Murer Consultants, Inc.

Celebrating 27 Years in the Healthcare Industry

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August 22, 2012

Mike Constantino
Illinois Department of Public Health
525 West Jefferson
Springfield, Illinois 62761

Dear Mike,

Please find below, in keeping with your communication of August 18, 2012, observations related to your draft report for the DuPage Medical Office Building Project in Lisle (Project # 12-051). These touch on certain criteria where the draft report lists the relevant standards as having not been met. We have included, for each of the pertinent findings from the draft report, recommended changes that more accurately reflect Board rules.

Draft Report Finding on Clinical Service Areas:

The Proposed Project does not appear to be in conformance with the Clinical Service Areas other than Categories of Service Criterion (77 IAC 1110.3030).

This is based on Table Six (page 15) which lists eight health care facilities that currently have a linear accelerator within 30 minutes of the DuPage Medical Group, Medical Office Building. Three of these facilities are listed as having met relevant the utilization standards and five are listed as not meeting the standard.

- **Murer's Recommendation:**

  Table Six should not include Loyola University Medical Center, Adventist La Grange Hospital, or Alexian Brothers Medical Center.

  Murer Consultants would note that including all health care facilities within 30 minutes of the Lisle MOB that have a linear accelerator does not appear to be in keeping with the relevant Board rules for measuring need. For many types of health care facilities, there is a requirement to include all comparable facilities within 30 minutes normal travel time: Freestanding Emergency Centers (77 Ill. Adm. Code 1110.3230(b)(2)); Ambulatory Surgical Treatment Centers (77 Ill. Adm. Code 1110.1540(b)); and Medical/Surgical,

Obstetric, Pediatric and Intensive Care (77 Ill. Adm. Code 1110.530(c)(1)). There is no such requirement to include all comparable facilities within 30 minutes travel time in the case of Clinical Service Areas.

In fact, Section 1110.3030(b) is quite explicit that, in determining need, one should look at the "Planning Area", i.e. applicable the Health Planning Area. Related to this Project, the planning area is HPA-05, which is coterminous with DuPage County. Loyola University Medical Center (Maywood), Adventist La Grange Memorial Hospital (La Grange), and Alexian Brothers Medical Center (Elk Grove Village) are located in Cook County. *They are therefore outside the Health Planning Area and should not be included in the Need Assessment.*

- **Murer's Recommendation:**

Only one (1) linear accelerator should be included for Central DuPage Hospital, and it should be listed as meeting the State Standard.

Central DuPage Hospital (CDH) has, according to page 15 of the report, two linear accelerators and has provided 5,856 treatments in 2011. However, as the Request for Information to Cadence Health makes clear (available on the Board's website) there is only one linear accelerator at the Warrenville Cancer Center. The other therapy vault holds tomotherapy equipment. This equipment is used to treat different types of tumors and therefore should not be included in the analysis. Given that there is only one linear accelerator at the Warrenville location, the State Standard is indeed met by that facility.

Murer Consultants wishes to note that neither the Health Planning Area Summaries nor the individual hospital profile Hospital Profile for CDH show a record of any linear accelerators other than those listed in the original CON application, i.e. the seven linear accelerators distributed amongst Advocate Good Samaritan, Adventist Hinsdale, Elmhurst Memorial, and Edward Hospitals.

- **Murer's Recommendation:**

The number of treatments listed for Advocate Good Samaritan should be amended to reflect that facility's 2011 Individual Profile.

The number of treatments listed in Table Six of the draft report for Advocate Good Samaritan Hospital would appear to be inaccurate and reflective of a different hospital outside HPA-05. The most recent Hospital Profile for Advocate Good Samaritan, which is based on the 2011 Annual Hospital Survey lists 7,156 treatments. (The number of treatments listed in Table Six (6,251) is actually for Advocate – Good Shepherd.) This is exceedingly close to meeting the relevant State Standard.

- **Murer's Recommendation:**

Table Six should be amended in keeping with the preceding observations.

In keeping with the observations above, Table Six should be revised as follows:

TABLE SIX
Facilities in HPA-05 with Linear Accelerators

Name	City	Time	Linear Accelerators	Treatments	Met Standard
Advocate Good Samaritan Hospital	Downers Grove	9.2	2	7,156	**No**
Adventist Hinsdale Hospital	Hinsdale	16.1	1	4,097	**Yes**
Elmhurst Memorial Hospital	Elmhurst	17.25	1	6,502	**Yes**
Edward Hospital	Naperville	17.25	3	13,160	**No**
Central DuPage Hospital	Warrenville	16.1	1	5,856	**Yes**

1. January 2009 Project #08-059 Central DuPage Hospital was approved to establish a Cancer Center in Warrenville Illinois not yet completed.
2. September 2008 Project #07-147 Central DuPage Hospital was approved for a Proton Beam in Warrenville, Illinois completed November 2011 no data available.
3. Information taken from 2011 Anuual Hospital Survey
4. Please note this information does not include information for linear accelerators not under the jurisdiction of the State Board.

