



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET ITEM NUMBER: C-02	BOARD MEETING: August 6, 2019	PROJECT NUMBER: #E-22-019
EXEMPTION APPLICANT(S): SEP Bloomington MOB, LLC, Stage Director, LLC, GAHC4 Bloomington IL MOB, LLC, and Griffin-American Healthcare REIT IV Holdings, LP		
FACILITY NAME and LOCATION: The Center for Orthopedic Medicine, Bloomington, Illinois		

A. The Transaction¹

The Applicants (SEP Bloomington MOB, LLC, Stage Director, LLC, GAHC4 Bloomington IL MOB, LLC, and Griffin-American Healthcare REIT IV Holdings, LP) propose the sale of the real estate (building) housing a health care facility-The Center for Orthopedic Medicine, 2502 B East Empire Street, Bloomington, Illinois. The total cost of the transaction is \$18,200,000. The expected completion date is August 7, 2019. There is no change in the ownership of The Center for Orthopedic Medicine.

The building located at 2502 East Empire Street, Bloomington, Illinois is currently owned by SEP Bloomington MOB, LLC. SEP Bloomington MOB, LLC is a manager-managed limited liability company whose sole manager is Stage Director, LLC. Stage Director, LLC has ultimate control and authority over the SEP Bloomington, MOB, LLC. SEP Bloomington MOB, LLC proposes to sell the building to GAHC4 Bloomington IL MOB, LLC. One hundred percent (100%) of the membership interest in the GAHC4 Bloomington IL MOB, LLC is held by its sole member Griffin-American Healthcare REIT IV Holdings, LP. Griffin-American Healthcare REIT IV Holdings, LP has ultimate control and authority over the GAHC4 Bloomington IL MOB, LLC.

The Center for Orthopedic Medicine is not a party to the asset purchase agreement. The purchase price for the Property is \$18,200,000. The Center for Orthopedic Medicine occupies approximately 47% of the space of the building space, the estimated purchase price attributable to the licensed space is \$8,554,008.

The Center for Orthopedic Medicine is a licensed ASTC approved by the State Board in September of 1990. The Surgery Center provides general, OB/GYN, neurology, Oral/Maxillofacial, Orthopedic, Otolaryngology, plastic, podiatry and pain management surgical services. In 2017 the facility reported four operating rooms, one procedure room and 21 recovery bays.

¹ Note: There are two IDPH licensed health care facilities located in the same building. This is first of two change of ownership applications for the same building because of the location (site) of these two licensed facilities. The second is #E-023-19 - BroMenn Comfort Care and Suites.

TABLE ONE Number of Patients and Revenue by Payor Source CY 2017				
Payor Source	# of Patients	% of Total Patients	Revenue by Payor Source	% of Total Revenue
Medicaid	309	5.17%	\$238,677	1.83%
Medicare	1,803	30.17%	\$1,224,090	9.37%
Other Public	12	0.20%	\$8,840	0.07%
Private Insurance	3,728	62.38%	\$11,229,541	85.98%
Private Pay	120	2.01%	\$360,000	2.76%
Charity Care	4	0.07%	\$5,933	0.05%
Total	5,976	100.00%	\$13,061,148	100.00%

B. Public Hearing

No public hearing was requested, and no support or opposition letters were received.

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.

The Applicants have submitted all the information required by the State Board.

STATE BOARD STAFF FINDS THE PROPOSED CHANGE OF OWNERSHIP IN CONFORMANCE WITH 77 ILAC 1130.140, 77 ILAC 1130.500 AND 77 ILAC 1130.520.

C) State Board Rules

Section 1130.140 – Definitions

"Change of Ownership" means a change in the person who has operational control of an existing health care facility or a change in the person who has ownership or control of a health care facility's physical plant and capital assets. A change of ownership is indicated by, but not limited to, the following transactions: sale, transfer, acquisition, leases, change of sponsorship or other means of transferring control. [20 ILCS 3960/3] Examples of change of ownership include:

a transfer of stock or assets resulting in a person obtaining majority interest (i.e., over 50%) in the person who is licensed or certified (if the facility is not subject to licensure), or in the person who owns or controls the health care facility's physical plant and capital assets; or

the issuance of a license by IDPH to a person different from the current licensee; or

for facilities not subject to licensing, the issuance of a provider number to a different person by certification agencies that administer Titles XVIII and XIX of the Social Security Act; or

a change in the membership or sponsorship of a not-for-profit corporation; or

a change of 50% or more of the voting members of a not-for-profit corporation's board of directors, during any consecutive 12-month period, that controls a health care facility's operations, license, certification (when the facility is not subject to licensing) or physical plant and capital assets; or

a change in the sponsorship or control of the person who is licensed or certified (when the facility is not subject to licensing) to operate, or who owns the physical plant and capital assets of a governmental health care facility; or

any other transaction that results in a person obtaining control of a health care facility's operations or physical plant and capital assets, including leases.

