

## Constantino, Mike

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**From:** Avery, Courtney  
**Sent:** Wednesday, November 16, 2011 3:48 PM  
**To:** Constantino, Mike  
**Subject:** Fw: Centegra Comments for Project #10-089  
**Attachments:** Centegra Comments on Project #10-089.pdf

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**From:** Streng, Hadley [mailto:HStreng@centegra.com]  
**Sent:** Wednesday, November 16, 2011 03:46 PM  
**To:** Avery, Courtney  
**Subject:** Centegra Comments for Project #10-089

Good Afternoon Ms. Avery,

Attached are comments for Project #10-089.

Thank you,

**Hadley Streng**

Director of Planning and Business Development | Centegra Health System

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November 16, 2011

**Via E-Mail**

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

**Re: Centegra's Written Comment in Opposition to Modified Application,  
Project No. 10-089, Mercy Crystal Lake Hospital and Medical Center**

Dear Ms. Avery:

I am the CEO of Centegra Health System which owns and operates two acute care hospitals in McHenry County: Centegra Hospital-McHenry and Centegra Hospital-Woodstock. We oppose the modified application for Project No. 10-089 for the reasons set forth in testimony at the two public hearings on this project on March 18, 2011 and October 7, 2011, in our prior written submission and in the attached written comment.

Mercy's modified application is now virtually identical to the fundamentally flawed project that filed in 2003. Though that project was approved in 2004 as a result of a much publicized scandal, the approval was reversed by the Court on the grounds that the project did not comply with the State Board's Review Criteria. Mercy's modified application, which is identical to that earlier project, similarly fails to meet the State Board's Review Criteria. The attached letter from Aaron Shepley, our General Counsel and Senior Vice President, addresses the material errors and inconsistencies in Mercy's modified application (*see* Attachment 1).

In addition, given the close proximity of three hospitals to Crystal Lake (Centegra's two hospitals and Advocate Good Shepherd), and the city's relatively slow population growth, Crystal Lake is not the best location for a new hospital in McHenry County. Indeed, Centegra's two existing hospitals are closer to some Crystal Lake zip code residential areas than the site of Mercy's proposed project.

Mercy's own documentation shows that the modified project still depends on almost 90% of its patient volume coming from Centegra's nearby hospitals. This demonstrates both the lack of need for the project and the substantial negative impact it would have on the utilization of Centegra's hospitals and on Centegra Health System's revenue. The attached letter from Mr. Lee Piekarz of Deloitte Financial Advisory Services LLP assesses the severe

Ms. Courtney R. Avery  
November 16, 2011  
Page 2

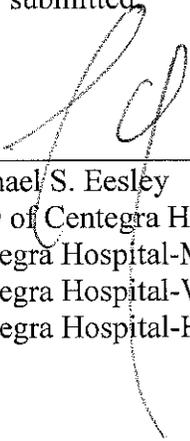
financial impact that the modified project would have on Centegra's existing nearby facilities (*see Attachment 2*).

Finally, Mercy's proposed project will have a severe negative effect on Safety Net services in McHenry County as documented in the attached letter from Jason Sciarro, President and Chief Operating Officer for Centegra Health System (*see Attachment 3*).

To summarize, the modified permit application for Mercy Crystal Lake Hospital and Medical Center, Project No. 10-089, does not substantially comply with the requirements of the Planning Act and the Review Board's rules. In addition, it unnecessarily duplicates services at existing nearby facilities and would adversely and severely impact Centegra's hospitals which are actually closer to some Crystal Lake zip code residential areas than the site of Mercy's proposed project. Finally, the proposed project will have a substantial negative impact on Safety Net services in McHenry County. For these reasons, Mercy's Project No. 10-089 should be denied.

Respectfully submitted,

By:



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Michael S. Easley  
CEO of Centegra Health System  
Centegra Hospital-McHenry  
Centegra Hospital-Woodstock  
Centegra Hospital-Huntley

MSE  
Attachments

November 16, 2011

Via E-mail Delivery

Aaron T. Shepley  
General Counsel  
Senior Vice President, Administrative Services

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

**Re: The Modified Application for Mercy Crystal Lake Hospital, Project No. 10-089 Does Not Substantially Comply With the Review Board's Criteria and Should Be Denied**

Dear Ms. Avery:

I am the General Counsel and Senior Vice President of Centegra Health System. I am submitting this written comment in opposition to Project No. 10-089 ("the Mercy application") on behalf of Centegra Health System, Centegra Hospital-McHenry and Centegra Hospital-Woodstock.

Mercy has modified its application for a permit for a new hospital in Crystal Lake by essentially cutting the size and cost of the project by almost half. The original 128-bed, \$199 million project is now a 70-bed, \$115 million project and is indistinguishable from the Mercy plan approved by a predecessor to this Board in 2004 when Mercy's contractor, Jacob Kiferbaum, promised a 1.5 million dollar bribe to then State Board Vice Chairman Stuart Levine. That project was also a 70-bed hospital with the same bed complement as currently proposed: 56 medical/surgical beds, 10 obstetric beds and for ICU beds. Mercy has even taken the same architectural drawings and floor plans from that discredited project and used them for the modified application at pages 82-87.

Even before the corrupt scheme was brought to light by the indictments handed down against Levine and Kiferbaum, Mercy's 2004 CON approval was substantively overturned by the Circuit Court of McHenry County on the ground that the project did not substantially comply with the State Board's criteria. In reaching that outcome, the Circuit Court Judge found that the State Board's decision was both against the manifest weight of the evidence and arbitrary and capricious. Mercy did not appeal that decision. Consequently, Mercy is now asking this Board to approve a project identical to one that was already overturned by a state court in a final, unappealed decision on the merits.

As was true with the legally invalid 2004 application, Mercy's latest CON application fails to substantially comply with the Review Board's criteria. At the public hearing for the modified project on October 7, 2011, Mercy's representatives repeatedly claimed that their down-sized facility was a result of "listening to the Review Board." Far from "listening" to the Review Board, Mercy - as it did in 2004 - continues to turn a deaf ear to the directives of the Review Board as expressed in the Board's Review Criteria. In addition to the negatives previously noted in the original State Agency Report, the modified application now directly contravenes two additional criteria, specifically: (1) the criterion that a new medical/surgical unit in a Metropolitan Statistical Area must include at least 100 beds, and (2) the criterion that a new Obstetrics unit must include at least 20 beds. Mercy materially violates these

criteria by proposing a medical/surgical unit just over one-half the minimum required size, and an OB unit that is one-half the minimum required size.<sup>1</sup>

Even with the large reduction in proposed beds, and the commitments from Mercy's employed physicians that they will redirect all of their patient referrals from existing providers to the proposed project, Mercy is *still* unable to document that it will meet target occupancy levels. As demonstrated in the attached analysis of the modified application prepared by Diversified Health Resources, Inc., Mercy would need an average length of stay for its medical/surgical patients that is over *twice* the 2010 average for McHenry County (9.6 days vs. 4.1 days) and an average length of stay for Obstetric patients that is over 50% longer than the 2010 average for the County (4.0 days vs. 2.6 days). (See CON Attachment 1 hereto.) These numbers are ridiculously high. The fact is that even accepting Mercy's haphazard analysis, its smaller proposed hospital in Crystal Lake would still be highly under-utilized, as is the existing Mercy hospital in Harvard, Illinois.

Mercy's modified application is fundamentally flawed in other respects. Under the Planning Act, a permit is only valid for the "defined construction or modification, site, amount and person named in the application for such permit..." (Emphasis added; 20 ILCS 3960/5.) The word "defined" means "clearly outlined, characterized or delimited." (Webster's Third New International Dictionary.) The Mercy application does not clearly outline, characterize or delimit the project's applicants, the licensee or the location, as demonstrated below:

**1. Conflicting Identities of Applicants:**

- **Two** applicants are identified on pages 1 and 1b of the application: Mercy Crystal Lake Hospital and Medical Center, Inc., and Mercy Alliance, Inc.
- **Three** applicants are identified in CON Attachment 1, which requires the applicants' Certificates of Good Standing: Mercy Crystal Lake Hospital and Medical Center, Inc., Mercy Alliance, Inc., and Mercy Health System Corporation.

**2. Conflicting Identity of Licensed Entity:**

- **One** entity is identified as the licensee on page 2, which requires the "exact legal name" of the licensee. It says "Mercy Crystal Lake Hospital and Medical, Inc." (which is not the *exact* name of any identified applicant).
- **Three** different entities are identified as the licensee in CON Attachment 3, which requires the licensee's Certificate of Good Standing: Mercy Crystal Lake Hospital and Medical Center, Inc.; Mercy Alliance, Inc.; and Mercy Health System Corporation.

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<sup>1</sup> In addition to reducing its bed complement far below the State standards, Mercy has also dramatically reduced its number of operating rooms from ten to four. The surgical capacity of this down-sized facility more resembles a freestanding surgery center than a full-service acute care hospital in the Chicago metropolitan area.

**3. Conflicting Locations:**

- **One location**, the SE Corner of State Rte 31 & Three Oaks Road, is described as **16.71 acres** on page 4.
- **A second location**, 4313 Three Oaks Road, is described on pages 59 and 62, and is **3.5 acres** based on the Illinois Real Estate Transfer Declaration. (See Real Estate Transfer Declaration dated 12/21/2004 included as Attachment 2 hereto.)
- **A third location**, is described as “the North 1464.54 feet of the West 580.14 feet of the Southeast Quarter of Section 10 [etc.]” on page 4, and is **5 acres** based on the Illinois Real Estate Transfer Declaration. (See Real Estate Transfer Declaration dated 12/12/2003 included as Attachment 3 hereto.)

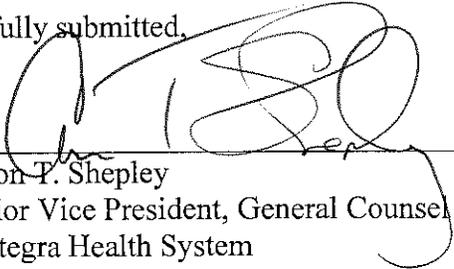
In addition to the above, Mercy’s application contains dozens of other inconsistencies and errors that are identified in the Detailed Summary of Deficiencies prepared by Diversified Health Resources included as Attachment 1 hereto. Finally, the modified application reasserts a number of false and misleading representations from the original application that I have previously addressed in my letter to you dated June 6, 2011 and which is already included in the project file.

**Conclusion**

Mercy’s modified application is a replication of its prior flawed project that scandalized the State Board in 2004 and was overturned in Court. As with that earlier project, Mercy’s modified application fails to substantially comply with the Review Board’s criteria and should be denied.

Respectfully submitted,

By: \_\_\_\_\_

  
Aaron P. Shepley  
Senior Vice President, General Counsel  
Centegra Health System



65 E. Scott Street, Suite 9A, Chicago, IL 60610  
312/266-0466 Fax 312/266-0715

November 15, 2011

Mr. Aaron T. Shepley  
Senior Vice President and General Counsel  
Centegra Health System  
385 Millenium Drive  
Crystal Lake, Illinois 60012

Dear Aaron:

Attached is an analysis of the modified certificate of need (CON) application Project #10-089 that was received by the Illinois Health Facilities and Services Review Board on July 27, 2011. The purpose of this modified CON application, as well as the original application, is to establish Mercy Crystal Lake Hospital and Medical Center in Crystal Lake (Planning Area A-10).

Diversified Health Resources has been in business for more than 30 years, providing consultation services in the areas of planning and regulation (including certificate of need and hospital licensure) to hospitals and multi-hospital systems in Illinois and other states. Both Marshall S. Yablon, Chairman, and I have extensive experience in preparing as well as analyzing CON applications.

Our firm's relationship with Centegra Health System and its predecessor corporations began in 1980, when we prepared the CON application for the replacement of McHenry Hospital (now Centegra Hospital – McHenry) as the Northern Illinois Medical Center. We also served as the consultants for the licensure of Centegra Hospital – Woodstock and have provided consultation for numerous programmatic and facility expansions at the hospitals.

It has been our privilege to serve Centegra Health System through the years, using our professional expertise in the areas of health care management, health care planning, and the regulatory process to assist you in the fulfillment of your health system's mission.

Sincerely,

A handwritten signature in cursive script, appearing to read "Andrea R. Rozran".

Andrea R. Rozran

ARR:re

Enclosure

**DETAILED SUMMARY OF DEFICIENCIES  
OF CERTIFICATE OF NEED APPLICATION TO ESTABLISH  
MERCY CRYSTAL LAKE HOSPITAL AND MEDICAL CENTER, INC.  
MODIFIED CON APPLICATION #10-089**

**ANALYZED AND PREPARED BY DIVERSIFIED HEALTH RESOURCES, INC.  
NOVEMBER 15, 2011**

A modification to Certificate of Need (CON) application Project Number 10-089 was received by the Illinois Health and Services Review Board (HFSRB) on July 27, 2011. This application and the modification were both for the establishment of a hospital named Mercy Crystal Lake and Medical Center in Crystal Lake, Illinois.

The modified CON application was nearly identical in terms of program and square footage to the original CON application that the co-applicants submitted for a hospital on the same site in 2003. A comparison of the original CON application (Project #03-049) with the application originally submitted as Project #10-089 in December, 2010, and the modification to Project #10-089 submitted in July, 2011, is appended to this analysis and identified as Appendix A. That comparison reveals that the number of key rooms and square footage by department for most Clinical Service Areas and Non-Clinical Service Areas is identical in Project #03-049 and the modification to Project #10-089, which is the subject of this analysis.

