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October 7, 2024

Debra Savage, Chairwoman
Illinois Health Facilities and System Review Board
525 West Jefferson Street – 2nd Floor
Springfield, Illinois 62761

Re: Opposition Letter for CON #24-018
NorthPointe Neighborhood Hospital, Roscoe, IL

Chairwoman Savage,

We represent Mercyhealth, a healthcare system that provides the same healthcare services proposed by the Applicant and within the same Health Planning Area. This letter is submitted in opposition to NorthPointe Neighborhood Hospital, Project #24-018.

The applicant, Beloit Health System, Inc ("BHS" or "Applicant"), and owner of NorthPointe Campus ("NorthPointe") has a history of bringing projects before this Board with representations regarding key issues this Board considers including services to be provided, referrals to justify a project, and payor mix of the patient population. This Board requires this information to appropriately evaluate not only the projects before it but also how an applicant has performed relative to the representations from prior applications.

Whether the Applicant has fulfilled the commitments they made for prior projects, whether the predictions have proven accurate, and – importantly – the reality of their commitment to a Medicaid and indigent population have garnered significant attention with respect to the current proposal. ***That evaluation***, when it comes to both previous BHS applications and this current project ***provides a compelling basis for the Board to be cautious in evaluating the projections for this project***.

A review of BMS's history of submitting CON applications, which stretches back 16 years, demonstrates that Wisconsin based BHS has always wanted one thing: **to establish an Emergency Department in Illinois to direct patient flow to their Wisconsin hospital**. Consider the timeline:

2008	BHS submitted an application Project #08-103 to ***establish an Emergency Department*** at **5605 E. Rockton Rd. Roscoe, Illinois**.
2009	BHS withdraws the application, citing the need to "safeguard the community's resources."
December 2013	BHS submitted an application, Project #13-072, proposing a 2 OR/2 Procedure room ambulatory surgery center ("ASTC"), costing $16,339,587, and located at **5605 E. Rockton Rd. Roscoe, Illinois** proposing to ***relocate***

	services from BHS' Wisconsin Hospital to ease its burden and modernize its existing surgical suites. After a public hearing, BHSBHS deferred its project and offered to reduce its OR capacity in Wisconsin from 6 to 4 ORs.
June 2014	The Board issued an Intent to Deny for Project #13-072.
August 2014	BHS submits Project #14-040 to ***establish a Free-Standing Emergency Center***, also at **5605 E. Rockton Rd. Roscoe, Illinois**.
August 2014	Board finds Project #14-040 does not meeting Board criteria.
September 2014	Additional information submitted to address correction of improperly reported Medicaid revenue in application for Project #13-072. The amount of reported Medicaid revenue was lower than what was listed in original application.
October 2014	BHS requests deferral of Project #13-072, its ASTC application, twice.
November 2014	Project #14-040, Freestanding ED, receives Intent to Deny from HFSRB.
December 2014	Project #14-040, Freestanding ED, is Denied by HFSRB.
February 2015	BHS requests deferral of Project #13-072, its ASTC application.
April 2015	BHS requests deferral of Project #13-072, its ASTC application.
June 2015	Project #13-072 is approved.
December 2015 – Nov 2017	BHS files multiple alteration and permit renewal requests for Project #13-072.
January 2018	HFSRB approves alteration of Project #13-072 and the facility is licensed.
July 2021	BHS submits Project #21-021 to establish NorthPointe Birth Center, also located at **5605 E. Rockton Rd. Roscoe, Illinois**.
December 2021	Project #21-021 was approved by Board.
June 2024	BHS submits Project #24-18 to establish a 10-bed, 1-OR hospital with an ***emergency room***, located at **5605 E. Rockton Rd. Roscoe, Illinois**.

It's important to recall that BHS deferred its proposed ASTC multiple times in the hopes of getting an Emergency Department approved and, only when unsuccessful, did it return to the proposed ASTC. This raises the question of how committed BHS truly was to bringing a high quality, successful ASTC to the Roscoe community. The actual performance of the ASTC to what was proposed in the application to the HFSRB underscores this concern.

NorthPointe ASTC

BHS specifically identified 3,457 annual cases that would be referred to the NorthPointe ASTC as part of its application to justify the ASTC project. However, the utilization data BHS reported to the HFSRB reveals an ASTC that has never come close to being fully utilized. Moreover, it never performed half of the specialties BHS claimed were "needed" in the community – thus demonstrating either a lack of understanding of the community's needs or a willingness to present claims designed to obtain approval, regardless of the ability to meet those commitments.

