

July 28, 2003

Mr. Carl Henderson
Director, Office of Public Affairs RO
536 S. Clark Street
P.O. 8136, Room 668
Chicago, IL 60605

Re: Testimony on VA Lakeside Public Hearing, July 30, 2003

I am pleased to have this opportunity to provide comment on an issue that is vitally important to the healthcare delivery of our nation's veterans and to all the citizens of the Chicago metropolitan area. That issue is the future use of the Lakeside VA property. I would like to inform you of Northwestern Memorial Hospital's (NMH) need to grow and our interest in jointly developing the Lakeside site with the Rehabilitation Institute of Chicago (RIC) to address the growing healthcare needs of the people of Chicago.

Northwestern Memorial, in collaboration with RIC, seeks to acquire and develop the Lakeside VA property for continued medical use. We have three reasons for doing this:

- 1) Assisting the VA to continue to meet the needs of veterans as we have done in the past;
- 2) to meet the healthcare needs of the people of Chicago; and
- 3) to further develop a world-class academic medical center.

Relative to reason number one, Northwestern Memorial and the Rehabilitation Institute, with the Feinberg School of Medicine of Northwestern University, have had a long, proud history in support of VA healthcare in Chicago. Northwestern Memorial and Northwestern University have partnered with the Department of Veterans Affairs in the provision of health care for Chicago's veterans for nearly 60 years. Our 1946 partnership was the first in the nation formed between the Veterans Administration and an academic medical center expressly to improve health care for veterans. It has served as a model for the many VA/medical center partnerships that have followed. Through that relationship, NMH has provided veterans with access to subspecialty services, such as highly specialized cardiac care; complex gastroenterology procedures; MRI, CT, and PET imaging; interventional radiology; and radiation therapy. The same Northwestern physicians who treat NMH patients have provided primary and advanced subspecialty healthcare to Lakeside veteran patients. Integrated physician training programs have allowed Lakeside patients to receive treatment from superb interns, residents, and specialty fellows recruited by Northwestern. Over the last five years alone, NMH has served over 1,000 veterans who came directly from Lakeside to receive specialty care not available to them there. NMH has been committed to providing quality, primary care and subspecialty services to the veterans of this region, and we look forward to exploring ways we can continue to do so.

In the spring of 2002 the VA officially decided to close Lakeside and seek funds from the sale of Lakeside to expand inpatient services on its West Side Campus. Since then NMH has expressed its keen interest in being considered as a purchaser or lessee for the Lakeside property. In discussions with the VA and other public officials we have consistently indicated our willingness to pay fair market value for the land. Furthermore, we are prepared to consider financing options such as a front-loaded lease or outright purchase of Lakeside to ensure that cash is immediately available for the needed West Side expansion.

Turning to our second reason to serve the broader community, Chicago's demand for hospital services is increasing and unlikely to slow down. Northwestern Memorial foresaw this more than a decade ago when we began planning for our two-million square-foot new hospital. At that time, hospitals weren't planning or building and many were skeptical of our plans. However, since the new hospital opened four years ago, our patient volume has increased 37% to reach 41,000 inpatient admissions this last year, and we are nearing capacity.

Chicago's population is projected to continue growing particularly in the downtown area surrounding NMH, where 30,000 additional residents are expected by 2010. This growth alone could support a new 200-bed hospital, and NMH is the only acute care hospital in Downtown Chicago. At the same time, the local population is also aging, which will increase demand for services, because as people age, they utilize more healthcare services. Additionally, due to financial pressures, several hospitals in the city have closed or are likely to face closure, which creates an additional need for beds. Northwestern Memorial is prepared to help meet the community's need for healthcare by developing the Lakeside site.

NMH is an organization that has proven itself capable of planning and executing major building projects on time and on budget. One of the reasons we have been so successful is due to the strong support we receive from the community. During the design and development of our new hospital, we had critical input from the City and our immediate neighbors and continually kept them apprised of our progress. We implemented a construction process that minimized disruption of the neighborhood and was sensitive to the needs of the community in every detail. We could not have been so successful without constant support from U.S. Senator Richard Durbin and Senator Peter Fitzgerald, U.S. Representative Danny Davis, Alderman Burton Natarus, Mayor Richard Daley and his staff, the Greater North Michigan Avenue Association, The Streeterville Organization of Active Residents, and other community leaders. Now we are proceeding with our new Women's Hospital again with their involvement and support.