Project #03-049 was granted a CON permit in April, 2004. However, the Illinois CON permit was overturned by the Illinois Circuit Court in May, 2005.

Since the modified document replaced the entire CON application, including the unmodified portions of the original application and the 4 supplemental submissions received by the HFSRB through May 13, 2011, this analysis will reference only the modified document.

Despite all of the material that has been provided, this modified CON application fails to meet the CON Rules and remains deficient for the following reasons.

- The modified application fails to meet the requirements specified in a number of the CON Rules.
  - The modifications have increased the number of deficiencies identified for the original CON application and supplementary submissions by reducing the number of proposed beds to levels that violate critical CON Rules.
  - The summary of projected physician referrals in the modified application conflicts with the number of projected referrals presented by referring physicians in their own referral letters.

- The number of physician referrals proposed by the applicants in the modified application cannot justify the proposed number of beds by service at the average length of stay that is currently being experienced in Planning Area A-10 (McHenry County).
- The modifications reduced the number of key rooms for some of the clinical service areas, as a result of which the applicants have decreased their ability to fulfill the purposes they identified for this project.
- The modified CON application continues to lack information required for this CON application, based upon the project description and identification of services that are included.
- The modified CON application continues to include conflicting data, and it is not possible to determine which data are accurate.
- The CON application includes inaccurate statements and information. • The CON application includes assertions and information that are not credible.
- The CON application includes data that contradicts the applicants' assertions that the project is reasonable.

The balance of this document provides an analysis of the conclusions stated above.

**I. The modified CON application fails to meet the requirements specified in a number of the CON Rules.**

1. The reduction of the number of proposed beds in each category of service violates the review criterion for the minimum bed capacity in the Medical/Surgical and Obstetrics categories of service (77 Ill. Adm. Code 1110.530(f)(1), 1110.530(f)(2)(A)) and also fails to meet the bed need determinations for these categories of service.

The current bed need for the categories of service proposed in this project in Planning Area A-10 (McHenry County) is:

Medical/Surgical Category of Service: 138 beds needed;  
 Obstetric Category of Service: 22 beds needed;  
 Intensive Care Category of Service: 18 beds needed.

This project proposes to establish an acute care hospital with the following mix of beds.

Medical/Surgical Category of Service: 56 beds  
 Obstetric Category of Service: 10 beds  
 Intensive Care Category of Service: 4 beds

Although the applicants state that there are "advantages of a 70-bed hospital" proposed in this modification, this reduction violates the review criteria that "The minimum bed capacity for a medical-surgical category of service within a Metropolitan Statistical Area (MSA) is 100 beds " (77 Ill. Adm. Code 1110.530(f)(1)) and that "The minimum unit size for a new obstetric unit within an MSA is 20 beds" (77 Ill. Adm. Code 1110.530(f)(2)(A)).

2. The physician referral letters found in Appendix 1 (Pages 176-266 of the modification) are identical to those submitted in the original application for Project #10-089 in December, 2010, and summarized in the May 13, 2011, supplementary submission. However, this modification includes a summary chart on Page 155 (in Attachment 20) that is an edited summary of the 42 physician referral letters without any documentation that it reflects the physicians' own intentions.

- a. The summary of physician referrals found on Page 155 of the modification reduced the physicians' own referrals unilaterally without documenting that the physicians intended to reduce their referrals, many of which were provided under oath, as required for physician referrals.

As a result, it is not possible to ascertain the number of referrals that these physicians actually intend to transfer from existing hospitals, the overwhelming majority of them hospitals owned and operated by Centegra Health Services, to the proposed Mercy Crystal Lake Hospital.

The summary chart shown on Page 155 reduced the proposed referrals to 2,678 from the 3,809 shown in the referral letters. The modification as well as the original CON application includes 42 physician referral letters, most of them signed and notarized as required, in which these physicians promise to refer a total of 3,809 patients annually to Mercy Crystal Lake Hospital and Medical Center, based on their having referred the same number of patients to the following hospitals from July 1, 2009, through June 30, 2010: Centegra Hospital – McHenry; Centegra Hospital – Woodstock; Advocate Good Shepherd Hospital; and Advocate Condell Medical Center.

As discussed in the analysis of the CON application as originally submitted, these referral letters and the materials submitted by the applicants contain a number of defects that cast doubt on their reasonableness while still demonstrating even more conclusively that the establishment of Mercy Crystal Lake Hospital and Medical Center will have a disastrous impact on Centegra Hospital – McHenry and Centegra Hospital – Woodstock.

- b. The summary of these referral letters on Page 155 of the modification continues to exaggerate projected referrals by 10 of the physicians beyond the inpatient discharges reported by COMPdata from these hospitals during the same period of July 1, 2009, through June 30, 2010.

Appendix C summarizes the information included in the actual referral letters, identifying each physician's reported number of discharges from these hospitals during the identified period, the number of referrals that each physician stated that he/she would make to Mercy Crystal Lake Hospital and Medical Center if it were approved and constructed, and the number of referrals that the applicants show on Page 155 of the modified application.

- c. Twenty-three (23) of the referral letters in Appendix 1 are either completely invalid or contain inaccurate information that could not be verified using COMPdata, a reliable reference source for health care data reported by Illinois hospitals.

- 1) The modification continues to include referral letters for the same six physicians who submitted referral letters in the original application that were invalid because they were neither signed nor notarized.

The unsigned and unnotarized referral letters for these 6 physicians that are included in the CON application state that they treated a total of 418 patients at the 4 named hospitals other than Mercy Harvard Community Hospital from July 1, 2009, through June 30, 2010, and that they would refer all of these patients to Mercy Crystal Lake Hospital and Medical Center. A summary of these referral letters is found in Appendices C and D.

The chart on Page 155 of the modification indicates that these physicians would refer 323 patients to Mercy Crystal Lake Hospital, a reduction of 95 referrals from the original application. However, the modification does not include evidence that the physicians have reduced their estimated referrals.

Although these referral letters are invalid because they are unsigned and unnotarized, it should be noted that 3 of these physicians exaggerated the number of patients treated at area hospitals during this time period. As will be seen in the chart in Appendix C, these physicians stated that they had a total of 70 more discharges at area hospitals from July 1, 2009, through June 30, 2010, than COMPdata records indicate.

- 2) The modification continues to include referral letters from an additional 17 physicians submitted referral letters that exaggerated the number of patients treated at area hospitals from July 1, 2009, through June 30, 2010, based upon COMPdata records, although the chart on Page 155 of the modification reduces the referrals to eliminate 7 of these physicians from such exaggerations. However, the modification does not include evidence that these physicians have reduced their estimated referrals.

The referral letters for these 17 physicians that are included in the CON application state that they treated a total of 1,887 patients at the 4 named hospitals plus Mercy Harvard Community Hospital from July 1, 2009, through June 30, 2010, and that they would refer 1,728 of these patients to Mercy Crystal Lake Hospital and Medical Center.

However, based upon COMPdata records, these 17 physicians admitted only 1,239 patients to the 4 named hospitals during this time period. Thus, these 17 physicians' referral letters exaggerate the number of potential referrals to Mercy Crystal Lake Hospital and Medical Center by 489 based upon their own historic referrals.

Appendix C and D summarize the information included in the referral letters found on Page 155 of the modification and in Appendix 1 of the CON application by indicating how many patients each physician stated that he/she referred to each of the area hospitals, identifying those referral letters that are invalid because they are not signed or notarized, providing caseloads reported by COMPdata for this period so that exaggerated referrals can be identified, and identifying the proposed referrals that the applicants anticipate at Mercy Crystal Lake Hospital, regardless of the information provided by the physicians on their referral letters.

3. Even though the number of Medical/Surgical (56) and Obstetric beds (10) proposed in the modification is in violation of the Rules specifying minimum bed capacity for these categories of service in a metropolitan statistical area (77 Ill. Adm. Code 1110.530(f)(1), 77 Ill. Adm. Code 1110.530(f)(2)(A), this modification fails to justify the establishment of these beds at the occupancy targets for these categories of service.

The occupancy target for the addition of 1 to 99 Medical/Surgical beds is 80% occupancy (77 Ill. Adm. Code 1100.520(c)(2)(A), and the occupancy target for an Obstetric Service with 1 to 10 beds is 60%.

This modification provided physician referral letters to justify that, by the second year of operation after the project completion, the proposed hospital "will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal" (77 Ill. Adm. Code 1110.530.(g)). The certification is found on Page 161 of the modification.

The modification included a listing titled "Projected Physician Referrals for Mercy Crystal Lake Hospital and Medical Center" in Attachment 20 (Page 155) that reduced the referrals proposed by each of the 42 physicians whose referral letters are found in Appendix 1 (Pages 176-260). The physicians' referral letters found in Appendix 1 are identical to those submitted in the original CON application.

The physician referrals proposed on Page 155 can only justify the proposed utilization of the Medical/Surgical and Obstetric Categories of Service found on Pages 150 and 156 if

the average length of stay for these services far exceeds contemporary lengths of stay for community hospitals and the average length of stay experienced by McHenry County hospitals in 2010. (Source: Illinois Department of Public Health, Division of Health Systems Development, "2010 Hospital Profiles, Hospital Data Summary by Hospital Planning Area, 2010," [www.hfsrb.illinois.gov/HospProf\\_ABR.htm](http://www.hfsrb.illinois.gov/HospProf_ABR.htm))

Total Projected Physician Referrals by applicants (Page 155): 2,678

- Total Projected Physician Referrals by Obstetricians/Gynecologists: - 900

= Total Projected Physician Referrals by Non-Obstetricians/Gynecologists: 1,778

+ Projected Physician Referrals by Obstetricians/Gynecologists exceeding the projected 810 annual births: +90

= Total Projected Physician Referrals for Medical/Surgical Service including Gynecology: 1,868

	Medical/Surgical Category of Service	Obstetric Category of Service
Total Projected Patient Days	17,895	3,240
Total Projected Referrals	1,868	810
Projected Average Length of Stay (Projected Patient Days ÷ Projected Referrals) for Mercy Crystal Lake Hosp.	9.6 days	4.0 days
2010 Actual Average Length of Stay in McHenry County	4.1 days	2.6 days

Since it is unreasonable to expect the referrals to experience such inordinate lengths of stay at the proposed hospital, it is highly improbable that the number of referrals and the resulting caseload identified by the applicants would result in utilization at the CON occupancy targets. As a result, the proposed hospital is likely to experience significant underutilization, which would both fail to meet the CON Rules and challenge the viability of that facility.

**II. The modifications reduced the number of key rooms for some of the clinical service areas, as a result of which the applicants have decreased their ability to fulfill the purposes they identified for this project.**

The modification decreased the number of key rooms and size of the Emergency Department (from 13 stations to 10) and Surgical Suite (from 10 operating rooms to 4) in addition to the reduction of key rooms and square footage in other departments, which

will result in the applicants being unable to provide adequate facilities to treat the caseload of the physicians they hope to attract if the proposed hospital were to be approved and constructed.

For example, the modification states that the proposed hospital will experience a total of 9,089 hours of surgery during its second full year of operation, which is an average of 2,272 hours of surgery per operating room (Pages 150, 166). This is reduced from 12,118 hours of surgery proposed in the original CON application. The modification proposes that each of the 4 operating rooms will experience utilization that is 150% above the State Guideline (77 Ill. Adm. Code 1110.APPENDIX B), which would be a highly unlikely scenario. The projected number of hours of surgery would justify more than 6 operating rooms, rather than the 4 that are proposed.

Similarly, the modification states that the proposed hospital will experience 21,030 emergency visits during its second full year of operation, which is an average of 2,103 emergency visits (Pages 150, 166). This is reduced from 26,511 emergency visits proposed in the original CON application. The modification proposes that each of the 10 emergency stations will experience higher utilization than identified in the State Guideline (77 Ill. Adm. Code 1110.APPENDIX B), which would also be highly unlikely. The projected number of emergency visits would justify 11 emergency stations, rather than the 10 that are proposed.

The reduction in the projected utilization of these Clinical Service Areas in the modification, as well as the reduction of nearly all of the other Clinical Service Areas for which projected utilization is provided in the CON application, is irrational in light of the reasons provided by the applicants to justify the proposed hospital. Similarly, the proposal to build a new hospital with an insufficient number of key rooms in the Clinical Service Areas is inexplicable because it cannot meet the identified needs of the market population.

### **III. The modified CON application still does not include all of the required information.**

#### 1. Modified Page 8 of CON Application Form: Facility Bed Capacity and Utilization

This page is still marked "N/A" and remains blank, as was the case with the original CON application. As a result, there is no identification of proposed beds by Category of Service on the required form.

#### 2. Page 9 of CON Application Form: Certification

This page remains unchanged from the original application.

Only 1 copy of the Certification is submitted for both of the applicants, Mercy Alliance, Inc., and Mercy Crystal Lake Hospital and Medical Center, Inc. The HFSRB's

Instructions state "The application must be signed by the authorized representative(s) of each applicant entity."

Because there is only a single Certification page, there is only 1 set of signatures for the 2 co-applicants: Dan Colby and Richard H. Gruber. It cannot be determined whether these 2 signators are officers of both co-applicant entities or of only one of them.

