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June 5, 2013

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Via Overnight Carrier

Mr. Dale Galassie
Chairman
Illinois Health Facilities and Services
Review Board
525 W. Jefferson
Springfield, IL 62761

Re: Arguments in Opposition – Response to Intent-to-Deny
Vista Medical Center - Lindenhurst CON Application (the “Application”)
Project No. 12-081 (the “Project”)

Dear Chairman Galassie:

On behalf of Advocate Condell Medical Center and Northwestern Lake Forest Hospital we would like to highlight some of the primary reasons the Board should continue to deny the application submitted by Community Health Systems, Inc. (“CHS”) for Vista Medical Center - Lindenhurst.

Vista Has Provided No New Information to Justify Reversing an Intent-to-Deny

On March 27 the Review Board voted unanimously to issue an Intent-to-Deny the Vista Lindenhurst project. The Board’s vote was consistent with the findings of the State Agency Report that the Project did not meet important review criteria. In response to the Intent-to Deny, Vista Lindenhurst submitted only a single letter from its attorney. That letter appears more intent on disparaging opponents than addressing need or compliance with the rules. Vista has submitted no information that overcomes any negative findings or otherwise gives basis for any change of the Board’s position. The facts for this Project remain:

- There is no calculated need to justify establishing a new hospital
- All existing hospitals are operating below target utilization
- Med/Surg Utilization of area hospitals is going down
- Area hospital will be adversely impacted by an additional hospital; and
- As the SAR notes, the proposed hospital will not improve access to service

We have previously submitted extensive documentation as to why a new hospital should not be built. We will not repeat arguments here, but believe they remain valid and would

encourage the Board to continue to take these into consideration. This letter will instead focus on why the supplemental information changes nothing.

The main points made in the supplemental filing essentially consists of three points; that Vista is

- Choosing to close phantom beds now rather than later
- Promising to keep the Waukegan hospitals open for only two years after the new Lindenhurst hospital; and
- Threatening to close one of its Waukegan hospitals

A. Supplemental Information Does Not change Finding there is No Need For a New Hospital

1. Some Phantom Beds Eliminated Sooner Rather than Later

Vista's original application acknowledged that under the Board's rules there was no calculated need for a new hospital in the area. Instead that application sought to justify the Project by proposing to transfer beds from Waukegan to Lindenhurst, a move the Board and staff recognized was contrary to the Board's rules. The only substantive change in the supplemental filing was that Vista East eliminated 108 of its phantom beds now rather than doing so in the future. Vista had already promised to do this. While closing phantom beds now simplifies the analysis, it exposes that this is an application that does not justify need.

2. Applicants Did Not Attempt to Provide Any Evidence of Increased Need

Following an Intent-to-Deny an applicant will generally try to modify its application or overcome negative finding or Board concern. Here there was no attempt to remedy negative findings or to overcome the core problem – that there is no need to establish a new hospital.

a. No Physician Referral Letters

The Board's rules require that applications for new hospitals must provide projected physician referrals. Vista did not include physician referral letters in its original application and said they did not believe they needed to because they were transferring beds. After strong arguments that they were required Vista did submit some letters from physicians. The SAR, however, correctly noted that these physician letters did not meet Board requirements because the letters did not include historical information.

Moreover, the number of referrals comes nowhere close to what is needed for a new hospital.

As part of its supplemental filing Vista could have corrected these physician letters to comply with the rules by adding historical information as to which hospitals those referrals were taken. To provide this information, however, would have provided direct evidence to the Board that these referrals cannibalize existing hospitals.

Further, Vista could have provided additional letters documenting greater need. The letters provided continue to show that Vista would fill only 1/3 of the beds it has proposed (and then only at the expense of existing providers).

b. No Evidence of Increased Need in Area

i. Med/Surg Utilization is Declining

If need for additional med/surg beds were real or growing, Vista could have at least tried to prove it. Instead, the evidence shows that need for med/surg beds has actually declined. Between 2010 and 2012, in-patient hospitals utilization dropped drastically. In the Chicago metropolitan area, hospital admissions dropped by over 46,000 admissions. This number translates into three hospitals the size of the proposed Lindenhurst hospital that would no longer be needed—completely negating the need for any new hospitals.

Cook and Collar County Hospital Admissions have Dropped Significantly

| 6 County Admissions | 2010 | 2011 | 2012 | Difference | %Difference ¹ |
|----------------------|-----------|---------|---------|------------|--------------------------|
| Inpatient Admissions | 1,003,447 | 981,433 | 956,996 | -46,451 | -4.6% |

This drop in utilization includes Lake County. In the last two years area hospital admissions have fallen by over 2,000 admissions (3.0%). According to CompData, Vista's own admissions dropped even faster at 5.6%² over the last two years. We believe that once the Board incorporates

¹ Source: 1. Illinois Hospital Association COMPdata, June 4, 2013. 2. Six county – Cook, Lake, DuPage, McHenry, will and Kane. 3. All ages.

