DOCKET NO: I-03       BOARD MEETING: May 14, 2013       PROJECT NO: 12-096       PROJECT COST: Original: $8,755,385

FACILITY NAME: Silver Cross Emergicare Center (Frankfort)       CITY: Frankfort

TYPE OF PROJECT: Substantive       HSA: IX

PROJECT DESCRIPTION: The applicants (Silver Cross Hospital and Medical Center and Silver Cross Health System) are proposing the establishment of a free standing emergency center in Frankfort, Illinois. The anticipated cost of the project is $8,755,385. The anticipated completion date is January 31, 2015.

The State Board Staff Notes that the Emergency Medical Services Systems Act (210 ILCS 50) was amended to allow the establishment of a freestanding emergency center by January 1, 2015 if the FSEC is located: (A) in a municipality with a population of 50,000 to 75,000 or fewer inhabitants; (B) within 50 to 20 miles of the hospital that owns or controls the FEC; and (C) within 50 to 20 miles of the Resource Hospital affiliated with the FEC as part of the EMS System. The State Board rules have not been updated to reflect this amendment. A Resource Hospital means the hospital that is responsible for an Emergency Medical Services (EMS) System in a specific geographic region, as defined in the Emergency Medical Services (EMS) Systems Act [210 ILCS 50].

This application was given an Intent to Deny at the February 2013 State Board Meeting. The applicant submitted additional information to address the intent to deny on March 6, 2013.

APPLICANT’S SUBMITTAL

The applicant stated in part the following:

Please consider the following response and supplemental information in support of the Project. Echoing the statements set forth in the SAR the Review Board identified the two primary reasons in issuing its intent to Deny: (1) a lack of need in the defined service area because the emergency departments of several facilities in the defined service area for the Project are underutilized, and (2) a likely duplication or maldistribution of services because the emergency departments of several facilities for the Project in the defined service area are underutilized. One Review Board member was also concerned that the site survey soil investigation and the preparation costs associated with the Project exceed the State Norms.
Simply put we agree with the Review Board’s conclusion (and the conclusion set forth in the SAR) that the emergency departments of several hospitals in the defined service area for the Project are underutilized. Indeed, the data clearly supports the notion that the emergency departments at Franciscan Alliance - Olympia Fields, Advocate South Suburban Hospital, Ingalls Memorial Hospital and the Blue Island Hospital Company are underutilized (collectively, the "Underutilized Hospitals").

However the patients projected to use Silver Cross’s Freestanding Emergency Center (FEC”) at Frankfort will not be coming from the underutilized Hospitals; rather the projected patients for Silver Cross Frankfort FSEC are all projected to come from the Emergency Department at Silver Cross’ replacement hospital in New Lenox and Silver Cross’s Homer Glen FSEC (Silver Cross’ Enterprise Wide Emergency Department). Thus the only hospital to be affected by the proposed FEC is Silver Cross because all of the projected patients will come from Silver Cross.

Since Silver Cross moved to its replacement hospital campus in New Lenox in February of 2012; Silver Cross’ Enterprise Wide Emergency Department visits have increased by more than 6.8%. The percentage of the patients coming to Silver Cross Enterprise Wide Emergency Department from the proposed service area for the FSEC has grown even faster. In 2010 patients in the proposed service area represented 17% of the, Enterprise Wide Emergency Department volume at Silver Cross; now patients in the proposed service area account for at least 23% of the Enterprise Wide Emergency Department volume at Silver Cross. Silver Cross’ market share of emergency patients from the proposed service among all providers has increased from 22.6% in 2010 to more than 27.4% for the year ending June 2012. And in 2010, Silver Cross Enterprise Wide Emergency Department was the largest emergency department provider to the residents of Frankfort with a 25% share. That 25% share jumped to a 31% share for the 12 months ending June 2012.

Although it is not clear that the project costs exceeding the State norm for Site Survey, Soil Investigation and Site Preparation really played a factor in the issuance of the Intent to Deny those cost are all easily explained. The subject property is undeveloped and will require significant infrastructure improvement - such as water and sewer, road construction to the property that does not exist now; improvement of the intersection at Route 30 and certain building aesthetics such as a brick surround for garbage as required by the Village of Frankfort, Also, there will be work associated excavation, grading and water detention. As an example, Silver Cross has estimated that excavation work will cost approximately $550,000 paving will be nearly $200,000, and adding a stoplight at the intersection of Route 30 and 93rd Avenue will cost roughly $150,000. While this does not account for all the costs in this category it is an example of what Silver Cross is anticipating. Silver Cross elected to budget sufficient money to cover these additional costs. While it is likely that a all of the money will not be spent, Silver Cross did not want to underestimate the additional costs and thereby cause additional delays during the actual development of the FSEC. The applicants’ submittal is attached at the end of this report.

STATE BOARD STAFF’S RESPONSE

In response to the applicant’s submittal, the State Board Staff is required to review the submitted project as it applies to a 30 minute geographic service area and the facilities within that service area, not the enterprise wide emergency department’s utilization. While the applicants assert that all patients for the proposed project will come from existing Silver Cross facilities; under CURRENT STATE BOARD RULES the
utilization of other facilities must be taken into account when determining the need for additional stations and whether the proposed project will cause a unnecessary duplication of stations or a maldistribution of stations. Based upon the information that has been provided to the State Board Staff the existing 193 stations in this service area are operating at approximately 37% utilization. Five of the eight facilities within 30 minutes are not at target occupancy (State Standard 2,000 visits per station).

State Board Staff’s findings remain unchanged from the original State Board Staff Report.

Advocate South Suburban Hospital provided a response to the Safety Net Impact Statement submitted by the applicants that is included in the Safety Net Impact Section.

The State Board Staff also notes that there are two projects before you today to establish a free standing emergency center in the same city (Frankfort). Project #12-089 from Riverside Medical Center and Project #12-096 from Silver Cross Hospital and Medical Center. If both projects are approved these facilities will be located within 5 minutes of each other.
EXECUTIVE SUMMARY

PROJECT DESCRIPTION:
- The applicants are proposing a 4 treatment room free standing emergency center in 10,102 GSF of space in Frankfort, Illinois. The anticipated cost of the project is $8,755,385. The anticipated completion date is January 31, 2015.

WHY THE PROJECT IS BEFORE THE STATE BOARD:
- This project is before the State Board because the project proposes to establish a health care facility as defined by Illinois Health Facilities Planning Act.

PURPOSE OF THE PROJECT:
- The applicants state the proposed project will improve access to emergency department services for the residents of Frankfort and surrounding communities.

BACKGROUND/COMPLIANCE ISSUES
- The applicants do not have any outstanding compliance issues with the State Board.

IMPACT LETTERS:
- **Beth Hughes CEO Presence Saint Joseph Hospital stated in opposition:** I am writing in response to your letter dated November 9, 2012 which was not received in my office until November 26, 2012. According to MapQuest, Presence Saint Joseph Medical Center is 28 minutes away from the proposed Silver Cross project site. However, ~ the 1.15 travel time adjustment allowed for metropolitan areas is applied, Presence Saint Joseph Medical Center can be said to be 32.2 minutes from the proposed project and thus just very slightly beyond the required service area boundary. Nonetheless, your proposed freestanding emergency center (FEC) would have a profound negative impact on our emergency department services. Presence Saint Joseph Medical Center's emergency room includes 53 patient care stations and received 66,5n patient visits in 2011, as reported in its IDPH annual questionnaire. Since the IHFSAB standard for emergency department utilization is 2000 visits per station, Saint Joseph's occupancy was only 62.8% in 2011. Saint Joseph's emergency department volume has declined by 8.6% since its peak utilization of 72,829 in 2007, due to increased area competition from new immediate care centers and retail centers and especially Silver Cross's existing freestanding emergency center in Homer Glen. Even though Presence Saint Joseph Medical Center is located slightly beyond the western boundary of the formal service area definition of the proposed FEC, (2.2 minutes away), 16,529 or fully 23.5% of Saint Joseph's current ED patients reside in the service area of the proposed FEC and therefore this volume is at risk. Later this month, Saint Joseph will be opening a Federally Qualified Health Center (FQHC) on its campus to establish a new medical home for patients who currently use the emergency department for primary care needs. It is estimated that the FQHC will reduce hospital ED visits at Saint Joseph by 5,475 visits per year. This will increase Saint Joseph's capacity to treat appropriate ED visits; however, the FQHC's projected volume will reduce the Medical Center's overall ED occupancy to 57.6%. Given the above analysis, if Silver Cross’ FEC were to succeed in reducing Saint
Joseph's ED volume by 16,529 and the FQHC reduced the volume by an additional 5,475, Saint Joseph's volume would then be around 44,600 and its occupancy would be reduced to 42.1%. This dramatic decrease in occupancy, as well as the swelling numbers of immediate care and retail care centers in the area shows that there is no need for a freestanding ED in Frankfort.

