

Constantino, Mike

From: Shepley, Aaron [ATShepley@Centegra.com]
Sent: Thursday, July 28, 2011 4:50 PM
To: Avery, Courtney; Constantino, Mike
Cc: Dan Lawler (daniel.lawler@kigates.com); 'Andrea R. Rozran'
Subject: Response to Request for Additional Information: Centegra Hospital--Huntley, Project No. 10-090
Attachments: Aaron Shepley Letter 07 28 11.pdf

Dear Ms. Avery and Mr. Constantino:

Attached please find co-applicant Centegra Health System's response to the request for additional information made by Mr. Constantino in his letter dated July 14, 2011 in regards to Centegra Hospital--Huntley, Project No. 10-090.

Very truly,

Aaron Shepley

Aaron T. Shepley
Senior Vice President, General Counsel
Centegra Health System
385 Millennium Drive
Crystal Lake, Illinois 60012
(815) 788-5837 (work)
(815) 245-6312 (cell)
atshepley@centegra.com

This transmission may contain information that is privileged, confidential, or exempt from disclosure under applicable law. If you are not the intended recipient, consider yourself notified that any disclosure, copying, distribution, use, or reliance on this transmission is STRICTLY PROHIBITED. Please destroy this transmission in any format and notify the sender, if you received this transmission in error. Thank you.

July 28, 2011

Ms. Courtney R. Avery
Administrator
Health Facilities and Services Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761

Re: Centegra Hospital-Huntley, Project No. 10-090

Response to Request for Additional Information

Dear Ms. Avery:

I am the Senior Vice President and General Counsel of Centegra Health System, the co-applicant in Project No. 10-090, Centegra Hospital-Huntley, to establish a 128-bed acute care hospital in Huntley, Illinois. As you are aware, in a letter dated July 14, 2011, on behalf of the Illinois Health Facilities and Services Review Board, Mr. Michael Constantino requested that Centegra Health System provide certain additional information concerning Project 10-090. Specifically, Mr. Constantino requested:

- "A detailed response to the Safety Net Impact Statement submitted to the State Agency on June 2, 2011."
- "A detailed response to the 2010 McHenry County Community Health Study conducted by the University of Illinois and how the proposed hospital will address the community problems and issues that were identified by the report."
- "A detailed response of how the decrease in the population in McHenry County will affect the size and the viability of the proposed hospital."

Please consider this letter and attachments as Centegra Health System's response to the request for additional information. With this submission, Centegra also renews the request made in our letter of July 12, 2011 pursuant to Section 1130.650(c)(2) of the Review Board's rules that this application be set for review at the Board's next meeting, August 16, 2011.

OVERVIEW

Centegra Health System has been involved in systematic and strategic healthcare planning activities in our community and planning area for nearly one hundred years. Every step Centegra Health System has taken has been a part of a carefully crafted plan. Our plans have always focused on two key ingredients: 1) the needs of our community, and 2) the rules of the Illinois Health Facilities and Services Review Board. Centegra Hospital Huntley, Project No. 10-090, is no exception to this rule.

To date, we have submitted well over a thousand pages of data and analysis in connection with this project. The CON application alone was over 500 pages. These submissions have fully addressed every question that could reasonably be asked about the project. Nevertheless, organizations with facilities from outside our planning area have endeavored to manufacture questions in an effort to protect their own interests and thwart the needs of our community.¹ They claim, for example, that the construction of a needed hospital in Huntley will impair their ability to provide safety net services in Chicago. They have introduced a McHenry County study that was not intended as a bed-need assessment for hospital services and claim that a public opinion poll conducted as part of that study shows that Centegra Hospital-Huntley is not needed. They have asserted that because McHenry County did not grow quite as much as was predicted, the people who live in the most under-bedded planning area of the state should be denied additional needed beds and be forced to continue seeking hospital services outside the planning area. Each of these arguments is meritless and provides no justification for denying this application.

The Objecting Hospitals' arguments relating to safety net impact, the Healthy Community Study, and population growth are simply variants of their contention that they will lose market share and money if Centegra Hospital-Huntley is approved. They want the Review Board to protect their market share. Their arguments run counter to the public policy advanced by the Illinois Health Facilities Planning Act and to the purposes of the Act as repeatedly pronounced by the courts.²

As demonstrated in this response, the Objecting Hospitals will not be materially affected by Centegra Hospital-Huntley. Also, the proposed hospital will enhance safety net services within the community and improve the community's health. Finally, the population of McHenry County continues to grow, and although that growth rate has slowed in recent

¹ The organizations are Advocate Good Shepherd Hospital, Sherman Hospital, and St. Alexius Medical Center (collectively, the "Objecting Hospitals").

² See, e.g., *Cathedral Rock of Granite City, Inc. v. Ill. Health Facilities Planning Bd.*, 308 Ill. App. 3d 529, 540 (4th Dist. 1999) ("The purpose of the Planning Act ... is not to provide protection to competitors from an imposition on their market shares."); *Provena Health v. Ill. Health Facilities Planning Bd.*, 382 Ill. App. 3d 34, 48 (1st Dist. 2008) ("It is not the [Review] Board's responsibility to protect market share of individual providers.").

years it remains sufficient to support the size and financial viability of the new hospital. As demonstrated by our voluminous submissions made in connection with this project, it substantially complies with the Review Board's Standards and should be approved.

ANALYSIS

I. Response to the Safety Net Impact Statement

The gist of the Objectors' safety net impact statement response is that lost patient volume supposedly due to Centegra Hospital-Huntley will allegedly cost them a combined 65.6 million dollars a year in net revenue and 22.5 million dollars a year in contribution margin.³ Again, their argument boils down to market share and money.

The Objectors' safety net impact argument must be rejected on several grounds. First, the alleged lost revenue is based entirely on a fundamentally flawed and unreliable financial impact study performed by Krentz Consulting. Second, the Planning Act's focus is on safety net services in the community where the proposed hospital is to be located. Centegra Hospital-Huntley will undoubtedly improve and enhance those community services. Finally, the Illinois legislature has made a policy decision that residents of planning areas with high patient out-migration should have greater access to inpatient services in their own planning area. McHenry County (Planning Area A-10) has the highest percentage of out-migration among the 14 planning areas in the Chicago Metropolitan Area and the third highest percentage among the 40 statewide planning areas. Now is the time to implement the purpose of the Planning Act to reduce high out-migration by approving Centegra Hospital-Huntley.

A. The Krentz study is fundamentally flawed and unreliable

Centegra retained Deloitte Financial Advisory Services LLP ("Deloitte") to provide consulting services in connection with its application for a CON for Centegra Hospital-Huntley. Deloitte conducted a financial viability study as well as an impact analysis relating to health care facilities in the region. Centegra requested Deloitte to analyze the financial impact study prepared by Krentz Consulting that forms the basis of the Objecting Hospitals' claim that they will incur financial losses if Centegra Hospital-Huntley is approved. As summarized below, Deloitte has concluded that the Krentz study is fundamentally flawed and unreliable. A copy of Deloitte's report is included as Attachment 1 to this letter.

³ The Objecting Hospitals also argue that Centegra Health System's two McHenry County hospitals will incur tens of millions of dollars in losses annually if Centegra Hospital-Huntley is approved. This is nonsense. As demonstrated in the Deloitte study included in our CON application, Centegra Hospital-Huntley will not have an adverse financial impact on *any* existing hospital within the planning area, including Centegra's two hospitals.

