



16-048

January 3, 2017

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Illinois Certificate of Need Board

JAN 04 2017

RE: Ferrell Hospital; 1201 Pine Street; Eldorado, IL 62930

HEALTH FACILITIES & SERVICES REVIEW BOARD

To Whom It May Concern:

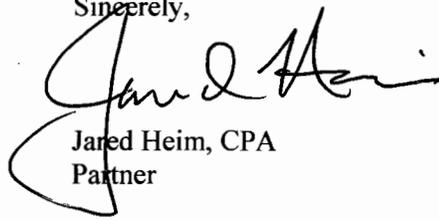
We have been engaged by Ferrell Hospital (Hospital) to complete an examination-level financial forecast in conjunction with their loan application for a full facility replacement (Project). Prior to commencing work on the examined financial forecast, the Hospital engaged us to prepare a debt capacity study, based on their current operations and anticipated changes, to ensure the Hospital would be able to generate adequate cash to satisfy their additional debt service.

The past three fiscal years, and the current year-to-date financial information, of the Hospital has been very positive, generating operating income between \$700,000 and \$900,000 annually, and cash available for debt service between \$1,350,000 and \$1,650,000 annually. Additionally, as part of the Project, the Hospital is anticipating refinancing portions of their current long-term debt for more favorable rates and terms, which will also contribute to their overall financial strength going forward.

While we have not fully completed our examined financial forecast, our work performed to date, indicates that the Hospital would generate cash available for debt service equal to over twice their annual debt service requirement. Typically long-term debt financing would require a coverage of one and a half times annual debt service; therefore, the Hospital being well above this target would indicate strong financial health, their ability to satisfy their debt payments, all while providing them with adequate cash to continue to reinvest in their operations.

If you have any questions regarding this letter, please do not hesitate to contact me at 563.557.6169, or at [jheim@eidebailly.com](mailto:jheim@eidebailly.com).

Sincerely,

  
Jared Heim, CPA  
Partner

[www.eidebailly.com](http://www.eidebailly.com)

  
**Deaconess  
Health System**

16-048

January 3, 2017

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JAN 04 2017

HEALTH FACILITIES &  
SERVICES REVIEW BOARD

Mike Constantino  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street  
2<sup>nd</sup> Floor  
Springfield, IL 62761

**RE: Ferrell Hospital**

Dear Mr. Constantino:

Per your request, I am writing to clarify the relationship of Deaconess Health System, Inc. ("DHS") and its affiliates with Ferrell Hospital Community Foundation, an Illinois not for profit corporation ("Ferrell").

As you may know, DHS is the sole corporate member of Deaconess Regional Healthcare Services Illinois, Inc. ("Services") which provides a variety of services in support of healthcare provided in southern Illinois, including the provision of certain management services to Ferrell pursuant to a Management Services Agreement which was effective as of January 1, 2016 (the "Management Agreement"). Under the Management Agreement, Services agreed to provide an array of management services in accordance with (i) the rules, regulations and policies, procedures, programs and directives approved and adopted by the Board of Directors of the Hospital (the "Hospital Board") from time to time with respect to governance and operation of the hospital, and (ii) the requirements of all applicable statutes, ordinances, laws, rules, regulations and orders of all local, state and federal governmental and regulatory bodies having jurisdiction over the Hospital. Further, the Management Agreement explicitly states that "Notwithstanding any provision herein to the contrary, the full authority and ultimate control of the Hospital shall at all times remain exclusively with the Hospital Board."

Another affiliate of DHS, Deaconess Regional Healthcare Network Illinois, LLC ("Network"), of which Services is the sole member, made a one-time contribution of \$510,000 to Ferrell in support of Ferrell's delivery of health care services pursuant to the terms of a Contribution Agreement dated December 29, 2015 (the "Contribution Agreement"). Pursuant to the Contribution Agreement, Ferrell amended its Bylaws to allow for Network to appoint two representatives to Ferrell's 10-member Board, and to require certain key decisions to be approved by a majority of the Board which includes one of the Network directors.

