD?
		YEAR 1	YEAR 2		
M/S (days)	37,199	16,500	16,500	13,414	YES
ICU (days)	6,211	850	850	658	YES
Emergency Dept.	54,338	32,000	32,600	32,001	YES
Surgery (hrs)	20,607	4,500	5,000	4,501	YES
General R & F	43,792	8,800	8,800	NA	NA
CT	17,861	2,900	2,900	NA	NA
MRI	7,142	1,650	1,650	NA	NA
Ultrasound	10,227	700	700	NA	NA
*Historical utilization for RMH and projected utilization for Rockton Avenue Campus					

Project #15-038
ATTACHMENT 15

Dept./ Service	2014 Historical Utilization*	PROJECTED UTILIZATION*		STATE STANDARD	MET STANDARD?
	(Patient Days) (TREATMENTS)	YEAR 1	YEAR 2		
M/S (days)	37,199	30,000	31,400	31,025	YES
Pediatrics (days)	2,733	2,800	2,900	2,610	YES
Obstetrics (days)	4,906	5,600	6,200	6,023	YES
LDRs (births)	1,514	1,600	1,600	1,201	YES
C-Section (proc)	594	625	650	800	NO
ICU (days)	4,590	6,000	6,900	6,880	YES
NICU (days)	11,956	12,250	12,750	12,319	YES
Gen'l Radiol. (proc)	43,792	21,000	25,775	16,001	YES
Ultrasound (proc)	10,227	6,000	6,600	6,201	YES
CT (proc)	17,861	10,000	10,150	7,001	YES
MRI (proc)	7,142	3,500	3,850	2,501	YES
Nuclear Med. (proc)	1,636	1,600	1,600	N/A	N/A
Angiography	6,348	6,350	6,350	1,800	YES
ED (patients)	54,338	18,900	21,700	20,000	YES
Cath (proc)	2,165	2,200	2,200	1,501	YES
Surg-Gen. ORs (hrs)	18,925	15,000	15,900	13,500	YES
Surg.-OHS (hrs)	790	800	800	NA	NA
Surg.-Urol. (hrs)	1,542	1,550	1,550	NA	NA
Endoscopy (hrs)	2,590	3,000	3,500	3,001	YES
Bronchoscopy (hrs)	1,254	1,300	1,300	NA	NA

*historical utilization provided for RMH. Projected utilization provided for MercyRockford-Riverside.

PROJECT #15-039
ATTACHMENT 15

Inventory of Hospital Services, Update of October 16, 2015

ILLINOIS DEPARTMENT OF PUBLIC HEALTH
REVISED BED NEED DETERMINATIONS
10/16/2015

Hospital Planning Area	MEDICAL-SURGICAL/PEDIATRIC BEDS				INTENSIVE CARE BEDS				OBSTETRIC BEDS			
	Beds	Calculated Bed Need	Bed Need	Excess	Beds	Calculated Bed Need	Bed Need	Excess	Beds	Calculated Bed Need	Bed Need	Excess
A-001	2,142	1,182	0	960	381	345	0	36	239	89	0	150
A-002	1,630	929	0	701	384	354	0	30	237	67	0	170
A-003	1,650	1,131	0	519	247	219	0	28	194	123	0	71
A-004	2,266	1,627	0	639	363	343	0	20	202	128	0	74
A-005	1,059	868	0	191	241	233	0	8	181	84	0	97
A-006	1,134	663	0	471	221	217	0	4	126	49	0	77
A-007	1,207	878	0	329	192	173	0	19	172	36	0	136
A-008	614	495	0	119	94	98	4	0	70	44	0	26
A-009	770	696	0	74	108	110	2	0	112	76	0	36
A-010	291	248	0	43	41	38	0	3	43	39	0	4
A-011	296	304	8	0	45	47	2	0	28	57	29	0
A-012	409	331	0	78	58	56	0	2	68	35	0	33
A-013	676	735	59	0	104	123	19	0	91	99	8	0
A-014	282	164	0	118	57	56	0	1	42	16	0	26
B-001	732	449	0	283	100	106	6	0	82	42	0	40
B-002	103	72	0	31	8	7	0	1	14	10	0	4
B-003	158	123	0	35	14	14	0	0	17	14	0	3
B-004	97	109	12	0	20	7	0	13	22	17	0	5
C-001	870	528	0	342	146	151	5	0	80	44	0	36
C-002	273	159	0	114	30	20	0	10	29	19	0	10
C-003	193	90	0	103	21	17	0	4	17	11	0	6
C-004	69	64	0	5	12	6	0	6	16	8	0	8
C-005	399	221	0	178	34	30	0	4	42	23	0	19
D-001	429	258	0	171	56	48	0	8	64	25	0	39
D-002	289	182	0	107	31	22	0	9	46	27	0	19
D-003	182	124	0	58	20	11	0	9	21	18	0	3
D-004	397	200	0	197	48	46	0	2	44	22	0	22
D-005	106	87	0	19	9	8	0	1	19	14	0	5
E-001	705	445	0	260	100	123	23	0	62	32	0	30
E-002	89	62	0	27	8	2	0	6	3	11	8	0
E-003	64	30	0	34	4	2	0	2	0	6	6	0
E-004	122	66	0	56	13	5	0	8	11	8	0	3
E-005	193	135	0	58	26	23	0	3	27	12	0	15
F-001	1,003	497	0	506	108	104	0	4	174	61	0	113
F-002	157	99	0	58	12	7	0	5	21	11	0	10
F-003	176	85	0	91	12	5	0	7	14	14	0	0
F-004	263	160	0	103	38	30	0	8	18	13	0	5
F-005	120	56	0	64	0	0	0	0	0	10	10	0
F-006	195	154	0	41	26	26	0	0	12	17	5	0
F-007	270	144	0	126	23	17	0	6	28	11	0	17
Totals	22,080	14,850	79	7,309	3,455	3,249	61	267	2,688	1,442	66	1,312

**Excerpt from Permit Application for
Project No. 15-039 on Operating Costs**

Alternative 1, Construct a New Hospital on the Current Rockford Memorial Hospital Site

The applicants commissioned AECOM, a firm with all required expertise, to evaluate the current RMH site, to determine if a new hospital could be constructed on the site, concurrent to the continued operation of the existing hospital. The determination was made that this alternative could not be accomplished in a reasonable fashion. Construction would require a phased program, involving demolition as well as construction, over a 6-8 year period, and with significant disruption to ongoing operations. The estimated project cost of replacing RMH on-site is \$625-\$675M. The quality of care associated with this alternative would be similar to that of the proposed project, the operating costs would be slightly less, and overall access in RMH's service area would be compromised with the operation of a single Emergency Department.

Alternative 2, Total Renovation of Rockford Memorial Hospital

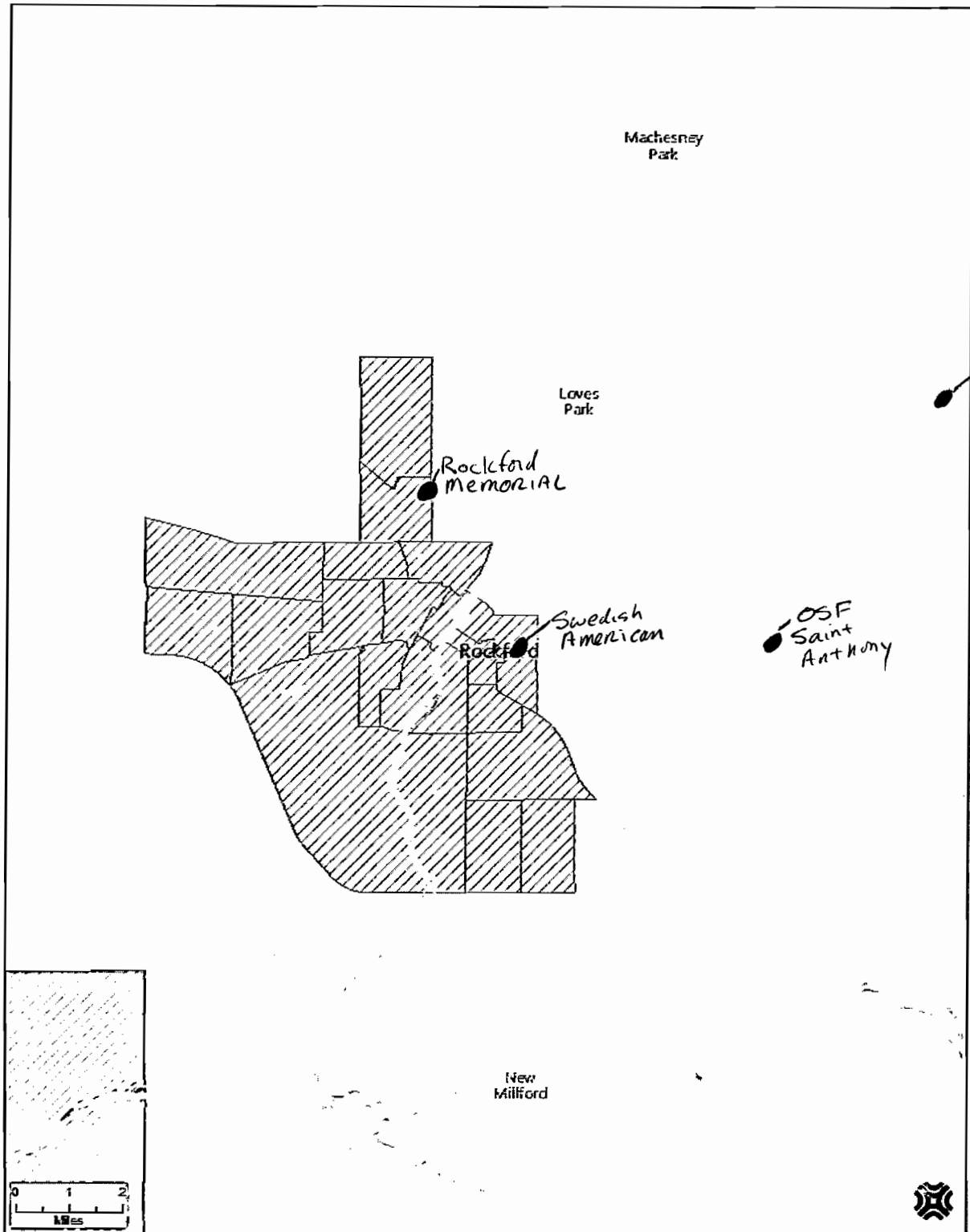
An architectural and engineering evaluation of the current physical plant was conducted, and the determination was made that while some of the hospital's newer buildings could be renovated for continued use, given the ages of the buildings and the associated cost of doing so, this alternative did not appropriately address the purpose of the project.

Due primarily to the age of the hospital and the design and construction standards that were in place at the time of construction (generally 1954-1975), even with extensive renovation, many contemporary standards could not be met. Examples of such include: ADA/ANSI standards that cannot be met, room heights that limit the installation of equipment, undersized elevators, and double-loaded corridors on nursing units that result in an inability to re-design units in an efficient and contemporary fashion.

The project costs associated with this alternative are estimated to be \$425-\$475M, with the acknowledgement that numerous facility deficiencies, as discussed above, cannot be corrected. The operating costs associated with this project are anticipated to be similar to those of the proposed project, given that the mechanical systems associated with a renovated building would continue to be less efficient than those of a new building, and that the staffing costs would be slightly lower, due to eliminated duplication. The quality of care to be provided in conjunction with this alternative was anticipated to be virtually identical to that of the proposed

Map of Rockford Area HPSAs

Rockford Underserved Populations



Map Legend

Primary Care HPSA Components, Type and Degree of Shortage by Tract / County, HRSA HPSA Database March 2015

- ☒ Population Group; Over 20.0 FTE Needed
- ☒ Population Group; 1.1 - 20.0 FTE Needed
- ☐ Population Group; Under 1.1 FTE Needed
- ☒ Geographic Area; Over 20.0 FTE Needed
- ☒ Geographic Area; 1.1 - 20.0 FTE Needed
- ☐ Geographic Area; Under 1.1 FTE Needed

Excerpt from 2014 Healthy Community Study

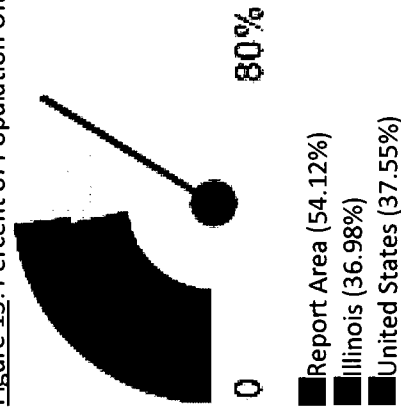
This indicator reports the percentage of the population that is living in a geographic area designated as a "Health Professional Shortage Area" (HPSA), defined as having a shortage of primary medical care, dental or mental health professionals. This indicator is relevant because a shortage of health professionals contributes to access and health status issues.



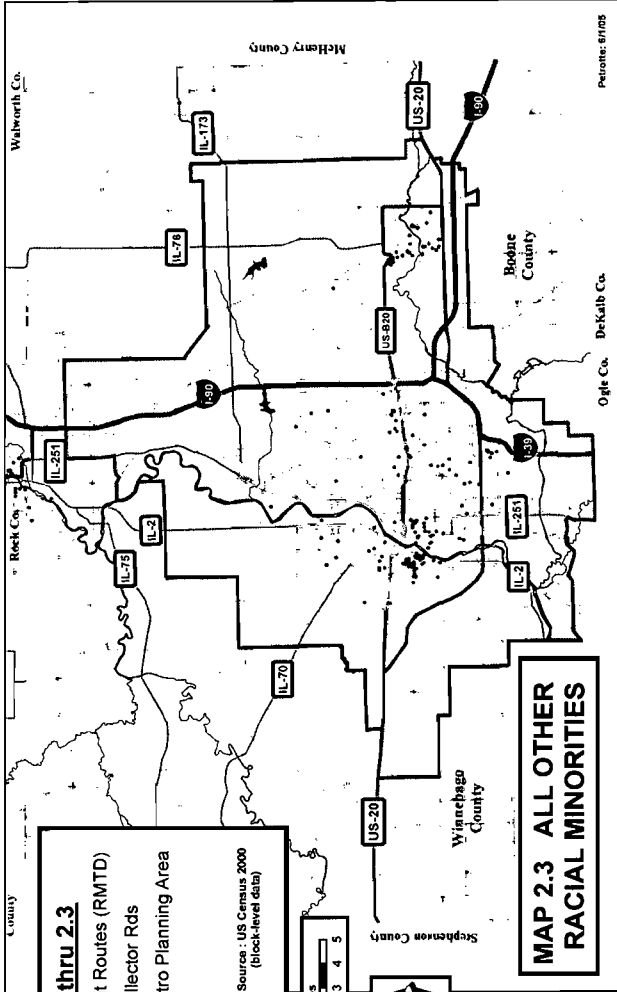
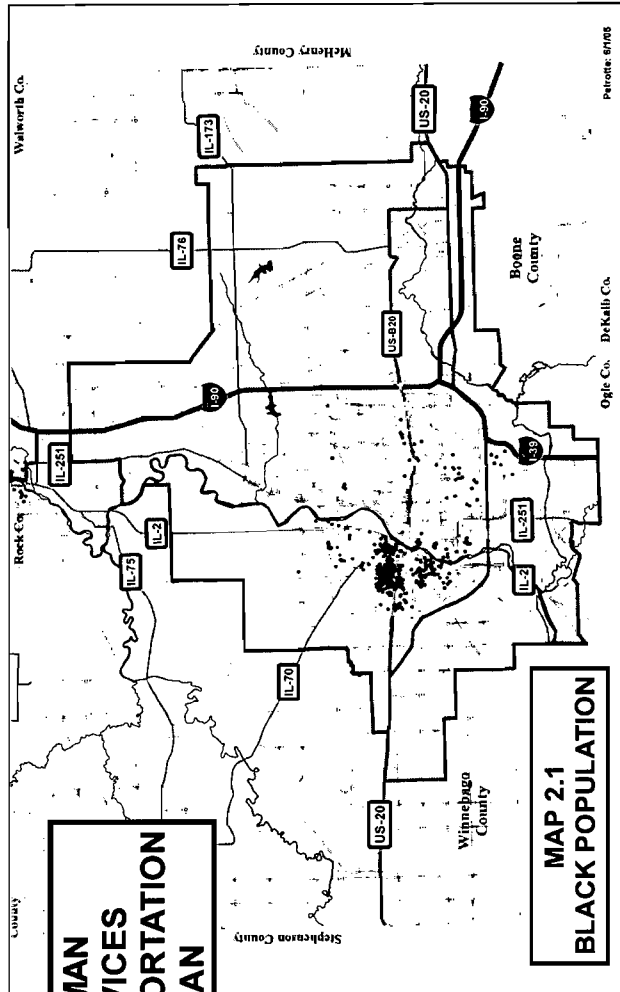
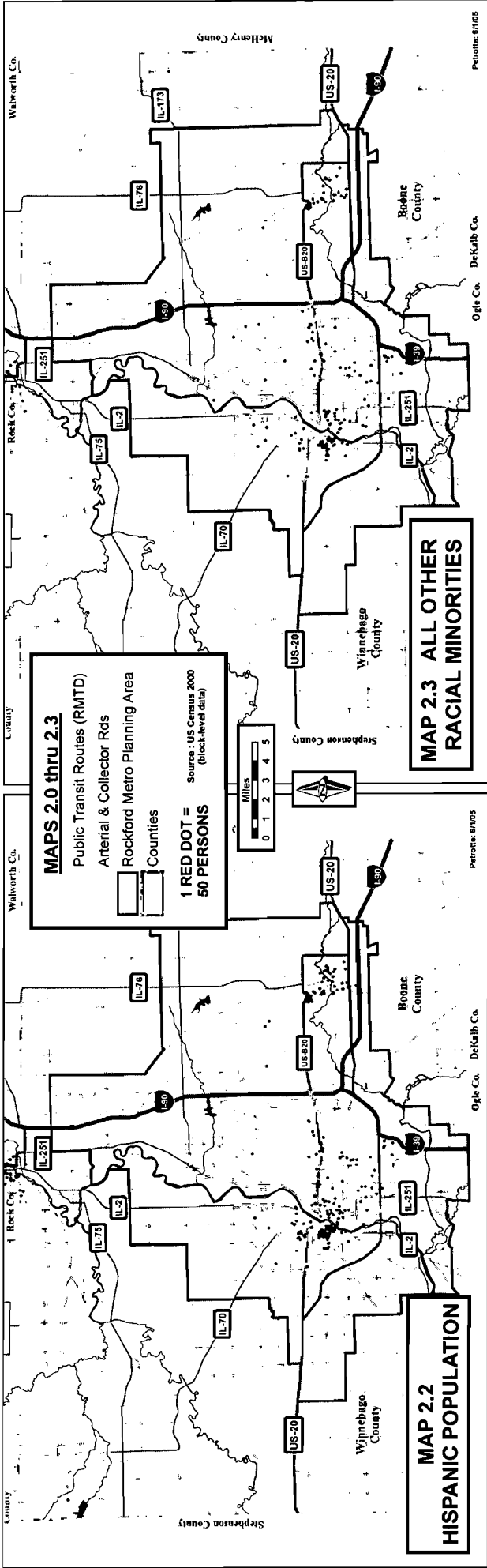
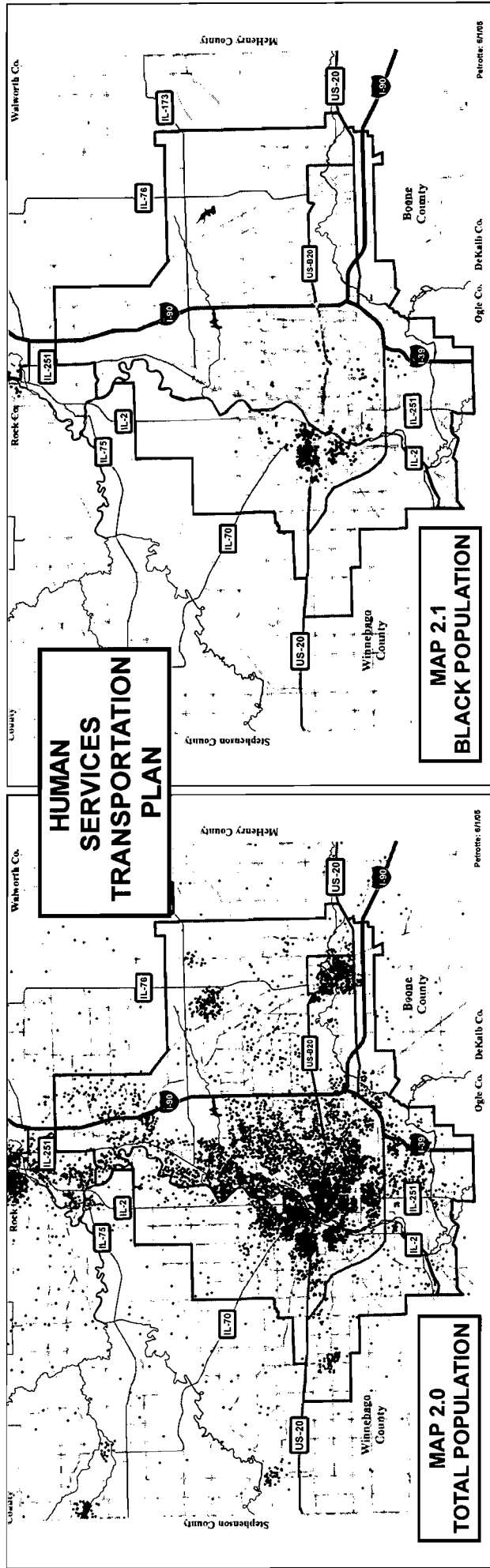
Table 15: Underserved Population

