

1 THE ILLINOIS DEPARTMENT OF PUBLIC HEALTH

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

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10 IN RE: PINCKNEYVILLE COMMUNITY HOSPITAL

Project No. 09-068

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ILLINOIS DEPARTMENT OF PUBLIC HEALTH HEARING

15

FEBRUARY 4, 2010

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THE ILLINOIS DEPARTMENT OF PUBLIC HEALTH

IN RE: PINCKNEYVILLE) Project No: 09-068
COMMUNITY HOSPITAL.)

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The following hearing was held on February 4, 2010, between the hours of eight o'clock in the forenoon and six o'clock in the afternoon of that day, at the Pinckneyville Community High School, 700 East Water Street, Pinckneyville, Illinois, before Jenna L. Higgins, a Certified Court Reporter (MO), Certified Shorthand Reporter (IL), and a Notary Public within and for the State of Illinois, in a certain cause pending with the Illinois Department of Public Health.

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A P P E A R A N C E S

For the Illinois Department of Public Health:

Division of Health Systems Development
By: George Roate
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761
(217) 782-3516
george.roate@illinois.gov

Also present: Public

Court Reporter:
Jenna L. Higgins, CSR, CCR
Midwest Litigation Services
711 North Eleventh Street
St. Louis, Missouri 63101
(314) 644-2191
1-800-280-3376

1 IT IS HEREBY STIPULATED AND AGREED that
2 this hearing may be taken in shorthand by Jenna L.
3 Higgins, a Certified Court Reporter (MO), Certified
4 Shorthand Reporter (IL), and Notary Public, and
5 afterwards transcribed into typewriting.

6 MR. ROATE: Good afternoon. My name is
7 George Roate. I'm with the Illinois Department of
8 Public Health and I am here to conduct a public
9 hearing on the proposed project known as Project
10 #09-068, Pinckneyville Community Hospital, a proposal
11 to discontinue an existing hospital, and establish a
12 replacement facility. As per the rules of the
13 Illinois Health Facilities and Services Review Board,
14 I would like to read the legal notice into the record.

15 In accordance with the requirements of the
16 Illinois Health Facilities Planning Act, notice is
17 given of receipt to discontinue a hospital and
18 establish a replacement facility. Project 09-068,
19 Pinckneyville Community Hospital. Applicants:
20 Pinckneyville Community Hospital and Pinckneyville
21 Community Hospital District. The applicants propose
22 to discontinue its 25-bed critical access hospital
23 (CAH) and establish a replacement facility
24 approximately two miles away. The new facility will
25 be located at the corner of White Walnut Road and

1 State Route 154, Pinckneyville. Project cost;
2 \$46,624,405. A public hearing will take place
3 pursuant to Part 1130.910. The hearing is scheduled
4 for 3:30 p.m. on Thursday, February 4, 2010, located
5 at Pinckneyville Junior High School located at 700
6 East Water, Pinckneyville, Illinois 62274. The
7 Public Hearing is to be held by the Illinois
8 Department of Public Health pursuant to the Illinois
9 Health Facilities Planning Act. The hearing is open
10 to the public and will afford an opportunity for
11 parties with interest to present written and/or verbal
12 comment relevant to the project. All allegations or
13 assertions should be relevant to the need for the
14 proposed project and be supported with two copies of
15 documentation or materials that are printed or typed
16 on paper, size eight-and-a-half by eleven.
17 Consideration by the State Board has been tentatively
18 scheduled for the April 20-21, 2010, State Board
19 Meeting.

20 If you have not done so, please sign in
21 using the appropriate registration forms. One form is
22 for individuals who want to provide testimony in favor
23 of the project. Another form is for people to provide
24 testimony who oppose the project. The last form is
25 for individuals to register their attendance who do

1 not wish to testify.

2 To ensure that the Illinois Health
3 Facilities and Services Review Board's public hearings
4 protect the privacy and maintain the confidentiality
5 of an individual's health information, covered
6 entities, as defined by the Health Insurance
7 Portability Act of 1996, such as facilities, hospital
8 providers, health plans, and healthcare
9 clearinghouses, submitting oral or written testimony
10 that discloses protected health information of
11 individuals shall have a valid written authorization
12 from that individual. The authorization shall allow
13 the covered entity to share the individual's protected
14 health information at this hearing.

15 Those of you who came with prepared text
16 for you presentation may choose to submit that text
17 without giving testimony. However, if you are giving
18 oral testimony, please be as brief as possible. Due
19 to the number of individuals who have expressed an
20 interest in providing testimony, I must limit each
21 oral presentation to three minutes. As per the legal
22 notice, I would appreciate two copies of your
23 testimony. When you make your presentation, please
24 give the court reporter the spelling of your complete
25 name. If there is a chief spokesperson for the

1 applicant, we would like that individual to make the
2 first presentation. The remaining testimony will be
3 taken in the order of the names on the registers.
4 Please hold your questions until all the testimony is
5 presented. Is there someone from the applicants who
6 wishes to make the first presentation? Thank you.

7 MR. HUDGINS: Good afternoon. My name is
8 Tom Hudgins. I'm the administrator of the hospital.
9 I have been asked by, John Shotton, the chairman of
10 the board, to give a statement on record on his behalf
11 because of another previous commitment. I'm speaking
12 in support of Project #09-068.

13 The Pinckneyville Community Hospital Board
14 appreciates the opportunity to share with you today
15 the factual information and some of the background
16 that has led us to this point of construction of a new
17 hospital to serve our community.

18 If you will listen closely in the next few
19 minutes, you will hear concise data in the area of
20 demographics of our area, the need for the new
21 facility, the relative merits of new construction
22 versus renovation, the sound financial basis for going
23 forward, the design of the facility, the construction
24 process, and the means of financing the project.

25 While the Board possesses no particular

1 expertise in any of these areas, we have retained the
2 services of the people from which you will hear, and
3 we have utmost confidence in what they have presented
4 to us and what they will say to you.

