



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> H-05	<b>BOARD MEETING:</b> December 15, 2020	<b>PROJECT NO:</b> 20-039	<b>PROJECT COST:</b>  N/A
<b>FACILITY NAME:</b> Mercy Hospital & Medical Center		<b>CITY:</b> Chicago	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA:</b> VI

**PROJECT DESCRIPTION:** The Applicants (Mercy Hospital & Medical Center, Mercy Health System, and Trinity Health Corporation) propose to discontinue Mercy Hospital & Medical Center, a 412-bed acute care hospital, located at 2525 South Michigan Avenue, Chicago. There are no project costs and the expected completion date is May 31, 2021.

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The Applicants (Mercy Hospital & Medical Center, Mercy Health System, and Trinity Health Corporation) propose to discontinue its 412-bed acute care hospital, located at 2525 South Michigan Avenue, Chicago, Illinois. There are no costs associated with this project and the expected completion date is May 31, 2021. Mercy Hospital and Medical Center is a safety net hospital.
- Per the 2019 IDPH Facility Survey, the not-for-profit hospital contains the following categories of service, number of beds as well as the Hospitals' authorized bed utilization:
  - 289 Medical/Surgical beds 31.8%
  - 30 Intensive Care beds 48.2%
  - 30 Obstetrics/Gynecology beds 34.4%
  - 39 Acute Mental Illness beds 52.3%
  - 24 Rehabilitation beds 29.6%
  - 2 Cardiac Catheterization Labs 764 cardiac cath
- In addition to discontinuing the categories of services and clinical service areas, the Hospital will also be discontinuing the following services at the Hospital (a) emergent care; (b) diagnostic and interventional imaging (including general radiology/fluoroscopy, nuclear medicine, mammography, ultrasound, angiography, positive emission tomography (PET), computerized axial tomography, and magnetic resonance imaging); (c) outpatient care; and (d) clinical laboratory services. Mercy Hospital's outpatient sites will also be closed.

### WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicants propose to discontinue a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).

### PUBLIC HEARING/COMMENT:

- Public hearings were conducted regarding the proposed project. One was held on October 28, 2020, at Hyatt McCormick Place, in Chicago, and provided attendees the opportunity to provide testimony both in person, and via electronic means. Two more virtual public hearings were held on Thursday, October 29<sup>th</sup> and Friday October 30<sup>th</sup>, 2020. **Letters of support and letters of opposition** were received by the State Board Staff and are included in the State Board's packet of information. At the conclusion of this report are examples of comments received by the State Board.

### BACKGROUND:

- In April 2012, Mercy Hospital affiliated with Trinity Health. Trinity Health recorded this transaction as a bargain purchase as the asset exceeded the liabilities by approximately \$140.8 million. There was no consideration (i.e. cash) given for this affiliation. At that time Trinity Health agreed to spend \$140 million from fiscal year 2013 through fiscal year 2017, for capital, information systems and equipment needs to support the operations of Mercy and the Mercy Affiliates.
- Between April 2012 and June 2019, Trinity stated they have invested over \$124 million dollars in infrastructure improvement and \$112 million dollars to meet the hospital's short-term operating needs. None of the \$124 million spent by the Hospital was submitted to the State Board for review. Additionally in an analysis by Jensen + Partners (an

architectural design group), believes it will take between \$125-\$140 million over the next five years to update and replace the infrastructural system. (At the conclusion of this report are letters from Jensen + Partners, Kaufman Hall, and Citi explaining the work they did for Trinity Health in regards to Mercy Hospital).

- In August 2019, a coalition was formed (Southside Coalition), of four prominent southside Chicago hospitals (Mercy Hospital, St. Bernard Hospital, South Shore Hospital, and Advocate Trinity Hospital) to determine how to continue providing services to southside Chicago residents.
- In January 2020, the Southside Coalition finalized an agreement to create an independent health system that would build one to two state of the art hospitals, with three to six outpatient centers strategically located throughout south Chicago. The Southside Coalition sought financial assistance from the Illinois State Legislature through the development of The Southside Transformation Plan. Necessary funding for The Southside Transformation Plan was denied in the final hours of the Spring 2020 legislative session, resulting in the disbanding of the Southside Coalition in late May.
- On August 31, 2020, the Applicants submitted a Certificate of Need application to discontinue the hospital in its entirety, citing increased operational costs and decreased utilization. The Applicants plan to transition the inpatient, acute care setting into a new model of care, involving the provision of diagnostics, urgent care, and care coordination in an outpatient setting, and anticipate serving more than 50,000 patients annually under this model of care. (#20-042 - Mercy Care Center)

#### **SUMMARY:**

- The State Board rules require the Board to determine if the health care services will exist within the established radius of Mercy Hospital (10-miles) should the discontinuation of the hospital be approved. The State Board is also asked to determine if a shortage of beds or services in the planning area (A-03 Hospital Planning Area) will exist should the discontinuation be approved and if the proposed discontinuation will impact access to health care services.
- Mercy Hospital and Medical Center is a Safety Net Hospital. The Illinois Health Facilities Planning Act states “***Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process*** [20 ILCS 3960/2].”
- The Applicants have stated in speaking of the population the hospital serves: “*There is a radical difference in life expectancy within the City of Chicago when comparing prosperous neighborhoods with some communities on the South Side. For example, people in Streeterville on Chicago's North Side live an average of 30 years longer than those in Englewood, where the average life expectancy is only 60 years (NYU School of Medicine analysis cited in the Chicago Tribune. June 9, 2019). The prevalence of chronic health conditions is a key driver of this disparity. According to the Community Health Needs Assessment compiled by the Alliance for Health Equity, 65% of all deaths in Chicago and Suburban Cook County were attributable to chronic diseases. The communities served by Mercy Hospital disproportionately suffer from these chronic conditions and desperately need more early detection and diagnosis of illnesses and diseases, better care coordination among a multitude of providers to better treat chronic diseases, and more cost effective and accessible urgent care and other outpatient services. The COVID 19 pandemic has further highlighted these disparities.*” Additionally, the Applicants have stated, “*The Applicants do not anticipate any material impact on safety net services. The facility had been operating at low utilization and consequently would have limited impact.*”

*The physicians previously performing procedures in the facility continue to perform procedures, but at a location different from the Applicant facility.”*

- The Hospital from 2015 thru 2019 had an average daily census (ADC) of 162 patients. Over these same five years emergency department visits averaged 57,400 visits and outpatient visits averaged 360,000 at the hospital. Mercy Hospital provided care to 15% of all emergency department visits in the A-03 Hospital Planning Area and approximately 27% of all outpatient visits in this Planning Area. Should this project be approved the closest emergency department will be 5 miles from Mercy Hospital.
- As the Applicants have documented there are existing underutilized beds and services in the 10-mile radius of Mercy Hospital and the A-03 Hospital Planning Area. There are 38 hospitals in the City of Chicago, 23 hospitals within 10-miles of Mercy Hospital and 10 hospitals (including Mercy Hospital) within the A-03 Hospital Planning Area. With the proposed closure **there will be a need for 19 intensive care beds** in the A-03 planning area and a calculated need for 36 intensive care beds in the City of Chicago. There will be no comprehensive physical rehabilitation beds in the A-03 Hospital Planning Area upon approval of this discontinuation. Additionally, the proposed closure will result in residents the A-03 Planning Area traveling five miles or more for emergency services.
- The Hospital had **operating losses** of approximately \$84 million from 2012 to 2020 and recorded asset impairments of \$187 million over this same period. The Hospital was profitable in FY 2020.

