



STATE OF ILLINOIS  
**HEALTH FACILITIES AND SERVICES REVIEW BOARD**

525 WEST JEFFERSON ST, SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

<b>DOCKET NO:</b> C-01 C-02	<b>BOARD MEETING:</b> June 27, 2023	<b>PROJECT NO:</b> #E-017-23 #E-018-23	<b>PROJECT COST:</b> \$23,500,000
<b>FACILITY NAME:</b> Vista Medical Center – East Lindenhurst Free Standing Emergency Center		<b>CITY:</b> Waukegan Lindenhurst	
<b>TYPE OF PROJECT:</b> Exemption – Change of Ownership			<b>HSA:</b> VIII

**PROJECT DESCRIPTION:** The Applicants (Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center East, Waukegan Illinois Hospital Company, LLC d/b/a Lindenhurst Free Standing Emergency Center, Quorum Health Corporation, Quincy Health, LLC, AHS Vista, LLC, American Healthcare Systems Corporation, Inc.) **propose a change of ownership of Vista Medical Center East in Waukegan, Illinois, and Lindenhurst Free Standing Emergency Center in Lindenhurst, Illinois.** The fair market value of the transaction is \$23,500,000. This transaction is considered a stock transfer resulting in no change in the licensees. The expected completion date is May 31, 2023.

Health Facilities Planning Act (20 ILCS 3960/6)

(b) *The State Board shall establish by regulation the procedures and requirements regarding issuance of exemptions. An exemption shall be approved when information required by the Board by rule is submitted. Projects eligible for an exemption, rather than a permit, include, but are not limited to, change of ownership of a health care facility and discontinuation of a category of service.*

A **public hearing** was conducted Monday June 12, 2023, in Waukegan, Illinois. Transcripts are included in your packet of material and on the State Board’s Website.

**State Board Staff Note:** There are two IDPH licensed facilities that are part of this change of ownership transaction and are included here as one State Board Staff Report. The reason for the two exemption applications the two facilities are located at two different sites and have two different IDPH licenses. All data regarding the Lindenhurst Free Standing Emergency Center is included in the Annual Hospital Survey’s received from Vista Medical Center – East and are reflected in this report.

Information on these two exemption applications can be found at

- <https://hfsrb.illinois.gov/projects/project.e-017-23.html>
- <https://hfsrb.illinois.gov/projects/project.e-018-23.html>

**All the information** required by the State Board has been provided.



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**STATE BOARD  
 STAFF REPORT**

**Exemption #E-017-23 - Vista Medical Center East  
 Exemption #E-018-23 - Lindenhurst Free Standing Emergency Center**

APPLICATION	
Applicants(s)	Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center East, Waukegan Illinois Hospital Company, LLC d/b/a Lindenhurst Free Standing Emergency Center, Quorum Health Corporation, Quincy Health, LLC, AHS Vista, LLC, American Healthcare Systems Corporation, Inc.
Facility Name	Vista Medical Center East Lindenhurst Free Standing Emergency Department,
Location	1324 N. Sheridan Road, Waukegan, Illinois
Exemption Holder	Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center East, Waukegan Illinois Hospital Company, LLC d/b/a Lindenhurst Free Standing Emergency Center, Quorum Health Corporation, Quincy Health, LLC, AHS Vista, LLC, American Healthcare Systems Corporation, Inc.
Operating Entity/Licensee	Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center East, Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center East, Waukegan Illinois Hospital Company, LLC d/b/a Lindenhurst Free Standing Emergency Center
Owner of Site	Waukegan Illinois Hospital Company, LLC
Anticipated Completion Date	May 31, 2023

**I. Project Description**

**The Applicants** (Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center East, Waukegan Illinois Hospital Company, LLC d/b/a Lindenhurst Free Standing Emergency Center, Quorum Health Corporation, Quincy Health, LLC, AHS Vista, LLC, American Healthcare Systems Corporation, Inc.,) **propose a change of ownership of Vista Medical Center East** in Waukegan, Illinois, and **Lindenhurst Free Standing Emergency Center** in Lindenhurst, Illinois. The fair market value of the transaction is \$23,500,000. This transaction is considered a stock transfer resulting in no change in the licensees. The expected completion date is May 31, 2023.