3. Page 45 of CON Application Form: Criterion 1110.3030 – Clinical Service Areas Other than Categories of Service

This page is not included in the modification, nor was it included in the original CON application or subsequent submissions.

This application page is required to be completed by all "applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than Categories of Service," which includes Newborn Nurseries and all ancillary clinical services (e.g. Surgery, Recovery, Stage II Recovery, Emergency, Diagnostic Imaging, Labor/Delivery/Recovery).

Although Attachment 37 was included in the modification with text that is nearly identical to its text in the supplementary materials submitted on May 13, 2011, the data required on this application page were not included in either the modification or those materials.

4. Attachment 3: Operating Identity/Licensee:

This Attachment remains unchanged from the original application.

The modification document continues to include 3 Certificates of Good Standing in this Attachment, none of which is for the Operating Entity/Licensee identified on Page 2 of application form: "Mercy Crystal Lake Hospital and Medical, Inc."

The 3 Certificates of Good Standing are for Mercy Crystal Lake Hospital and Medical Center, Inc., Mercy Alliance, Inc., and Mercy Health System Corporation.

- a. "Mercy Crystal Lake Hospital and Medical, Inc." is not a corporation registered with the Illinois Secretary of State's office.

It is unknown whether the use of the name of "Mercy Crystal Lake Hospital and Medical, Inc." is a typographical error and that the intended name is "Mercy Crystal Lake Hospital and Medical Center, Inc."

- b. Also, why are the Certificates of Good Standing for different corporations provided for this Attachment when neither is for the Operating Entity/Licensee? That would be the case whether the Operating Entity/Licensee is stated correctly in the CON application as Mercy Crystal Lake Hospital and Medical, Inc., or

whether it is identified incorrectly and should be shown as Mercy Crystal Lake Hospital and Medical Center, Inc.

5. Attachment 4: Organizational Relationships:

This Attachment remains unchanged from the original application.

This Attachment continues to have the following deficiencies that were identified in the original application.

- a. Incomplete data is provided for this Attachment because there is no response to the request for a description "of the interest and amount and type of any type of financial contribution" of any person or entity who is related to the co-applicants, which are Mercy Crystal Lake Hospital and Medical Center, Inc., and Mercy Alliance, Inc.
- b. The Operating Identity/Licensee shown on Page 2 of the CON application is Mercy Crystal Lake and Medical, Inc., which is not identified on the Organization Chart found on Page 66.
- c. The site is owned by Mercy Health System Corporation, Inc., which is a related party to Mercy Alliance, Inc., but is neither a co-applicant for this project nor a parent to the operator of the proposed hospital, which is identified in the CON application as Mercy Crystal Lake Hospital and Medical, Inc.

This Attachment does not describe the relationship between Mercy Health System Corporation, Inc., and Mercy Crystal Lake Hospital and Medical, Inc., regarding this project, and the CON application does not include a ground lease for the site.

6. Attachment 5: Flood Plain Requirements:

This Attachment remains unchanged from the original application.

This Attachment continues to provide incomplete data because it does not include the required "statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5."

7. Attachment 6: Historic Resources Preservation Act Requirements:

This Attachment remains unchanged from the original application.

As noted in the analysis of the original application, the letter submitted from Illinois Historic Preservation Agency is dated February 11, 2009, and it states that the "clearance remains in effect for two (2) years from date of issuance."

Although the CON application was submitted less than 2 years from the date of issuance of this letter, this project was reviewed and then modified more than 2 years after the date on the letter, which means that the clearance letter is no longer in effect.

8. Modified Attachment 9: Cost Space Requirements

Although the square footage by department and construction costs are modified from the original application and supplemental submissions, this Attachment still does not conform to the requirements.

The costs shown in this Attachment remain unresponsive to the instructions for completing this Attachment.

Page 7 of the CON Application states: "The sum of the department costs MUST equal the total estimated project cost."

Contrary to the instructions for this Attachment, the costs are still construction costs only, since they agree with the construction costs shown in Cost and Gross Square Feet by Department or Service ( modified Pages 171-172). Other costs are listed separately, not combined as part of the listing of project costs by department or service.

9. Attachment 11: Background of Applicant

This Attachment remains unchanged from the original application.

As noted in the analysis of the original application, this Attachment does not include the required "certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application."

The application includes the required statement on hand-stamped Page 95, but this statement is neither signed nor notarized, and, as such, it does not constitute a "certified listing." Also, this statement incorrectly provides access to the "Illinois Health Services Review Board," which is not the name of the Illinois Health Facilities and Services Review Board.

10. Attachment 43: Safety Net Impact Study

Neither the modification nor the original application or supplemental submissions includes many of the elements that are required as part of the Safety Net Impact Study.

- a. Neither the modification nor the original application or supplemental submissions provides any information regarding "the project's material impact, if any, on essential safety net services in the community."

- b. Neither the modification nor the original application or supplemental submissions provides any information regarding "the project's impact on the ability of another provider or health care system to cross-subsidize safety net services."
- c. The information provided regarding Charity Care and Medicaid Services cannot be confirmed because it appears to include information for facilities that are not located in Illinois. This information does not agree with data submitted to the Illinois Department of Public Health concerning the provision of Charity Care and Medicaid Services at Mercy Harvard Community Hospital, the co-applicants' only Illinois health care facility.
- d. Neither the modification nor the original application or supplemental submissions provides certifications describing the amount of charity care or care provided to Medicaid patients, as required.

11. Attachment 44: Charity Care Information

Contrary to the instructions for this Attachment, the applicants appear to have provided consolidated information for their health care facilities in multiple states, rather than providing information "for each individual facility located in Illinois." This is the case for the modified application as well as for the original application and all supplemental submissions.

**IV. The application includes conflicting data, and it is not possible to determine which data are accurate.**

- 1. The modified CON application continues to contain conflicting project costs.

The conflicting data is found in the following application pages and Attachments: Page 5 of CON Application Form: Project Costs and Sources of Funds; Page 7 of the Application Form (a page on which the applicants completed the template form for Attachment 9); Attachment 7 ( Pages 71-81); Attachment 9 (Pages 88-89, which is identical to Pages 71-72); and Attachment 42 (Cost and Gross Square Feet by Department or Service, Pages 171-172).

- a. The Total Estimated Project Costs in the modified CON Application are consistently reported as \$115,114,525, although the amounts of some of the line items and the amounts shown in the columns for Clinical and Non-Clinical Service Areas are inconsistent.
  - 1) The modified Page 5 (Project Costs and Sources of Funds) shows a total of \$67,406,857 for New Construction Contracts, with \$50,102,479 for Clinical Service Areas and \$17,304,378 for Non-Clinical Service Areas, while the modified Attachments 7 (Pages 71-72), 9 (Pages 88-89), and Cost and Gross Square Feet by Department or Service (Pages 171-172)

show the construction costs for Clinical Service Areas (identified as "IDPH Reviewable Areas") of the hospital as \$33,636,443 (for 91,735 Departmental Gross Square Feet, DGSF) and the construction costs for Non-Clinical Service Areas (identified as of "IDPH Non Reviewable Areas") as \$16,466,036 (for 70,803 DGSF). All 3 of these Attachments list the construction costs of the Clinic separately as totaling \$17,304,378 for 76,694 DGSF.

It should be noted that there are no sub-totals for the square footage or construction costs of the Clinical Service Areas in Attachments 7, 9, or 42. However, the totals for the hospital are separated from the totals for the Clinic.

All of these modified Attachments show a total construction cost of \$67,406,857 for the hospital and the Clinic, but they do not identify whether the Clinic's construction costs are for Clinical or Non-Clinical Service Areas.

A review of the New Construction Costs shown on Page 5 reveals that the New Construction Costs shown on that page for Clinical Service Areas are for the entire hospital, including both Clinical and Non-Clinical Service Areas, while the New Construction Costs shown on that page for Non-Clinical Service Areas are only for the Clinic. This separation of the construction costs for Clinical and Non-Clinical Service Areas violates both the statutory definitions (20 ILCS 3960/3) and the regulatory (77 Ill. Adm. Code 1130.140, definitions of "Clinical Service Area" and "Non-clinical Service Area").

- 2) Based on the information provided in Item 1) above, the amounts shown for Contingencies for Clinical and Non-Clinical Service Areas are incorrect. As shown on the modified Page 5, these amounts already exceed the State standard for Contingencies for projects that are in the "Preliminary" stage of architectural drawings [77 Ill. Adm. Code 1120.APPENDIX A(a)(4)], as is the case for this project (modified Page 6).
- 3) Although the total amount of Movable or Other Equipment shown on the modified Page 5 agrees with the listing found in modified Attachment 7 (Pages 75-81), the sum of the items provided in Attachment 7 for Movable or Other Equipment varies by more than \$2,500,000 from the amounts shown in the Clinical and Non-Clinical Service Area columns for this item on Page 5.

The items shown for Clinical Service Areas in Attachment 7, based on the applicants' own identification of Clinical Service Areas versus Non-Clinical Service Areas, total \$19,387,322, not the \$16,965,333 shown on

Page 5. Similarly, the items shown for Non-Clinical Service Areas in Attachment 7 total \$3,538,802, not the \$5,960,792 shown on Page 5.

- 4) The modified Attachment 7 shows both a summary listing of \$4,300,000 for Sitework and Landscaping (Page 71) as well as a detailed listing of \$4,300,000 for Site Preparation (Page 73), that lists different amounts for the individual items.

In addition, the listing on Page 7 states that the \$4,000,000 for Sitework is "included in building \$/SF," so it is not possible to ascertain whether that amount is double-counted because it is listed under both Site Preparation and also under New Construction Contracts.

- b. The modified project costs by line item shown on Page 5 are different than some of the costs shown in modified Attachment 7 (Pages 71-72) and Attachment 9 (Pages 88-89).
- c. It is not possible to verify the breakdown of costs or sources of funds for Clinical versus Non-Clinical Service Areas for a number of line items shown on the modified Page 5.

The listing of project costs in the modified Attachment 7 only shows total costs for the following line items of project expenses:

- Site Survey and Soil Investigation;
- Site Preparation;
- Off-Site Work;
- Bond Issuance Expense;
- Net Interest Expense During Construction;
- Other Costs to be Capitalized.

Similarly, the listing of sources of funds only shows the total amounts for Cash and Securities and the Bond Issue, contrary to the form found on Page 5 of the application form.

- d. The costs for the Clinic are apparently included in the line items on the modified Page 5, but they are listed separately at a cost of \$17,304,378 in modified Attachments 7 and 9, and it is not possible to identify where they are included in the modified Project Costs and Sources of Funds shown on Page 5.
2. Although the modified CON application states that the proposed hospital will have 56 Medical/ Surgical beds, the space program shows that 1 of these beds will be a Psychiatric Holding bed ( Page 131).

3. The modified application includes conflicting information about Obstetric beds and the Labor-Delivery-Recovery Suite.
  - a. The modified Narrative Description (Page 4) and the modified Attachment 20 (Pages 153, 156, ad 160) all state that the proposed hospital will have 10 Obstetric beds.
  - b. The modified Attachments 7 (Page 71), 9 (Page 88) , and 14 (Pages 128-129) list separate departments with separate square footage for Obstetrics (4,760 DGSF), Labor-Delivery-Recovery (1,974 DGSF), and Newborn Nursery (1,513 DGSF).
  - c. The modified Page 128 of Attachment 14 and the modified Attachment 15 (Page 150) both identify 10 Obstetric beds and a 2 room Labor-Delivery-Recovery Suite.
  - d. The modified Attachment 37 (Page 166) lists a 2 room Labor-Delivery-Recovery Suite and a 10 bed Newborn Nursery.
  - e. The modified list of Moveable or Other Equipment lists 10 beds for the Obstetrics Department plus 2 beds for the Labor/Delivery/Recovery (LDR) Unit (Page 75).
  - f. However, Page 132 of the modified Attachment 14 lists "Obstetrics/ICU Unit - Patient Rooms" with 6 "OB/ICU Patient Rooms" that are identified in the Comments section as "LDRP" plus 1 Isolation Room.

The Subtotal for this area, distinct from the ICU Nursing Unit that is shown on Page 131, is shown as an "Obstetrics/ICU Unit Patient Rooms" with 2,720 Net Square Feet and an additional 3,960 Net Square for "Obstetrics/ICU Unit - Staff Areas."

The modified Attachment 14 does not include a space program for a Labor-Delivery-Recovery Suite or a Newborn Nursery.

4. The modified application includes inconsistencies in the listings for Diagnostic/Interventional Radiology.
  - a. Page 128 (Attachment 14) lists 1 unit of Fluoroscopy/Tomography/Other X-Ray Procedures, as does Page 150 (Attachment 15), while Page 166 (Attachment 37) identifies 6 Fluoroscopy/Tomography/Other X-Ray Procedure Rooms.
  - b. 5 Non-Invasive Diagnostic Cardiology Rooms (2 Cardiac/Echo Stress Rooms, 2 Echo Rooms, 1 Holter Room) plus 1 Bone Densitometry Room are shown in the space program for Imaging on Page 136, but these rooms are not identified as part of Radiology or identified elsewhere.

The listing of Moveable or Other Equipment shown in the listing of Moveable or Other Equipment in the modified Attachment 7( Pages 725-81) does not identify any Diagnostic Cardiology equipment, either under Diagnostic Imaging or under its own department.