² Id.

new data, your bed inventory will show the sharp decrease in need for new med/surg beds. As area utilization diminishes, any need for a new hospital diminishes and the negative impact on existing providers becomes more acute.

ii. There is No Rapid Population Growth in Lake County

The reduced need for med/surg beds becomes evident not only in declining utilization rates, but also in declining population. Vista's permit application attempt to justify a new hospital based in part on rapid population growth. (Application, p. 76). Actual population data from the 2010 U.S. census has now started to emerge. According to a recent Crain's article, based on US Census data, Lake County population fell by .4% between 2010 and 2012 (see attached). There is certainly no population growth, "rapid" or otherwise, that can justify establishing a new hospital. Like declining hospital utilization, fewer people means less need for an additional hospital and increased negative impact on existing providers.

B. Vista's Committed to Keep Vista East Open Until Shortly After New Hospital Opens

In an attempt to show commitment to Waukegan, Vista has tried to trade an extra two-year Waukegan commitment in exchange for a new hospital in Lindenhurst. As part of Community Health Systems contract to buy Vista in 2006, it agreed to continue operations for 10 years – to February 2, 2016.³ Interestingly, that period closely coincides with the proposed Lindenhurst Hospital completion date of August 31, 2016. This formal commitment expires almost as soon as the new hospital opened. The supplemental filing now offers to commit to Waukegan for five years (2018) from now (2 years after the new hospital would open).

Northwestern Lake Forest Hospital was founded in 1899, Advocate Condell in 1928. These hospitals' ongoing commitment to continue to serve their communities is not even questioned. Both these hospitals have been before the Board and there was no questions as to whether they would continue to serve their communities. Ongoing commitment to the community should be a given and a short commitment should not be used as a trading chip for a new, unneeded hospital.

³ See Vista Supplemental Submission March 5, 2013

C. Vista's Threat to Close Vista West Would be a Choice, Not a Necessity

The third main point in the supplemental Vista material is a veiled threat to close Vista West if the new Lindenhurst hospital is not approved. The supplemental letter suggests that Community Health Systems needs the profits of Lindenhurst to support Vista West in Waukegan. It states that without the Lindenhurst profits "it will be economically challenging to continue Vista West services."

This statement suggest that without Lindenhurst profits, CHS cannot afford to support Waukegan. In truth, CHS is one of the largest for-profit hospital chains in the nation.

According to its most recent 10-K filing with the Securities and Exchange Commission ("SEC"), CHS states that it is "one of the largest publicly traded operators of hospitals in the United States in terms of number of facilities and net operating revenues" (10-K, p. 45). For 2012 CHS reported in its annual report the following information:

| | |
|---|--------------|
| Number of Hospitals | 135 |
| Net Revenue | \$13 Billion |
| Number of Illinois Hospitals | 9 |
| Fortune 500 Ranking of Largest Corporations | 184 |

CHS chose not to include its financial data with its application. Because it has raised the issue of whether it could continue to provide services to Waukegan without Lindenhurst profits, we believe this financial information should be available to the Board and we will provide the CHS annual report to the Board by separate cover to remove any question as to its ability, though not necessarily its willingness, to provide ongoing services.

With \$13 Billion in revenues, CHS can easily continue to operate Vista West if it wishes. Vista's ability to continue to operate in Waukegan will be based on Return on Investment for shareholders', not on insufficient funds or resources. The Board should not give weight to CHS's threat to the Board and the Community. If CHS closes operations in Waukegan, it is not because it had to do so, but because it chose to do so. The Board should not succumb to Vista's attempt to trade Waukegan for a new Lindenhurst hospital.

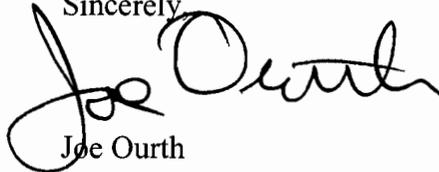
D. Negative Impact on Safety Net Services

An unneeded new hospital in a planning area in which all hospitals are operating below target utilization can well impact the ability of existing hospitals to provide Safety Net Services. The negative impact on Safety Net Services is discussed in a Safety Net Impact Response Statement that Advocate Condell has submitted separately.

