

ORIGINAL

RECEIVED

SEP 19 2016

HEALTH FACILITIES &
SERVICES REVIEW BOARD

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE CHANGE OF OWNERSHIP FOR AN EXISTING
HEALTH CARE FACILITY**

E-034-16

1. INFORMATION FOR EXISTING FACILITY

Current Facility Name Richland Memorial Hospital, Inc.

Address 800 E. Locust

City Olney

Zip Code 62450

County Richland

Name of current licensed entity for the facility Richland Memorial Hospital, Inc.

Does the current licensee: own this facility X OR lease this facility (if leased, check if sublease ☐)

Type of ownership of the current licensed entity (check one of the following:) Sole Proprietorship

X Not-for-Profit Corporation For Profit Corporation Partnership Governmental

 Limited Liability Company Other, specify

Illinois State Senator for the district where the facility is located: Sen. Dale Righter

State Senate District Number 55 Mailing address of the State Senator 309 M Statehouse
Springfield, IL 62706

- 2. OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☒ If yes, refer to Section 1130.520(f), and indicate the projects by Project #

- 3. NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant The Carle Foundation

Address City, State & Zip Code 611 W. Park St. Urbana, IL 61801

Type of ownership of the current licensed entity (check one of the following:) Sole Proprietorship

x Not-for-Profit Corporation For Profit Corporation Partnership Governmental

 Limited Liability Company Other, specify

- 4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Applicant Richland Memorial Hospital, Inc.

Address City, State & Zip Code 800 E. Locust Olney, IL 62450

Type of ownership of the current licensed entity (check one of the following:) Sole Proprietorship

x Not-for-Profit Corporation For Profit Corporation Partnership Governmental

 Limited Liability Company Other, specify

- 5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY**

Exact Legal Name of Applicant Richland Memorial Hospital, Inc.

Address City, State & Zip Code 800 E. Locust Olney, IL 62450

Type of ownership of the current licensed entity (check one of the following:) Sole Proprietorship

x Not-for-Profit Corporation For Profit Corporation Partnership Governmental

 Limited Liability Company Other, specify

6. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**

- ☐ Purchase resulting in the issuance of a license to an entity different from current licensee;
- ☐ Lease resulting in the issuance of a license to an entity different from current licensee;
- ☐ Stock transfer resulting in the issuance of a license to a different entity from current licensee;
- ☐ Stock transfer resulting in no change from current licensee;
- ☐ Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
- ☐ Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
- ☒ Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
- ☐ Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
- ☐ Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
- ☐ Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
- ☐ Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"

7. **APPLICATION FEE.** Submit the application fee in the form of a check or money order for \$2,500 payable to the Illinois Department of Public Health and append as **ATTACHMENT #1**.

8. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2**.

9. **ANTICIPATED ACQUISITION PRICE:** Not Applicable (see Attachment 2)

10. **FAIR MARKET VALUE OF THE FACILITY:** \$27,000,000
(to determine fair market value, refer to 77 IAC 1130.140)

11. **DATE OF PROPOSED TRANSACTION:** March 1, 2017

12. **NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as **ATTACHMENT #3**.

13. **BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Limited Liability Companies and Partnerships must provide the name and address of each partner/ member and specify the percentage of ownership of each. Append this information to the application as **ATTACHMENT #4**.

14. **TRANSACTION DOCUMENTS.** Provide a copy of the complete transaction document(s) including schedules and exhibits which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities and Services Review Board. Append this document(s) to the application as **ATTACHMENT #5**.

15. **FINANCIAL STATEMENTS.** (Co-applicants must also provide this information) Provide a copy of the applicants latest audited financial statements, and append it to this application as ATTACHMENT #6. If the applicant is a newly formed entity and financial statements are not available, please indicate by checking YES ☐, and indicate the date the entity was formed _____.

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Collin Anderson

Address: 611 W. Park St.

