



HSHS St. Joseph's Hospital
Breese

September 2, 2020

HSHS St. Mary's Hospital
Decatur

HSHS St. Anthony's Memorial Hospital
Effingham

Via Electronic Delivery

HSHS Holy Family Hospital
Greenville

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

HSHS St. Joseph's Hospital
Highland

HSHS St. Francis Hospital
Litchfield

HSHS St. Elizabeth's Hospital
O'Fallon

Re: Project #20-030, Effingham Medical Office Building, Effingham

HSHS Good Shepherd Hospital
Shelbyville

**Opposition Statement of Hospital Sisters Health System, and
Request to Extend Comment and Review Period**

HSHS St. John's Hospital
Springfield

St. John's College of Nursing
Springfield

Dear Ms. Avery:

On behalf of the Hospital Sisters Health System ("HSHS"), I respectfully submit this objection to the CON application Project #20-030, Effingham Medical Office Building, Effingham. At the outset, we wish to emphasize that HSHS favors the modernization of health care facilities and services, and if Project #20-030 were *only* a modernization of existing services, we would not be presenting this opposition. As it stands, however, this project is an aggressive over-expansion that dwarfs the existing building it purports to replace while *adding* new services which not only duplicate those provided by HSHS St. Anthony's Memorial Hospital in Effingham but relies on St. Anthony's own patient volume to justify the new services.

The permit application failed to respond to all applicable Review Criteria, as the applicant partially acknowledges in its written submission dated August 27, 2020. As of the date of this letter, the project file still does not contain the missing information. For this reason, we respectfully request that the comment period for this project be extended beyond September 2, 2020 to a date that allows HSHS and the affected community a reasonable opportunity to review information responsive to all applicable Review Criteria, if and when it is submitted by the applicant. Pending the submission of such responsive documentation from the applicant, please accept the following written comment in opposition to Project #20-030.

1. The Applicant Acknowledges that the Permit Application Lacked Required Information Relating to Proposed New Services

As noted in our written comment dated August 22, 2020, the permit application identified two services that the applicant does not currently provide, namely, CT Scan and Ultrasound. The permit application states that CT Scan “**is not a service currently provided in the market area**” by the applicant and that Ultrasound “**is not currently provided in the existing medical office building[.]**” (CON Application pages 93 and 94.) As required by the Review Board’s rules, the applicant was required to submit physician referral letters for these services in order for the Review Board and the community to assess the impact of this proposed project on existing area providers. (77 Ill. Adm. Code 1110.270(b)(3).)

In its additional information dated August 27, 2020, and contrary to the representations in the permit application, the applicant now says in bold type that it “**does provide** the proposed clinical services and programs of the Effingham Medical Office Building at existing SBLHC locations.” One of those “locations” is the applicant’s hospital in Mattoon, and another is a clinic on Merchant Street in Effingham, which is *not* the building being demolished and replaced by this project.

The applicant now acknowledges that physician referral letters are required but, it argues, only for CT Scan. The referral letters we have seen to date do not allow us to determine the full extent of the impact of the project on existing providers. Moreover, the applicant does not represent that it will *cease* providing CT Scan in Mattoon, or even reduce the pieces of equipment. Rather, the applicant is *unnecessarily duplicating* the service it already provides in Mattoon.

2. Physician Referral Letters are Required for Ultrasound, but the Applicant Does Not Provide Them

The applicant acknowledges that Ultrasound is not currently provided in the medical office building that is being demolished and replaced by this project. The applicant argues that because Ultrasound is provided at another location in Effingham (in a building different from the one being demolished and replaced for this project), that service can be included in this project by merely addressing the modernization criteria and without complying with the establishment criteria. The applicant misconstrues the criteria.

The criteria clearly distinguishes between services that are being replaced “onsite”, which are subject to the modernization criteria, and services being relocated to a “new site”, which are subject to the establishment criteria:

“3) If the proposed project involves the replacement of a facility or service **onsite**, the applicant shall comply with the requirements listed in subsection (a)(2) (**Service Modernization**).

4) If the proposed project involves the replacement of a facility or service on a **new site**, the applicant shall comply with the requirements of subsection (a)(2) (**New Services or Facility or Equipment**).” 77 Ill. Adm. Code 1110.270(a)(3) and (a)(4).

The applicant has admitted that Ultrasound is not “onsite” as it is not currently provided at building that is being replaced. Consequently, this service is subject to the New Services criteria, rather than the Modernization criteria, and referral letters are required.

Under the applicant’s construction of the modernization criteria, a new surgery center could be built in Effingham by only complying with the modernization criteria because the service already exists in Effingham, and no referral letters would be needed to add the service at a new location. Importantly, the applicant does not state that it will *cease* providing Ultrasound at the other location in Effingham. Rather, as with CT Scan, it appears that this will be another unnecessary duplication of the service.