**Advocate South Suburban Hospital** stated Thank you for your letter dated November 9, 2012, and received via certified mail on November 23, 2012 inquiring about the potential impact of Silver Cross Hospital & Medical Center establishing a Freestanding Emergency Center at the corner of 93'd Avenue and US Route 30 in Frankfort. We believe that the proposed facility could have an adverse impact on Advocate South Suburban Hospital both in terms of staffing and utilization. For the past 12 months, our vacancy rate in the emergency department at Advocate South Suburban Hospital has averaged in excess of 15 percent. In regards to utilization, we are currently treating approximately 1,500 patients per emergency department treatment station annually. Applying the state utilization standard of 2,000 visits per treatment station annually, Advocate South Suburban Hospital has excess capacity in its emergency department. We believe that the proximity of Silver Cross Hospital & Medical Center's proposed Freestanding Emergency Center to Advocate South Suburban Hospital would lower, as provided in Section 1110.3230(c)(3)(b), to a further extent, the utilization of our emergency department below the utilization standards.

**PUBLIC HEARING/COMMENTS**

- A public hearing was conducted on January 10, 2013 from 12:30 pm - 3:00 pm. 25 individuals registered in attendance. 6 individuals provided supporting oral testimony and 5 individuals provided oral opposition testimony. 3 individuals registered in support of the project and 10 individuals registered in opposition. 1 individual did not declare a preference. Support and opposition letters were received by the state board staff.

**NEED FOR THE PROJECT:**

- To establish a free standing emergency service center the applicants must
  1. Be compliance with licensure requirements of the Emergency Medical Services Act;
  2. Be in a municipality with a population of 50,000 or fewer inhabitants;
  3. Be within 50 miles of the hospital that owns or controls the FEC; and
  4. Be within 50 miles of the Resource Hospital affiliated with the FEC.
  5. Provide service to planning area residents;
  6. Be a demand for the service in the geographical service area;
  7. Improve access;
  8. Not cause an unnecessary duplication of service or maldistribution of service;
  9. Not reduce the utilization of other area providers.

The FEC will be located in the Village of Frankfort. According to the U.S. Census Bureau, Frankfort had an estimated population of 17,782 people in 2010. The
The proposed FEC will be owned by Silver Cross Hospital and Medical Centers (“Silver Cross Hospital”). The proposed FEC is located 11.6 miles or 18.4 minutes normal travel time from Silver Cross Hospital. The Resource Hospital affiliated with the proposed FEC is Silver Cross Hospital. The applicants provided the necessary attestation that if approved the Free Standing Emergency Center will become Medicare Certified and licensed under the Emergency Medical Services Act as required.

The applicants have provided documentation that indicates that 80% of the patients to the proposed facility will come from within the proposed geographical service area.

The applicants have stated the demand for this project stems from the fact that 23% of the patients being seen at the emergency department at Silver Cross Hospital in New Lenox reside in the proposed geographical service area of the proposed FSEC. According to the applicants in the last 12 months, 15,932 patients came to Silver Cross’ Emergency Department from the proposed FSEC geographical service area.

There is no absence of ED services within the proposed GSA, nor does the area population and existing care system exhibit indicators of medical care problems. Not all of the existing emergency departments within 30 minutes of the proposed location are operating at are above 2,000 visits per station. It does not appear that service access will be improved and that an unnecessary duplication of services may result from the establishment of the proposed facility. See table below.

<table>
<thead>
<tr>
<th>Facilities</th>
<th>City</th>
<th>Stations</th>
<th>Adjusted Time</th>
<th>2011 Rooms</th>
<th>Rooms Justified</th>
<th>Met Standard?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franciscan Alliance, Inc.</td>
<td>Olympia Fields</td>
<td>24</td>
<td>15</td>
<td>35,877</td>
<td>18</td>
<td>No</td>
</tr>
<tr>
<td>Silver Cross Hospital and Medical Center</td>
<td>New Lenox</td>
<td>38</td>
<td>18.4</td>
<td>56,264</td>
<td>29</td>
<td>No</td>
</tr>
<tr>
<td>Advocate South Suburban Hospital</td>
<td>Hazel Crest</td>
<td>25</td>
<td>20.7</td>
<td>44,104</td>
<td>23</td>
<td>No</td>
</tr>
<tr>
<td>Franciscan Alliance, Inc.</td>
<td>Chicago Heights</td>
<td>22</td>
<td>20.7</td>
<td>43,087</td>
<td>22</td>
<td>Yes</td>
</tr>
<tr>
<td>Silver Cross Emergicare Center</td>
<td>Homer Glen</td>
<td>6</td>
<td>24.2</td>
<td>11,230</td>
<td>6</td>
<td>Yes</td>
</tr>
<tr>
<td>Ingalls Memorial Hospital</td>
<td>Harvey</td>
<td>31</td>
<td>26.5</td>
<td>47,290</td>
<td>24</td>
<td>No</td>
</tr>
<tr>
<td>Palos Community Hospital</td>
<td>Palos Heights</td>
<td>20</td>
<td>27.6</td>
<td>47,699</td>
<td>24</td>
<td>Yes</td>
</tr>
<tr>
<td>Blue Island Hospital Company, LLC</td>
<td>Blue Island</td>
<td>27</td>
<td>29.9</td>
<td>44,989</td>
<td>23</td>
<td>No</td>
</tr>
</tbody>
</table>

Information taken from 2011 IDPH Profile
Time and Distance from MapQuest and adjusted per 1100.510 d
Silver Cross Hospital relocated from Joliet to New Lenox in February of 2012.

**FINANCIAL AND ECONOMIC FEASIBILITY**

- The entirety of the project will be funded through internal sources (Cash and Securities) and a review of the financial statements indicates sufficient cash is available to fund the
CONCLUSIONS:
The applicants addressed a total of 12 review criterion and have failed to meet the following:

<table>
<thead>
<tr>
<th>State Board Standards Not Met</th>
<th>Reasons for Non-Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1110.3230 (b) Planning Area Need</strong></td>
<td>Existing facilities within the proposed geographical service area are operating at less than the State Board target occupancy.</td>
</tr>
<tr>
<td><strong>1110.3230 (e) Maldistribution/ Unnecessary Duplication of Service</strong></td>
<td>Existing facilities within the proposed geographical service area are operating at less than the State Board target occupancy.</td>
</tr>
<tr>
<td><strong>1120.140 (c) - Reasonableness of Project Costs</strong></td>
<td>The Site Survey, Soil Investigation and Site Preparation component exceeds the Section 1120 norm because of three significant factors. First, the Applicants have to pay the Village of Frankfort to build a road to the Project - because one does not currently exist. Second, the site itself has significant water detention issues which will require greater than normal excavation and landscaping costs. More specifically, the Applicants will have to drain the land (on a permanent basis) and create a detention pond. Third, the Village of Frankfort has significant ordinance requirements in regards to aesthetics. For example, the Applicants will have to create a separate enclosure for a dumpster.</td>
</tr>
</tbody>
</table>
SUPPLEMENTAL
STATE BOARD STAFF REPORT
Silver Cross Emergicare Center (Frankfort)
PROJECT #12-096

<table>
<thead>
<tr>
<th>Applicants</th>
<th>Silver Cross Hospital and Medical Center, Silver Health System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility Name</td>
<td>Silver Cross Emergicare Center (Frankfort)</td>
</tr>
<tr>
<td>Location</td>
<td>Frankfort</td>
</tr>
<tr>
<td>Application Received</td>
<td>November 21, 2012</td>
</tr>
<tr>
<td>Application Deemed Complete</td>
<td>November 26, 2012</td>
</tr>
<tr>
<td>Review Period Ended</td>
<td>February 26, 2013</td>
</tr>
<tr>
<td>Review Period Extended by the State Board Staff</td>
<td>No</td>
</tr>
<tr>
<td>Public Hearing Requested</td>
<td>No</td>
</tr>
<tr>
<td>Applicants’ Deferred Project</td>
<td>No</td>
</tr>
<tr>
<td>Can Applicants Request Another Deferral?</td>
<td>Yes</td>
</tr>
<tr>
<td>Applicants’ Modified the Project</td>
<td>No</td>
</tr>
</tbody>
</table>

I. The Proposed Project

The applicants (Silver Cross Hospital and Medical Center and Silver Cross Health System) are proposing the establishment of free standing emergency center in Frankfort, Illinois. The anticipated cost of the project is $8,755,385. The anticipated completion date is January 31, 2015.