First, the Krentz study completely ignores the effects of population growth. Its estimate of financial impact is calculated as if Centegra Hospital-Huntley was in operation in 2010 and/or assumes no population growth in the market between today and when the hospital would be completed and operational. This critical omission of population growth over time renders the Krentz study both flawed and incorrect. Deloitte's study demonstrates that population growth in the project's market area coupled with the growth that Advocate, Sherman, and St. Alexius will experience outside our project's market area will result in overall increased utilization for all the hospitals. Deloitte's analysis, which is based on data adjusted for market changes *and* the slowing economy, shows that there will be 7,500 *additional* medical/surgical discharges within Centegra Hospital-Huntley's market area by the second year of operation. This will allow Centegra Hospital-Huntley to reach target utilization without adversely impacting other hospitals.⁴

In addition to its failure to account for population growth, the Krentz study is further flawed by the fact that the methodology for this so-called study is not documented and is simply nowhere to be found. The tens of millions of dollars in alleged lost revenue is based upon the claimed loss of 4,578 inpatients. But this appears to be a number pulled out of thin air. Krentz fails to explain where it comes from and fails to articulate how it was derived. While the Krentz study attempts to account for these notable failures by including a section called "Overview of Methodology," upon closer examination the section is nothing of the sort. The actual calculations and source data used to determine lost patient volume do not appear. Not in the "Overview" section and not anywhere else in the study.

In short, the Objecting Hospitals' safety net impact statement response is based entirely on the financial impact analysis performed by Krentz Consulting. But that analysis is fundamentally flawed because it does not account for population growth and has not provided even the most basic calculations and data from which the claimed financial losses were allegedly derived. In contrast, Deloitte has demonstrated that even when adjusted for the recent slowdown, population growth will allow Centegra Hospital-Huntley to attain target utilization levels without impacting the utilization of existing facilities, including the Objecting Hospitals. For these reasons, the Objecting Hospitals arguments relating to safety net services should be rejected.

B. Centegra Hospital-Huntley will improve safety net services in the community

The safety net services impact analysis contemplated by the Planning Act pertains to the impact that a proposed project will have on safety net services *in the community where*

⁴ Deloitte also estimates that approximately 3-4% percent of the current uninsured population in the State of Illinois will be covered through the establishment of health exchanges as a result of health care reform. This represents approximately 400,000 to 500,000 Illinois residents who would be otherwise uninsured and will increase utilization for all Illinois hospitals, including Advocate, Sherman, and St. Alexius.

the project is to be located. Section 5.4 of the Planning Act requires applicants to describe the impact of their proposed project “on essential safety net services *in the community.*” (Emphasis added; 20 ILCS 3960/5.4(c)(1).) In addition, under the Act, persons objecting to the project may file a statement “concerning the project’s impact on safety net services *in the community.*” (Emphasis added; 20 ILCS 3960/5.4(f).)

Whenever the Planning Act uses the term “the community” in connection with a proposed CON project, it *always* refers to the community where the project is to be located. For example, the Act’s purpose statement requires that persons establishing a health care facility “have the qualifications, background, character and financial resources to adequately provide a proper service for *the community.*” (Emphasis added; 20 ILCS 3960/2.) Public hearings are to be held in “*the community* in which the facility is located.” (Emphasis added; 20 ILCS 3960/8.5(b).)

Centegra Hospital-Huntley will improve safety net services within Huntley and surrounding communities by bringing acute care services, including emergency department services, and physician services to patients residing in these areas. Moreover, Centegra Hospital-Huntley will be part of Centegra’s integrated delivery system. Centegra is the primary provider of safety net services within McHenry County and provides those services to low income and uninsured patients. Centegra has provided more than 3 million dollars in true community benefits in FY09 and close to 4 million dollars in FY10.

None of the Objecting Hospitals are significant providers of safety net services in McHenry County which is where Centegra Hospital-Huntley will be located. They want the patient revenues of McHenry County residents to fund their own facilities located in Lake, Kane, and Cook Counties. Advocate specifically contends that it uses revenues derived from McHenry County residents to subsidize two of its hospitals in Chicago. This is an absurd interpretation of the Planning Act’s provisions on safety net impact. Carried to its logical conclusion, regional and national health care providers could oppose a project based on its impact on their safety net services in other regions of the State or even the country. Trinity Health Corporation, which recently acquired Loyola University Medical Center, could oppose Chicago area projects based on their impact on safety net services that Trinity provides in Idaho. This is clearly not what Section 5.4 of the Planning Act was intended to accomplish.

C. High outmigration in McHenry County should be addressed now

The Objecting Hospitals want the Review Board to maintain the status quo of high out-migration from McHenry County in order to benefit their hospitals in Lake, Kane and Cook counties. However, the Illinois Legislature has determined that planning areas with high out-migration should have additional medical/surgical inpatient services. This policy determination was implemented by statutorily increasing the “migration factor” used in the Review Board’s bed need methodology for medical/surgical beds. As a result, 50% of the net out-migration patient days associated with a given planning area is counted in the bed need calculations for that planning area.

McHenry County (Planning Area A-10) has the highest percentage of out-migration among the 14 planning areas in Region A which consists of Cook County and eight collar counties. Among all 40 statewide planning areas, A-10 has the third highest percentage of out-migration. As shown in the Review Board's 2008 Inventory of Hospital Services, the hospitals within Planning Area A-10 totaled 14,204 medical/surgical/pediatric admissions compared to 8,876 net out-migration admissions of planning area residents at hospitals outside the planning area. This shows that a very high percentage of the residents of Planning A-10 are being treated at hospitals outside the planning area compared to those treated within the planning area. Half of the patient days associated with this net out-migration is factored into the bed need determination for McHenry County.

The residents of McHenry County need greater access to medical/surgical services within their own planning area and the Illinois Legislature has acted to address this need. It now remains for the Review Board to carry out the purposes of the Planning Act and address the extremely high out-migration in McHenry County by approving Centegra Hospital-Huntley.

II. Response to the Healthy Community Study

The request for additional information seeks Centegra's response to the 2010 McHenry County Healthy Community study and how the proposed hospital will address problems and issues identified in the study.

While the 2010 McHenry County Healthy Community study is informative, it was not and is not a document appropriately used for assessing the need for additional beds or hospital services. The lead researcher for the 2010 Study, Ms. Deborah Lischwe, has confirmed that the study was "not intended as a needs assessment for any particular type of service." (See letter from Deborah Lischwe to Courtney Avery dated July 28, 2011 which is included to this letter as Attachment 2.) Even if the study were an appropriate reference in this context, it is neither a substitute for nor supplemental to the Board's review criteria which we have addressed in detail and with which this project substantially complies.

Our opponents' attempted use of the 2010 McHenry County Health Community Study to prevent improved access to care is amusing and ironic considering Centegra Health System's critical role in the study. Centegra Health System was a major sponsor of and key participant in that study as well as a prior study in 2006. Centegra's Project Manager, Rowena Wermes, acted as one of our representatives in connection with both studies and a letter from her discussing the studies is included as Attachment 3.

A. The Objectors' misuse of the 2010 Study

Advocate and Sherman referenced the 2010 Study in a joint written submission and noted that the study's survey of 1100 households indicated that access to health care was an asset to McHenry County. Rather than applauding Centegra Health System – the leading

provider of health care in McHenry County - for this outcome, Advocate and Sherman assert that the survey leads them to believe that a new hospital is not needed in McHenry County.

As a sponsor and Core Team member of the 2010 McHenry County Healthy Community Study, Centegra can affirmatively represent that the study did not purport to survey either the County's need or its residents' desire for a new hospital. In fact, when area residents were actually asked and given the opportunity to express their preference regarding a new hospital in connection with Centegra Hospital-Huntley, they overwhelmingly said "yes" to a new hospital. Well over 16,000 individuals, most of whom are McHenry County residents, have submitted letters of support for Centegra Hospital-Huntley. This number of support letters is unprecedented in the history of the Illinois Planning Board.