The applicant’s own additional information shows that it plans to continue providing Ultrasound at the Merchant Street address even while it establishes a second piece of equipment in the new medical office building. The applicant states that its current Ultrasound utilization is 444 visits, but it only projects sending 300 of those visits to the new building in the first year of operation, and 350 visits in the second year of operation. (Applicant’s Additional Information dated August 27, 2020, page 2.) This is a clear unnecessary duplication of services, and shows why the applicant did not want to disclose historical utilization, or provide referral letters, in its permit application.

3. The Permit Application Stated the Applicant Had no Historical Utilization for CT Scan and Ultrasound, Contrary to Statements in the Applicant’s Additional Information

The applicant provided no historical utilization for CT Scan or Ultrasound in its permit application at page 94. The reason the applicant gave for not providing historical utilization was that it was not currently providing the service:

- “This is not a service [CT Scan] currently provided in the market area by Sarah Bush Lincoln Health Center therefore historical utilization is not available.” CON Appl. at 93.

- “This is not a service [Ultrasound] currently provided in the existing medical office building therefore historical utilization is not available.” CON Appl. at 94.

The above statements are highly misleading, as the applicant’s additional information now reveals. With respect to CT Scan, the applicant now claims that it does in fact have historical utilization data based on CT Scans performed at the applicant’s hospital in Mattoon. The applicant carefully worded the above language in order to avoid providing historical utilization by stating that the service was not currently provided “in the market area by Sarah Bush Lincoln Health Center,” but did not state, as it does now, that the service is being provided in Mattoon *and* the applicant is now trying to justify CT Scan based on historical utilization of the service in Mattoon. By using misleading language in the permit application, and by not disclosing historical utilization, the applicant was attempting to conceal that this project is an unnecessary duplication of existing services.

Similarly, with Ultrasound, the applicant also parsed its language to avoid providing historical utilization, and to conceal that the project is a duplication of services that the applicant itself already provides in Effingham.

4. The Permit Application Relies on “Annualized” Utilization Numbers Instead of Historical Utilization as Required by the Review Criteria

The applicant was required to provide historical utilization for each of the four clinical services proposed. It has not done so. Instead, it provided “annualized” projections. By definition, annualized numbers are not historical numbers. Annualized numbers rely on less than 12 months of data and then extrapolates that data over 12-months. That results in projected utilization, not historical utilization. The applicant should be required to provide historical utilization for all four clinical services, as required by the regulations.

5. The Applicant’s own Patient Origin Data does not Support the Location of the Project in Effingham

HSHS noted in its prior written comment that the applicant’s Patient Origin data shows that of the 7,512 patients within the identified service area, only 317 of those patients reside in Effingham County. (CON Appl. page 82.) The vast majority of identified patients (4,393) reside in Coles County. This would not appear to justify a new 64,500 gsf facility costing over \$36 million in Effingham. Given that the applicant’s inpatient base does not support the location of this project in Effingham, the project’s service area demand and patient origin is required to be documented by physician referral letters under the Review Board’s rules. (77 Ill. Adm. Code 1110.270(b)(2).) Again, such letters should be submitted on this project.

The applicant's additional information confirms that relatively few of the applicant's own patients would use the services in the new building. The utilization standard for CT Scan is 7,000 visits annually, but the applicant states that, "SBLHC had 334 CT Scan referrals from employed providers who cared for patients who reside near the proposed Effingham medical office building." (Applicant's Attachment 30 – Addendum CT Scan; emphasis added.) This extremely low number of patient visits is another obvious reason why the applicant did not provide historical utilization data in the permit application, and only disclosed the information after HSHS and the Review Board's staff inquired about it.

6. The Proposed Project Will Adversely Impact HSHS St. Anthony's

The applicant's projected utilization of the imaging equipment is so low that the services cannot possibly be financially viable without taking substantial patient volumes from St. Anthony's. Moreover, as noted above, the applicant's projected utilization is not based on historical utilization but are based on projected annualized data. The applicant then takes these annualized projections and applies an arbitrary annual multiplier, ranging from 3.3% to 8% to reach a desired utilization rate.

The applicant's own annualized projections, which are likely higher than actual historical utilization, show that the project will create substantial excess capacity in the area:

CT Scan: The State Standard for CT Scan is 7,000 visits. While the applicant "projects" 1,020 annual visits, its own historical utilization is only 334 visits, which is less than 5% utilization. The applicant would need 6,666 additional visits from another source, presumably St. Anthony's, to operate the CT Scan at full capacity.

Ultrasound: The utilization standard for Ultrasound is 3,100 visits. The applicant projects only 350 visits by the second year of operation. That leaves excess capacity of 2,750 visits.

X-Ray: The applicant proposes three X-Ray machines. At target utilization of 8,000 procedures per machine, that creates capacity of 24,000 procedures. The applicant's annualized utilization is 8,995, which leaves capacity for another 15,005 procedures.

MRI: The State Standard for MRI is 2,500 procedures, but the applicant only identifies 1,292 procedures on an annualized basis. Even with this inflated number, the MRI would be utilized at just above 50% and have excess capacity for an additional 1,208 procedures.

