



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET ITEM: C-03 & C-04	BOARD MEETING: December 10, 2019	EXEMPTION NUMBER: #E-048-19 #E-049-19
EXEMPTION APPLICANT(S): Anderson Healthcare and Southwestern Illinois Health Facilities, Inc.		
FACILITY NAME and LOCATION: • Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital, Maryville, Illinois • Community Memorial Hospital Association d/b/a Community Hospital of Staunton, Staunton, Illinois		

DESCRIPTION:

These two Exemption Applications (E-048-19 and E-049-19) involve a corporate restructuring of two licensed hospitals: Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital and Community Memorial Hospital Association d/b/a Community Hospital of Staunton. This corporate restructuring is one transaction that involves two hospitals and is presented here as one report.

The Applicants state the following reason for the corporate restructuring: *“Historically, since Southwestern Illinois Health Facilities, Inc., an Illinois not-for-profit corporation d/b/a Anderson Hospital first opened its doors in 1977; the corporation had no corporate members. Over the past few decades Anderson Hospital has been an integral healthcare provider to residents of Madison County, Illinois and has expanded its operations to include not only Anderson Hospital but also Community Hospital of Staunton, Anderson Medical Group, Maryville Imaging and the other entities depicted in the organizational chart provided with the COE application.*

As the organization has grown and expanded, the Board of Trustees determined that it would be appropriate to restructure the corporate organization by creating a new not-for-profit entity called Anderson Healthcare to oversee all of the operations now under the Anderson Hospital umbrella. To implement the reorganization, Anderson Healthcare has been incorporated and it will be designated as the sole member of Anderson Hospital, Community Hospital of Staunton and the other entities as noted in the post-transaction organizational chart. The purpose of this reorganization is to structure Anderson Healthcare and its affiliates in a manner which allows for more streamlined governance structure, more uniform oversight of organizational operations and compliance matters, greater operational flexibility and improved overall organizational efficiency. ”

“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.” (20 ILCS 3960/6)

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

**STATE BOARD STAFF FINDS THE EXEMPTIONS FOR CHANGE OF OWNERSHIP
IN CONFORMANCE WITH CRITERIA (77 ILAC 1130.500 AND 77 ILAC 1130.520).**

STATE BOARD STAFF REPORT

Exemption #E-048-19

Exemption #E-049-19

I. General Information

The Applicants are Anderson Healthcare and Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital. Anderson Healthcare is a new Illinois not-for-profit corporation. Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital is an Illinois not-for-profit corporation that primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Maryville, Illinois and surrounding areas. Anderson Hospital is a 134-bed acute care hospital.

In February of 2016 the State Board approved Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital to become the sole member of Community Memorial Hospital Association d/b/a Community Hospital of Staunton approximately 25 miles and 30 minutes from Anderson Hospital. Community Hospital of Staunton is an Illinois not-for-profit corporation that primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Staunton, Illinois and the immediate surrounding area. Community Hospital of Staunton is a 25-bed critical access hospital.

In December of 2018 the State Board approved the establishment of Anderson Surgery Center, LLC (Permit #18-031) to establish and construct a multi-specialty Ambulatory Surgical Treatment Center that will have 2 operating rooms, 1 procedure room, and recovery space in Edwardsville, Illinois at a cost of approximately \$7.7 million approximately 7 miles and 17 minutes from the Maryville campus.

In September 2019 the State Board approved the establishment of Anderson Rehabilitation Hospital, a 34-bed rehabilitation hospital in Edwardsville at a cost of approximately \$26 million.

II. The Exemption Application

1. #E-048-19 - Anderson Hospital

The Applicants are Anderson Healthcare and Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital. The Applicants propose an internal corporate restructuring. Anderson Healthcare an Illinois not-for-profit corporation will become the sole member of Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital. This proposed change if approved will result in the change of control of a licensed health care facility. The licensee and owner of the site is Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital. There is no cost to this transaction.