5 The debt incurred to complete this project
6 will be retired through the revenue generated by the
7 use of the facility and the reimbursement mechanism in
8 place from Medicare through our designation as a
9 Critical Access Hospital.

10 You have the assurance of the Board that no
11 new local taxes or fees will be involved to retire the
12 debt and that if there was any doubt about that the
13 project would not go forward.

14 The Board has meticulously considered and
15 reviewed every aspect of this project over the past
16 seven years and is convinced the new construction is
17 vital in providing quality medical care for our
18 community in the years ahead. John Shotton, Chairman
19 of the Board of Directors of Pinckneyville Community
20 Hospital.

21 MR. ROATE: Okay. If there's no
22 opposition, I will let the parties provide testimony
23 in an alternating fashion in support. First to speak
24 in opposition to the project, I believe we have
25 someone speaking for Mr. George Ranta.

1 MS. TROTTER: Good afternoon. My name is
2 Ms. Trotter. I'm here to represent Mr. Ranta and read
3 this letter for him as he finds it difficult.

4 When the news article about a new
5 Pinckneyville Community Hospital complex was first
6 published, the cost was \$21 million dollars; then
7 sometime later, it was \$22 million; then it was \$31
8 million dollars and now the current construction cost
9 is \$33,697,000 which includes much new equipment;
10 however, now, for the first time, articles mention
11 other costs such as architectural costs, financing
12 costs and moving costs bringing the total to
13 \$46,624,405. This does not include funds already
14 spent on preliminary work or removal of the present
15 hospital and landscaping the area which will
16 substantially increase the total cost.

17 To support the need for a new hospital
18 complex, the hospital has submitted a detailed
19 infrastructure analysis which was prepared April 1,
20 2001, or almost nine years ago. There are no
21 revisions or updates as to what has occurred since
22 April 1, 2001. The laundry list of equipment and
23 hospital systems includes items small and relatively
24 inexpensive and large and expensive. For example, the
25 sprinklers installed in the 1976 addition are not

1 quick response. Renovation or an addition may require
2 complete replacement of the sprinkler heads in the
3 facility to quick response type. This shouldn't be
4 too costly.

5 The hospital is not protected throughout
6 with an automatic sprinkler system. The installation
7 of a sprinkler system is recommended if the hospital
8 is to continue to occupy the building. This is not
9 very expensive since the 1976 addition has sprinklers
10 and the ground floor of the original building has
11 sprinklers. It is a matter of extending them to the
12 other floors. There are drop ceilings on all the
13 floors.

14 The nurse call systems in the hospital were
15 installed when the areas were constructed. The
16 systems do not provide the two-way communication
17 required by current standards. The nurse call systems
18 are outdated and will require replacement if patient
19 care areas are renovated to assure reliable service.

20 There are important issues, yet nothing has
21 been done in nine years to address these issues by the
22 hospital. There are no cost estimates for any of the
23 suggested replacement systems by architects or other
24 knowledgeable experts so that informed comparisons can
25 be made between a renovation and a new \$46,624,405

1 complex.

2 All of the recommendations of the detailed
3 infrastructure analysis can be included in a
4 prioritized hospital master plan and purchased
5 monthly. In the past nine years numerous systems and
6 purchases of equipment could have occurred and the
7 hospital would have been largely reimbursed, instead
8 the hospital is proposing to spend a total of
9 \$40,000,000 or \$2,000,000 annually for twenty years or
10 \$166,666.67 monthly for a new hospital complex.

11 It is hoping that Medicare, a program that
12 is in trouble, will pay 50 percent for the next 20
13 years; it is hoping that governmental employees, such
14 as Perry County employees, teachers, hospital
15 employees, local employees, the State taxpayers and
16 others will pay through higher premiums and taxes the
17 other 50 percent for the next 20 years.

18 My suggestion is to temporarily move the
19 emergency room to the space now used by the Specialty
20 Services and Rehabilitation in the 1976 addition and
21 renovate the emergency room so that it has
22 approximately the same square feet as the proposed
23 hospital complex, also the same number of rooms and
24 privacy. The Specialty Services and Rehabilitation
25 could temporarily during construction use the

1 conference room and the classroom or the second floor
2 of the original building. This is what Sparta
3 Community Hospital did at a cost of \$1,500,000 and
4 Marshall Browning did at first with a similar cost.
5 Marshall Browning's total cost for renovation and new
6 construction for similar aged buildings was \$10
7 million. Our total cost should be similar to theirs.

8 Then renovate the 1976 newer building which
9 only requires minor changes such as converting many of
10 the semi-private rooms to private rooms which can be
11 done by the hospital's maintenance department.

12 New construction, build a matching brick
13 addition attached to the present 1965 building. This
14 three level 30' X 180' addition will provide 50
15 percent to 100 percent more space to services on the
16 three floors allowing the building to have similar
17 square feet as the proposed new hospital at a lower
18 cost so that our patient care charges will be similar
19 to other area hospitals. The surgical elevator can be
20 extended to the roof of the 1965 building as
21 recommended by the State for helicopter landings.

22 Reasons for concern, the Hospital
23 District's and Perry County citizens have 12.7 percent
24 unemployment and more if you count the people who have
25 stopped looking. It has 800 well paying jobs since

1 2002 only to gain maybe 16. It is on the poverty
2 warning list. Perry County budgeted \$700,000 for
3 healthcare with actual costs at \$1,000,000 or a 42.86
4 percent over budget. Perry County had to increase its
5 real estate taxes by 13 percent. Perry County had to
6 borrow money in January, months before the first tax
7 installment is due; where there is a long delinquent
8 tax list of people unable to pay.

9 Conclusion, we cannot afford the new
10 hospital costing \$46,624 -- 624,405 -- I will reread
11 that -- \$46,624,405. Signed George Ranta,
12 Pinckneyville, Illinois. Thank you.