**II. Health Care Facility**

Vista Medical Center East is a 228-bed acute care facility in Waukegan, Illinois. The Hospital is in Lake County in Health Service Area VIII and Hospital Planning Area A-09. There are five additional Hospitals in the A-09 Hospital Planning Area.

<b>TABLE ONE</b> Hospitals in the A-09 Hospital Planning Area			
Facility	City	Beds	Distance (Miles)
Advocate Condell Medical Center	Libertyville	275	13.3
Advocate Good Shepherd Hospital	Barrington	176	28.6
Highland Park Hospital	Highland Park	139	16.9
Midwestern Regional Medical Center	Zion	73	5.3
Northwestern Lake Forest Hospital	Lake Forest	210	12.4
Vista Medical Center East	Waukegan	228	0.00
Lindenhurst Free Standing ED	Lindenhurst	6-stations	9.81

Over a seven- year period the Hospital averaged 40% Medicaid Patients and 23% Medicare Patients. 93% of the patients were outpatients over this 7-year period.

<b>TABLE TWO</b> 7-year Average Occupancy Authorized and Staffed Beds (2015-2021)				
	Beds	Staffed	Ave. Authorized Beds	Ave. Staff Beds
Medical Surgical	165	130	54.36%	68.99%
Pediatric	11	10	23.96%	26.35%
Intensive Care	23	23	62.09%	62.09%
Obstetric	29	27	30.36%	32.61%
Total	228	190		
1. Information from Hospital Annual Reports				

<b>TABLE THREE</b> 7 Year Average Number of Patients by Payor Source 2015-2021		
	Ave. # of patients	% Of Total
Medicare	29,798	22.99%
Medicaid	51,475	39.71%
Other Public	1,869	1.44%
Private Insurance	37,739	29.12%
Private Pay	6,670	5.15%
Charity	2,065	1.59%
Total	129,615	100.00%
Outpatient	119,845	92.46%
1. Information from Hospital Annual Reports		

<b>TABLE FOUR</b> Vista Medical Center East Net Income (-Loss) (2015-2021)		
	7- year Average	% Of Net Patient Revenue
Total Patient Revenue	\$1,200,222,793	
Less Contractual Allowances	\$1,045,497,905	
Net Patient Revenue	\$154,725,031	
Operating Expense	\$158,904,987	
Net Income Patient Service	-\$4,179,957	-2.70%
Other Income	\$3,467,157	
Net Income	-\$712,800	-0.46%
1. Information from Medicare Cost Reports		

### III. Applicants

American Healthcare Systems Corp., Inc. is a health system based in Los Angeles California and owns the following hospitals: Randolph Health Hospital, Asheboro North Carolina, South City Hospital, St. Louis Missouri. The Health System owns Gateway Regional Medical Center in Granite City, Illinois (a Safety Net Hospital) and Edwardsville Ambulatory Surgery Center in Glen Carbon, Illinois.

American Healthcare Systems Corp., Inc. is owned 51% by Sarian Family Trust and 49% by Family Healthcare Partners Inc. AHS Vista LLC., is a wholly owned subsidiary of American Healthcare Systems Corporation.