Significantly, the survey conducted as part of the 2010 McHenry County Healthy Community Study indicated a desire for greater access to mental health and substance abuse services. Centegra is the only current provider of inpatient mental illness and substance abuse services for McHenry County residents. While Sherman and Advocate Good Shepherd both claim to care for and serve McHenry County residents, neither facility provides inpatient acute mental illness ("AMI") services. They leave that to Centegra. Indeed, Advocate Good Shepherd Hospital recently discontinued its entire acute mental illness service (Project No. 10-037) even though the planning area had a calculated need for additional AMI beds and Advocate's action further increased the need.

No one has done more to promote healthy communities within McHenry County than Centegra, and a new hospital in Huntley will allow Centegra to do even more.

B. Centegra's sponsorship and participation in the Healthy Community Studies

Centegra played a key role in conducting both the 2006 and 2010 studies, and implementing initiatives identified in the 2006 study. The 2010 study was only recently completed and implementation meetings commenced just last month. As was the case in connection with the 2006 study, Centegra will be at the center of implementing initiatives identified in the 2010 study. Centegra has collaborated with the other stakeholders of the 2006 study to develop and implement strategies to address the findings of that study and it will do the same with respect to the 2010 study.

a. The 2006 Study

Centegra collaborated with 20 community stakeholder groups to develop strategies to address findings of the 2006 Health Community Study. To this end, Centegra used the Mobilizing for Action through Planning and Partnerships (MAPP) process, which is endorsed by the Center for Disease Control and the National Association of County & City Health Officials. Centegra initially dedicated seven individuals (the most of any stakeholder) to be actively involved in leading or participating in the implementation of the priorities. Advocate Good Shepherd committed three individuals. No other health system participated

in the implementation of the 2006 study. From Fiscal Year 2007 to 2011, Centegra contributed 686 hours to MAPP. We are the only hospital organization that had multiple individuals participating on all the workgroups. Centegra has already implemented numerous initiatives in response to the 2006 Study, as detailed in Ms. Wermes' letter (Attachment 3).

b. The 2010 Study

Centegra was a sponsor and Core Team member of the 2010 McHenry County Healthy Community Study and, as such, was directly involved in framing the scope and subject matter of the study. Centegra has three staff members involved in the 2010 Study who have already provided 173 hours of time working with our partners on the Study and twelve staff members who have participated in the implementation planning meetings to date.

The 2010 study was recently completed and the development of a collaborative implementation plan is in progress. The study was just announced to the greater community on April 13, 2011. Centegra participated in the first strategic planning session held on June 23, 2011. The objective of the June 23rd meeting was to tie-in the 2010 Healthy Community Study with the efforts that began following the 2006 Study. Priorities were identified and workgroups are just beginning to meet. Centegra representatives are again participating in all workgroups.

As with the 2006 Study, the development and implementation of strategies to address the findings of the 2010 Study will be a multi-year process requiring the commitment of hundreds of hours of time from Centegra's representatives and the other stakeholders. Centegra has already begun to address the priorities identified in the 2010 Study and those efforts are detailed in Ms. Wermes attached letter.

III. Response to Population Growth in McHenry County

In response to the request for additional information on the impact of population growth on the size and viability of Centegra Hospital-Huntley, we asked Deloitte to re-evaluate its original analysis (contained in our CON application) which justified the size and viability of the proposed project. As summarized below, Deloitte has concluded that its original estimates remain valid and support the size and viability of Centegra Hospital-Huntley, and that its original estimates are not affected by the 2010 Census. A copy of Deloitte's follow-up report on population growth in McHenry County is included as Attachment 4 to this letter.

Deloitte's original population projections were based upon adjusted population figures for McHenry County updated through 2010 and were not based on older projections that turned out to be overly high. Deloitte used population projections from Claritas® that were generated using its 2010 population estimates. Claritas® updated its five year projections annually to reflect market and economic changes in population estimates. For

example, Claritas® in 2008 estimated the five year compound annual growth rate for McHenry County at 2.4 percent, adjusted it down to 2.2 percent in 2009 and ultimately to 1.7 percent in 2010. Deloitte based its analysis on the more conservative 2010 estimates of compound annual growth rates as determined by Claritas® in justifying the size and viability of Centegra Hospital-Huntley.

Claritas® recognized the slowdown in the growth rate and adjusted its population growth estimates accordingly. Deloitte used the conservative compound annual growth rate from Claritas® and applied that growth rate to actual patient volumes by zip code by age cohort to determine the projected patient volumes for 2017 and 2018 in the market area in order to validate the size and viability of the proposed project. The fact that the Census 2010 data came in lower than projected does not affect the validity of Deloitte's analysis because Deloitte's methodology was already based on conservative population projections derived from the most currently available Claritas® data, updated through 2010.

McHenry County has been one of the fastest growing planning areas in the state. The most recent Inventory of Health Services maintained by the Review Board showed that Planning Area A-10 had the second highest 10-year projected population growth rate (23%) of the 40 statewide planning areas. (See, IDPH Population Projections Table included with Attachment 2 to my prior correspondence on this project dated June 2, 2011.) Planning Area A-11 (northern Kane County), which will also be served by Centegra Hospital-Huntley, had the State's third highest projected growth rate at 20%. (*Id.*) The 2010 Census data shows that McHenry County's total population in fact increased from 260,094 in 2000 to 308,760 in 2010, an increase of 18.7%.

While McHenry County as a whole did not grow at the rate that was predicted for 2010 due to the current economic crisis in the United States, its population increased by 18.7% from 2000 to 2010. Moreover, the growth rate for areas to be served by the new hospital exceeded McHenry County's actual growth rate. For example, from 2000 to 2010, Huntley's population grew by 324% (a 15.5% compound annual growth rate), while Kane County's population increased 27.5% (a 2.5% compound annual growth rate). The village of Huntley lies in both McHenry and Kane County, and the primary and secondary service areas of Centegra Hospital-Huntley include portions of northern Kane County.

To summarize, Deloitte independently performed an area population study of the project's market area based on the most recently available population data from Claritas® via Intellimed® and re-evaluated those results given the recently published 2010 Census information. Deloitte has determined that its original estimates remain valid to support the size and viability of the proposed Centegra Hospital – Huntley, and its estimates are not affected by the 2010 Census information.

CONCLUSION

We thank you for the opportunity to respond to the request for additional information. As demonstrated, Centegra Hospital-Huntley will enhance safety net services in the

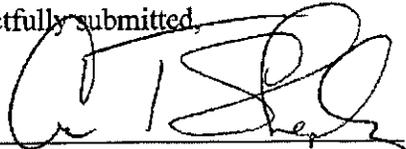
Ms. Courtney Avery
July 28, 2011
Page 10

community in which the project will be located and, as a result of population growth, will not adversely impact existing facilities. Also, Centegra Health System is a sponsor and supporter of both the 2006 and 2010 McHenry County Healthy Community studies, has already implemented strategies and initiatives to address the findings of the 2006 Study, and had commenced the process of doing the same in connection with the 2010 Study. Finally, our financial consultant Deloitte Financial Advisory Services LLP has confirmed that its prior justification of the size and viability of Centegra Hospital-Huntley accounted for the slowing of population growth in the applicable market area based on 2010 data available from Clarita and the 2010 Census does not change or affect Deloitte's prior analysis.

Our project substantially complies with the Review Board's criteria and we respectfully request that the Review Board approve Centegra Hospital-Huntley, Project No. 10-090.