13 MR. ROATE: Next on the agenda in support
14 of the project is Dr. C.W. Roe.

15 MR. ROE: I am Charles W. Roe. I am a
16 member of the Board of Pinckneyville Community
17 Hospital.

18 I wish to comment on Project 09-068 to
19 allow the construction of a new Pinckneyville
20 Community Hospital. I am speaking in support of our
21 request.

22 Our Board has spent the past eight years
23 addressing the following questions: Is the present
24 facility in need of rehabilitation or replacement, and
25 if so, can our district manage the cost of a new

1 facility?

2 In 2003, the Board commissioned
3 Gresham-Smith & Partners to perform a comprehensive
4 Facility Master Plan. Their study concluded our
5 present facility was outdated and inadequate. It also
6 determined it would cost as much or more to
7 rehabilitate the present facility as building a new
8 hospital at a new site. We came to the conclusion
9 that we were in need of a new facility versus trying
10 to rehabilitate the existing facility. At the same
11 time, we were experiencing a declining financial
12 condition. We examined our entire operation to
13 determine how we could stabilize our financial
14 condition and at the same time finance a new building
15 project. We determined this project was necessary to
16 ensure we could continue to offer quality healthcare
17 to our community.

18 We examined all possible scenarios we could
19 develop concerning the treatment models we could
20 offer, hospital and non-hospital services available,
21 their effect on our operational capability and
22 financial conditions of the hospital. From 2002
23 through 2007, we initiated six independent studies to
24 determine and validate our financial conditions and
25 projections, possible solution to the fate of our

1 non-hospital services, and the feasibility of a
2 replacement for our current hospital. All of these
3 studies are a matter of public record and are
4 available to any interested party and are part of our
5 submitted information.

6 The Board engaged the needed expertise to
7 facilitate this building project. These are
8 architect, Gresham-Smith & Partners; general
9 contractor, Robins Morton; auditors, McGladrey &
10 Pullen; financing, BMO Capital Markets GKST, Inc.; CON
11 Consulting, PRISM Healthcare Consulting.

12 One condition the Board committed to at the
13 very beginning of this consideration was that we not
14 move forward with the project unless we felt assured
15 it could be accomplished without a tax increase to our
16 hospital district taxpayers. We remain committed to
17 that condition. Only approximately one percent of our
18 operating budget is derived from local tax revenue.

19 Our local newspaper, The Press, had a
20 letter to the editor concerning this issue. The
21 writer asked, Does our community hospital have enough
22 patients and revenue to support a \$45,624,405 building
23 program and pay principal and interest on a
24 \$40,925,000 loan? As I previously stated, this is the
25 question we have been addressing for the past eight

1 years. Each board member has stated they will have to
2 be able to answer these questions with a yes before
3 they could make their final vote to finish the
4 project. We have applied to HUD for Hospital Mortgage
5 Insurance. This is not a loan from HUD. If granted,
6 this means they guarantee our loan. For them to do
7 this, they must be convinced we can pay for the loan.
8 After an exhaustive investigation of our request, they
9 invited the hospital to submit an application. Your
10 planning commission also performs a complete
11 investigation into our request. You also determine if
12 you believe we need the facility and if we can pay for
13 it.

14 The Board commissioned McGladrey and Pullen
15 to perform an examined forecast of our financial
16 condition with projections through 2015. For anyone
17 who would question the validity of this examined
18 forecast, I would invite them to learn the
19 significance of the unqualified opinion that was
20 provided with the forecast. Their study determined we
21 can pay this debt with the operational variables
22 remaining as they are at present. The only change
23 needed will be the addition of one physician by July,
24 2012. If these three entities determine we need the
25 new facility and that we can afford it, I will have no

1 hesitancy whatsoever in voting yes to the completion
2 of the project.

3 I thank the Board for their consideration
4 of this matter.

5 MR. ROATE: Next on the agenda is Ann
6 Denman.

7 MS. DENMAN: Good evening. My name is Ann
8 Denman and I want you to know right off the start I'm
9 against this new hospital being built, and I have a
10 few questions that I would like to ask the Board. How
11 are you going to pay for this if you do not have
12 enough patients in the hospital to make your payroll
13 every month on the building? Also, why was the
14 Skilled Care Unit moved from here? So many families
15 have loved ones away and they're never able to get
16 together to see them because some of them are too far
17 away. Also, how many patients per day do you have?
18 I have heard rumors there is two or three patients per
19 day a lot of times. And I would like to know the
20 answer to some of this. And, also, I would like to
21 see the hands raised who is against this new hospital
22 in town? Thank you. That's all I have to say.

23 MR. ROATE: The next on the roster speaking
24 in support is Mr. Thomas Hudgins speaking on behalf of
25 himself.

1 MR. HUDGINS: Thank you. I would like to
2 express my appreciation for the opportunity to speak
3 in favor of the proposed replacement hospital on this
4 Project 09-068. My name is Tom Hudgins. I'm the
5 administrator and CEO of the Pinckneyville Community
6 Hospital District and the Pinckneyville Community
7 Hospital.

8 The replacement facility that is being
9 proposed has an estimated construction cost of \$33.7
10 million dollars with financing cost approximating \$3.8
11 million dollars. To date, the hospital has expended
12 slightly over \$2 million dollars from its cash
13 reserves in preparing for the Certificate of Need
14 application and a parallel HUD application.
15 Additional expenditures from cash reserves will be
16 slightly over \$4 million dollars as the project moves
17 to completion. Also contained in the estimated
18 project cost is the net book value of existing
19 equipment that will be relocated to the new building
20 of slightly over \$1.3 million dollars. Contained in
21 the estimated project cost is also a five percent
22 owner's contingency which approximates \$1.7 million
23 dollars. This amount is identified in the event there
24 are needs of the project that exceed the bid price for
25 the project, which will also include a five percent

1 contingency that is held by the general contractor.