In addition, there is no listing for Non-Invasive Diagnostic Cardiology in the modified Attachment 9 ( Pages 88-89) or in Cost and Gross Square Feet by Department or Service (Attachment 42, Pages 171-172).

5. Outpatient Surgery, also identified as Post-Anesthesia Recovery Phase II is listed as having 15 stations on modified Page 128, but the space program on Page 133 shows a total of 16 stations, including 1 isolation station.

The listing of Moveable or Other Equipment in the modified Attachment 7 ( Page 77j) identifies equipment for a total of 19 stations, with 4 carts and 15 patient recliners for Outpatient Surgery.

6. Attachment 20 and Appendix 1: Physician Referrals by Physician

The modified application reduced the number of physician referrals to the proposed Mercy Crystal Lake Hospital by individual physician, as shown on hand-stamped Page 155 in Attachment 20. However, the new physician referral figures conflict with the actual physician referral letters that are found in Appendix 1 of both the modified and original applications.

Since the physician referral letters continue to be the same as those submitted in the original CON application, the physician referrals, both the number each physician proposes to refer to the proposed hospital and the number of cases that each physician identified as coming from each existing hospital (e.g., Centegra Hospital - McHenry, Centegra Hospital - Woodstock, conflict with the modified summary of physician referrals found on Page 155.

**V. The modified CON application includes inaccurate statements and information.**

1. Page 1b of the modified CON Application Form continues to incorrectly state that Dan Colby is the Registered Agent for Mercy Alliance, Inc., a co-applicant for this project.

According to the Illinois Secretary of State's records, Herbert Franks has been the Registered Agent for Mercy Alliance, Inc., since July 29, 2003.

2. As discussed in Section IV.1.a.1) of this analysis, Page 5 of the modified application form incorrectly lists all of the hospital costs as Clinical and all of the Clinic costs as Non-Clinical.

3. Attachment 12: Purpose of the Project

In response to the requirement that the applicants "identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project," the modified CON application identified 9 "problems or issues" on Page 97, adding "Advantages of a 70-bed hospital as proposed in this modification" to the 8 "problems or issues" identified in the original submission of this application.

The following issues identified in this modification as well as in the original application do not have a basis in fact.

a. The applicants state that McHenry County has "A shortage of primary and specialty trained physicians that results in a limitation of access to services."

- 1) In fact, neither the State of Illinois nor the Federal Government (U.S. Department of Health and Human Services Health Resources and Services Administration, HHS/HRSA) have identified the primary service area identified for this project (Crystal Lake, Algonquin, Lake in the Hills and Cary, as stated on Page 97) as having either a Medically-Underserved Population or constituting a Medically Underserved Area. Although there are both a Medically-Underserved Population and a Medically Underserved Area in northwestern McHenry County and in northern Kane County, none are located in census tracts in the towns identified as the primary service area for this project.

It is important to note that one of the co-applicants, Mercy Alliance, Inc., owns Mercy Harvard Memorial Hospital, a Critical Access Hospital located in the northwestern portion of McHenry County.

Mercy Harvard Memorial Hospital had an average daily census of 4.9 patients in its 20 acute care beds (17 Medical/Surgical beds, 3 Intensive Care beds) in CY2010. Although located just north of an area with a designated Medically Underserved Area/Population, Mercy Harvard Memorial Hospital's 2010 inpatient payor mix was only 33.8% Medicare, 9.5% Medicaid, and 0% Other Public patients. It served 31 Charity Care inpatients.

- 2) In this modification, the applicants further state "that the shortage of specialty physicians is one of the primary reasons that residents of McHenry County are leaving the county in order to seek medical care." (Page 98)

The reason for the significant out-migration from McHenry County for medical care has not been recognized by the federal government as due to a physician shortage, either of primary care or specialty physicians, since the federal government (HHS/HRSA) has not identified any areas within

McHenry County as Health Professional Shortage Areas (HPSAs), although they have identified areas within Kane County as HPSAs.

This modification continues to assert that the proposed hospital's utilization will be based solely by recruiting physicians who are currently on the medical staffs of existing hospitals, with 88% of these cases coming from Centegra Hospital - McHenry and Centegra Hospital - Woodstock. It should be noted that the proposed referrals that are presented on Page 155 of the modified application actually reduce the number of referrals presented in the physician referral letters in Appendix 1, which are unchanged from the original application; however, as will be discussed in the analysis of Attachment 20, the referrals shown on Page 155 do not justify the proposed number of authorized beds at the HFSRB's target occupancy levels for each service (77 Ill. Adm. Code 1100.520.(c)(2)(A), 1100.530(c)(1), 1100.540(c)).

Furthermore, since the modification decreased the number of key rooms and size of the Emergency Department (from 13 stations to 10) and Surgical Suite (from 10 operating rooms to 4), the applicants will be unable to provide adequate facilities to treat the caseload of the physicians they hope to attract.

- b. In this modification, the applicants continue to state that "The applicant believes that its model of employed physician partners will not only address the McHenry County access problem, but also provide sufficient utilization of the proposed hospital. Specifically, the Mercy Crystal Lake Hospital and Medical Center will be part of a fully integrated health care delivery system. This system is based on the Mayo Clinic model, where hospital and physician offices are part of the same entity under one roof. An integrated system functions differently than other health care models. The fully integrated model improves patient care, as patients have all the benefits of a multi-specialty clinic, as well as access to diagnostic services, emergency services, surgery suites and other hospital-based services..." (Attachment 12, Page 98)
- 1) This assertion does not appear to have any merit since the hospital that Mercy Alliance currently owns in McHenry County is significantly underutilized, as noted above. If this argument were valid, Mercy Harvard Community Hospital would have higher utilization and would not have had to discontinue Medical/Surgical beds in 2009.
  - 2) In this modification, the applicants continue to contradict their own assertions by stating that the proposed hospital will have an open medical staff.

"Moreover, Mercy Crystal Lake will operate an open-staff medical staff model so it is not necessary for a doctor, a dentist, or a podiatrist to be

employed at the hospital or clinic in order to obtain privileges at Mercy Crystal Lake Hospital." (Attachment 12, Page 99)

Furthermore, despite the applicants' statement that there is a need for additional physicians in the County, they continue to fail to present evidence that Mercy will hire additional physicians. The modification continues to state merely that it is a goal for Mercy to "develop and implement a physician recruitment plan designed to reduce the identified physician shortage by 85% within three years of the opening of the Mercy Crystal Lake Hospital." ( Page 105)

- c. The modification continues to incorrectly state that McHenry County has a "Lack of available emergency services due to bypass conditions at the two existing facilities." (Pages 97, 99, 109-111)

The applicants cite outdated reports since the situation described on Page 99 was corrected through a combination of the following, as a result of which Centegra Hospital – McHenry and Centegra Hospital – Woodstock have not gone on bypass in more than 2 years.

First, Centegra Hospital – McHenry has added a total of 35 Medical/Surgical beds since 2007, which reduced the backlog experienced in the hospital's Emergency Department due to a lack of availability of Medical/Surgical beds for emergency admissions.

Second, both Centegra Hospital – McHenry and Centegra Hospital – Woodstock implemented improvements in their Emergency Departments which have resulted in increased patient through-put, while continuing to achieve high scores in patient satisfaction studies.

Third, Centegra Health System opened Immediate Care Centers in Huntley and in Crystal Lake as well as 7 Primary Care facilities in its market areas. The operation of these facilities has provided more convenient access to non-emergent care and has relieved pressure on the hospitals' Emergency Departments. Despite the inaccurate and outdated rationale identified above, the modification of this application includes the reduction of the number of both the number of Emergency stations and the size of the Emergency Department, as discussed earlier in this section, which contradicts the applicants' intention to provide needed Emergency services.

4. Attachment 13: Alternatives

The modified CON application includes 4 alternatives, 3 of which appeared in the original application and the 4th which was the project proposed in the original application.

- a. Two of the 3 alternatives from the original application are identical, as they were in the original application, and they both propose to do nothing, which the HFSRB staff has determined to be an unacceptable alternative.

The alternatives of "Do nothing" and "Utilization of Existing Healthcare Services" appear to be identical. Because there is no difference between these alternatives, they appear to constitute a single alternative.

- b. The third alternative is identified as "Pursuing a Joint Venture with another Healthcare Facility," stating the following.

"Mercy Health System formally and informally approached Centegra Health System about a joint venture to provide a hospital and multi-specialty physicians clinic in Crystal Lake. Too [sic] date, Centegra Health System has not responded to any of our requests."

The CON application states that such an alternative would have no cost to the applicant.

Centegra Health System believes it is important to set the record straight concerning these assertions.

After the Illinois Circuit Court ruled in 2005 that the Illinois Health Facilities Planning Board's approval of Project 03-049, the 2003 CON application to establish Mercy Crystal Lake Hospital and Medical Center, was null and void, in 2007, correspondence was exchanged, and there was even a meeting between Mercy and Centegra.

However, there had been no correspondence from Mercy since August, 2007, until Mr. Eesley received a letter from Mercy after this CON application was filed with the HFSRB.

Consequently, it is disingenuous for the co-applicants to state that "Centegra Health System has not responded to any of our requests" when they did not respond to Mr. Eesley's correspondence for 3 years and did not seek Centegra Health System's opinion about a joint venture for their CON application (10-089). Furthermore, it is inaccurate and misleading to state that, if a joint venture with Centegra Health System were to have taken place for this project, it would have no cost to Mercy.

- c. The fourth alternative considered was the project that was the subject of the original CON application for this project (Project #10-089)

An analysis of the deficiencies of this application was submitted as part of the public comment for the project prior to its consideration by the HFSRB at its June 28, 2011, meeting, when it was voted an Intent-to-Deny.

5. Attachment 37: Clinical Service Areas Other than Categories of Service

In this modification, as in Attachment 37 of the original application, that was submitted on May 13, 2011, in response to a request from the HFSRB, this Attachment repeats arguments found in Attachments 12, 14, 15, 20, and Appendix 1 that are refuted in this document. The analyses found in those sections will not be repeated here, but apply to the content of Attachment 37.

Although the modification includes Clinical Service Areas Other than Categories of Service and includes Attachment 37, the associated Page 45 of the CON Application Form was not submitted in either this modification or in the original application or supplemental submissions. As a result, the applicants have not identified the number of key rooms proposed for all Clinical Service Areas Other than Categories of Service in the specified format. The chart for Utilization that is found in this modification closely resembles the charts found in Attachment 15 (Page 150) of the modified CON application.

6. Attachment 42:

- a. Conditions of Debt Financing

The modification includes the same certification regarding debt financing as was submitted in the original CON application.

This certification continues to identify the project and debt in the same terms as the original application:

- 1) Total project cost: \$199,344,433 (the modification states that the total project cost is \$115,114,525). (Source: Page 5)
- 2) A bond issue through the Illinois Financing Authority will fund \$170 million in debt (the modification states that the project will have \$90 million in debt). (Source: Page 5)
- 3) Remaining funds of approximately \$30 million will come from cash reserves (the modification states that the project will be funded with \$25,114,525 in cash and securities). (Source: Page 5)

- b. Operating Expense per Equivalent Patient Day and Capital Expense per Equivalent Patient Day

The modification reports an identical Operating Expense per Equivalent Patient Day and an identical Capital Expense per Equivalent Patient Day as reported in the original application.

This is most surprising since all of the factors have been changed in the modification: patient days; equivalent patient days; annual operating expense (i.e., salary, benefits, supplies); annual capital expense (i.e., depreciation, amortization, interest).

**VI. Some of the information provided in the CON application is not credible.**

- 1. Page 5 of CON Application Form: Project Costs

Some of the project costs appear to be unreasonable and cannot be analyzed without itemization of each line item cost, as required.

- a. Preplanning Costs are shown as \$0.
- b. Architectural fees are reduced to \$2,950,659 in the modification from \$9,137,468 in the original application.
- c. Other Costs to be Capitalized are reduced to \$2,151,032 in the modification from \$4,910,187 in the original application.

A number of the costs included in this line item appear to belong in other line items, including Site Preparation and Off-Site Work.

- 2. Page 6 of CON Application Form: Project Completion Date

The modified Project Completion Date of July 30, 2014, is unrealistic and unlikely to be achieved.

In fact, on Page 150, the CON application states that the hospital will open in 2014, with 30 months required for local permits and construction.

If the CON application should be approved in December, 2011, and if the project is able to proceed as stated, it would not be operational until June, 2014.

Therefore, this schedule for project completion does not permit time after the hospital becomes operational for completion of project pay-outs so the CON costs can be audited before the applicants submit the required Written Notice of Project Completion and Report of Final Realized Project Costs in accordance with 77 Ill. Adm. Code 1130.770.