II. Summary of Findings

A. The State Board Staff finds the proposed project does not appear to be in conformance with the provisions of Part 1110.

B. The State Board Staff finds the proposed project does not appear to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Silver Cross Hospital and Medical Center and Silver Cross Health System. The proposed facility will be located at the Corner of 93rd Avenue and US Route 30. Silver Cross Hospital and Medical Center is the operating entity and the owner of the site. The proposed facility will be located in HSA IX. HSA IX is comprised of Illinois Counties of Grundy, Kankakee, Kendall, and Will.

There is no land acquisition cost for this project. This is a substantive project subject to both a Part 1110 and Part 1120 review. Project obligation will occur
after permit issuance. At the conclusion of this report is the 2011 Hospital Profile for Silver Cross Hospital and Medical Center.

Summary of Support and Opposition Letters

A public hearing was conducted on January 10, 2013 from 12:30 pm – 3:00 pm. 25 individuals registered in attendance. 6 individuals provided supporting oral testimony and 5 individuals provided oral opposition testimony. 3 individuals registered in support of the project and 10 individuals registered in opposition. 1 individual did not declare a preference. Support and opposition letters were received by the state board staff.

IV. The Proposed Project - Details

The applicants are proposing a 4 treatment room free standing emergency center in 10,102 GSF of space in Frankfort, Illinois. The anticipated cost of the project is $8,755,385. The anticipated completion date is January 31, 2015.

V. Project Costs and Sources of Funds

The total estimated project cost is $8,755,385. The proposed project is being funded with cash and securities. Table One outlines the project’s costs and uses of funds. Itemization of the line item amounts above can be found at pages 51-53 of the application for permit.

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>Clinical</th>
<th>Non Clinical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preplanning Costs</td>
<td>$24,040</td>
<td>$25,960</td>
<td>$50,000</td>
</tr>
<tr>
<td>Site Survey and Soil Investigation</td>
<td>$12,020</td>
<td>$12,980</td>
<td>$25,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$736,874</td>
<td>$795,726</td>
<td>$1,532,600</td>
</tr>
<tr>
<td>New Construction</td>
<td>$1,727,335</td>
<td>$1,865,291</td>
<td>$3,592,626</td>
</tr>
<tr>
<td>Contingencies</td>
<td>$172,733</td>
<td>$186,529</td>
<td>$359,262</td>
</tr>
<tr>
<td>A/E Fees</td>
<td>$205,493</td>
<td>$221,906</td>
<td>$427,399</td>
</tr>
<tr>
<td>Consulting Fees</td>
<td>$60,100</td>
<td>$64,900</td>
<td>$125,000</td>
</tr>
<tr>
<td>Movable Equipment</td>
<td>$2,365,823</td>
<td>$277,675</td>
<td>$2,643,498</td>
</tr>
<tr>
<td>Total Uses of Funds</td>
<td>$5,304,418</td>
<td>$3,450,967</td>
<td>$8,755,385</td>
</tr>
</tbody>
</table>

Sources of Funds: Clinical: $5,304,418, Non Clinical: $3,450,967, Total: $8,755,385
VI. **Cost/Space Requirements**

Table Two displays the project’s cost/space requirements for the project.

| TABLE TWO  |
| Spreadsheet name: Silver Cross Emergicare Center - Frankfort/Space Allocation |

<table>
<thead>
<tr>
<th>Clinical Department</th>
<th>Existing Cost</th>
<th>Proposed New</th>
<th>Modernized</th>
<th>Vacated</th>
<th>As Is</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Standing Emergicare Center</td>
<td>$8,755,385</td>
<td>0</td>
<td>10,102</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>$8,755,385</td>
<td>0</td>
<td>10,102</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

VI I. **Section 1110.230 – Background, Project Purpose and Alternatives**

A. **Criterion 1110.230(a) - Background of Applicant**

The Criterion states:

"1) An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character, to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFPB shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder")."

The applicant provided a list of all health care facilities currently owned and/or operated by the applicant, including licensing, certification and accreditation identification numbers, a certified listing from the applicant of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application, and authorization permitting HFPB and Illinois Department of Public Health (IDPH) access to any documents necessary to verify the
The information submitted. The applicants appear fit, willing and able and have the qualifications, background and character to adequately provide a proper standard of healthcare service for the community.

B. Safety Net Impact Statement/Charity Care

Silver Cross believes that the proposed FEC will have no negative impact on essential safety net services. In fact, it is expected that the Project will improve essential safety net services because Medicaid and Medicare patients will have greater access to emergency department services.

| TABLE THREE |
| SAFETY NET INFORMATION |
| Silver Cross Hospital and Medical Center |
| NET REVENUE | $227,744,000 | $240,581,000 | $247,425,000 |
| CHARITY CARE | |
| Charity | 4,317 | 4,104 | 5,100 |
| Charity Cost | $7,459,000 | $8,006,000 | $8,006,000 |
| % of Charity Care to Net Rev. | 3.28% | 3.33% | 3.24% |
| MEDICAID | |
| Medicaid (Patients) | 36,574 | 35,933 | 36,045 |
| Medicaid (Revenue) | $26,766,000 | $23,936,000 | $24,194,000 |
| % of Medicaid to Net Revenue | 11.75% | 9.95% | 9.78% |

Advocate South Suburban Response to Safety Net Impact Statement

When the General Assembly rewrote the Planning Act several years ago one of the changes was to require applicants for permits to provide a Safety Net Impact Statement. That provision also specifically allows others to respond to the Applicants statement. Silver Cross Hospital's entire Safety Net Statement is a total of two sentences and simply states that the project will positively impact Safety Net services and will "therefore" not adversely safety net services. The Applicant provides no analysis of how an additional freestanding emergency center (FEC) in an affluent suburban area that takes volume from existing providers will not adversely impact other hospital's Safety Net services. Both proposed FEC
projects essentially skim well-insured patients with the lowest acuity from existing hospital Emergency Departments. The Silver Cross Hospital FEC proposed facility service area (which includes the zip codes 60423,60442,60443,60448,60449,60451,60477, and 60487 is slated to be located in a well served area with four major hospital-based providers providing service. These hospitals include: Silver Cross (New Lenox), Franciscan St. James Health - Olympia Fields, Ingalls Medical Center (Harvey), and Advocate South Suburban Hospital (Hazel Crest).

This FEC project adversely affects safety net patients in two ways:

1. High Cost Environment. The proliferation of FECs in this area encourages patients to go to a high cost emergency department rather than seeking lower cost primary care or urgent care service. Patient costs, whether paid by the patient or by the state, increase dramatically.

2. Decreased Volume at Existing Hospital-based Emergency Departments.

Hospital Emergency Departments are expensive to operate, particularly when they must be prepared to handle the most life-threatening of emergencies. Fixed costs are high and can only be recouped through sufficient volume to cover these fixed costs. FEC’s generally get paid the same amount as hospital based Emergency Department’s even though the cost is lower and FEC’s can only handle basic emergency services. Silver Cross is projecting that the proposed FEC will experience 6,240 visits in 2016, the first year of operation and growing each year thereafter. Of these, 4,938 visits are projected to come from the FEC’s FSA. In 2011, Advocate South Suburban Hospital provided care for 8.4% of this market, or 4,242 visits. Establishment of an FEC in this area would negatively impact these hospital-based emergency departments by drawing favorable patient volumes from our Emergency Department, thus reducing inpatient admissions to our hospital. A decrease in volume weakens our ability to provide vital community benefit services, including free and uncompensated charity care for underserved patients. The decreased revenue from the diminished volumes would make it more difficult to maintain, much less expand, access to vital community benefit services in the community such as health and wellness screenings, health education, childhood asthma programs and school physicals. In addition to reducing our hospital-based volume, the proposed FEC has the potential to reduce outpatient visit volume that helps sustain physician practices in the market. Physicians on our medical staff practicing in this area provided about 14,000 visits in their office practices. Patients may
seek care at the FEC when it is really more appropriate for them to be seen in a primary care physician office setting. The potential reduction of emergency department volumes and associated inpatient admissions, as well as the reduction in physician office visits, will have a negative impact on Advocate South Suburban Hospital's ability to provide vital safety net health and wellness services to the area's Safety Net population.

C. Criterion 1110.230(b) - Purpose of the Project

The Criterion states:

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:
   A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;
   B) The population's morbidity or mortality rates;
   C) The incidence of various diseases in the area;
   D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);
   E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).

2) The applicant shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).

3) The applicant shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicant shall provide goals with quantified and measurable objectives with specific
time frames that relate to achieving the stated goals.

4) For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records.

