

DATE: May 31, 2024

RE: OSF Health System Monopoly & Loss of Health Care Access in Ottawa, IL

To Whom It May Concern:

I am a founding member of the group "Citizens for Healthcare in Ottawa" ("CHO"). Our group formed in April 2024 following OSF Healthcare's ("OSF") announcement to demolish our 99-bed hospital in Ottawa, Illinois and replace it with a 38-bed hospital. Our CHO group believes that OSF is using its monopoly power to play a dangerous game of chess with the health care facilities and services in our area. I will get into the details of OSF's monopoly, but first a little history about our hospital in Ottawa:

In 1895 a hospital was gifted to the city of Ottawa by a grieving widow in honor of her late husband, a local physician. In 1969 a local foundation donated 30 acres of land along our beautiful Fox River to build a new hospital; personal and corporate donations were collected from many local businesses to build the facility and ground was broken in 1971; the hospital was operational by 1974. In 1985 more land adjacent to the hospital was donated and multiple outpatient facilities were built. The hospital's board of directors were distinguished members of the community.

Following years of partnership with OSF through the stroke network, Ottawa's board of directors signed an LOI in 2010 to merge with OSF; and the deal was finalized in 2012. OSF paid no purchase price for the hospital's assets (including the land), but the valuation at the time was \$58 million. The hospital was renamed OSF Saint Elizabeth Medical Center ("OSF SEMC"). The partnership promised growth for the Ottawa community and access to primary care and specialty services that we were in need of.

In 2014, OSF acquired a 25-bed hospital in Mendota, IL, again for free (no purchase price), but the hospital had a valuation of \$40 million at the time. Then in 2021, OSF acquired a 25-bed hospital in Princeton, IL, again at no cost or purchase price, but the hospital was valued at \$25 million.

So, by 2021, our 3-county planning region¹ had 5 acute care hospitals (Ottawa with 99 beds; Peru with 49 beds; Spring Valley with 44 beds; Princeton with 25 beds and Mendota with 25 beds). As described above, Ottawa, Princeton and Mendota were owned by OSF; however, Peru and Spring Valley were owned by SMP Health. At this time, according to the Illinois Health Facilities and Services Review Board ("IHFSRB"), our region had a surplus of 43 med/surg beds; 10 OB/delivery beds and 8 ICU beds.¹

In early 2023, Peru and Spring Valley hospitals closed abruptly and went into bankruptcy. Those closures left only 3 hospitals in operation in our region (Ottawa; Princeton and Mendota) – all of which were owned and operated by OSF, making OSF the only provider of hospital services in Ottawa's planning region; a monopoly created seemingly by happenstance. With these closures our planning region now had a shortage of 27 med/surg beds; and 2 ICU beds – it also went from a surplus of 10 OB/delivery beds to a surplus of only 1 OB bed in the region.

In July 2023 OSF purchased the closed Peru hospital for \$38 million.² Due to the hospital being purchased out of bankruptcy, it's our understanding that OSF did not have to go through the typical Federal Trade Commission approvals in regards to the Hart-Scott-Rodino Antitrust Act. Therefore, growing their monopoly power in our region without any federal antitrust oversight.

In March 2024, OSF announced plans to build a new hospital in Ottawa and demolish the one built in the 70s. The new hospital would keep 26 mental health beds; but ICU and OB units would be eliminated; and

only 12 med/surg beds (a 78% reduction) would remain – even though the average daily patient census is: 24 med/surg; 3 ICU; and 3 OB/delivery. In stark contrast, OSF shared plans to re-open Peru’s once shuttered hospital as the system’s new inpatient hub on I-80, and increase the number of beds. The Ottawa community was shocked to hear that after years of partnership, promises and donated assets, that the OSF system would abandon us. Not only that, their plans do little to take our region out of the bed-shortage created by the two hospitals closing in 2023. Their plans as written, keep the region with a shortage of 24 med/surg beds and 2 OB/delivery beds; only 1 ICU bed would be considered a surplus.

OSF’s plans for the bed changes between Ottawa and Peru are further detailed below:

1) ICU Beds: Peru will have 8 Intensive Care Unit Beds (up from their current 4 today). Ottawa will lose all 5 of theirs. The data shows that Ottawa has operated at peak census of 5 patients in their 5 beds since 2019 (maybe longer, but that is as far back in the data as I looked). This change will be immensely impactful to our community and will leave no ICU beds East of I-39 in LaSalle County.