City, State & Zip Code: Urbana, IL 61801

Telephone (217) 383-7503

17. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Kara Friedman, Polsinelli PC

Address: 161 N. Clark St., Suite 4200

City, State & Zip Code: Chicago, IL 60601-3316

Telephone (312) 873-3639

18. **CERTIFICATION**

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer _____

Typed or Printed Name of Authorized Officer James C. Leonard, MD

Title of Authorized Officer: President & Chief Executive Officer

Address: 611 W. Park St.

City, State & Zip Code: Urbana, IL 61801

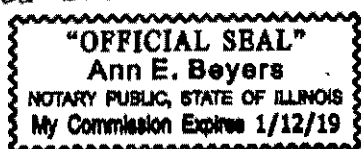
Telephone: (217) 383-3220

Date: 9-16-2016

NOTE: complete a separate signature page for each co-applicant and insert following this page.

State of Illinois
County of Champaign

Signed before me on 9/16/2016 by James C. Leonard, M.D.



Ann E. Beyers
Notary Public

Application Fee

A \$2,500 fee was submitted with this application.

Funding

The Carle Foundation ("Carle") and Richland Memorial Hospital are non-profit entities and in connection with the transaction, Carle will become the sole member of Richland Memorial Hospital. There is no financial consideration being paid in connection with the corporate reorganization of Richland Memorial Hospital.

Narrative Description

Richland Memorial Hospital ("RMH") is a 134-bed general hospital located in Richland County. In connection with the proposed transaction, The Carle Foundation will become the sole member of RMH, and RMH will become one of the hospitals within the Carle Foundation non-profit health system. No new corporate entity will be formed; however, after the transaction RMH will change its name to Carle Richland Memorial Hospital. Post-Closing, Richland shall be governed by a Board of Trustees (the "Hospital Board") comprised initially of 14 individuals, 12 individuals who are comprised of the current Richland Board members and two (2) individuals appointed by Carle. The RMH CEO will be an ex-officio, non-voting member of the Hospital Board. It is anticipated that the Hospital Board would continue to be accountable for the effective and fiscally responsible governance of Richland in accordance with the Richland and Carle system missions and visions. Carle will maintain certain reserve powers over the governance and affairs of the hospital.

The purpose of the transaction is to integrate RMH within the Carle system to further enhance the quality of health care services provided to residents of Richland County. Moreover, the proposed transaction will help promote a sustainable model of health care in the Olney community through integrated clinical protocols, shared technology, increased efficiency and shared purchasing. The proposed transaction will also improve access to tertiary care services as additional Carle specialists establish clinics in Olney. Finally, the proposed transaction will ensure residents of Olney continue to have access to critical services through Carle's anticipated upgrades to RMH; specifically RMH's Epic EHR implementation and physical plant renovations and enhancements.

Background of Applicant

Attached at Attachment 4 are the certificates of good standing for The Carle Foundation and Richland Memorial Hospital, Inc.

File Number

5905-802-9



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

RICHLAND MEMORIAL HOSPITAL, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 30, 1996, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 28TH
day of JULY A.D. 2016 .