**CONCLUSION:**

- Based upon the information reviewed by the State Board Staff access to health care services will be impacted in the A-03 Hospital Planning Area with the closure of this hospital. There will be a need for intensive care beds in the A-03 Planning Area and the City of Chicago and the loss of emergency care services will result in health risk to the population that Mercy Hospital serves.

**STATE BOARD STAFF REPORT**  
**Project #20-039**  
**Mercy Hospital & Medical Center**

<b>APPLICATION/CHRONOLOGY/SUMMARY</b>	
Applicants	Mercy Hospital & Medical Center Mercy Health System of Chicago Trinity Health Corporation
Facility Name	Mercy Hospital & Medical Center
Location	2525 South Michigan Avenue, Chicago, IL
Permit Holder	Mercy Hospital & Medical Center Mercy Health System of Chicago Trinity Health Corporation
Operating Entity	Mercy Hospital & Medical Center
Owner of Site	Mercy Hospital & Medical Center
Application Received	August 31, 2020
Application Deemed Complete	September 4, 2020
Review Period Ends	January 2, 2021
Project Completion Date	May 31, 2021
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	Yes

**I. Project Description**

The Applicants (Mercy Hospital & Medical Center, Mercy Health System, and Trinity Health Corporation) propose to discontinue its 412-bed acute care hospital, located at 2525 South Michigan Avenue, Chicago, Illinois. There are no project costs and the expected completion date is May 31, 2021.

**II. Summary of Findings**

- A. State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project is inapplicable with the provisions of 77 ILAC 1120 (Part 1120).

**III. General Information**

The Applicants are Mercy Hospital & Medical Center, Mercy Health System, and Trinity Health Corporation. Mercy Hospital & Medical Center is a not-for profit corporation, and is fully licensed, Medicare certified, with HFAP accreditation. Mercy Health System of Chicago is also an Illinois not-for-profit corporation and is the sole member of Mercy Hospital & Medical Center. Trinity Health Corporation is an Indiana-based not-for-profit corporation. Trinity is one of the largest multi-institutional Catholic Health Care Delivery systems in the nation, serving more than 30 million people through

94 hospitals across 22 states. Trinity is the sole corporate member of Mercy Health System.

**IV. Health Planning Area**

The Hospital is located in Chicago, Illinois and the HSA-VI Health Service Area and the A-03 Health Planning Area. HSA-VI consists of the City of Chicago in Cook County. HPA A-03 consists of the City of Chicago Communities: Near South Side, Douglas, Oakland, Fuller Park, Woodlawn, South Shore Chatham, Avalon Park, South Chicago, Burnside, Calumet Heights, Roseland, Pullman, South Deering, East Side, Garfield Ridge, Archer Heights, Brighton Park, New city, West Elsdon, Gage Park, Clearing, West Lawn, Chicago Lawn, West Englewood, Englewood, and Greater Grand Crossing.

There are 10 hospitals in the A-03 Hospital Planning Area. The table below provides the number of beds at the 10-hospital in this Planning Area.

<b>TABLE ONE</b>									
Hospitals in the A-03 Hospital Planning Area									
<b>Hospital</b>	<b>Miles</b>	<b>Total Beds</b>	<b>Med-Surg</b>	<b>Ped</b>	<b>OB</b>	<b>ICU</b>	<b>Neonatal</b>	<b>AMI</b>	<b>Rehab</b>
Mercy Hospital & Medical Center	0	412	289	0	30	30	0	39	24
Provident Hospital of Cook County	3.7	48	42	0	0	6	0	0	0
St. Bernard Hospital	6	174	104	0	0	10	0	60	0
University of Chicago Medical Center	6.6	811	506	60	46	146	53	0	0
LaRabida Children's Hospital	7	49	0	49	0	0	0	0	0
Jackson Park Hosp. Foundation	8.4	255	144	0	17	8	0	86	0
South Shore Hospital	8.9	137	114	0	0	8	0	15	0
Holy Cross Hospital	9.8	248	204	0	0	20	0	24	0
Roseland Community Hospital	11.6	134	77	0	17	10	0	30	0
Advocate Trinity Hospital	11.9	205	158	0	23	24	0	0	0

**V. Project Costs and Sources of Funds**

The project has no costs.

## VI. Criterion 1110.290 – Discontinuation

### a) **The applicant shall provide at least the following information:**

- 1) Identification of the categories of service and the number of beds, if any, that are to be discontinued;
- 2) Identification of all other clinical services that are to be discontinued;
- 3) The anticipated date of discontinuation for each identified service or for the entire facility;
- 4) The anticipated use of the physical plant and equipment after discontinuation occurs;
- 5) The anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be retained;
- 6) For applications involving discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or the Illinois Department of Public Health (IDPH) (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation and that the required information will be submitted no later than 60 days following the date of discontinuation.

### b) **Reasons for Discontinuation**

The applicant shall document that the discontinuation is justified by providing data that verifies that one or more of the following factors (and other factors, as applicable) exist with respect to each service being discontinued:

- 1) Insufficient volume or demand for the service;
- 2) Lack of sufficient staff to adequately provide the service;
- 3) The facility or the service is not economically feasible, and continuation impairs the facility's financial viability;
- 4) The facility or the service is not in compliance with licensing or certification standards.