"Change of Ownership Among Related Persons" means a transaction in which the parties to the transaction are under common control or ownership before and after the transaction is completed. [20 ILCS 3960/8.5(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, submit an application 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 into a contract to acquire an existing health care facility, a person shall submit an application 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)]

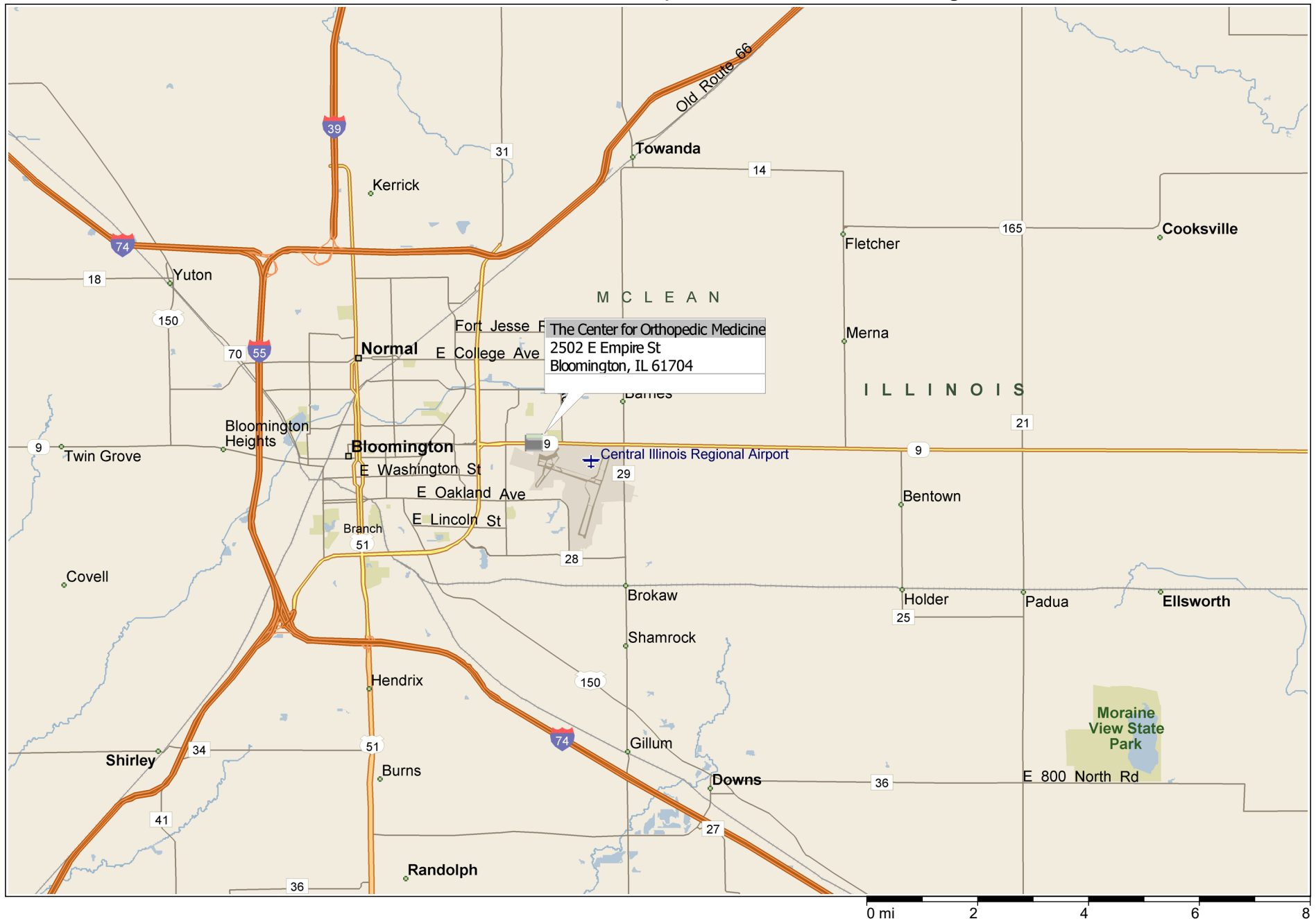
HFSRB NOTE: If the transaction is not completed according to the key terms submitted in the exemption application, a new application is required.

- 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 submit an application 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 on a daily basis, 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).
- 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.

E-022-19 The Center for Orthopedic Medicine - Bloomington



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