Jesse White

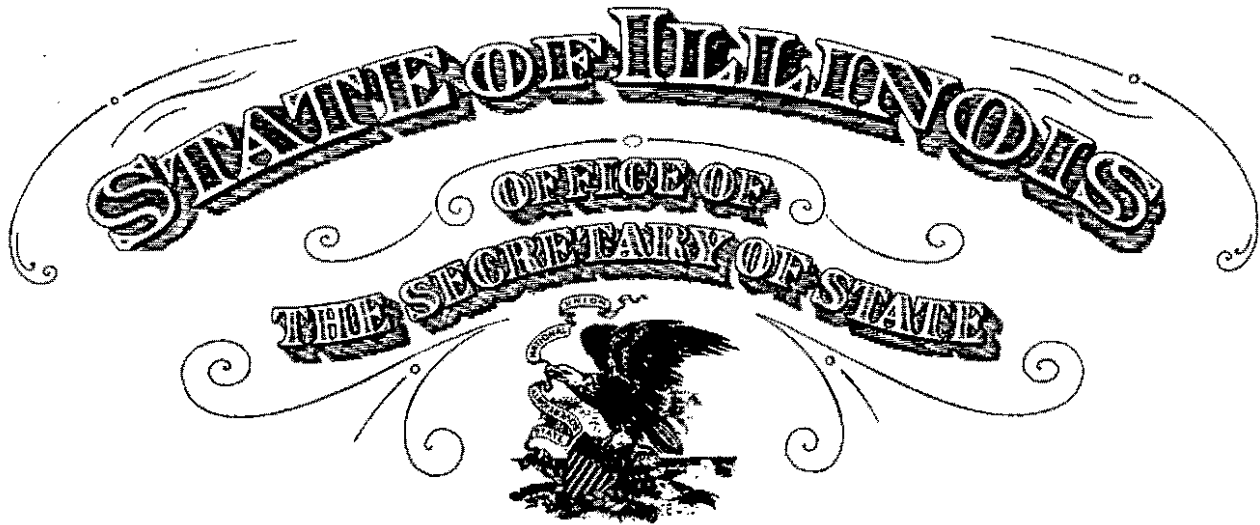
SECRETARY OF STATE

Authentication #: 1621002154 verifiable until 07/28/2017

Authenticate at: <http://www.cyberdriveillinois.com>

File Number

2932-580-4



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

THE CARLE FOUNDATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 06, 1946, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



***In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 25TH
day of JULY A.D. 2016 .***

Jesse White

SECRETARY OF STATE

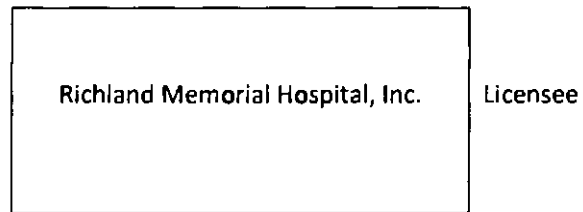
Authentication #: 1620702344 verifiable until 07/25/2017

Authenticate at: <http://www.cyberdriveillinois.com>

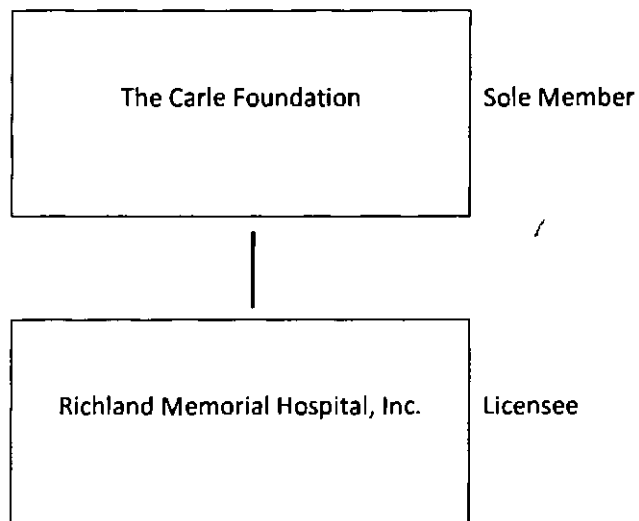
Transaction Documents

Transaction documents are not applicable to change of ownership COE applications.
Please see Attachment- 3 for a description of the key terms of the transaction.

Pre-Transaction Entity Chart



Post-Transaction Entity Chart



Financial Information

Financial statements are not applicable to change of ownership COE applications.

Section 1130.520: Information Requirements for Change of Ownership of a Health Care Facility

1. **Affirmations:** In accordance with 77 Ill. Adm. Code 1130.520, the Applicant affirms the following:
 - a. The transaction documents contain a provision that execution is subject to the Review Board's approval.
 - b. 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 the past three years.
 - c. Any Richland Memorial Hospital projects for which permits have been issued by the Review Board have been completed or will be completed or altered in accordance with the provisions of 77 Ill. Adm. Code 1130.520. Richland Memorial Hospital has no permits from the Review Board which have not been completed.
 - d. The Applicant affirms that Richland Memorial Hospital will not adopt a more restrictive charity care policy than the policy in effect one year prior to the transaction.
 - e. The Applicant understands that failure to complete the Affiliation in accordance with the applicable provisions of Section 1130.500(d) no later than 24 months from the date of exemption approval and failure to comply with the material change requirements of this Section will invalidate the exemption.
2. **Statement as to the anticipated benefits of the proposed changes in ownership to the community.**

