



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

52525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: (217) 785-4111

DOCKET NO: H-01	BOARD MEETING: April 21, 2015	PROJECT NO: 14-068	PROJECT COST: Original: \$2,574,000
FACILITY NAME: Monroe County Surgery Center		CITY: Waterloo	
TYPE OF PROJECT: Non-substantive			HSA: XI

PROJECT DESCRIPTION: The applicants (Red Bud Regional Hospital Company, LLC, Community Health Systems, Inc., and Monroe County Surgical Center, LLC) are proposing to transfer majority ownership of multi-specialty Ambulatory Surgery Treatment Center (ASTC), to Red Bud Regional Hospital. **The proposed project is to be completed by July 31, 2015.**

Board Staff notes the project was deferred from the March 10, 2015 IHFSRB meeting to the April 21, 2015 meeting.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- Red Bud Regional Hospital Company, LLC (the "Purchaser"), proposes to purchase a majority interest in Monroe County Surgical Center, LLC, a multi-specialty Ambulatory Surgery Treatment Center (ASTC), in Waterloo. The proposed project cost is \$2,574,000. **The project completion date is: July 31, 2015.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project proposes a change of ownership (control) of a health care facility as defined by the Act. 20 ILCS 3960/3.

PURPOSE:

- According to the applicant "the purpose of the change of ownership is to improve access by allowing for better physician-hospital alignment, and the ASC will have greater access to capital for upgrades and improvements. The applicants also note the project will allow for coordinated care, efficiencies in medical record coordination and communication, and less costly services for its patient base.

STATE BOARD REQUIREMENTS FOR CHANGE OF OWNERSHIP:

- **An applicant proposing a change of ownership must provide**
 - details on any proposed changes in the beds or services currently offered,
 - the reason for the transaction,
 - any anticipated additions or reductions in employees,
 - any changes in the restriction of patient admissions, and;
 - attestation that no reductions in access to care will result from the proposed change of ownership transaction.

TRANSACTION:

- Monroe County Surgical Center, LLC, currently owns Monroe County Surgery Center in its entirety. Upon completion of the transaction, Red Bud Regional Hospital Company, LLC will own 60% of the surgery center and Monroe County Surgical Center, LLC will retain 40% of the center.
- There will be no change in the services currently provided at the facility.

BACKGROUND/COMPLIANCE ISSUES:

- Reviews by Board Staff reveals there are no compliance issues with the applicants.

FINANCIAL

- The transaction is being funded with cash and securities (internally), and it appears the applicants are financially viable to ensure the completion of the transaction. A copy of the executed purchase agreement is contained in the project file, as well as a copy of Form 10-K from the United States Securities and Exchange Commission, for Community Health Systems, Inc.

PUBLIC COMMENTS:

- No letters of support or opposition were received by the State Board Staff and there was no request for a public hearing.

WHAT WE FOUND

- The applicants have met all of the requirements of the State Board

**Monroe County Surgery Center
State Board Staff Report
Project #14-068**

APPLICATION CHRONOLOGY	
Applicants	Monroe County Surgical Center, LLC Red Bud Regional Hospital Company, LLC Community Health Systems, Inc.
Facility Name	Monroe County Surgery Center
Location	501 N. Hamacher Street, Waterloo
Application Received	December 22, 2014
Application Deemed Complete	December 29, 2014
Permit Holders	Red Bud Regional Hospital Company, LLC
Operating Entity/Licensing	Monroe County Surgical Center, LLC
Owner of the Site	Medical Development Company of America, LLC
Can Applicants Request Another Deferral?	No

I. The Proposed Project

Community Health Systems, Inc., Red Bud Regional Hospital Company, LLC (the "Purchasers"), and Monroe County Surgical Center, LLC, propose to effect a transaction that would result in Red Bud Regional Hospital Company, LLC retaining majority ownership of the Monroe County Surgery Center, Waterloo. The applicants identified transaction costs totaling \$2,574,000. **The proposed project is to be completed by July 31, 2015.**

II. Summary of Findings

- A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1110.**
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.**

III. General Information

The applicants are Red Bud Regional Hospital Company, LLC, Community Health Systems, Inc. and Monroe County Surgical Center, LLC. Red Bud Regional Hospital Company, LLC is owned by Community Health Systems, Inc. Community Health Systems, Inc. is a holding company and operates no business in its own name. On a consolidated basis, Community Health Systems, Inc. and its subsidiaries own, lease and operate acute care hospitals in non-urban and selected urban markets. As of December 31, 2013, Community Health Systems, Inc. owned or leased 135 hospitals, including four stand-alone rehabilitation or psychiatric hospitals, licensed for 20,180 beds in 29 states. Community Health Systems owns nine hospitals in Illinois.