	Total Population Living in a HPSA	HPSA Designation Population	Underserved Population	Percent of Designated Population Underserved
Report Area	86,340	45,670	24,717	54.12%
Boone County, IL	21,298	8,627	6,226	72.17%
Winnebago County, IL	65,042	37,043	18,491	49.92%
Illinois	5,993,089	3,392,149	1,254,345	36.98%
United States	107,167,492	58,371,691	21,919,540	37.55%

Figure 13: Percent of Population Underserved

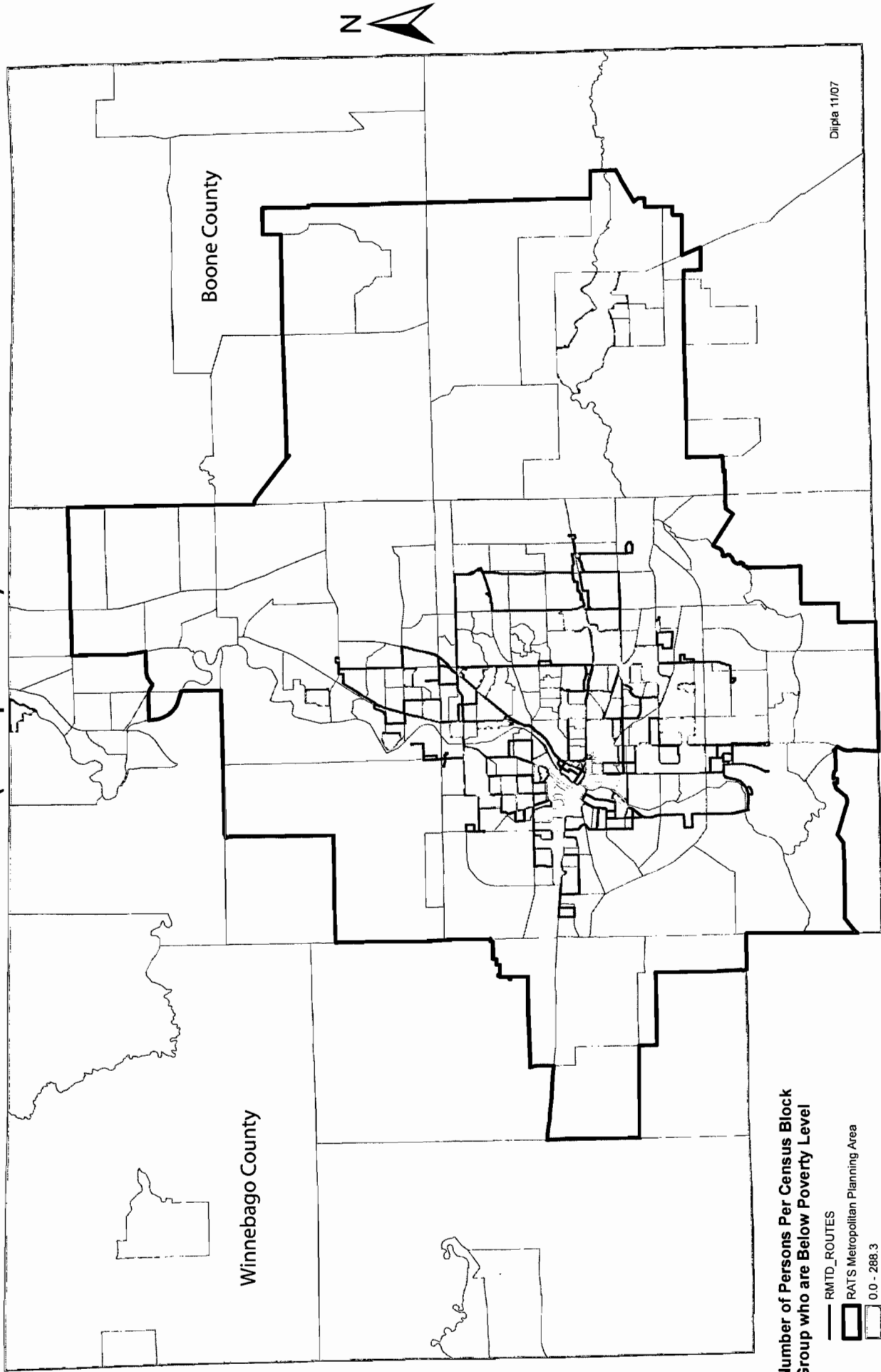


Maps from Rockford Area Transportation Study



MAP 1.3

DENSITY OF INDIVIDUALS BELOW THE POVERTY LEVEL
(Per Square Mile)



**Excerpt from Permit Application for
Project No. 15-038 on Closure of Services**

DISTRIBUTION OF CLINICAL SERVICES

Service	Rockton Ave. Campus	Riverside Campus
Medical/Surgical Units	X	X
Adult ICU	X	X
Pediatric ICU		X
Pediatrics Unit		X
Psychiatry Unit	X	
Obstetrics Unit		X
Neonatal Intensive Care Unit		X
Emergency Department	X	X
Convenient Care Center	X	X
Radiology/Imaging Department	X	X
Inpatient Surgery	X	X
Outpatient Surgery	X	X
Cardiac Cath/Open Heart Surgery		X
Outpatient Diagnostics	X	X
Inpatient Diagnostics	X	X
Cancer Center	X	
Cardiopulmonary Rehab.	X	
Infusion Therapy Center	X	X
Wound Care Center	X	
Physical Therapy	X	X
Occupational & Speech Therapy	X	X
Laboratory	X	X
Physicians' Offices	X	X

Census Tract Data for West Side of Rockford

Census Tract Population Profile
Rockford Metro Area

	<u>Population</u>	<u>Below Poverty Level</u> *
Rockford City Population	152,871 (2010)	21.9%
Rockford City Population	149,123 (2014)	25.5%
State of Illinois	12,880,580 (2014)	14.1%

Rockford City “West-side” population as defined by 20 census tracts

<u>Census Tract</u> (CT)	<u>Population</u> (2010)	<u>Percent Below Poverty Level</u> * (2009)
36.01	1,838	13.7%
36.02	3,874	28.8%
36.05	2,315	18.9%
36.04	3,084	5.6%
36.06	2,667	22.1%
33	3,822	28.6%
34	4,680	22.7%
35	2,413	4.5%
23.01	2,721	37.1%
30	1,719	6.4%
31	4,167	33.3%
32	3,647	61.2%
23.02	1,386	17.2%
24	2,696	52.2%
25	3,402	54.5%
26	3,753	52.4%
29	1,111	36.4%
22	3,728	17.9%
27	3,434	41.0%
28	<u>1,828</u>	40.8%
20 CT's	<u>58,285</u> (Total)	

(38.1% of Rockford City population in 2010)

* Percent of total of census tract population in poverty

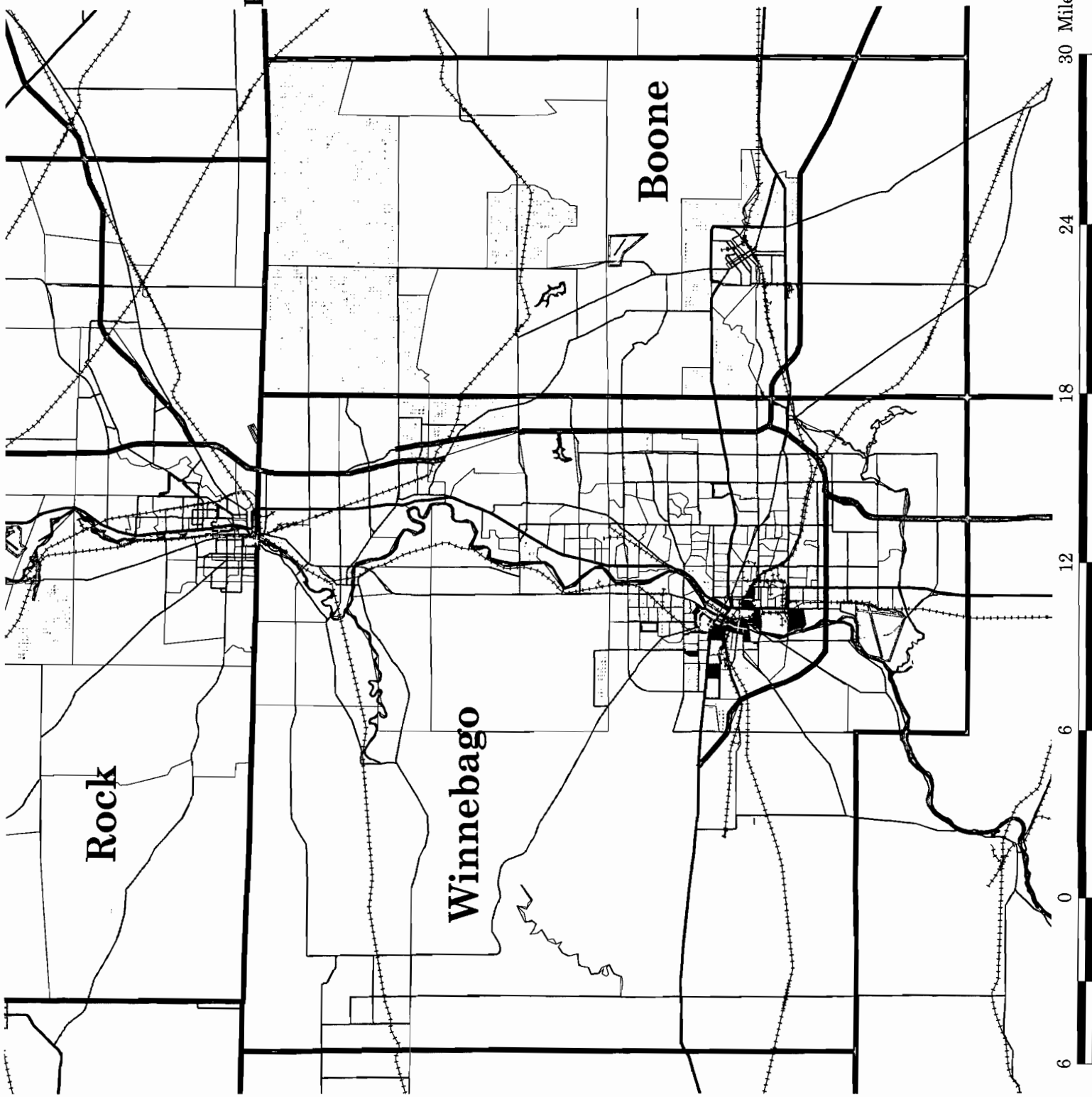
Source: US Census Bureau; USA.com; World Media Group; proximity, Illinois Census Tract Demographic Characteristics, American Community Survey

Compiled by: PRISM Healthcare Consulting

**Rockford Area Transportation Study,
Percent Using Public Transportation Map**

HUMAN SERVICES TRANSPORTATION PLAN

Map 4.0
**Percent Using
Public Transportation**



**Excerpts from Rockford Health System's
Community Benefit Plan**

**ROCKFORD HEALTH SYSTEM
COMMUNITY BENEFIT PLAN
/ 2014-17 IMPLEMENTATION PLAN /**

Strategic Driver: Based on priorities established by the Rockford Health Council 2014 Healthy Community Study, RHS will develop and implement a multifaceted community benefit plan to improve the overall health and well being of residents in the primary service area.

Champion: S. Schrieber

STRATEGIES	TACTICS	MEASURE/STATUS
Improve the general health of individuals living in the primary service area	Access: • Continue to develop and offer various access sites and venues for primary care (adult and pediatric) medical services ○ Expand primary care services via additional providers, sites, and improved access policies ▪ Implement policy whereby all primary care physicians accept new pts ▪ Offer same day availability and monitor via 3rd next available report ○ Maintain convenient care locations and expanded hours throughout community • Support Bridge Clinic services to non- and under-insured patients who do not qualify for government programs	• Roscoe expansion 2015; Belvidere expansion 2015; Additional site under evaluation • Convenient care services offered at Roscoe, Byron, Winnebago, Main, Perryville • Clinic offered every Saturday morning in collaboration with First Presbyterian Church/Second Congregational Church • Outmigration completed for inpatient admissions to WI and IL providers for both pediatrics and adults

	Develop clinical team to work exclusively with nursing home patients to ensure appropriate transitional care and manage and provide interventions as necessary for various acute and chronic diseases	- Post-Acute Care team consisting of 2 physicians and 7 Nurse Practitioners hired and covering 20 local nursing home facilities. - Monitor admission and readmission rates by nursing home; Set baselines and targets	Medical Affairs Vice Presidents at three local hospitals developing program
		Develop multidisciplinary palliative care services on both an in- and outpatient basis to formulate plans of care, identify resources, and provide support for both patients and families for various chronic and acute disease states	- Measure number of patients referred to service - Medical Director hired – summer 2014
		In conjunction with University of Illinois School of Medicine and other local providers, develop comprehensive program to reduce childhood obesity in the community.	
Maintain commitment to the women and children of this community as the exclusive provider of comprehensive tertiary services (including perinatal, maternal, neonatal and pediatric intensive care services) and ensure excellent outcomes for mothers, infants, and children.	- Recognizing the number of children born to indigent situations, identify high-risk situations and provide appropriate resources by identifying local resources, developing and fostering collaborative arrangements, and offering streamlined referrals for the following services: - Nutrition and dietary - Mental health counseling via social workers - WIC program - WCHD Better Births Outcome Program		

**Excerpt from CON Application
Project No. 15-039 Showing Patient Origin**

ZIP Code	Community	% of Adm	Cum. %
61103	Rockford	13.3%	13.3%
61101	Rockford	11.8%	25.1%
61102	Rockford	6.5%	31.5%
61115	Machesney Park	6.1%	37.6%
61111	Loves Park	5.1%	42.7%
61107	Rockford	4.7%	47.4%
61104	Rockford	4.1%	51.5%
61109	Rockford	4.0%	55.5%
61108	Rockford	3.7%	59.2%
61073	Roscoe	3.4%	62.6%
61114	Rockford	3.2%	65.8%
61032	Freeport	2.8%	68.6%
61008	Belvidere	2.4%	71.1%
61072	Rockton	2.1%	73.2%
61088	Winnebago	1.8%	74.9%
61080	South Beloit	1.7%	76.6%
61065	Poplar Grove	1.2%	77.8%
61063	Pecatonica	1.1%	78.9%
61010	Byron	1.1%	80.0%
61024	Durand	1.0%	80.9%
61081	Sterling	1.0%	81.9%
61021	Dixon	0.9%	82.8%
61068	Rochelle	0.8%	83.6%
61061	Oregon	0.8%	84.5%
61342	Mendota	0.8%	85.3%
61054	Mount Morris	0.6%	85.9%
61019	Davis	0.6%	86.5%
61071	Rock Falls	0.6%	87.1%
53511	Beloit, Wis.	0.5%	87.6%
	other, <0.5%	12.4%	100.0%

ATTACHMENT 12

Hinshaw Consulting Report on Available Sites

HINSHAW

CONSULTING

100 Park Avenue
P.O. Box 1389
Rockford, IL 61105-1389

T 815-490-4900
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www.hinshawconsulting.com

October 26, 2015

Health Facilities and Services Review Board
c/o Courtney Avery, Administrator
2nd Floor
525 West Jefferson Street
Springfield, Illinois 62761

Re: CON Applications of MercyRockford Health System, Project Nos. 15-038 and 15-039
Potential Sites on Rockford's West Side for Hospital Modernization or Construction

Dear Members of the Board:

Hinshaw Consulting, LLC has been asked to review the alternatives for hospital siting relating to Rockford Memorial Hospital's (RMH) pending CON application. We have not been retained to conduct a market study, appraisals or to undertake any work to determine the suitability of any particular site or sites, but we have been tasked to assess in general terms, the availability of west side alternatives to the proposed RMH plan. We have concluded that there are options available that would allow for on-site modernization of the existing campus or near-site construction of a new campus. RMH and its affiliates own significant property directly surrounding the existing RMH campus and have access to additional adjacent properties in the neighborhood which would allow for extensive remodeling and expansion of the facility. Alternatively, we have noted that there is sufficient green space on the west side of Rockford that would appear to be suitable to build a new hospital if that alternative were to be pursued.