Conclusion

There is no need for this Project under the Board's rules and the Project unnecessarily duplicates existing services. This Application fails to meet the Review Board's requirements and the Board should affirm it Intent-to-Deny.

Sincerely

A handwritten signature in black ink, appearing to read "Joe Ourth". The signature is fluid and cursive, with the first name "Joe" written in a larger, more prominent script than the last name "Ourth".

Joe Ourth

JRO/eka

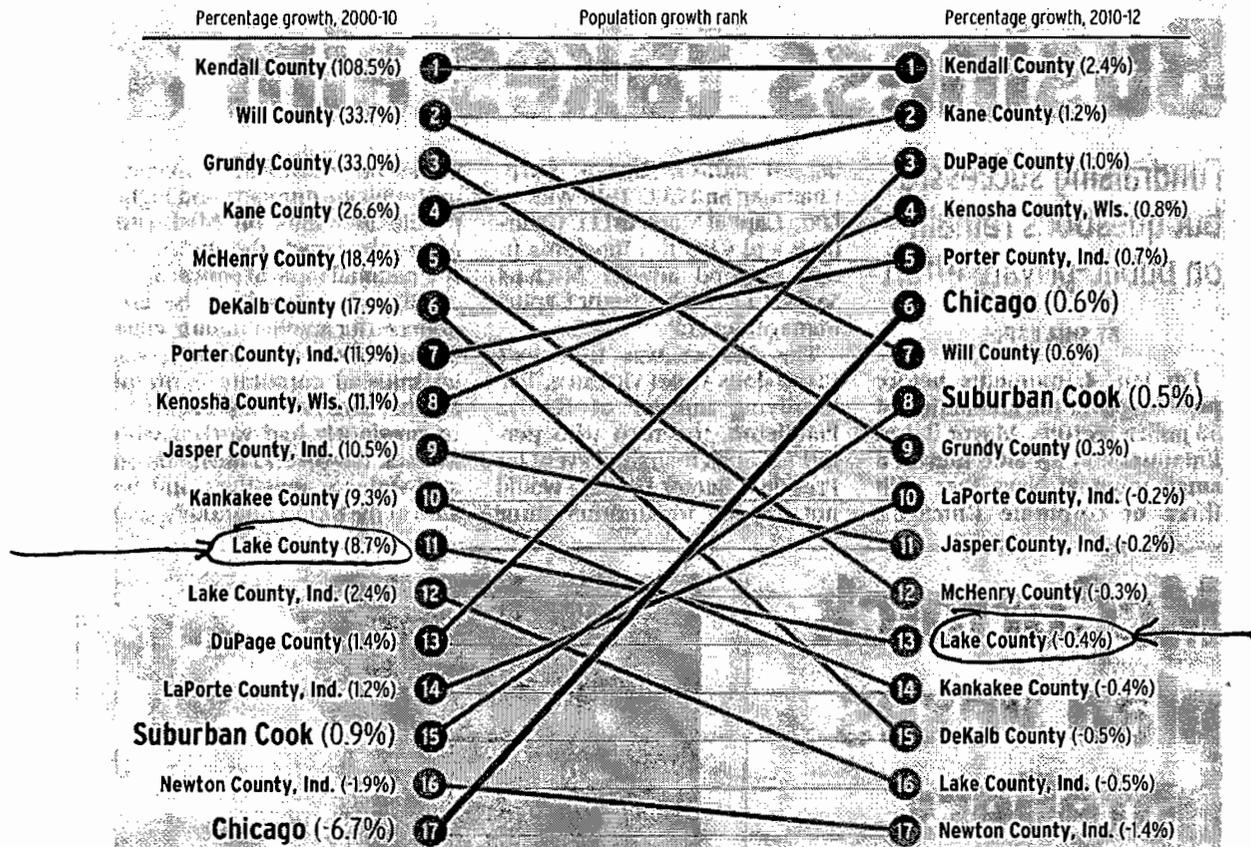
Enclosure

REVERSAL OF FORTUNE

Metro Chicago's population trends have changed dramatically over the past two years from the previous decade, as growth in the exurbs slowed to a crawl and the city reversed its decline. But Chicago still trails its peers nationally; they are enjoying even stronger population growth. **By John Pietz**

CHICAGO-AREA GROWTH

Between 2000 and 2010, Chicago's growth rate trailed all suburban counties. From 2010 to 2012, its rate improved to sixth-best.



CHICAGO VS. THE FIVE FASTEST-GROWING LARGE CITIES 2010 vs. 2012

Chicago's growth rate has improved compared with its suburbs, but compared with other large cities it fares poorly.