2) OB Beds: Peru will have 11 Obstetric/Delivery beds (up from their current 7 today). Ottawa will lose all 14 of theirs. As Ottawa is today, Peru will become the only birthing unit in a 3-county region. Since 2021 is the last good year of data we have to compare Ottawa to Peru (Peru did not submit 2022 data to the state for reporting during their closure), we can consider Ottawa’s peak census of 9 patients and Peru’s peak census of 7, totaling to 16 patients. A simple enough calculation that shows an 11 bed OB unit may not do the trick for this planning region. Furthermore, this elimination of services is in spite of the accolades that Ottawa’s maternity center has received in the past few years, including a BCBS center of distinction – proving it to be a high-quality department.

3) Med/Surg Beds: Peru will have 45 medical/surgical beds (up from their current 38 today). Ottawa will have 12 – a 78% reduction from the 54 it has licensed today. For reference, a typical Critical Access Hospital (such as OSF sites in Mendota and Princeton) are around 25 beds. Which makes it laughable, but not funny, that OSF has planned only 12 beds for Ottawa, which is nearly 3x the size of these other two towns. It will also make Ottawa one of the smallest, if not THE smallest med/surg units in the state.

4) AMI Beds: Acute mental illness is the only area that OSF has planned for growth in Ottawa. But we continue to be sold that this hospital will be “right sized for our community”. Our planning region for mental health services is different than for the other bed types listed above, and spans 13 counties; patients will be driving from 100+ miles for behavioral health care in Ottawa. So, while these services will support some of our community members, it by no means replaces what our community is losing in terms of medical/surgical beds, our delivery unit and our intensive care unit.

OSF’s argument for these changes in large part has been that “rural health care is dying”, which translates to rural providers are losing money and therefore closing. But Ottawa hospital has operated at a multimillion dollar net profit for years, unlike the Peru hospital they had purchased.² Furthermore, Ottawa hospital recently received an “A” rating from Leapfrog Group - a leader in providing transparency around patient safety and quality metrics. This puts them in the same company as University of Chicago Medical Center, Rush University Medical Center, Northwestern Central DuPage, Elmhurst Hospital and Silver Cross Hospital, among others. In both 2022 and -23, Ottawa was designated as a “Top 100 Rural & Community Hospital in the Country” by The Chartis Center for Rural Health, the industry’s most comprehensive and objective assessment of rural hospital performance. It was one of only 3 rural hospitals in Illinois to receive the distinction in 2023.

So it begs the question - Why do we think OSF is playing a very confusing game of chess with the facilities in our region? First, Peru looks better on map compared to Ottawa, based on its location on I-39 between Rockford and Peoria – OSF's two hub hospitals in Illinois. And although Peru treated 34,489 fewer patients than Ottawa did in 2021, the Peru hospital payer mix looks a lot better (49% commercial pay mix in Peru vs. 31% commercial pay mix in Ottawa).²

Members of CHO have been advocating for OSF to maintain our ICU unit, keep some level of OB beds and at least give us 25 medical surgical beds - which is common for any critical access hospital. We have raised several issues that prove their plan is flawed; some (but by no means all) are listed below:

- 1) Ottawa's med/surg unit has had an average daily census ("ADC") of 23-24 patients for the past several years, meaning OSF's plans for 12 beds are flawed from the start. Their most recent peak census number was 36. These numbers prove the hospital will be running transports on a very regular basis.
- 2) Ottawa's ICU unit has had an ADC of 3.5 patients, with a peak census of all 5 beds being utilized at a given time. Clinical experts have also spoken about the patient safety issues in regards to patients suffering complications from surgery that would require ICU level care, but not having an ICU on site.
- 3) Ottawa's OB unit has had an ADC of 3 patients, with a peak census of 8 beds being utilized at a given time.
- 4) Growth in the AMI unit (by conversion of dual-occupancy to private rooms) will require use of med/surg beds for medical clearance and possibly ICU beds for detox and observation prior to admittance to the AMI unit. Again, if OSF plans for Ottawa to be the behavioral health hub for our region, we will need more med/surg beds and an ICU unit to avoid additional transports.
- 5) The current Emergency Department is licensed for 9 stations, but operates as many as 13 during busy hours. The plans are for the new ED to include 10 stations. So, it is a safe bet that patients will be waiting long periods of time to receive care or to be transported. Furthermore, OSF has said that emergency surgeries will only be available at Ottawa during certain business hours – how on earth do they plan to educate the public on this?
- 6) Employees will be forced to travel for work if they want to maintain their jobs. Especially those in surgical services, intensive care and labor/delivery as OSF plans to move these services from Ottawa to Peru. I personally know people who will have to purchase vehicles to make this new dynamic work for their family. And OSF has not offered to pay any type of mileage coverage for those who will be forced to now travel for their job.
- 7) OSF has plans for 2 operating rooms in Ottawa, vs the 5 they have today (a 60% reduction). And although it will operate like an Ambulatory Surgery Center, OSF has said (when pressed with questioning about billing) that they will still be billing patients under hospital-outpatient department rates. Effectively this means that patients will be paying more for lower acuity services.
- 8) OSF did not consult city officials or discuss their plans prior to submitting them to the Illinois Health Facilities and Services Review Board ("IHFSRB") to receive a Certificate of Need to move forward with these plans. OSF also did not factor in the amount of city resources they will need to make their plans operational, for example:

- 4-6 police officers are on patrol in Ottawa at a given time. Last year there were 67 calls to the hospital, which took 2-3 officers to respond to (and lasting 1-3 hours per call). And since OSF plans to grow mental health services at the hospital, those taxpayer-funded resources will be in even shorter supply. OSF needs to hire security officers to patrol their own patient population. This is not just a possible issue in the future – it is a current issue today that our city's police chief has tried to educate OSF officials on, but his concerns have fallen on deaf ears.
- 3 ambulances are in operation in Ottawa; 1 brand new and paid for by our city. When the city is running the hospital's transport business that takes an ambulance out of service in our town for an emergency. When do we demand that OSF pays for the wear and tear on our vehicles?
- As a not-for-profit organization, OSF does not pay taxes. I believe this is a major problem that our citizens' tax dollars are going to support OSF (through the above mentioned tax-funded fire/EMS and police resources) as they move services from our town to another.

Ottawa has had a full-service community hospital since 1895 and it only took 12 years for OSF to try and dismantle what we've built here for more than 100 years. They have a true monopoly in our region and seem to think they can get away with doing what suits them. If they refuse to maintain services in Ottawa I believe we should have the ability to seek out a new partner who sees our community's value and helps us grow into the next century.

When OSF was asked recently at a City Council meeting if they would be willing to sell Ottawa's hospital to another health system, they simply said "OSF doesn't do that". Great. So instead, using their monopoly, OSF will kill our hopes for growth and we must now follow along with their plans for our community unless the IHFSRB votes against these projects or some other governing or regulatory body intervenes.

The Ottawa City Council and the Ottawa Area Chamber of Commerce have each passed resolutions opposing OSF's plans for Ottawa. CHO has asked OSF to pull their applications from the IHFSRB, to re-write them with input from key stakeholders - especially our city officials, fire chief, police chief and other EMS leaders. Our city cannot support their plans as written in terms of the resources needed to address the growth in transports and mental health patient influx from other areas. Furthermore, our citizens also should not have to face the burden of additional travel for services that have been in our community for more than a century. As you may know, travel during the winter months is treacherous in our area, and this just adds to our community's concerns.

Since OSF seems unwilling to re-write these plans, our next step is to prove our arguments to the IHFSRB, so that they will vote against this project. We have requested a public hearing with the IHFSRB, and that has been scheduled for June 13th at 4p in Ottawa at our middle school campus (Central Intermediate School). The IHFSRB members will then vote on this project at their August 8th board meeting in Bolingbrook.

We now also look to the Department of Justice and the Federal Trade Commission to investigate this matter as a true health care monopoly that will undeniably have impacts to patient safety, hospital staff working conditions, and affordable and accessible health care for patients and taxpayers. OSF is making a business decision that supports their financial performance and growth plans to appease their system's senior leaders and the bond market investors. Period.

Thank you so much for taking the time to learn more about what is happening to health care services in our area. I am available to speak more on this matter, as are others from the CHO group.

Sincerely,

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Notes:

- 1) Planning region C-02, as defined by the Illinois Health Facilities and Services Review Board: LaSalle, Bureau and Putnam Counties in IL, as well as 2 townships in Stark County, IL.
<https://hfsrb.illinois.gov/inventoriesdata/healthcarefacilities.html>
- 2) OSF's application to purchase Peru hospital (for payer mix and income statements, see page 6, tables 3 & 4 for Ottawa Hospital and see page 7, tables 6 & 7 for Peru Hospital):
<https://hfsrb.illinois.gov/content/dam/soi/en/web/hfsrb/projects/projectdocuments/2023/exemptions/e-026-23-st-margaret-health-peru/E-026-23%20St.%20Margaret%20Health-Peru.pdf>