2 If we have done our jobs well, the expenditure of the
3 hospital contingency will not occur.

4 The source of revenue to cover this project
5 have been a topic of discussion. Pinckneyville
6 Community Hospital is reimbursed by Medicare under its
7 Critical Access Hospital reimbursement formula. This
8 will cover approximately 53 percent of the cost of
9 this project. The 1,300 Critical Access Hospitals in
10 the United States are approximately 53 percent of the
11 cost of this project. The 1,300 Critical Access
12 Hospitals in the United States are approximately 25
13 percent of the total hospitals in the country. The
14 group of 1,300 hospitals receives approximately five
15 percent of all Medicare inpatient and outpatient
16 payments to hospitals. This program has enabled small
17 hospitals in rural communities to survive providing
18 local access to quality, cost-effective care and
19 strengthening the ability of hospitals to recruit and
20 retain physicians. These facilities are typically one
21 of the largest, if not the largest, employer in the
22 community providing good paying jobs with good
23 benefits. Medicare will cover the cost of care of
24 Medicare eligible residents, who are the fastest
25 growing group in Perry County, somewhere. There is no

1 reason not to make access to care for routine and
2 emergency services available locally. For those
3 services we do not provide, we are the connection to
4 the next level of care.

5 Illinois Medicaid pays us on their fee
6 schedule and any change in our charges will not result
7 in additional revenue from the State.

8 Our commercial insurance contracts limit
9 the annual amount of increase to five percent. This
10 increase has been typically discounted by 20 percent
11 under the contract terms which yields a net increase
12 of four percent on what we receive from our commercial
13 insurance contracts.

14 Individuals who have no insurance receive
15 discounts under the Illinois Uninsured Act and can
16 have part or all of their bill waived under the
17 hospital's Financial Need Program.

18 The Board members who have preceded me have
19 spoken clearly to the question of taxes.

20 In order to make sure we are competitive in
21 our area with what we charge for the services we
22 provide, we participate in a blinded third-party
23 survey which allows us to identify where we may be out
24 of line with the average in the area and take
25 appropriate action.

1 We use a separate blinded survey covering
2 the hospitals south of Interstate 64 to ensure that
3 our wages and benefits are competitive for the area.
4 The approach, plus the Board's scholarship program,
5 has enabled us to fill key skilled positions in
6 nursing, x-ray and lab eliminating vacancies in those
7 areas.

8 Subsequent presenters in support of the
9 project will provide additional information about the
10 viability, need for and window of opportunity
11 associated with this project. Thank you.

12 MR. ROATE: Speaking in opposition to this
13 project on behalf of herself, Ms. Flaucine Schraeder
14 (phonetic). Did you just speak again on behalf of
15 yourself? That's all -- okay. Next speaking in
16 opposition of the project then is Mr. Eric Lambert.

17 MR. LAMBERT: To avoid a lot of reputation,
18 I will be brief. I'm a concerned resident of
19 Pinckneyville, Illinois, and I feel the last thing
20 that Pinckneyville needs is to go \$46 million dollars
21 in debt. And they say this can't be or this isn't
22 going to be done by raising taxes, but how can this
23 not be done without raising taxes? How can anyone
24 expect that an area as poverty stricken as we are to
25 pay back this much money if these alternative

1 financial solutions backfire? If the hospital -- and
2 I hate to beat a dead horse. I know I am, you know,
3 repeating a lot of stuff and this might -- it's too
4 late to do anything about this, but if the hospital
5 can't operate under the funding for Skilled Care,
6 which my sister worked for for about 16 years, how can
7 we expect our government as in debt as it is to foot
8 the bill for this project. Now, I applaud Mr. George
9 Ranta for his detailed letter and wholeheartedly agree
10 with all the opposition that's been brought to mind so
11 far. Thank you.

12 MR. ROATE: Speaking in support of the
13 project is Mr. Ed Parkhurst.

14 MR. PARKHURST: Good afternoon. And thank
15 you for this opportunity to speak in favor of the
16 proposed replacement hospital project, 09-068. My
17 name is Ed Parkhurst. I am the managing principal of
18 PRISM Healthcare Consulting in Glen Ellyn, Illinois.
19 And we have worked with the hospital since 2007. And
20 among other things that we have done for the hospital
21 in terms of our consulting services is to analyze the
22 market for healthcare in Perry County and also in the
23 region and determine the local need for healthcare
24 services within this market including the hospital.

25 There are several points I'd like to make

1 with respect to the analysis that we've gone over
2 these number of years. Our various marketing analysis
3 concluded that the Pinckneyville Community District
4 Hospital has been designated as necessary in providing
5 health services, and I think that's important and
6 necessary to provide health services by the Illinois
7 Department of Public Health. So the State itself has
8 already designated the hospital as being necessary for
9 this community. As such the hospital -- I should say
10 the State recognizes the need for a hospital in
11 Pinckneyville. The hospital's primary service area as
12 we began to look at it was Perry County and accounts
13 for approximately 86 percent of the hospital's
14 patients. And if you look at this particular market,
15 it is designated by the Federal Government and by the
16 State as a both physician shortage area and also a
17 shortage area for health professions. In order to
18 retain physicians, to recruit physicians, to maintain
19 physicians and other healthcare personnel, a hospital
20 is required or needed in the community.

21 Over the period that we looked at from 2004
22 through 2008, the hospital's market share as measured
23 by inpatients and inpatient discharges is
24 approximately 56 percent within Pinckneyville itself
25 and 22 percent within the county. So that's another

1 set of facts that I think is important for the public
2 to begin to consider in looking at the hospital as a
3 major resource for local healthcare services. That's
4 not the only issue or some of the only considerations
5 that we think are important as you begin to look at a
6 market for a hospital. Demographically, Perry
7 County's population is expected to be approximately
8 23,000 in 2011 and it grows to 24,000 by 2020. And
9 these statistics are from the Illinois Department of
10 Economic Opportunity. Thus, there is an anticipated
11 population growth within the county that will increase
12 local demand for healthcare. That alone, though, is
13 not the only thing to consider.