### IV. Transaction

Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center East located at 1324 North Sheridan Road, Waukegan, Illinois, is currently indirectly owned by Quorum Health Corporation through its wholly owned subsidiary Waukegan Hospital Corporation which wholly owns the Hospital. The proposed transaction involves the sale of 100% of the shares in Waukegan Hospital Corporation to **AHS Vista LLC**. Waukegan Illinois Hospital Company, LLC, owns and operates both Vista Medical Center East and the Lindenhurst Freestanding Emergency Center in Lindenhurst for which a separate change of ownership application has been filed (#E-018-23). The total transaction price is \$23.5 million, of which \$22,250,000 is allocated to the Vista Medical Center East and the remainder (\$1,250,000) to the Freestanding Emergency Center. The current licensee of the Hospital is Waukegan Illinois Hospital Company, LLC d/b/a Vista Medical Center East, which will remain the licensee and the owner of the real estate is Waukegan Illinois Hospital Company, LLC. The current licensee of the Free-Standing Emergency Center is Waukegan Illinois Hospital Company, LLC d/b/a Lindenhurst Free Standing Emergency Center, which will remain the licensee and the owner of the real estate is Waukegan Illinois Hospital Company, LLC.

Along with the hospital and the Free-Standing Emergency Center, Vista operates a Lindenhurst campus with ambulatory care, and a medical office building. There is also an outpatient imaging facility in Gurnee and other offices in northern Lake County.

The Applicants state they anticipate retaining the existing quality programs that are currently in place at Vista Medical Center East. Additionally, according to the Applicants, the current selection process to select the facility's governing body will remain the same as well as the present scope of service at the Hospital. The Applicants attest that the current charity care policy will remain in effect for a 2-year period after completion of the project.

**V. Applicable Rules**

**A) Section 1130.500 - General Requirements for Exemptions**

Only those projects specified in Section 1130.410 are eligible for exemption from permit requirements. Persons that have initiated or completed such projects without obtaining an exemption are in violation of the provisions of the Act and are subject to the penalties and sanctions of the Act and Section 1130.790.

- a) **Application for Exemption**  
Any persons proposing a project for an exemption to permit requirements shall submit to HFSRB an application for exemption containing the information required by this Subpart, apply fee (if a fee is required), and receive approval from HFSRB.
  
- b) **General Information Requirements**  
The application for exemption shall include the following information and any additional information specified in this Subpart:
  - 1) the name and address of the applicant or applicants (see Section 1130.220).
  - 2) the name and address of the health care facility.
  - 3) a description of the project, e.g., change of ownership, discontinuation, increase in dialysis stations.
  - 4) documentation from the Illinois Secretary of State that the applicant is registered to conduct business in Illinois and is in good standing or, if the applicant is not required to be registered to conduct business in Illinois, evidence of authorization to conduct business in other states.
  - 5) a description of the applicant's organization structure, including a listing of controlling or subsidiary persons.
  - 6) the estimated project cost, including the fair market value of any component and the sources and uses of funds.

- 7) the anticipated project completion date.
- 8) verification that the applicant has fulfilled all compliance requirements with all existing permits that have been approved by HFSRB; and
- 9) the application-processing fee.

HFSRB NOTE: If a person or project cannot meet the requirements of exemption, then an application for permit may be filed.

### **Section 1130.520 Requirements for Exemptions Involving the Change of Ownership of a Health Care Facility**

- a) **Submission of Application for Exemption**  
Prior to acquiring or entering a contract to acquire an existing health care facility, a person shall apply for exemption to HFSRB, submit the required application-processing fee (see Section 1130.230) and receive approval from HFSRB.
- b) **Application for Exemption**  
The application for exemption is subject to approval under Section 1130.560 and shall include the information required by Section 1130.500 and the following information:
  - 1) *Key terms of the transaction, including the:*
    - A) *names of the parties.*
    - B) *background of the parties, which shall include proof that the applicant is fit, willing, able, and has the qualifications, background and character to adequately provide a proper standard of health service for the community by certifying that no adverse action has been taken against the applicant by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application;*
    - C) *structure of the transaction.*
    - D) *name of the person who will be the licensed or certified entity after the transaction.*
    - E) *list of the ownership or membership interests in such licensed or certified entity both prior to and after the transaction, including a description of the applicant's organizational structure with a listing of controlling or subsidiary persons.*
    - F) *fair market value of assets to be transferred; and*

G) *the purchase price or other forms of consideration to be provided for those assets.* [20 ILCS 3960/8.5(a)]

HFSRB NOTE: If the transaction is not completed according to the key terms submitted in the exemption application, a new application is required.