A. RMH owns or has access to much of the property surrounding its existing campus

As can be seen on the attached Map 1, the existing RMH campus is made-up of 45 parcels totaling 37.06 acres plus an additional 13.36 acres occupied by Rockford Health Physicians. RMH also owns 6.35 acres of surrounding parcels and there are nearby properties that could be acquired through eminent domain if needed. Another possibility for expansion would be Summerdale School at Glenwood and Kilburn located behind the current hospital. This site is 8.82 acres in size and if District 205 were open to a sale of the property, it would provide a ready opportunity for growth adjacent to the existing RMH site.

B. Many alternative sites are available on Rockford's West Side

In order to demonstrate options available to RMH, some examples of potential relocation sites are shown on the maps attached hereto as Maps 2-5. To describe these properties briefly, there is a group of parcels along West State Street between Pierpont and Springfield Avenues consisting of 46.74 acres (Map 1, this property lies within an area that is eligible for TIF and other potential incentives which could further reduce the costs associated with this option); there is a cluster of parcels along Auburn Road, near Springfield Avenue that comprise a total of 407.14 acres (Map 2, these do have an indication of value with sales history showing around \$6,500 per acre); there are unimproved parcels near the Wal-Mart on Owens Center and Riverside consisting of 52.14 Acres; and finally a group of properties near Wesley Willows at Owens Center and Elmwood consisting of 661.01 acres. We make no judgment as to the suitability of any of these sites, but note that each is larger than the existing campus, would allow RMH to remain on the west side of Rockford and appear to be potentially available and viable for development. Additionally, this option could likely be pursued at lower cost than that proposed by the Applicant's move to the more affluent and commercially desirable location next to the interstate on Riverside Boulevard.

It is common knowledge that land on the west side of Rockford is generally less expensive than land on the east side of Rockford and that utilities and infrastructure are generally available throughout the City (wherever RMH chooses to build in Rockford, some infrastructure upgrades will be necessary). Land on the west side of Rockford such as the sites attached hereto, tend to be available for approximately \$20,000 per acre or less (some is assessed at farm value), while the land to which RMH seeks to relocate is in an area that traditionally commands much higher prices. For example, SwedishAmerican Hospital recently built a cancer treatment center very near to the east side RMH property and County records appear to show that the land sold for \$200,000 per acre. The RMH property on Riverside Boulevard consisting of approximately 263 acres and currently made-up of 9 parcels, should be able to be easily sold for commercial development and would likely net commensurate rates per acre, and the funds generated therefrom would thus be far more than what would be required for a comparably sized west-side site that would maintain quality care on the west side of Rockford.

CONCLUSIONS

It is our assessment that there are potential opportunities that could be studied which might lead to viable options for modernization of the existing RMH campus or for relocation to a new west-side site. These

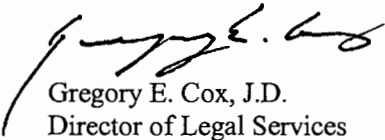
October 26, 2015

Page 3

options are likely to be cost effective and, if chosen would provide for a continuation of the full services of a Level I facility for RMH's existing patient population and would as well maintain a distribution of health facilities across the City. Map 6, shows the current sites of the three hospitals serving Rockford to demonstrate the current distribution.

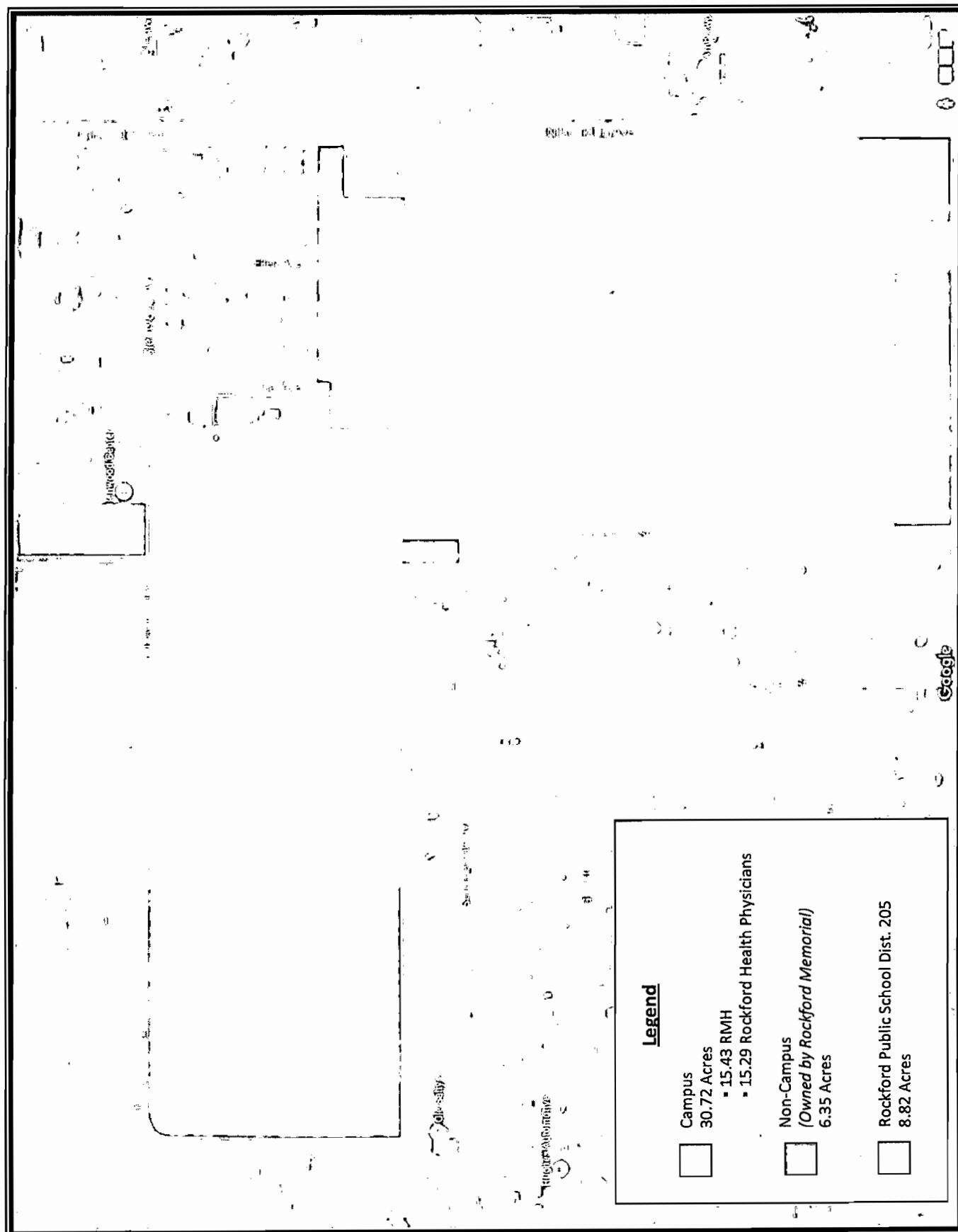
Sincerely,

HINSHAW CONSULTING, LLC

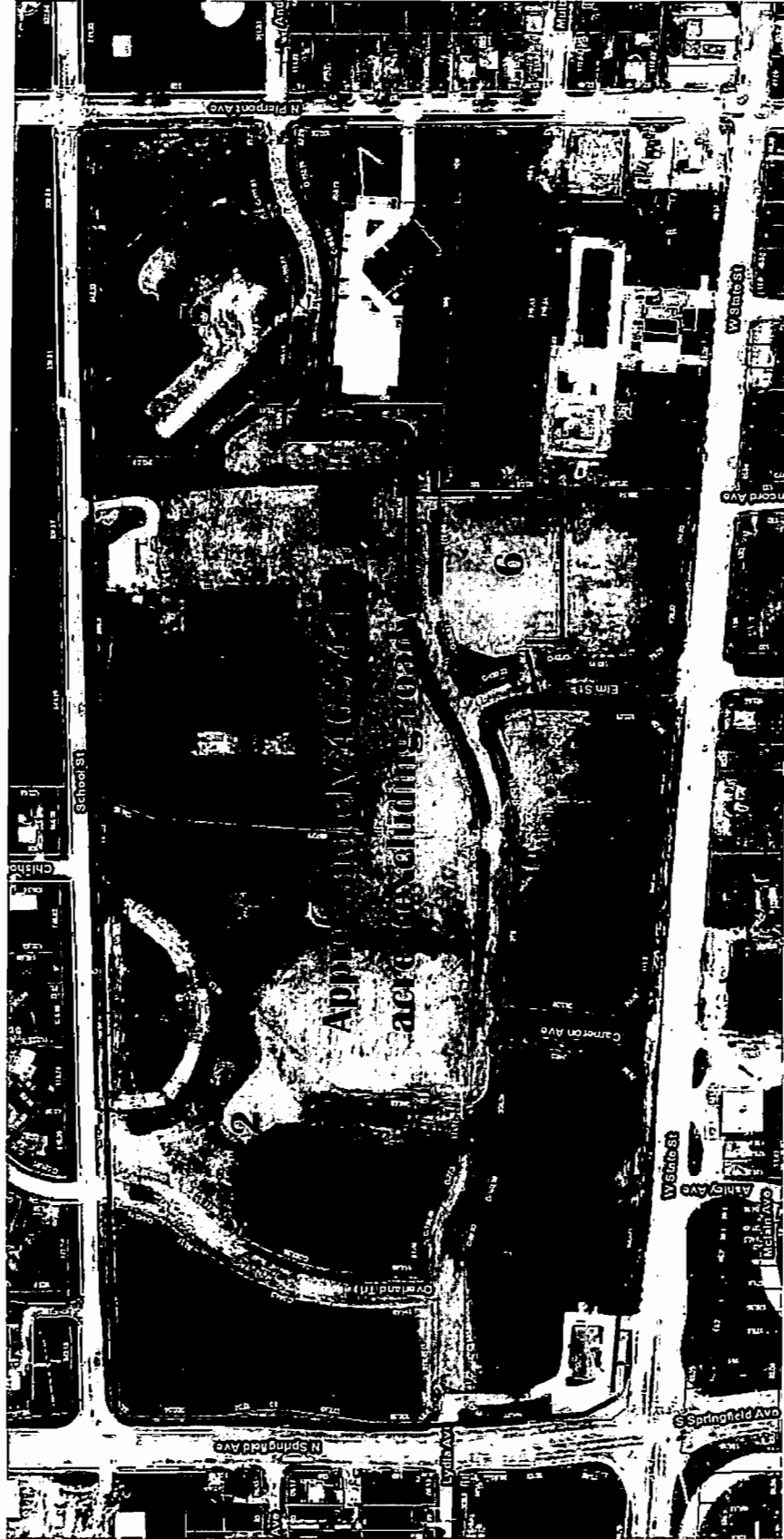


Gregory E. Cox, J.D.
Director of Legal Services

MAP 1



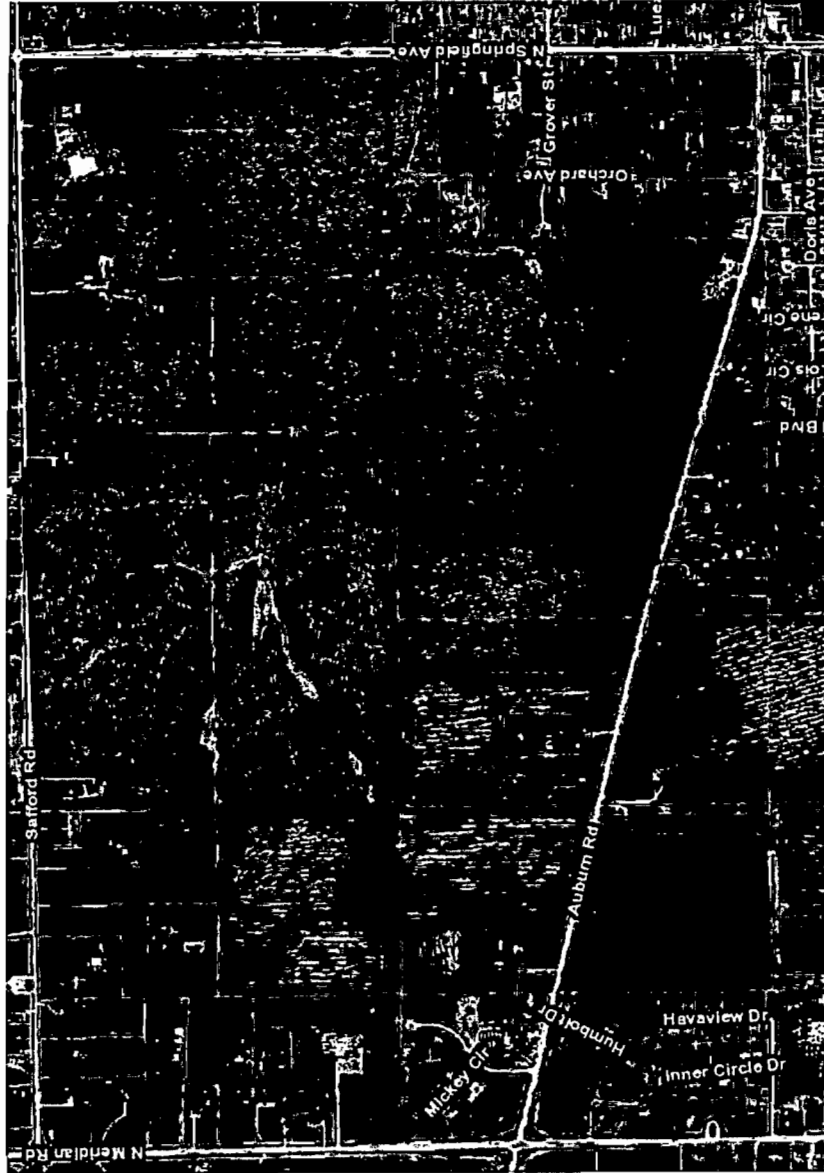
Map 2 — Between West State and School Streets



Map 2-Between West State & School Streets

Map Parcel #	Tax Parcel ID Number	Acreage	Owner of Record
1	11-20-201-008	4.28	Rockford Renaissance Dev LLC, 330 Spring Creek Rd, Rockford, IL 61107
2	11-20-202-001	6.89	Rockford Renaissance Dev LLC, 330 Spring Creek Rd, Rockford, IL 61107
3	11-20-202-002	6.78	Rockford Renaissance Dev LLC, 330 Spring Creek Rd, Rockford, IL 61107
4	11-20-227-001	11.77	Rockford Renaissance Dev LLC, 330 Spring Creek Rd, Rockford, IL 61107
5	11-20-227-002	5.42	Rockford Renaissance Dev LLC, 330 Spring Creek Rd, Rockford, IL 61107
6	11-20-226-013	2	Rockford Renaissance Dev LLC, 330 Spring Creek Rd, Rockford, IL 61107
7	11-20-204-001	4.3	Rockford Renaissance Dev LLC, 330 Spring Creek Rd, Rockford, IL 61107
8	11-20-203-001	5.3	Rockford Renaissance Dev LLC, 330 Spring Creek Rd, Rockford, IL 61107
Total Acreage:		46.74	
			(excluding roadways)

MAP 3-Between Auburn and Safford Roads



MAP 3-Between Auburn and Safford

Map Parcel #	Tax Parcel ID Number	Acreage	Owner of Record
1	11-17-101-002	60.37	Timothy J, Todd M and Michael J Greenfield, 9750 Mt Vernon Rd, Forreston, IL 61030
2	11-18-226-004	33.27	Timothy J, Todd M and Michael J Greenfield, 9750 Mt Vernon Rd, Forreston, IL 61030
3	11-18-226-003	24.91	Timothy J, Todd M and Michael J Greenfield, 9750 Mt Vernon Rd, Forreston, IL 61030
4	11-18-201-002	14.74	Timothy J, Todd M and Michael J Greenfield, 9750 Mt Vernon Rd, Forreston, IL 61030
5	11-07-451-001	80.06	Timothy J, Todd M and Michael J Greenfield, 9750 Mt Vernon Rd, Forreston, IL 61030
6	11-07-401-002	68.58	Timothy J, Todd M and Michael J Greenfield, 9750 Mt Vernon Rd, Forreston, IL 61030
7	11-08-301-007	69.63	Timothy J, Todd M and Michael J Greenfield, 9750 Mt Vernon Rd, Forreston, IL 61030
8	11-08-301-009	38.71	Timothy J, Todd M and Michael J Greenfield, 9750 Mt Vernon Rd, Forreston, IL 61030
9	11-08-301-008	16.87	Timothy J, Todd M and Michael J Greenfield, 9750 Mt Vernon Rd, Forreston, IL 61030
Total Acreage:		407.14	

Map 4-Riverside Blvd



MAP 4 Riverside Blvd

Map Parcel #	Tax Parcel ID Number	Acreage	Owner of Record
1	11-03-327-001	6.99	Belvidere National Bank, 600 S State St, Belvidere IL 61008
2	11-03-351-009	1.68	Prospect LLC, Julie Waldschmidt, 7625 N University St, Ste C, Peoria, IL 61614
3	11-03-376-002	19.78	Delano Berg and Gregory Ladehoff, 45446 Link St, LaPlata, MO 63549
4	11-03-376-003	9.53	Delano Berg and Gregory Ladehoff, 45446 Link St, LaPlata, MO 63549
5	11-03-351-012	2.38	Wal Mart Stores Inc Property Tax #0555, 1301 SE 10th St, Store No 92057, Bentonville, AR 72716
6	11-03-352-004	5.63	Delano Berg and Gregory Ladehoff, 45446 Link St, LaPlata, MO 63549
7	11-03-354-001	1.19	Delano Berg and Gregory Ladehoff, 45446 Link St, LaPlata, MO 63549
8	11-03-352-002	4.96	Joseph Saladino, 1303 Montague Road, Rockford, IL 61102
Total Acreage:		52.14	

Map 5 - Owen Center and Elmwood Roads



Map 5 - Owen Center and Elmwood Roads

Map Parcel #	Tax Parcel ID Number	Acreage	Owner of Record
1	11-03-151-002	75.82	Wesley Willows Inc, 4141 N Rockton Ave, Rockford, IL 61103
2	11-03-101-002	92.48	Thomas Leick, 2735 Centerville Rd, Rockford, IL 61102
3	07-34-300-005	21.61	Charlotte Ferguson, 6280 Owen Center Road, Rockford, IL 61101
4	07-34-300-004	21.85	Charlotte Ferguson, 6280 Owen Center Road, Rockford, IL 61101
5	07-34-300-010	96.61	Charlotte Ferguson, 6280 Owen Center Road, Rockford, IL 61101
6	07-34-400-006	26.32	Charlotte Ferguson, 6280 Owen Center Road, Rockford, IL 61101
7	07-34-400-007	26.32	Charlotte Ferguson, 6280 Owen Center Road, Rockford, IL 61101
Total Acreage:		361.01	

Map 6



**Rockford Register Star Article Dated
October 4, 2015**

Sunday Register Star

Newspaper of the Rock River Valley

Sunday, October 4, 2015

rrstar.com

Volume 160, Number 277 \$3.00

Morrissey must lead charge on hospital



CHUCK SWEENEY

OK, maybe I do have a dog in this race — I live a mile from Rockford Memorial Hospital — but so what? All of Rockford has a stake in making sure that the hospital continues to operate — no pun intended — at 2400 N. Rockton Ave., where it has been since 1954.