14 In addition, population is growing as I
15 said a moment ago, but it's also aging. Those age 65
16 and over -- and I'm one of those -- use healthcare
17 services proportionally greater than younger people.
18 In 2009, the portion of the population in Perry County
19 aged 65 and over was approximately 16 percent. This
20 age cohort is expected to grow to 20 percent or more
21 by 2020. Hence, not only is there a population
22 increase, but the increase in 65 and over compounds
23 the demand for local healthcare resources. National
24 research indicates replacement critical access
25 hospital facilities can better attract physicians and

1 other caregivers to a community due to their
2 contemporary nature in contrast to older, outdated
3 healthcare facilities. Hence, another reason for
4 replacement hospital facilities.

5 You have heard this afternoon comments
6 about hospital beds. Today hospital beds are not as
7 important as they were in the past. I think you've
8 heard also from Mr. Hudgins that 85 to 86 percent of
9 the hospital's business is outpatient. The industry
10 is booming. The healthcare industry is moving to
11 outpatient care. So when you look at and measure a
12 hospital, it is not just the patients in a bed, it's
13 those patients who are being served on an outpatient
14 basis which is extremely important not only from a
15 revenue standpoint but also for the care that's
16 delivered in a particular community.

17 A study you might want to reference is a
18 Rural Hospital Replacement Facility Study that was
19 done, the date was October, 2005, and they had an
20 advisory panel from the Federal Office of Rural Health
21 Policy and the Rural Health Resource Center. This
22 study analyzed 20 critical access hospitals across the
23 country and measured their performance after the
24 hospitals were replaced. The study results indicated
25 that post-replacement, critical access hospitals had a

1 ten percent median increase in admissions, a seven
2 percent median increase in discharge days, and a ten
3 percent median increase in outpatient visits in their
4 first year post-replacement. And it just gets better
5 after that. From our perspective, a new replacement
6 hospital is expected to reverse some of the
7 out-migration trends, provide more care locally, and
8 increase the hospital's market share in Pinckneyville
9 and Perry County.

10 In conclusion, based on our analysis of the
11 market, we believe a replacement hospital is
12 necessary, feasible, and required to ensure local
13 healthcare resources over the longer term. Thank you
14 for this opportunity.

15 MR. ROATE: At this time, I would like to
16 call Helen Schaeffer (phonetic) to speak. Helen
17 Schaeffer?

18 MS. SCHAEFFER: Okay. I am against it. We
19 don't need it. We can't pay for it. And we just need
20 more service at the hospital. The other night I had
21 my granddaughter up there. She had been sick with a
22 migraine for about 18 hours. She had a little baby at
23 home to take care of. I took her to the emergency
24 room in Pinckneyville. She laid there for two hours.
25 All she asked for was a shot to stop her headache.

1 She never got it. For two hours she laid in that
2 emergency room for two hours so sick. I picked her up
3 and I took her to DuQuoin to the emergency room and in
4 ten minutes she had her shot. And why can't she get
5 better service at Pinckneyville? I told my kids from
6 now on if I ever need to go to the emergency room,
7 don't take me to Pinckneyville because you don't get
8 the help. We need better admission things at the
9 hospital to take care of somebody when you take them
10 in there. And I think it's a disgrace how she was
11 taken care of. And she said she'd never go back there
12 again, and I don't think any of our family will. So
13 why can't we have better doctors and better
14 communication to help somebody when you do take them
15 in there? In a little while after DuQuoin, I took her
16 home and she got much better because that's all she
17 was asking for was a shot to stop her headache and her
18 vomiting and she couldn't get it in two hours. She
19 got it at DuQuoin in ten minutes' time. And that's my
20 comment and that's all I have to say. And I think we
21 need better help, better doctors, and better things to
22 help the patients when we do take them in there.
23 That's it. Thank you.

24 MR. ROATE: Next I would like to call Randy
25 Ragan.

1 MR. RAGAN: Good afternoon. I appreciate
2 this opportunity to speak in favor of the proposed
3 replacement hospital project, 09-068. My name is
4 Randy Ragan and I am partner with the firm of
5 McGladrey & Pullen. I am located in our Springfield,
6 Illinois, office. We have served as the auditors for
7 the Pinckneyville Community Hospital District since
8 2006. Last fall our firm was approached by the
9 hospital's management to prepare an examined forecast
10 of the feasibility of the proposed project. In the
11 way of background, the financial forecast presents, to
12 the best of management's knowledge and belief, the
13 hospital's future expected financial position, results
14 of operations, and cash flows based on management's
15 assumptions reflecting the conditions it expects to
16 exist and the course of action that it expects to
17 take. The examination of the financial forecast
18 involves evaluating the preparation of the prospective
19 financial statements, evaluating the support for the
20 underlying assumptions, evaluating the presentation of
21 the prospective financial statements for conformity
22 with the American Institute of Certified Public
23 Accountants presentation guidelines, and last, issuing
24 an examination report.

25 In our report on examination of the

1 financial forecast, we provide assurance about whether
2 the prospective financial statements are presented in
3 conformity with the AICPA presentation guidelines and
4 whether the assumptions provide a reasonable basis for
5 management's forecast. We do not provide assurance
6 about the achievability of the prospective results
7 because events and circumstances frequently do not
8 occur as expected and achievement of the prospective
9 results is dependent upon the actions and plans and
10 assumptions of management.

11 Due to the risks associated with such
12 projects, the decision to accept or reject such a
13 project is made at the highest levels of our firm
14 nationally. To assure that the project team is taking
15 a completely objective approach, the members of the
16 team that perform the annual audit, myself included,
17 are only involved to provide background information on
18 the hospital to the Examined Forecast Project Team.

19 As to the project itself, the forecast
20 period is for the six fiscal years ending April 30,
21 2010 through April 30, 2015. This period is based on
22 a consumed completion date of September 30, 2011, and
23 three full fiscal years post-construction. Our
24 responsibility extends to the date of our report,
25 which is November 18, 2009.

