



**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 thru C-12	<b>BOARD MEETING:</b> October 29, 2024	<b>PROJECT NO:</b> #E-016-24 thru #E-026-24 & #E-029-24	<b>PROJECT COST:</b> Original: \$375M
<b>APPLICANTS:</b> Ascension Health & Prime Healthcare Services			
TYPE OF PROJECT: Exemption – Change of Ownership			HSA: VI, VII, VIII

**PROJECT DESCRIPTION:** The Applicants (Ascension Health and Prime Healthcare Services, Inc.) ask the State Board to approve eleven ownership changes. The allocated purchase price is \$375M. The expected completion date is **December 31, 2024**.

Health Facilities Planning Act (20 ILCS 3960/6)

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

The Illinois Health Facilities and Services Review Board website contains information on these eleven exemption applications. <https://hfsrb.illinois.gov>

All the information required by the State Board has been submitted.



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**OVERVIEW**

Ascension Health has submitted **eleven** Applications for Change of Ownership for State Board Approval. These eleven facilities are being sold to Prime Healthcare Services, Inc. for approximately \$375 million. The expected completion date is December 31, 2024.

**Ascension Health** is a Missouri nonprofit corporation. It is part of a Catholic national health system consisting primarily of nonprofit corporations operating local healthcare facilities in 19 states and the District of Columbia. Ascension Health currently owns 15 Hospitals, five ASTCs, three skilled care facilities, and eight other facilities in Illinois.

**Prime Healthcare Services, Inc.** was founded in 2001 by Dr. Prem Reddy. Prime Healthcare Systems, Inc. owns 44 hospitals and more than 300 outpatient locations nationwide, including urgent care centers, ambulatory surgery centers, and specialty clinics. Prime Healthcare and the not-for-profit Prime Healthcare Foundation, Inc. serves more than 600 communities across 14 states with nearly 45,000 employees and affiliated physicians in Alabama, California, Florida, Georgia, Indiana, Kansas, Michigan, Missouri, Nevada, New Jersey, Ohio, Pennsylvania, Rhode Island, and Texas. (Source: Prime Healthcare Services, Inc, website) Prime **Healthcare Systems, Inc.** is privately held and has an above-average concentration in payor mix, case mix (skewing toward Medicaid-funded emergency department care), and geography. **Prime Healthcare Systems, Inc.** also manages acute care hospitals owned by **Prime Healthcare Foundation, Inc.**, a related-party charity. (Source: Fitch Ratings and 2023 Financial Audit)

**State Board Staff notes:**

- The State Board Staff has conducted public hearings on all eleven ownership changes.
- The Applicants submitted two exemption applications for not-for-profit hospitals, Ascension Health – Saint Francis and Ascension Health – Kankakee. Seven Ascension Hospitals will become for-profit hospitals, and two will remain not-for-profit.
- Exemption #E-017-24 – Ascension Health – Kankakee was withdrawn and resubmitted as a not-for-profit hospital (#E-029-24).
- Ascension Saint Elizabeth—Chicago (#E-024-24): Should the State Board approve the change of ownership of this Hospital, the 80-bed Hospital will be discontinued (Permit #24-030) currently scheduled for the March 18, 2025, State Board Meeting. A public hearing has been requested.



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- Over six years (2018-2023), the nine hospitals had a payor mix of 34% Medicare patients, 27% Medicaid patients, 33% Commercial Insurance Patients, and 3.4% Charity Care patients.
- The eleven healthcare facilities involved in the change of ownership are:

**TABLE ONE  
Healthcare Facilities**

<b>Healthcare Facilities</b>	<b>City</b>	<b>Exemption Number</b>	<b>Allocated Purchase Price</b>	<b>Licensee</b>	<b>Owner of the Site</b>
Ascension Holy Family	Des Plaines	E-016-24	\$13,566,799	Holy Family Medical Center - Des Plaines, LLC	Holy Family Medical Center - Des Plaines, LLC
Ascension Saint Mary – Kankakee <b>(Withdrawn)</b>	Kankakee	E-017-24	\$33,030,711	St. Mary's Hospital-Kankakee, LLC	St. Mary's Hospital-Kankakee, LLC
Ascension Saint Mary - Chicago	Chicago	E-018-24	\$71,726,210	Saint Mary of Nazareth Hospital, LLC	Saint Mary of Nazareth Hospital, LLC
Ascension Saint Joseph - Joliet	Joliet	E-019-24	\$71,104,224	Saint Joseph Medical Center-Joliet, LLC	Saint Joseph Medical Center-Joliet, LLC
Ascension Saint Joseph - Elgin	Elgin	E-020-24	\$28,831,711	Saint Joseph Hospital - Elgin, LLC	Saint Joseph Hospital - Elgin, LLC
Ascension Saint Francis	Evanston	E-021-24	\$40,134,620	Saint Francis Hospital - Evanston, LLC	Saint Francis Hospital - Evanston, LLC
Ascension Mercy	Aurora	E-022-24	\$36,097,663	Mercy Medical Center-Aurora, LLC	Mercy Medical Center-Aurora, LLC