Respectfully submitted,

By:


Aaron Shepley
Sr. Vice President and General Counsel
Centegra Health System



Deloitte Financial Advisory
Services LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
USA
Tel: 312-486-1000
Fax: 312-486-1486
www.deloitte.com

July 28, 2011

Mr. Mike Constantino
Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

**Re: Project #10-090, Request for Additional Information – Safety Net Impact Statement
Submitted to the State Agency on June 2, 2011**

Dear Mr. Constantino:

Deloitte Financial Advisory Services LLP (“Deloitte”) has been retained by Centegra Health System to respond to your Request for Additional Information dated July 14, 2011 asking for a detailed response to the Safety Net Impact Statement submitted to the State Agency on June 2, 2011 by Arnstein & Lehr LLP (“Arnstein & Lehr”) on behalf of Sherman Hospital (“Sherman”), St. Alexis Medical Center (“St. Alexis”), and Advocate Good Shepherd Hospital (“Good Shepherd”). Sherman, St. Alexis and Good Shepherd all claim the proposed Centegra Hospital – Huntley (the “Project”) would have a financial impact on their hospitals and their ability to provide safety net services to their communities. This statement is the result of the Sherman, St. Alexis and Good Shepherd commissioning Krentz Consulting to quantify the impact of the Project. However, the Krentz Study is flawed, misleading and not complete for the following reasons:

The Krentz Study overlooks rapid population growth which is a significant factor in this application in accordance with 77 Ill. Ad. Code 1110.530(b)(3)(C) that has been communicated many times throughout the application and in public testimony. Rapid population growth, which is a CON Review Criterion for “Project Service Demand,” is not considered and/or factored into their estimate of financial impact which is an important fact supporting our statement that the Project does not impact other area hospitals. Significantly; the Krentz Study’s estimate of financial impact is

ATTACHMENT 1

calculated as if the proposed Centegra Hospital – Huntley was in operation in 2010 and/or assumes no population growth in the market between today and when the hospital would be completed and operational. Centegra Hospital – Huntley will not become operational until the fall of 2015. The Krentz Study ignores the critical facts that Centegra Hospital – Huntley’s second complete fiscal year of operation will be from July 1, 2017 through June 30, 2018 and that significant population growth will occur between now and then. This critical omission of population growth over time renders the Krentz Study both flawed and incorrect.

Our analysis shows that rapid population growth in the Project’s market area coupled with the growth Sherman, St. Alexius and Good Shepherd will experience outside the Project’s market area will result in overall increased utilization for all area hospitals. By using Claritas® population projections via Intellimed®, annually adjusted for market changes and the slowing economy, and applying those compound annual growth rates to medical surgical volumes in the Project’s market area, we estimate approximately 7,500 additional discharges by 2018 through rapid population growth. As shown in the table below, Sherman, St. Alexius, Good Shepherd and Provena St. Joseph Hospital will not only maintain their current utilization but also benefit from rapid population growth.

Hospital	[A] 2010 Cases In Huntley PSA & SSA	[B] Huntley PSA & SSA Growth by 2018	[C] 2018 Lost Cases to Centegra Hospital - Huntley	[D] [A]+[B]+[C] Net 2018 Cases in Huntley PSA & SSA
Advocate Good Shepherd	5,210	1,428	(531)	6,107
Sherman	4,196	1,460	(1,248)	4,408
St Alexius	1,613	398	(371)	1,640
Provena St Joseph	2,424	844	(828)	2,440

Source:

- [A] FY 2010 Cases In Huntley PSA & SSA based on COMPdata[®]. Huntley PSA & SSA defined by 16 zip codes immediately surrounding the Project
- [B] Huntley PSA & SSA Growth by 2018 estimated by applying compound annual growth rates (CAGR) factors by zip code to 2010 case count zip code data provided by COMPdata[®] for each hospital. CAGR factors are identified in Deloitte's Exhibit II of the Market Assessment and Impact Study of Centegra Hospital - Huntley Included in the CON application.
- [C] Based on net incremental change in estimated market share by zip code by hospital applied to estimated total number of cases in the PSA & SSA by zip code.

In addition to rapid population growth, Deloitte estimates that approximately 3-4% percent of the current uninsured population in the State of Illinois will now be covered through the establishment of health exchanges as a result of health care reform. This represents approximately 400,000 to 500,000 Illinois residents who would be otherwise uninsured. This increased coverage was not used in supporting our statement that the Project would not negatively impact other area hospitals but nonetheless would increase utilization for all Illinois hospitals including Sherman, St. Alexius and Good Shepherd.

In addition to using a flawed methodology that does not take into account rapid population growth to determine the financial impact and safety net impact, Krentz Consulting did not provide analysis in either of its reports to substantiate their assertion that Sherman, St. Alexius and Good Shepherd would lose 4,578 inpatient discharges to the Project. Again, the Krentz Study does not have adequate documentation included in any of its reports to clearly explain their methodology or assertions.

In conclusion, we believe the Safety Net Impact Statement submitted to the State Agency on June 2, 2011 by Arnstein & Lehr on behalf of Sherman, St. Alexius, and Good Shepherd to have no merit since it does not account for population growth and is based on a flawed methodology and incomplete analysis resulting in a misleading and inaccurate conclusion.

Respectfully submitted,

By: Richard Lee Piekarz

Richard Lee Piekarz
Senior Manager, Deloitte Financial Advisory Services, LLP

UNIVERSITY OF ILLINOIS
COLLEGE OF MEDICINE
AT ROCKFORD

Health Systems Research
1601 Parkview Avenue · Rockford, IL 61107-1897
Phone (815) 395-5639 · Fax (815) 395-5602

July 28, 2011

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Centegra Hospital-Huntley, Project No. 10-090

Dear Ms. Avery,

In response to a request from Rowena Wermes and as a follow-up to a letter submitted to you last week, I will describe the purpose and our role in the 2010 McHenry County Healthy Community project.

Health Systems Research of the University of Illinois was contracted by the McHenry County Healthy Community, a collaborative of 19 partners, to conduct three assessments for this study as well as the Executive Summary. HSR had assisted in the 2006 Healthy Community Study. Like 2006, the 2010 study was broad in scope, not intended as a needs assessment for any particular type of service.

The broad nature of the study is stated in the first sentence of the 2010 Executive Summary *"the health of the community extends far beyond the traditional view focused on select health measures and availability of medical resources. Rather, a healthy community encompasses a broad range of community characteristics that define the ingredients of a healthy place to live."* As further described in that introduction, the study's overall purpose was to understand and address the county's most pressing needs. Based on the assessments' findings, the four primary priorities as approved by the 2010 Healthy Community partners are information and referral, obesity/nutrition, dental care for low-income population and access to mental health/substance abuse services. Workgroups have been formed to address these priorities. In addition, partner organizations are encouraged to use the study's findings for their own organization's strategic planning efforts. All 2010 McHenry County Healthy Community assessments are public and available on line.

McHenry County has a strong record of collaboration through the Healthy Community process. Partner organizations have devoted attention and impressive resources to addressing the needs of area residents. Health Systems Research has been fortunate to be part of this process. As lead researcher for the study, I am happy to answer any questions or provide more information about the 2010 McHenry County Healthy Community study findings.

Sincerely,


Deborah Lischwe

ATTACHMENT 2

July 28, 2011

Mr. Mike Constantino
Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Project #10-090, Request for Additional Information – How the proposed hospital will address the community problems and issues that were identified by the 2010 McHenry County Healthy Community Study.