1 The Examined Forecast includes a
2 sensitivity analysis with respect to the key
3 assumptions. As to the underlying assumptions,
4 general management's assumptions present a
5 conservative approach. A complete explanation of the
6 underlying assumptions and sensitivity is included in
7 the Examined Forecast. As to our report, our report
8 on the Examined Forecast states that the assumptions
9 provide a reasonable basis for management's forecast
10 and indicates that sufficient funds could be generated
11 to meet the community hospital's operating expenses,
12 working capital needs and other financial
13 requirements, including the debt service, during this
14 forecast period. I thank you for the opportunity to
15 express our support for the Pinckneyville Community
16 Hospital Replacement Project, 09-068. Thank you.

17 MR. ROATE: Next I'd like to call Bill
18 Webber to the stand.

19 MR. WEBBER: My name is Bill Webber. And
20 I've been a resident of the community since 1951. We
21 like it here. That's why we moved here. I have had
22 the past experience of serving three years on the
23 Pinckneyville Community Hospital Board. I used to
24 have a little knowledge of the hospital board. Our
25 board members are voted by county commissioners and

1 you must be a taxpayer and must have at least some
2 common sense and knowledge, otherwise I wouldn't have
3 been on the board. But through the years I have found
4 that the replacement -- and I have a lot of respect
5 for everybody on the hospital board.

6 It is the practical -- and I'm concerned
7 because the best figures that I found for 2008 through
8 the census at the hospital was seven patients. And I
9 don't know what's happening to the patients. We need
10 to make charges necessary to pay off debt and with
11 getting patients through. The purchase of the
12 property that has been apparently determined to be the
13 location of the hospital to be, I didn't know if it
14 was possible to make a decision like that before you
15 had a letter from the State of Illinois accepting it.
16 I think that's one of the requirements before you can
17 finance. You must have the approval from the State
18 Board of Health, State of Illinois. The purchase was
19 made and it was a big investment, and it seems to me
20 you bought the location before you knew you were going
21 to get the project approved. It doesn't seem very
22 logical to me. As I said, I like this community. I
23 don't have a lot of fancy figures to give you. This
24 is from common sense. I just know that -- what I have
25 seen through the finance to pay for this kind of

1 project would be. I have lived here since 1951 and we
2 had approximately 2,800 people. The actual population
3 now is like 33,000 (sic) -- or 3,300. So I don't
4 think that's much to expect people in any area to have
5 a large population for a hospital. I appreciate your
6 time and thank you.

7 MR. ROATE: Thank you. At this time I
8 would like to call Brent Hughes.

9 MR. HUGHES: Good afternoon. My name is
10 Brent Hughes. I am a healthcare architect with
11 Gresham-Smith and Partners, and I'm here to speak on
12 behalf of or in favor of the new replacement project
13 09-068.

14 In 2003, my firm conducted a master
15 facility plan for the current facility and did a very
16 thorough examination of the existing facility. And
17 the findings from that master plan suggested that
18 while the hospital may be able to apply a number of
19 band-aids to remain functional for a time, soon the
20 problems would be too numerous, severe and costly to
21 maintain operations.

22 There are three key trends emerging in
23 healthcare facilities and healthcare design today that
24 are going to become a challenge for the existing
25 facility if it stays the way it is. One of those

1 three concerns are patient privacy, accommodating
2 family involvement in care and increasing demand for
3 outpatient services.

4 The current facility's ability to provide a
5 timely and cost-effective solution is limited by two
6 major factors. The hospital doesn't have the adequate
7 space to simply be remodelled and reconfigured to
8 provide for these trends. And due to the current
9 location and size of the site, there is no room for
10 horizontal expansion to add the amount of space
11 needed.

12 The 2003 master plan cost estimates and
13 construction cost estimates completely show the
14 modernization of an existing facility can be as costly
15 or even more costly than the construction of a
16 replacement facility. When the estimates are compared
17 and the challenges of the existing infrastructure and
18 site are evaluated, it is clear that the most
19 efficient and economical response is to construct a
20 replacement facility. Thank you.

21 MR. ROATE: Just one moment here.

22 (A short recess was taken.)

23 MR. ROATE: Thank you for your patience at
24 this time. I would like to call Ms. Shirley Welsch.

25 MS. WELSCH: Hi. My name is Shirley

1 Welsch. I think you -- probably a lot of people know
2 me. I'm a resident of Pinckneyville. I am not a
3 member of the Hospital Board, but I do attend the
4 meetings and I have concerns about their Certificate
5 of Need that had been filed for a new Pinckneyville
6 Hospital. My biggest concern is what is best for the
7 people of the community. Many people would have you
8 to believe that a new hospital with bigger beds,
9 bigger rooms, open spaces and new designs would bring
10 in more patients. When a person is sick or terminally
11 ill or needs medical care, you don't go out and shop
12 for a hospital bed like you would a motel. You go
13 where your doctor sends you and close to home and
14 family, if possible. There are four area hospitals
15 within 20 minutes of Pinckneyville. And many have
16 just recently improved their facilities, so the people
17 will not be leaving their towns to use the
18 Pinckneyville Hospital.

19 A good question to ponder is will a new
20 hospital struggle to obtain new patients and pick up
21 additional revenue in order to repay the cost of
22 building new? So, once again, the question is what is
23 best for the community? Is it best for us to keep our
24 present hospital or to go into debt big time for a
25 \$40 million loan and stand to losing of the new one

1 because we cannot repay the loan and keep the hospital
2 in operation. Maybe our hospital board and the health
3 facility review board should check out what is
4 currently happening to a new hospital in Galena,
5 Illinois. The hospital, Midwest Medical Center, is
6 all new with bigger rooms, open spaces and state of
7 the art facilities. But according to the Galena
8 Newspaper and the internet, the hospital is looking
9 for a buyer and a new owner of the facilities and
10 assets and it's only two years old.