The applicants propose to establish a 4 treatment room FSEC facility.

The applicants state the proposed project will improve access to emergency department services for the residents of Frankfort and surrounding communities. According to the applicants the FEC is necessary because Silver Cross has been experiencing strong demand for its Emergency Department services. Emergency Department demand has increased markedly most recently -- increasing by more than 6.8% since Silver Cross moved from its Joliet campus to its new campus in New Lenox in February of 2012. The percentage of the patients coming to Silver Cross' Emergency Department from the proposed facility service area has grown even faster in the past 2 years. In 2010, patients in the facility service area represented 17% of the Emergency Department volume at Silver Cross; now patients in the facility service area account for nearly 23% of the Emergency Department volume. In the last 12 months, 15,932 patients came to Silver Cross' Emergency Department from the proposed FEC's service area alone. The numbers of patients from the facility service area has been growing at a much faster rate than for the GSA as a whole.

D. Criterion 1110.230(c) - Alternatives to the Proposed Project

The Criterion states:

“‘The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

1) Alternative options shall be addressed. Examples of alternative options include:
A) Proposing a project of greater or lesser scope and cost;
B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
C) Utilizing other health care resources that are available to
serve all or a portion of the population proposed to be served by the project; and

D) Other considerations.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.

3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available.”

The applicants considered the following alternatives:

1. **Do Nothing**
2. **Proposing a project in a different location**
3. **Expand Silver Cross’ hospital**

The applicants rejected these three alternatives because according to the applicants the alternatives would not improve access to emergency services in the area, or would be too costly. See page 72-74 of the application for permit for a complete discussion.

VIII. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space – Review Criteria

A) Size of Project

The Criterion states:

“The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;

2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;

3) The project involves the conversion of existing bed space that
results in excess square footage.”

Table Four illustrates the spatial configuration for the Free Standing Emergency Department. The applicants have met the requirements of this criterion.

<table>
<thead>
<tr>
<th>Department/Service</th>
<th>Proposed BGSF/DGSF</th>
<th>State Standard</th>
<th>Difference</th>
<th>Met Standard?</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSEC(4 Rooms)</td>
<td>3,783</td>
<td>1,170 GSF per room</td>
<td>(224 GSF per room)</td>
<td>Yes</td>
</tr>
<tr>
<td>CT Room</td>
<td>587</td>
<td>1,800 GSF per room</td>
<td>(1,213 GSF per room)</td>
<td>Yes</td>
</tr>
<tr>
<td>X-Ray Room</td>
<td>487</td>
<td>1,300 GSF per room</td>
<td>813 GSF per room)</td>
<td>Yes</td>
</tr>
</tbody>
</table>

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT CRITERION (77 IAC 1110.234(a)).

B) Criterion 1110.234 (b) - Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. If the applicant does not meet the utilization standards in Appendix B, or if service areas do not have utilization standards in 77 Ill. Adm. Code 1100, the applicant shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source, that minimally include the following:

The applicants have documented by the second year after project completion they will be above the State Board’s target occupancy of 80% (Application, P. 78).

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED SERVICES UTILIZATION CRITERION (77 IAC 1110.234(b)).

IX. 1110.3230 - Freestanding Emergency Center Medical Services
A) All projects for an FEC must comply with the licensing requirements established in the Emergency Medical Services (EMS) Systems Act [210 ILCS 50/32.5], including the requirements that the proposed FEC is located:

A) in a municipality with a population of 75,000 or fewer inhabitants;
B) within 20 miles of the hospital that owns or controls the FEC; and
C) within 20 miles of the Resource Hospital affiliated with the FEC as part of the EMS system (Section 32.5(a) of the Emergency Medical Services (EMS) Systems Act).

6) The applicant shall certify that it has reviewed, understands and plans to comply with all of the following requirements:

A) The requirements of becoming a Medicare provider of freestanding emergency services; and
B) The requirements of becoming licensed under the Emergency Medical Services Systems Act [210 ILCS 50].

B) Criterion 1110.3230 - Area Need – Establishment or Expansion of Service

1) 77 Ill. Adm. Code 1100 Formula Calculation
No formula need calculation has been established for the FECMS category of service.

2) Service to Area Residents
Applicants proposing to establish or expand an FECMS category of service shall document that the primary purpose of the project will be to provide necessary health care to the residents of the geographic service area (GSA), which is defined as 30 minutes travel time from the proposed FEC site.

A) For projects to establish an FECMS category of service, the applicant shall document that at least 50% of the projected patient volume will be residents of the GSA described in subsection (b)(2). Documentation shall consist of patient origin data, as follows:
i) Letters from authorized representatives of hospitals or other FEC facilities that are part of the Emergency Medical Services (EMS) System for the defined GSA, including patient origin data by zip code. If letters are submitted as documentation, a certification in each letter, by the authorized representative, that the representations contained in the letter are true and correct. A complete set of the letters with original notarized signatures shall accompany the application for permit; or

ii) Patient origin data by zip code from independent data sources (e.g., Illinois Hospital Association CompData or IDPH hospital discharge data), based upon the patient's legal residence, for patients receiving services at the existing GSA facilities' emergency departments (ED), verifying that at least 50% of the ED patients served during the last 12-month period were residents of the GSA.

3) Service Demand – Establishment of FECMS Category of Service

The applicant shall document that establishment of an FECMS category of service is necessary to accommodate the service demand experienced annually by the existing GSA (as defined in subsection (b)(2)) hospitals over the latest two-year period.

A) Historical Utilization

The applicant shall document the annual number of ED patients that have received care at facilities that are located in the applicant's defined GSA for the latest two-year period prior to submission of the application;

B) Projected Utilization

The applicant shall document:

i) the estimated number of patients anticipated to receive services at the proposed FEC. The anticipated number cannot exceed the documented historical caseload of all hospitals that are located in the applicant's defined GSA.

ii) if applicable, the estimated number of patients anticipated to receive services at the proposed FEC,
based upon rapid population growth in the applicant facility's existing market area.

4) Service Accessibility
The proposed project to establish or expand an FECMS category of service is necessary to improve access for GSA residents. The applicant shall document the following:

A) Service Restrictions
The applicant shall document that at least one of the following factors exists in the GSA:

i) The absence of ED services within the GSA;

ii) The area population and existing care system exhibit indicators of medical care problems, such as high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;

iii) All existing emergency services within the 30-minute normal travel time meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.

The FEC will be located in the Village of Frankfort. According to the U.S. Census Bureau, Frankfort had an estimated population of 17,782 people in 2010. The proposed FEC will be owned by Silver Cross Hospital and Medical Centers. The proposed FEC is located 11.6 miles or 18.4 minutes normal travel time from Silver Cross Hospital. The Resource Hospital affiliated with the proposed FEC is Silver Cross Hospital and Medical Center. The applicants provided the necessary attestation that if approved the Free Standing Emergency Center will become Medicare Certified and licensed under the Emergency Medical Services Act as required.

Service to Area Residents

The applicants have documented that 80% of the projected patient volume will be residents of the geographical service area. Zip code of patient origin was provided as required.
Demand for the Service

The applicants provided a list of facilities and the number of ER visits for the past three years in the applicants defined geographical service area (GSA). The applicants are projecting 6,240 visits at the proposed FSEC by 2016. The anticipated number of visits does not exceed the documented historical caseload of all hospitals that are located in the applicant's defined GSA. However, it appears that the demand for this service can be accommodated by the underutilized facilities in this 30 minute service area.

<table>
<thead>
<tr>
<th>Facilities</th>
<th>City</th>
<th>Stations</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franciscan Alliance, Inc.</td>
<td>Olympia Fields</td>
<td>24</td>
<td>33,525</td>
<td>34,026</td>
<td>35,877</td>
</tr>
<tr>
<td>Advocate South Suburban Hospital</td>
<td>Hazel Crest</td>
<td>25</td>
<td>46,187</td>
<td>44,347</td>
<td>44,104</td>
</tr>
<tr>
<td>Franciscan Alliance, Inc.</td>
<td>Chicago Heights</td>
<td>22</td>
<td>39,266</td>
<td>41,160</td>
<td>43,087</td>
</tr>
<tr>
<td>Ingalls Memorial Hospital</td>
<td>Harvey</td>
<td>31</td>
<td>44,200</td>
<td>45,803</td>
<td>47,290</td>
</tr>
<tr>
<td>Palos Community Hospital</td>
<td>Palos Heights</td>
<td>20</td>
<td>49,122</td>
<td>48,358</td>
<td>47,699</td>
</tr>
<tr>
<td>Blue Island Hospital Company, LLC</td>
<td>Blue Island</td>
<td>27</td>
<td>43,287</td>
<td>43,131</td>
<td>44,989</td>
</tr>
<tr>
<td>Silver Cross Hospital and Medical Center</td>
<td>New Lenox</td>
<td>38</td>
<td>59,276</td>
<td>57,356</td>
<td>56,264</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>187</strong></td>
<td><strong>316,872</strong></td>
<td><strong>316,191</strong></td>
<td><strong>321,321</strong></td>
</tr>
</tbody>
</table>

Information taken from 2009, 2010, 2011 IDPH Hospital Profiles

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE PLANNING AREA NEED CRITERION (77 IAC 1110.3230 (b)).