### c) **Impact on Access**

The applicant shall document whether the discontinuation of each service or of the entire facility will have an adverse impact upon access to care for residents of the facility's market area. The facility's market area, for purposes of this Section, is the established radii outlined in 77 Ill. Adm. Code 1100.510(d). Factors that indicate an adverse impact upon access to service for the population of the facility's market area include, **but are not limited to, the following:**

- 1) The service will no longer exist within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the applicant facility;
- 2) Discontinuation of the service will result in creating or increasing a shortage of beds or services, as calculated in the Inventory of Health Care Facilities, which is described in 77 Ill. Adm. Code 1100.70 and found on HFSRB's website;
- 3) Facilities or a shortage of other categories of service as determined by the provisions of 77 Ill. Adm. Code 1100 or other Sections of this Part.
- d) The applicant shall provide copies of notification letters sent to other resources or health care facilities that provide the same services as those proposed for discontinuation and that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d). The notification letter must include at least the anticipated date of discontinuation of the service and the total number of patients that received care or the number of treatments provided (as applicable) during the latest 24 month period.

a) **Information**

The Applicants state the decision to close was not an easy one and was the result of a multi-year effort to revitalize the facility into a viable provider of health care to residents of south Chicago. Instead, the Applicants concluded that Mercy Hospital will transform health care options available in the area through the provision of health care in an outpatient setting. The Applicants cite the transition of many basic health care services from inpatient to outpatient settings, and a steady decline in patient population as being attributable factors in their decision to pursue the proposed project. The Applicants also note the hospital has not been economically feasible for the last eight years, despite substantial investments for operational need and infrastructure improvement. In spite of their eight-year effort to improve services and facilities at Mercy Hospital, the decision to discontinue inpatient operations and transform its services to an outpatient model was adopted as the most feasible option for the continued provision of health care in south Chicago.

The Applicants are asking the State Board to approve the discontinuation of the following categories of service and authorized beds:

- 289 Medical/Surgical beds
- 30 Intensive Care beds
- 30 Obstetrics/Gynecology beds
- 39 Acute Mental Illness beds
- 24 Rehabilitation beds
- 2 Cardiac Catheterization

In addition to discontinuing the categories of services and clinical service areas, the Hospital will also be discontinuing the following services at the Hospital (a) emergent care; (b) diagnostic and interventional imaging (including general radiology/fluoroscopy, nuclear medicine, mammography, ultrasound, angiography, positive emission tomography (PET), computerized axial tomography, and magnetic resonance imaging); (c) outpatient care; and (d) clinical laboratory services. Outpatient locations housing Mercy physicians and clinics will also be closed with the discontinuation of the hospital.

As of the date of this report, the Applicants have not initiated a formal review of the options available to the Applicants concerning the Hospital's physical plant, real estate, and equipment. According to the Applicants, such a process will likely involve marketing the Hospital's physical plant, real estate and equipment for sale.

Following the discontinuation of the Hospital, Trinity Health will serve as custodian of the **Hospital's medical records** and will ensure that the Hospital's medical records are stored, maintained and accessible to the Hospital's patients and authorized third parties in conformance with State and Federal Law, including, but not limited to, Section 6.17 of the Illinois Hospital Licensing Act which requires an Illinois hospital to maintain medical records for no less than 10 years after discharge or 12 years if there is litigation.



**b) Reasons for Discontinuation**

The Applicants have stated the reasons for the discontinuation of the hospital is the declining census/low utilization at the hospital and financial challenges.

The Applicants provided a letter from Kaufman Hall (a management consulting firm) dated October 8, 2020 that stated *“At the beginning of 2020, we undertook a comprehensive analysis of the system of health on Chicago’s South Side. What we found is consistent with trends we see elsewhere: **low utilization rates** across the system for facilities that are expensive to maintain yet do little to address patient needs, and a higher incidence of chronic conditions coupled with reduced access to the outpatient and preventive care needed to address those conditions. Since we first conducted our analysis, the problems that safety net hospitals face have been significantly exacerbated by the ongoing financial and operational challenges of the COVID-19 pandemic. Our firm concluded that the South Side desperately needs new facilities and stronger access to outpatient care. With regards to the issue before the board today, we have worked extensively with many safety net hospitals, and have witnessed firsthand the problems Mercy is facing. The funding challenges cannot be overstated. We routinely help safety net hospitals identify paths for long-term financial solvency, and it is a nearly impossible task. There are numerous reasons for this predicament, including the lack of adequate government support for providing care for the uninsured and underinsured. For providers that depend on Medicaid, developing the capital capacity needed to invest in infrastructure and routine maintenance and compete with systems with more resources can be very difficult.”*

As can be seen by the Table below, the Hospital over the past 5-years (2015-2019) have staffed approximately 46% of the Hospital’s authorized beds. The Hospital over this 5-year period has had an average daily census (ADC) of 162 patients. Over these five years emergency department visits have averaged approximately 57,400 visits and outpatient visits have averaged 360,000 at the hospital.

<b>TABLE TWO</b>					
Mercy Hospital and Medical Center Utilization <sup>(1)</sup>					
(2015-2019)					
Beds	Authorized Beds	Staffed Beds	Average Inpatient Days	Authorized Beds Utilization	Staffed Beds Utilization
Medical Surgical	289	127	39,110	37.08%	84.37%
Intensive Care	30	14	4,699	42.91%	91.96%
Obstetric	30	12	4,772	43.58%	108.95%
AMI	39	20	6,520	45.80%	89.32%
Rehab	24	16	4,017	45.86%	68.79%
	412	189	59,118	39.31%	85.70%
Cardiac Cath.	2 Labs		788 cath.		
			Visits		
Emergency Dept	26 Stations		57,474		
Outpatient Visits			359,561		
1. Information taken from Hospital Profiles 2015 thru 2019					

## **Financial Challenges**

At that time of the affiliation of Mercy Hospital and Medical Center and Trinity Health in 2012, Trinity Health agreed to spend \$140 million from fiscal year 2013 through fiscal year 2017, for capital, information systems and equipment needs to support the operations of Mercy and the Mercy Affiliates. If Mercy obtained an operating cash flow margin of at least eight percent (8%) in fiscal year 2015, and Mercy continued to receive Illinois Medicaid Provider Tax Program payments in fiscal year 2016, then Trinity will provide an additional \$5 million in fiscal year 2016, and if Mercy continued to receive Illinois Medicaid Provider Tax Program payments in fiscal year 2017, then Trinity shall cause the expenditure of an additional \$5 million in fiscal year 2017, all for capital, information systems and equipment needs. The total capital expenditure over 5-year period from fiscal year 2013 through fiscal year 2017 would be \$150 million.

At the time of the affiliation the acquisition of Mercy Hospital and Medical Center was accounted for as an acquisition by Trinity Health with no consideration and the fair value of the assets acquired exceeded liabilities assumed resulting in a contribution of \$140.8 million which was recorded as a bargain purchase.

The Applicants have stated *“from April 1, 2012 to June 30, 2019, Trinity: (i) has invested more than \$124 million in infrastructure improvements at Mercy Hospital; (ii) has provided more than \$112 million in funding so Mercy Hospital could meet its short-term operating needs; (iii) has suffered financial statement impairments of more than \$187 million because of Mercy Hospital; and (iv) continues to guarantee Mercy Hospital loans (currently \$52 million).”*

On the next page is the audited financial information for Mercy Hospital and Medical Center for the period FY 2012-FY2020 and Trinity Health Corporation for the period FY 2016-FY2020.