11 To the Health and Planning Board, you have
12 a big decision to make on the Certificate of Need for
13 a new hospital in Pinckneyville. How do you define
14 need, or is it just what some people want? You have
15 521 pages of information in the application plus many
16 pages and pictures sent to you from other sources.
17 With the economical decline and financial troubles in
18 our area and high unemployment, it's 12.7, maybe this
19 is not the time to take on a \$40 million debt. If the
20 citizens of Pinckneyville were given the opportunity
21 to vote on this issue, my guess is over two-thirds of
22 them would say let's stay with what we have and be
23 happy and thankful we have such a nice, clean and
24 convenient hospital which is paid for.

25 Then I wrote another one. This is my

1 second sheet. The Pinckneyville Hospital is a tax
2 supported district and thus it belongs to the
3 community. The Perry County Commissioners appoint
4 eight board members to oversee the hospital operation.
5 Over one-and-a-half years ago five hospital board
6 members voted to close the Skilled Care Unit of the
7 hospital. This closure was not the will of the
8 community and a costly mistake. The reason given was
9 that the unit was losing money and the board did not
10 want to take the unit to the new hospital when they
11 built one. The loss of 40 plus patients and 60 jobs
12 has made a negative impact on our hospital and our
13 town. According to a printed article in the DuQuoin
14 Call on Tuesday, February the 2nd, the hospital has an
15 operating loss of \$89,192 for the year 2009 and had a
16 net income of \$207,782. This would -- I would suppose
17 this is interest on their CDs and investments. And I
18 will give her the article. If the hospital board gets
19 their Certificate of Need and the HUD loan, they will
20 build the new hospital costing \$46 million plus and
21 take out a loan for \$40 million. Given the 2009
22 financial report of the hospital, someone needs to do
23 the math on this project. Maybe you as citizens and
24 owners of the hospital need to check with your board
25 members on how their figures show to pay the principal

1 and interest on a \$40 million loan. Thank you.

2 MR. ROATE: At this time, I would like to
3 call Glenn Myers.

4 MR. MYERS: My name is Glenn Myers. I'm an
5 operations manager with Robins & Morton; the
6 construction manager selected for the Pinckneyville
7 Community Hospital Critical Access Hospital
8 Replacement Facility project and am here in support of
9 this project. The following is a list of current
10 construction cost factors that should be considered
11 for an expedited construction start. Steel prices per
12 ton have been reduced by \$80 per ton after having been
13 increased \$80 per ton on January 1. Another increase
14 is expected in February, 2010. Copper, a volatile
15 commodity, was \$3.10 a pound on December 1, 2009. It
16 was up over 30 percent in 2009. Labor, especially
17 organized, will see a two to three percent increase in
18 2010. Some building materials, asphalt, roofing
19 products, aluminum and lumber, increased up to six
20 percent in 2009. Other building material, gypsum
21 board, cement, concrete, and rebar, are currently
22 staying constant and are approximately 15 percent
23 lower than 2008 prices. An economic recovery will put
24 a demand on building materials and construction
25 resources and cause an increase in prices. Natural

1 disasters, Haiti and Katrina, could cause a shortage
2 of building materials and labor and cause an increase
3 in prices.

4 The bottom line, healthcare construction
5 costs are 10 to 15 percent lower currently than they
6 were in 2008. 2010 is the most favorable time to
7 build as recovery will happen at some point. With our
8 current estimated cost of approximately \$33.7 million,
9 we do not expect any surprises when bids are solicited
10 for the project later this year. And on the side and
11 in support of what I'm talking about, we recently took
12 on subcontractor and vendor pricing on a \$32 million
13 project in South Carolina. Those prices came in last
14 week six percent under our previous estimate, so now
15 is the right time to build. Thank you for your time
16 and attention.

17 MR. ROATE: Thank you. At this time I
18 would like to call Mr. Hall, C.J. Hall. Next I would
19 like to ask Mr. Tim King to speak.

20 MR. KING: Good afternoon, everyone. My
21 name is Tim King, and I'm the vice president of BMO
22 Capital Markets out of Monticello, Illinois, and we
23 are the investment banking firm that was retained by
24 the hospital to help with financing the project and
25 actually to determine the best method of financing.

1 Our analysis reviewed various direct loan options,
2 bond financing and federal and state loan guarantee
3 programs. In 2009, the hospital completed the
4 preliminary application process with the Federal
5 Housing Authority and Urban Development's Section 242
6 Hospital Financing Program. The Board of Directors
7 and our representatives went to Washington D.C. and
8 met with HUD representatives and the hospital was
9 approved to make a final application. It's a very
10 good thing. It's almost the next thing to saying it's
11 going to be approved. And at this point, we're
12 awaiting Certificate of Need approval and expect to
13 receive HUD approval for the guarantee shortly
14 thereafter the CON is received.

15 The HUD guarantee will allow the hospital
16 to receive very attractive AAA-rated interest
17 financing at fixed rates for 25 years. And, also,
18 because the hospital is a government entity it can now
19 utilize the new Build America Bond Program that was
20 enacted last year with the American Recovery and
21 Reinvestment Act. In short, we expect the overall
22 fixed interest rate after the Build America rebate to
23 be below five percent. Somewhere between four and
24 five percent of the current market. We also expect
25 the savings by using that HUD guarantee that will

1 guarantee program over conventional financing to
2 exceed \$4 million over the life of the loan.

3 We think the timing is excellent for this
4 hospital financing just like the construction folks
5 believe the construction costs are excellent as well
6 and certainly would highly recommend the project move
7 forward quickly and get completed to lock in these
8 favorable rates.

9 In addition, I have a couple other comments
10 just in terms of what I noted this evening. There are
11 several people that are concerned about property
12 taxes. We help with bond financing with lots of
13 different municipalities, schools, cities, villages,
14 hospital districts, park districts, you name it in the
15 state of Illinois. And I would -- any time a
16 municipality has been approved or set up or formed,
17 there has been referendum approval at that time for
18 specific taxing rates that those taxing bodies can
19 levy. And I think if you go home and look at your tax
20 bills, you'll see that virtually every municipality is
21 levying a maximum rate that they can every year year
22 after year after year except for in this case the
23 hospital district. The hospital district takes in
24 about \$200,000 to \$300,000 annually in tax revenues
25 which is a very near pittance of what they could do.