- 2) affirmation that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of this Section.
  - 3) if the ownership change is for a hospital, affirmation that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction. The hospital must provide affirmation that the compliant charity care policy will remain in effect for a two-year period following the change of ownership transaction.
  - 4) a statement as to the anticipated benefits of the proposed changes in ownership to the community.
  - 5) the anticipated or potential cost savings, if any, that will result for the community and the facility because of the change in ownership.
  - 6) a description of the facility's quality improvement program mechanism that will be utilized to assure quality control.
  - 7) a description of the selection process that the acquiring entity will use to select the facility's governing body.
  - 8) a statement that the applicant has prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 and that the response is available for public review on the premises of the health care facility; and
  - 9) a description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within 24 months after acquisition.
- c) **Application for Exemption Among Related Persons**  
*When a change of ownership is among related persons, and there are no other changes being proposed at the health care facility that would otherwise require a permit or exemption under the Act, the applicant shall apply consisting of a standard notice in a form set forth by the Board briefly explaining the reasons for the proposed change of ownership.* [20 ILCS 3960/8.5(a)]
- d) **Opportunity for Public Hearing**

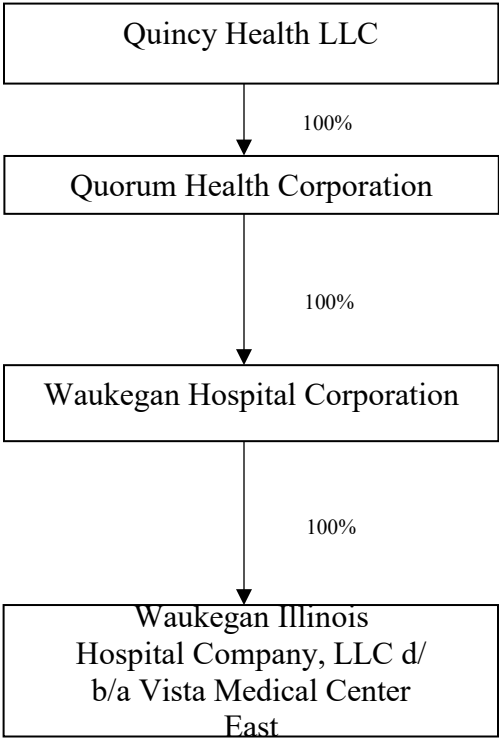
*Upon a finding by HFSRB staff that an application for a change of ownership is complete, the State Board staff shall publish a legal notice on one day in a newspaper of general circulation in the area or community to be affected and afford the public an opportunity to request a hearing. If the application is for a facility located in a Metropolitan Statistical Area, an additional legal notice shall be published in a newspaper of limited circulation, if one exists, in the area in which the facility is located. If the newspaper of limited circulation is published daily, the additional legal notice shall be published on one day. The applicant shall pay the cost incurred by the Board in publishing the change of ownership notice in the newspaper as required under this subsection. The legal notice shall also be posted on Health Facilities and Services Review Board web site and sent to the State Representative and State Senator of the district in which the health care facility is located. [20 ILCS 3960/8.5(a)] This legal notice shall provide the following:*

- 1) Name of applicants and addresses.
  - 2) Name of facility and address.
  - 3) Description of the proposed project and estimated total cost.
  - 4) Notice of request for public hearing.
  - 5) Notice of tentative HFSRB meeting and location; and
  - 6) Notice of tentative release of the State Board Staff Report and the time to comment on the State Board Staff Report. See HFSRB website ([www.hfsrb.illinois.gov](http://www.hfsrb.illinois.gov)).
- e) Completion of Projects with Outstanding Permits
- 1) A permit or exemption cannot be transferred.
  - 2) *In connection with a change of ownership, the State Board may approve the transfer of an existing permit without regard to whether the permit to be transferred has yet been obligated, except for permits establishing a new facility or a new category of service. (See 20 ILCS 3960/6(b).)*
  - 3) If the requirements of this subsection (e) are not met, any outstanding permit will be considered a transfer of the permit and results in the permit being null and void.