The old Rockford Health System is gone. Mercy Health System of Janesville and Rockford Health System became MercyRockford Health System in 2014 and moved its headquarters to the Forest City. In August, it announced plans for a state-of-the-art hospital campus on 263 acres it owns at East Riverside Boulevard and Interstate 90. Retail and hotel development plans complement the vision for the hospital campus. MercyRockford has a preannexation agreement with the city of Rockford for the Riverside/I-90 land. MercyRockford has committed to keeping the Rockton Avenue hospital open.

However, the hospital loses nearly \$10 million a year because it is, in the words of MercyRockford leaders, "the largest Medicaid provider in Illinois outside Cook County." Its losses amounted to \$17.8 million in the past five years, and it can't continue to operate at such a level of losses.

To remodel the hospital to 21st-century standards would cost \$500 million to \$600 million; it can't expand because it's landlocked. Rather than leave west Rockford, MercyRockford came up with a plan to grow its business at the new campus while retaining much of the North Rockton hospital.

The \$400 million plan for "one hospital, two campuses," MercyRockford leaders say, "will generate a calculated

SWEENEY

From Page D1

\$25 million (plus) from Wisconsin referrals, allowing MercyRockford to continue hospital services at Rockton Avenue, create hundreds of jobs in Rockford and allow us to continue as the largest provider of Medicaid services."

I think the MercyRockford plan is real because it would be irresponsible to leave the west side of the city with no hospital, and doing so would generate massive ill will toward MercyRockford.

And there's no chance of getting another out-of-town system to locate west of the river: Rockford's health care market isn't that big, and health systems are rapidly consolidating because of changes brought about by the Affordable Care Act, aka Obamacare.

After talking extensively with MercyRockford CEO Javon Bea, I believe he is strongly committed to retaining a hospital on the west side. He was born and grew up near St. Patrick Catholic Church. He's one of 11 children. Most of his extended family lives here.

Can Bea guarantee the North Rockton campus more than, say, 10 years out? Nobody in the health care business can guarantee anything, that's how fluid the national health care scene is. In 10 years we could all be covered by one National Health Service, owned either by a for-profit corporation or by the government, depending on which party is in power.

Yes, there's lots of support for this plan — the biggest building project in Rockford history — but Ald. Venita Herve, D-5th, is adamantly opposed. Her main opposition is to moving Rockford Memorial's Level 1 trauma center to the far east side, even though the Rockton Avenue emergency room will remain in place. Rockford is unusual in that we have two Level 1 trauma centers; the other is at OSF Saint Anthony Medical Center, 5666 E. State St. By contrast, Chicago, population 2.7 million, has just six Level 1s.

"I'm totally opposed," Herve said Friday. "It's great for economic development on the east side. But horrible for medical service." OSF HealthCare is opposed, too.

Other than that, the support for MercyRockford's plan is widespread. That's important because Illinois is one of two states that requires health care systems to get a certificate of need for building projects from the state bureaucracy.

We have the — take a deep breath — Illinois Health Facilities and Services Review Board that must vote to grant a certificate of need for this project to proceed.

The next step in the state approval process is the IHFSRB meeting Nov. 17 at the Bolingbrook Golf Club. Somehow that seems appropriate.

Mayor Larry Morrissey says he supports the MercyRockford project — he sent a letter to the health facilities board saying so. But Bea said Morrissey has been silent on the project and he wants the mayor to be more demonstrative in leading the effort to get



Donna McDaniel, director of surgical services, shows a former operating room that is no longer large enough for use at Rockford Memorial Hospital. MAX GERSH/STAFF PHOTOGRAPHER/RRSTAR.COM

the certificate of need approved.

"If this gets approved, I think he'd want to be at the ribbon-cutting," Bea said.

If Hervey and OSF succeed in defeating the certificate of need, Bea is quite serious when she says MercyRockford will close the Rockton Avenue campus and move most services to the east side. If that is blocked, MercyRockford owns 40 acres on Interstate 90 just north of the Wisconsin line and will build its new hospital there — taking everything out of west Rockford except an urgent-care center and some doctors' offices.

And then, all that new Wisconsin referral business will stay in Wisconsin, and Rockford business will go to Beloit.

Rep. Litesa Wallace, D-Rockford, understands

this. Like me, she believes that MercyRockford's plan is the way to keep quality hospital and emergency care on the city's west side. She had a meeting Thursday at Cliffbreakers with black ministers and NAACP leaders. Bea and MercyRockford doctors explained the plan for hospital expansion.

Bea said Friday that the meeting went well: "A lot of the ministers said they'd go to (the Nov. 17) hearing and speak in favor of it."

This is a good plan for Rockford. Let's not screw it up the way we usually do. MercyRockford is chartering a bus to the Bolingbrook meeting. Rockford-area leaders, including Morrissey, should be on it.

—Chuck Sweeney: 815-987-1366; csweeney@rrstar.com; @chucksweeney

**Excerpts from Rockford Health System's
Audited Financial Statements and Table**

**Rockford Health System Net Revenue
2010 to 2014**

Year	Excess of Revenues over Expense
2010	\$47,323,000
2011	(\$15,939,000)
2012	\$16,537,000
2013	\$19,165,000
2014	\$4,513,000
TOTAL	\$71,598,000

Source: Rockford Health System's Audited Financial Statements,
2010 through 2014

Rockford Health System and Affiliated Corporations
Consolidated Statements of Operations
Years Ended December 31, 2014 and 2013
(In thousands of dollars)

	2014	2013
Revenues		
Net patient service revenue	\$ 398,753	\$ 383,175
Provision for doubtful patient accounts	(13,210)	(25,082)
Total net patient service revenue	385,543	358,093
Provider tax and other provider payments	27,858	25,160
Other operating revenues and net assets released from restrictions	28,412	45,660
Total revenue	441,813	428,913
Expenses		
Salaries and wages	211,380	198,618
Employee benefits	37,291	41,799
Supplies	63,844	63,286
Purchased services and professional fees	72,505	69,585
Depreciation and amortization	23,546	22,565
Provision for doubtful accounts	141	131
Insurance	12,902	9,834
Provider tax assessment	12,096	12,254
Interest	2,193	2,272
Other	7,746	7,906
Total expenses	443,644	428,250
Operating income	(1,831)	663
Nonoperating gains (losses)		
Investment income	5,659	15,938
Change in fair market value of swap	(38)	1,764
Other, net	723	800
Excess of revenues over expenses	\$ 4,513	\$ 19,165

The accompanying notes are an integral part of the consolidated financial statements.

Rockford Health System and Affiliated Corporations
Consolidated Statements of Operations
Years Ended December 31, 2013 and 2012
(in thousands of dollars)

	2013	2012
Revenues		
Net patient service revenue	\$ 383,175	\$ 381,269
Provision for doubtful patient accounts	(25,082)	(22,450)
Total net patient service revenue	358,093	358,819
Provider tax revenue	25,160	23,560
Other operating revenues and net assets released from restrictions	45,660	33,352
Total revenue	428,913	415,731
Expenses		
Salaries and wages	198,618	196,606
Employee benefits	41,799	37,560
Supplies	63,286	60,941
Purchased services and professional fees	69,585	68,492
Depreciation and amortization	22,565	22,419
Provision for doubtful accounts	131	71
Insurance	9,834	5,175
Provider tax assessment	12,254	11,012
Interest	2,272	3,050
Other	7,906	7,259
Total expenses	428,250	412,585
Operating income	663	3,146
Nonoperating gains (losses)		
Investment income	15,938	12,642
Change in fair market value of swap	1,764	(535)
Other, net	800	1,284
Excess of revenues over expenses	\$ 19,165	\$ 16,537

The accompanying notes are an integral part of the consolidated financial statements.

Rockford Health System and Affiliated Corporations
Consolidated Statements of Operations
Years Ended December 31, 2011 and 2010
(in thousands of dollars)

	2011	2010
Revenues		
Net patient service revenue	\$ 379,737	\$ 387,142
Provider tax revenue	22,166	24,650
Total net patient service revenue	401,903	411,792
Other operating revenues and net assets released from restrictions	21,387	29,240
Total revenue	423,290	441,032
Expenses		
Salaries and wages	197,760	185,820
Employee benefits	40,070	38,902
Supplies	60,760	60,001
Purchased services and professional fees	64,797	54,739
Depreciation and amortization	21,702	19,829
Provision for doubtful accounts	20,578	18,196
Insurance	8,247	7,371
Provider tax assessment	9,948	9,983
Interest	3,557	3,748
Other	7,034	7,133
Total expenses	434,453	405,722
Operating income (loss)	(11,163)	35,310
Nonoperating gains (losses)		
Investment income	(2,070)	13,601
Change in fair market value of swap	(2,612)	(1,553)
Other, net	(94)	(35)
Excess (deficit) of revenues over expenses	\$ (15,939)	\$ 47,323

The accompanying notes are an integral part of the consolidated financial statements.

Deloitte Financial Study on Adverse Impact



Deloitte Financial Advisory
Services LLP
111 S. Wacker Drive
Chicago, IL 60606
USA
Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

October 25, 2015

David Stenerson
Chief Financial Officer
OSF Saint Anthony Medical Center
5666 E. State St.
Rockford, IL 61108-2381

Re: Financial Impact to OSF Saint Anthony Medical Center

Dear Mr. Stenerson:

At your request, we have calculated the potential financial impact to OSF Saint Anthony Medical Center ("SAMC") of the proposed new hospital to be built by Mercy Rockford Memorial Hospital ("Mercy Rockford Riverside") at I-90/39 & East Riverside Drive in Rockford Township, Illinois. This letter summarizes the background, purpose, and approach and methodologies associated with our analysis and presents our key calculations and conclusions.

BACKGROUND

We understand that Mercy Rockford Health System ("Mercy Rockford Health") is seeking to build a second hospital ("Mercy Rockford Riverside") at I-90/39 & East Riverside Drive in Rockford Township, Illinois, at an estimated total project cost of \$407.2 million. In connection with the opening of the hospital, Mercy Rockford Health proposes to reduce its current authorized beds of 391 to 282 at its current location of 2400 N. Rockton Avenue, Rockford, IL 61103 ("Mercy Rockford Rockton") but move a majority or 188 of its remaining beds to the new Mercy Rockford Riverside facility.

Mercy Rockford Health has stated that due to the close proximity of the two sites, the communities served by each hospital campus is anticipated to vary only slightly. SAMC believes that not to be true and that the proposed location of this facility will harm SAMC's financial health and ability to serve the community. SAMC is objecting to Mercy Rockford Health's application for a Certificate of Need ("CON") which is necessary for Mercy Rockford Health to build this new hospital ("Project").

PURPOSE

The purpose of this analysis is to estimate the potential financial impact of the Project on SAMC. We understand that this analysis will be used in connection with substantiating SAMC's contention that, should the Project be approved, the proposed facility would have a significant adverse financial impact on SAMC and would impair its ability to fund current operations, service its debt and adequately serve the community.

We understand our work product will be used and that we may be called upon to present our calculations in connection with the Illinois Health Facilities and Services Review Board's consideration of Mercy Rockford Health's proposed Project, as well as the possible judicial review of the decision rendered by the Illinois Health Facilities and Services Review Board with respect to the Mercy Rockford Health CON application. No other use of this analysis and related work product is intended or should be inferred.

APPROACH AND METHODOLOGY

Our estimate of the financial impact of the Project on SAMC is based on the inpatient and outpatient activity and related revenues and profits that SAMC would gain or lose to Mercy Rockford Riverside if the Project were to

open today. The purpose of estimating the impact as if it were to open today even though it is not expected to be completed until June 30, 2019 is to reduce the number of variables such as inflation factors, reimbursement rates, and payor mix changes.

In Mercy Rockford Health's CON application, Mercy Rockford Health states that the Project on the east side of Rockford will assume the current workload of the existing facility on the west side. Later stated in Attachment 12 of the CON application, Mercy Rockford Health states the Project is intended to provide care to communities which are served at the current location and that following completion of the Project the patient origin would remain very similar to the 2014 patient origin except for patients referred from Mercy Rockford Health's Wisconsin service area. Based upon our review of the physical location of the Project on the east side of Rockford, the increased access to I-90/39, and its current west side location, we believe that Mercy Rockford Health has failed to consider the impact that the move will have on its current volume. In addition, Mercy Rockford Health has not addressed the fact that a new east side location would attract new patients from certain zip codes. For this reason, we believe that SAMC will be adversely impacted by the new physical location of Mercy Rockford Riverside Hospital in a number of zip codes.

It is important to note that our analysis of Mercy Rockford Health's CON application and the available market data has revealed the fact that the data in Mercy Rockford Health's application is not realistic. Given that the new Mercy Rockford Riverside facility will be located in a new zip code (61114), it is obvious that it would gain additional volume in this new zip code, as well as other zip codes to which it would now be much more accessible. The new facility would therefore obtain additional new volume, given that Mercy Rockford Health also intends to continue servicing its current patient base from Mercy Rockford Rockton.

In estimating the impact that the Project will have on SAMC's market share we considered the physical location, travel time, distances and the details of 34 area zip codes when estimating the relative shift in market share and the corresponding financial impact. All demographic, population, and discharge data discussed throughout this report was obtained from COMPdata® for the 12 month period ending June 30, 2013, 2014 and for six months ending March 31, 2015. Changes in market share were based on how people living in specific zip codes will access hospital services. It has been assumed that ease of access to a specific provider will increase the tendency of an individual to go to that hospital for services. If it is a shorter distance or takes less time to get to one hospital versus another hospital, people will have a tendency to go to the closer hospital. Our analysis showed the in most cases the hospital most proximate to the zip code had the largest market share. In nine of the 34 area zip codes, SAMC has the largest or second largest market share but the new Mercy Rockford Riverside location will be closer in travel times or miles according to MapQuest when the new facility is built thereby impacting SAMC's current volumes from these areas. These zip codes are located to the north, northeast and east of the Project. See Exhibit VIII. These nine zip codes represent approximately 33 percent of SAMC's volume in the twelve months ended June 30, 2014. This analysis focuses on nine zip codes that are believed to be affected by the relocation. Those nine zip codes are:

1. 61008 Belvidere
2. 61011 Caledonia
3. 61012 Capron
4. 61038 Garden Prairie
5. 61065 Poplar Grove
6. 61073 Roscoe
7. 61111 Loves Park
8. 61114 Rockford
9. 61115 Machesney Park

Tables I & II below displays a summary of the shift in market share for inpatient cases and outpatient visits for each zip code.

Table I
Summary of Market Share
Changes by Zip Code

<i>OSF Saint Anthony Medical Center Market Share – Inpatient Cases</i>				
<u>Zip</u>	<u>Community</u>	<u>Current</u>	<u>New</u>	<u>Market Share Change</u>
61008	Belvidere	36.6%	26.6%	-10.0%
61011	Caledonia	35.1%	20.1%	-15.0%
61012	Capron	27.6%	12.6%	-15.0%
61038	Garden Prairie	29.0%	19.0%	-10.0%
61065	Poplar Grove	34.6%	14.6%	-20.0%
61073	Roscoe	26.7%	16.7%	-10.0%
61111	Loves Park	27.6%	17.6%	-10.0%
61114	Rockford	32.8%	22.8%	-10.0%
61115	Machesney Park	27.5%	17.5%	-10.0%

Table II
Summary of Market Share
Changes by Zip Code

<i>OSF Saint Anthony Medical Center Market Share – Outpatient Visits</i>				
<u>Zip</u>	<u>Community</u>	<u>Current</u>	<u>New</u>	<u>Market Share Change</u>
61008	Belvidere	29.7%	19.7%	-10.0%
61011	Caledonia	41.4%	21.4%	-20.0%
61012	Capron	22.2%	7.2%	-15.0%
61038	Garden Prairie	27.2%	17.2%	-10.0%
61065	Poplar Grove	37.2%	17.2%	-20.0%
61073	Roscoe	37.7%	27.7%	-10.0%
61111	Loves Park	38.9%	23.9%	-15.0%
61114	Rockford	40.6%	30.6%	-10.0%
61115	Machesney Park	39.0%	29.0%	-10.0%

Based on information obtained through COMPdata®, we calculated the market share change in each of the nine major zip codes based upon the change in proximity and SAMC's current market share. The result is the corresponding level of inpatient cases and outpatient visits that SAMC is estimated to lose in each of the nine zip codes if Mercy Rockford Health were to develop a new facility on the east side of Rockford.

Table III below, presents a summary calculation of the inpatient cases and outpatient visits lost by SAMC. Based on the proposed changes in the market share of each service area, we computed the number of inpatient cases and outpatient visits that SAMC would lose to Mercy Rockford Riverside.

Table III
Calculation of Inpatient Cases and Outpatient Visits
Lost by SAMC

<u>Zip</u>	<u>Community</u>	<u>Inpatient Cases</u>	<u>Outpatient Visits</u>
61008	Belvidere	(317)	(3,045)
61011	Caledonia	(29)	(368)
61012	Capron	(29)	(271)
61038	Garden Prairie	(10)	(107)
61065	Poplar Grove	(168)	(1,685)
61073	Roscoe	(121)	(1,102)
61111	Loves Park	(220)	(2,744)
61114	Rockford	(156)	(1,223)
61115	Machesney Park	(217)	(1,923)
Total		<u>(1,267)</u>	<u>(12,468)</u>

In order to calculate the profit attributed to lost SAMC patient volume, we analyzed internal SAMC financial and cost accounting data to determine the "contribution margin" for the nine zip codes with respect to its inpatient and outpatient services. Contribution margin, which is defined as revenues minus variable costs, represents the incremental profit from the provision of inpatient and outpatient services available to cover the fixed operating costs. Fixed costs are excluded from the calculation of lost profit because SAMC will continue to incur such fixed costs regardless of whether cases are gained or lost to the new facility. Revenue, variable costs and contribution margin would, however, decrease in amounts proportionate to lost volume. Variable costs include all items that fluctuate with output or volume changes in a constant, proportionate manner regardless of payor.

Table IV (see below) presents contribution margin, inpatient cases, outpatient visits and average contribution margin per case and visit for SAMC based on fiscal year end June 30, 2014 financial data. The contribution margin in Column A represents the margin from both inpatient and outpatient services from the nine zip codes analyzed. In Column B, we summarized the estimated cases and visits for the nine related zip codes. The result is the contribution margin on a case or visit level for the nine zip codes analyzed on an inpatient and outpatient basis.

Table IV
Calculation of Contribution Margin
Per Inpatient Case or Outpatient Visit

	[A]	[B]	[C] [A] / [B]
	<u>Contribution Margin</u>	<u>Estimated Cases/Visits</u>	<u>Contribution Margin Per Case</u>
Inpatient Cases	\$17,725,862	3,532	\$5,019
Outpatient Visits	\$17,873,339	62,931	\$284

Based on our review, SAMC's cost accounting data appears to provide a reasonable estimate for the contribution margin for purposes of our calculations. Further, the contribution margins derived from SAMC's data are consistent with both available empirical data regarding the allocation of hospital costs between variable and fixed components, as well as assumptions that we have observed in other hospital planning settings.