1 They have the authority to be leveling between \$1 to
2 \$2 million if they so chose. The fact is your current
3 Board of Directors have shown great restraint. They
4 would want the hospital to finance itself and that has
5 been the operating mode since its inception. And they
6 continue with that plan. I think it speaks volume to
7 their credibility when they say they're not going to
8 raise taxes. They already could raise the taxes and
9 they have not done that and they're fellow taxpayers
10 themselves, so I commend them for that as well. Thank
11 you.

12 MR. ROATE: Thank you. I would like to
13 call Howard Smith.

14 MR. SMITH: I will pass.

15 MR. ROATE: Lastly, I would like to call
16 Irl Engelhardt.

17 MR. ENGELHARDT: My name is Irl Engelhardt.
18 I'm a part-time farmer, part-time businessman, largely
19 a fan of the farming, and member of several of the
20 city clerk organizations in the community. I want to
21 thank both of you for making the journey to our
22 community and wish your safe return to your families
23 and thank you.

24 Decades ago the board of our hospital made
25 a very courageous decision, and that was to decide to

1 build the facilities that we currently have. There
2 were people that had very legitimate questions back at
3 that time I am sure, although I was about that tall
4 probably -- and I don't know that for sure. But
5 nevertheless they went forward and their decisions
6 benefitted all of us for decades. I think all of you
7 -- as I look around the room, I see some gray hair and
8 some that would be gray if it were there. And most
9 people would know that it's a place of birth, it's a
10 place of emergency care, of healing and unfortunately
11 of passing. The hospital is a very important place
12 obviously. I'm a strong supporter of going forward
13 with the new project. I think this hospital board is
14 very courageous. If we look at the four or five years
15 that they have been thinking about this project,
16 they've experienced major inferences in construction
17 costs and unfortunately some increases. They have
18 experienced fluctuations in the interest rates and the
19 availability of loans. And you're right, the timing
20 is perfect right now to be out in the market. If
21 you're going to finance a hospital or any kind of
22 large investment, now is the time to get some of the
23 best rates possible and that will lower the overall
24 burden on this project. And it's also a period when
25 government regulations have changed and sometimes

1 those impact the cost estimates for a project such as
2 this. And sometimes the county changes occur and you
3 have to throw into your cost estimates the cost of
4 your existing capital that you have. All of those
5 things occurred and nevertheless they were courageous.

6 I think the hospital is important in the
7 community for several reasons. Number one, you
8 need -- we need a local doctor and doctors to deal
9 with. I lost my mother and my brother in the
10 St. Louis Community to the doctors there and what they
11 were dealing with, they were just a number. They were
12 a chart and they didn't really know the person. I
13 believe it's important to have someone that knows you,
14 knows your background and is able to deal with your
15 problems effectively. And if you have to go to the
16 big city that can provide good advice to us as we do,
17 it's very complex in some of these large hospitals as
18 we all know.

19 Second, do we want to be known as a
20 community that sends our patients to DuQuoin, Sparta
21 or Nashville or some other place or do we want to be
22 known as Pinckneyville? And especially when people
23 are considering moving to this community and asking
24 what is the healthcare in this community much like
25 they ask about the education and other key components

1 of the community, do we want to say that our new
2 hospital is right down the street on Walnut Road or do
3 we want to say it's only 20 miles to Sparta or
4 14 miles to DuQuoin? I would suggest it would be far
5 better to attract people to be able to say it's right
6 here in our own community. And I think the most
7 important thing is reinvesting. In the business world
8 that I'm in, the companies that do not reinvest
9 generally just go out of business. It's been a long
10 time since we've made major investments in the
11 hospital. Technology has changed. The types of
12 buildings that are used now are different. Also, as
13 the buildings age, we start having to spend more and
14 more of our budget on maintenance and repairs instead
15 of providing good service to the people that are
16 walking through the door. So for that reason, I think
17 it's good, also. And finally, the new hospital
18 project will cost a lot of money, but it also provides
19 construction jobs at the time that we desperately need
20 it in this state and in maintaining ongoing jobs for
21 the people working at the hospital right now. So in
22 balance, yes, there are very legitimate questions,
23 very legitimate concerns, but I personally salute the
24 hospital board for your courage. I think you've done
25 a good job in bringing in the outside consultants to

1 advise you and I support moving forward with this
2 project.

3 MR. ROATE: Thank you. Is there anyone who
4 wishes to -- anyone who wishes to testify who has not
5 had an opportunity? Seeing none, is there anyone who
6 has testified who wishes to provide additional
7 testimony? I would remind everyone to submit your
8 written comments to us so that we have this
9 information for the record. Also, this project is
10 scheduled for consideration by the Illinois Health
11 Facilities Services and Review Board at its April
12 20-21, 2010, meeting. This will be held in Chicago at
13 Harold Washington College, 30 East Lake Street,
14 Chicago, Illinois. The public has until March 31,
15 2010, to submit written comments. These comments can
16 be sent to my attention to: Illinois Department of
17 Public Health, 525 West Jefferson Street, 2nd Floor,
18 Springfield, Illinois 62761-0001. If you prefer, you
19 may fax your comments. Our fax number is
20 217-785-4111. Are there any questions? Seeing that
21 there are no additional questions or comments, I deem
22 this public hearing adjourned. Thank you.

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CERTIFICATE OF REPORTER

I, JENNA L. HIGGINS, a Certified Shorthand Reporter (IL), and a Notary Public within and for the State of Illinois, do hereby certify that the witnesses whose testimony appears in the foregoing hearing was duly sworn by me; that the testimony of said witnesses was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Jenna L. Higgins

Notary Public within and for
the State of Illinois
IL CSR #084-004398