**TABLE THREE**  
Income Statement  
Mercy Hospital and Medical Center <sup>(1)(2)</sup>  
(in thousands)

<b>Mercy Hospital and Medical Center</b>	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Net Patient Revenue	\$247,921	\$224,729	\$222,850	\$217,693	\$242,945	\$242,361	\$232,868	\$232,158	\$237,380
Other Revenue	\$27,717	\$13,764	\$15,517	\$19,398	\$10,554	\$13,434	\$15,636	\$12,073	\$19,259
Total Operating Revenue	\$275,638	\$238,493	\$238,367	\$237,091	\$253,499	\$255,795	\$248,504	\$244,231	\$256,639
Total Expenses	\$265,461	\$268,222	\$265,030	\$258,027	\$275,632	\$262,013	\$253,357	\$239,537	\$244,080
Operating Inc. Before Other Items	\$10,177	-\$29,729	-\$26,663	-\$20,936	-\$22,133	-\$6,219	-\$4,853	\$4,586	\$12,559
Other Items	-\$2,973	-\$4,615	-\$37,993	-\$148,288	\$0	\$0	\$0	\$0	\$0
Operating Income	\$7,204	-\$34,344	-\$64,656	-\$169,224	-\$22,133	-\$6,219	-\$4,853	\$4,586	\$12,559
Non-Operating Items	-\$3,075	-\$2,013	-\$1,173	\$314	\$487	\$85	\$203	\$234	\$41
Excess of Revenue over Expenses	\$4,129	-\$36,357	-\$66,780	-\$168,910	-\$21,646	-\$6,134	-\$4,650	\$4,820	\$12,660

1. In FY 2017 2018 and 2019 Mercy Hospital and Medical Center had asset impairments of approximately \$187 million.
2. Information taken from Mercy Hospital and Medical Center audited financial statements.

**TABLE FOUR**  
Trinity Health  
Audited Financial Statements  
(in thousands)

<b>Trinity Health</b>	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Cash & Investments	\$8,180,268	\$5,307,353	\$4,817,916	\$4,534,401	\$4,662,184
Current Assets	\$11,830,657	\$9,106,868	\$8,623,539	\$8,141,733	\$8,197,917
Total Assets	\$30,457,076	\$26,972,104	\$26,195,700	\$24,739,083	\$23,378,871
Current Liabilities	\$7,127,199	\$4,189,799	\$4,475,583	\$4,491,239	\$4,502,282
Total LTD	\$6,554,014	\$6,222,908	\$5,982,141	\$5,269,862	\$5,132,377
Total Liabilities	\$16,926,328	\$13,136,696	\$12,851,684	\$12,753,656	\$13,131,658
Net Patient Revenue	\$15,454,773	\$16,601,888	\$15,831,298	\$15,198,129	\$14,228,970
Total Revenue	\$18,833,027	\$19,293,223	\$18,345,405	\$17,627,845	\$16,339,047
Total Expenses	\$18,758,309	\$19,021,461	\$17,944,113	\$17,361,706	\$16,187,710
Operating Income	-\$344,662	\$106,781	\$136,926	-\$18,115	\$46,379
Non-Operating Items	\$310,116	\$727,524	\$812,204	\$1,354,938	\$43,424
Excess of Revenue over Exp.	-\$34,546	\$834,305	\$949,130	\$1,336,823	\$89,903

c) **Impact on Access**

State Board rules require the Board to determine if the services will exist within the established radii (10-miles) should the discontinuation be approved. The Board is also asked to determine if a shortage of beds or services in the planning area (A-03) will exist should this project be approved. The planning area is the A-03 Hospital Planning Area.

i) **City of Chicago**

The established radius for the discontinuation of a health care facility in Cook County is 10-miles. There are 38 hospitals in the City of Chicago including Mercy Hospital and Medical Center. Two of these hospitals are dedicated to children, 2 are rehabilitation hospitals, 3 are psychiatric hospitals, and 3 are long-term acute care hospitals. The remaining 28 hospitals are acute care hospitals. There are 23 hospitals within 10-miles of Mercy Hospital. All 23 hospital are located in Chicago.

The City of Chicago includes the A-01, A-02 and A-03 Hospital Planning Areas. Based upon the Board’s Need Methodology there is a **calculated excess** of 2,503 Medical Surgical Beds, 416 obstetric beds, 445 Acute Mental Illness Beds and 190 Rehab beds in the City of Chicago. There is a **calculated need for 36 intensive care beds** in the City of Chicago.

<b>TABLE FIVE</b>					
Calculated Bed Need or Excess					
HSA VI (City of Chicago)					
City of Chicago	Authorized	Calculated	(Need) Excess	Mercy Hospital	(Need) Excess
Category of Service	Bed	Beds Needed	Beds	Beds	Beds
Medical Surgical	5,497	3,312	2,503	-289	2,214
<b>Intensive Care</b>	<b>1,119</b>	<b>1,125</b>	<b>(6)</b>	<b>-30</b>	<b>(36)</b>
Obstetrics	630	364	416	-30	386
AMI	1,420	1,048	445	-329	116
Rehab	596	406	190	-24	166

ii. **A-03 Hospital Planning Area**

There are 10 hospitals in this planning area including Mercy Hospital. With the closure of Mercy Hospital and Medical Center there will be an excess of 299 medical surgical beds, 12 obstetric beds, and 121 AMI beds and a calculated need for 19 intensive care beds. There will no hospitals in the A-03 Hospital Planning Area that will have comprehensive physical rehabilitation beds.

TABLE SIX Calculated Bed Need or Excess A-03 Hospital Planning Area					
A-03 Planning Area					
	Number of Beds	Calculated Need	Excess	Mercy	(Need) Excess
Medical Surgical	1,748	1,160	588	(289)	299
Intensive Care	262	251	11	(30)	(19)
Obstetric	154	74	80	(30)	12
AMI	254	104	150	(29)	121
1. Holy Cross Hospital has been approved by the Chairman to discontinue 16 obstetric beds #E-054-20. 2. St. Bernard Hospital and Health Care Center approved to discontinue 22 obstetric beds #E-055-20.					

**iii. Emergency Department**

Mercy Hospital and Medical Center averaged 57,400 emergency department visits from 2015-2019. The closest emergency department is five miles from Mercy Hospital and Medical Center with the closure of Provident Hospital of Cook County emergency department. Mercy Hospital accommodated 15% of all emergency department visits in the A-03 Hospital Planning Area over this 5-year period and approximately 27% of all outpatient visits to the hospitals in this Planning Area.