2. #E-049-19 - Community Memorial Hospital Association d/b/a Community Hospital of Staunton

The proposed transaction will result in a change in control of Community Hospital of Staunton because Southwestern Illinois Health Facilities, Inc. is the sole corporate member of Community Memorial Hospital Association d/b/a Community Hospital of Staunton. The licensee is Community Memorial Hospital Association d/b/a Community Hospital of Staunton and the owner of the site will remain Community Memorial Hospital Association. There is no cost to this transaction.

III. Charity Care

All change of ownership applications must attest to: *“An application for change of ownership of a hospital shall not be deemed complete without a signed certification that for a period of 2 years after the change of ownership transaction is effective, the hospital will not adopt a charity care policy that is more restrictive than the policy in effect during the year prior to the transaction.”* The Applicants have provided this attestation. The Applicants provided historical charity care information as documented below.

Charity Care Anderson Hospital			
Year	2016	2017	2018
Net Patient Revenue	\$131,792,713	\$145,275,015	\$152,525,154
Amount of Charity Care	\$4,706,056	\$7,464,131	\$7,321,983
Cost of Charity Care	\$1,250,660	\$1,813,959	\$1,754,806
Ratio of Charity Care Cost to Revenue	0.95%	1.25%	1.15%
Community Hospital of Staunton ⁽¹⁾			
Net Patient Revenue	\$9,607,797	\$17,421,599	\$17,587,487
Amount of Charity Care	\$18,127	\$1,297,008	\$80,768
Cost of Charity Care	\$9,000	\$148,000	\$40,384
Ratio of Charity Care Cost to Revenue	0.09%	0.85%	0.23%

1. Community Memorial Hospital Association changed its fiscal year from a June 30 year end to a December 31 year ending following Southwestern Illinois Health Facilities, Inc. becoming its sole member as of 7/1/2016. The charity care amounts for 7/1/-6/30/16, the last full fiscal year of Community Memorial Hospital Association prior to the Affiliation were net patient revenue was \$17,143,957, amount of charity care charges was \$31,048, cost of charity care was \$15,000, Ratio of Charity Care Cost to Net Patient Revenue was 0.09%.

IV. Applicable Rules

The Illinois Health Facilities Planning Act defines a change of ownership as

“ . . . a change in the person who has ownership or control of a health care facility’s physical plant and capital assets. A change in ownership is indicated by the following transactions: sale, transfer, acquisition, lease, change of sponsorship or other means of transferring control.”

The State Board’s rules (77 IAC 1130.500 & 77 ILAC 1130.520) specify the requirements necessary for a change of ownership exemption application to be filed with the State Board.

V. Other Information

At the end of this report are the organizational charts before the proposed change and after the approved change.

VI. State Board 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 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.

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 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)]

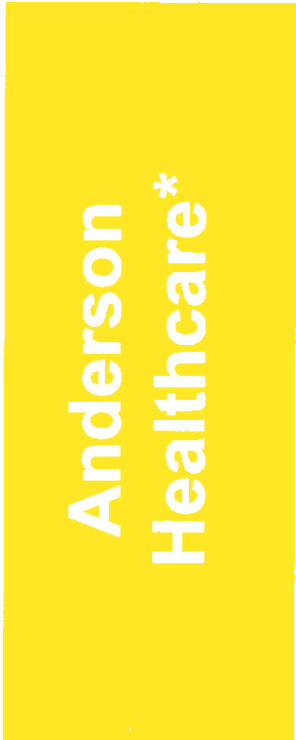
HFSRB NOTE: If the transaction is not completed according to the key terms submitted in the exemption application, a new application is required.