- Crossroads Community Hospital Mt. Vernon 57 October, 1994 Owned
- Gateway Regional Medical Center Granite City 367 January, 2002 Owned

- Heartland Regional Medical Center Marion 98 October, 1996 Owned
- Red Bud Regional Hospital Red Bud 31 September, 2001 Owned
- Galesburg Cottage Hospital Galesburg 173 July, 2004 Owned
- MetroSouth Medical Center Blue Island 330 March, 2012 Owned
- Vista Medical Center East Waukegan 228 July, 2006 Owned
- Vista Medical Center West (psychiatric and rehabilitation beds)
Waukegan 71 July, 2006 Owned
- Union County Hospital, Leased

The facility is the Monroe County Surgery Center a multi-specialty ASTC containing 2 surgical rooms, and 8 Stage I Recovery stations. The ASTC is located at 501 N. Hamacher Street, Waterloo, and provides the following surgical services:

- Cardiovascular
- Gastroenterology
- General
- Ophthalmology
- Orthopedic
- Otolaryngology
- Pain Management
- Podiatry
- Urology

The facility is located in the HSA XI service area. There are eight additional ASTC's in this service area.

- Bel-Clair Ambulatory Surgery Center, Bellville
- Edwardsville Ambulatory Surgery Center, Glen Carbon
- HealthSouth Surgery Center of Belleville, Belleville
- Highland Ambulatory Surgical Center, Highland
- Hope Clinic for Women, LTD., Granite City
- Illinois Eye Surgeons Cataract Surgery, Belleville
- Metroeast Endoscopy Surgery Center, Fairview Heights
- Novamed Eye Surgery Center of Maryville, Maryville

Monroe County Surgery Center is certified for participation or enrollment in the Medicare, Illinois Medicaid and CHAMPUS/TRICARE programs, has a current and valid provider contract with each of the Medicare, Illinois Medicaid and CHAMPUS/TRICARE programs, is in compliance with the conditions of participation of such programs, and has received all approvals or qualifications necessary for reimbursement from such programs. Monroe County Surgery Center is accredited by Accreditation Association for Ambulatory Health Care, Inc.

Project obligation will occur after permit issuance, and **the anticipated project completion date is July 31, 2015.**

IV Transaction

This project proposes the change of ownership of Monroe County Surgical Center, LLC, a multi-specialty surgery center in Waterloo, Illinois with two operating rooms. The surgery center is currently owned by physicians. After the proposed change of ownership, Red Bud Regional Hospital Company, LLC will own a 60% ownership interest in the surgical center, with those physicians who are current owners retaining a 40% ownership interest. The remaining owners are:

David J. King	4.7%
Michael N. Kirk	9.5%
Gregory C. Randle	2.2%
Ricardo Rao	1.2%
William R. Reilly	9.5%
Ketan A. Shah	3.5%
Donald R. Unwin	1.2%
Christopher L. Vulin	1.2%
Keith D. Wilkey	8.7%

There will be no change in the type of surgical procedures performed at the surgery center. There will be no modernization of the surgery center, or construction, as a result of this change of ownership.

V. Safety Net Impact Statement/Charity Care

The applicant note the proposed transaction will not have a negative impact on any Safety Net services in the community, and the hospital's investment in the Surgery Center should enhance cooperation and facilitation in using the Surgery Center to its fullest extent.

The table below shows the net patient revenue for Red Bud Regional Hospital for the three years prior to the application date.