A combined NMH and RIC expansion will stimulate Chicago's economy. NMH is already one of the largest private employers in Chicago, with 5,800 NMH employees and 14,000 medical center campus employees. Our development of the VA site will support Chicago's economy by creating thousands of new jobs and promoting the interests of

minority and women's business enterprise. As an example, Northwestern Memorial's development of our new hospital had the following impact on the local economy:

- \$580 million new building construction
- \$132 million in contracts to minority- and female-owned firms
- 2,500 minority and female construction workers
- 1,300 permanent new jobs

Our development of the VA property, as well as the new world-class Prentice Women's Hospital we are now building will have an equal or greater impact. We will create construction jobs, support minority contractors and laborers, and create permanent full-time employment for thousands of people.

We want to underscore that continued medical use represents the highest and best use of the VA property. This property has been put to medical use for the last 40 years. The public notice for this hearing referenced that compatibility with neighboring uses is a consideration in selecting a buyer for this site. Continued medical care is the most compatible use with the surrounding environment, which is the Northwestern medical center campus. Keeping this land in the medical center campus will accommodate our next growth phase in a concentrated campus rather than sprawl throughout Streeterville.

NMH's third reason in acquiring the Lakeside property is to further develop the capability of our world-class academic medical center. NMH and RIC plans to jointly develop the VA land will enhance healthcare in Illinois and the nation by promoting leading patient care and academic programs and in so doing strengthen the entire academic medical center. Further development of this renown medical center fulfills several objectives of the Civic Committee of the Commercial Club's 1985 plan for enhancing Chicago's reputation as a national and international center of excellence in medicine.

Northwestern, by any measure, is one of the leading academic medical centers in the country, with world-class patient care, teaching, and research programs. NMH is consistently recognized as one of the best hospitals in America and has won numerous national awards for clinical excellence. For the ninth consecutive year we have been identified through independent research with consumers as the most preferred hospital in Chicago, which is every year the research has been conducted. And we are recognized as one of the best places to work. NMH's new hospital is a world-class facility that has received national and international recognition. NMH is currently building the most advanced women's hospital in the world, which will open in 2007. Our 20-year building plan invests over \$2 billion in medical facilities and equipment on this campus.

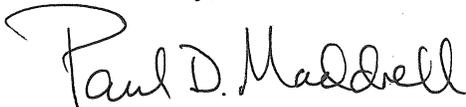
NMH also has a strong tradition of community service. Examples include:

- 6 community health center affiliations
- \$74 million annually in unreimbursed care last year
- 1,600 babies delivered to Medicaid and free care patients
- 7th largest Medicaid provider in the State
- \$1.3 million in annual grants in support of community health expansion in underserved communities

To our knowledge, this is the first time that an acute care and a rehabilitation hospital of our stature have had the opportunity to jointly plan programs and facilities from the ground up. While our planning is in the early stages, we are exploring exciting synergies between neurosciences, orthopedics, and rehabilitation. These programs will have broad impact for patients with a whole host of neurological and musculoskeletal diseases that are frequently devastating and all too prevalent. These are very important services for VA patients.

As we have outlined above, we believe the best use of the Lakeside land would be for joint development by Northwestern Memorial Hospital and the Rehabilitation Institute of Chicago. Our proposal meets the needs of veterans by providing immediate cash for development of the West Side VA as planned and by exploring ways to continue providing necessary clinical programs. Our proposal meets the needs of Chicago by providing expanded clinical services required by a growing demand in a way sensitive to the community. Further, our proposal will strengthen the economy during construction and through creation of permanent jobs. We believe that the reputation of the VA, our institutions, and Chicago will all benefit from this type of collaboration in support of our veterans. Consistent with the Enhanced Use Lease Statute, our proposal for the use of the Lakeside property will result in a demonstrable improvement of services to Chicago veterans.

Yours truly,

A handwritten signature in black ink that reads "Paul D. Maddrell". The signature is written in a cursive style with a large, sweeping initial "P".

Paul D. Maddrell
Senior Vice President
Northwestern Memorial Hospital