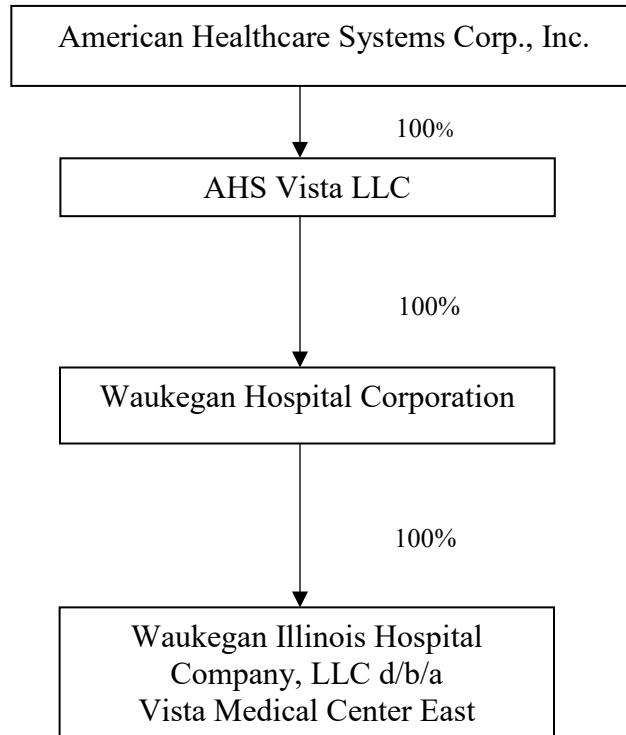
(Source: Amended at 40 Ill. Reg. 14647, effective October 14, 2016)



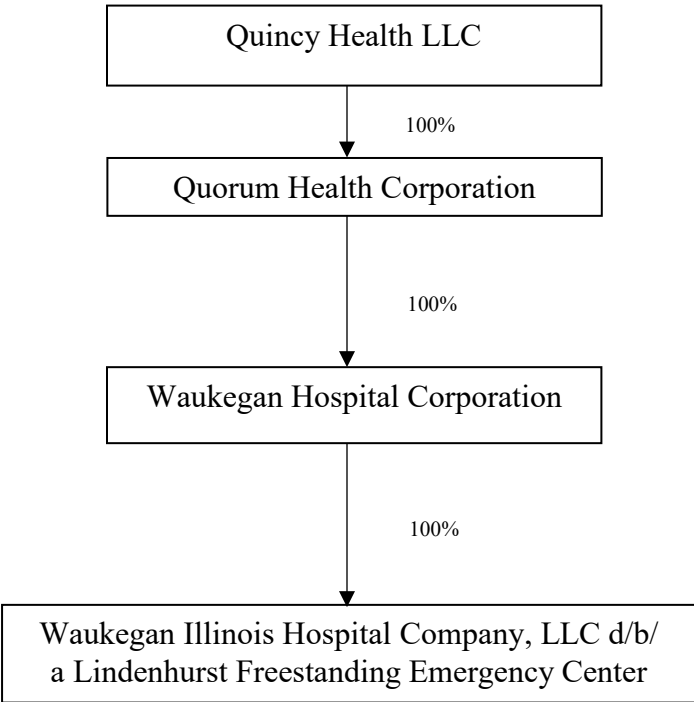
# Pre-Transaction Organizational Chart



## Post-Transaction Organizational Chart



# Pre-Transaction Organizational Chart



## Post-Transaction Organizational Chart