3. The modified application includes 10 Obstetric beds and projects 810 births per year (Attachment 20, Page 156), but it includes only 2 Labor-Delivery-Recovery (LDR) rooms plus 1 Delivery Room/LDR. The Obstetric patient rooms are shown in the space program as 6 Labor-Delivery-Recovery-Postpartum Rooms in an Obstetrics/ICU Unit, without any mention of the 4 remaining Obstetric beds or a Labor-Delivery-Recovery Suite (Attachment 14, Page 132).
  - a. The proposal does not appear to provide adequate facilities for labor and delivery, since 2 LDRs plus 1 Delivery Room will be inadequate for more than 800 annual deliveries.
  - b. As previously discussed, the proposed hospital would have an unrealistically long average length of stay of 4.0 days in a 10-bed Obstetric Unit in a community hospital. This projected average length of stay is 150% higher than the average length of stay in existing Obstetric Units in McHenry County in 2010.
4. The proposed hospital will have 56 Medical/Surgical beds, of which 1 is shown as a Psychiatric Holding bed. There are separate Illinois hospital licensing requirements for psychiatric patients, and the Illinois CON program has identified Acute Mental Illness as a separate Category of Service.
5. The modification continues to state that McHenry County has "A shortage of primary and specialty trained physicians that results in a limitation of access to services" (Attachment 12, Page 98).
  - a. This statement is a distortion of the source data cited from Thomson Reuters Healthcare Market Planner Plus Market Expert physician ratios and results in the misleading conclusion that the establishment of Mercy Crystal Lake Hospital would result in additional physicians practicing in areas of medical underservice in McHenry County.
    - 1) Although the 2010 Thomson Reuters data show that McHenry County needs both primary care and specialty physicians, an analysis of the Thomson Reuters "Physician Need/Excess by Specific Zips" for the zip codes comprising McHenry County indicates that there were an excess of 23.95 physicians in the Crystal Lake zip codes (60012, 60014), which is the location of the proposed hospital. The analysis found that these zip codes had 5.60 excess primary care physicians and 18.35 excess specialty physicians.

Furthermore, Thomson Reuters determined that the physicians in McHenry County were maldistributed in 2010 since there was a need for 13.48 additional physician in the Huntley zip code (60142), the site of the proposed Centegra Hospital – Huntley, with the need being based upon a need for 3.72 additional primary care physicians and 9.77 additional specialty physicians.

The Thomson Reuters data reveal that the only McHenry County zip codes other than 60012 and 60014 that had excess physicians in 2010 were 60050 (McHenry) and 60098 (Woodstock), zip codes in which hospitals are located.

Appendix B contains the Thomson Reuters "Physician Need/Excess by Specific Zip Codes for McHenry County" based upon their physician supply estimates for 2010 and their demand estimates for 2009.

- 2) Appendix 1 to the modified Mercy Crystal Lake Hospital CON application consists of 42 physician referral letters in which these physicians promise to refer a total of 3,809 patients annually to Mercy Crystal Lake Hospital and Medical Center, based on their having referred a total of 3,977 patients to Centegra Hospital – McHenry, Centegra Hospital – Woodstock, Advocate Good Shepherd Hospital, Advocate Condell Medical Center, and Mercy Harvard Community Hospital from July 1, 2009, through June 30, 2010.

As stated earlier in this analysis, this Appendix is identical to Appendix 1 in the original CON application, and it has not been modified. These referrals, to the extent that they are valid (see Items I.2. and IV.6. for the reasons why some of these referrals are invalid) will not in any way diminish the shortage of physicians in McHenry County, but they will negatively impact utilization at these existing hospitals.

These referral letters do not indicate that the physicians will be recruiting additional physicians to their practices nor that physicians not currently practicing in McHenry County will establish practices in McHenry County.

- b. The Illinois CON Rules do not include criteria which address physician shortages, as stated in the McHenry County Circuit Court ruling reversing the CON Permit granted to Mercy Crystal Lake Hospital and Medical Center for Project No. 03-049 (Case No. 04 MR 106), May 6, 2005, Page 16.

That decision is important because one of the major arguments provided to support this modification as well as the original CON application is an argument that there is a "need for physicians in McHenry County...[and] If this need is addressed, the need for the facility will exist as the physicians will reduce the out-migration of services from McHenry County" ( Page 177).

However, in its ruling overturning the Illinois Health Facilities Planning Board's approval of the 2003 CON application, Illinois Circuit Court Judge Maureen P. McIntyre declared this argument null and void when she ruled that the CON Rules "do not provide for criteria which address physician shortages." (Page 16)

6. The 42 physician referral letters presented in Appendix 1 of the modified CON application as well as the summary presented on Page 155 refute the applicant's assertion that this "project will not lower the utilization of other area providers below the occupancy standards specified in 77.1.. [sic] Adm. Code 1100...will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards." (Attachment 20, Page 10)

These referral letters are summarized in Appendices C and D without consideration of their invalidity because of missing signatures or notarizations or exaggerations of referrals due to overestimating their actual discharges from the identified area hospitals during the period of July 1, 2009, through June 30, 2010, in contrast to the discharges reported in COMPdata.

The summary of these referral letters found in Appendix D documents the severe negative impact that the establishment of Mercy Crystal Lake Hospital and Medical Center would have upon Centegra Health System's existing hospitals that provide Medical/Surgical, Intensive Care, and Obstetric Categories of Service.

As noted earlier in this analysis, Appendix 1 of the modified Mercy Crystal Lake Hospital CON application consists of 42 physician referral letters in which these physicians promise to refer a total of 3,809 patients annually to Mercy Crystal Lake Hospital and Medical Center, based on their having referred 3,977 to Centegra Hospital – McHenry, Centegra Hospital – Woodstock, Advocate Good Shepherd Hospital, Advocate Condell Medical Center, and Mercy Harvard Community Hospital from July 1, 2009, through June 30, 2010.

The modification includes a chart found on Page 155 that unilaterally reduces these referrals to 2,678 without documentation that any of the physicians have revoked their referral letters, many of which were provided under oath. However, since the physicians did not issue revised referral letters, this analysis of the physician referrals is based upon the actual referral letters found in Appendix 1 (Pages 176-260 of the modified CON application).

Without consideration of the invalid referrals or the exaggerated referrals, both of which are discussed in Items I.2. and IV.6. above, this CON application includes referral letters for Mercy Crystal Lake Hospital and Medical Center from 39 physicians who propose to refer 3,486 patients that they claim to have treated at Centegra Hospital – McHenry and Centegra Hospital – Woodstock from July 1, 2009, through June 30, 2010.

A summary of these referrals by physician is found in Appendix D, demonstrating that nearly 88% of all the referrals identified for Mercy Crystal Lake Hospital will be patients that these referring physicians claim to have referred to Centegra Hospital – McHenry and Centegra Hospital – Woodstock during that recent one-year period.

There can be no doubt that the transfer of this inpatient caseload from Centegra Hospital – McHenry and Centegra Hospital – Woodstock to the proposed hospital in Crystal Lake

would have a deleterious impact on patient volumes at these hospitals and would result in severe financial distress.

**VII. The application includes data that contradicts the applicants' assertions that the project is reasonable.**

1. Some of the Project Costs shown on Page 5 of the CON Application Form as modified and reflected in the supplementary information submitted on May 13, 2011, exceed the CON Financial and Economic Review Standards (77 Ill. Adm. Code 1120. APPENDIX A).
  - a. Contingencies are 8.45% of construction costs, which exceeds the State Standard of 7% for a project with architectural drawings in the "Preliminary" stage, as stated on Page 6 of the CON Application Form.
  - b. Architectural Fees are 5.42% of Construction and Contingency Costs, which exceeds the State Standard of 3.59%-5.39% for hospitals with new construction projects exceeding \$100,000,000 for Construction and Contingencies.
2. The proposed hospital's operating costs per patient day are shown as \$ 3,500, which is extremely high.

**APPENDIX A**

**Comparison of 2003 Application, 2010 Application, and 2011 Modification of 2010 Application  
Mercy Crystal Lake Hospital and Medical Center**

	Original Mercy Crystal Lake 2003 CON Application #03-049	2010 Mercy CL CON Application #10-089		Difference between #03-049 and Modified #10-089 (modified #10-089 minus #03-049)
		As Originally Submitted 12/10 Plus Corrections and Additions through 5/11	As Modified 7/11	
<b>Hospital</b>				
<b>Clinical Service Areas</b>				
<b>Categories of Service</b>				
Medical/Surgical Beds	56 beds/32,412 GSF	100 beds/61,799 DGSF	56 beds/32,412 DGSF	Number of beds and square footage the same
Intensive Care Beds	4 beds/2,385 GSF	8 beds/3,894 DGSF	4 beds/2,385 DGSF**	Number of beds and square footage the same
Obstetric Beds	10 beds/4,780 GSF	20 beds/15,685 DGSF	10 beds/4,760 DGSF	Number of beds and square footage the same
Cardiac Catheterization		2 Cath Labs/6,728 DGSF		
<b>Non-Categories of Service</b>				
Newborn Nursery	1,513 GSF	24 stations/3,835 DGSF	10 stations/1,513 DGSF	Square footage is the same, program unknown
Labor-Delivery-Recovery	4 LDRs/1,974 GSF	2 LDRs/2,501 DGSF	2 LDRs/1,974 DGSF	Square footage the same, 2 fewer LDRs
Emergency Department	10 treatment rooms/6,855 GSF	13 rooms/9,368 DGSF	10 stations/6,855 DGSF	No. stations and square footage the same
Laboratory	2,881 GSF	4,878 DGSF	2,881 DGSF	Square footage the same
<b>Imaging</b>				
General Radiology	2 rooms	2 rooms	2 units	Program the same, including original 2010 application
Fluoroscopy/Tomography/Other Xray	1 room	1 room	1 unit	Program the same, including original 2010 application
Mammography	1 room	2 rooms	2 units	1 additional unit in 7/11 Modification
Ultrasound	1 room	1 room	1 unit	Program the same, including original 2010 application
CT Scanner	1 room	1 room	1 unit	Program the same, including original 2010 application
Nuclear Medicine		1 room	1 unit	2003 program unknown
Bone Densitometry	1 room	1 room	1 unit/0 DGSF?	Program the same, including original 2010 application
Total	8 rooms/9,900 GSF	9 rooms/9,752 DGSF	9 units/9,900 DGSF	Sq. ft., may have 1 more room than 2003
MRI	1 room	1 room/3,405 DGSF	1 unit/3,405 DGSF	Program the same, including original 2010 application
Surgical Suite	4 General, 2 Endoscopy/9,840 GSF	10 Operating Rooms, 2 Proc. Rooms/19,550 DGSF	Class C, 2 Class B/9,840 DGSF	Program and square footage the same
Recovery Suite	10 stations/2,040 GSF	12 stations/5,224 DGSF	12 stations/2,040 DGSF	2 additional stations, same square footage
Outpatient Surgery	16 stations/5,182 GSF	40 stations/13,663 DGSF	15 /16 stations/4,593 DGSF***	probably same no. stations, 589 less sq. ft.
Non-Invasive Diagnostic Cardiology		5 rooms/0 DGSF (in Imaging)	5 rooms/0 DGSF	probably included in imaging both apps
Respiratory Therapy (Includes PFT)	623 GSF	1,290 DGSF	623 DGSF	Square footage the same
Cardiac Rehabilitation	1,200 GSF	1,203 DGSF	1,200 DGSF	Square footage the same
Physical Therapy/Occupational Therapy	1,474 GSF	2,355 DGSF + 450 DGSF = 2,805 DGSF	1,474 DGSF	Square footage the same
Dietary	3,780 GSF	8,724 DGSF	3,780 DGSF	Square footage the same
Pharmacy	840 GSF	1,698 DGSF	840 DGSF	Square footage the same
Sleep Studies		1,313 DGSF		Not in either
Central Processing	1,260 GSF	4,250 DGSF	1,260 DGSF	Square footage the same
<b>Total Clinical</b>	<b>88,919 GSF</b>	<b>181,366 DGSF</b>	<b>91,735 DGSF</b>	<b>2,816 additional S/F</b>
<b>Non-Clinical Service Areas</b>				
Administration	3,437 GSF	6,829 DGSF	3,437 DGSF	Square footage the same
Human Resources	832 GSF	836 DGSF	832 DGSF	Square footage the same
Marketing	1,360 GSF	2,310 DGSF	1,360 DGSF	Square footage the same
Medical Records	4,373 GSF	5,600 DGSF	4,373 DGSF	Square footage the same
Dining		5,460 DGSF	2,550 DGSF	not in 2003 application, 2,550 additional S/F
Snack Shop	1,147 GSF			not in 2010 application or modification, 1,147 less S/F
Meeting Rooms	1,121 GSF	2,625 DGSF	1,121 DGSF	Square footage the same
Materials Management	4,150 GSF	2,840 DGSF	4,150 DGSF	Square footage the same
Building Support	6,455 GSF	6,251 DGSF	5,455 DGSF	Square footage the same
Employee Facilities	1,183 GSF	5,110 DGSF	1,183 DGSF	Square footage the same
Medical Library	750 GSF	1,150 DGSF	750 DGSF	Square footage the same
Housekeeping	726 GSF	3,531 DGSF	726 DGSF	Square footage the same
Laundry Holding	479 GSF	1,681 DGSF	479 DGSF	Square footage the same
Morgue		288 DGSF	288 DGSF	not in 2003 application, 288 additional S/F
Public Circulation	22,725 GSF	23,755 DGSF	25,351 DGSF	2,626 additional S/F, also larger than 2010 application
Building Systems HVAC	15,506 GSF	11,748 DGSF	10,509 DGSF	5,003 less S/F
Yard Storage	336 GSF	500 DGSF	336 DGSF	Square footage the same
Ambulance Garage	982 GSF	1,024 DGSF	982 DGSF	Square footage the same
Canopies	6,947 GSF	2,250 DGSF	6,947 DGSF	Square footage the same
<b>Total Non-Clinical</b>	<b>71,489 GSF</b>	<b>83,568 DGSF</b>	<b>70,803 DGSF</b>	<b>686 less S/F</b>
<b>Total Hospital</b>	<b>160,408 GSF</b>	<b>264,934 DGSF</b>	<b>162,538 SF</b>	<b>2,130 additional S/F</b>
<b>Physician Clinic</b>				
Waiting	6,388 GSF	23,408 DGSF	6,329 DGSF	59 less S/F
Physicians' Areas	44,035 GSF	42,868 DGSF	44,035 DGSF	Square footage the same
Building Systems	8,171 GSF	5,728 DGSF	8,171 DGSF	Square footage the same
Medical Records	7,832 GSF	12,284 DGSF	7,832 DGSF	Square footage the same
Food Court	2,550 GSF			not in 2010 application or modification, 2,550 less S/F
Public Circulation	17,470 GSF	4,560 DGSF	10,327 DGSF	7,143 less S/F, also larger than 2010 application
<b>Total Clinic</b>	<b>86,447 GSF</b>	<b>88,826 DGSF</b>	<b>76,694 DGSF</b>	<b>9,753 less S/F</b>
<b>Total Hospital + Clinic (MOB)</b>	<b>246,855 GSF</b>	<b>353,760 DGSF</b>	<b>239,232 DGSF</b>	<b>7,623 less S/F</b>

\*\*P. 132, 7 OB/ICU patient rooms, also identified as LDRP

\*\*\*P. 133, Total of 16 Prep/Phase II, 1 Isol.