C) Criterion 1110.3230 (c) - Unnecessary Duplication/Maldistribution

1) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information:

A) A list of all zip code areas (in total or in part) that are located within 30 minutes normal travel time of the project's site;

B) The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and
C) The names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide emergency medical services.

2) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the identified facilities within the Normal Travel Time have an excess supply of ED treatment stations characterized by such factors as, but not limited to:

   A) Historical utilization (for the latest 12-month period prior to submission of the application) for existing ED within 30 minutes travel time of the applicant's site that is below the utilization standard established pursuant to 77 Ill. Adm. Code 1100; or

   B) Insufficient population to provide the volume or caseload necessary to utilize the ED services proposed by the project at or above utilization standards.

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

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

   B) Will not lower, to a further extent, the utilization of other GSA hospitals or FECs that are currently (during the latest 12-month period) operating below the utilization standards.

4) The applicant shall document that a written request was received by all existing facilities that provide ED service located within 30 minutes travel time of the project site asking the number of treatment stations at each facility, historical ED utilization, and the anticipated impact of the proposed project upon the facility's ED utilization. The request shall include a statement that a written response be provided to the applicant no later than 15 days after receipt. Failure by an existing facility to respond to the applicant's request for information within the prescribed 15-day response period shall constitute an assumption that the existing facility will not experience an adverse impact in utilization from
the project. Copies of any correspondence received from the facilities shall be included in the application.

The applicants provided a list of all zip code areas (in total or in part) that are located within 30 minutes normal travel time of the project's site; the total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois population); and the names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide emergency medical services.

From the table below it appears there are existing facilities that are operating below the State Board standard of 2000 visits per station.

<table>
<thead>
<tr>
<th>Facilities</th>
<th>City</th>
<th>Stations</th>
<th>Adjusted Time</th>
<th>2011 Rooms</th>
<th>Justified</th>
<th>Met Standard?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franciscan Alliance, Inc.</td>
<td>Olympia Fields</td>
<td>24</td>
<td>15</td>
<td>35,877</td>
<td>18</td>
<td>No</td>
</tr>
<tr>
<td>Silver Cross Hospital and Medical Center</td>
<td>New Lenox</td>
<td>38</td>
<td>18.4</td>
<td>56,264</td>
<td>29</td>
<td>No</td>
</tr>
<tr>
<td>Advocate South Suburban Hospital</td>
<td>Hazel Crest</td>
<td>25</td>
<td>20.7</td>
<td>44,104</td>
<td>23</td>
<td>No</td>
</tr>
<tr>
<td>Franciscan Alliance, Inc.</td>
<td>Chicago Heights</td>
<td>22</td>
<td>20.7</td>
<td>43,087</td>
<td>22</td>
<td>Yes</td>
</tr>
<tr>
<td>Silver Cross Emergicare Center</td>
<td>Homer Glen</td>
<td>6</td>
<td>24.2</td>
<td>11,230</td>
<td>6</td>
<td>Yes</td>
</tr>
<tr>
<td>Ingalls Memorial Hospital</td>
<td>Harvey</td>
<td>31</td>
<td>26.5</td>
<td>47,290</td>
<td>24</td>
<td>No</td>
</tr>
<tr>
<td>Palos Community Hospital</td>
<td>Palos Heights</td>
<td>20</td>
<td>27.6</td>
<td>47,699</td>
<td>24</td>
<td>Yes</td>
</tr>
<tr>
<td>Blue Island Hospital Company, LLC</td>
<td>Blue Island</td>
<td>27</td>
<td>29.9</td>
<td>44,989</td>
<td>23</td>
<td>No</td>
</tr>
</tbody>
</table>

Information taken from 2011 IDPH Profile
Time and Distance from MapQuest and adjusted per 1100.510 d

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE UNNECESSARY DUPLICATION/MALDISTRIBUTUTION NEED CRITERION (77 IAC 1110.3230 (c)).

E) Criterion 1110.3230 (e) - Staffing Availability

1) An applicant proposing to establish an FECMS category of service shall document that a sufficient supply of personnel will be available to staff the service. Sufficient staff availability shall be based upon evidence that for the latest 12-month period prior to submission of the application, those hospitals or FECs located in zip code areas that are (in total or in part) within one hour normal travel time of the applicant facility's site have not
experienced a staffing shortage with respect to the categories of services proposed by the project.

2) A staffing shortage is indicated by an average annual vacancy rate of more than 10% for budgeted full-time equivalent staff positions for health care workers who are subject to licensing by the Department of Financial and Professional Regulation.

3) An applicant shall document that a written request for such information was received by all existing facilities within the zip code areas, and that the request included a statement that a written response be provided to the applicant no later than 15 days after receipt. Failure by an existing facility to respond to the applicant's request for information within the prescribed 15-day response period shall constitute an assumption that the existing facility has not experienced staffing vacancy rates in excess of 10%. Copies of any correspondence received from the facilities shall be included in the application.

4) If more than 25% of the facilities contacted indicated an experienced staffing vacancy rate of more than 10% percent, the applicant shall provide documentation as to how sufficient staff shall be obtained to operate the proposed project, in accordance with licensing requirements.

According to the applicants Silver Cross Hospital has been experiencing very favorable vacancy rates for staff subject to licensing by the Department of Financial and Professional Regulation in the Emergency Department. Over the past year, the vacancy rate has averaged below 3%. The applicants believe there will be available personnel to staff the proposed FSEC. The applicants intend to transfer staff from its Silver Cross Hospital to the proposed FSEC.

Beth Hughes Presence Saint Joseph Medical Center stated I will now address the issue of the vacancy rate of full time licensed personnel (RNs in the emergency department) which you are required to inquire of all hospitals within one hour of your project. Recognizing the importance of maintaining a fully staffed ED with high quality personnel, Presence Saint Joseph works very hard on its ED nurse recruitment and retention efforts and has been able to maintain its vacancy rate at 8.06% for the time period of October 1, 2011 through September 30, 2012, which is the time frame for which you requested our data. Although we cannot say that we have a staff shortage, as defined by the State standard of 10%, we must point out that this rate is four times the vacancy rate for the rest of our organization - an obvious indicator of the difficulty in
recruiting and retaining ED personnel, both licensed and non-licensed. This freestanding emergency center project in Frankfort, if approved, will have a serious negative impact on the ability to maintain appropriate staffing levels at the Presence Saint Joseph since it will be competing with Silver Cross for qualified candidates. As you requested that I do, I swear and attest that this data is true and correct to the best of my knowledge.

**University of Chicago Medical Center stated** On behalf of our hospital, I am writing in response to the efforts by Silver Cross Health System and Silver Cross Hospital & Medical Centers to develop a free standing emergency center at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. During the period between October 1, 2011 and September 30, 2012, our emergency department had an annual vacancy rate for budgeted full-time equivalent licensed health care workers of 0%.

**Ingalls Memorial Hospital stated** On behalf of our hospital, I am writing in response to the efforts by Silver Cross Health System and Silver Cross Hospital & Medical Centers to develop a Free Standing Emergency Center at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. Ingalls Memorial Hospital is a community hospital located in Harvey, Illinois. Based upon Ingalls' location in relation to Frankfort, Illinois, and Ingalls' patient origin data, the proposed Silver Cross Freestanding Emergency Center will not impact the utilization of the Ingalls' Emergency Department.

**Rehabilitation Institute of Chicago ("RIC") stated**, this letter confirms that we received your request related to staffing shortage in the emergency department. Further, it is our understanding that Silver Cross Health System and Silver Cross Hospital & Medical Centers is developing a free standing emergency center at the corner of 93'd Avenue and us Route 30 in Frankfort, Illinois. During the period between October " 2011 and September 3D, 2012, RIC is a comprehensive rehabilitation facility and as such only provides "Standby Emergency Treatment Service" and thus does not have an annual vacancy rate for budgeted full-time equivalent licensed health care workers in that area.