Draft Report Finding on Financial Viability:

The proposed Project does not appear to be in conformance with the financial viability criterion (77 IAC 1120.130(a)).

This is based on Table Seven (page 17) which lists DuPage Medical Group as only meeting two of the six standards for viability ratios.

- **Murer's Recommendation:**

The viability ratios standards for hospitals should not be used. Instead, there should be a notation that there are no applicable standards for Medical Office Buildings.

As noted in the original CON applications, the DuPage Medical Group MOB is not a hospital, but the State is using the viability ratios standards for a hospital. Applying hospital standards would seem imprudent in this case given the difference in financial goals and structures between a hospital and a wholly-owned, private physician group.

Hospitals attempt to generate large amounts of net income, often to pay for large capital costs. Physician groups, on the other hand, try to generate income for the individual physician members, rather than the group itself. Indeed, if the group (as distinct from the physicians) holds a large amount of cash, it can be seen as deviating from its business model. Furthermore, all of the provider types for which viability ratio standards are

available (hospital, ESRD, long-term care, and ASTC) are those that generate *facility* fees. The services provided under this project, however, will by and large generate only *professional* fees for physician services. Therefore, applying hospital standards for viability ratios to a physician group means applying standards that appear not to be for their intended purposes.

Instead of using hospital standards, *the report should note that no relevant standards exist*, as is the case with Chemotherapy and Infusion Medical Services (see page 16 of the draft report).

- **Murer's Recommendation:**

If viability ratio standards are used, financial information from DMG Real Estate, LLC should be considered.

To judge whether or not the viability ratio standards have been met, the ratios for DuPage Medical Group, Ltd. and those for DMG Real Estate, LLC (the LLC) should be used. The LLC is fully owned by DuPage Medical Group, Ltd., and the MOB will be owned and operated by the LLC. Furthermore, the construction loan agreement was entered into by the LLC, with DuPage Medical Group, Ltd. acting as guarantor. Therefore, in assessing the financial viability of this project, it is necessary and in keeping with the rules to also include the LLC.

The LLC meets certain financial viability ratio standards that DuPage Medical Group, Ltd. does not, specifically the current ratio, net margin percentage, and cushion ratio. As such, DMG and the LLC, when viewed as a group, meet five of the six viability ratio standards, and we request that this be reflected in the report if such standards are applied.

Draft Report Finding on Project Cost:

The applicants appear to have not met all of the State Board Standards for project related costs. Therefore, the proposed Project does not appear to be in conformance with the reasonableness of project cost criterion (77 IAC 1120.140(c)).

This is based on the fact that the draft report calculates New Construction and Contingency Costs at $317.56 per GSF, which exceed the listed State Board Standard of $224 per GSF.

- **Murer's Recommendation:**

The New Construction and Modernization Costs per Gross Square Foot (GSF) standards for hospitals should not be used. Instead, there should be a notation that there are no applicable standards for Medical Office Buildings.

Section 1120.APPENDIX A - Financial and Economic Review Standards lists standards for several different types of facilities, including hospitals, LTCs (includes ICF/DD facilities), ESRD Facilities, and ASTCs. There is no listed standard for Medical Office

Buildings. Hospital standards are, for the reasons noted above, particularly inapplicable to MOBs. Therefore, instead of using hospital cost standards, *the report should note that no relevant standards exist*, as the State does when discussing Chemotherapy and Infusion Medical Services (see page 16 of the draft report).

Other Notes:

Reduction of Application Fee

In keeping with the amended information on (1) Project Cost and Source of Funds and (2) Cost Space Requirements, Murer Consultants requests, on behalf of DMG a reassessment of the application fee. The amended information, received by Board Staff on August 13, 2012 made two important changes:

- Took the cost of the land purchase out of the Project Costs, per Staff instructions
- Reclassified primary care as clinical and therefore reviewable, per Staff instructions.

These amendments mean that the total application fee, as computed under Section 1130.620(f), should be $61,338.13 rather than $66,872.45 as calculated for the original CON Application, a difference of $5,534.32.

Data Unavailable at Time of Application Submission

Murer Consultants also wishes to note that the treatment volume information included in the original CON application was based on the data that was publicly available at the time of submission (May 30, 2012). This draft Staff report uses information from the 2011 Annual Hospital Survey, which was not posted on the Board's website until August 7, 2012.

Thank you for the opportunity to respond to your draft report. Please feel free to contact Murer Consultants at (815) 727-3355 if you have any questions or should you wish to discuss these edits further.

Sincerely,

Cherilyn G. Murer, JD, CRA
President/CEO of Murer Consultants, Inc.

cc:
Frank Urso, General Counsel, Health Facilities and Services Review Board
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Michael Kasper, CEO, DuPage Medical Group
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