The proposed discontinuation of this hospital will have an adverse impact on access to health care as evidenced by the number of comments from the community received during the 3-days of public hearings conducted by the State Board. The Applicants have stated in speaking of the population the hospital serves:

*“There is a radical difference in life expectancy within the City of Chicago when comparing prosperous neighborhoods with some communities on the South Side. For example, people in Streeterville on Chicago's North Side live an average of 30 years longer than those in Englewood, where the average life expectancy is only 60 years (NYU School of Medicine analysis cited in the Chicago Tribune. June 9, 2019). The prevalence of chronic health conditions is a key driver of this disparity. According to the Community Health Needs Assessment compiled by the Alliance for Health Equity, 65% of all deaths in Chicago and Suburban Cook County were attributable to chronic diseases. The communities served by Mercy Hospital disproportionately suffer from these chronic conditions and desperately need more early detection and diagnosis of illnesses and diseases, better care coordination among a multitude of providers to better treat chronic diseases, and more cost effective and accessible urgent care and other outpatient services. The COVID 19 pandemic has further highlighted these disparities.” (See page 39 of the Application for Permit)*

A number of comments that the State Board received stated the following: *“Trinity Healthcare, a health system that owns Mercy Hospital and has close to \$10 billion in assets, is choosing to close a crucial community hospital when it is most needed. COVID-19 has exacerbated the devastating impacts of the pre-existing healthcare deserts in low-income black and brown neighborhoods, making it clear that Southside residents need more healthcare facilities and services, and not closures and cuts. The closure of Mercy*

*will put the Southside at a deficit of ICU beds and increase time needed to travel to the closest Emergency Room.”*

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION DISCONTINUATION (77 ILAC 1110.130)**

**VII. Background of the Applicants**

**A) Criterion 1110.110 (a) (1)-(3) – Background of the Applicants**

*An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the Applicants must provide*

- A) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;
- B) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;
- C) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
- D) An attestation that the Applicants have not had *adverse action*<sup>1</sup> taken against any facility they own or operate.

1. Through signed attestation on page 222 of the application, the Applicants have attested that there has been no adverse action taken against Mercy Hospital & Medical Center during the three (3) years prior to filing the application.
2. The Applicants have authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection to the Applicants’ certificate of need to discontinue its acute care hospital. The authorization includes but is not limited to official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit page 223]
3. The site is owned by Mercy Hospital & Medical Center, and ownership/disposition of the property will fall under their jurisdiction after project completion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANTS (77 IAC 1110.110 (a))**

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<sup>1</sup> “Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations.” (77 IAC 1130.140)

**A) Criterion 1110.110(c) - Safety Impact Statement**

**To demonstrate compliance with this criterion the Applicants must document the safety net impact if any of the proposed project.** *Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]*

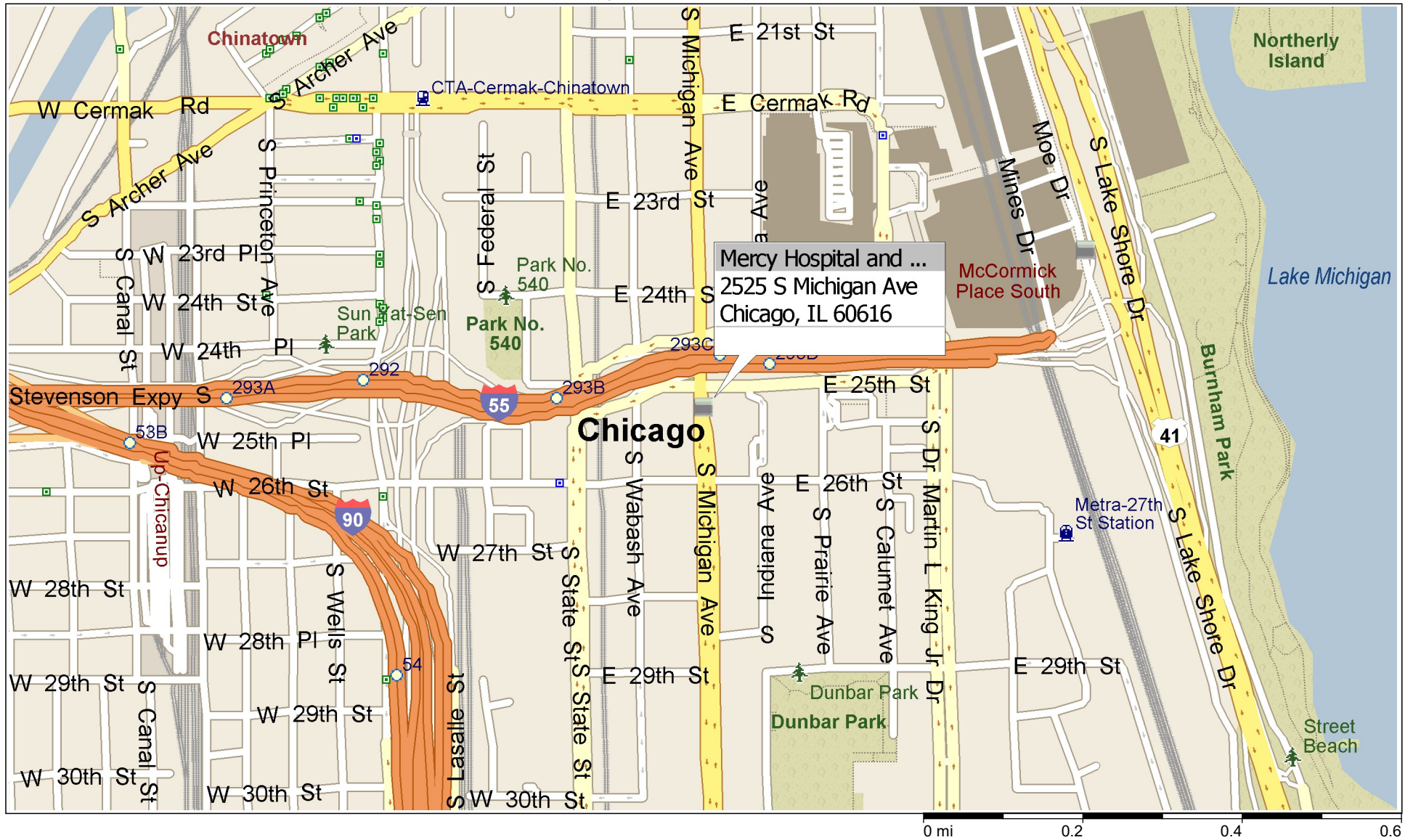
The Applicants provided charity care data for each of its facilities, shown in Table Four. A Safety Net Impact Statement has been provided as required at page 120 of the Application for Permit. The Applicants state:

*“The Applicants do not anticipate any material impact on safety net services. The facility had been operating at low utilization and consequently would have limited impact. The physicians previously performing procedures in the facility continue to perform procedures, but at a location different from the Applicant facility.”*