- 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;

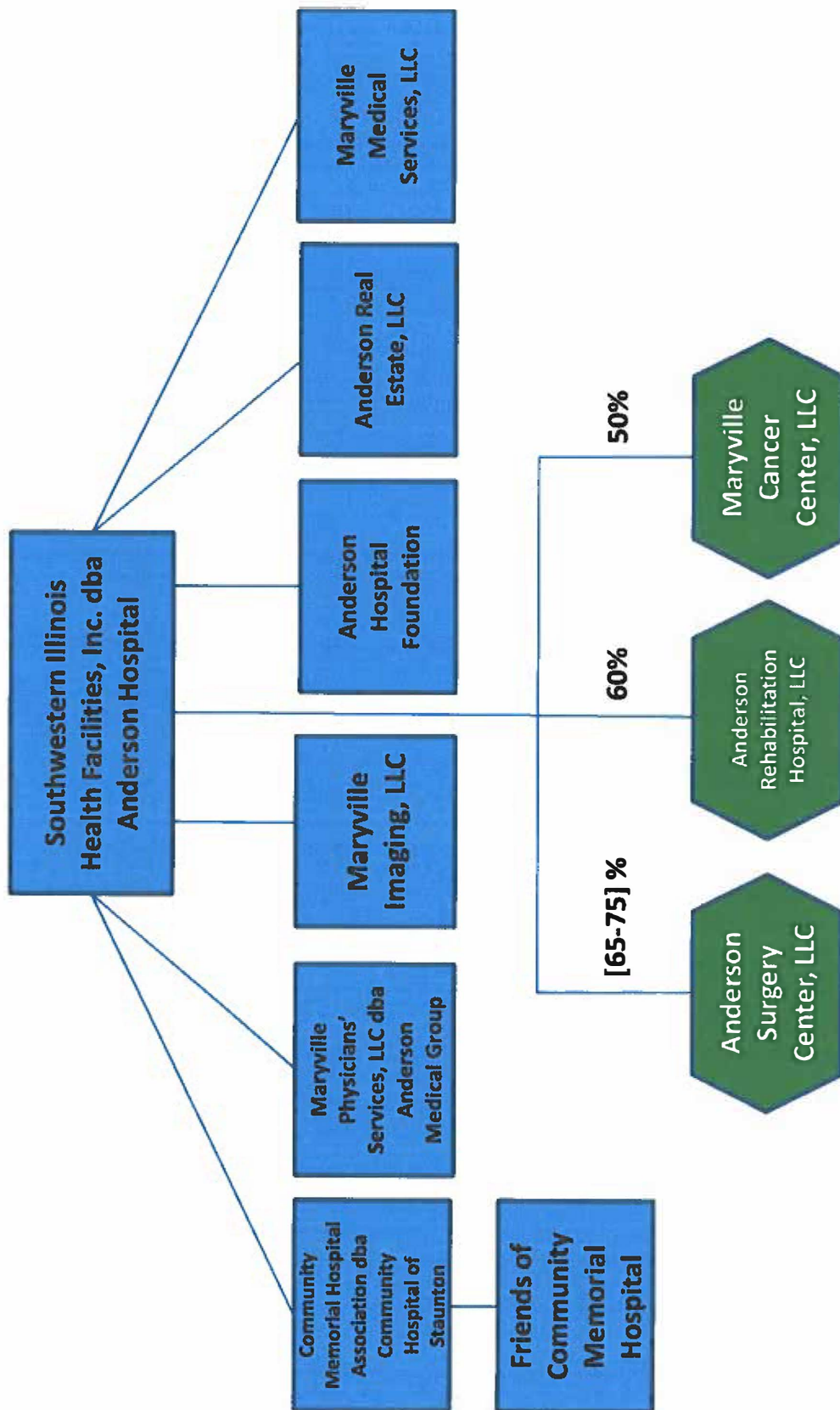
- 2) Name of facility and address;
 - 3) Description of the proposed project and estimated total cost;
 - 4) Notice of request for public hearing;
 - 5) Notice of tentative HFSRB meeting and location; and
 - 6) Notice of tentative release of the State Board Staff Report and the time to comment on the 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.

