

801 South Milwaukee Ave
Libertyville, Illinois 60048
Telephone 847.362.2900



Date: 1/28/13

Facsimile

To: Courtney Avery

Recipient Fax Number: 217-785-4111

From: Matt Primack

Department: Administration

Phone: 847-990-5510

Fax Number: 847-362-1721

Pages including this one: 8

Comments: _____

The information contained in this facsimile message is confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone and return the original message to us at the above address via U.S. Postal Service. Thank you for your cooperation.



801 South Milwaukee Avenue || Libertyville, IL 60048 || T 847.362.2900 || advocatehealth.com

January 28, 2013

Via Electronic Mail

Ms. Courtney Avery
Administrator
Illinois Health Facilities and
Services Review Board
525 W. Jefferson
Springfield, IL 62761

Re: Response to State Agency Report ("SAR")
Vista Medical Center Lindenhurst (the "Application")
Project No. 12-081 (the "Project")

Dear Ms. Avery:

We appreciate the staff's work on the State Agency Report and agree with the findings that the application does not meet several important review criteria and that existing hospitals are not achieving target occupancy. We also welcome the opportunity to respond to the SAR and will limit this letter to our comments on the SAR.

A. Rules Do Not Allow Applicant to Move Beds from Waukegan to Lindenhurst

The SAR notes that the Applicant is trying to justify its hospital by moving beds from Waukegan to Lindenhurst. We believe the SAR should note that nothing in the Board's rules allow such a move. Indeed, the Board's rules prohibit hospitals from holding beds that should otherwise go back into the inventory. In a January 15, 2013 letter legal counsel addressed this very important issue and we ask the Board to consider those arguments in detail. We will, however, summarize those arguments below:

- Surplus beds are not the property of a hospital to trade for future use
- To preserve the integrity of the board's current bed inventory policy, it must enforce its existing regulations requiring hospitals to forfeit unused beds
- Many of the beds Vista proposes to move are phantom beds that should have been removed long ago
- Some of the empty beds to be moved are pediatric beds that Vista appears to have discontinued without a CON
- The Review Board should not reward Applicants who hoard beds in violation of the Board's rules
- Vista must at least be a co-applicant if its representation to give up beds is given any weight.

Project No. 12-081
January __, 2013
Page 2

B. Physician Referral Letters Fall Far Short of Justifying New Hospital

The State Agency Report makes mention that the Applicant filed physician referral letters. These letters were filed January 16. We first note that we appreciate Vista eventually submitting these letters in accordance with the Board's rules. We believe this information is important to the Board's review.

Because the letters were only recently filed, we, like the Board, have had limited time to review and analyze the letters. It would appear that filing of these letters is more a modification to the application rather than public comment. We concur with the SAR conclusion that the physician referral letters do not comply with the requirements because they do not include historical referral numbers. They also fail to state from which facilities these patients will be taken.

The physician referral letters, however, are only useful when put in the context of how many beds these admissions would justify. As discussed below, these letters appear to show the following:

- (i) Letters show only about 1/3 of referrals needed for the hospital to reach target utilization.
- (ii) With only one obstetrician providing a referral letter, these referrals justify only 1 of 20 beds requested.
- (iii) Moving all Vista FEC patients to Lindenhurst will cut Vista East average daily census by approximately 12%, from 96 to only 84.
- (iv) Referrals to Lindenhurst merely shift patients from existing hospitals.

1. Referral Letters Prove Occupancy Fall Far Short

The physician referral letters appear to total approximately 2,647,¹ plus 1,074 which are patients currently admitted from the Lindenhurst FEC.

¹ This number is higher than the number in the SAR, but we will use the higher number to err on the side most favorable to the Applicant.

Project No. 12-081
 January __, 2013
 Page 3

As the chart below shows, 3,721 admissions with an average length of stay (ALOS) of 3.9 days translates to 14,512 patient days. 3,721 admissions would produce an occupancy at the proposed hospital of only 30%.

Projected Occupancy Rate of Proposed Vista Lindenhurst Project²

Proposed Admissions	ALOS	Patient Days	Average Daily Census	Occupancy Rate (132 Beds)
3,721	3.9	14,512	39.8	30%

To reach the target occupancy that Vista projects would require 10,849 admissions. The Applicant has clearly not justified the 85% occupancy it projects.