TABLE ONE			
Safety Net Information per PA 96-0031			
CHARITY CARE			
	2011	2012	2013
Net Patient Revenue	\$21,375,261	\$21,765,761	\$22,385,591
Amount of Charity Care (charges)	\$144,881	\$501,623	\$225,902
Cost of Charity Care	\$29,041	\$92,981	\$39,852
Charity (# of patients)	2011	2012	2013
Inpatient	7	10	11
Outpatient	37	70	51
Total	44	80	62
Charity (cost in dollars)	2011	2012	2013

TABLE ONE			
Safety Net Information per PA 96-0031			
CHARITY CARE			
	2011	2012	2013
Inpatient	\$8,722	\$47,181	\$13,821
Outpatient	\$20,319	\$45,800	\$26,031
Total	\$29,041	\$92,981	\$39,852
MEDICAID			
Medicaid (# of Patients)	2011	2012	2013
Inpatient	108	84	114
Outpatient	2,219	1,085	3,386
Total	2,327	1,169	3,500
Medicaid Revenue			
Outpatient	\$0	\$0	\$13,368

VI. Criterion 1110.230 - Background of the Applicant

The applicants have attested that there have been no adverse actions as defined by the Health Facilities and Services Review Board against any of the nine facilities in the past three years, including Red Bud Regional Hospital. In addition the applicants also stated that the Health Facilities and Services Review Board and the Illinois Department of Public Health may access any information necessary to verify the information as submitted, including but not limited to official records of IDPH or other State agencies or the records of nationally accredited associations.

VII. Criterion 1110.240 (b) – Impact Statement

The applicants note there will be no change in the scope of services offered, and Monroe County Surgery Center, LLC, will remain the operating entity. There will be no changes in respect to the number of employees.

VIII. Criterion 1110.240(c) - Access

The applicants note the facility will adopt the admission policies in place at Red Bud Regional Hospital, which will result in increased patient access. The Applicants supplied a copy of Red Bud Regional Hospital's Financial Assistance policies.

IX. Criterion 1110.240(d)-Health Care System

The applicant notes this criterion is not applicable for this project.

X. Project Costs and Sources of Funds

The total estimated project cost is \$2,574,000. The proposed project is being funded with cash and securities totaling \$2,574,000. Table Two outlines the project's costs and uses of funds. The State Board Staff notes all costs are classified as being clinical. The

applicants furnished a 10-K financial statement for Community Health Systems, Inc., attesting to the financial viability of the applicant.

TABLE TWO	
Project Uses and Sources of Funds	
Uses of Funds	Clinical
Acquisition of ASTC Facility	\$2,574,000
Total Uses of Funds	\$2,574,000
Sources of Funds	Clinical
Cash and Securities	\$2,574,000
Total Sources of Funds	\$2,574,000

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Reference Numbers Facility Id 7003161
 Health Service Area 011 Planning Service Area 133
 Monroe County Surgical Center, LLC
 501 Hamacher Street
 Waterloo, IL 62298

Number of Operating Rooms 2
 Procedure Rooms 0
 Exam Rooms 1
 Number of Recovery Stations Stage 1 8
 Number of Recovery Stations Stage 2 0

Administrator **Date Complete**
 Brad Deutch, RN 3/7/2014

Contact Person **Telephone**
 Brad Deutch, RN 618-939-1001

Type of Ownership
 Limited Liability Company (RA required)

Registered Agent
 Donald Schoemaker

Property Owner
 Medical Development Corporation

Legal Owner(s)
 Christopher Vulin
 David King
 Donald Unwin
 Gregory Randle
 Keith Wilkey
 Ketan Shah
 Micheal Kirk
 Ricardo Rao
 William Rebholz
 William Reilly

HOSPITAL TRANSFER RELATIONSHIPS

HOSPITAL NAME	NUMBER OF PATIENTS
Red Bud Regional Hospital	0
Belleville Memorial Hospital	0
	0
	0
	0

STAFFING PATTERNS

PERSONNEL	FULL-TIME EQUIVALENTS
Administrator	1.00
Physicians	0.00
Nurse Anesthetists	0.00
Director of Nurses	0.00
Registered Nurses	1.00
Certified Aides	0.00
Other Health Profs.	0.00
Other Non-Health Profs	2.00
TOTAL	4.00

DAYS AND HOURS OF OPERATION

Monday	9
Tuesday	9
Wednesday	9
Thursday	9
Friday	9
Saturday	0
Sunday	0

NUMBER OF PATIENTS BY AGE GROUP

AGE	MALE	FEMALE	TOTAL
0-14 years	60	44	104
15-44 years	82	78	160
45-64 years	198	187	385
65-74 years	95	110	205
75+ years	69	102	171
TOTAL	504	521	1,025