Multiplying the lost cases or visits in Table III by the average contribution margin per adjusted case in Column C of Table IV results in the estimated annual decrease in contribution margin that SAMC would experience if the new Mercy Rockford Riverside facility were to open today. This calculation is summarized in Table V, on the next page.

Table V
Calculation of
Lost Contribution Margin

	[A]	[B]	[C] [A] X [B]
	<u>Contribution Margin Per Case/Visit</u>	<u>(Lost) Cases/Visits</u>	<u>(Lost) Contribution Margin</u>
Inpatient Cases	\$5,015	(1,267)	(\$6,353,935)
Outpatient Visits	\$284	(12,468)	<u>(3,545,435)</u>
Total			<u>(\$9,899,370)</u>

CONCLUSION

Based on the analysis presented above, and assuming Mercy Rockford Health's new facility were to open today, we estimate the potential financial impact to SAMC of the proposed Mercy Rockford Riverside facility to be a minimal annual reduction in net income of approximately \$9.9 million. See Exhibit I, which is attached.

David Stenerson
OSF Saint Anthony Medical Center
October 25, 2015
Page 6 of 7

Our detailed calculations and maps are presented in Exhibits I through XII, which are attached to this letter.

We are independent of SAMC and our fee for this analysis is in no way influenced by the results of our work. The qualifications of the individuals who prepared this analysis are attached as Appendix A to this report.

LIMITATIONS

The information contained within has been derived primarily from documents provided by SAMC, as well as from the Rockford Health System's CON application and related documents. This information includes both audited and unaudited financial and operational information. We have not audited, reviewed, or compiled this information. Accordingly, we express no opinion or other form of assurance on it.

Our procedures with respect to any forecasts, projections, or forward-looking financial information included or referred to herein, do not constitute an examination of a forecast in accordance with U.S. generally accepted auditing standards, nor do they constitute an examination of a forecast in accordance with standards established by the AICPA. Therefore, we express no opinion or other form of assurance on them.

Our observations, analyses, and calculations are based on the available data, procedures and analysis set forth herein. They are subject to revision upon the performance of additional procedures or additional information we may become aware of.

We are pleased to provide this analysis to SAMC.

Very truly yours,

Deloitte Financial Advisory Services LLP

APPENDIX A

Qualifications

The individuals responsible for performing this analysis are members of Deloitte Financial Advisory Services health care financial advisory services practice.

Robert Clarke is the engagement Partner on this assignment. Bob is a national practice leader for our health care industry financial advisory services practice. Bob has more than 30 years of public accounting and financial consulting experience. Bob has served as client service on several academic medical centers, health systems, community hospitals, physician group practices and managed care organizations. He also provided these health care clients with counsel in areas such as financing, benchmarking and financial performance analysis, third party reimbursement, financial and accounting management, information systems and due diligence on business acquisitions.

Richard L. Piekarz is a Senior Manager in Deloitte Financial Advisory Services LLP. He has over twenty years of extensive industry experience providing clients with consultation. He works with clients in a variety of planning, decision support, operational and financial improvement and transaction related settings. He has provided reimbursement, regulatory, due diligence, revenue and financial consulting services for complex hospitals, health systems, joint ventures, skilled nursing facilities, home health agencies and health plans.

Exhibit I
OSF SAINT ANTHONY MEDICAL CENTER

Rockford Memorial Hospital -Riverside and Saint Anthony Medical Center Financial Impact Analysis
 OSF Saint Anthony Medical Center Summary of Financial Impact

FINANCIAL CLASS	(A) 2014 CASES OR VISITS BASED ON CURRENT MARKET	(B) 2014 CASES OR VISITS BASED ON REVISED MARKET	(C) (B-A) LOST VOLUME CASES/VISITS	(F) CONTRIBUTION PER CASE (2)	(ExF) TOTAL FINANCIAL GAIN/(LOSS)
Inpatient Cases	3,636	2,369	(1,267)	\$ 5,015	\$ (6,353,935)
Outpatient Visits	37,374	24,906	(12,468)	\$ 284	\$ (3,545,435)
Total					<u>\$ (9,899,370)</u>

Source: OSF Saint Anthony Medical Center and COMPdata®

(1) Current market share data based on COMPdata®

(2) Contribution Per Case is based on Exhibit II

Exhibit II**OSF SAINT ANTHONY MEDICAL CENTER**

Rockford Memorial Hospital -Riverside and Saint Anthony Medical Center Financial Impact Analysis
OSF Saint Anthony Medical Center Contribution Margin by Inpatient Case or Outpatient Visit

	(A)	(B)	(C)	(D)	(E) (C-D)	(E / A)
	ADJUSTED CASES	CHARGES	PAYMENTS	VARIABLE COST	MARGIN	VARIABLE MARGIN PER CASE
Inpatient Cases	1,267	\$ 64,207,783	\$ 17,386,494	\$ 11,032,559	\$ 6,353,935	\$ 5,015
Outpatient Visits	12,468	\$ 23,966,509	\$ 6,417,761	\$ 2,872,326	\$ 3,545,435	\$ 284
Total		\$ 88,174,292	\$ 23,804,255	\$ 13,904,885	\$ 9,899,370	

*All data was pulled from SAMC's internal accounting system for 06/30/14.

Exhibit III

OSF SAINT ANTHONY MEDICAL CENTER

Rockford Memorial Hospital -Riverside and Saint Anthony Medical Center Financial Impact Analysis
2014 Inpatient Services

	(A)	(B)	(C)	(D)	(E)	(F)
ZIP	TOTAL DISCHARGES 2014	SAMC DISCHARGES 2014	CURRENT MARKET SHARE (I)	REVISED MARKET SHARE	REVISED DISCHARGES 2014	Lost Cases
CODE	COMMUNITY					
61008	Belvidere	3,172	1,160	36.6%	26.6%	843
61011	Caledonia	191	67	35.1%	20.1%	38
61012	Capron	192	53	27.6%	12.6%	24
61038	Garden Prairie	100	29	29.0%	19.0%	19
61065	Poplar Grove	841	291	34.6%	14.6%	123
61073	Roscoe	1,209	323	26.7%	16.7%	202
61111	Loves Park	2,201	607	27.6%	17.6%	387
61114	Rockford	1,557	510	32.8%	22.8%	354
61115	Machesney Park	2,165	595	27.5%	17.5%	378
Total	11,628	3,635	31.3%	15.4%	2,368	1,267

Source: OSF Saint Anthony Medical Center and COMPdata®

Exhibit IV

OSF SAINT ANTHONY MEDICAL CENTER

Rockford Memorial Hospital -Riverside and Saint Anthony Medical Center Financial Impact Analysis
2014 Outpatient Services

	(A)	(B)	(C)	(D)	(E)	(F)	
ZIP							
CODE	COMMUNITY	TOTAL VISITS 2014	SAMC VISITS 2014	CURRENT MARKET SHARE (I)	REVISED MARKET SHARE	REVISED DISCHARGES 2014	Lost Visits
61008	Belvidere	30,453	9,033	29.7%	19.7%	5,988	3,045
61011	Caledonia	1,839	762	41.4%	21.4%	394	368
61012	Capron	1,804	401	22.2%	7.2%	130	271
61038	Garden Prairie	1,070	291	27.2%	17.2%	184	107
61065	Poplar Grove	8,427	3,131	37.2%	17.2%	1,446	1,685
61073	Roscoe	11,023	4,159	37.7%	27.7%	3,057	1,102
61111	Loves Park	18,295	7,123	38.9%	23.9%	4,379	2,744
61114	Rockford	12,229	4,968	40.6%	30.6%	3,745	1,223
61115	Machesney Park	19,228	7,506	39.0%	29.0%	5,583	1,923
Total		104,368	37,374	35.8%	15.4%	24,906	12,468

Source: OSF Saint Anthony Medical Center and COMPdata®

Exhibit V

OSF SAINT ANTHONY MEDICAL CENTER

Rockford Memorial Hospital - Riverside and Saint Anthony Medical Center Financial Impact Analysis

Travel Time per Zip Code

Travel by Car	5666 E State St, Rockford, IL 61108	209 9th St Rockford IL 61104	2350 N Rockton Ave, Rockford, IL 61103	8000 E Riverside Blvd, Loves Park, IL 61111-5729	Travel by Car (Minutes)	Zip Code	OSF St. Anthony	Swedish American	Rockford Memorial West	Rockford East
ESMOND	24.27	26.34	30.52	28.06	ESMOND	60129	32	36	41	33
KIRKLAND	19.62	23.2	28.64	21.73	KIRKLAND	60146	25	32	37	25
BELVIDERE	9.4	12.98	16.54	9.03	BELVIDERE	61008	15	22	28	14
CALEDONIA	13.78	13.22	15.22	8.19	CALEDONIA	61011	17	21	22	9
CAPRON	22.45	23.86	23.89	16.86	CAPRON	61012	28	33	34	20
CHERRY VALLEY	7.35	10.93	17.02	9.46	CHERRY VALLEY	61016	13	20	26	13
DAVIS JUNCTION	17.27	13.19	17.57	21.06	DAVIS JUNCTION	61020	21	20	27	22
GARDEN PRAIRIE	16.28	20.4	26.49	15.64	GARDEN PRAIRIE	61038	21	28	27	20
LINDENWOOD	18.02	21.1	25.28	22.82	LINDENWOOD	61049	25	29	35	27
MONROE CENTER	13.28	16.34	20.52	16.63	MONROE CENTER	61052	17	22	28	19
POPLAR GROVE	16.89	18.32	18.33	11.3	POPLAR GROVE	61065	21	26	26	13
ROCHELLE	27.28	23.6	33.53	31.07	ROCHELLE	61068	31	32	40	32
ROCKTON	17.01	13.41	10.23	16.29	ROCKTON	61072	24	19	14	20
ROSCOE	13.24	12.49	11.85	9.63	ROSCOE	61073	20	20	18	11
SOUTH BELOIT	18.09	17.47	16.83	12.5	SOUTH BELOIT	61080	22	26	24	14
ROCKFORD	8.25	4.65	2.55	9.24	ROCKFORD	61101	15	9	4	15
ROCKFORD	11.04	4.59	6.4	16.72	ROCKFORD	61102	14	10	11	17
ROCKFORD	7.7	4.11	2.11	6.42	ROCKFORD	61103	14	9	5	11
ROCKFORD	4.47	1.92	4.75	14.52	ROCKFORD	61104	9	4	10	18
ROCKFORD	4.25	0.65	2.76	8.41	ROCKFORD	61105	8	1	6	13
ROCKFORD	4.25	0.65	2.76	8.41	ROCKFORD	61106	8	1	6	13
ROCKFORD	2.78	4.19	5.71	5.61	ROCKFORD	61107	4	8	11	8
ROCKFORD	0.93	4.42	6.9	7.08	ROCKFORD	61108	2	8	14	10
ROCKFORD	6.05	5.31	9.97	11.76	ROCKFORD	61109	10	11	18	14
LOVES PARK	4.25	0.65	2.76	8.41	LOVES PARK	61110	8	1	6	13
ROCKFORD	6.67	6.22	6.24	3.44	ROCKFORD	61111	11	10	12	6
ROCKFORD	3.28	6.86	10.6	6.63	ROCKFORD	61112	6	12	18	7
ROCKFORD	3.33	6.07	6.48	3.33	ROCKFORD	61114	5	10	12	5
MACHESNEY PARK	7.9	7.8	8.07	6.02	MACHESNEY PARK	61115	13	13	13	9
ROCKFORD	3.72	5.08	7.56	8.55	ROCKFORD	61125	6	9	15	10
ROCKFORD	4.25	0.65	2.76	8.41	ROCKFORD	61126	8	1	6	13
LOVES PARK	6.37	3.97	3.27	5.1	LOVES PARK	61130	10	6	6	8
LOVES PARK	6.37	3.97	3.27	5.1	LOVES PARK	61131	10	6	6	8
LOVES PARK	6.37	3.97	3.27	5.1	LOVES PARK	61132	10	6	6	8

Source: MapQuest

Exhibit VI

OSF SAINT ANTHONY MEDICAL CENTER

Rockford Memorial Hospital -Riverside and Saint Anthony Medical Center Financial Impact Analysis

Travel Time per Zip Code

Travel by Car	5666 E State St, Rockford, IL 61108	209 9th St Rockford IL 61104	2350 N Rockton Ave, Rockford, IL 61103	8000 E Riverside Blvd, Loves Park, IL 61111-5729	Travel by Car	5666 E State St, Rockford, IL 61108	209 9th St Rockford IL 61104	2350 N Rockton Ave, Rockford, IL 61103	8000 E Riverside Blvd, Loves Park, IL 61111-5729		
(Miles)	Zip Code	OSF St. Anthony	Swedish American	Rockford Memorial West	Rockford East	(Minutes)	Zip Code	OSF St. Anthony	Swedish American	Rockford Memorial West	Rockford East
BELVIDERE	61008	9.4	12.98	16.54	9.03	BELVIDERE	61008	15	22	28	14
CALEDONIA	61011	13.78	15.22	15.22	8.19	CALEDONIA	61011	17	21	22	9
CAPRON	61012	22.45	23.88	23.89	16.88	CAPRON	61012	28	33	34	20
GARDEN PRAIRIE	61038	16.28	20.4	26.49	15.64	GARDEN PRAIRIE	61038	21	28	35	20
POPLAR GROVE	61065	16.89	18.32	18.33	11.3	POPLAR GROVE	61065	21	26	26	13
ROSCOE	61073	13.24	12.49	11.85	9.63	ROSCOE	61073	20	20	18	11
LOVES PARK	61111	6.67	6.22	6.24	3.44	LOVES PARK	61111	11	10	12	6
ROCKFORD	61114	3.33	6.07	6.48	3.33	ROCKFORD	61114	5	10	12	5
MACHESNEY PARK	61115	7.9	7.8	8.07	6.02	MACHESNEY PARK	61115	13	13	13	9

Source: MapQuest

Exhibit VII

OSF SAINT ANTHONY MEDICAL CENTER

Rockford Memorial Hospital -Riverside and Saint Anthony Medical Center Financial Impact Analysis
2014 Hospital Market Share per Zip Code