Projected Market Share of Proposed Project³

Service	Proposed Beds	Target Occupancy	Days/Year	ALOS	Admissions
Med/Surg	100	85%	365	4.2	7,387
OB	20	75%	365	2.2	2,489
Intensive Care	12	60%	365	2.7	973
Total Admissions					10,849
Annualized Admissions in CHS - Vista Lindenhurst PSA					18,078
Admissions Cared for by Existing Providers					
Proposed Market Share (admissions as a percentage of the total market admissions) to Achieve Target Occupancy for CHS - Vista Lindenhurst					60%
<i>All Lake County Hospitals are below target occupancy for Med/Surg and OB</i>					

² Based on Vista East total ALOS from 2011 AHQ and 132 proposed total beds in CON application

³ 1) Proposed Admissions based on Vista East proposed beds in CON and ALOS from 2011 AHQ

2) PSA Market Admissions from COMPdata for Jan-Jun 2012 for zip codes 60046, 60073, 60083, 60002, 60030, 60031 as defined in Vista Lindenhurst CON

3) Review Criterion 1110.530 (c) - Unnecessary Duplication Maldistribution

The applicant shall document that, within 24 months after project completion, the proposed project:

A) Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and

B) 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.

Project No. 12-081
 January __, 2013
 Page 4

2. Physician Referral Letters Justify Only One OB Bed

The projected utilization for obstetrics is even more apparent. The letters include referral from only one obstetrician who projects 132 referrals. Using the same ALOS formula outlined above, only one OB bed is justified.

CHS - Vista Medical Center East - Referral Letter Occupancy Compared to State Targets⁴

Service	Admissions	Proposed Beds	ALOS	Occupancy Rate	Beds Justified	State Target Occupancy Rate	Required Admissions	Shortfalls
Obstetrics	132	20	2.2	3.97%	.80	75%	2,489	2,357

3. Removal of FEC Transfers Will Drop Waukegan Significantly

The referral letters include one letter stating that all 1,074 patients currently transferred from Vista's FEC will go to Lindenhurst instead of Waukegan.⁵ Vista has repeatedly stated that this new hospital will not reduce services at Waukegan. Removing 1,074 admissions from Waukegan will certainly reduce services at Waukegan.

Proposed Vista Lindenhurst Impact Hospital on Existing CHS Vista Medical Center East⁶

LOCATION/SITE	Admissions	ALOS	Average Daily Census
CHC Vista Medical Center East - Med Surg (1)	8,385	4.2	96
Proposed Vista Lindenhurst per Dr. Brock Franklin (2)	(1,074)	4.2	(12)
Impact to CHC Vista Medical Center East	7,311	4.2	84.1
Reduction	-13%		-12%

AHQs for 2011 show that Vista East operates at an average daily census of 96. Assuming that a new Vista Hospital would take no patients from Waukegan (an unlikely

⁴

- 1) Admissions based on the Referral Letters submitted to the IHFSRB by CHS
- 2) Based off ALOS submitted in the most recent AHQ for CHS (Vista Medical Center East)
- 3) Based on proposed beds achieving target occupancy within 2 years - 20 OB Beds @75% Target Occupancy Rate, 2.2 ALOS

⁵ We note that the signatures on this letter, Dr. Franklin, shows only 2 admissions according to Compdata. Further analysis would be required to be determine if these 1,074 admissions are duplicated in other referral letters.

⁶ AHQ 2011 information from IHFSRB
 Inpatient admissions in physician referral letters submitted to the IHFSRB

Project No. 12-081
January __, 2013
Page 5

assumption), taking 1,074 FEC admissions out of Waukegan, by itself, will lower occupancy at Vista East by 12%, or to only 84.1 ADC. An average daily census of only 84 patients is not likely a sufficient number to operate a sustainable hospital in the metropolitan area.

In short, the physician referral letters confirm our concern - - Vista cannot fill a new hospital, or will only do so with devastating impact to our existing hospital.