<b>TABLE SEVEN</b>				
<b>Charity Care Data</b>				
<b>Mercy Hospital &amp; Medical Center</b>				
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Inpatient Charity Care Patients	24	17	1	364
Outpatient Charity Care Patients	1,467	1,573	788	4,483
<b>Total Charity Care Patients</b>	<b>1,491</b>	<b>1,590</b>	<b>789</b>	<b>4,847</b>
Inpatient Charity Care Cost	\$2,319,240	\$1,817,628	\$2,312,242	\$1,512,000
Outpatient Charity Care Cost	\$1,446,582	\$2,590,795	\$2,036,730	\$1,769,000
<b>Total Charity Care Cost</b>	<b>\$3,765,822</b>	<b>\$4,408,423</b>	<b>\$4,348,972</b>	<b>\$3,281,000</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Inpatient Medicaid Patients	6,354	4,764	5,172	4,629
Outpatient Medicaid Patients	166,029	149,133	139,039	118,206
<b>Total Medicaid Patients</b>	<b>172,383</b>	<b>153,897</b>	<b>144,211</b>	<b>122,835</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Inpatient Medicaid Revenue	\$62,015,579	\$73,554,154	\$71,193,734	\$60,984,000
Outpatient Medicaid Revenue	\$17,122,117	\$20,307,846	\$25,041,556	\$32,944,000
<b>Total Medicaid Revenue</b>	<b>\$79,137,756</b>	<b>\$93,862,000</b>	<b>\$96,235,290</b>	<b>\$93,928,000</b>
<b>% of Medicaid Revenue to Net Patient Revenue</b>	<b>36.9%</b>	<b>39.6%</b>	<b>43.2%</b>	<b>41.8%</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Total Net Patient Revenue</b>	<b>\$214,583,763</b>	<b>\$234,663,000</b>	<b>\$222,850,173</b>	<b>\$224,729,000</b>
Charity Care Charges		\$12,499,199	\$12,236,713	\$9,119,928
Cost of Charity Care	\$3,765,822	\$4,408,423	\$4,348,972	\$3,281,000
<b>Total Cost/Net Patient Ratio</b>	<b>1.75%</b>	<b>1.88%</b>	<b>1.95%</b>	<b>1.46%</b>



# #20-039- Mercy Hospital and Medical Center







Mercy Hospital & Medical Center Discontinuation  
Project No. 20-039  
Public Hearing: 10/28/2020

**Carol L. Garikes Schneider, CEO, Mercy Hospital & Medical Center**

My name is Carol L. Garikes Schneider and I have served as the President and CEO of Mercy Hospital & Medical Center for the last 7 1/2 years.

Since my first days at Mercy, I have worked tirelessly to put our hospital on a financially sustainable path in spite of enormous challenges that all safety net hospitals face today, including rising expenses to run and operate a hospital, changes in payor mix, and health care trends moving from inpatient to outpatient care, with reduced reimbursement rates from the state.

When our future prospects looked unsustainable a few years ago, we began to look at new ways to help our community while staying true to our Catholic mission. In January of 2020, we at Mercy Hospital and Trinity Health formed a coalition with three other South Side hospitals to create an independent health system and build a new state-of-the-art hospital and three to six outpatient centers to ultimately replace the aged hospital facilities. No one hospital or system could address the southside health inequities on their own.

The South Side Transformation Plan was to build this new hospital and outpatient sites before any of the existing hospitals closed with these goals:

- Expand access to quality preventive care and services in our own community
- Increase access to coordinated care – the right care, at the right time, in the right setting
- Address the significant and historic health inequities South Side residents face, including unacceptable life expectancies for residents in our south side zip codes

The South Side Transformation Plan was to be funded with public and private commitments over ten years for a total investment of \$1.1 billion. It would have included a medical group with 140 employed primary and specialty providers and would have maintained 3,445 jobs in the community.

In early 2020, we launched a community outreach initiative to raise awareness of the plan in our community and seek input and support. In this period, we met with elected officials and held community town halls (virtually due to the COVID-19 pandemic) during which over 700 community members in 11 zip codes heard the details of the South Side Transformation Plan.

Sadly, it was not meant to be. During the last few hours of the Spring Legislative Session, the Illinois Legislature elected not to fund the South Side Transformation Plan as part of the funding for the Illinois Hospital Transformation Program. On May 25, 2020, the South Side Coalition notified the State that there was no path forward. The South Side Coalition subsequently disbanded at the end of May.

While closing the hospital is an incredibly tough decision, it is the right one, and one that will allow us to best continue our Catholic mission of providing access to health care for poor and underserved patients. This transformation will allow us to continue this mission with the proposed outpatient center that will provide necessary services that patients on the South Side today need.

This sustainable plan laid out in our CON will do just that.

I support it fully.

**CAPITOL OFFICE:**

619 CAPITOL BUILDING  
SPRINGFIELD, ILLINOIS 62706  
OFFICE: 217-782-5966

STATE OF ILLINOIS



**COMMITTEES:**

APPROPRIATIONS I  
ENERGY - VICE CHAIR  
EXECUTIVE  
HUMAN SERVICES  
PUBLIC HEALTH

**DISTRICT OFFICE:**

2929 S. WABASH, SUITE 102  
CHICAGO, ILLINOIS 60616  
OFFICE: 312-949-1908  
FAX: 312-949-1958

**MATTIE HUNTER  
MAJORITY CAUCUS CHAIR  
STATE SENATOR- 3RD DISTRICT**

November 24, 2020

Ms. Debra Savage  
Chair  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Savage:

I am urging the Illinois Health Facilities and Services Review Board to deny authorization for Trinity Health Corporation to close Mercy Hospital and Medical Center and Mercy Health System of Chicago, as requested in Application #20-039.

Mercy Hospital has a long and distinguished history of serving the neighborhoods in my district, and continues that legacy today despite the fiscal challenges encountered by many U.S. hospitals in the current healthcare environment. Of the 39 acute care facilities in Chicago, Mercy Hospital is one of just 12 hospitals that remain open south of the Stevenson Expressway.

Relative to other areas of Chicago, the area served by Mercy Hospital could easily be characterized as a "healthcare desert." Should Mercy Hospital cease to operate, the next closest facilities would be Northwestern Memorial Hospital (3.6 miles away), University of Illinois Hospital (4.1 miles), and Provident Hospital (3.4 miles). When a medical emergency occurs at McCormick Place or Soldier Field, Mercy Hospital is no more than 6 minutes away, however, if Mercy Hospital is permitted to cease operations, then alternate transport to Northwestern Memorial or the University of Illinois Hospital would typically take over twice as long. For a stroke or heart attack victim, those minutes can mean the difference between life and death.

Mercy Hospital is also focused on addressing the extraordinary healthcare challenges in the population it primarily serves. In fact, the application for closure submitted by Trinity Health outlines the very reasons why Mercy Hospital should not be allowed to cease serving the residents of my district. The difference in average life span between residents of affluent areas on the North Side compared to residents of the South Side is measured in decades. The vast majority of this difference is due to lack of adequate management of chronic health conditions. Addressing this disparity requires a healthcare system that is focused on recognizing the additional barriers to good health that are prevalent in my district, including social determinants of health. An outpatient facility alone, as proposed by Trinity Health, will not be sufficient to address these problems. Larger, vertically integrated healthcare systems that are located far from my constituents are less able to integrate into the neighborhoods of my district, and would not have the same focus on the unique needs of the patients currently served by Mercy Hospital.