Ferrell has no relationship to DHS other than what has been described above. Ferrell remains an independent community hospital and Deaconess has no other "control" over Ferrell. Neither DHS nor any of its affiliated entities owns Ferrell, guarantees any Ferrell debt, nor is

600 Mary Street, Evansville, Indiana 47747 812-450-5000

www.deaconess.com

providing any long-term financial support to Ferrell or the project for which Ferrell is seeking certificate of need approval.

I hereby certify that the foregoing is true and correct as of the date hereof. If I can provide any further information, please do not hesitate to contact me.

**DEACONESS HEALTH SYSTEM, INC.**

By:   
Shawn McCoy  
Chief Operating Officer

State of Indiana                    )  
  )        ss  
County of Vanderburgh        )

On this 3<sup>rd</sup> day of January, 2017, before me personally appeared Linda White, known to me to be the person whose name is subscribed to the foregoing attestation letter, and acknowledged to me that she executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the date last above written.

  
Notary Public

My Commission expires: 1/23/20



# Ferrell Hospital

1201 Pine Street | Eldorado, IL 62930 | P: 618-273-3361 | F: 618-273-2571

January 3, 2017

Courtney Avery  
Administrator  
Illinois Healthcare Facilities Review Board  
525 W. Jefferson St., Second Floor  
Springfield, IL 62761

RE: Project #16-048 Ferrell Hospital

Dear Ms. Avery,

Ferrell Hospital Community Foundation is an independent critical access hospital. There has been no change in ownership of Ferrell Hospital Community Foundation as a result of the Contribution Agreement with Deaconess Regional Healthcare Network Illinois, LLC.

Respectfully submitted,

  
Alisa Coleman, CEO

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JAN 04 2017

HEALTH FACILITIES &  
SERVICES REVIEW BOARD



# Ferrell Hospital

1201 Pine Street | Eldorado, IL 62930 | P: 618-273-3361 | F: 618-273-2571

January 3, 2017

**VIA OVERNIGHT DELIVERY**  
**RETURN RECEIPT REQUESTED**

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

Re: Ferrell Hospital, Eldorado, Illinois; Project # 16-048  
Harrisburg Medical Center  
Opposition Letter Response

Dear Ms. Avery,

We have reviewed the two letters provided to the HFSRB by Mr. Disney and Mr. Smith from Harrisburg Medical Center dated December 16, 2016 and received by the Board on December 22, 2016. We believe these letters indicate several misrepresentations, misconceptions, and factual errors. This letter, dated January 3, 2017, is in response to the letters received from Harrisburg Medical Center. On behalf of Ferrell Hospital we trust the Review Board fully takes our comments into consideration when making its determination.

1. Deaconess Health System (DHS) Evansville, Indiana, is not a co-applicant to our permit application as was indicated in the opposition letters. The co-applicant is Deaconess Regional Healthcare Network, LLC, a totally separate Illinois entity.
2. However, Deaconess Health System (DHS) has a long history of providing Level II Trauma for the State of Illinois and is a State of Illinois designated Trauma Center; DHS also chairs the Region five State Trauma program. Deaconess is also a resource hospital

under the State of Illinois for 3 EMS services. Additionally, DHS serves as the primary Stroke Center for southern Illinois.

3. Ferrell Hospital, like Harrisburg Medical Center, is also a not-for-profit acute care hospital serving a regional, multi-county, service area which overlaps many other hospital providers in the region. Neither of us is unique in this regard.
4. Harrisburg Medical Center indicates its concern and speculates Ferrell Hospital may close. Hence, it opened an outpatient clinic in Eldorado “several years ago”. From our perspective, Harrisburg interceded or encroached in our local market by opening this competitive facility. That said, Illinois does not have a competitive / comparative CON review process like other states, so this opposition comment, is irrelevant.
5. Ferrell’s proposed modernization project is based on providing local geographic access to a wide-range of healthcare services to the community as it has provided since its founding. Additionally, the modernization project will enable Ferrell to improve the quality and care the Hospital offers its patients. We are the sole community hospital in Eldorado, Illinois.
6. In a letter dated September 6, 2002, Ferrell Hospital was designated a “necessary provider of health services” by the IDPH. Subsequently, in a letter dated February 13, 2003, CMS designated Ferrell Hospital as a CAH (Critical Access Hospital). More recently, Ferrell was also designated an “Essential Community Provider” under the Affordable Care Act (ACA). These continued designations indicate Ferrell Hospital is an essential access point for local healthcare services and wishes to remain so through its proposed modernization project. The reasons for the original CAH designation have not changed over the years and Ferrell continuously adheres to the purpose of its designation by seeking to improve access to healthcare by keeping essential services within its rural community. This is a goal of its modernization project.

