

Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

by electronic mail and FedEx

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HEALTH FACILITIES
SERVICES REVIEW BOARD

Mr. Michael Constantino
c/o Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

E-051-17

RE: Certificate of Exemption E-51-17
Memorial Hospital-East, Shiloh

Dear Mike:

Enclosed please find a revised ATTACHMENT 15 to the above-referenced Certificate of Exemption application.

Should any additional information be required, please do not hesitate to contact me.

Sincerely,


Jacob M. Axel
President

enclosure

SECTION V
CHANGE OF OWNERSHIP (CHOW)

Applicable Review Criteria

Criterion 1130.520(b)(1)(A) Names of the parties

The parties named as an applicant are:

1. Protestant Memorial Medical Center, Inc., (d/b/a Memorial Hospital) the entity that is and will remain the hospital's License Holder.
2. BJC Health System (d/b/a BJC HealthCare) an entity which currently meets the IDPH definition of "final control" found in Section 1130.140, and the entity that will maintain "final control" over the hospital.
3. Memorial Group, Inc., an entity which currently meets the IDPH definition of "final control" found in Section 1130.140.

Criterion 1130.520(b)(1)(B) Background of the parties

Provided in ATTACHMENT 1 are Certificates of Good Standing for each applicant identified above. Provided in ATTACHMENT 11 are:

1. Listings of Illinois Health Care Facilities owned by the applicants
2. A certification from the applicants that no adverse actions have been taken against any facility owned and/or operated in Illinois by the applicant during the past three years.
3. The applicants' authorization permitting HFSRB and IDPH access to documents necessary to verify the information submitted.

Criterion 1130.520(b)(1)(C) Structure of transaction

BJC HealthCare and Memorial Group, Inc. currently both have "final control" over Memorial Regional Health Services, Inc. per Section 1130.140. Through the proposed change of ownership and control, Memorial Group, Inc. will cede its control to BJC HealthCare, resulting in BJC HealthCare becoming the sole entity having "final control" over the Memorial Hospital.

Criterion 1130.520(b)(1)(D) Name of the person who will be licensed or certified entity after the transaction

The license holder, as identified in Section I of this Certificate of Exemption Permit application will not change following the transaction.

Criterion 1130.520(b)(1)(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 organization structure with a listing of controlling or subsidiary persons.

Current and post-closing organizational charts are provided in ATACHMENT 4, identifying all applicable Illinois facilities. Memorial Regional Health Services, Inc. currently has two corporate members: Memorial Group, Inc. and BJC HealthCare. Upon the finalizing of the transaction, Memorial Regional Health Services, Inc. will have one member, which is BJC HealthCare.

Criterion 1130.520(b)(1)(F) Fair market value of assets to be transferred

The health care facility's value, per its FY 2017 balance sheet is \$149,242,665. This amount is identified as the hospital's fair market value for purposes of this Certificate of Exemption application, exclusively.

Criterion 1130.520(b)(1)(G) The purchase price or other forms of consideration to be provided for those assets

There will not be an exchange of money as a result of the proposed change of ownership and control, and therefore this criterion is not applicable.

Criterion 1130.520(b)(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.

As of the time of this Certificate of Exemption application filing, the applicants have one Certificate of Need Permit pending, with Memorial Group, Inc., BJC Health System, Memorial Regional Health Services, Inc. and Metro East Services, Inc. as Permit holders:

- CON Permit 16-018, for the establishment of a medical clinics building on the campus of Memorial Hospital-East. This Permit has a completion date of January 15, 2018.

By its respective signatures on the Certification Page of this Certificate of Exemption application, BJC HealthCare and Memorial Group, Inc. affirm that the Certificate of Need Permit identified above will be completed consistent with rules of the Illinois Health Facilities and Services Review Board.

Criterion 1130.520(b)(2) If the ownership change is for a hospital, affirmation that the facility will not adopt a more restrictive charity care policy than the charity care 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.

By its signature on the Certification Page of this Certificate of Exemption application, the applicants affirm that the hospital's charity care policy will not become more restrictive for a minimum of two years following the closing of the change of ownership transaction. A copy of BJC HealthCare's Financial Assistance Policy, under which the hospital currently operates, is attached.

Criterion 1130.520(b)(2) A statement as to the anticipated benefits of the proposed changes in ownership to the community

The purpose of the proposed change of ownership/control is to simplify the organizational structure, with this proposed change being anticipated during the planning of the strategic affiliation between BJC HealthCare and Memorial Group, Inc. It is not anticipated that the community will experience any material changes to manner in which services are provided, including diminished access to services.

Criterion 1130.520(b)(2) The anticipated or potential cost savings, if any, that will result for the community and facility because of the change in ownership.

The original transaction and change in ownership was completed on January 1, 2016. The parties anticipated that the transaction would result in significant cost savings as well as enhancements in quality and care protocols. These savings and quality of care enhancements inure to the benefit of both the community and the purchasers of healthcare services. Memorial

has realized such cost savings and benefits. The current filing simply provides notice of the withdrawal of Memorial Group from the new organization and does not have any additional impact on the potential benefits and savings.

Criterion 1130.520(b)(2) A description of the facility's quality improvement mechanism that will be utilized to ensure quality control

The applicants place great importance in quality control. With the initiation of the strategic affiliation, best practices models, peer review protocols, and other mechanisms designed to monitor and improve quality of care have been shared. That process will continue.

Criterion 1130.520(b)(2) A description of the selection process that the acquiring entity will use to select the facility's governing body

The Memorial Hospital (Protestant Memorial Medical Center, Inc.) and Memorial Hospital-East (Metro-East Services, Inc.) boards will nominate members from the communities they serve and/or individuals with skills or experience needed by the respective Board to BJC HealthCare for final review and approval. Each respective board may use a nominating committee comprised of current board members to identify individuals who meet the criteria for service on the board.

Criterion 1130.520(b)(2) A statement that the applicant has prepared a written response addressing the review criteria contained in 77 Ill. Adm Code. 1110.240 and the response is available for public review on the premises of the facility

The applicants have prepared a written response, which is available for public view at the facility.

Criterion 1130.520(b)(2) 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.

None are currently anticipated.