**Morris Hospital stated** In your letter dated November 9, 2012 and received on November 23, 2012, you informed us you are proceeding in the preparation of an application to the Illinois Health Facilities and Services Review Board to establish a free-standing emergency center at the corner of 93’0 Avenue and US Route 30 in Frankfort, IL. You asked that we indicate whether or not our Emergency Room has experienced a staffing shortage within the twelve-month period ending September 30, 2012. During that period, Morris Hospital did not experience an average vacancy rate of more than 10% for budgeted full time equivalent staff positions for healthcare workers subject to licensing by the Illinois Department of Finance and Professional Regulations. However, a few positions were posted for
more than one month and while the average vacancy was less than 10%, there was at least one month where the vacancy exceeded 10%.

**Presence Saint Mary Hospital stated** On behalf of our hospital, I am writing in response to the efforts by Silver Cross Health System and Silver Cross Hospital & Medical Centers to develop a free standing emergency center at the comer of 93rd Avenue & US Route 30 in Frankfort, Illinois. During the period between October 1, 2011 und September 30, 2012, our emergency department had an annual vacancy rate for budgeted full-time equivalent licensed health care workers of 6.1%.

**MacNeal Hospital stated** On behalf of our hospital, I am writing in response to the efforts by Silver Cross Health System and Silver Cross Hospital & Medical Centers to develop a free standing emergency center at the comer of 93rd Avenue & US Route 30 in Frankfort, Illinois. During the period between October 1, 2011 and September 30, 2012 our emergency department had an annual vacancy rate for budgeted full-time equivalent licensed health care workers of 2.7 %.

**Riverside Medical Center stated** On behalf of our hospital, I am writing in response to the efforts by Silver Cross Health System and Silver Cross Hospital and Medical Centers to develop a free standing emergency center at the corner of 93th Avenue & US Route 30 in Frankfort, Illinois. During the period between October 1, 2011 and September 30, 2012, our emergency department had an annual vacancy rate for budgeted full-time equivalent licensed health care workers of 5.73%.

**Roseland Community Hospital** stated On behalf of our hospital, I am writing in response to the efforts by Silver Cross Health System and Silver Cross Hospital & Medical Centers to develop a free standing emergency center at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. During the period between October 1, 2011 and September 30, 2012, our emergency department had an annual vacancy rate for budgeted full-time equivalent licensed health care workers of 6%.

**Little Company of Mary stated** On behalf of our hospital, I am writing in response to the efforts by Silver Cross Health System and Silver Cross Hospital & Medical Centers to develop a free standing emergency center at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. During the period between October 1, 2011 and September 30, 2012, our emergency department had an annual vacancy rate for budgeted full-time equivalent licensed health care workers of 5.78%.

**Holy Cross Hospital stated** On behalf of our hospital, I am writing in response to the efforts by Silver Cross Health System and Silver Cross Hospital & Medical Centers to develop a free standing emergency center at the comer of 93rd
Avenue & US Route 30 in Frankfort, Illinois. During the period between October 1, 2011 and September 30, 2012, our emergency department had an annual vacancy rate for budgeted full-time equivalent licensed health care workers of 3%.

**RML Specialty Hospital** stated that they operate a standby emergency department only.

**Edward Hospital** stated on behalf of our hospital, I am writing in response to the efforts by Silver Cross Health System and Silver Cross Hospital & Medical Centers to develop a free standing emergency center at the comer of 93rd Avenue & US Route 30 in Frankfort, Illinois. During the period between October 1, 2011 and September 30, 2012, our emergency department had an annual vacancy rate for budgeted full-time equivalent licensed health care workers of 3.3%.

**Saint Bernard Hospital** stated on behalf of our hospital, I am writing in response to the efforts by Silver Cross Health System and Silver Cross Hospital & Medical Centers to develop a free standing emergency center at the comer of 93rd Avenue & US Route 30 in Frankfort, Illinois. During the period between October 1, 2011 and September 30, 2012, our emergency department had an annual vacancy rate for budgeted full-time equivalent licensed health care workers of 12%.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING CRITERION (77 IAC 1110.3230 (e)).**

X. **1120.120 - Availability of Funds**

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable:

a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:

1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and

2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience. Provide a list of confirmed pledges from major donors (over $100,000);

c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;

d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:

1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;

2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;

3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;

4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;

e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;

f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;

g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
The applicants are funding the project with cash and securities of $8,755,385. A review of the applicants’ financial statements indicates that sufficient cash is available to fund the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120 (a)).

XI. 1120.130 - Financial Feasibility

Financial Viability Waiver
The applicant is NOT required to submit financial viability ratios if:

1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA), or its equivalent; or

HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

b) Viability Ratios
The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility
does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards. The latest three years' audited financial statements shall consist of:

1) Balance sheet;
2) Revenues and expenses statement;
3) Changes in fund balance; and
4) Changes in financial position.

HFSRB NOTE: To develop the above ratios, facilities shall use and submit audited financial statements. If audited financial statements are not available, the applicant shall use and submit Federal Internal Revenue Service tax returns or the Federal Internal Revenue Service 990 report with accompanying schedules. If the project involves the establishment of a new facility and/or the applicant is a new entity, supporting schedules to support the numbers shall be provided documenting how the numbers have been compiled or projected.

c) Variance
Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

The applicants are funding the project with cash and securities of $8,755,385. A review of the applicants’ financial statements indicates that sufficient cash is available to fund the project. The applicants have met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL FEASIBILITY CRITERION (77 IAC 1120.130 (a)).

XII. Section 1120.140 - Economic Feasibility

A. Criterion 1120.140(a) - Reasonableness of Financing Arrangements
The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The applicants are funding the project with cash and securities of $8,755,385. A review of the applicants’ financial statements indicates that sufficient cash is available to fund the project. The applicants have met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1120.140(a)).

B. Criterion 1120.140(b) - Terms of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as
prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

The applicants are funding the project with cash and securities of $8,755,385. A review of the applicants’ financial statements indicates that sufficient cash is available to fund the project. The applicants have met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1120.140(b)).

C. Criterion 1120.140(c) - Reasonableness of Project Cost

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the State Board’s standards as detailed in 77 IAC 1120.

**Preplanning Costs** – These costs total $24,040 and are less than 1% of construction, contingency and equipment. This appears reasonable when compared to the State Board Standard of 1.8%.

**Site Survey and Soil Investigation Site Preparation** – These costs total $748,894 and are 39.41% of construction and contingency costs. These costs appear high when compared to the State Board Standard of 5%.

**Construction and Contingencies** – These costs total $1,900,068 or $391.20 per gross square feet. This appears reasonable when compared to the State Board standard of $403.14/GSF.

**Contingencies** – These costs total $172,733. These costs are 10.00% of modernization costs. This appears reasonable when compared to the State Board standard of 10% of construction costs.

**Architect and Engineering Fees** – These costs total $205,493 or 10.8% of construction and contingency costs. This appears reasonable when
compared to the State Board standard of 7.36% -11.06% of modernization and contingency costs.

**Consulting and Other Fees** – These costs total $60,100. The State Board does not have a standard for these costs.

**Moveable Equipment** - These costs total $2,365,823. The State Board does not have a standard for these costs.

The Site Survey, Soil Investigation and Site Preparation component exceeds the Section 1120 norm because of three significant factors. First, the Applicants have to pay the Village of Frankfort to build a road to the Project - because one does not currently exist. Second, the site itself has significant water detention issues which will require greater than normal excavation and landscaping costs. More specifically, the Applicants will have to drain the land (on a permanent basis) and create a detention pond. Third, the Village of Frankfort has significant ordinance requirements in regards to aesthetics. For example, the Applicants will have to create a separate enclosure for a dumpster.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS DOES NOT TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140 (c)).**

D) **Criterion 1120.140 (d) - Projected Operating Costs**

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

The applicants anticipate the direct operating costs per visits to be $325.00. The State Board does not have a standard for these costs.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT DIRECT OPERATING COSTS CRITERION (77 IAC 1120.140 (d)).**

E) **Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs**
The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The applicants anticipate the total effect of the Project on Capital Costs per treatment to be $0. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.140 (e)).
From: EGreen@foley.com
Sent: Thursday, March 07, 2013 10:16 AM
To: Constantino, Mike
Subject: Silver Cross Frankfort FEC Supplemental Filing (Project No. 12-096)
Attachments: Silver Cross Frankfort FEC Supplemental Filing.pdf

Importance: High

Mike:

Please see the attached supplemental filing for Project 12-096 (Silver Cross Frankfort FEC).

Shoot me a note with any questions.