Dear Mr. Constantino,

As one of the Core Team members of the 2010 McHenry County Healthy Community Study (the Study), I am sending this letter on behalf of Centegra Health System to respond to your July 14, 2011 request of how the proposed hospital will address the community problems and issues identified by the Study.

First, I would like to begin by providing you with the background on the intention and purpose of the Study. As can be seen by looking at the vast types of organizations participating in the Study, the Study was intentionally designed to cover a very broad based definition of health community. Because there is a separate process & methodology for assessing hospital services and facilities, the Study did not specifically review hospital services or facilities. Therefore, no argument can be made from the Study or its findings as to the need or lack of need for a new general hospital in McHenry County, and any attempt to the Study for the purpose of determining the need of a new hospital would be a misuse. Advocate & Sherman's submission of this study is a misuse of the intention & purpose of the Study. The expressed purpose of the study states:

The Healthy Community movement is based on the concept that the "health" of a community goes well beyond the statistics that describe how "healthy" the population is or what medical resources are available. Rather, each community develops a shared vision of what can be in terms of quality of life. Policies and actions through committed people working together can bring about change. While intervening to address community problem is important, the Health Community focus is on prevention, slowing or stopping problems before they occur by drawing on community resources and collaborative action. (excerpt from 2006 study)

The "health" of a community extends far beyond the traditional view focused on select health measures and availability of medical resources. Rather, a healthy community encompasses a broad range of community characteristics that define the ingredients of a healthy place to live. Similar to the 2006 project, the 2010 McHenry County Healthy Community Study aims to improve the health of McHenry County residents. McHenry County's 2010 Health Community Study significantly expanded the reach and scope of the community needs assessment by drawing in additional partners and incorporating additional issues such as environment and employment to

*provide a more thorough understanding of the quality of life experienced by area residents.
(excerpt from 2010 study)*

The results of healthy community studies are legitimately used to identify programs that:

- Health departments use to support IPLANS
- United Way agencies and Community Foundations use to identify where funds could be distributed
- Hospitals & health systems use as one resource to identify safety net programming

Second, although I believe it is inappropriate to use this Study to determine the need or lack of need for a new hospital, I would nonetheless like to answer the question raised in your letter concerning "how Centegra Health System has addressed issues identified in the 2006 study" and to confirm that we already are collaborating with local stakeholders to implement tactics identified from the 2010 study.

Centegra is a leader in implementing the Healthy Community Study findings

In collaboration with nearly 20 community stakeholder groups, Centegra Health System used the Mobilizing for Action through Planning and Partnerships (MAPP) process, which is endorsed by the Center for Disease Control (CDC) and the National Association of County & City Health Officials (NACCHO), to implement strategies to impact the findings of the 2006 Health Community Study.

Centegra initially dedicated seven individuals (the most of any stakeholder) to be actively involved in leading or participating in the implementation of the priorities. Advocate Good Shepherd had three individuals involved. No other health system participated in the implementation of the 2006 study. Between our Fiscal Year 2007 to 2011, 12 Centegra staff members contributed 686 hours to MAPP. These hours do not include any related priorities that Centegra staff members have worked on outside of the MAPP team involvement. We are the only hospital organization that had multiple individuals participating on all the workgroups. The only other partner organization that has put forth similar efforts is the McHenry County Department of Health (MCDH).

Two of the priorities identified from the 2006 study were increasing access to health care and targeting cardiovascular disease:

Access to Health Care (Medical & Mental Health): The primary goals were to provide increased access to follow up care for the under/uninsured residents of McHenry County. The secondary goal was to increase access to prevention, education and screening programs for all residents of McHenry County. Dental health was also identified as a need, however the McHenry County Health Department and the McHenry County Cooperative Dental Clinic led those efforts. The following are a few examples of how Centegra addressed the access to health care goals from the 2006 study.

- **Medical Health**
 - To support the need for primary care physicians in the County, Centegra increased the number of its employed primary care providers from 34 in 2006 to 80 in 2010. This supports the key goal because as the *only* safety net provider in the County, our physicians have a payor neutral focus, which means that our physicians are incentivized regardless of the patient's ability to pay for services.
 - Centegra Primary Care (CPC) physicians regularly volunteer hours to the Family Health Partnership Clinic (FHPC). In FY11, there were 563 hours provided. During a recent backlog

of pap smears and screening tests at the FHPC, CPC physicians volunteered in one day to bring the backlog to zero.

- Centegra has supported the expansion of the FHPC by providing a McHenry location.
- Centegra is the largest provider of OB care for Illinois Public Aid patients referred by MCDH.
- To support the secondary goal, over the past three years, Centegra has provided more than 3,800 individuals with free screenings.
- Centegra purchased and operates a Mobile Health Unit. One of the primary functions of the mobile health unit is to provide screenings at locations in partnership with organizations that provide for the needy, such as churches and food pantries. The mobile health unit is also available at community events such as health fairs and village festivals.

The unit supplies two examining rooms and machines for x-rays, ultrasound, EKG, audiology screenings, blood draws and patient education. Since 2008, the 32-foot-long van has provided endless opportunities for community members to receive skin, blood pressure, vascular, audio, video and diabetes screenings, flu shots, and Health Risk Assessments. Affordable and convenient vascular screenings have also enabled those who need those screenings to receive much-needed care that they may not have received otherwise.

Last year, Centegra's Mobile Health Unit participated in more than 120 events and more than 2,000 McHenry County residents have stepped into the van. It has proudly been featured in neighborhood parades, fairs, grand openings, expos and is used for worksite wellness visits to local corporations. Hundreds of area residents have prevented or detected a variety of complications because of a simple visit to the Centegra Wellness on the Move mobile health unit.

- **Mental Health**

Centegra Health System is the only provider of inpatient and outpatient behavioral health services in the area as Advocate Good Shepherd recently closed its unit and no longer provides any behavioral health services. Mercy Health System & Sherman do not provide any behavioral health services.

Centegra's Behavioral Health Services promotes Mental Health Wellness through the comprehensive approach to care offered in its programs that treat emotional, psychiatric and substance abuse problems. The continuum of care offered includes inpatient services, partial hospitalization programs, intensive outpatient programs, a continuing care program and a family program.

The MAPP emphasis for mental health was primarily in screening, awareness and education at all age levels. Centegra Associates supported the different age workgroups and led the workgroup for seniors.

Examples of how Centegra addressed the mental health issues include:

- Centegra led the development of the "Think Well, Feel Well" community educational program specifically for senior citizens. Centegra staff conducts presentations at various

locations. These free presentations are offered at Del Webb, Senior Service locations, senior housing complexes, and townships.

- Centegra, in partnership with local social service agencies, has offered educational programs to healthcare professionals for the purpose of educating them on recognizing and treating mental illnesses in the elderly.
- All residents of the Del Webb community have access to a free consultation with a mental health professional through the Sun City Wellness Center that Centegra operates.
- From 2000 to 2008, the suicide rate in McHenry County was fairly consistent. The average number of suicides was 18 per year. However, in 2010, that number doubled to 36 completed suicides in the county. Centegra Health System responded to these statistics and was a leader in a task force created to analyze this trend and work to prevent further tragedy in the community.

No other hospital participated in this task force.

Centegra supported the efforts of the task force through staff time, space for meetings and printing of education and marketing materials. Staff from Centegra provided free educational programs on the prevention of suicide to a group of approximately 50 people who interact with those at risk seeking help. This audience included lay ministers, teachers and human resource professionals. Additionally, Centegra's Director of Behavioral Health worked in collaboration with Centegra's Vice President of Medical Affairs to communicate this alarming trend with staff physicians and to encourage their pro-active intervention with patients who were at risk. This communication was accomplished by letters to the medical staff on two separate occasions.