The following data is reflected in the most recent 6 years of available data regarding surgical procedures performed, as provided to the HFSRB by the NorthPointe ASTC.

Year	Total Surgical Time	Utilization	Total Surgeries	Primary Utilization
2022	594 Surgical Hours	16.0%	716 Total Procedures	685 of 716 Ophthalmology
2021	526 Surgical Hours	14.2%	619 Total Procedures	560 of 619 Ophthalmology
2020	568 Surgical Hours	15.4%	596 Total Procedures	518 of 596 Ophthalmology
2019	999 Surgical Hours	27.0%	947 Total Procedures	826 of 947 Ophthalmology
2018	492 Surgical Hours	13.2%	859 Total Procedures	646 of 859 Ophthalmology
2017	244 Surgical Hours	6.6%	455 Total Procedures	357 of 455 Ophthalmology

A fully utilized OR allows for 1850 surgical hours, meaning that the BHS ASTC, with 2 ORs, could support 3,700 surgical hours. However, as the data clearly shows, at its peak utilization of the NorthPointe ASTC came in at 27% of the HFSRB's standard for full utilization of the facility that BHS claimed the community needed. This 2 OR ASTC ***would have been underutilized even if it had been a single OR facility***. Now, however, BHS presents its plan to "redeploy" one OR from what can only be described as a failed ASTC to justify the establishment of a hospital that does not meet HFSRB criteria and simply is not needed. Not only is the OR not needed, but to move it from an ASTC to a hospital OR would also increase the cost of the surgical procedures that would be done in that OR thus passing the cost of BHS's failed business plan on to patients in the community.

The Hospital application proposes a single OR of 544 GSF (despite a state standard of 2,750 GSF) that will utilize 500 surgical hours. Setting aside the healthcare delivery question of what happens if an emergency occurs in which two individuals require surgery – it begs the question of what care will be provided in this miniscule OR? After predicting a need for 12 categories of service at the ASTC (addressed below) and over 3,500 cases a year (addressed below) – none of which proved to be true - **we urge the Board to be very cautious in accepting BHS's assessments of what the proposed hospital would actually bring to the community.**

BHS has Failed in its Commitment to Medicaid Patients

There are significant questions with regards to BHS's commitment to Medicaid at the ASTC, particularly when you consider what the applicant predicted in its application to this Board. **BHS**

estimated serving 12% Medicaid patients at its ASTC in its application for the ASTC (see table below)**. <u>The actual percentage of Medicare patients served is only 2.1%</u>.**

TABLE THREE

Estimated Payor Mix for the Proposed ASTC and the Payor Mix for Health Service Area I (Hospitals and ASTCs) and the B-01 Hospital Planning Area

Payor Mix				
Payor	Proposed ASTC (1)	HSA I (Hospitals) (2)	HSA I ASTC's (3)	B-01 Hospital Planning Area (4)
Medicare	40%	27.96%	19.2%	26.72%
Medicaid	12%	9.82%	.70%	12.61%
Other Public	0%	1.40%	.90%	2.32%
Private Insurance	45%	53.39%	77.7%	49.58%
Private Pay	1.5%	7.43%	1.5%	8.77%
Total	98.50%	100.00%	100.00%	100.00%
Charity Care Expense	1.5%	2.70%	.50%	3.22%

(1) Information provided by the applicant.
(2) Payor Mix from 2013 Hospital Survey
(3) Payor Mix from 2012 ASTC Survey
(4) Payor Mix from 2013 Hospital Survey
(5) The State Board does not determine planning areas for ASTCs.

The above data is from the HFSRB Staff Report from Project #13-072. The data below comes from the HFSRB ASTC Profiles from 2017 to 2022 and clearly shows that the ASTC did not provide even close to the level of service to Medicaid patients as proposed.

Year	Total Patients	Medicaid Patients	% Medicaid	% Net Revenue
2017	1,077 Patients	26 Patients	2.4%	0.3% Net Revenue
2018	2,162 Patients	18 Patients	0.8%	0.3% Net Revenue
2019	2,474 Patients	40 Patients	1.6%	0.3% Net Revenue
2020	1,819 Patients	57 Patients	3.1%	0.5% Net Revenue
2021	1,439 Patients	33 Patients	2.3%	0.5% Net Revenue
2022	1,521 Patients	45 Patients	3.0%	0.7% Net Revenue

Only 2.1% of all patients seen at this ASTC were Medicaid beneficiaries despite having predicted 12%. BHS predicts serving a 10% Medicaid population in its application converting this OR into a hospital and expects this Board to simply accept that representation. The Board should not so readily accept that representation based on BHS's past performance.