C. Unnecessary Duplication of Services and Impact on Other Providers

Review Criterion 1110.530(c)(3) states that "*The applicant shall document that within 24 months after project completion, the proposed project:*

- A) *Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and*
- B) *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."*

This new hospital project will definitely lower utilization of other area hospitals. Virtually every hospital in the target area already generates below the target occupancy. This review criteria does not appear to apply only to hospitals within 30 minutes.

The Applicant has actually documented the opposite - that it will lower other hospital utilization. As discussed above, Vista documented that it will remove 1,074 admissions from Vista East in Waukegan, causing a 13% drop in average daily census.

Kaufman Hall prepared an analysis of the impact this new hospital would have on area providers. That analysis shows that over 40% of all the patients going to Lindenhurst would likely come from Condell and that Condell would lose 20% of its current patients. Condell is not currently operating at target utilization and this proposed new hospital would duplicate existing services.

A review of the physician referral letters essentially shows that each physician states that he or she will refer every patient they have in that area to Lindenhurst. A review of these physician referral letters show that most of the patients that live in the proposed Vista Lindenhurst Hospital PSA are currently being cared for at Condell.

We further note that this proposed new hospital does not address maldistribution or access in any meaningful sense. Even if the Lindenhurst hospital itself is slightly beyond a 30 minute travel time to existing hospitals, most of the area residents are not. Road improvements in Lake County currently under construction are expected to improve travel times in this area and

Project No. 12-081
 January __, 2013
 Page 6

to be complete before the new hospital would be opened⁷. We engaged Kaufman Hall to analyze the proximity of all area hospitals to the proposed service area. This study shows that residents in 10 of the 15 zip codes are closer to existing hospitals than to the proposed hospital.⁸ The cost to the health care system of creating a new hospital for the convenience of 5 zip codes hardly seems justifiable in this era of health care reform.

Finally, Vista itself concedes that it doesn't meet this review criterion. In the section of its application intended to address this review criterion, Vista simply states "This review criterion, quite obviously cannot be met...". We concur with Vista and ask that the SAR reflect a negative finding on this criterion.

D. Support and Opposition Comments (SAR Pages 7-9)

We appreciate the staff's difficult task of going through a large public record to find and select excerpts for inclusion in the SAR as a mechanism for summarizing the public comment. We would hope that all of this extensive public comment will be carefully considered by the Review Board in its deliberations.

There were important public comments submitted since the November public hearing. We would hope that the Board and its staff carefully review those materials. While we understand that not every submission can be summarized in the SAR, we wish to note some additional comments that did not appear in that document:

Summary of Arguments in Opposition to the Proposed Project. On behalf of the Concerned Hospitals, legal counsel filed a letter with the Board dated January 16, 2013 summarizing key arguments. That letter sets out critical issues requiring legal determination prior to Board action, such as

- A prior Review Board rejected this Project – twice – and time has proven that decision correct.
- Additional inpatient facilities are inconsistent with health care reform.
- There is no calculated bed need for the Vista Lindenhurst hospital.
- The proposed hospital will significantly and seriously harm existing providers.

⁷ Frank Abderholden fabderholden@stmedianetwork.com (January 15, 2013 7:28PM). Record Lake County road building boom planned. Retrieved from the Lake County News – Sun.
<http://newssun.suntimes.com/news/17592436-418/record-lake-county-road-building-boom-planned.html?intcmp=email/headers>

⁸ Impact and Market Assessment Analysis, Vista Medical Center - Lindenhurst, Kaufman Hall, January 15, 2013, p. 7.

Project No. 12-081
January __, 2013
Page 7

- CHS has made signed assurances of utilization that it cannot reasonably achieve.
- Vista appears to have discontinued Pediatric service without a CON and has held beds that should have been removed from inventory.
- Better health care quality outcomes generally follow in an environment where higher volumes are performed.
- The Project does not meet the Cardiac Catheterization rules for utilization.
- The Application must include Vista as a Co-Applicant.

We appreciate the opportunity to comment upon the State Agency Report.

Sincerely,

Matthew L. Primack, PT, DPT



Vice President | Business Development and Clinical
Institutes
Advocate Condell Medical Center
801 S. Milwaukee Ave.
Libertyville, IL 60048
Office 847-990-5221

JRO/vv

cc: Mike Constantino