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Ascension Resurrection	Chicago	E-023-24	\$70,624,273	Resurrection Medical Center-Chicago, LLC	Resurrection Medical Center-Chicago, LLC
Ascension Saint Elizabeth	Chicago	E-024-24	\$5,000,000	Saint Elizabeth Hospital-Chicago, LLC	Saint Elizabeth Hospital-Chicago, LLC
Belmont/Harlem Surgery Center, LLC	Chicago	E-025-24	\$600,000	Belmont/Harlem Surgery Center, LLC	Presence Healthcare Services
Presence Lakeshore Gastroenterology, LLC	Des Plaines	E-026-24	\$600,000	Prime Healthcare GI-Lakeshore, LLC	Prime Healthcare Services, Inc.
Ascension Saint Mary's - Kankakee	Kankakee	E-029-24	\$33,030,711	St. Mary's Hospital-Kankakee, LLC	St. Mary's Hospital-Kankakee, LLC

## **Prime Healthcare Services, Inc. Responses**

### **Charity Care -1130.520 (b) (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 before the transaction. The hospital must provide affirmation that the compliant charity care policy will remain in effect for two years following the change of ownership transaction.

The Applicants state that no changes to the current charity care policy are anticipated; Prime Healthcare Services, Inc. affirms that the current charity care policy will remain in effect for at least two years following the change of ownership transaction. (Charity Care Policy included with the State Board Packet and on the State Board's website)

### **Anticipated Benefits and Cost Savings -1130.520(b)(4) and (b)(5)**

a statement as to the anticipated benefits of the proposed changes in ownership to the community; the anticipated or potential cost savings, if any, will result for the community and the facility because of the change in ownership.

The Applicants state that Prime Healthcare Services, Inc.'s financial commitment to the proposed transaction is evidence of the buyer's responsibility to the community and the continued provision of services to it. To date, the applicants have not quantified any anticipated savings.

### **Quality Improvement Program to be Utilized - 1130.520(b)(6)**

A description of the facility's quality improvement program mechanism will be utilized to ensure quality control.

According to the Applicants, Prime Healthcare Services, Inc., and Ascension Health emphasize quality control and implementing best practice models through their facilities. Quality improvement mechanisms at the facility will initially remain the same. Still, they will be evaluated against parallel programs used in Prime Healthcare Systems facilities, with adjustments being made as appropriate to enhance opportunities for improvement. (Quality Assurance plan has been included with the State Board Packet and on the State Board's website)

**Governing Body Composition/Selection Process -1130.520(b)(7)**

A description of the acquiring entity's selection process will be used to select the facility's governing body.

The hospital's governing board structure will continue like that currently in place, with the appointment of 9-13 board members by the Prime Healthcare Systems Corporate Board, composed of community leaders, physicians, and facility administration.

**Scope of Services – 1130.520(b)(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.

The Applicants state that while there may be a need or desire for some changes in the services provided in the future or how services are provided because of financial conditions in the healthcare industry or other factors, **at this time, no changes to the scope of services or the levels of care provided at the facility are currently anticipated to occur within 24 months of the proposed transaction.** During the proposed licensee's first 12-18 months of control, hospital assessments of each clinical and non-clinical service provided will be undertaken with the potential existing of decisions being made to modify the scope of or manner in which certain services are provided at the facility, the addition of services, or the discontinuation of services at the facility. Should such a decision(s) be made, and as applicable, all requirements of the HFSRB and IDPH will be complied with.

## **Ascension Health**

After this transaction, Ascension Health will hold a minimum 5% ownership interest in three Acute Care Hospitals, a Behavioral Health Hospital, four ASTCs, three skilled care facilities, and nine other facilities in Illinois.