<u>BHS Has Simply NOT Performed the Services they Committed To in the ASTC</u>

BHS has not provided the care it described to this Board in its ASTC application, it has not served the patient population it described serving, and its claims as to what was needed in the community have not proven true. This must be taken into account when evaluating the establishment of a hospital that falls short of so many of the HFSRB's regulations.

The ASTC sought and was approved for 12 categories of service: Dermatology, Gastroenterology, General, OB/Gynecology, Ophthalmology, Oral/Maxillofacial, Orthopedic, Plastic, Pain Management, Podiatry, Otolaryngology, and Urology. **Over half of these categories of service have never seen a surgical procedure provided at the ASTC**.

BHS provided referral letters that detailed 3,457 cases that, on an annual basis, would be referred to this facility. This is how BHS justified the need for this facility. The below is from Project #13-072's application:

Exhibit 27.2
Physician Referral Letter Summary
By Case Type

General	343
Orthopaedics	148
Urology	158
Podiatry	119
Ophthalmology	593
Gastroenterology	1,800
Pain	170
Gyn	126
Total	3,457 cases

However, HFSRB data from 2017–2022 demonstrates that the NorthPointe ASTC has performed:

ZERO Dermatological surgical procedures.

ZERO General surgical procedures.

ONE OB/Gynecological surgical procedure.

ZERO Oral/Maxillofacial surgical procedures.

ZERO Pain Management surgical procedures.

ONE Plastic surgical procedure since 2019

ZERO Otolaryngological surgical procedures since 2019.

ZERO Urological surgical procedures.

Between 2017 and 2022 there have been 351 orthopedic surgical procedures and 196 podiatric procedures performed. But for the ophthalmologic procedures, the ASTC has only performed a total of 646 surgical procedures in the 2 ASTC ORs – far less than the 3,457 BHS described to justify the need for the facility. Instead, 85.7% of all procedures performed were ophthalmologic, presumably cataracts (based upon an average case time of less than one hour (Note: surgical time includes set up, clean up, and actual surgical time).

This ASTC Was Not for the Benefit of Illinois Residents But, Rather, Wisconsin Residents (or Perhaps a Wisconsin Hospital)

In 2018, 2,162 patients were treated at the ASTC and 602 of those individuals were from Illinois. In 2019, 2,474 patients were treated at the ASTC of which only 604 were from Illinois. In 2020, only 498 of the less than 2000 patients treated at the ASTC were from Illinois. In 2021, 1,439 patients were treated at the ASTC. Only 417 of those patients were from Illinois. Finally, in 2022, only 401 of the approximately 1,500 patients treated at the ASTC were Illinois residents.

BHS never came close to referring the 3,457 cases each year to the ASTC and, of the patients the NorthPointe ASTC did treat, less than 30% were Illinois residents.

The Birth Center's Performance Is Continuing the Trend of Underperformance

The Birthing Center was licensed in January 2024. In its application, BHS predicted over 400 births per year, with 96 births to occur at the NorthPointe Birthing Center in its first year. However, recently at a community listening event that took place on September 16, 2024, wherein BHS explained to the community its vision, admitted that there has only been a total of 13 births at the NorthPointe Birthing Center.

That is 13.5% of what BHS predicted and 3% of the volume to which BHS advised the facility would normalize. Moreover, in the justification of its current project, BHS touts how beneficial it would be to have a nearby hospital in the event of a complication at the Birthing Center. However, in the application for the Birth Center project, BHS highlighted that the center would offer an out of hospital birthing experience for low-risk patients. To state now that they need a hospital to protect the safety of the patients at the Birthing Center calls into question the safety of care at that location and its need overall. Moreover, it calls the question of how many of the births at this facility required transfer to a hospital, as the transfer agreement for this facility was to transfer these patients out of Illinois to BHS's Wisconsin hospital, the same plan proposed by BHS's Neighborhood Hospital, Project 24-018. Their projection did not come to fruition for the ASTC, it does not appear there patient volume or a need for the Birthing Center, and there are no convincing bases to expect that their projections will be realized the proposed hospital.

Conclusion

BHS's track record speaks for itself. Despite demonstrating a consistent desire for its own Illinois Emergency Department, BHS has demonstrated through its current operations an inability to meet the commitments made to the HFSRB in its applications, has failed to perform the services it committed to performing, has failed to produce the commitment to a Medicaid population it has described and, until those issues have been resolved, we recommend this Board be cautious in approving another project designed to meet the needs of an out-of-state hospital that does nothing to improve access to care in Illinois or for Illinois residents.

Best regards,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP

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