Ms. Debra Savage  
November 24, 2020  
Page Two

Trinity Health does not “own” Mercy Hospital in the same context as a for-profit corporation would own an asset. Trinity Health holds this community asset in trust, operating it for the benefit of the citizens of Illinois. Trinity Health and its charitable predecessors have enjoyed decades of tax-exempt status in return for providing charitable care and benefit to the community. Such obligations were easier to fulfill in past years without today’s financial challenges, however, the fiduciary obligation to meet commitments to the community in return for tax exempt status continues even in the face of financial challenges. Closure of Mercy Hospital and Mercy Health System would constitute failure of Trinity Health to meet its obligations, a failure which cannot be rectified solely by promising a future outpatient facility.

The real estate value of the properties associated with Mercy Hospital provides a strong incentive for Trinity Health to liquidate the facility rather than arrange for its continued operation by another charitable entity. I do not doubt that other nonprofit healthcare systems in Chicago have declined to take on the responsibility for reinventing Mercy Hospital and Mercy Health System, however, I am equally certain that there are viable alternatives to depriving my constituents of the resources of Mercy Hospital.

I have personally met with a management team that has a plan to preserve Mercy Hospital and refocus Mercy Health System on health promotion and disease prevention. As long as such options exist that would better meet the needs of my constituents, Trinity Health should not be granted permission to proceed with its plan to close Mercy Hospital. Furthermore, since a prolonged climate of uncertainty would make the eventual turnaround of Mercy Hospital even more challenging, it is vital that Trinity Health’s application for closure be denied expeditiously.

Thank you for safeguarding the interests of the citizens of Illinois Senate District 3.

Sincerely,

A handwritten signature in black ink that reads "Mattie Hunter". The signature is written in a cursive, flowing style.

Mattie Hunter  
Majority Caucus Chair  
Illinois State Senator  
3<sup>rd</sup> Legislative District

Illinois House of Representatives

**District Office:**  
2108 W 35th St.  
Chicago, IL 60609  
Office: (872) 281-5775



**Springfield Office:**  
270-S Stratton Office Building  
Springfield, IL 62706  
Phone: (217) 782-2855  
Email: rep.theresamah@gmail.com

**Theresa Mah**

State Representative • 2nd District  
Representante Estatal - 伊州眾議員

**Testimony on the Proposed Closure of Mercy Hospital**

Good Morning, I'm State Representative Theresa Mah. I represent the 2<sup>nd</sup> House District in the IL General Assembly. My district is just a few blocks west of Mercy Hospital but the Hospital might as well be in my district. So many of my constituents in Chinatown, Armour Square, Bridgeport, and East Pilsen rely on this hospital as the closest full-service hospital providing for their health care needs.

As a state legislator representing a large number of constituents within Mercy Hospital's service area and as a resident who myself relies on Mercy Hospital and its physicians group as the provider of my own healthcare, I am strongly opposed to the closure announced recently.

If Mercy Hospital were to close its doors, my constituents in the communities in Chinatown, Armour Square, Pilsen and Bridgeport would be left without a full-service hospital, and community members who are employed by the hospital system would be left without jobs during an economic recession and an ongoing pandemic.

Residents in the eastern part of my district, especially Chinese immigrant families and seniors in Chinatown, are already challenged by various barriers to adequate healthcare such as transportation and language access. The proposed closure would increase these barriers significantly as residents would need to travel farther and interact with hospital systems in other communities not prepared to serve the specific needs of this population.

The nearest full-service hospitals are on average more than five miles away. 5 miles may not seem very far to the average person, but for the population I represent—Chinese immigrants, many of whom are Limited English Proficient,



senior citizens, transportation-challenged and from low-income families that rely on the services of this community, safety-net hospital—5 miles may as well be on a different planet. 5 miles is a matter of life or death, a matter of having access to healthcare or none at all.

These factors that I just mentioned, immigrant status, English proficiency, distance and access to transportation, income level—these are factors that contribute to the social determinants of health that already make access to healthcare difficult and contribute to the gaping racial health disparities that already exist in our communities. These racial disparities in health care—that cut down the average lifespan of our community members based on race, class and immigration status should be what we are all working on to break down, not increase!

It is the height of irresponsibility; it is heartless and deeply detrimental to our communities to propose this closure in the middle of a pandemic, especially one that has already exposed the deep inequities that exist in our society. Closing this hospital will only deepen those inequities, multiplying the health disparities, because this closure absolutely disproportionately affects black, brown, poor, elderly, and immigrant communities.

The availability of healthcare should not be based on profit calculations. Healthcare is a human right and our communities' welfare deserves to be considered in these decisions that fundamentally affect their health.

I want to make sure it is absolutely clear and on the record that access to healthcare is of utmost importance to me. It has always been a top priority for the residents of my district. I believe it is unconscionable for a wealthy and profitable parent company to close a hospital in a minority, low-income area during a pandemic when other hospitals in wealthier areas under their ownership are expanding and receiving investments for upgrades.

It is my hope that the IL Health Facilities and Services Review Board will deny the current application to close Mercy Hospital. Thank you for your consideration.

**From:** [Sarah Dozier](#)  
**To:** [DPH.HFSRB.PublicHearings](#)  
**Subject:** [External] Please Don't Close Mercy  
**Date:** Sunday, November 1, 2020 3:44:39 PM

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To Whom It May Concern:

I'm writing to express concern and sadness at plans to close Mercy Hospital. I believe such a decision will negatively impact access to healthcare, as well as exacerbate disparities in access for Chicogans of color. In these challenging times, now more than ever, the call to act according to values of equity are extremely important. Healthcare is a fundamental need of all humans in a society, and the lack of it will only show us to be callous and lacking in exactly the name of the hospital being closed: Mercy. Please, have mercy. Keep Mercy open.

Thanks for your time.

Sarah Dozier

Sent from my iPhone

**From:** [janae.duckworth@everyactioncustom.com](mailto:janae.duckworth@everyactioncustom.com) on behalf of [Janae Duckworth](#)  
**To:** [DPH.HFSRB.PublicHearings](#)  
**Subject:** [External] Save Mercy Hospital!  
**Date:** Tuesday, November 17, 2020 8:06:34 PM

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Dear Illinois Health Facilities Board,

Trinity Healthcare, a health system that owns Mercy Hospital and has close to \$10 billion in assets, is choosing to close a crucial community hospital when it is most needed.

COVID-19 has exacerbated the devastating impacts of the pre-existing healthcare deserts in low-income black and brown neighborhoods, making it clear that Southside residents need more healthcare facilities and services, and not closures and cuts. The closure of Mercy will put the Southside at a deficit of ICU beds and increase time needed to travel to the closest Emergency Room.