Zip Code	Total	Rockford	OSF St Anthonys	Swedish American Hospital	Other	% of Total	Rockford	OSF St Anthonys	Swedish American Hospital	Other
60129	233	9	32	26	166	100%	3.9%	13.7%	11.2%	71.2%
Inpatient	224	1	2	2	19	100%	4.2%	8.3%	8.3%	79.2%
Outpatient	209	8	30	24	147	100%	3.8%	14.4%	11.5%	70.3%
60146	2,113	61	562	359	1,131	100%	2.9%	26.6%	17.0%	53.5%
Inpatient	214	11	71	32	100	100%	5.1%	33.2%	15.0%	46.7%
Outpatient	1,899	50	491	327	1,031	100%	2.6%	25.9%	17.2%	54.3%
61008	33,625	1,733	10,193	17,790	3,909	100%	5.2%	30.3%	52.9%	11.6%
Inpatient	3,172	285	1,160	1,237	490	100%	9.0%	36.6%	39.0%	15.4%
Outpatient	30,453	1,448	9,033	16,553	3,419	100%	4.8%	29.7%	54.4%	11.2%
61011	2,030	231	829	628	342	100%	11.4%	40.8%	30.9%	16.8%
Inpatient	191	38	67	53	33	100%	19.9%	35.1%	27.7%	17.3%
Outpatient	1,839	193	762	575	309	100%	10.5%	41.4%	31.3%	16.8%
61012	1,996	92	454	364	1,086	100%	4.6%	22.7%	18.2%	54.4%
Inpatient	192	17	53	42	80	100%	8.9%	27.6%	21.9%	41.7%
Outpatient	1,804	75	401	322	1,006	100%	4.2%	22.2%	17.8%	55.8%
61016	4,339	352	1,901	1,479	607	100%	8.1%	43.8%	34.1%	14.0%
Inpatient	427	50	186	139	52	100%	11.7%	43.6%	32.6%	12.2%
Outpatient	3,912	302	1,715	1,340	555	100%	7.7%	43.8%	34.3%	14.2%
61020	2,575	280	565	1,080	650	100%	10.9%	21.9%	41.9%	25.2%
Inpatient	289	30	64	140	55	100%	10.4%	22.1%	48.4%	19.0%
Outpatient	2,286	250	501	940	595	100%	10.9%	21.9%	41.1%	26.0%
61038	1,170	47	320	595	208	100%	4.0%	27.4%	50.9%	17.8%
Inpatient	100	4	29	40	27	100%	4.0%	29.0%	40.0%	27.0%
Outpatient	1,070	43	291	555	181	100%	4.0%	27.2%	51.9%	16.9%
61049	415	27	72	103	213	100%	6.5%	17.3%	24.8%	51.3%
Inpatient	42	5	4	11	22	100%	11.9%	9.5%	26.2%	52.4%
Outpatient	373	22	68	92	191	100%	5.9%	18.2%	24.7%	51.2%
61052	812	38	283	322	169	100%	4.7%	34.9%	39.7%	20.8%
Inpatient	80	7	27	29	17	100%	8.8%	33.8%	36.3%	21.3%
Outpatient	732	31	256	293	152	100%	4.2%	35.0%	40.0%	20.8%
61065	9,268	782	3,422	3,614	1,450	100%	6.4%	36.9%	39.0%	15.6%
Inpatient	841	111	291	256	183	100%	13.2%	34.6%	30.4%	21.8%
Outpatient	8,427	671	3,131	3,358	1,267	100%	8.0%	37.2%	39.8%	15.0%
61068	16,415	495	1,213	1,164	13,603	100%	2.7%	7.4%	7.1%	82.9%
Inpatient	1,693	111	343	255	984	100%	6.6%	20.3%	15.1%	58.1%
Outpatient	14,722	324	870	909	12,619	100%	2.2%	5.9%	6.2%	85.7%
61072	6,131	1,784	1,819	1,717	811	100%	29.1%	29.7%	28.0%	13.2%
Inpatient	675	292	135	159	89	100%	43.3%	20.0%	23.6%	13.2%
Outpatient	5,456	1,492	1,684	1,556	722	100%	27.3%	30.9%	28.6%	13.2%
61073	12,232	2,644	4,482	3,520	1,586	100%	21.6%	36.6%	28.8%	13.0%
Inpatient	1,209	396	323	343	147	100%	32.8%	26.7%	28.4%	12.2%
Outpatient	11,023	2,248	4,159	3,177	1,439	100%	20.4%	37.7%	28.8%	13.1%
61080	4,128	1,296	1,147	1,199	486	100%	31.4%	27.8%	29.0%	11.8%
Inpatient	468	184	77	148	59	100%	39.3%	16.5%	31.6%	12.6%
Outpatient	3,660	1,112	1,070	1,051	427	100%	30.4%	28.7%	28.7%	11.7%
61101	29,302	14,672	3,081	10,052	1,497	100%	50.1%	10.5%	34.3%	5.1%
Inpatient	3,118	1,575	224	991	328	100%	50.5%	7.2%	31.8%	10.5%
Outpatient	26,184	13,097	2,857	9,061	1,169	100%	50.0%	10.9%	34.6%	4.5%
61102	22,075	7,862	3,060	9,863	1,290	100%	35.6%	13.9%	44.7%	5.8%
Inpatient	2,305	841	277	962	225	100%	36.5%	12.0%	41.7%	8.8%
Outpatient	19,770	7,021	2,783	8,901	1,065	100%	35.5%	14.1%	45.0%	5.4%
61103	27,817	13,388	4,130	8,601	1,698	100%	46.1%	14.8%	30.9%	6.1%
Inpatient	3,176	1,685	295	920	276	100%	53.1%	9.3%	29.0%	8.7%
Outpatient	24,641	11,703	3,835	7,681	1,422	100%	47.5%	15.6%	31.2%	5.8%
61104	25,642	4,403	3,488	16,528	1,223	100%	17.2%	13.6%	64.5%	4.8%
Inpatient	2,535	495	302	1,504	234	100%	19.5%	11.9%	59.3%	9.2%
Outpatient	23,107	3,908	3,186	15,024	989	100%	16.9%	13.8%	65.0%	4.3%
61105	333	99	84	134	16	100%	29.7%	25.2%	40.2%	4.8%
Inpatient	35	16	7	10	2	100%	45.7%	20.0%	28.6%	5.7%
Outpatient	298	83	77	124	14	100%	27.9%	25.8%	41.6%	4.7%
61106	128	33	20	60	15	100%	25.8%	15.6%	46.9%	11.7%
Inpatient	12	2	4	1	5	100%	16.7%	33.3%	8.3%	41.7%
Outpatient	116	31	16	59	10	100%	26.7%	13.8%	50.9%	8.6%
61107	27,739	3,748	10,309	10,992	2,690	100%	13.5%	37.2%	39.6%	9.7%
Inpatient	2,957	545	952	1,126	334	100%	18.4%	32.2%	38.1%	11.3%
Outpatient	24,782	3,203	9,357	9,866	2,356	100%	12.9%	37.8%	39.8%	9.5%
61108	28,797	3,417	11,183	11,644	2,553	100%	11.9%	38.8%	40.4%	8.9%
Inpatient	3,220	483	1,053	1,304	370	100%	15.3%	32.7%	40.5%	11.5%
Outpatient	25,577	2,924	10,130	10,340	2,183	100%	11.4%	39.6%	40.4%	8.5%
61109	27,673	3,987	7,958	13,420	2,328	100%	14.4%	28.7%	48.5%	8.4%
Inpatient	2,732	501	640	1,294	297	100%	18.3%	23.4%	47.4%	10.9%
Outpatient	24,941	3,486	7,298	12,126	2,031	100%	14.0%	29.3%	48.6%	8.1%
61110	279	53	68	140	18	100%	19.0%	24.4%	50.2%	6.5%
Inpatient	27	4	4	15	4	100%	14.8%	14.8%	55.6%	14.8%
Outpatient	252	49	64	125	14	100%	19.4%	25.4%	49.6%	5.6%
61111	20,496	4,575	7,730	6,328	1,863	100%	22.3%	37.7%	30.9%	9.1%
Inpatient	2,201	645	607	716	233	100%	29.3%	27.6%	32.5%	10.8%
Outpatient	18,295	3,930	7,123	5,612	1,630	100%	21.5%	38.9%	30.7%	8.9%
61112	157	21	89	42	5	100%	13.4%	56.7%	26.8%	3.2%
Inpatient	48	7	24	13	4	100%	14.6%	50.0%	27.1%	8.3%
Outpatient	109	14	65	29	1	100%	12.8%	59.6%	26.6%	0.9%
61114	13,786	2,297	5,478	4,463	1,548	100%	16.7%	39.7%	32.4%	11.2%
Inpatient	1,557	384	510	480	183	100%	24.7%	32.8%	30.8%	11.8%
Outpatient	12,229	1,913	4,966	3,983	1,365	100%	15.6%	40.6%	32.6%	11.2%
61115	21,393	5,463	8,101	6,019	1,810	100%	25.5%	37.9%	28.1%	8.5%
Inpatient	2,165	744	595	640	186	100%	34.4%	27.5%	29.6%	8.6%
Outpatient	18,228	4,719	7,506	5,379	1,624	100%	24.5%	39.0%	28.0%	8.4%
61125	236	46	83	90	17	100%	18.5%	35.2%	38.1%	7.2%
Inpatient	20	1	8	3	0	100%	5.0%	40.0%	30.0%	25.0%
Outpatient	216	45	75	84	12	100%	20.8%	34.7%	38.9%	5.6%
61126	403	54	122	214	13	100%	13.4%	30.3%	53.1%	3.2%
Inpatient	30	3	7	17	3	100%	10.0%	23.3%	56.7%	10.0%
Outpatient	373	51	115	197	10	100%	13.7%	30.8%	52.6%	2.7%
61130	34	6	7	18	3	100%	17.6%	20.6%	52.9%	8.6%
Inpatient	5	1	1	2	1	100%	20.0%	20.0%	40.0%	20.0%
Outpatient	29	5	6	16	2	100%	17.2%	20.7%	55.2%	6.9%
61131	68	12	26	29	1	100%	17.6%	38.2%	42.6%	1.5%
Inpatient	10	4	3	3	0	100%	40.0%	30.0%	30.0%	0.0%
Outpatient	58	8	23	26	1	100%	13.8%	39.7%	44.6%	1.7%
61132	283	80	99	68	36	100%	28.3%	35.0%	24.0%	12.7%
Inpatient	16	5	7	1	3	100%	31.3%	43.8%	6.3%	18.8%
Outpatient	267	75	92	67	33	100%	28.1%	34.5%	25.1%	12.4%

Source: COMPdata90

Exhibit VIII

Total Service Area Analyzed

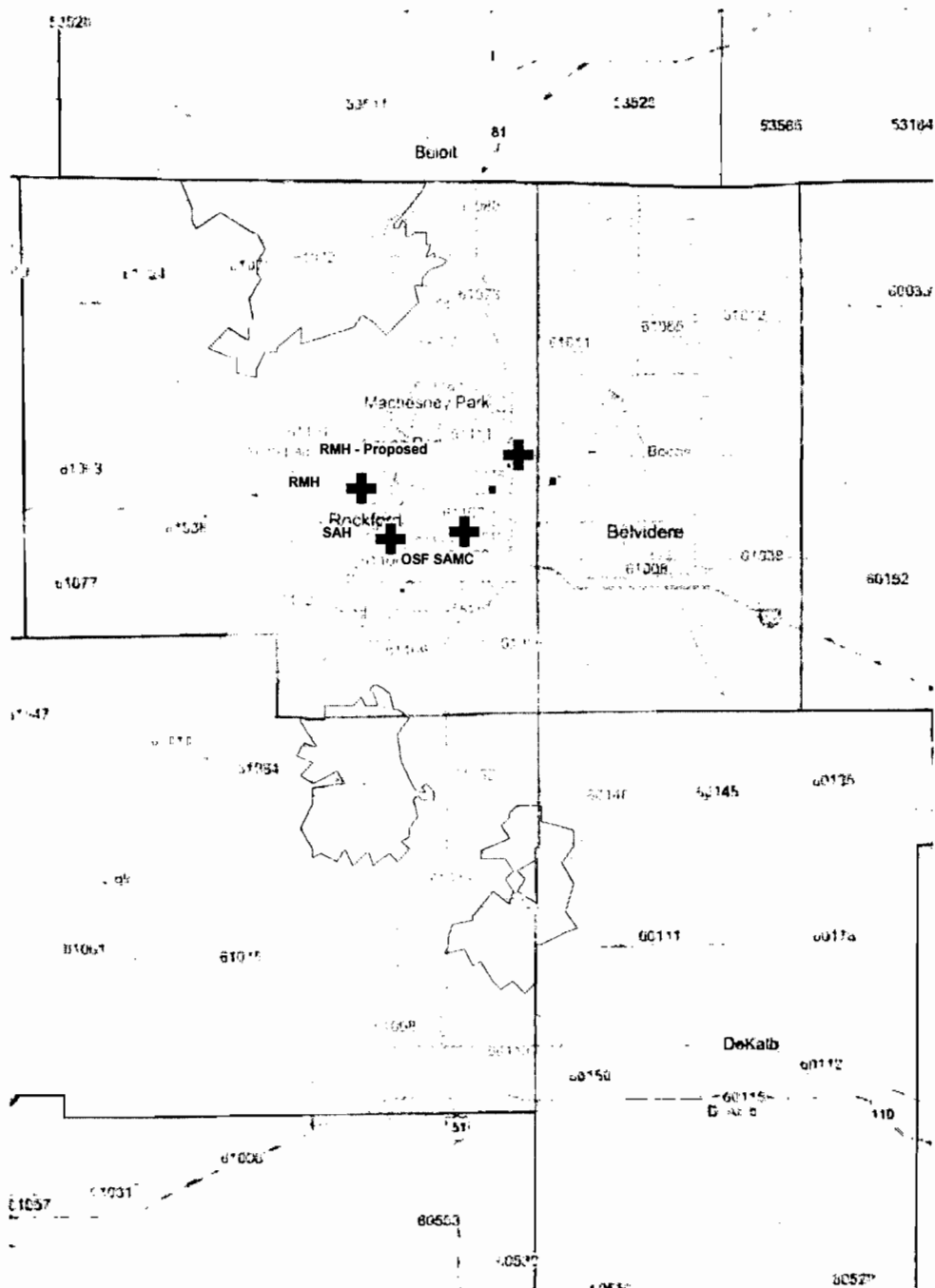
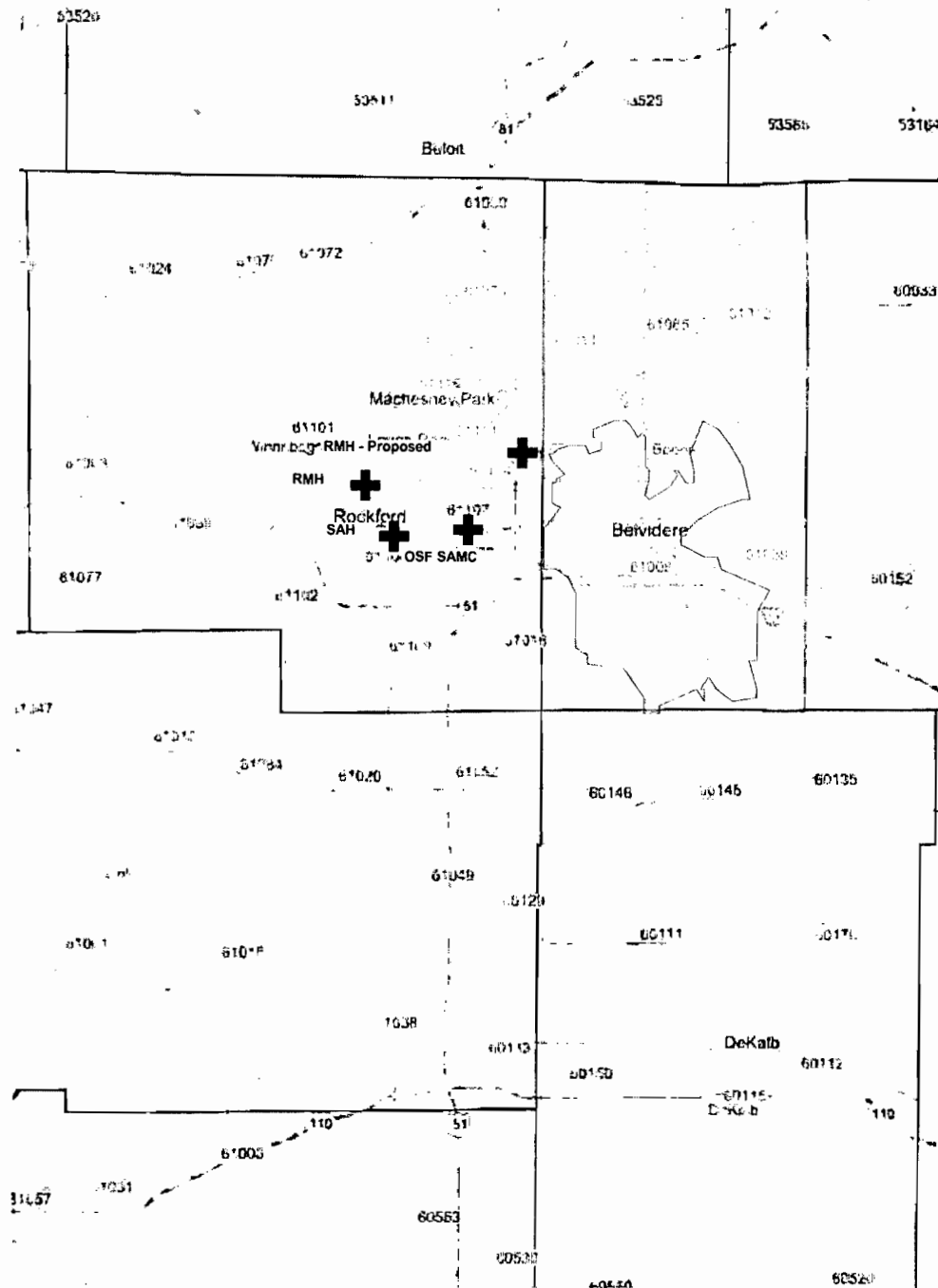


Exhibit IX

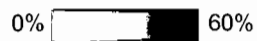
Selected 9 Zip Codes



OSF SAMC Outpatient Cases - Market Share



OSF SAMC Inpatient Cases - Market Share



OSF SAMC Total Cases - Market Share



Deloitte Financial Study on MercyRockford's Operating Costs

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October 25, 2015

David Stenerson
Chief Financial Officer
OSF Saint Anthony Medical Center
5666 E. State St.
Rockford, IL 61108-2381

Re: Estimated Duplicative Costs to Mercy Rockford Health System

Dear Mr. Stenerson:

At your request, we have calculated the estimated duplicative costs to Mercy Rockford Health System ("Mercy Rockford Health") of the proposed new hospital ("Mercy Rockford Riverside") to be built by Mercy Rockford Health at I-90/39 & East Riverside Drive in Rockford Township, Illinois and the continued use to the existing hospital located at 2400 N. Rockton Avenue, Rockford, IL ("Mercy Rockford Rockton"). This letter summarizes the background, purpose, and approach and methodologies associated with our analysis and presents our key calculations and conclusions.

BACKGROUND

We understand that Mercy Rockford Health System ("Mercy Rockford Health") is seeking to build a second hospital ("Mercy Rockford Riverside") at I-90/39 & East Riverside Drive in Rockford Township, Illinois, at an estimated total project cost of \$407.2 million. In connection with the opening of the hospital, Mercy Rockford Health proposes to reduce its current authorized beds of 391 to 282 at its current location of 2400 N. Rockton Avenue, Rockford, IL 61103 ("Mercy Rockford Rockton") but move a majority or 188 of its remaining beds to the new Mercy Rockford Riverside facility.

In addition to the proposed new hospital, Mercy Rockford Health submitted a CON application to reconfigure and renovate the existing Mercy Rockford Rockton facility through repurposing a portion of the hospital's existing space. Medical/surgical, ICU, Acute Mental Illness and observations beds, including a variety of outpatient services, emergency department, ancillary clinical services, and other support services including physician offices will remain at the existing facility. The estimated total project costs of the renovation of Mercy Rockford Rockton is estimated at 10.0 million.

PURPOSE

The purpose of this analysis is to estimate the duplicative costs resulting from Mercy Rockford Health operating two hospitals in Rockford approximately nine miles away from each. We understand that this analysis will be used in connection with substantiating SAMC's contention that, should the CON applications be approved, the proposed facility would have a significant adverse financial impact on SAMC and would impair its ability to fund current operations, service its debt and adequately serve the community.

We understand our work product will be used and that we may be called upon to present our calculations in connection with the Illinois Health Facilities and Services Review Board's consideration of Mercy Rockford Health's proposed CON applications, as well as the possible judicial review of the decision rendered by the Illinois Health Facilities and Services Review Board with respect to the Mercy Rockford Health CON applications. No other use of this analysis and related work product is intended or should be inferred.

APPROACH AND METHODOLOGY

Our estimate of the duplicative costs to Mercy Rockford Health and to the community is based on Mercy Rockford Health's plan to build a new hospital on the east side of Rockford and its continued operations at its west side hospital. We utilized the summary of square footage as provide in the CON application for the proposed new Mercy Rockford Riverside facility and the CON application to renovate the existing Mercy Rockford Rockton facility. The changes to the square footage of both projects are as follows:

Summary of CON Applications/Projects	Mercy Rockford Riverside Campus	Mercy Rockford Rockton Campus	Total
Existing Square Feet¹	0	455,643	455,643
Proposed and Revised Square Feet¹	450,803	283,555	<u>734,358</u>
Net Additional Square Feet			<u>278,715</u>

Mercy Rockford Health intends to renovate and repurpose the existing Mercy Rockford Rockton campus. Based on the CON application and the letter from Axel & Associates dated September 15, 2015 which clarifies the square footage changes, Mercy Rockford Rockton will continue to utilize 283,555 square feet of which 187,901 square feet will be renovated and modernized. Mercy Rockford Rockton will vacate 99,725 square feet.

Assuming both CON applications are approved, Mercy Rockford Health will be increasing the combined space of both campuses by 278,715 square feet to serve the same patient base that they serve currently. Mercy Rockford Health has stated in the CON application of the Mercy Rockford Riverside project that due to the proximity of the two sites, and because of the "split" services, the communities served by each hospital campus is anticipated to vary only slightly. Mercy Rockford Health also stated that after the completion of the projects, the patient origin will remain very similar to the 2014 patient origin except for specialty services that are referred from Mercy's Wisconsin service area. The CON application does not quantify the patient volumes that will be coming from Mercy's Wisconsin service area.

Based on industry sources²³⁴⁵ and Deloitte's own proprietary sources, the operating cost per square foot for a hospital is estimated to range from \$14 to \$19.50 per square foot. Based on the additional 278,715 square feet will be an added cost to Mercy Rockford Health's financial statements between \$3.9 million and \$5.4 million annually. Since this additional cost is to serve the same patient base, Deloitte FAS and OSF Saint Anthony Medical Center ("SAMC") believe this cost to be unnecessary and duplicative.

¹ Gross Square Feet is net of square feet for non-project designated areas

² <http://www.beckershospitalreview.com/strategic-planning/ending-the-era-of-super-sized-health-care-facilities.html>

³ <http://www.danielpenn.com/maintenance-cost-of-your-hospital/>

⁴ facilityexecutive.com/wp-content/uploads/ASHEIFMABenchmark.pdf

⁵ Action OI – Truven Health Analytics

CONCLUSION

Based on the analysis presented above, and assuming Mercy Rockford Health's CON applications were approved and Mercy Rockford Health pursued its plan to build a new hospital and renovate its existing facility on the west side of Rockford, Mercy Rockford Health System would incur duplicative costs in the range of \$3.9 million to \$5.4 million annually.

We are independent of SAMC and our fee for this analysis is in no way influenced by the results of our work. The qualifications of the individuals who prepared this analysis are attached as Appendix A to this report.