Centegra Health System also hosts ongoing grief support services for the friends and loved ones of suicide victims. In partnership with McHenry County Crisis Services, the Survivors of Suicide Grief Support Group offers comfort to those struggling to find peace and acceptance after losing a loved one to suicide. This support group is extremely helpful to someone struggling with losing a loved one to suicide. Members share their feelings of guilt, rejection and anger. They learn that they are not alone and they will eventually find peace. It also gives them the opportunity to help others by sharing their own coping techniques.

- The McHenry County Crisis program is administered and partially funded by Centegra Health System along with the mental health board, which serves as our first responders in such crisis situations. The crisis program and Centegra Associates offer 24-hour information, referral and crisis intervention and assessment services. Our crisis program is the disaster response team for McHenry County

In addition, our crisis program serves the emergency departments of Advocate Good Shepherd Hospital and Advocate Condell Medical Center because they do not provide this service. **This Centegra service will be extended to also include emergency department patients at the proposed Centegra Hospital-Huntley.**

- Centegra hospitals are the only ones in the area who include free behavioral health consults as part of a holistic approach for inpatients being treated for medical conditions. At no charge, behavioral health consults are provided to people on medical floors who are diagnosed with conditions that put individuals at risk for co-morbid psychiatric illnesses.

Examples include: new moms on the OB unit who are assessed as being at risk of developing post partum depression, patients who had a cardiac procedure since heart disease and diabetes have high incidence of co-morbidity with depression, patients who are hospitalized for overdose or suicide attempts. The consultations may be educational, supportive, or can be a psychotherapeutic intervention. The service is provided onsite by a Centegra psychologist or a licensed clinical professional counselor. Last year (FY11) there were 858 behavioral health consults provided at no charge to Centegra inpatients.

This unique inpatient behavioral health service would be extended to also include inpatients at the proposed Centegra Hospital-Huntley.

- Centegra hospitals are the only hospital providers in the area who provide chemical dependency evaluations for the community. Advocate Good Shepherd, Sherman and Provena St. Joseph-Elgin do not employ individuals credentialed to provide this service.

Chemical dependency evaluations are provided to people on the medical floors who are hospitalized for a substance abuse exacerbated condition. This may be an overdose, alcohol intoxication or pancreatitis or a broken leg as a result of a fall while intoxicated. The evaluations review current use patterns, sober supports and motivation for change. The evaluator uses ASAM criteria (American Society of Addiction Medicine) to determine the appropriate follow up care needed which can range from substance use education to individual counseling to residential treatment. Engagement in 12-step programs is often encouraged (such as Alcoholics Anonymous or Narcotics Anonymous). Last year (FY11) there were 953 chemical dependency evaluations provided to inpatients and another 336 were provided as outpatient appointments.

This unique inpatient and outpatient evaluation is only offered through Centegra Health System and would be extended to also include patients at the proposed Centegra Hospital-Huntley.

Cardiovascular Disease: The MAPP emphasis for the cardiovascular workgroup was focused on changing behaviors through prevention education and screening. Examples of how Centegra addressed these issues are as follows:

- Centegra collaborated with the Cardiovascular workgroup members to create a "Know your heart age" tool. In addition, Centegra provided resources through meeting locations, printing materials and Centegra staff time to train the MCDH retired nurse reserves on administering the tool.
- Centegra launched HeartAware, an interactive online personal health risk questionnaire that takes less than seven minutes to complete. After the assessment, each participant is given an immediate personalized report that indicates his or her overall risk of developing cardiovascular disease, as well as ways to reduce it.

If the individual meets certain clinical criteria, they are given the opportunity to meet with a nurse for a free consultation. This follow-up includes a 30-minute consultation where education is provided and blood pressure, cholesterol, blood sugar levels, medication reviews, family history and body mass index are checked. If a person is found to be at risk, the nurse offers recommendations on improving his or her health, including free nutritional classes at Centegra Health Bridge Fitness Centers, a reduced-price vascular screening and to contact his or her primary care physician.

Centegra has already begun to address the priorities found in the 2010 Study

Centegra is committed to working collaboratively with area organizations to address the community issues identified in the 2010 Study. In fact, in addition to Centegra's financial commitment as one of the five funders of the Study, Centegra staff members provided 173 hours of time working with the 19 partners to conduct the Study. Mercy Health System was asked at least two times to participate in the 2010 Study and they chose not to participate either by contributing financially or by volunteering time. The Study was just recently completed and the development of a collaborative implementation plan is in progress. The Study was announced to the greater community on April 13, 2011. A strategic planning session was held on June 23, 2011. The objective of the June 23rd meeting was to marry the 2010 Healthy Community Study with the efforts that began in 2006. The group affirmed the priorities and workgroups are just beginning to meet. Centegra staff members are once again participating in all workgroups.

The four primary priorities identified are: information and referral system, access to dental care for low income population, access to mental health and substance abuse services and obesity & nutrition. The final workgroups are still being determined.

- Mental health and substance abuse services

The Study shows that most communities are under-resourced in mental health services, and that federal & state funding shortfalls are causing deep cuts in services. With your approval of Centegra Hospital-Huntley, we will provide another much-needed access point for these patients and their families.

- On July 1, 2011, Centegra Behavioral Health Services began offering outpatient chemical dependency evaluations at no charge. The decision to no longer charge for an evaluation was partially based on the McHenry County Healthy Community Study released in April 2011. The letter (see attachment A) was sent to local attorneys, probation officers, all local physicians, and other social service providers. It was also communicated in the most recent Centegra physician newsletter.

- Obesity and nutrition

- Centegra Kids in Motion was introduced in July. It is a new comprehensive program to help kids and families achieve a healthier lifestyle. This unique program is designed to help children and their families tackle weight issues through nutritional education, behavioral therapy and physical activity. Registered dietitians, fitness coaches and behavioral specialists lead the program and work together to offer education and support to lead a healthier lifestyle. The program is flexible, allowing participants to choose classes that address their own personal areas of interest and accommodate busy schedules. This program directly addresses the issue of

Obesity & Nutrition found in the Study. In creating the program, Centegra recognizes that good nutrition exerts major influence in children's growth and development. Healthy diet and appropriate body weight lower risk of chronic conditions such as hypertension, high cholesterol, diabetes and that obesity is top public health problem nationwide.

In addition to the primary priorities identified, the top two greatest needs identified through the ratings of community characteristics in the community survey are 1) availability of employment opportunities and 2) availability of transportation for the elderly and disabled. **The Centegra Hospital-Huntley project would positively impact the employment opportunity issue and by locating the hospital closer to Del Webb, it brings hospital services closer to a large senior population. The Centegra Hospital-Huntley location will serve as another hub for the Centegra Health System van and patient express transportation services.**

Table 3.1 below shows the ratings of 19 community characteristics in the community survey. The table is sorted in descending order of the 2010 mean score. The greatest needs are those characteristics with the lowest mean score in 2010 and can be found highlighted in yellow at the bottom of Table 3.1

