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UNGARETTI & HARRIS LLP

CHICAGO, ILLINOIS

SPRINGFIELD, ILLINOIS

WASHINGTON, D.C.

July 9, 2012

FOR SETTLEMENT PURPOSES ONLY

VIA EMAIL AND FEDERAL EXPRESS

Frank Urso
General Counsel
Health Facilities and Services Review Board
122 South Michigan Avenue
7th Floor
Chicago, Illinois 60603

RECEIVED

JUL 10 2012

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re: Certificate of Need Application, Mercer County Hospital, Project 12-044

Dear Frank:

Following our conversation today, I am writing to propose an amount to settle the issue related to the discontinuation of Mercer County Hospital's (the "Hospital") long term care ("LTC") and intensive care ("ICU") categories of service.

As you know, the Hospital and the Mercer County Board submitted a certificate of need ("CON") application per the direction of Alexis Kendrick in order to re-apply for the discontinuation of the LTC and ICU categories of service discontinued pursuant to a 2009 CON permit. The 2009 CON permit authorized the Hospital to discontinue these categories of service, as well as engage in a modernization of the Hospital. Accordingly, the Hospital completed the discontinuations but ultimately was unable to secure financing for the modernization and, on June 6, 2011, the Hospital notified the Health Facilities and Services Review Board ("HFSRB") of its intent to abandon the CON permit for the modernization of the Hospital. Acknowledging that the HFSRB sent a letter to the Hospital informing the Hospital that it had abandoned both the modernization and the discontinuation portions of the CON permit, the Hospital did not realize that the discontinuation of the ICU and LTC categories of service and the modernization of the Hospital apparently were inextricably linked, such that abandoning one would require the abandonment of the other, since these matters were distinct within the Hospital.

The Hospital, as a County owned critical access hospital, has very limited funds. Although the error was inadvertent, the Hospital understands that it may not have fully complied with the HFSRB rules. Since reestablishing these categories of service is neither feasible nor practical, the Hospital would like to settle this issue with the HFSRB by means of a penalty payment of Five Thousand Dollars (\$5,000). Again, given that the Hospital relied on the original CON

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approval for the service discontinuations in the first place, that the alleged error was inadvertent and based on a simple misunderstanding, and that the Hospital provides crucial services to a rural Illinois community on a very tight budget, we hope the HFSRB can accept this settlement amount and proceed with its approval of the CON application for discontinuation of the LTC and ICU categories of service.

Please do not hesitate to contact me at (312) 977-4134 to discuss. We truly appreciate the HFSRB's consideration in moving this matter forward expeditiously, especially given the impact on Mercer County tax payers of related delays in connection with the Certificate of Exemption Applications for Mercer County Hospital and Mercer County Nursing Home (Projects E-003-12 and E-004-12, respectively).

Sincerely,



Lynn Gordon

cc: Judy Mondello
Ted Rogalski
Sam Vinson
Claudette Miller