LIMITATIONS

The information contained within has been derived primarily from documents provided by SAMC, as well as from the Rockford Health System's CON application and related documents. This information includes both audited and unaudited financial and operational information. We have not audited, reviewed, or compiled this information. Accordingly, we express no opinion or other form of assurance on it.

Our procedures with respect to any forecasts, projections, or forward-looking financial information included or referred to herein, do not constitute an examination of a forecast in accordance with U.S. generally accepted auditing standards, nor do they constitute an examination of a forecast in accordance with standards established by the AICPA. Therefore, we express no opinion or other form of assurance on them.

Our observations, analyses, and calculations are based on the available data, procedures and analysis set forth herein. They are subject to revision upon the performance of additional procedures or additional information we may become aware of.

We are pleased to provide this analysis to SAMC.

Very truly yours,

Deloitte Financial Advisory Services LLP

APPENDIX A

Qualifications

The individuals responsible for performing this analysis are members of Deloitte Financial Advisory Services health care financial advisory services practice.

Robert Clarke is the engagement Partner on this assignment. Bob is a national practice leader for our health care industry financial advisory services practice. Bob has more than 30 years of public accounting and financial consulting experience. Bob has served as client service on several academic medical centers, health systems, community hospitals, physician group practices and managed care organizations. He also provided these health care clients with counsel in areas such as financing, benchmarking and financial performance analysis, third party reimbursement, financial and accounting management, information systems and due diligence on business acquisitions.

Richard L. Piekarz is a Senior Manager in Deloitte Financial Advisory Services LLP. He has over twenty years of extensive industry experience providing clients with consultation. He works with clients in a variety of planning, decision support, operational and financial improvement and transaction related settings. He has provided reimbursement, regulatory, due diligence, revenue and financial consulting services for complex hospitals, health systems, joint ventures, skilled nursing facilities, home health agencies and health plans.

Mark Blumkin

Mark is an advisory Director on this engagement. Mark is a Director in the Capital Projects consulting practice in the New York office of Deloitte Advisory. He has over 30 years of experience in capital projects and facilities operations focused on advising project owners on how to improve the management, control and execution of their capital projects. Mark's experience includes working across many industries with a focus on health care and life sciences.

Deloitte Financial Study on MercyRockford's Bond Rating

October 25, 2015

David Stenerson
Chief Financial Officer
OSF Saint Anthony Medical Center
5666 E. State St.
Rockford, IL 61108-2381

Re: Potential Impact on Mercy Rockford Health's Bond Rating

Dear Mr. Stenerson:

At your request, we have calculated the potential impact to Mercy Rockford Health System ("Mercy Rockford Health") of the proposed new hospital ("Mercy Rockford Riverside") and medical clinic buildings ("Mercy Rockford Medical Clinics") to be built by Mercy Rockford Health at I-90/39 & East Riverside Drive in Rockford Township, Illinois and the renovation to the existing hospital located at 2400 N. Rockton Avenue, Rockford, IL ("Mercy Rockford Rockton") This letter summarizes the background, purpose, and approach and methodologies associated with our analysis and presents our key calculations and conclusions.

BACKGROUND

We understand that Mercy Rockford Health System ("Mercy Rockford Health") is seeking to build a second hospital ("Mercy Rockford Riverside") at I-90/39 & East Riverside Drive in Rockford Township, Illinois, at an estimated total project cost of \$407.2 million. In connection with the opening of the hospital, Mercy Rockford Health proposes to reduce its current authorized beds of 391 to 282 at its current location of 2400 N. Rockton Avenue, Rockford, IL 61103 ("Mercy Rockford Rockton") but move a majority or 188 of its remaining beds to the new Mercy Rockford Riverside facility.

Mercy Rockford Health has also submitted a separate CON application for the establishment of a medical clinics building on the Mercy Rockford Riverside campus, which will be connected to the proposed Mercy Rockford Riverside facility. Mercy Rockford Health states the 50% of the space in the medical clinics building will be used as physician offices, with the remained being allocated for a limited scope of outpatient services, administrative functions and support and public areas. The estimated costs of Mercy Rockford Medical Clinics is estimated at \$83.6 million.

In addition to the above two projects, Mercy Rockford Health submitted a third CON application to reconfigure and renovate the existing Mercy Rockford Rockton facility through repurposing a portion of the hospital's existing space. Medical/surgical, ICU, Acute Mental Illness and observations beds, including a variety of outpatient services, emergency department, ancillary clinical services, and other support services including physician offices will remain at the existing facility. The estimated total project costs of the renovation of Mercy Rockford Rockton is estimated at 10.0 million.

PURPOSE

The purpose of this analysis is to estimate the potential impact of these three CON applications on Mercy Rockford Health's financial performance and bond rating. We understand that this analysis will be used in connection with substantiating SAMC's contention that, should the CON applications be approved, the proposed facility would have a significant adverse financial impact on SAMC and would impair its ability to fund current operations, service its debt and adequately serve the community.

We understand our work product will be used and that we may be called upon to present our calculations in connection with the Illinois Health Facilities and Services Review Board's consideration of Mercy Rockford Health's proposed CON applications, as well as the possible judicial review of the decision rendered by the Illinois Health Facilities and Services Review Board with respect to the Mercy Rockford Health CON applications. No other use of this analysis and related work product is intended or should be inferred.

APPROACH AND METHODOLOGY

Our estimate of the impact on Mercy Rockford Health's bond rating is based on the estimated costs of the three projects from the related CON applications submitted. We utilized the project costs and sources of funds as provided in each of the related CON applications. The projects costs and sources of funds are as follows:

Summary of CON Applications/Projects (000's)	Mercy Rockford Riverside	Mercy Rockford Medical Clinics	Mercy Rockford Rockton	Total
Project Costs	\$ 407,196	\$ 68,586	\$ 9,993	\$ 485,775
Sources of Funds				
Cash	\$ 15,000	\$ 15,000	\$ 9,993	\$ 39,993
Bond Issuance	\$ 392,196	\$ 53,586	\$ 0	\$ 445,782

We utilized audited financial statements for Rockford Health System for December 31, 2014 and audited financial statements for Mercy Alliance, Inc. for June 30, 2014 in order to recognize that effective January 1, 2015 the two system joined to become Mercy Rockford Health System. In addition we made the following adjustments to their financial statements reflecting the added costs that the Mercy Rockford Health System would be undertaking should all of the proposed projects be approved:

- Project costs split between buildings and equipment
- Project sources of funding split between cash and bond issuance as shown above
- Depreciation expense for the buildings and equipment
- Amortization of bond issuance costs from the CON
- Duplicative costs of operating two hospitals in Rockford
- Bond Financing based on a rate of 4.96% amortized over 30 years as stated in the CON

The proforma results of the Mercy Rockford Health System which included the additional costs from the three projects were compared to the following key ratios for Moody's Aa, A and Baa rated hospitals¹. While the current consolidated Mercy Rockford Health System operates closely to or within the range of a number of key operating metrics for Aa and A rated hospitals, the added costs of approximately \$486 million cause Mercy Rockford Health to no longer be close or within the range of any of the key performance metrics shown below for Aa and A rated hospitals. We have also included Moody's Baa rating for comparison to Mercy Rockford Health's estimated pro-forma operating metrics. Estimated pro-forma performance for Mercy Rockford Health fails to meet 5 of 6 benchmark ratios for Baa organizations.

Ratio	Mercy Rockford Health 2014 ²	Mercy Rockford Health System Pro-Forma	Moody's Aa rated	Moody's A	Moody's Baa rated
Days Cash on Hand	220	202	285	225	151
Cash to Debt	175.2%	66.4%	213.6%	155.3%	98.3%
Debt to Total Capitalization	31.6%	53.7%	27.5%	32.5%	42.7%
Debt Service Coverage	4.0x	1.6x	8.6x	5.4x	3.6x
Operating Cash Flow Margin	7.3%	6.6%	11.0%	10.4%	8.7%
Operating Margin	0.7%	-6.1%	4.8%	3.1%	1.3%

CONCLUSION

As evidenced from project costs totaling \$486 million funded with \$40 million in cash, and a bond financing of \$446 million, Mercy Rockford Health will experience a significant deterioration of all the key performance metrics shown above. Based on the analysis presented above, and assuming Mercy Rockford Health's CON applications were approved and Mercy Rockford Health pursued its plan to build a new hospital and medical clinics building on Rockford's east side and renovate its existing facility on the west side of Rockford, Mercy Rockford Health System's current A3 rating would be at risk. See Exhibits I and II, which are attached.

We are independent of SAMC and our fee for this analysis is in no way influenced by the results of our work. The qualifications of the individuals who prepared this analysis are attached as Appendix A to this report.

LIMITATIONS

The information contained within has been derived primarily from documents provided by SAMC, as well as from the Rockford Health System's CON application and related documents. This information includes

¹ Moody's Not-for-Profit and Public Healthcare Fiscal Year 2014 Medians dated September 10, 2015.

² Includes the combined financial statements of Rockford Health System and Affiliated Corporations & Mercy Alliance, Inc. and Affiliates

David Stenerson
OSF Saint Anthony Medical Center
October 25, 2015
Page 4 of 5

both audited and unaudited financial and operational information. We have not audited, reviewed, or compiled this information. Accordingly, we express no opinion or other form of assurance on it.

Our procedures with respect to any forecasts, projections, or forward-looking financial information included or referred to herein, do not constitute an examination of a forecast in accordance with U.S. generally accepted auditing standards, nor do they constitute an examination of a forecast in accordance with standards established by the AICPA. Therefore, we express no opinion or other form of assurance on them.

Our observations, analyses, and calculations are based on the available data, procedures and analysis set forth herein. They are subject to revision upon the performance of additional procedures or additional information we may become aware of.

We are pleased to provide this analysis to SAMC.

Very truly yours,

Deloitte Financial Advisory Services LLP

APPENDIX A

Qualifications

The individuals responsible for performing this analysis are members of Deloitte Financial Advisory Services health care financial advisory services practice.

Robert Clarke is the engagement Partner on this assignment. Bob is a national practice leader for our health care industry financial advisory services practice. Bob has more than 30 years of public accounting and financial consulting experience. Bob has served as client service on several academic medical centers, health systems, community hospitals, physician group practices and managed care organizations. He also provided these health care clients with counsel in areas such as financing, benchmarking and financial performance analysis, third party reimbursement, financial and accounting management, information systems and due diligence on business acquisitions.

Richard L. Piekarz is a Senior Manager in Deloitte Financial Advisory Services LLP. He has over twenty years of extensive industry experience providing clients with consultation. He works with clients in a variety of planning, decision support, operational and financial improvement and transaction related settings. He has provided reimbursement, regulatory, due diligence, revenue and financial consulting services for complex hospitals, health systems, joint ventures, skilled nursing facilities, home health agencies and health plans.

Megan Kendall is a Manager in Deloitte Transactions and Business Analytics LLP and has over five years of experience in the healthcare industry. She has performed appraisals in connection with strategic planning consulting, risk management, mergers and acquisitions, and financial reporting purposes. Prior to joining Deloitte Transactions and Business Analytics LLP, Ms. Kendall worked within the attest practice at Deloitte serving major public and privately-held clients providing financial and statistical analyses for audit purposes.

Permit for Project #15-021
Approved June 3, 2015

Attachment T



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: (217) 785-4111

June 3, 2015

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

David Stenerson, V.P., CFO
OSF St. Anthony Medical Center
5666 E. State Street
Rockford, IL 61108

Re: Project Number: #15-021
Facility Name: OSF St. Anthony Medical Center
Facility Address: 5666 E. State Street, Rockford, Illinois
Applicants: OSF Healthcare System
Permit Holder(s): OSF Healthcare System d/b/a OSF Saint Anthony Medical Center
Licensee/Operating: OSF Healthcare System d/b/a OSF Saint Anthony Medical
Owner(s) of Site: OSF Healthcare System
Project Description: Major Modernization through the construction of an attached 4 story Bed pavilion. Some minor renovation of existing space. No change in services.
Permit Amount: \$ 85,292,193.00
Permit Conditions: None
Project Obligation Date: December 2, 2016
Project Completion Date: March 31, 2018
Annual Progress Report Due Date: June 2, 2016

Dear Mr. Stenerson:

On June 2, 2015 the Illinois Health Facilities and Services Review Board approved the application for permit for the above referenced project. This approval was based upon the substantial conformance with the applicable standards and criteria in the Illinois Health Facilities Planning Act (20 ILCS 3960) and 77 Illinois Administrative Codes 1110 and 1120.

In arriving at a decision, when applicable, the Board adopted the State Board staff findings, considered the application materials, public hearing testimony, public comments and documents, testimony presented before the Board and any additional materials requested by State Board staff.

This permit is valid only for the defined construction or modification, site, amount and the named permit holder and **is not transferable or assignable**. In accordance with the Planning Act, the permit is valid until such time as the project has been completed, provided that all post permit requirements have been fulfilled, pursuant to the requirements of 77 Illinois Administrative Code 1130 and may result in an invalidation of the permit, sanctions, fines and/or State Board action to revoke the permit.

The permit holder is responsible for complying with the following requirements in order to maintain a valid permit. Failure to comply with the requirements may result in expiration of the permit or in

State Board action to revoke the permit.

1. OBLIGATION-PART 1130.720

The project must be obligated by the **Project Obligation Date**, unless the permit holder obtains an "Extension of the Obligation Period" as provided in 77 Illinois Administrative Code 1130.730. Obligation is to be reported as part of the first annual progress report for permits requiring obligation within 12 months after issuance. For major construction projects which require obligation within 18 months after permit issuance, obligation must be reported as part of the second annual progress report. If project completion is required prior to the respective annual progress report referenced above, obligation must be reported as part of the notice of project completion. The reporting of obligation must reference a date certain when at least 33% of total funds assigned to project cost were expended or committed to be expended by signed contracts or other legal means.

2. ANNUAL PROGRESS REPORT-PART 1130.760

An annual progress report must be submitted to HFSRB every 12th month from the permit issuance date until such time as the project is completed.

3. PROJECT COMPLETION REQUIREMENTS-PART 1130.770

The requirements for a compliant Final Realized Costs Report are defined in the State Board's regulations under 77 Ill. Adm. Code 1130.770. **Effective June 1, 2013, substantive changes to the 77 Ill. Adm. Code 1130 rules went into effect. Please be advised that permit holders should follow the direction in Section 5 of the Act regarding deadlines for submitting post-permit reporting requirements and disregard the deadline language in 77 Ill. Adm. Code 1130.770.**

This permit does not exempt the project or permit holder from licensing and certification requirements, including approval of applicable architectural plans and specifications prior to construction.

Please note that the Illinois Department of Public Health will not license the proposed facility until such time as all of the permit requirements have been satisfied.

Should you have any questions regarding the permit requirements, please contact Mike Constantino at mike.constantino@illinois.gov or 217-782-3516.

Sincerely,



Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board

cc: Kathy J. Olson, Chairwoman

Prism Consulting Services Analysis of MercyRockford's CON Applications

October 27, 2015

Paula A. Carynski
President
OSF Saint Anthony Medical Center
5666 East State Street
Rockford, Illinois 61108

Re: 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

Dear Ms. Carynski,

We were requested by OSF Saint Anthony Medical Center to review these three permit applications in the context of required CON permit application criterion as compared to the respective applications and also any supplemental material which may have been submitted to the Illinois Health Facility and Services Review Board (IHFSRB) during the comment period. Based on our experience, we also were requested to judge whether or not the applications should be approved. The respective permit applications were filed with Interstate Alliance, Inc., dba Mercy Rockford Health System and Rockford Memorial Hospital as co-applicants.

In our judgment, Mercy Rockford's Permit Applications should be denied because they do not comply with applicable review criteria.

Mercy Rockford proposes to "discontinue" certain existing hospital services at Rockford Memorial Hospital (Rockton Avenue Campus) and "establish" them in a new Hospital on the Riverside Boulevard Campus in conjunction with a new Medical Clinics Building which proposes to house relocated physicians and select hospital-related clinical service areas. Rockford Memorial Hospital is located on Rockford's west side. The proposed Riverside Boulevard Hospital Campus is located on Rockford's east side. If approved, the Applicants will then operate two hospitals in Rockford creating a fourth hospital in a market with declining population.

THE MERCYROCKFORD APPLICATIONS DO NOT COMPLY WITH THE BOARD'S REVIEW CRITERIA

MercyRockford's three CON applications should be denied because they do not substantially comply with the applicable review criteria.

A. Establishing the New Hospital (Application #15-039) is Dependent on Discontinuing Existing Hospital Services (Application #15-038). Neither Application Complies With the Board's Review Criteria

Project No. 15-038 fails to meet the following discontinuation review criteria.

- i. Criterion 1110.130 Discontinuation (Attachment 10):
 - a. Categories of service include inpatient beds, Cardiac Catheterization, and Open Heart Surgery services, the latter were included in the required notification letters but there is no documentation the appropriate hospitals were contacted. The impact letters appear to be incomplete.
 - b. No documentation is provided (such as maps) to identify the hospitals located within a 45-minute travel time from either the proposed new campus or the existing campus, to document those hospitals required to receive impact letters.
 - c. Criterion 1110.1230 requires a 90-minute travel time related to open-heart services. No documentation is provided to identify those hospitals within this travel time. There is no documentation these hospitals were contacted regarding discontinuation in Application #15-038. Notification letters were not provided to demonstrate impact on access for this discontinued service or the cardiac catheterization service.
 - d. No data is provided regarding the "anticipated date of discontinuation" for each identified service, as required.
 - e. Information regarding the anticipated use of the physical plant and equipment, post-discontinuation, is not provided, as required.
 - f. Criterion 1110.130(b) sets out examples necessary to justify discontinuation. The permit application does not include information to justify the reasons for discontinuation nor the reason(s) justifying a new hospital campus (Permit #15-039).

- g. Attachment 10 fails to meet the discontinuation criteria submission requirements and is deficient regarding any supporting details for what is presented in the permit application.
 - h. The impact letters note “re-establishment” of services. The Review Board does not have either a definition for, or criteria for, re-establishment. See Section 1100.220.
 - ii. Criterion 1110.230 Background, Purpose, and Alternatives (Attachments 11, 12, and 13)
 - a. The applicants do not provide a listing of “all healthcare facilities owned or operated by the applicant”, nor the associated licenses and certification for each (e.g. Mercy Harvard), as required. (Attachment 11)
 - b. No documentation is provided demonstrating the proposed project(s) will improve the healthcare or well-being of the market area population to be served. What is the market? Patients from Rockford’s west side are expected to be negatively impacted due to access constraints caused by service relocations to the proposed east side Riverside campus. (Attachment 12)
 - c. No service area population, demographic, or market analysis is included to support the unsubstantiated claims pertaining to improved access for Wisconsin patients, or the statement that the communities served will vary only slightly. (Attachment 12)
 - d. Similar to the discontinuation criteria which have not been met by the Applicants, there is no information provided to identify existing problems or issues to be addressed. (Criterion 1110.230(b)) (Attachment 12)
 - e. Attachment 12 explicitly states ... “For facility projects, include statements of age and condition and regulatory citations, if any. For equipment being replaced, include repair and maintenance records” ... No documentation is provided in either #15-038 or #15-039, as is required.
 - f. Attachment 13, Alternatives, explicitly requires certain comparative analysis be provided. The applicants fail to address the criteria in several areas:
 - 1. Other options, including joint ventures, must be examined and explained; they are not.