Table 3.1
MCHENRY COUNTY HEALTHY COMMUNITY 2010 SURVEY
RATINGS OF COMMUNITY CHARACTERISTICS

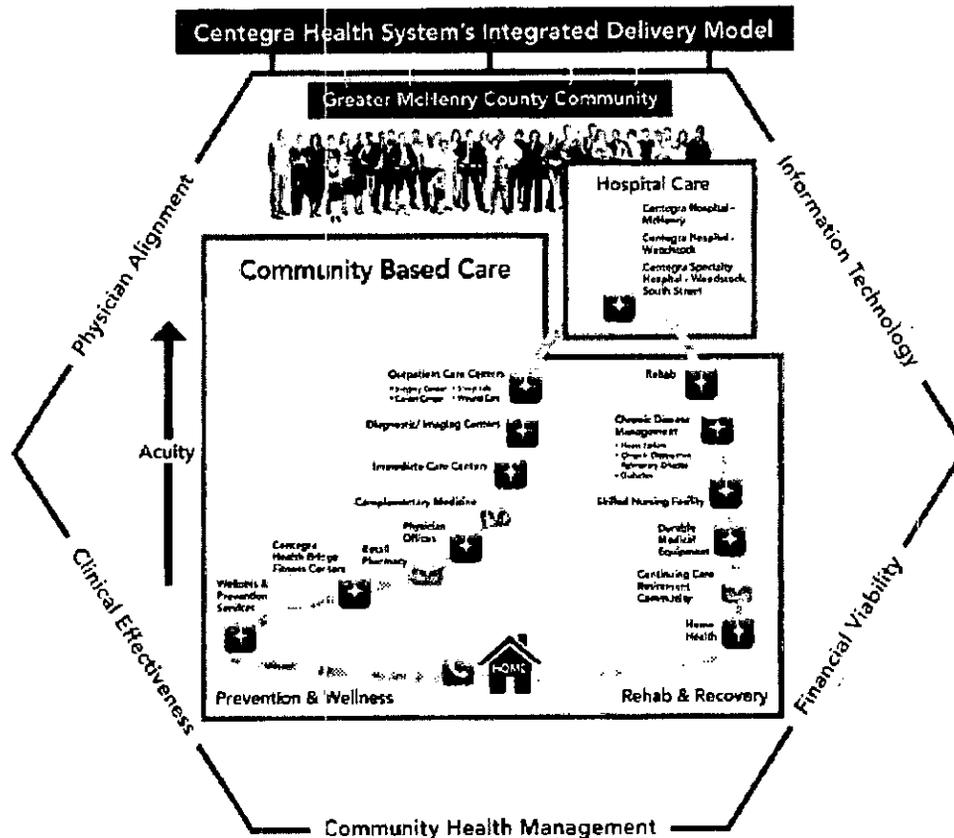
Characteristic	Excell-ent	Good	Fair	Poor	DK/ DNA	No Answer	2010	2006
							Mean ¹	
Quality of your local park district and recreational services	13.3%	45.2%	20.5%	7.3%	4.4%	9.4%	2.75	2.66
Availability of dental care services	8.6%	41.8%	19.8%	7.8%	12.4%	9.6%	2.65	---
Availability of health care services	8.6%	43.6%	23.7%	7.3%	7.7%	9.2%	2.64	2.64
Availability of college education	6.6%	40.5%	22.4%	6.9%	13.6%	10.1%	2.61	---
Quality of your local community or village services	7.9%	39.5%	25.4%	9.6%	7.8%	9.8%	2.56	2.52
Availability of daycare for children under 5 years of age	3.7%	19.0%	12.6%	7.1%	47.4%	10.1%	2.45	---
Availability of preventative health care	5.5%	31.2%	25.0%	9.8%	18.1%	10.4%	2.45	2.51
Availability of social services	2.8%	25.5%	24.4%	7.2%	29.3%	10.7%	2.40	2.48
Access to local government decision makers	3.7%	26.5%	25.8%	12.5%	21.2%	10.3%	2.31	2.19
Availability of day/after school/summer care for children 5+	3.2%	16.1%	13.9%	9.6%	46.9%	10.4%	2.30	---
Availability of activities/services for senior citizens	2.5%	20.0%	20.6%	11.3%	36.5%	9.0%	2.25	2.27
Availability of cultural activities, arts	4.5%	24.9%	27.1%	18.0%	14.8%	10.7%	2.21	2.07
Availability of information to find services	3.2%	23.3%	29.2%	17.7%	15.9%	10.8%	2.16	---
Availability of mental health care services	1.7%	14.2%	18.8%	12.4%	42.0%	10.9%	2.11	---
Availability of activities/services for youth/teens	2.5%	14.9%	21.3%	16.7%	34.2%	10.5%	2.06	2.15
Cooperation among local governments	1.6%	16.1%	26.4%	17.8%	26.6%	11.5%	2.02	1.94
Availability of services for disabled persons	1.4%	9.9%	16.1%	12.4%	49.9%	10.4%	2.01	1.96
Availability of transportation for the elderly and disabled	1.5%	13.2%	18.3%	21.0%	36.1%	9.9%	1.91	1.85
Availability of employment opportunities	0.2%	5.0%	28.3%	38.6%	16.9%	11.0%	1.54	---

¹ Scale where 4=Excellent, 3=Good, 2=Fair, 1=Poor. DK/DNA and No answer excluded from mean rating calculations.

Centegra focuses on a comprehensive approach to responsible growth to create a healthier community

The physical components of an integrated health care delivery system must be appropriately distributed geographically in order to provide the greatest impact. Centegra is responsibly planning and implementing community based care from prevention & wellness to recovery & rehab programs.

To ensure continuity of care, the Centegra community based care services needs a local hub for the inpatient services that cannot be replicated at other area hospitals. The diagram below depicts Centegra's integrated delivery model and where hospital care fits into the model.



Centegra Hospital-Huntley is part of an overall responsible growth plan to ensure a healthy community and is needed because it is a major component of the healthcare delivery system to providing increased access to health care for the residents of the communities we serve. Multiple relevant bed need analyses have been completed & submitted to the HFSRB as part of this CON process to support this proposed new hospital.

The following are additional examples of recent Centegra launches to support community based care.

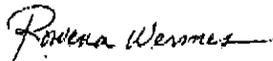
- As the need for access to specialty care grows for residents of McHenry County, Centegra's employed physician group, Centegra Primary Care has expanded to meet those needs to include chiropractic, endocrinology, geriatric, hospitalist, immediate care, wound care and other specialty services. Because of our expansions to meet the community's needs, Centegra Health System has changed its primary care group name to Centegra Physician Care as of July 1.
- Also in July, Centegra announced the expansion of our Sleep Services Department to include six new beds at Centegra Sleep Disorders Clinic-Algonquin. The expansion comes as a partnership with the former Alternative Sleep Disorders Center-Ltd. This integration is a demonstration of the continued commitment by Centegra and Alternative Sleep Disorder Clinic-Ltd. to provide access to high-quality

healthcare, from wellness to comprehensive medical care to the community. The sleep disorder program has previously included four beds at Centegra Hospital-Woodstock. **At an appropriate time, we would re-evaluate the location of this Clinic and whether it should move to the Centegra Huntley healthcare campus.**

- Centegra is also expanding its services by partnering with the Center for Neurology, located in Crystal Lake. The official integration date of July 5 has united billing, clinical and technological capabilities between both parties. The Center for Neurology is now part of Centegra Physician Care. With this partnership, three physicians have joined the Centegra team. Dr. Benjamin Nagar, Dr. Paul L. Grindstaff and Dr. Hsiong Chen will continue to practice in their current location in Crystal Lake. The integration is another demonstration of the continued commitment by Centegra and the Center for Neurology to provide high-quality healthcare to the residents of the greater McHenry County. The three neurologists will diagnose, treat and manage disorders, disease and injuries to the nervous system. This includes such areas as the brain, spinal cord, nerves and muscles. The Center for Neurology currently provides the greater McHenry County area with state-of-the-art equipment, advanced technology and astute physicians, all of which enhance the quality of preventative care, treatment and diagnosis of the nervous system. **At an appropriate time, we would re-evaluate the location of this Center and whether it should move to the Centegra Huntley healthcare campus.**
- In addition to the sports physicals offered at Centegra Physician Care offices in July, echocardiogram (ECHO) heart screenings are being conducted on the Centegra Wellness on the Move mobile health unit. An ECHO heart screening is an ultrasound of the heart and can help detect heart defects and abnormalities, even when no symptoms are present. This screening has already helped prevent the sudden death of local teen athletes.
Dr. R. David Halstead, pediatric cardiologist with Centegra Physician Care, has reported that Centegra has already screened 55 teens and found over half a dozen defects that needed to be discussed with parents; that's an alarming rate, 10 times more than the national average of 9 in every 1,000 kids. He said Centegra has gone out of its way to make the screening cost effective for local families and he for one is deeply appreciative of those life-saving efforts. The mom of a local teenager is also deeply grateful. Diane Zientz had her 13-year-old son Jared screened before playing football this fall and wrestling this winter. Jared was found to have an aortic valve leakage and can now proceed cautiously in his athletic endeavors.