Best regards,

Ed

Edward J. Green, JD, MBA
National Partner in Charge of Business Development
Regulated Industries Department
Foley & Lardner LLP
321 North Clark Street, Suite 2800
Chicago, Illinois 60654-5313
Direct Dial: (312) 832-4375
Fax: (312) 832-4700
Email: egreen@foley.com

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March 6, 2013

VIA EMAIL & FEDERAL EXPRESS

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Bd.
525 West Jefferson Street
Springfield, Illinois 62761

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities & Services Review Bd.
525 West Jefferson Street
Springfield, Illinois 62761

Re: Silver Cross Emergicare Center (Frankfort), Project No. 12-096

Dear Ms. Avery and Mr. Constantino:

As you know, we are counsel to Silver Cross Health System and Silver Cross Hospital & Medical Centers (collectively, “Silver Cross”). As you also know, on February 5, 2013, Silver Cross received an initial intent to deny (the “Intent to Deny”) from the Illinois Health Facilities & Services Review Board (the “Review Board”) on Silver Cross’ Application for Permit for the Silver Cross Emergicare Center (Frankfort), Project No. 12-096 (the “Project”). Pursuant to 77 Ill Admin. § 1130.670(b) and (c)(3), please consider the following response and supplemental information in support of the Project (the “Supplemental Filing”). In preparing this Supplemental Filing, we have reviewed the transcript from the February 5, 2013 Review Board meeting (the “Transcript”) and the State Agency Report (the “SAR”) for the Project. All Transcript references refer to the page number found at the bottom of each Transcript page and all SAR references refer to the page number found at the bottom of each SAR page.

Echoing the statements set forth in the SAR, the Review Board identified the following two primary reasons in issuing its Intent to Deny: (1) a lack of need in the defined service area because the emergency departments of several facilities in the defined service area for the Project are underutilized (Transcript at pp. 151-152; SAR at p. 18); and (2) a likely duplication or misdistribution of services because the emergency departments of several facilities for the Project in the defined service area are underutilized (Transcript at pp. 151-152; SAR at p. 20). One Review Board member was also concerned that the site survey, soil investigation and site preparation costs associated with the Project exceeded the State Norms. (Transcript at p. 151; SAR at p. 29).

Simply put, we agree with the Review Board’s conclusion (and the conclusion set forth in the SAR) that the emergency departments of several hospitals in the defined service area for the Project are underutilized. Indeed, the data clearly supports the notion that the emergency departments at Franciscan Alliance – Olympia Fields, Advocate South Suburban Hospital, Ingalls Memorial Hospital, and the Blue Island Hospital Company are underutilized (collectively, the “Underutilized Hospitals”). (SAR at p. 4). However, the patients projected to
use Silver Cross’ Freestanding Emergency Center ("FEC") at Frankfort will not be coming from the Underutilized Hospitals. Rather, the projected patients for Silver Cross’ Frankfort FEC are all projected to come from the Emergency Department at Silver Cross’ replacement hospital in New Lenox and Silver Cross’s Homer Glen FEC (collectively, the “Enterprise Wide Emergency Department”). Thus, the only hospital that will be affected by the proposed FEC is Silver Cross because all of the projected patients will come from Silver Cross.

While the foregoing statement may seem bold, Silver Cross is one of only five hospitals in the State of Illinois that has direct experience with patient utilization patterns associated with FECs. Indeed, as you may recall, Silver Cross received the first certificate of need ("CON") permit to establish an FEC when the Review Board approved its Homer Glen FEC CON Application for Permit on January 27, 2009. See Silver Cross Emergicare Center (Homer Glen), Project No. 08-079. So, to be clear, Silver Cross has carefully analyzed its own internal patient data and remains convinced that the Homer Glen FEC patient utilization patterns will be repeated at its proposed FEC in Frankfort. Like Homer Glen, Frankfort is in Silver Cross’ primary service area. And like the Homer Glen FEC service area, the Frankfort FEC service area contains a sufficient number of residents who are already using the Enterprise Wide Emergency Department at Silver Cross to easily justify this Project.

Since Silver Cross’ move to its replacement hospital campus in New Lenox in February of 2012, Silver Cross’ Enterprise Wide Emergency Department visits have increased by more than 6.8%. The percentage of the patients coming to Silver Cross’ Enterprise Wide Emergency Department from the proposed service area for the FEC has grown even faster. In 2010, patients in the proposed service area represented 17% of the Enterprise Wide Emergency Department volume at Silver Cross; now patients in the proposed service area account for nearly 23% of the Enterprise Wide Emergency Department volume at Silver Cross. Silver Cross’ market share of emergency patients from the proposed service among all providers has increased from 22.6% in 2010 to more than 27.4% for the year ending June 2012. And in 2010, Silver Cross’ Enterprise Wide Emergency Department was the largest emergency department provider to the residents of Frankfort, with a 25% share. That 25% share jumped to a 31% share for the 12 months ending June 2012.

To put this into even sharper focus, the aforementioned volume increases are actually accelerating. Enterprise Wide Emergency Department volumes at Silver Cross for the past four months (as compared to the same four months last year when Silver Cross’ main hospital was still located in Joliet) are up 10.5%. Enterprise Wide Emergency Department visits at Silver Cross from the proposed FEC service area are up 48.5% for the same time period as compared to a year ago. And Enterprise Wide Emergency Department visits at Silver Cross from just Frankfort residents are up 70% from the same time period a year ago. (See Exhibit A (attached) for the most recent patient data.) These increases clearly demonstrate that the residents of
Frankfort (and the surrounding service area) are happy with their Silver Cross experiences and have every intention of choosing a Silver Cross facility (if given the opportunity). Thus, any concern that the proposed Silver Cross Frankfort FEC will somehow redirect patients from the Underutilized Hospitals is misguided.

Based on the above data (which is not debatable), Silver Cross is projecting that by the year 2016, more than 91,340 patients will visit Silver Cross’ main hospital Emergency Department (which has 36 emergency treatment stations) and Silver Cross’ Homer Glen FEC (which has 6 emergency treatment stations.) The State Norm for emergency treatment rooms is 2,600 patients per treatment room per year. 91,340 divided by 2,000 equals 45.67. So, Silver Cross is projecting that it will need no less than 46 emergency treatment rooms by the year 2016 at its Enterprise Wide Emergency Department. But Silver Cross only has 42 emergency treatment rooms currently available at its Enterprise Wide Emergency Department. Thus, without the establishment of the proposed FEC in Frankfort, Silver Cross will exceed the existing capacity of its Enterprise Wide Emergency Department. That is less than 3 years away.

Based on the historical performance of Silver Cross’ Homer Glen FEC, Silver Cross believes that the majority of the patients from the proposed service area that are currently presenting to its Enterprise Wide Emergency Department will choose to use the proposed Frankfort FEC instead. More specifically, Silver Cross is projecting that 6,240 patients will visit the proposed Frankfort FEC in 2016. Applying the State Norm for emergency treatment rooms, 6,240 projected visits translate into a need for 3.12 emergency treatment rooms, which rounds up to 4 emergency treatment rooms – which is the exact number of treatment rooms that Silver Cross has requested. Thus, Silver Cross has conservatively sized the proposed Frankfort FEC to exactly meet the demand from its own patients.

Although it is not clear that the project costs exceeding the State norm for Site Survey, Soil Investigation and Site Preparation really played a factor in the issuance of the Intent to Deny, those costs are all easily explained. The subject property is undeveloped and will require significant infrastructure improvement – such as water and sewer, road construction to the property that does not exist now, improvement of the intersection at Route 30 and certain building aesthetics such as a brick surround for garbage as required by the Village of Frankfort. Also, there will be work associated excavation, grading and water detention. As an example, Silver Cross has estimated that excavation work will cost approximately $550,000, paving will be nearly $200,000, and adding a stoplight at the intersection of Route 30 and 93rd Avenue will cost roughly $150,000. While this doesn’t account for all the costs in this category, it is an example of what Silver Cross is anticipating. Silver Cross elected to budget sufficient money to cover these additional costs. While it is likely that all of this money will not be spent, Silver Cross did not want to underestimate the additional costs and thereby cause additional delays during the actual development of the FEC.
Finally, and although this point was not raised by the Review Board on February 5, 2013 in regard to the Silver Cross' proposed FEC, questions were raised by Review Board members regarding the high cost of emergency services at FECs as compared to urgent care and immediate care centers. Silver Cross has analyzed the costs of its Homer Glen FEC as compared to the costs at its main hospital Emergency Department, and the average cost per encounter at Silver Cross' Homer Glen FEC is running about **16% less** than the average cost per encounter at Silver Cross' main hospital Emergency Department.

