Advocate Good Shepherd Hospital
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May 30, 2017

Ms. Kathryn Olson, Board Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson, 2nd floor
Springfield, Illinois 62761

Regarding: Good Shepherd Hospital Opposition to Mercy - Crystal Lake Hospital
Project # 17-002 Concerns about Demand Forecast

Dear Ms. Olson:

I am writing on behalf of Good Shepherd Hospital to oppose the Mercy Crystal Lake Hospital Project, #17-002. With an existing surplus of hospital beds and four hospitals located within 20 minutes of the proposed site, another hospital is not needed. Similarly there is excess capacity among ASTCs (Ambulatory Surgery Treatment Centers) in the area. While the CON did not address ASTCs, excess ASTC capacity in a worthy consideration. The attached table shows that 16 of the 20 area ASTCs are operating below target surgery volume. The 20 area ASTCs are operating at 50% of capacity, and could accommodate twice their current volume. So not only will the proposed Mercy-Crystal Lake Hospital reduce volumes at hospitals, Mercy Crystal Lake will also adversely affect the underutilized ASTCs in the area.

I question the demand forecast for the Mercy Crystal Lake Hospital. I have many years of forecasting hospital demand, including retrospective analysis of the accuracy of the forecast. Based on my experience and a review of the Mercy-Crystal Lake CON, the following concerns arise:

1. **Most (80%) inpatients identified as perspective patients by Mercy reside in communities closer to other hospitals than to the proposed Mercy Hospital Site.** From a review of the patient origin data in the Mercy Crystal Lake CON application it appears that more than 80% of the proposed inpatients live closer to a full service hospital than to the proposed micro hospital. Only 20% of the inpatients proposed in the CON application to be using the micro hospital reside in communities closer to the Mercy site than to other hospitals. See attached map showing inpatient origin for the Mercy-Crystal Lake Hospital based on the data presented in the CON application.

2. **High percentage of patients expected to use Mercy emergency room with only limited services, when full service hospital emergency rooms are nearby.** The forecast for the emergency department volume is perplexing. The CON application forecasts emergency visits on the assumption that 40%-50% of the emergency

patients in adjacent communities will use the Mercy Crystal Lake emergency department. This assumption seems optimistic given that full service hospitals are located about the same distance from these communities as the proposed Crystal Lake Hospital. As noted in the letter from the Tri-County emergency physician group, the level of emergency services offered at Mercy Crystal Lake may limit the types of patients who can be served.

% of ED visits for area communities using Mercy Crystal Lake Hospital as shown in the CON application	
50%	Crystal Lake and Cary
45%	Algonquin and Lake in the Hills
40%	Fox River Grove

3. **The length of stay used as the basis for the inpatient day forecast and bed need is very high for a micro hospital.** The length of stay (3.5 days) in the application is long for a micro hospital or hospital caring for low acuity patients.
    - The Length of stay is high compared to full service hospitals that take care of complex, very ill patients. Advocate Good Shepherd has an average length of stay of 4.2 days, and this includes open heart patients and trauma patients who have long lengths of stay.
    - The attached research paper from the Advisory Board on micro hospitals states that "Hospital stays longer than 48 hours are sent to higher-acuity settings". On this basis, the average length of stay in a micro hospital would be less than two days.

Reducing the length of stay from 3.6 days in the CON application to 2.0 days, reduces inpatient demand and bed need by more than 40%.

If the length of stay assumption is shortened to that more common among micro hospitals or low acuity hospitals, and/or many of the more than three quarters of the patients who live nearer other full service hospitals do not travel the longer distance to the Mercy-Crystal Lake Hospital, the patient day demand forecast will be significantly lower than that presented in the CON application and the Project would not meet the Review Board target utilization.

4. **Approach to forecast ancillary service volume based on high acuity, Mercy-Rockford.** The forecast for inpatient ancillary services is based on use at the Mercy Rockford Hospital, which has an inpatient population with very high acuity and long lengths of inpatient stays. This seems odd, as the patient population at the Mercy Crystal Lake facility will have a shorter length of stay and lower acuity (severity and complexity),and most likely lower use of ancillary services. On this basis, , using the ancillary service rates at Mercy-Rockford to forecast utilization at the Mercy-Crystal Lake hospital would be overstating ancillary service demand.