2. A comparison of alternatives including project costs, patient access, quality, and financial benefits, short- and long-term are explicitly required; the comparisons are not provided.
3. Empirical evidence demonstrating improved quality of care is not provided, as available to satisfy this criterion.

iii. Criterion 1110.234: Project Scope, Utilization, and Unfinished / Shell Space

Project Scope (Attachment 14)

- a. The criteria requires a narrative documenting that the amount of physical space is not “excessive”. The Application acknowledges there will be more space allocated to select remaining functions than is necessary. As such, State Board standards will be exceeded and one can conclude operational costs will be incrementally greater than if the areas were appropriately sized. Approving a project with “excessive operating costs” is not consistent with the Review Board’s underlying charter. In addition, the use of excess / vacated space is not clarified, nor are the associated costs, nor are the costs of proposed facility demolitions identified.
- b. In addition, Attachment 14 requires the applicant justify sq. ft. discrepancies through documentation based on at least one of the criteria in the Review Board’s Application for Permit. Such documentation is not provided.
- c. The permit application states there will be a substantial amount of vacated space approximating 300,000 sq. ft., 207,000 of which will be made available ... “for use by not-for-profit community agencies and organizations.” The use and cost of this “excessive” space is not addressed in detail as required by Criterion 1120.140(c), Reasonableness of Project and Related Cost, Attachment 39. Approximately \$5.00 / sq. ft. is suggested as a capital cost for the 207,000 sq. ft. This small amount appears incorrect.
- d. No documentation such as letters of intent are included to indicate the 207,000 sq. ft. to be vacated is desired by other agencies. What will be the valid modernization cost? Will rent be charged?

- e. Attachment 14 asserts ... “The allocated space is reasonable and not excessive...” without providing documentation to substantiate the statement / assertion.

iv. Criterion 1110.234: Project Scope, Utilization, and Unfinished / Shell Space

Project Services Utilization (Attachment 15)

- a. The application states “...Anticipated utilization is generally based on historical utilization ...” yet, there are proposed increases in projected utilization with no supporting market nor analytical documentation. These unsubstantiated assertions are material in justifying the need for categories of service and clinical service areas.
- b. Assertions related to medical / surgical midnight census data, day-of-the-week and seasonal fluctuations are made to justify the number of requested med/surg beds. There is no data in the application which substantiates these assertions. That said, isn't the Review Board average occupancy criteria formula meant to recognize these fluctuations? Assuming so, the applicant has not provided any methodology which either challenges the Review Board criteria or substantiates their proposed bed need methodology and outcome.
- c. To meet the Review Board's 85% med/surg occupancy criteria, the required average daily census (ADC) would be 130.9 patients or 28.5% above the 2014 utilization level based on the proposed 154 med/surg (M/S) beds. By the applicants own admission, the historical medical / surgical census, on which the applicant bases its “need”, was 101.9. Thus, the proposed 154 M/S beds will, based on historical data, operate at an average 66.2% occupancy, which is far below Review Board criteria. The proposed number of M/S beds is excessive and not substantiated in total, nor by any supporting analysis.
- d. Assertions regarding increased market share from Wisconsin in support of the projected need for additional M/S beds suggests a different market definition and utilization over and above historical trends. There is no documentation to support this unsubstantiated assertion.

- e. There is no narrative or methodology, as required, that substantiates the statement a 4-bed ICU will be adequate to "... appropriately support a Comprehensive Emergency Department" at the estimated utilization level. A simple ED utilization / ICU admission data ratio analysis indicates, based on historical RMH utilization, the proposed 4-bed ICU is substantially undersized.
 - f. No market, patient origin, or diagnosis analysis is provided to support the assertion a 17 treatment station ED is correctly sized for the proposed west side campus.
 - g. The "anticipated" use of surgery hours to support the proposed 4-room surgical suite at the Rockton Avenue campus is an unsubstantiated assertion. Where is the supporting analysis, as required by the criterion?
 - h. Certain clinical services such as Endoscopy and Bronchoscopy propose to be discontinued. These clinical services, although not explicitly required by the criterion, were not identified in the impact letters nor is there any documentation these services will not be required on the Rockton campus.
- v. Criterion 1110.530: Medical Surgical, Obstetric, Pediatric, and Intensive Care (Attachment 20)

Based on the proposed severe downgrading of the Rockton Avenue hospital campus through significant bed and clinical service discontinuations, as well as the proposed physician relocations to the Riverside campus, the modernization criteria in 1110.530 apply to this permit application. These are:

- a. 1110.530(e)(1) Deteriorated Facilities

No studies, data, nor analysis is provided. This criteria is not addressed.

- b. 1110.530(e)(2) Documentation

This criteria is not addressed, as required.

- c. 1110.530(e)(3) Cited Problems Documentation

This criteria is not addressed, as required.

d. 1110.530(e)(4) Occupancy

Assertions are made that the M/S and ICU occupancy will ... “operate at or above the target occupancy rate” ... established by the Review Board. No documentation is provided to substantiate these assertions.

e. 1110.530(g) Performance Requirements

The two key permit applications, 15-038 and 15-039, essentially propose to establish a new hospital on Rockford’s east side while substantially degrading services on the existing Rockford Memorial Hospital west side Rockton Avenue campus. The applications assert a “one-hospital – two-campus” operation will be the result. There is no documentation substantiating IDPH will license each under the currently licensed hospital, Rockford Memorial Hospital. The performance criteria does not appear to have been met by the Applicants, in this regard.

f. 1110.530(h) Assurances

The attestation letter asserts ... “it is my expectation and understanding that by the second year following project completion each of the IDPH categories of service ...will be operating at the IHFSRB target utilization rate...”

No data is provided to substantiate the various assertions in the permit applications nor support the attestations in the required assurance letter.

- g. The Applicant states the med / surg and ICU units are dated. Yet proposed modernization costs are only \$20.00 and \$40.00 / sq. ft. respectively.
(Attachment 39, Page 117)

vi. Criterion 1110.1230: Open Heart Surgery and Criterion 1110.1330 : Cardiac Catheterization (Attachments 24 and 25)

- a. The 15-038 permit application does not include required documentation that the cardiac catheterization or open heart surgery services propose to be “discontinued” on the Rockton Avenue campus. The required criterion is not fully addressed. As well, the impacted hospitals were not identified and the required impact letters were not provided. The Permit Application is incomplete.

- b. On its face, this overall proposal would create service duplication and, as proposed, would not be justified by historical utilization. Cardiac surgery cases fell by 38.5% from 179 to 110 cases between 2010 and 2014 with a low 84 cases in 2013. This service is not justified based on historical trends.

vii. Criterion 1110. General Summary

- a. Criterion 1110.230: The proposal calls for centralizing certain clinical services on the Riverside campus. This would limit access to high-tech health care for many West Side residents. Why is this necessary? The proposal does not answer this question.
- b. Criterion 1110.530 Medical / Surgical, OB, Peds and ICU: The application fails to address numerous applicable criteria under this section.
- c. Criterion 1110.1230 and 1110.1330 Open Heart Surgery and Cardiac Catheterization: Again, the application does not address the various requirements for these services.

viii. Criterion 1110.3030: Clinical Service Areas Other Than Categories of Service (Attachment 34)

- a. The Clinical Service Area (CSA) criteria are applicable to project components not identified as "Categories of Service". The Applicant proposes to centralize certain services on the Riverside campus and "split" certain services between the existing Rockton Avenue campus and the Riverside campus. The application contains incomplete data on select CSA's, and based on Section 1110.3030, does not provide information on other CSA's, as required. These CSA's are:
 - 1. Ambulatory Care Services
 - 2. Laboratory
 - 3. Pharmacy
 - 4. Occupational Therapy / Physical Therapy
- b. The required table shown on Page 79, Attachment 34 of the application, indicates there are currently 14 imaging units on the Rockton Avenue campus; 4 units are proposed to remain ... one each R&F, CT, MRI, and ultrasound. There is no analysis to support these modalities will be

sufficient to serve the campus and its proposed programs. The Rockton Avenue campus imaging program will be severely downgraded under this proposal. In addition, the Applicants state that imaging and other diagnostic services will only be utilized to service inpatient and ED patients. This does not seem reasonable given the physicians to remain on-site. These primarily west side patients will have severe access issues getting to the Riverside campus.

- c. The permit application text indicates the imaging department has 23-key rooms. The associated table indicates 14 imaging units. This discrepancy suggests more residual capability than is being disclosed. Appropriate information has not been submitted. Are there 9 additional unreported imaging units?

- d. Criterion 1110.3030(c)(3)(A) and (c)(3)(B): Utilization

Rockford Memorial Hospital reportedly has imaging units in off-site facilities. AHQ reporting criteria includes such units and their respective utilization in the Hospital data. The application(s) appear to utilize this off-site imaging capability and related utilization to justify hospital-based on-site units. Thus, the need for hospital-based units is overstated.

- e. Criterion 1110.3030 requires documentation of deteriorated facilities to support modernization and/or establishment projects; no information is provided to support establishing a new hospital as being proposed.
- f. There is no methodology or associated analysis to support the “split” of clinical services between the two hospital campuses, as proposed. In addition, one can speculate, based on the lack of supporting information, the proposed initial and projected utilization is predicated primarily on meeting Review Board guidelines and standards and not based on a reasoned care delivery model with documentation to demonstrate the need for beds and associated clinical services.
- g. Overall, the application is deficient in the information provided and lacks information for certain CSA's, as is required by the criterion.

B. The New Hospital Application (#15-039) Does Not Comply with the Review Board's Establishment Criteria:

Project No. 15-039 fails to meet the following establishment review criteria:

- i. Criterion 1110.130: The required discontinuation criteria are not met in permit application 15-038 to support establishing a new hospital. The underlying information / data is vague, inadequate, incomplete, and inaccurate thereby failing to establish the need for a new campus (see above and primarily Attachment 10, Project # 15-038).
- ii. Criterion 1110.230: Attachment 11, the Applicant failed to disclose ... "all healthcare facilities owned / operated by the applicant including licensing and certifications". Why were they not included?
- iii. Criterion 1110.230: Project Purpose, fails to document, as is required: (Attachment 12)
 - a. The project will improve healthcare or well-being of the market area. No documentation is provided. A new market area is not described yet vague references are made regarding additional Wisconsin patients will be served.
 - b. No market based data or analysis is provided. The utilization projections rely on unsubstantiated assertions that the population of the service area is aging and additional utilization from Wisconsin will occur. (Permit Application, Page 78) The criteria is not met.
 - c. A redistribution of inpatients and outpatients, as well as clinical services, is proposed. This "split" of services, as proposed, is not based on demonstrable existing problems or issues needing to be addressed (see 1110.230(b) for examples of required documentation). Information is not provided to meet this criteria, hence, it is not met.
 - d. Reasonable goals with quantifiable and reasonable objectives are required to meet this criteria; those provided are not quantified.
- iv. Criterion 1110.230: Alternatives (Attachment 13)
 - a. "All" alternatives to the proposed project require identification. As previously stated, other alternatives than those included are apparent, such as:
 1. Expanding the Rockton campus to include currently owned contiguous properties. The Hospital is not "land-locked" as is asserted.

2. Joint ventures with one or more providers to meet all or part of the projects included purposes.
 - b. The stated alternatives were not compared, as is required, using total cost, patient access, quality, and financial benefits in the short- and long-term as comparative considerations noted in the criterion.
 - c. No documentation is provided to substantiate the information stated in the alternatives; for this reason and those identified above, Project # 15-039 fails to meet 1110.230 review criteria requirements.
- v. Criterion 1110.234: Project Scope (Attachment 14)
- a. The applicant assumes, but does not document the reasons for, the need for the range of services for which space is allocated. The criteria is not met.
 - b. No documentation is provided demonstrating deteriorated facilities on the Rockton Avenue campus prompting the need for the new Riverside campus development. The criteria is not met.
- vi. Criterion 1110.234: Project Services Utilization (Attachment 15)
- a. The applicant does not provide any methodology or documentation demonstrating the rationale behind the projected utilization of the Riverside campus. In fact, historical bed utilization appears to be double counted to justify the proposed beds and distribution between the two campuses. By way of example, RMH has a 2014 med/surg historical utilization of 37,199 patient days or an average daily census (ADC) of 101.9 patients excluding observation. The first year med/surg utilization of the Riverside campus is projected to be 30,000 patient days or an ADC of 82.2 patients. If the med/surg bed need is based on historical utilization, as the applicant states, that only leaves a med/surg ADC on the Rockton campus of 19.7 patients (101.9 patients, historical total, less an average 82.2 med/surg patients on the new Riverside campus, resulting in an ADC of 19.7 M/S patients on the Rockton campus). Thus, the underlying data and allocations are not substantiated and are suspect for both the existing and proposed new sites.
 - b. Attachment 15 proposes a 6.1% increase in pediatric utilization, 26.4% in obstetric utilization, 5.6% increase in births, and a 28.7% increase in ICU utilization in the second year of operation with no substantiating documentation.

- c. The applicant fails to meet this criterion on several levels based on the provided text; as well, it does not address certain associated clinical services proposed to be relocated from the Rockton Avenue campus to the Riverside campus such as nuclear medicine, angiography, endoscopy, and bronchoscopy in permit application 15-038, as required, to demonstrate the need for relocation.
- vii. Criterion 1110.530: Medical / Surgical, Obstetrics, Pediatric, and Intensive Care Beds (Attachment 20)
 - a. The Applicant states the project is based on transferring existing services and related volume from the existing Rockford Memorial Hospital Rockton Avenue campus to the proposed new hospital on the Riverside campus and relies on this assertion to justify need. There are 10 applicable review criteria which are required to “establish” beds.

The applicant fails to explicitly address 1110.530(b)(5) Planning Area Need – Service Accessibility; thus, the criteria is not met.
 - b. Throughout the application there are references to serving the same service area, yet assertions are made to also serve a larger geographic region. No analysis is provided, nor is there any reasonable methodology, to demonstrate that unnecessary duplication or maldistribution won’t occur given the proposed new hospital location in juxtaposition to existing Rockford providers (Criterion 1110.530(c)(1), and (c)(2), and (c)(3).
 - c. The applicant proposes to essentially operate two full service hospitals; one with marginal technology (Rockton Avenue campus) and the other with high technology (Riverside campus). As such, given their respective smaller scales with demonstrated excess space on the Rockton campus, one can logically assume there will be various inefficiencies, including staffing, when compared to a single site operation. Currently, there are 231 unfilled hospital open positions at OSF Saint Anthony’s totaling 140 Full Time equivalent positions indicating there will be issues associated with staff recruitment irrespective of the applicants staffing availability assertions (Criterion 1110.530(e)).

viii. Criterion 1110.1230: Establishment of Open Heart Surgery (Attachment 24)

a. Peer Review Criterion 1110.1230(a)

No information is provided by the applicant to fulfill the requirements of Attachment 24, as required.

b. Establishment Criterion 1110.1230(b)

No information is provided, as required by the applicant, pertaining to open heart patient referrals for the last two years from the cath lab to surgery.

c. Unnecessary Service Duplication Criterion 1110.1230(c)

1. The applicant does not provide any documentation identifying those hospitals within a 90-minute travel time from either the existing or proposed campuses which were required to be contacted. These hospitals require the appropriate impact letters. The applicant did not provide a list of the contacted hospitals, as is required by the criterion.

ix. Criterion 1110.1330: Establishment of Cardiac Catheterization (Attachment 25)

a. Criterion 1110.1330(b)

1. The applicant does not include documentation identifying those hospitals within the planning area providing cardiac catheterization services.
2. Lacking the identified hospitals, cardiac catheterization volume at these other facilities is not provided by the applicant.
3. Based on the applicant's lack of response to the criteria, any consideration for duplication of services and maldistribution cannot be evaluated. Thus, the criteria is not met.

x. Criterion 1110.3030: Clinical Service Areas (CSA) Other Than Categories of Service. (Attachment 34)

- a. The applicant does not provide any logical methodology to substantiate the proposed utilization. Statements such as ... "anticipated" utilization, "approximate" utilization, "conservative" estimates ... "increases" due to the ACA ... do not reflect the review criteria requirements which are analytical in nature. The criteria is not met.

- b. As noted in the comments pertaining to application 15-038, off-site utilization of certain proposed on-site imaging units appear to be included to justify the proposed hospital-based imaging modalities. The utilization data supporting the proposed units does not appear to be valid.
- c. The CSA documentation does not include any data pertaining to Ambulatory Care Services, Laboratory, Pharmacy, or Occupational Therapy / Physical Therapy as required by Section 1110.3030.
- d. Based on the above, and the lack of detail, the criterion is not met.

C. The MOB/Clinical Building Application (#15-040) Does Not Comply With The Board's Review Criteria

Project No 15-040 is non-compliant with the Review Board's rules in the following respects:

- i. While the applicants claim Project No. 15-040 is non-substantive, it is in fact a project by and on behalf of a health care facility that includes clinical service areas and far exceeds the capital threshold minimum. The project should be treated as "substantive" and conform to the applicable review criteria.
- ii. Outpatient services are an integral component of a hospital and, as such, fall under Review Board Criterion 1110.3030 (Clinical Service Areas other than Categories of Service). There is no substantiated methodology to support the proposed Clinical Service Areas in the proposed new facility.
- iii. The equipment list in the applications indicate that certain clinical service areas will be developed beyond those stated in the permit application thereby requiring the applicants to respond to all applicable criteria. These CSAs appear to include extensive procedural capabilities, neurological services, pulmonary services, capabilities for "ASTC-like" procedures (urology, GYN, dermatology) yet the application does not document compliance with the criteria applicable to these services.
- iv. As with the other two permit applications (#15-038 and #15-039) the applicants have not submitted complete information on all of their current health care facilities as required by Criterion 1110.230(1.).

D. MercyRockford Appears To Be Shifting Hospital Related Project Costs Into The MOB Project

MercyRockford's MOB project (#15-040) has an astoundingly high \$25 million for Off-Site Work. This is 37% of the entire project cost of \$68 million. By contrast, the \$407 million new hospital project (#15-039) has Off-Site Work of only \$8.3 million which is about 2% of total project costs.

The Review Board's regulations define Off-Site Work as "all costs related to off-site activities such as drainage, pipes, utilities, sewage, traffic signals, roads and walks." 77 Ill. Adm. Code 1120.110(a)(4). It appears that MercyRockford is shifting new hospital project costs into the MOB project. We expect the new hospital is the priority with the majority of costs allocated to its development with the Medical Clinics building to follow in its implementation.

Summary

Permit Applications for Projects #15-038, #15-039, and #15-040 do not, in our judgment, comply with required Review Board criterion. In addition, from a planning perspective, establishing a fourth hospital in the Rockford market would cause service maldistribution issues, create excess capacity, and also severe access issues for west side patients who are most in need.

I can be contacted at eparkhurst@consultprism.com or my direct line 630-790-5089 to answer any questions or clarify our analysis.

Sincerely,



E.W. Parkhurst, Jr.
Managing Principal

CC: Daniel Lawler, Barnes and Thornburg LLP