As described in Attachment-3, the purpose of the transaction is to integrate Richland Memorial Hospital ("RMH") within the Carle system to further enhance the quality of health care services provided to residents of Richland County. The proposed transaction will also improve access to tertiary care services as additional Carle specialists establish clinics in Olney. Finally, the proposed transaction will ensure residents of Olney continue to have access to critical services through Carle's anticipated upgrades to RMH; specifically RMH's Epic EHR implementation and physical plant renovations and enhancements.

3. **Statement as to the anticipated or potential cost savings, if any, that will result for the community and the facility as a result of the change in ownership.**

The proposed transaction will help promote a sustainable model of health care in the Olney community through enhanced care coordination, better cost control, increased efficiency, shared technology, shared purchasing and consolidation of services.

4. **Description of the facility's quality improvement program mechanism that will be utilized to assure quality control.**

In keeping with Carle's mission to serve people through high quality care, medical research, and education, Carle's quality plan is designed to provide a systematic, coordinated, and continuous approach to the delivery, maintenance and continual improvement of quality, patient-centered healthcare in a safe and effective environment.

The program encompasses all patient and non-patient areas/departments/locations and involves a comprehensive ongoing assessment of professional and general staff performance; organizational structure; systems, processes and outcomes; systematic collection of clinically and non-clinically relevant data; appraisal and analysis of the care provided through evidence-based/outcome based practice; and compliance with all relevant standards/practice guidelines as well as federal and state codes, laws, rules, and regulations.

Carle's 2016 quality plan is aimed at achieving the following goals:

- Provide high quality healthcare that is safe, timely, effective, efficient, equitable, patient-centered, value driven, and based on best practice evidence-based outcomes employing transparent ethical processes.
- Improve health care quality and patient safety through a collaborative process involving the provider(s), staff and the patient(s).
- Create a culture of quality and safety that is integrated into the strategic plan for the organization.
- Provide an effective and efficient structure for data collection, aggregation, measurement, monitoring, analysis and reporting.
- Align system-wide activities and incentives.
- Redesign processes and systems to improve organizational reliability for provision of quality value-based patient care in a safe environment.
- Identify and address quality issues that may be contributing to organizational risk.

5. **Description of the applicant's organizational structure, including a listing of controlling or subsidiary persons.**

Diagrams illustrating the current and post-transaction ownership structure of RMH are provided in Attachment- 5a.

6. **Description of the selection process that the acquiring entity will use to select the facility's governing body.**

In connection with the proposed transaction, The Carle Foundation will become the sole member of RMH. Post-Closing, RMH shall be governed by a Board of Trustees (the "Hospital Board") comprised initially of 14 individuals, 12 individuals who are comprised of the current Richland Board members and two

individuals appointed by Carle. The RMH CEO will be an ex-officio, non-voting member of the Hospital Board. It is further anticipated that for vacancies, the Hospital Board will consist of individuals within the Richland service area in addition to the two appointed Carle members.

7. **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.**

The Applicant has or will prepare a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 that will be available for public review at RMH.

Appendix A

Facility Bed Capacity and Utilization

1. Complete the following chart as applicable. Complete a separate chart for each facility that is part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest 12 month period for which data is available. Any bed capacity discrepancy from the Inventory will result with the application being deemed incomplete.

FACILITY NAME: **Richland Memorial Hospital**

CITY: **Olney**

REPORTING PERIOD DATES: **From 1/1/2015 to 12/31/2015**

Category of service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	61	1,027	4,111	0	61
Pediatric	5	0	0	0	5
Intensive Care	8	251	442	0	8
Ob/Gyn	10	360	636	0	10
Long Term Care	34	173	3,376	0	34
Acute Mental Illness	16	541	2,256	0	16
Total	134	2,352	10,821	0	134

Excludes observation days.