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Thank you for the opportunity to raise these questions and concerns.

Sincerely,

Trent Gordon

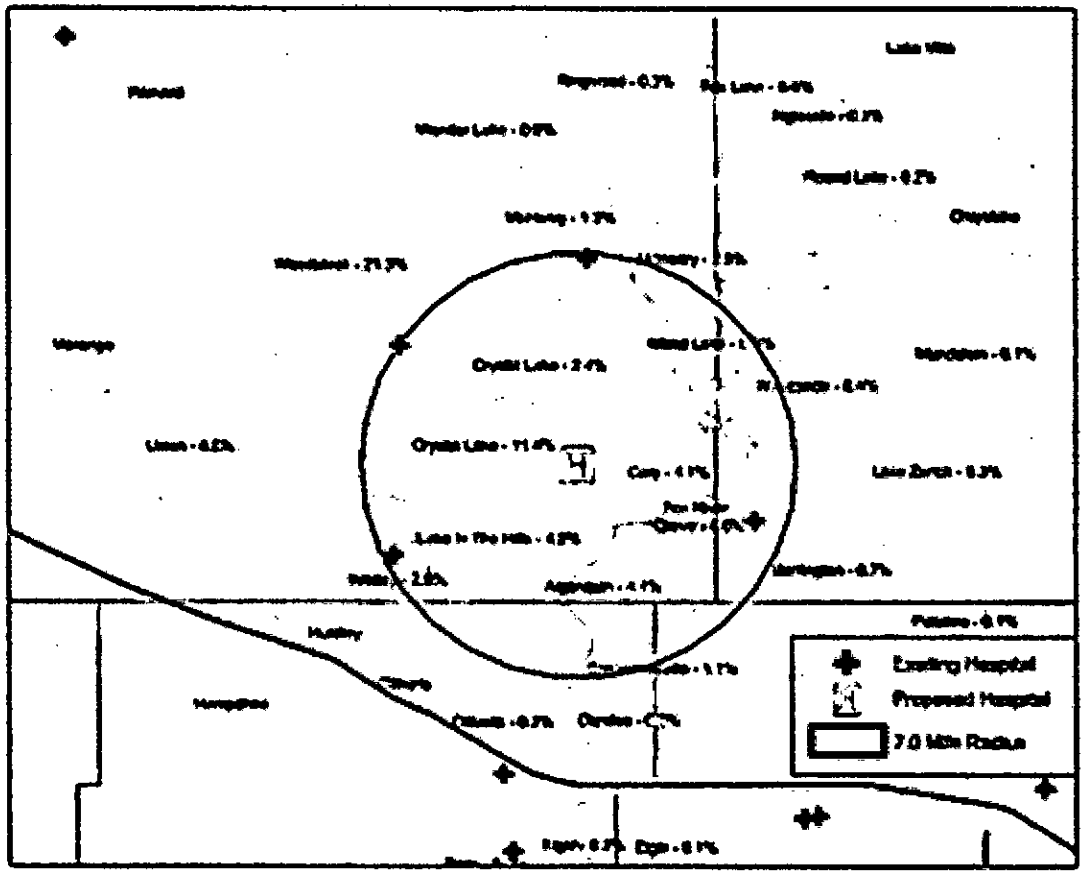
Vice President Strategic Planning and Business Development

Enclosures (3)

