OSF HEALTHCARE
Little Company of Mary
Medical Center

December 28, 2020

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

Re: CON Permit Application #19-031

Dear Ms. Avery:

This letter intends to support the Review Board action on June 30, 2020 to deny the Advanced Surgical Institute's request to establish a two (2) room ASTC with a single Cardiac Catheterization Laboratory. Our continued opposition to the CON request is based on the Permits' factual record, as well as the applicant's supplemental information dated August, 26, 2020 submitted in response to the Review Boards Intent to Deny determination.

My name is August J. Querciagrossa and I am the CEO of OSF HealthCare System Metro Region. Our opposition to the CON Permit Application #19-031 is based on the Review Board record and our initial opposition which supports the Intent to Deny determination. The following supplements our earlier opposition and complements the Review Board's most recent wise decision. To summarize, this letter covers the following points.

1) COVID-19 Considerations
2) Permit Application Iterations
3) State Review Board Staff Determinations
4) Care Delivery and Medicare Reimbursement Considerations
5) Permit Modification and related assumptions
6) Metro South Closing Considerations
7) Summary Comments
8) Request for Denial

Health care systems face unprecedented catastrophic financial challenges due to the COVID-19 Pandemic impacts. The Chicago market has yet to understand all of the implications. The impact on OSF HealthCare Little Company of Mary Medical Center (LCMMC) has been a loss of nearly $47 million of net revenue for the fiscal year ending 9/30/2020. The long term implications are expected to be ongoing as the pandemic continues to impact our communities. Any loss of services, or utilization, due to the Project proposed by this respective CON Permit Application, if approved, will only exacerbate the Medical Centers diminished financial position, and potentially its survival.

LCMMC is committed to serve the entire community regardless of a patient's ability to pay. LCMMC participates with 4 of 5 managed Medicaid organizations and as a result 20.9% of the patients served at LCMMC have Medicaid as their primary coverage. Specifically for services anticipated to be provided by the proposed ASTC, LCMMC cares for 930 patients on an annual basis at a loss of approximately $1,100 per patient. Since ASTCs often treat a higher percentage of non-Medicaid patients, the loss of the managed care patient population will further erode LCMMC's financial position.

This Permit Application has progressed through several iterations, seemingly to garner the Review Boards approval. Its first permit request was to establish a two (2) operating room, single specialty ASTC, providing cardiovascular services. At the first hearing before the Review Board in December 2019, the Permit was deferred due

to its non-compliance/failure to justify a Cardiac Catheterization Laboratory, as required by the applicable criteria. The cardiac catheterization criteria was addressed through a Type-A permit application modification adding this service. One (1) cardiac catheterization laboratory was requested in establishing the proposed two (2) operating room ASTC.

The modified CON Permit Application was unanimously denied by the Review Board at its June 30, 2020 meeting. We support this intent-to deny determination which was based on the Permit Applications' factual record. The Illinois Health Facilities Planning Acts' intent, in part, requires those proposing to establish a healthcare facility promote the orderly economic development of healthcare facilities which avoid duplication and develop services in areas with an unmet need. The proposed Project does neither.

State Agency Staff Reports, prepared for the initial and modified Permit Applications, clearly indicate there is no demonstrable need for either a newly established ASTC, or an additional Catheterization Laboratory, in the defined geographic service area even when considering the Metro South closure. In fact, there is excess market capacity for both services. Thus the proposed Project is not providing for orderly development and, if approved, will duplicate existing services and create misdistribution. On its face, the Permit Application should be denied predicated solely on the applicable IHFRSB Administrative Rules and related guidelines.

We concur with the Applicant, healthcare services are shifting to the outpatient and ambulatory market based on contemporary clinical delivery protocols and associated technology. That said, changes in reimbursement, particularly in the Medicare program, are also impacting on service delivery sites. The Applicant argues, in all of their submittals, the proposed newly established ASTC and the proposed Catheterization Laboratory are to reduce healthcare costs. In fact, costs may be reduced for the Medicare Program for those using the newly established healthcare facility, but not for other payers. Although Medicare cost reductions appear reasonable on their face, this consideration belies the reality or failure to recognize moving services to another delivery site, with no marketplace organic growth, incrementally increases cost to those facilities that loose the diverted services and their respective utilization. Where then is the proposed market-based cost savings?