7. Harrisburg Medical Center indicates Ferrell is financially advantaged by being a CAH. This is a factual statement and consistent with federal law and regulations predicated on reducing the financial vulnerability of rural hospitals and preserving necessary and accessible healthcare services in rural America.
8. Harrisburg Medical Center implies in its opposition letter that Deaconess Health Systems, Evansville, Indiana, financially supports Ferrell Hospital to the Medical Centers detriment. This is not a factual claim. Deaconess provides no ongoing financial support to Ferrell. Ferrell Hospital is an independent organization.
9. Harrisburg Medical Center claims Ferrell Hospital “transfers” patients out-of-state with most of them going to Indiana. Hospitals do not generally “transfer” patients, physicians make the appropriate referrals. Stark law implications aside, patients have preferences, patients self-select providers, and specialized healthcare services are not always locally available. Hospitals do not fully control patient / provider relationships as is referenced in the opposition letters. It is a dynamic marketplace and patients make choices.
10. Since the inception of the Medicare Rural Hospital Flexibility Program and 42 CFR, Part 485, there have been many initiatives to modify the CAH program. However, no one has been successful in these endeavors; on the whole, Congress supports rural healthcare. We see no current efforts to modify the basis for critical access hospital existence as originally conceived.
11. Ferrell Hospital proposes to maintain and modernize its current 25 authorized CON beds by modernizing 5 of its semi-private rooms and making updates to have 15 private rooms. Given that its peak census approximates 22 patients (see 2015, AHQ, IDPH). CAH hospitals with small bed basis have wide swings in its seasonal, daily, and hourly usage. The average annual midnight occupancy percentage does not reflect operational realities in a small CAH Hospital. We propose to provide modernized facilities for our community and regional service area as we presently furnish. This reality does not rise to the level of “maldistribution” as claimed.

12. Harrisburg claims “the scope and size of this project exceeds the scope and size of a project necessary to correct Ferrell Hospital deficiencies ...”. In fact, Ferrell proposes to essentially update existing facilities through its modernization project and provide adequate facilities for Ferrell’s community and service area. Two General Radiology rooms are necessary to provide back-up due to routine maintenance and/or equipment failure. Two OR suites are proposed due to scheduling and contaminated case consideration (quality of care / infection control) and the proposed ED stations are based on peak demand.
  
13. The opposition letter explicitly indicates certain existing imaging services, (MRI, CT, Nuclear Medicine, Mammography, and Ultrasound) not be replaced / modernized as proposed in the Project. Each of these services, excepting mammography, provide inpatient services. Why would Ferrell Hospital deny these services to their patients? Harrisburg, by their opposition, proposes to interfere with the practice of medicine in Eldorado similar to their developing an outpatient facility in our community several years ago.
  
14. It is within the Review Boards purview to judge our capital cost, not another provider. The facility component itself approximates 58 percent of the project cost, and we believe the cost per sq. ft. to be within the Board’s guidelines. If the proposed project cost is excessive, or unfeasible, we do not believe the USDA would consider its funding.

To reiterate, we believe the opposing letters are self-serving predicated on hoping Ferrell Hospital will close. Our proposed modernization project is based on the Hospital remaining a vital community resource providing local access to care for our rural community. We trust the review Board comes to the same conclusion.

Ferrell Hospital  
Opposition Letter Response  
January 3, 2017  
Page 5 of 5

If you have any questions, I can be reach at 618-273-3361 ext. 150 or by e-mail at [acoleman@ferrellhosp.org](mailto:acoleman@ferrellhosp.org).

Sincerely,

A handwritten signature in cursive script that reads "Alisa Coleman". The signature is written in black ink and is positioned above the printed name and title.

Alisa Coleman, MHA  
Chief Executive Officer

CC: Mike Constantino, Supervisor, Project Review Section