# PTAX-203 Illinois Real Estate Transfer Declaration

Do not write in this area  
This space is reserved for the County Recorder's Office use

County \_\_\_\_\_  
 Date: **MCHEERY COUNTY RECORDER  
PHYLLIS K. WALTERS**  
 Doc. No.: **2004R0112155**  
 Vol: **12/21/2004 11:21AM**  
 Page: **PAGES 6**  
 Received by: **RECORDING FEE 28.00  
COUNTY STAMP FEE 347.25  
STATE STAMP FEE 694.50**

Please read the instructions before completing this form. This form can be completed electronically at [www.revenue.state.il.us/retd](http://www.revenue.state.il.us/retd)

### Step 1: Identify the property and sale information.

- 1 4313 Three Oaks Road  
Street address of property (or 911 address, if available)  
Crystal Lake ALGONQUIN  
City or village Township
- 2 Write the total number of parcels to be transferred 1 ✓
- 3 Write the parcel identifying numbers and lot sizes or acreage\*  
Parcel identifying number Lot size or acreage  
a 19-10-400-004 ✓ 3.56 ac  
b \_\_\_\_\_  
c \_\_\_\_\_  
d \_\_\_\_\_
- 4 Write additional parcel identifiers and lot sizes or acreage in Step 3
- 4 Date of deed/trust document 11/20/04  
Month / Day / Year
- 5 Type of deed/trust document\* (Mark with an "X") Warranty deed  
 Quit claim deed  Executor deed  Trustee deed  
 Other (specify) \_\_\_\_\_
- 6 Yes  No Will the property be the buyer's principal residence?\*
- 7 Yes  No Was the property advertised for sale or sold using a real estate agent?\*
- 8 Identify the property's current and intended primary use  
 Current Intended (Mark only one item per column with an "X")  
 a  Vacant land/lot  
 b   Residence (single-family, condominium, townhome, or duplex)  
 c  Mobile home residence  
 d  Apartment building (3 units or less) No of units \_\_\_\_\_  
 e  Apartment building (over 3 units) No of units \_\_\_\_\_  
 f  Office  
 g  Retail establishment  
 h  Commercial building (specify)\* \_\_\_\_\_  
 i  Industrial building  
 j  Farm  
 k  Other (specify)\* \_\_\_\_\_

- 9 Identify any significant physical changes in the property since January 1 of the previous year and write the date of the change (Mark with an "X")  
 Demolition/damage  Additions  Major remodeling  
 New construction  Other (specify) \_\_\_\_\_  
 Date of significant change\* \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_  
 Month / Day / Year
- 10 Identify only the items that apply to this sale (Mark with an "X")  
 a Fulfillment of installment contract — year contract irrevocable\*  
 b Sale between related individuals or corporate affiliates  
 c Transfer of less than 100 percent interest\*  
 d Court-ordered sale\*  
 e Sale in lieu of foreclosure  
 f Condemnation  
 g Auction sale  
 h Seller/buyer is a relocation company  
 i Seller/buyer is a financial institution\* or government agency  
 j Buyer is a real estate investment trust  
 k Buyer is a pension fund  
 l Buyer is an adjacent property owner  
 m Buyer is exercising an option to purchase\*  
 n Trade of property (simultaneous)\*  
 o Sale-leaseback  
 p Other (specify)\* \_\_\_\_\_

### Step 2: Calculate the amount of transfer tax due.

Note: Round Lines 11 through 17 to the next highest whole dollar if the amount on Line 11 is over \$1 million and the property's current use on Line 8 above is marked "e," "i," "p," "h," "j," or "k," complete Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A

- |   |   |
|---|---|
| 11 Full actual consideration*   | 11 \$ <u>694,216.00</u>   |
| 12a Amount of personal property included in the purchase*   | 12a \$ <u>---</u>   |
| 12b Was the value of a mobile home included on Lines 11 and 12a?  | 12b Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>             |
| 13 Subtract Line 12a from Line 11. This is the net consideration for real property.   | 13 \$ <u>694,216.00</u>   |
| 14 Amount for other real property transferred to the seller (in a simultaneous exchange) as part of the full actual consideration on Line 11* | 14 \$ <u>---</u>  |
| 15 Outstanding mortgage amount to which the transferred real property remains subject*  | 15 \$ <u>---</u>  |
| 16 If this transfer is exempt, use an "X" to identify the provision*  | 16 <input type="checkbox"/> b <input type="checkbox"/> k <input type="checkbox"/> m |
| 17 Subtract Lines 14 and 15 from Line 13. This is the net consideration subject to transfer tax.  | 17 \$ <u>694,216.00</u>   |
| 18 Divide Line 17 by 500. Round the result to the next highest whole number (e.g., 61.002 rounds to 62)                                       | 18 <u>1,389.00</u>  |
| 19 Illinois tax stamps — multiply Line 18 by 0.50   | 19 \$ <u>694.50</u>   |
| 20 County tax stamps — multiply Line 18 by 0.25   | 20 \$ <u>347.25</u>   |
| 21 Add Lines 19 and 20. This is the total amount of transfer tax due.   | 21 \$ <u>1,041.75</u>   |

\* See Instructions  
PTAX-203 (R-7/02)

This form is authorized in accordance with 38 ILCS 200/31-1 of eqg Disclosure of this information is REQUIRED. This form has been approved by the Forms Management Center IL-02-0227

Page 1 of 4

04-73-6880

**Step 3: Write the legal description from the deed.** Write, type (minimum 10-point font required), or attach the legal description from the deed. If you prefer, submit an 8 1/2" x 11" copy of the extended legal description with this form. You may also use the space below to write additional parcel identifiers and lot sizes or acreage from Step 1, Line 3.

SEE EXHIBIT A

**Step 4: Complete the requested information.**

The buyer and seller (or their agents) hereby verify that to the best of their knowledge and belief, the full actual consideration and facts stated in this declaration are true and correct. If this transaction involves any real estate located in Cook County, the buyer and seller (or their agents) hereby verify that to the best of their knowledge, the name of the buyer shown on the deed or assignment of beneficial interest in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or other entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois. Any person who willfully makes or helps any information required in this declaration shall be guilty of a Class B misdemeanor for the first offense and a Class A misdemeanor for subsequent offenses. Any person who knowingly submits a false statement concerning the identity of a grantee shall be guilty of a Class C misdemeanor for the first offense and of a Class A misdemeanor for subsequent offenses.

**Seller Information (Please print)**

**Amcore Investment Group, N.A. UT# 3167**  
 Seller's or trustee's name  
 225 West Jackson  
 Street address (after sale)  
 Seller's or agent's signature  
 Seller's trust number (if applicable)  
 Woodstock IL 60098  
 City State ZIP  
 (312) 378-6100  
 Seller's daytime phone

**Buyer Information (Please print)**

**Mercy Health System Corporation**  
 Buyer's or trustee's name  
 1000 Mineral Point Avenue  
 Street address (after sale)  
 Buyer's or agent's signature  
 Buyer's trust number (if applicable)  
 Janesville WI 53347  
 City State ZIP  
 (608) 756-6173  
 Buyer's daytime phone

**Mail tax bill to:**

**MERCY HEALTH SYSTEM CORP 1000 MINERAL POINT AVE JANESVILLE, WI 53547**  
 Name or company Street address City State ZIP

**Preparer Information (Please print)**

**Patrick E. Brady McGuireWoods LLP**  
 Preparer's and company's name  
 77 West Wacker Dr., Suite 4100  
 Street address  
 Preparer's signature  
 Preparer's file number (if applicable)  
 Chicago IL 60601  
 City State ZIP  
 (312) 849-8225  
 Preparer's daytime phone

Preparer's e-mail address (if available)  
 Identify any required documents submitted with this form. (Mark with an 'X')  
 Extended legal description Form PTAX-203-A  
 Itemized list of personal property

<b>To be completed by the Chief County Assessment Officer</b> 1 055 003 - - R - - - - - County Township Class Cook-Minor Code 1 Code 2					3 Year prior to sale <b>2003</b>
2 Board of Review's final assessed value for the assessment year prior to the year of sale					4 Does the sale involve a mobile home assessed as real estate? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Land ----- 31,898 Buildings ----- 37,903 Total ----- 69,801					5 Comments
<b>To be completed by the Illinois Department of Revenue</b> Full consideration ----- Adjusted consideration -----				Tab number <b>10887</b> <b>04-73-6881</b>	PTAX-203 (9-7/00)

2004R0112155

**EXHIBIT A**

**LEGAL DESCRIPTION**

The East 333.00 feet of the West 1421.14 feet of the North 462.00 feet of the Southeast Quarter of Section 10 Township 43 North, Range of East of the Third Principal Meridian, lying West of the monument West line of Lots 1 through 311 in Monticello Subdivision Unit #1, according to the plat thereof recorded October 17, 1971 as Document #749688 in McHenry County, Illinois

Property Address: 4313 Three Oaks Drive, Crystal Lake, Illinois

Permanent Index Number 19-10-400-004

04-73-6882







Deloitte Financial Advisory  
Services LLP  
111 S. Wacker Drive  
Chicago, IL 60606-4301  
USA  
Tel: +1 312 486 1000  
Fax: +1 312 486 1486  
www.deloitte.com

October 7, 2011

Aaron T. Shepley  
General Counsel, Senior Vice President Administrative Services  
Centegra Health System  
385 Millennium Drive  
Crystal Lake, IL 60012

**Re: Financial Impact to Centegra of Proposed  
Mercy Crystal Lake Hospital and Medical Center**

Dear Mr. Shepley:

At your request, we have prepared an independent analysis with respect to the potential financial impact to Centegra Health System (“Centegra”) of a proposed hospital to be built in Crystal Lake, Illinois. This letter summarizes the background, purpose, and approach and methodologies associated with our analysis and presents our key calculations and conclusions.

**BACKGROUND**

We understand that Mercy Crystal Lake Hospital and Medical Center, Inc (“MCLH”) and Mercy Alliance, Inc of Janesville, Wisconsin (“Mercy”) have modified their certificate-of-need (“CON”) and are seeking to build a 70 licensed-bed acute care, general hospital, in Crystal Lake, Illinois. In addition, Mercy is proposing to construct an adjoining multi-specialty physician clinic to the hospital. Centegra, an Illinois not-for-profit corporation, currently operates two hospitals in McHenry County, Centegra Hospital -McHenry (“CHM”) and Centegra Hospital - Woodstock (“CHW”), which are within 10 miles of the proposed MCLH facility.

**PURPOSE**

The purpose of this analysis is to estimate the financial impact of the proposed Mercy facility on Centegra’s operations. We understand that our analysis may be used in connection with substantiating Centegra’s contention that, should the project be approved to proceed, the proposed Mercy facility would have an immediate adverse financial impact on Centegra and would impair its ability to fund current operations and adequately serve the community.

We understand our work product will be used and that we may be called to testify in connection with the Illinois Health Facilities and Services Review Board’s consideration of Mercy’s proposed CON, as well as the possible judicial review of the decision rendered by the Illinois Health Facilities and Services Review Board with respect to the Mercy Crystal Lake Hospital CON application. No other use of this analysis and related work product are intended or should be inferred.

## APPROACH AND METHODOLOGY

Our estimate of the financial impact on Centegra of the proposed MCLH facility is based on the estimated volume of cases and related revenues and profits that Centegra would lose to MCLH if MCLH were to open today and achieve the level of patient activity and related caseloads from existing facilities as reported by MCLH in its CON application.

The number of cases that CHM and CHW could expect to lose is estimated by MCLH at 3,368 inpatient cases as shown in Exhibit I. Table I, below, is the total number of inpatient cases represented by MCLH's CON as notarized referrals from physicians to CHM and CHW that will be rerouted to the new MCLH facility. It was noted that the table on page 155, titled "Projected Physician Referrals for Mercy Crystal Lake Hospital and Medical Center", does not match the individual notarized physician referrals submitted in the modified application. The individual notarized referrals included in the modified application are identical to the letters submitted in the original December 2010 application. The notarized physician referrals were used to estimate the financial impact and not the table on page 1551.

