

 **FITZGERALD'S**
ELECTRICAL CONTRACTING INC.

6S865 Shaw Road
Big Rock, IL 60511

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JUN 06 2011

HEALTH FACILITIES &
SERVICES REVIEW BOARD

June 2, 2011

Mr. Dale Galassie
Chairman
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Mercy Crystal Lake Hospital and Medical Center ("Mercy") (Project Number 10-089) *8 10-090*

Dear Chairman Galassie:

As you are aware, Mercy has submitted an application for a certificate of need to construct a hospital in eastern McHenry County, specifically in Crystal Lake, Illinois. The total project cost for the Mercy project is \$200 Million. As you are no doubt also aware, Centegra Health System has also submitted an application for a certificate of need to construct a hospital in southern McHenry County, specifically in Huntley, Illinois. The total project cost for the Centegra project is \$233 Million.

When considering both applications, it is important to note that for the past few year's escalations in hospital construction costs have been minimal to nonexistent. In short, given the poor economy, construction demand is low and supply is high - thus now is a good time to go to market with a construction project. Experts fear, however, that as the economy improves, there will be a significant spike in cost escalations as pent up construction demand exceeds supply. This spike will likely last for several years, then it is anticipated that escalation costs will likely normalize (to 2-4% increases).

If approved by the Board, construction for the Centegra project is not expected to commence until 2014, whereas construction for Mercy's proposed project is expected to commence later this year. When you factor in the escalation costs associated with the Centegra project's significantly later start date, the \$33 Million difference in project costs will likely further increase significantly. The increased project costs of the Centegra project will, in turn, lead to higher health care costs for residents of McHenry County, an outcome that goes against the basic purview of the Illinois Health Facilities Planning Act.

Sincerely,



Wes Jost

C: Courtney Avery, Administrator

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