There are several contributing factors that make care in an FEC less expensive. Those factors include: faster throughput, a lower acuity of patients (no trauma), and most importantly, lower overhead costs. Because Silver Cross has had over three years of experience operating its Homer Glen FEC, Silver Cross is confident that they can duplicate those results at its proposed FEC in Frankfort. And as mentioned at the public hearing for the Project, Silver Cross currently partners with its Enterprise Wide Emergency Department physicians and the Hedges Clinic to provide after-hours care in the Frankfort community. But neither urgent care or immediate care can provide 24 hour per day/7 day per week service in a lower cost setting than Silver Cross is currently proposing.

In conclusion, Silver Cross is confident that the proposed FEC is an important part of the continuum of care and a much needed resource in the Frankfort community. Please feel free to contact me if you have any questions and Silver Cross is looking forward to re-appearing before the Review Board on this Project.

Sincerely,

Edward J. Green

EJG:sxc

cc: Ruth Colby, Silver Cross Hospital & Medical Centers
### Exhibit A

<table>
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<tr>
<th>REPORTING PERIOD</th>
<th>Main Hospital ED + Homer Glen FEC</th>
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<td>ED VISITS</td>
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Source: Finance Reports

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Source: Meditech

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<th>TOTAL ED</th>
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Source: Meditech
OPEN SESSION

(February 5, 2013)

Regular session of the meeting of the State of Illinois Health Facilities and Services Review Board was held on February 5, 2013, at the Bolingbrook Golf Club, 2001 Rodeo Drive, Bolingbrook, Illinois.
PRESENT:

John Hayes - Vice-Chairman  
Alan Greiman  
Kathy Olson  
Richard Sewell  
Philip Bradley  
Deanna Demuzio  
David Penn  

Courtney Avery - Administrator  
Catherine Clark - Board Staff  
Frank Urso - General Counsel  
Juan Morado - Assistant Counsel  
Alexis Kendrick - Board Staff  
Michael Constantino - IDPH Staff  
George Roate - IDPH Staff  
Bill Dart - IDPH  
Michael C. Jones - DHFS  
Michael Pelletier - DHS

Reported by:

Karen K. Keim  
CRR, RPR, CSR-IL, CRR-MO  

Midwest Litigation Services  
115 S. Lasalle Street, Suite 2600  
Chicago, IL 60611
VICE-CHAIRMAN HAYES: I'd like to call the meeting of the Health Facilities and Services Review Board, on Tuesday February 5th, 2013. I'd like to call to order. Can we have a roll call?

MR. ROATE: Yes, sir.

John Hayes?

VICE-CHAIRMAN HAYES: Here.

MR. ROATE: Phillip Bradley?

MR. BRADLEY: Here.

MR. ROATE: Senator Deanna Demuzio?

MS. DEMUZIO: Here.

MR. ROATE: Justice Alan Greiman?

MR. GREIMAN: Here.

MR. ROATE: Kathy Olson?

MS. OLSON: Here.

MR. ROATE: David Penn?

MR. PENN: Here.

MR. ROATE: Richard Sewell?

MR. SEWELL: Here.

MR. ROATE: Seven members present.

VICE-CHAIRMAN HAYES: Thank you.

Now, I'd like to move on -- I'd also like to
That's six votes in the negative, one vote "present".

VICE-CHAIRMAN HAYES: The motion is defeated.

MR. URSO: You'll be receiving an Intent to Deny. You'll have another opportunity to come back before the Board. You'll have another opportunity to supply additional information, if you so desire.

(Pause)

VICE-CHAIRMAN HAYES: The next project is H-08, 12-096, Silver Cross Emergency Center, Frankfort. Can the applicant come up to the table here, and be sworn in, and state your name.

MS. COLBY: Ruth Colby.

MR. GREEN: Edward Green from Foley & Lardner.

(Oath given)

VICE-CHAIRMAN HAYES: State Agency Report?

MR. CONSTANTINO: Thank you, Mr. Chairman.

The applicants are proposing the establishment of a freestanding emergency center in Frankfort, Illinois. The anticipated cost of the project is approximately $8.8 million. The anticipated completion date is January 31st, 2015. Public hearing was held on this project, and we have received letters of support and opposition.

Thank you, Mr. Chairman.
VICE-CHAIRMAN HAYES: Thank you.

Does the applicant want to address the Board?

MS. COLBY: Yes, thank you. Good afternoon.

I'll keep my remarks brief, as we provided testimony at the public hearing -- which I know you have in your packets -- and only address the negative findings of the State Agency Report.

The first two negative findings are tied to need and maldistribution. I'd like to emphasize that the volume we are projecting for this freestanding emergency center will be coming from our own patient population. Other emergency providers in the area will not be impacted. As many of you probably know, Silver Cross is one of only a handful of freestanding emergency center operators in the state of Illinois, and our experience with the Homer Glen FEC has indicated that, indeed, shifts from the hospital ED to that FEC did occur. The volume came from our established patient base.

In addition, based on the population, growth in the area and Silver Cross Hospital's internal growth trends, which bend over 10 percent, we project that over 90,000 patients will be needing Silver Cross emergency services in New Lenox, Homer Glen or Frankfort in 2016.

So, our project is being proposed to address this growing
demand for ED services.

The third negative State Agency Report finding had to do with project costs exceeding the State norm for site survey, soil investigation, and site preparation. These costs are explained by the fact that this is under-developed property and will require significant infrastructure improvement, such as water and sewer, building a road to the property that does not exist now, improving the intersection at Route 30, and certain building aesthetics, as required by the Village of Frankfort.

I'd like to just comment on testimony given this morning by Miss Beth Hughes from Presence St. Joseph Hospital and point out that, in fact, that hospital is not within 30-minute travel time to the center we are proposing.

Silver Cross Hospital has served Frankfort residents for more than 100 years, and this project reflects our continued commitment to that community.

I'm happy to answer any questions, and thank you for your consideration.

VICE-CHAIRMAN HAYES: Thank you.

Board members, comments or questions?

(Pause)
VICE-CHAIRMAN HAYES: You know, would you be able to explain, you know, the need for an emergency center? You know, obviously, with the Affordable Care Act -- and, specifically, in Illinois, you know, you expect emergency center visits to remain -- actually increase as opposed to decrease. And is that part of your rationale as well?

MS. COLBY: It is absolutely part of our rationale. In fact, there has been some statistics from the state of Massachusetts regarding past healthcare reform legislation, and they saw a 9 percent increase in emergency department visits in their state. So, while I agree that, in fact, we should be making efforts to provide care in the lowest-possible cost settings -- and Silver Cross has many other plans to do that: Working on medical home projects with our physicians, working with other ambulatory sites that do not have ED services -- we still see a great need for ED services in the community.

VICE-CHAIRMAN HAYES: Any other questions?

(Pause)

VICE-CHAIRMAN HAYES: Seeing none, I'll go to a motion here. May I have a motion to approve Project 12-096, Silver Cross Emergicare Center, to establish a freestanding emergency center in Frankfort, Illinois?
MS. OLSON: So moved.

MR. SEWELL: Second.

VICE-CHAIRMAN HAYES: Moved and seconded.

Roll call?

MR. ROATE: Motion made by Ms. Olson, seconded by Mr. Sewell.

Mr. Bradley?

MR. BRADLEY: The State Agency Report concludes that there were 12 review criteria, and this project failed a quarter of them, including Planning Area need, maldistribution or unnecessary duplication, and reasonableness of project costs. For that reason, I vote no.

MR. ROATE: Thank you, sir.

Senator Demuzio?

MS. DEMUZIO: Yes. In terms of the report, there has been unnecessary duplication of services, and I vote no.

MR. ROATE: Thank you, ma'am.

Justice Greiman?

MR. GREIMAN: Aye.

MR. ROATE: Mr. Hayes?

VICE-CHAIRMAN HAYES: I'm going to vote no because of Planning Area need and
maldistribution/unnecessary duplication of services.

MR. ROATE: Ms. Olson?

MS. OLSON: I vote no for the reasons stated.

MR. ROATE: Thank you, ma'am.

Mr. Penn?

MR. PENN: I vote no for the reasons stated.

MR. ROATE: Mr. Sewell?

MR. SEWELL: I vote no for the reasons previously stated.

MR. ROATE: Thank you. That's six votes in the negative, one vote in the affirmative.

VICE-CHAIRMAN HAYES: The motion does not pass.

MR. URSO: You'll be receiving an Intent to Deny. You'll have another opportunity to come before the Board, as well as submitting additional information, if you'd like to.

(Pause)

VICE-CHAIRMAN HAYES: Going to our next project here, H-09, 12-090, SAH Dialysis Clinic at 26th Street in Chicago. Can the applicants come to the table here, state their names, and then they'll be sworn in.

MR. KNIERY: Mr. Vice-Chair, my name is John Kniery, and I'm with Foley & Associates, CON consultant to