			Operating Rooms				Procedure Rooms			
Facility Name	Facility Address	Facility City	Operating Rooms	Surgery Hours including prep and cleanup)	Operating Rooms Justified	Operating Room Use-Percent of Target	Procedure Rooms	Procedure Room Hours	Procedure Rooms Justified	Procedure Rooms - Use-Percent of Target
Advantage Health Care, Ltd.	203 E. Irving Park Road	Wood Dale	2	1940	1.3	65%	0	0	0.0	
Aiden Center for Day Surgery, LLC	1580 West Lake Street	Addison	4	531	0.4	9%	0	0	0.0	
Algonquin Road Surgery Center, LLC	2550 West Algonquin Road	Lake in the Hills	3	2632	1.8	58%	1	456	0.3	30%
Ashton Center for Day Surgery	1800 McDonough Rd., Ste .	Hoffman Estates	4	1705	1.1	28%	0	0	0.0	
Barrington Pain and Spine Institute	600 Hart Road Ste 300	Barrington	2	202	0.1	7%	1	1294	0.9	86%
Elgin Gastroenterology Endoscopy Center	745 Fletcher Drive, #201	Elgin	0	0	0.0		2	4801	3.2	160%
Fox Valley Orthopaedic Institute	2525 Kaneville Road	Geneva	4	4335	2.9	72%	0	0	0.0	
Hawthorn Place Outpatient Surgery Cent	240 Center Drive	Vernon Hills	5	6317	4.2	84%	0	0	0.0	
Hoffman Estates Surgery Center, LLC	1555 Barrington Road, Dob	Hoffman Estates	3	4752	3.2	106%	1	857	0.6	57%
Illinois Hand & Upper Extremity Center	515 West Algonquin Road	Arlington Heights	1	875	0.6	58%	0	0	0.0	
Lindenhurst Surgery Center	1050 Red Oak Lane	Lindenhurst	4	1991	1.3	33%	2	0	0.0	0%
Northshore Endoscopy Center	101 S. Waukegan Road, Ste	Lake Bluff	0	0	0.0		2	2489	1.7	83%
Northwest Community Day Surgery Cente	675 W. Kirchoff Road	Arlington Heights	10	9620	6.4	64%	1	9	0.0	1%
Northwest Surgicare	1100 West Central Road, Ste	Arlington Heights	4	2395	1.6	40%	2	123	0.1	4%
Northwestern Grayslake Ambulatory Surg	1475 East Belvidere Road, st	Grayslake	4	1209	0.8	20%	0	0	0.0	
Northwestern Grayslake Endoscopy Cente	1475 E. Belvidere Road Suite	Grayslake	0	0	0.0		2	1395	0.9	47%
Regenerative Surgery Center	1455 Golf Road	Des Plaines	3	1194	0.8	27%	0	0	0.0	
Tri-Cities Surgery Center, LLC	345 Delnor Drive	Geneva	3	1634	1.1	36%	2	3417	2.3	114%
Valley Ambulatory Surgery Center	2210 Dean Street	St. Charles	7	5626	3.8	54%	1	0	0.0	0%
Vernon Square Surgicenter	230 Center Drive	Vernon Hills	2	1428	1.0	48%	0	0	0.0	
Grand Total			65	48385	32.3	50%	17	14841	9.9	58%
		Number operating below target				16				10

Patient origin of proposed Crystal Lake Hospital

Community	Closer to Mercy CL than to other hospitals
3/4 of Crystal Lake	10.3%
1/2 of Cary	2.4%
½ of Algonquin	3.3%
½ of Lake in the Hills	3.1%
½ of Island Lake	0.4%
Total Closer to Mercy than to another Hospital	19.5%



The calculated zip codes represent 70% of Mercyhealth's projected volume. The additional 30% will come from zipcodes with a total panel less than 25 or beyond 30 minute travel time.

Source: Mercyhealth CON application 17-002, page 73

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At the Margins

To grow your hospital, think micro

1:28 PM on May 20, 2016 by Kalyn Saulsberry

As hospitals and health systems consider growth opportunities, we've increasingly heard from our members that traditional facility options such as ambulatory centers, urgent care sites, and freestanding EDs are not always sufficient. Most ambulatory centers don't offer a complete breadth of services while full-scale hospitals often offer more than the community needs. Micro-hospitals are emerging as a middle ground.

Micro-hospitals are 24/7, small-scale inpatient facilities—around 15,000 to 50,000 square feet—with between eight and ten inpatient beds for observation and short-stay use. No two micro-hospitals are exactly the same in their design or service mix, but one trend is becoming clear. Most health systems are using them as entry points into markets where demand would not be able to support a full-scale hospital.