The essential workers at Mercy Hospital compose a largely black and brown workforce, and have been making major sacrifices both before and during the current pandemic in order to provide life-saving care to the majority black and brown low-income communities the hospital serves. Both workers and the patients they care for have desperately needed support during this critical time—including better staffing ratios, hazard pay, sufficient PPE and more supplies.

If you believe Black Lives Matter, please use your authority to stop the closure of Mercy Hospital.

Sincerely,  
Janae Duckworth  
20186 Providence Ln Chicago Heights, IL 60411-1082  
[janae.duckworth@gmail.com](mailto:janae.duckworth@gmail.com)

October 9, 2020

Illinois Health Facilities & Services Review Board  
525 West Jefferson Street  
Springfield, Illinois 62761

Attn: Ms. Courtney Avery, Administrator

Dear Ms. Avery:

At the request of Art Greenlee, Director of Strategy of Trinity Health, Jensen + Partners offers this letter to summarize a facility conditions assessment performed for the hospital in early 2019. We were engaged by Trinity Health to review previous documents and performed a thorough site tour with the Facilities Director, discussing infrastructure conditions, historic project cost and maintenance. This background helped us generate a high-level strategic facility analysis with focus on the facility's suitability for future operations and cost required to correct serious physical plant deficiencies to enable those operations.

Mercy Hospital and Medical Center is a 292 bed community hospital located in Chicago's South Loop region. Currently containing 373 licensed beds it occupies several blocks east of Michigan Avenue to MLK Drive, between 25th and 26th street and one parking lot west of Michigan Avenue between 25th and 26th street. The campus is made up of a single structure hospital from 1965 with smaller additions ranging from 1980 to 2001.

Our report described present-tense conditions and at a high level comparison of capital investment scenarios which either preserved acute care operations or proposed rebuilding on an adjacent site. This latter approach notes infrastructure investments in the existing structure enabling adaptive reuse for alternative non-acute programs.

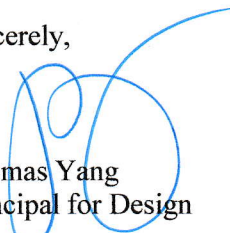
Findings:

In order to continue acute care operations, the 1965 tower in our assessment requires significant investment in infrastructure and code compliance in the next 5 years including but not limited to: utility systems, windows and envelope, emergency power system, roof replacement, structural concrete patch/maintenance, IT systems, clinical equipment, and other code/fire life safety items. Of particular note are safety issues with rust damage over the entire exterior concrete building frame. A city mandated repair and maintenance program is in force to prevent additional pieces of falling concrete. The window system has severe air and moisture leaks which bring winter precipitation into patient use spaces. Plumbing includes galvanized pipes which are 90% occluded in some areas.

It is estimated that between \$125-\$140 million must be invested over five years to update and replace the infrastructural systems identified. An additional \$23-\$35 million would be needed in the following 5 years after the initial investment. Our cost model included confidential input from a local contractor familiar with the facility. An option to replace the hospital on campus and repurposing the existing facility for non-hospital uses was also evaluated at a high level. Our report described these options but did not offer a recommendation, instead serving as a resource for ongoing decision-making.

Please feel free to contact Mr. Greenlee for clarifications which we might offer to these statements and we will respond as directed. Thank you for your attention.

Sincerely,



Thomas Yang  
Principal for Design

CC: A. Greenlee – Trinity Health, D. Vukovljak, F. Ridlehoover – Jensen + Partners.



October 8, 2020

Ms. Courtney Avery  
Administrator  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street  
Springfield, Illinois 62761

Dear Ms. Avery:

As a longtime adviser to countless hospitals and health systems nationwide, I'm writing to validate Mercy Hospital and Medical Center's conclusions regarding the need to increase access to outpatient care on Chicago's South Side, and to support their bold plan to transform its system of health.

Our firm, Kaufman Hall, is a leading management consulting firm and a trusted partner to more than 3,000 healthcare organizations. Founded in 1985, Kaufman Hall helped initiate the concept of integrated strategic financial planning in the healthcare industry, and data-driven analysis is a core pillar of our firm. Since 2013, we have advised more than 675 healthcare organizations and have overseen 150 healthcare strategic partnerships, mergers, and acquisitions.

With regards to the issue before the board today, we have worked extensively with many safety net hospitals, and have witnessed firsthand the problems Mercy is facing. The funding challenges cannot be overstated. We routinely help safety net hospitals identify paths for long-term financial solvency, and it is a nearly impossible task. There are numerous reasons for this predicament, including the lack of adequate government support for providing care for the uninsured and underinsured. For providers that depend on Medicaid, developing the capital capacity needed to invest in infrastructure and routine maintenance and compete with systems with more resources can be very difficult.

At the beginning of 2020, we undertook a comprehensive analysis of the system of health on Chicago's South Side. What we found is consistent with trends we see elsewhere: low utilization rates across the system for facilities that are expensive to maintain yet do little to address patient needs, and a higher incidence of chronic conditions coupled with reduced access to the outpatient and preventive care needed to address those conditions. Since we first conducted our analysis, the problems that safety net hospitals face have been significantly exacerbated by the ongoing financial and operational challenges of the COVID-19 pandemic. Our firm concluded that the South Side desperately needs new facilities and stronger access to outpatient care.

On behalf of the many safety net hospitals for which we have worked over the years, we urge the board to take a proactive role in transforming the system of patient care to better meet the needs of patients. Mercy's plan to discontinue services within its aging facility and open an outpatient

Ms. Courtney Avery  
Illinois Health Facilities & Services Review Board  
October 8, 2020  
Page 2

clinic is an important step toward transforming healthcare on the South Side at a pivotal moment in time.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Grube", written over a thin horizontal line.

Mark Grube  
Managing Director and National Strategy Leader



November 09, 2020

Ms. Courtney Avery  
Administrator  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street  
Springfield, Illinois 62761

Subject: Mercy Hospital CON to discontinue services

Dear Ms. Avery,

In October of 2017, Trinity Health engaged Citi as strategic advisor in connection with a possible transaction to develop a partnership between Mercy Health System of Chicago ("Mercy") and a new partner.

Mercy developed key requirements for partnership based on its discernment process. - Based on these requirements, Citi contacted a number of health care organizations (for-profit and not-for-profit, local and national) to gauge interest in a potential partnership. Citi worked with Mercy Health System and Trinity Health to prepare a descriptive memorandum and an information data room for potential partners to review towards preparing a proposal.

Further, Citi organized in-person meetings for Mercy officials and site visits for certain potential partners.

In the end, none of the contacted parties was interested in pursuing a partnership with Mercy, primarily due to the consistent operating losses and massive deferred maintenance.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Carlstead". The signature is stylized and somewhat cursive.

Brian Carlstead  
Co-Head of Not-for-profit Health Care