SECTION I
ATTACHMENT 4
ORGANIZATIONAL RELATIONSHIPS

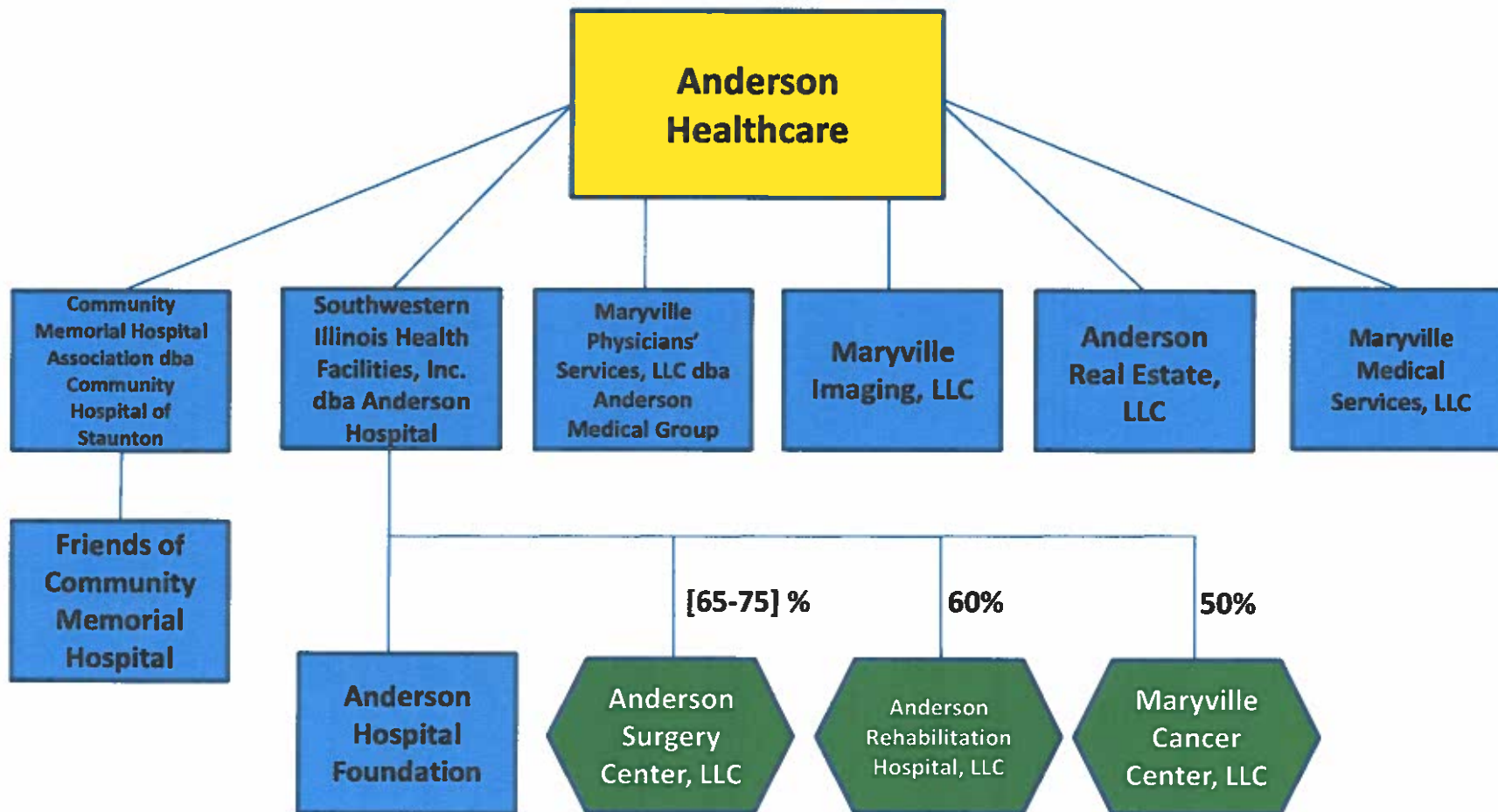


*Anderson Healthcare is a new nonprofit corporation formed in preparation of the internal reorganization with leadership generally similar to Southwestern Illinois Health Facilities, Inc., d/b/a Anderson Hospital.