The excess capacity created by this project adversely impacts St. Anthony's Memorial Hospital. To fully utilize that capacity and render the

imaging equipment financially viable, the applicant would have to redirect many thousands of procedures and patient visits from the hospital to the proposed project. The applicant has already acknowledged that it will redirect patient volume for St. Anthony's for the CT Scanner. The potential adverse impact on St. Anthony's from just the excess capacity created by the four imaging services is as follows:

	Procedures/Visits	Lost Net Revenue	Lost Contribution Margin
CT Scan	6,666	\$7,564,777	\$4,538,866
Ultrasound	2,750	\$1,135,858	\$681,515
X-Ray	15,005	\$2,767,222	\$1,660,333
MRI	1,208	\$1,409,506	\$845,704
TOTAL	25,629	\$12,877,363	\$7,726,418

7. The Project does Not Comply with the Impact on Other Facilities Criterion

The applicant was required to show for both CT Scan and for Ultrasound that it would not reduce the utilization of existing facilities under Section 1110.270(b)(3). The applicant did not respond to this criterion for Ultrasound. For CT Scan, the applicant overstates St. Anthony's utilization.

St. Anthony's operates three CT scanners, not two as asserted by the applicant. In addition to the two scanners within the hospital, St. Anthony's also operates a third scanner in its ambulatory building that was approved by the Review Board in Project #14-056, and which was completed in June 2019. For CY 2019 the total utilization of these three scanners combined was 13,022.

Because the St. Anthony's scanners are operating below State Standard of 7,000 procedures per scanner, the applicant was required to show that the project will not "Lower, to a further extent, the utilization of other area providers that are currently (during the latest 12-month period) operating below the utilization standards." 77 Ill. Adm. Code 1110.270(b)(3)(B). The applicant's additional information now admits that it will be taking CT Scan procedures from St. Anthony's, which will further lower utilization in violation of the Board's review criterion.

8. The Project's Cost per Square Foot Appears High

The project has 46,237 gsf of clinical space and clinical construction costs plus contingencies of \$19,024,663. This results in \$411.46 per GSF:

(($\$18,507,069 + \$517,594$) / 46,237 gsf). That appears high for medical office space in the Effingham area.

9. It Does Not Appear All Project Costs Are Identified

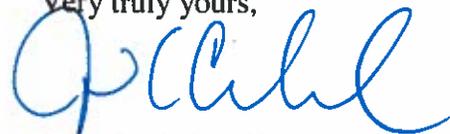
The project lists *zero* for Pre-Planning Costs, Site Survey and Soil Investigation, and Site Preparation. That appears unusual for a new building with construction costs over \$25 million.

10. The Applicant has Presented Conflicting Information on the Project's Procedure Rooms

On page 36 of the permit application, the applicant identifies a total of 62 key rooms listed as "Patient exam and procedure rooms." On page 95, the applicant indicates that all of the key rooms are exam rooms. However, the floor plans included with the applicants additional information identifies both "Exam" and "Procedure" rooms. The applicant should explain what procedures will be performed in the procedure rooms.

To conclude, many questions remain regarding this project based on the incomplete information and conflicting information. We respectfully request that additional clarifying information be provided as described in the attachment to this letter. As the project stands now, it does not comply with the Review Board's criteria, and it will adversely impact HSHS St. Anthony's Memorial Hospital by reducing patient volume in a manner that is not in compliance with the Review Board's regulations. We would hope the applicant modifies the project to bring it into compliance with the applicable criteria and conformed to the needs of the community. As currently submitted, the project does not meet applicable criteria and should be denied for that reason.

Very truly yours,



Julie Goebel, MHA
Vice President, Strategy
HSHS Illinois

Additional Information Needed Regarding Project #20-030

1. Actual Historical Utilization for X-Ray (not “annualized” utilization).
2. Actual Historical Utilization for CT Scan (not “annualized” utilization).
3. Actual Historical Utilization for Ultrasound (not “annualized” utilization).
4. Actual Historical Utilization for MRI (not “annualized” utilization).
5. Response to the Establishment Criteria for Ultrasound, including Referral Letters.
6. Identify facilities impacted on all referral letters.
7. Explanation as whether the Ultrasound is in addition to the existing Ultrasound at the Merchant Street clinic, and whether the applicant intends to continue operating the ultrasound equipment at that clinic.
8. Given that the applicant is relying on CT Scan volume from at its Mattoon hospital to support a new CT Scan in Effingham, identify what the applicant intends to do with the excess CT Scan equipment at its hospital.
9. Identify the procedures the applicant intends to perform in the rooms designated as “Procedure” in its floor plans.
10. Identify Preplanning Costs.
11. Identify Site Survey and Soil Investigation Costs.
12. Identify Site Preparation Costs.
13. Explain why the new building needs to be almost 2 ½ times the size of the existing building given that population in Effingham is declining.