It is important to note that MCLH could also be expected to derive additional revenue from outpatient services not specifically identified in the CON. Accordingly, Centegra could also be expected to lose revenue and profit attributable to these outpatient services to MCLH.

**Table I**  
**Centegra Cases Lost to**  
**Mercy Crystal Lake Hospital**

<u>Service Category</u>	<u>Lost Cases</u>
Inpatient <sup>2</sup>	
Centegra Hospital -Woodstock	2,005
Centegra Hospital -McHenry	1,363
Total Centegra Lost Cases	<u>3,368</u>

In order to calculate the profit attributable to lost Centegra patient volume and caseload, we analyzed internal Centegra financial and cost accounting data to determine its "contribution margin" related to inpatient services. Contribution margin, which is defined as revenues minus variable costs, represents the incremental profit from the provision of inpatient services that is available to cover the fixed operating costs. Fixed costs are excluded from the calculation of lost profit, since Centegra will continue to incur such fixed costs regardless of whether cases are lost to the new facility. Revenue, variable costs and contribution margin would, however, decrease in amounts proportionate to lost

---

<sup>1</sup> The table on page 155 shows total physician referral of 2,678 of which 2,377 are coming from CHM and CHW

<sup>2</sup> Inpatient cases are the cumulative total from pages 176 through 260 of Mercy's CON application. See Exhibit I for detailed listing by Physician

volume.

Table II, below, presents average revenue per case, variable cost per case, and contribution margin per case for Centegra Hospital -McHenry and Centegra Hospital - Woodstock for inpatient services based on fiscal year end June 30, 2010 financial data. Average per case revenues and variable costs include direct as well as ancillary services.

**Table II  
 Calculation of  
 Contribution Margin Per Case**

<u>Service Category</u>	<u>[A] Average Revenues Per Case</u>	<u>[B] Average Variable Costs Per Case</u>	<u>[C] [A] – [B] Average Contribution Margin Per Case</u>
Inpatient			
Centegra Hospital -Woodstock	\$7,508	\$4,218	\$3,290
Centegra Hospital - McHenry	\$8,644	\$4,869	\$3,775

Based on our review, Centegra’s cost accounting data appears to provide a reasonable basis for determining the contribution margin for purposes of our calculations. Further, the contribution margins derived from Centegra data are consistent with both available empirical data regarding the allocation of hospital costs between variable and fixed components, as well as assumptions that we have observed in other hospital planning settings.

Multiplying the lost cases in Table I by the average contribution margin per case in Column C of Table II results in the estimated annual decrease in contribution margin of \$11.7 million that Centegra would experience if the MCLH facility were to open today and achieve levels of patient activity and related caseloads projected in Mercy’s CON. This calculation is summarized in Table III below. The lost cases to MCLH would have a negative impact on Centegra’s utilization at both Centegra Hospital – McHenry and Centegra Hospital – Woodstock.

**Table III  
 Calculation of Lost Contribution Margin  
 Based on Mercy’s CON**

<u>Service Category</u>	<u>[A] Average Contribution Margin Per Case</u>	<u>[B] Lost Cases</u>	<u>[C] [A] X [B] Lost Contribution Margin</u>
Inpatient			
Centegra Hospital -Woodstock	\$3,290	2,005	\$6,596,735

Centegra Hospital - McHenry	\$3,775	<u>1,363</u>	<u>\$5,144,822</u>
Total Financial Impact to Centegra		3,368	<u>\$11,741,557</u>

### ***Additional Finding***

In our analysis of MCLH's CON application, we sought to validate the physician FY10 cases reported in MCLH's CON application using COMPdata® via Intellimed®. We discovered a variance from the submitted physician referrals included in MCLH's CON to the data we pulled from COMPdata® via Intellimed®<sup>3</sup> for the same physicians during the same time period. The total number of cases reported in MCLH's CON is 3,976 compared to COMPdata® via Intellimed®'s cases of 3,259, or an overstatement of 22%. See Exhibit II for a detailed comparison by physician. Per COMPdata® via Intellimed®, 1,735 and 1,137 cases have been referred to CHW and CHM by the physicians surveyed and included in the CON application.

The financial impact based on the adjusted inpatient volume of 2,872 cases from the COMPdata® via Intellimed® information is \$10.0 million. See Exhibit III for the calculation of the financial impact based on the number of cases from COMPdata® via Intellimed®.

### **CONCLUSION**

Based on the analysis presented above, and assuming it were to open today and achieve the levels of patient activity and related caseload projected in its CON application, we estimate the potential financial impact to Centegra of the proposed MCLH facility for inpatient services to be in the range of a \$10.0 to \$11.7 million annual reduction in systemwide profit<sup>4</sup>. The lost cases to MCLH would have a negative impact on Centegra's utilization at both Centegra Hospital – McHenry and Centegra Hospital – Woodstock.

It is important to note that MCLH could also be expected to derive additional revenue from other "outpatient medical" categories of service not specifically identified in MCLH's CON. Accordingly, Centegra could also be expected to lose revenue and profit attributable to these categories of service to MCLH

We are independent of Centegra and our fee for this analysis is in no way influenced by the results of our work. The qualifications of the individuals who prepared this analysis are attached as Appendix A to this report.

### **LIMITATIONS**

The information contained within has been derived primarily from documents provided by Centegra, as well as from the CON and related documents. This information includes both audited and unaudited financial and operational information. We have not audited, reviewed, or compiled this information. Accordingly, we express no opinion or other form of assurance on it.

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<sup>3</sup> COMPdata® via Intellimed® for the period 7/1/2009 to 6/30/2010. See Exhibit II

<sup>4</sup> The financial impact estimated from the referrals coming from CHM and CHW as shown on page 155 of the modified application is approximately \$8.3million

Our procedures with respect to any forecasts, projections, or forward-looking financial information included or referred to herein, do not constitute an examination of a forecast in accordance with U.S. generally accepted auditing standards, nor do they constitute an examination of a forecast in accordance with standards established by the AICPA. Therefore, we express no opinion or other form of assurance on them.

Our observations, analyses, and calculations are based on the available data, procedures and analysis set forth herein. They are subject to revision upon the performance of additional procedures or additional information we may become aware of.

We are pleased to provide this analysis to Centegra.

Very truly yours,

*Deloitte Financial Advisory Services LLP*

## **APPENDIX A**

### **QUALIFICATIONS**

The individuals responsible for performing this analysis are members of Deloitte Financial Advisory Services health care financial advisory services practice.

*Daniel Lynn* is the engagement Principal on this assignment. Dan is a national practice leader for our health care industry financial advisory services practice. He has approximately 28 years

of financial advisory experience and has performed numerous studies with respect to health care entities, including medical practices, hospitals, nursing homes, skilled nursing facilities, ambulatory surgery centers, outpatient rehabilitation centers, medical practices, HMOs and PPOs.

**Richard L. Piekarz** is a Senior Manager in Deloitte Financial Advisory Services LLP. He has over fifteen years of extensive industry experience providing clients with consultation. He works with clients in a variety of planning, decision support, operational and financial improvement and transaction related settings. He has provided reimbursement, regulatory, due diligence, revenue and financial consulting services for complex hospitals, health systems, joint ventures, skilled nursing facilities, home health agencies and health plans.

**Daniel Mruz** a Manager in Deloitte Financial Advisory Services LLP. He has over twenty years of extensive industry experience providing clients with consultation and as a Financial Manager in a hospital system.is a manager on this assignment. He has over 5 years of financial advisory experience and has performed numerous projects with respect to health care entities, including hospitals, ambulatory surgery centers, and long term care facilities.

**EXHIBITS**

**EXHIBIT I  
 Physician Referrals from Mercy's CON Application**

<b>Physician Name</b>		<b>Referral Source</b>				<b>[A]+[B]+[C]+[D] Total Physician Referrals</b>
<b>Last</b>	<b>First</b>	<b>[A] Woodstock</b>	<b>[B] McHenry</b>	<b>[C] Advocate</b>	<b>[D] Condell</b>	
Albright	Kim		51			51
Asbury	Jeffrey	16				16
Bistriceanu	Graziella	54	1			55
Campau	Steven			63		63
Chatterji	Manju	16	51			67
Chitwood	Rick	8	64			72
Cook	Richard	259				259
Crawley	Terri	141				141
Cundiff	Jason	13	25	30		68
DeHaan	Paul	37	65			102
Dillon	Paul	6	12		32	50
Favia	Julie	116				116
Fojtik	Joseph			188		188
Gavran	Monica	85				85
Goodman	David	11	20	27		58
Gulati	Roshi	33				33
Gupta	Lata	75				75
Henning	Douglas	17				17
Howey	Susan		120			120
Hussain	Yasmin	23				23
Kakish	Nathan	171				171
Kang	Hiejin		26			26
Karna	Sandhya		56			56
Karney	Michelle	70				70
Krpan	Marko	12	42			54
Livingston	Gary	17	26	24		67
Loqman	Mabria	63	95			158
MacDonald	Robert		89			89
Marian	Camelia			77		77
Mizra	Aisha	132				132
Mitra	Deepak	30	104			134
Nath	Ranjana	21	49			70
Persino	Richard		148			148
Phelan	Patrick	156				156
Riggs	Mary		80			80
Ronquillo	Bibiano	108				108
Shen	Emily		32			32
Soorya	Ranjana		15			15
Srinivas	Ratna		10			10
Tarandy	Dana	76	10			86
Wittman	Randy		172			172
Zaino	Ricca	239				239
<b>Total</b>		<b>2,005</b>	<b>1,363</b>	<b>409</b>	<b>32</b>	<b>3,809</b>

**EXHIBIT II**  
**Summary of July 2009 – June 2010 Inpatient Cases by Mercy Physician**

<u>Attending Physician</u>	<u>[A]</u> <u>Centegra</u> <u>McHenry</u>	<u>[B]</u> <u>Centegra</u> <u>Woodstock</u>	<u>[C]</u> <u>Advocate</u> <u>Good</u> <u>Shepherd</u>	<u>[D]</u> <u>Mercy</u> <u>Harvard</u>	<u>[E]</u> <u>St. Alexius</u> <u>Medical</u> <u>Center</u>	<u>[F]</u> <u>Comp</u> <u>data</u>	<u>[G]</u> <u>CON</u> <u>App.</u>	<u>[H]</u> <u>[G]-[F]</u> <u>Var.</u>
Albright, Kim (FP)	51	-	-	-	-	51	51	-
Asbury, Jeffrey B UROL	-	5	-	5	-	10	21	11
Bistriceanu, Graziella (OTHR)	1	54	-	-	-	55	55	-
Campau, Steven A (OTHR)	-	-	63	-	-	63	63	-
Chatterji, Manju (PD)	51	16	-	-	-	67	67	-
Chitwood, Rick A (PD)	64	8	-	-	-	72	72	-
Cook, Richard O (OTHR)	-	217	-	-	-	217	259	42
Crawley, Terri L (OTHR)	-	141	-	-	-	141	141	-
Cundiff, Jason (OTHR)	6	2	8	-	-	16	68	52
DeHaan, Paul H (OTHR)	53	23	-	4	-	80	110	30
Dillon, Paul C (PS)	10	1	4	7	2	24	57	33
Favia, Julie (OTHR)	-	101	-	-	-	101	116	15
Fojtik, Joseph E (IM)	-	-	188	-	-	188	188	-
Gavran, Monica E (IM)	-	85	-	-	-	85	85	-
Goodman, David A (OTHR)	1	1	5	-	-	7	58	51
Gulati, Roshi (OTHR)	-	33	-	-	-	33	33	-
Gupta, Lata (OTHR)	-	64	-	-	-	64	75	11
Henning, Douglas A (OTHR)	-	17	-	-	-	17	17	-
Howey, Susan M (OTHR)	94	-	-	-	-	94	120	26
Hussain, Yasmin (OTHR)	-	2	-	-	-	2	38	36
Kakish, Nathan (OTHR)	-	171	-	-	-	171	171	-
Kang, Hiejin (OTHR)	26	-	-	-	-	26	26	-
Karna, Sandhya R (OTHR)	56	-	-	-	-	56	56	-
Karney, Michelle Y (OTHR)	-	99	-	-	-	99	105	6
Krpan, Marko F (OTHR)	38	6	-	-	-	44	59	15
Livingston, Gary L (OTHR)	4	2	5	-	-	11	67	56
Loqman, Mabria (FP)	-	-	-	15	-	15	158	143
MacDonald, Robert J (FP)	89	-	-	-	-	89	89	-
Marian, Camelia E (OTHR)	-	-	77	-	-	77	77	-
Mizra, Aisha A (OTHR)	-	132	-	-	-	132	132	-
Mitra, Deepak (IM)	104	30	-	-	-	134	134	-
Nath, Ranjana (PD)	49	21	-	-	-	70	70	-
Persino, Richard L (OBG)	127	-	-	-	-	127	148	21
Phelan, Patrick E (OTHR)	-	156	-	-	-	156	156	-
Riggs, Mary (OTHR)	109	-	-	-	-	109	163	54
Ronquillo, Bibiana C (OTHR)	-	108	-	-	-	108	108	-
Shen, Emily (OTHR)	32	-	-	-	-	32	32	-
Soorya, Ranjana P (OTHR)	15	-	-	-	-	15	15	-
Srinivas, Ratna R (OBG)	8	-	-	-	-	8	10	2
Tarandy, Dana T (OTHR)	2	50	-	4	-	56	95	39
Wittman, Randy S (OBG)	147	-	-	-	-	147	172	25
Zaino, Ricca Y (OBG)	-	190	-	-	-	190	239	49
<b>Total</b>	<b>1,137</b>	<b>1,735</b>	<b>350</b>	<b>35</b>	<b>2</b>	<b>3,259</b>	<b>3,976</b>	<b>717</b>

**EXHIBIT III**  
**Calculation of Lost Contribution**  
**Margin to Adjusted Lost Cases Based on COMPdata® Comparison**

<u>Service Category</u>	[A] Average Contribution Margin Per Case	[B] Adjusted Lost Cases	[C] [A] X [B] Lost Contribution Margin
Inpatient			
Centegra Hospital – Woodstock	\$3,290	1,735	\$5,708,150
Centegra Hospital – McHenry	\$3,775	<u>1,137</u>	<u>\$4,292,175</u>
Total Centegra		2,872	<u>\$10,000,325</u>

November 16, 2011

VIA ELECTRONIC MAIL

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

Re: Mercy Crystal Lake Hospital & Medical Center (Project # 10-089)  
Centegra Health System Safety Net Impact Statement

Dear Ms. Avery:

Centegra Health System is the primary provider of Safety Net services in McHenry County. This Safety Net would be severely impaired if the Illinois Health Facilities and Services Review Board were to approve Project No. 10-089, Mercy Crystal Lake Hospital and Medical Center.