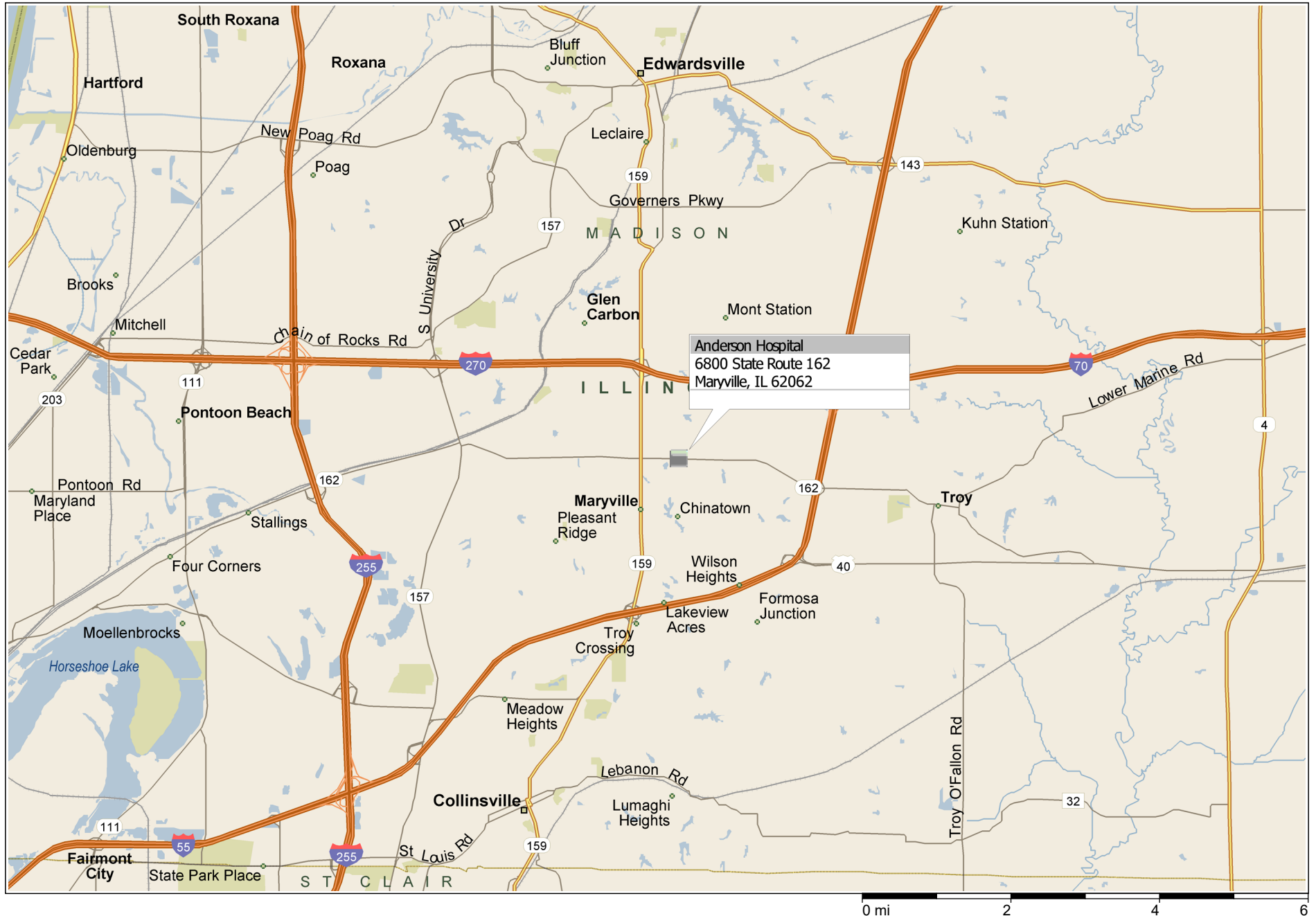
Current Organizational Chart



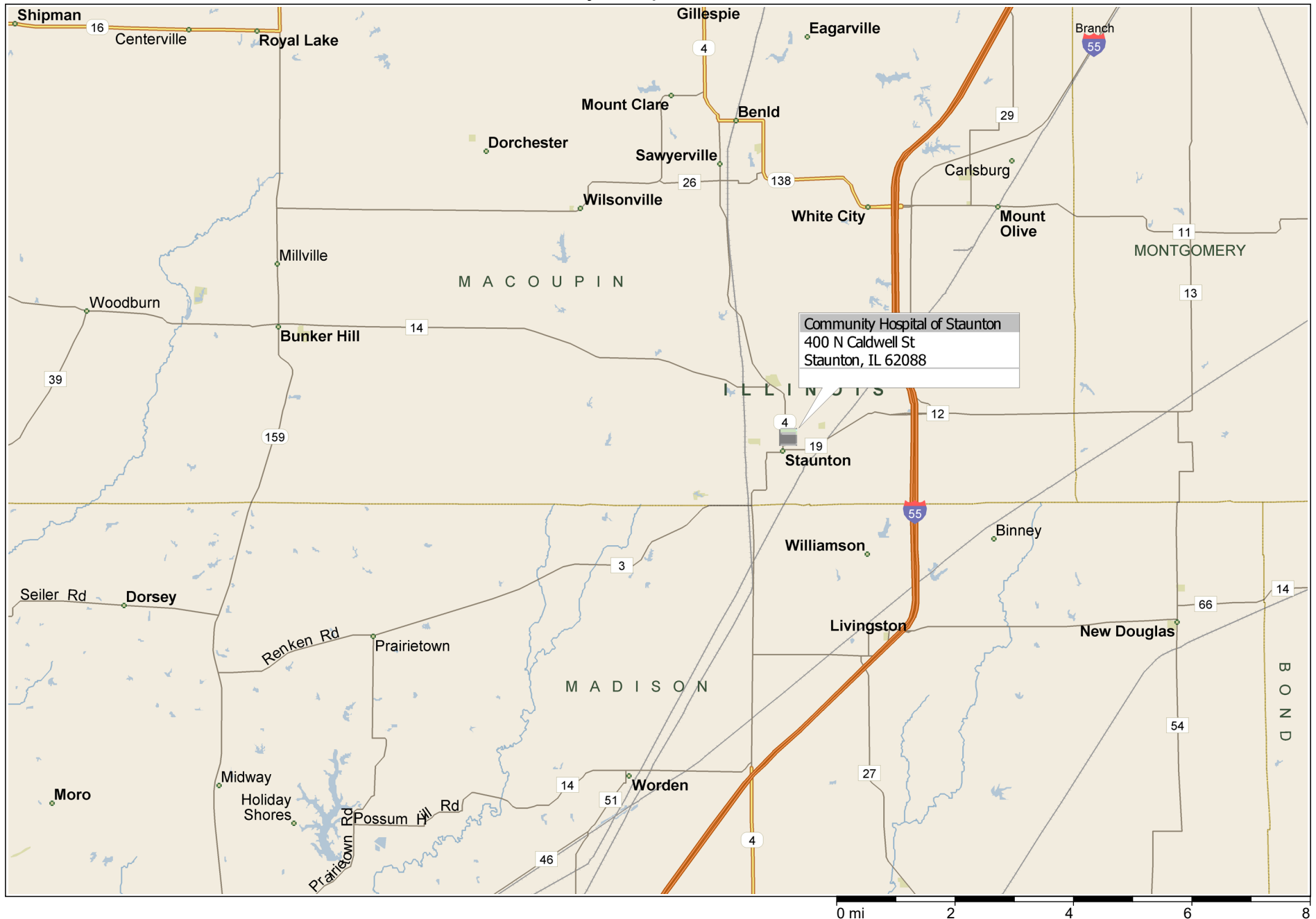
Post Transaction Organizational Chart



E-048-19 Anderson Hospital - Maryville



E-049-19 Community Hospital of Staunton - Staunton



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