I've just provided for you a few examples of how just since the Study was released, Centegra Health System has begun to address the issues brought to light. With Centegra Hospital-Huntley added to our wellness campus we will offer more much-needed access to these types of programs in the future.

Sincerely,



Rowena Wermes
Project Manager
Phone: 815.788.5853

Attachment A

Letter sent to local attorneys, probation officers, all local physicians and other social service providers.

Dear Community Provider:

Beginning July 1, 2011, Centegra Behavioral Health Services will be offering outpatient chemical dependency evaluations at no charge. People who experience any medical, social or legal consequence of their drug or alcohol use may be referred for an evaluation at Centegra Specialty Hospital Woodstock.

The decision to no longer charge for an evaluation was partially based on the McHenry County Healthy Community Study released in April 2011. This report identified access to mental health and substance abuse services as one of the top four health priorities for members of our community. Stigma, transportation difficulties and denial pose real barriers to seeking help for substance abuse disorders. Providing an evaluation at no charge may remove one barrier to people getting the treatment they need.

Our skilled evaluators utilize ASAM (American Society of Addiction Medicine) criteria and DMS-IV-TR diagnostic criteria to determine a diagnosis and recommend appropriate treatment and support options.

Utilizing motivational enhancement techniques, the evaluators attempt to engage people in substance abuse or chemical dependency treatment. They are able to provide education about the chronic and progress nature of addiction to patients and to family members. They are also powerful messengers of the reality of recovery from addiction and are able to help people to connect with resources to achieve sobriety.

If people are referred for an evaluation through the court system, there will still be a charge for a report to the court and for a urine toxicology.

To receive information about Centegra Behavioral Health Services or to schedule an appointment with one of our chemical dependency evaluators, please contact our Central Intake Department at 800-765-9999.



Deloitte Financial Advisory
Services LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
USA
Tel: 312-486-1000
Fax: 312-486-1486
www.deloitte.com

July 28, 2011

Mr. Mike Constantino
Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Project #10-090, Request for Additional Information – Population Impact on Project

Dear Mr. Constantino:

Deloitte Financial Advisory Services LLP (“Deloitte”) has been retained by Centegra Health System to provide consulting services in connection with its application for a Certificate of Need to construct a Hospital in Huntley, Illinois. Among the many other issues we have analyzed in regard to this proposed project, Deloitte has conducted a market assessment study as well as a financial impact analysis relating to health care facilities in the region. Most recently, Centegra Health System has assigned Deloitte to respond to your Request for Additional Information dated July 14, 2011 asking for “a detailed response of how the decrease in population in McHenry County will affect the size and viability of the proposed” Centegra Hospital – Huntley (the “Project”).

First it should be noted that there has not been a decrease in population for 2010 in McHenry County. The actual 2010 Census data, shows that –rather than decreasing-- McHenry County’s total population in fact increased from 260,077 in 2000 to 308,760 in 2010, an increase of 18.7% or a compound annual growth rate of 1.7%. While McHenry County did not grow at the rate that was predicted for 2010 due to the current economic crisis in the United States, it should be noted that the growth rate for Huntley was 324% or a compound annual growth rate of 15.5%, well over the

ATTACHMENT 4

average for all of McHenry¹. In addition, Kane County grew at a faster rate than was expected from 404,119 in 2000 to 515,269 in 2010, an increase of 27.5% or a compound annual growth rate of 2.5%.

Second, and equally as important, the estimates made by us in connection with this proposed project were *based upon adjusted population growth rates for the County*. The growth rates that were used to predict the rapid population growth in the market area for the Project (in accordance with 77 Ill. Adm. Code 1110. 530(b)(3)(C)) were based upon population growth rate projections from Claritas® that were generated using its 2010 population estimates, in accordance with the requirements of this Rule. Claritas® updates its five year projections annually to reflect market and economic changes in population estimates. For example, Claritas® in 2008 estimated the five year compound annual growth rate for McHenry County at 2.4 percent, adjusted it down to 2.2 percent in 2009 and ultimately to 1.7 percent in 2010. We used the more conservative 2010 estimates of compound annual growth rates as determined by Claritas® to determine the size and ability of the Project to meet State Guidelines for target occupancy and utilization in 2018. As you can see, Claritas® recognized the slowdown in the growth rate and adjusted their population growth estimates accordingly.

By comparison, the Krentz Market Assessment and Impact Study submitted by objectors to the Project used an annual growth rate of 2.3 percent² estimated for 2010 by the Illinois Department of Commerce and Economic Opportunity. Consequently, our analysis used a growth rate substantially lower than the objectors' own financial consultant.

Our growth estimates estimated the overall compound annual growth rate for the Market Area³ at 1.6 percent, much lower than the percent used in the Krentz Study. Using the growth rate

¹ Huntley Economic and Development Forum, March 16, 2011

² Market Assessment and Impact Study by Krentz Consulting, Exhibit 3

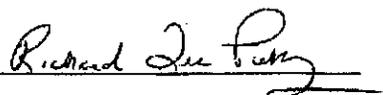
³ The Market Area is defined as the 16 zip codes immediately surrounding the proposed site that comprise the primary and secondary service area

percent from the Krentz Study provided by the Illinois Department of Commerce and Economic Opportunity would provide even greater justification of the size and ability of the Project to meet State Guidelines for target occupancy and utilization in 2018.

Deloitte used the conservative compound annual growth rate from Claritas® and applied that growth rate to actual patient volumes by zip code by age cohort to determine the projected patient volumes for 2017 and 2018 in the Market Area in order to validate the size and ability of the Project to meet State Guidelines for target occupancy and utilization in 2018. The fact that the Census 2010 data came in lower than projected does not affect the validity of our analysis. Our methodology did not employ patient use rates to overly optimistic population projections for 2017 and 2018. Rather, our methodology applied a conservative growth rate to actual patient volumes to estimate patient volumes for 2017 and 2018 based on conservative growth rates based on the most currently available Claritas® data, updated through 2010, that, in fact, were more conservative than the growth rates used by the financial consultant of the Project's objectors as shown in the Krentz Study.

In conclusion, Deloitte independently performed an area population study of the Project's market area based on the most recently available population data from Claritas® via Intellimed® and re-evaluated those results given the recently published 2010 Census information. Our conclusion is that our original estimates remain valid to support the size and ability of the proposed Centegra Hospital – Huntley to meet State Guidelines for target occupancy and utilization in 2018, and our estimates are not affected by the 2010 Census information.

Respectfully submitted,

By: 

Richard Lee Piekarz
Senior Manager, Deloitte Financial Advisory Services, LLP