### **Hospitals**

- Ascension Alexian Brothers in Elk Grove Village
- St. Alexius in Hoffman Estates
- Ascension Alexian Brothers Behavioral Health Hospital in Hoffman Estates
- Ascension Saint Joseph-Chicago

### **Ambulatory Surgical Treatment Centers**

- Lincoln Park Endoscopy Center
- Center for Digestive Health, LLC
- Ascension Saint Joseph Surgery Center MSK-Chicago
- Hoffman Estates Surgery Center

### **Skilled Care Facilities**

- Ascension Living Casa Scalabrini Village
- Ascension Living Heritage Village
- Ascension Living Nazarethville Place
- Ascension Living Bethlehem Wood Village
- Ascension Living Resurrection Place
- Ascension Living Resurrection Village Life Center
- Ascension Living Saint Benedict Village
- Ascension Village Villa Franciscan Place
- Ascension Living Fox Knoll Village
- Ascension Living Fox Knoll Village
- Ascension Living Saint Anne Place
- Ascension Living Saint Joseph Village

Ascension Health has four unfinished projects, which have been obligated and will be completed or altered per Part 1130 of the State Board's rules.

- 21-013 Ascension Saint Alexius, Hoffman Estates, Modernization of Emergency Department, Permit Amount \$23,226,721, Completion Date 09/30/2025.
- 21-017 Ascension Resurrection, Chicago, Modernization of the emergency and preoperative surgery departments. The project includes a new main hospital entrance and lobby, the construction of an ambulance portal, and the relocation of the central sterile department. Permit Amount \$103,878,769. Completion Date 12/31/2027.
- 21-018 Ascension Saint Mary, Chicago, Hospital Renovation including a portion of the



Hospital's lower level, first, second, third, fifth, and ninth floors and a reduction of ICU beds from 32-26 and med/surg beds from 186-166 beds. Permit Amount \$45,557,405. Completion Date 09/30/2024. **Notice of Project Completion received September 16, 2024. The final report is to be submitted within 90 days.**

- 21-020 Ascension Alexian Brothers Medical Center, Elk Grove Village, will modernize surgical suites and replace the medical-surgical bed complement. The number of medical-surgical beds will be reduced from 260 to 205. Permit Amount \$107,297,428. Completion Date: April 1, 2025.

## **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 who have initiated or completed such projects without obtaining an exemption violate 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 payment 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) describe 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 the exemption, then an application for a permit may be filed.

**B) 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 before 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)

### **C) Section 1130.220 - Necessary Parties to the Application for Permit or Exemption**

*A permit or exemption shall be obtained prior to the acquisition of major medical equipment or to the construction or modification of a health care facility [20 ILCS 3960/5]. The following persons shall be the applicants for permit or exemption, as applicable:*

- a) For construction or modification projects (including projects to establish or change the ownership of health care facilities and including projects to acquire major medical equipment by or on behalf of health care facilities) of one or more existing or proposed health care facilities:
  - 1) the person who will hold and who currently (as applicable) holds the license (or Medicare and/or Medicaid certification if licensing is not applicable) for each facility.
  - 2) the person who has final control of the person who will hold or who currently holds (as applicable) the license (or Medicare and/or Medicaid certification if applicable) for each facility.
  - 3) any related person who is or will be financially responsible for guaranteeing or making payments on any debt related to the project; and
  - 4) any other person who actively will be involved in the operation or provision of care and who controls the use of equipment or other capital assets that are components of the project, such as, but not limited to, fixed equipment, mobile equipment, buildings or portions of buildings, structures such as parking garages, etc.

### **D) Section 1130.560 HFSRB Action**

- a) Action by Chairman

The Chairman, acting on behalf of HFSRB, shall review all applications for exemption and approve, deny, or refer the application or material change to HFSRB for review and action.

  - 1) The chairman shall act *on an exemption application for a change of ownership among related persons within 45 days after HFSRB staff deems the application complete, provided the application includes the requisite information. If the Board Chair has a conflict of interest or for other good cause, the Chair may request that the Board consider the application.* [20 ILCS 3960/8.5(a)]
  - 2) The Chair shall act upon an exemption application for the discontinuation of a health care facility, discontinuation of a category of service, or change of ownership that is not among related persons after Board staff finds that

the application is complete and includes the requested information. The Chair may refer the application to the Board.

b) Action by HFSRB

- 1) HFSRB shall evaluate each application for exemption referred by the Chairman and either issue an exemption or advise the applicant or exemption holder in writing that the application is denied and is not in conformance with exemption requirements. The number of affirmative votes for approval of an application for exemption is specified in the Act. HFSRB shall approve an application for exemption that it determines to be in compliance with the requirements. Exemptions will not be issued for projects that have failed to meet the applicable requirements of this Subpart.
- 2) HFSRB will defer consideration of an application for exemption when the application is the subject of litigation, until all litigation related to the application has been completed.

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