NUMBER OF PATIENTS BY PRIMARY PAYMENT SOURCE

PAYMENT SOURCE	MALE	FEMALE	TOTAL
Medicaid	23	32	55
Medicare	153	229	382
Other Public	44	38	82
Insurance	282	218	500
Private Pay	2	4	6
Charity Care	0	0	0
TOTAL	504	521	1,025

NET REVENUE BY PAYOR SOURCE FOR FISCAL YEAR

Medicare	Medicaid	Other Public	Private Insurance	Private Pay	TOTALS	Charity Care Expense	Charity Care Expense as % of Total Net Revenue
22.8%	0.9%	10.0%	65.8%	0.5%	100.0%		
338,604	13,368	148,486	977,432	6,822	1,484,712	0	0%

OPERATING ROOM UTILIZATION FOR THE REPORTING YEAR

SURGERY AREA	TOTAL SURGERIES	SURGERY TIME (HOURS)	SURGERY PREP AND CLEAN-UP TIME (HOURS)	TOTAL SURGERY TIME (HOURS)	AVERAGE CASE TIME (HOURS)
Cardiovascular	40	30.50	20.00	50.50	1.26
Dermatology	0	0.00	0.00	0.00	0.00
Gastroenterology	224	85.50	75.00	160.50	0.72
General	26	22.25	13.00	35.25	1.36
Laser Eye Surgery	0	0.00	0.00	0.00	0.00
Neurology	0	0.00	0.00	0.00	0.00
OB/Gynecology	0	0.00	0.00	0.00	0.00
Ophthalmology	115	49.25	38.50	87.75	0.76
Oral/Maxillofacial	0	0.00	0.00	0.00	0.00
Orthopedic	75	90.75	37.50	128.25	1.71
Otolaryngology	251	170.00	125.50	295.50	1.18
Pain Management	240	63.25	40.00	103.25	0.43
Plastic Surgery	0	0.00	0.00	0.00	0.00
Podiatry	30	25.75	15.00	40.75	1.36
Thoracic	0	0.00	0.00	0.00	0.00
Urology	24	17.50	12.00	29.50	1.23
TOTAL	1025	554.75	376.50	931.25	0.91

PROCEDURE ROOM UTILIZATION FOR THE REPORTING YEAR

SURGERY AREA	PROCEDURE ROOMS	TOTAL SURGERIES	SURGERY TIME (HOURS)	PREP AND CLEAN-UP TIME (HOURS)	TOTAL SURGERY TIME (HOURS)	AVERAGE CASE TIME (HOURS)
Cardiac Catheteriza	0	0	0	0	0	0.00
Gastro-Intestinal	0	0	0	0	0	0.00
Laser Eye	0	0	0	0	0	0.00
Pain Management	0	0	0	0	0	0.00
TOTALS	0	0	0	0	0	0.00

Patients by Location of Residence

Zip Code	City	County	Patients
62298	Waterloo	Monroe	352
62236	Columbia	Monroe	107
62278	Red Bud	Randolph	92
62277	Prairie Du Rocher	Randolph	34
62269	O'Fallon	St. Clair	30
62244	Fults	Monroe	29
62225	Belleville	St. Clair	27
62295	Valmeyer	Monroe	25
62242	Evansville	Randolph	22
62239	Dupo	St. Clair	18
62260	Millstadt	St. Clair	17
62233	Chester	Randolph	15
62221	Belleville	St. Clair	14
62226	Belleville	St. Clair	13
62257	Marissa	St. Clair	13
62258	Mascoutah	St. Clair	12
62286	Sparta	Randolph	11
62285	Smithton	St. Clair	11
62217	Baldwin	Randolph	9
62264	New Athens	St. Clair	9
62208	Fairview Heights	St. Clair	9
62234	Collinsville	Madison	8
62206	Cahokia	St. Clair	8
62241	Ellis Grove	Randolph	7
62288	Steeleville	Randolph	7

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62260	Millstadt	St. Clair	17
62233	Chester	Randolph	15
62221	Belleville	St. Clair	14
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62258	Mascoutah	St. Clair	12
62286	Sparta	Randolph	11
62285	Smithton	St. Clair	11
62217	Baldwin	Randolph	9
62264	New Athens	St. Clair	9
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