Section 5.4(f) of the Illinois Health Facilities Planning Act says, "Any person, community organization, provider or health system or other entity wishing to comment upon or oppose the application may file a Safety Net Impact Statement Response with the Board, which shall provide additional information concerning a project's impact on Safety Net services in the community." Centegra Health System submits this response so that the Review Board fully understands the way Project No. 10-089 would negatively impact the care the community receives from the Safety Net services that Centegra provides.

Centegra's Safety Net is far-reaching and rich in critical services that make McHenry County a healthy and safe place to live. The Safety Net we have carefully developed through the years goes beyond emergency response – many of these programs have been structured to provide proactive healthcare measures to screen for and treat diseases and illnesses in their earliest stages. By doing this, Centegra Health System improves the wellness of the community and continues to work toward the goal of lowering the community's overall healthcare costs by reducing the number of people with chronic and preventable diseases.

As demonstrated in the analysis prepared by Deloitte Financial Advisory Services, LLP, Mercy Crystal Lake Hospital and Medical Center would result in an annual financial loss to Centegra of more than \$11.7 million. As a result, Centegra's ability to provide the following services will be severely impaired:

**Behavioral Health Services (Centegra's mental illness services)-** Acute mental illness departments are diminishing. Governor Pat Quinn has proposed the closing of many mental health facilities throughout the state and Chicago Mayor Rahm Emanuel's proposed budget includes closing six of the city's 12 mental health clinics. Meanwhile, Centegra has continued to

provide compassionate care to thousands of patients each year. Within the region served by Centegra Health System, the nearest hospitals – to the east, Advocate Good Shepherd Hospital, to the south, Sherman Hospital and to the northwest, Mercy Harvard Hospital – do not provide mental health services. In fact, Advocate Good Shepherd recently closed its mental health unit. Centegra is the region's only provider of acute and outpatient mental illness services.

In Calendar Year 2010, Centegra's acute mental illness unit had 1,125 admissions for a total of 7,317 inpatient days. The average length of stay was 6.5 days and the average daily census was 20 people.

Access to mental healthcare and substance abuse has been identified by the 2010 McHenry County Healthy Community Study as a community need. Centegra has done more than simply meet the need for inpatient mental healthcare – our caregivers have developed programs to screen for depression and anxiety and to help at-risk populations receive the care and support they deserve. Last year, Centegra provided 858 of these free consultations to new mothers, to those who had suffered recent heart attacks and to people who were admitted because of drug overdoses or suicide attempts. Centegra also provided 953 chemical dependency evaluations and 336 outpatient appointments to help community members in need.

**Support of the McHenry County Crisis Program** – Centegra Health System partially funds and administers the McHenry County Crisis Program. In crisis and disaster situations in our community, this program is the first to respond. Centegra Associates work within the program to offer 24-hour information, referral, assessment and crisis intervention services. Because Advocate Good Shepherd Hospital and Advocate Condell Medical Center do not provide this service, our crisis program also serves their Emergency Departments. By providing this care at these hospitals, Centegra's Behavioral Health services extend into Lake County, Illinois.

**Skilled Nursing Care**– Centegra is also a leading provider of Skilled Nursing Care in greater McHenry County. In Calendar Year 2010, 668 patients received long-term care for 7,484 inpatient days and an average length of stay of 11.2 days. The average daily census of the Skilled Nursing Unit was 20 patients.

In 2010, Centegra Specialty Hospital-Woodstock's Behavioral Health and Skilled Nursing departments averaged a combined daily census of 40 patients, which operated at a loss for Centegra Health System. No other hospital in the region provides this type of care to the community. One patient at Centegra Specialty Hospital-Woodstock has lived at the hospital for two years. The hospital and regional agencies have been unable to determine the patient's identity or possible family members. Because the patient's health concerns require hospital care, Centegra has provided this patient compassionate, high-quality care at no cost.

**Centegra Patient Express**– It is one thing to provide state-of-the-art healthcare to the people of our region, yet it is another entirely to ensure each patient has free transportation to and from his or her appointments. In the last year, requests for rides from the Centegra Patient Express increased by more than 20 percent. The vans drove 175,387 miles while carrying patients to and from appointments 12,754 times. This is one of the services that Mercy Health System has

offered to provide as part of its response to the needs identified in the 2006 Healthy Community Study, Centegra has provided this service since 1988.

**Support of the Family Health Partnership Clinic-** Centegra Health System plays an integral role in the healthcare outreach provided by the Family Health Partnership Clinic. In fact, Dr. James Mowery, a Centegra Physician Care internal medicine physician, is the Clinic's Medical Director. The Family Health Partnership Clinic provides quality healthcare to the uninsured and underinsured people of McHenry County.

Centegra supports the clinic with more than the important donation of volunteer time – Centegra also provides \$50,000 in funding each year and provides the clinic's two office locations at a reduced rate.

In Fiscal Year 2011, Centegra Physician Care physicians volunteered 563 hours at the clinic to provide care to men, women and children who are underinsured or uninsured. When these physicians learned about a recent backlog of 200 patients who needed pap smears and screening tests at the Family Health Partnership Clinic, they worked with the clinic to schedule a dedicated day to care for these patients. The dedicated day significantly reduced the backlog of women who needed care, and Centegra Physician Care is currently in the process of scheduling the next day to assist with the goal of eliminating the backlog. By supporting the Family Health Partnership Clinic, Centegra demonstrates its commitment to improving the health of our community even beyond the walls of our own facilities.

**Illinois Public Aid (Obstetrics/Gynecology)** – Each Centegra Physician Care OB/Gyn currently commits to accepting up to 12 new Illinois Public Aid patients per month and the group has already seen more than 600 new Public Aid patients in 2011. Mercy physicians have only seen about 100 new OB patients on Illinois Public Aid this year, with more than half of their OB/Gyns not committing to accept any Illinois Public Aid patients. Additionally, the Mercy physicians will only accept the obstetric patients, not patients needing gynecology services. Centegra accepts both and, if the patient desires, will continue to see the patient and her family for other medical needs after the birth.

**Health Screenings-** Centegra Health System provides free or low-cost health screenings to people throughout the region, particularly through the Centegra Wellness on the Move Mobile Health Unit. This unit travels to locations that partner with organizations to provide for the neediest members of our community. When the Centegra Wellness on the Move van arrives at churches, food pantries, health fairs and village festivals, people have immediate access to Centegra's high-quality services.

The 32-foot-long unit has two examining rooms and provides X-rays, ultrasound, EKGs, audiology screenings, blood draws and patient education. Patients frequently receive health screenings for skin cancer, high blood pressure, vascular issues, hearing loss and diabetes. The unit also travels to disseminate vaccinations such as flu shots to people in need.

Two of the most successful screening programs in the past year include low-cost vascular screenings and echocardiograms for teens. Vascular screenings include ultrasound of the

carotid artery to visualize the buildup of plaque and evaluate a person's risk for stroke. The teen echocardiograms create a picture of the part of the heart that most commonly causes sudden death in teens who are active, yet they do not know they have significant heart defects.

**Language Assistance-** Every year, Centegra Health System provides more than a million dollars in language assistance to patients in greater McHenry County. As part of our commitment to providing compassionate care, a large part of this budget goes toward the provision of bedside interpretation services. We believe it is important for a patient to have face-to-face interpretation services whenever they are available to provide the highest level of communication and to allow the interpreter to be sensitive to each patient's unique situation.

According to Illinois' Language Assistance Services Act, hospitals are required "to the extent possible as determined by the facility, the use of an interpreter whenever a language or communication barrier exists, except where the patient, after being informed of the availability of the interpreter service, chooses to use a family member or friend who volunteers to interpret." The state allows hospitals the choice to use in-house interpreters or telephone services, and at this time Centegra employs interpreters who have received special training to communicate with the high number of Spanish-speaking patients we serve.

**EMS Continuing Professional Education Program-** Since 1975, Centegra Hospital-McHenry has partnered with the Illinois Department of Public Health and McHenry County College to become the resource hospital with administrative responsibilities for the McHenry Western Lake County Emergency Medical System. Centegra Hospital-Woodstock is one of the associate hospitals in the region. Each year our EMS providers respond to more than 35,000 patient requests for Emergency Medical Services.

Centegra Hospital-McHenry provides medical direction for EMS patient care, initial and ongoing training, quality assurance and policy development. More than 800 providers come to us for the ongoing education they need to maintain their skills as some of the best emergency providers in the country. The following agencies receive their continuing education through Centegra Health System and our partnership with McHenry County College:

- ATec Ambulance Service
- Cary Fire Protection District
- Crystal Lake Fire/Rescue Department
- Elgin Medi Transport
- Flight For Life
- Fox Lake Fire Department
- Fox River Grove Fire Protection District
- McHenry Township Fire Protection District
- Nunda Rural Fire Protection District
- Rescue Eight Ambulance Service
- Richmond Township Fire Protection District
- Spring Grove Fire Protection District
- Wonder Lake Fire Protection District

- Woodstock Fire/Rescue District

**Health Education-** Centegra Health System provides free health education to hundreds of thousands of community members each year with the goal of improving the community's overall health and wellness. We use many different ways to communicate with individuals about the importance of diagnosing and treating disease in its earliest stages. Some of these ways include:

- Physician lectures
- Health fairs
- Newsletters
- Educational radio spots
- HeartAware online risk assessment for heart disease
- Surgery information/educational sessions
- Prenatal education
- Physician and nurse educational visits to community organizations

**Senior Health Insurance Program-** At a cost of more than \$67,000 last year, Centegra Health System provided free health insurance counseling to community members as part of the Senior Health Insurance Program. This program helps Medicare recipients and their caregivers wade through the confusing details of their insurance policies. Centegra Associates answer questions about Medicare, Medicare supplement insurance, long-term care insurance, Medicare managed care plans (HMO, PPO & PFFS), Illinois Cares, Extra Help and other health insurance.

**Support Groups-** Centegra creates opportunities for community members to gather as they cope with some of life's most difficult challenges. These groups, which are moderated by experienced clinicians, provide hope and support to people who need to be around others who have shared similar experiences. Just some of the support groups that would be at risk if Mercy Crystal Lake Hospital was built include:

- Cancer Transitions, for cancer survivors in their first 24 months after active treatment
- Care for the Caregiver, for those offering care to people with chronic illness
- Hats Off, for men and women who are living with cancer
- Living with Grief, for adults coping with the loss of a loved one
- Look Good...Feel Better, for women who are coping with skin damage and hair loss as a result of cancer treatment
- HOPE (High on Positive Energy), for women coping with breast cancer
- Centegra Bariatric Support Group, for people in all stages of their weight-loss journeys
- Prostate cancer
- Perinatal Bereavement, for parents coping with miscarriage or stillbirth
- Survivors of Suicide Grief Support Group
- AWAKE, for those suffering from sleep disorders
- Breastfeeding Support Group

The proposed Mercy Crystal Lake Hospital and Medical Center will negatively impact the Safety Net in McHenry County provided by Centegra Health System. The likely result of this in part will be that people with mental illnesses may have less access to care, the elderly and people who need skilled care may have to leave their community and support networks to receive it, children, families and older adults will not have access to the education, support and other Safety Net services currently provided by Centegra Health System that are not provided by Mercy. These are just a few of the many ways our community will pay the price for the construction of a new hospital developed by Wisconsin-based Mercy Alliance.

Centegra Health System continues to have serious concerns about Mercy Alliance's disregard for the important Safety Net services provided by our caregivers. Thank you for your careful consideration of this matter.

Respectfully submitted,

Centegra Health System  
and Centegra Hospital-Huntley

By: \_\_\_\_\_



Jason Sciarro  
President & Chief Operating Officer  
Centegra Health System  
Centegra Hospital-McHenry  
Centegra Hospital-Woodstock