Following the Project's initial deferral to establish a new healthcare facility in a market with no demonstrable need or lack of patient access, the Applicant appears to modify certain details in their CON Permit Application to better comply with Review Board evaluation criteria. On a critical review, the Project was not materially modified, only certain details and assumptions were revised to reduce, or eliminate, potential non-compliant determinations which, at best, appear to be disingenuous.

Some comparisons, or examples, between the various Project submittals suggest a critical review and understanding…some observations to consider follow:

1) Total capitalized Project Cost in the requested Type A modification was reduced by approximately $645,000.00, primarily through adjusting/reducing the cost of the single Catheterization Laboratory and mobile C-arm…there was no change in the manufacturer or model. Only a reduction in cost was detailed with no underlying justification.
2) One can ask, if only a single Catheterization Laboratory is being requested for the new ASTC, why are two (2) operating rooms being proposed, given the projected annual utilization is based on relocating existing Cath volume from other providers as the basis to justify two (2) Catheterization Laboratories?
3) Submitted data proposes to divert Catheterization Laboratory procedures from existing programs to the proposed ASTC. The data and related assumptions justify a two (2) room Catheterization Suite. Why is only one laboratory being requested and equipped?
4) The Type-A modification revised the data on diverted or relocated utilization from other providers/facilities to justify the Project and did not assume, or justify, any organic market-based growth. One can only speculate on why, in that there was no apparent justification, the change was made.

5) Projected financial data was revised/modified to better comply with Review Board criteria and guidelines. These new projections were based on revised assumptions. What was the underlying rationale except to mitigate potential non-compliance determinations?
6) The Applicant predicates their underlying rationale or "need" argument based on cost savings to the Medicare Program, whereas the anticipated utilization assumptions only contemplates a 40% Medicare caseload. Where is the savings to other payers, especially when the Applicants Charge Master appears to indicate charges almost three (3) times higher than the Medicare procedures submitted for comparative "cost saving" purposes?
7) The assumed case time submitted to justify the two (2) proposed operating rooms is 1.8 hours (108 minutes). This case time is significantly greater than the average procedure time noted in the literature. When one considers the turnover time (clean-up and set-up) plus the procedure time, the resulting case time tends to average 60-75 minutes according to the literature. If an outpatient Catheterization Laboratory is assumed to be more efficient/productive, why then is the Applicant's assumed case time in the range of 44% higher?
8) It is unclear all of the required providers in the geographic service area were furnished impact letter requests.
9) The proposed Capitalized Project Cost is approximately $5.4M with a stated additional start-up cost approximating $8.7M for a total $14.1M…Where is the cost savings to the market, especially when one considers the incremental increase in costs to those programs contributing the assumed diverted volume/utilization?
10) Given local zoning considerations, can the existing building be expanded as proposed? If not, the proposed Project may not be implementable, if approved.

Summarizing…

1) There is no demonstrable need for a newly established ASTC in the geographic market, in fact there is excess operating room capacity for ambulatory surgery procedures.
2) There is no demonstrable need for additional Catheterization Laboratory capacity in the market…there is excess capacity even when taking into account the Metro Health closure.
3) Comprehensive potential market-based cost savings are not considered or provided, hence any economic advantage has not been demonstrated.
4) The Applicant has not provided any documentation the existing building can be expanded, as proposed, to establish a healthcare facility.

In conclusion, we respectfully request the IHFSRB again deny this proposed Project given there is no demonstrable market-place need, as well as no demonstrable constraint on patient access considering existing excess market-based capacity, notwithstanding any demonstrable economic/cost-savings to the defined healthcare market.

If you have any questions regarding this letter opposing the Project, as modified, please contact me at (708) 229-5428 or august.j.querciagrossa@osfhealthcare.org.

Sincerely,

AJ Querciagrossa

August J. Querciagrossa, CEO
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