Here are answers to questions we get frequently asked about investing in a micro-hospital.

Where should I build a micro-hospital?

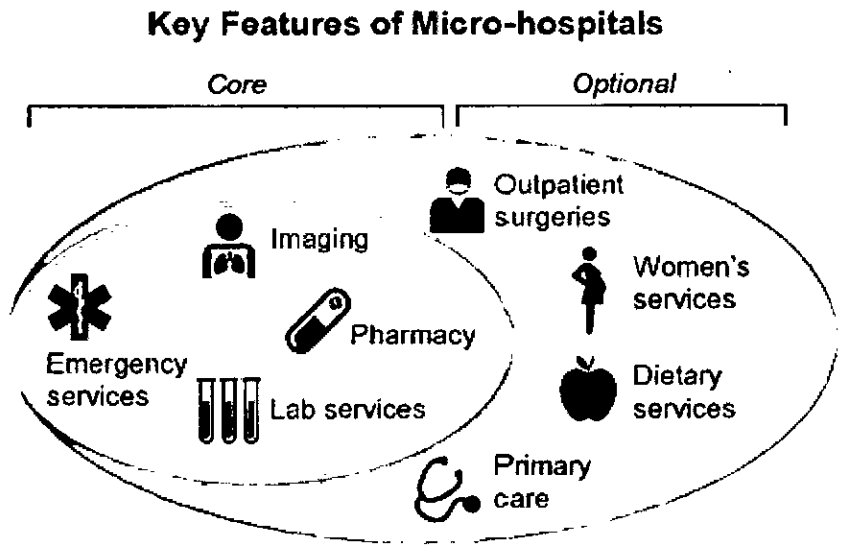
Micro-hospitals work best in markets that have service gaps, but do not have enough demand to support a full-service facility. Even though micro-hospitals can treat some high-acuity needs when necessary, locating the micro-hospital within 18 to 20 miles of a full-service hospital is a good rule of thumb to ensure a seamless transfer process for high-acuity needs to a larger facility.

Also, systems should assess the state's certificate of need processes as these can determine whether or not you can build a micro-hospital. At this time, micro-hospitals have only been developed in states without certificate of need laws.

What services should be in a micro-hospital?

The goal of a micro-hospital is not to be "all-things-to-all-people." System leaders implementing these facilities are aiming to meet up to 90% of the care needs of the community it serves. Hospital stays longer than 48 hours are sent to higher-acuity settings. While the ancillary services vary, each micro-hospital has a set of core services including the emergency department, pharmacy, lab, and imaging. The rest of the services depend on the needs of the community, but common examples include primary care, dietary services, women's services, and low-acuity outpatient surgeries.

With such a variety of services, there is no standard way to staff a micro-hospital. In general, micro-hospitals avoid overstaffing the site with high-acuity employees who are more appropriate for larger sites. One of the health systems we spoke with, SCL Health, staffs their micro-hospitals with board-certified emergency physicians and nurses.



How much does a micro-hospital cost?

Typically, micro-hospitals are located in retail or similarly easily accessible locations, as they are aimed at providing at a better consumer experience. Land in these spaces can be expensive. Although the cost varies depending on the number and type of ancillary services offered, building a micro-hospital costs between $7M and $30M.

How do I get started?

Providers can either choose to partner with an existing micro-hospital developer or choose to build these using existing internal facility development capabilities. SCL Health, Baylor Scott & White, and Dignity Health have all chosen to work with an external partner. However, independently building a micro-hospital can save capital and give the organization more flexibility to align the micro-hospital with the organization's unique priorities. CHRISTUS Health plans to build a micro-hospital with its own resources to fill service gaps in an area rich in outpatient services, but lacking inpatient facilities.

What the hospital of the future looks like

To achieve acute care sustainability, organizations have to shift their focus to the challenge with the greatest savings potential: fixed costs. This white paper shares tactics for significantly restructuring fixed costs by reallocating services across the system and rightsizing excess inpatient capacity.

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