



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET ITEM: C-06	BOARD MEETING: December 10, 2019	EXEMPTION NUMBER: E-051-19
EXEMPTION APPLICANT(S): Little Company of Mary Hospital and Health Care Centers, OSF Healthcare System		
FACILITY NAME and LOCATION: Little Company of Mary Hospital and Health Care Centers, Evergreen Park, Illinois		

PROJECT DESCRIPTION: The Applicants (Little Company of Mary Hospital and Health Care Centers, OSF Healthcare System) propose a change in control of a licensed 298-bed acute hospital Little Company of Mary Hospital and Health Care Centers in Evergreen Park. There is no cost to this transaction. The expected completion date is February 1, 2020.

Health Facilities Planning Act (20 ILCS 3960/6)

(b) 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. Projects eligible for an exemption, rather than a permit, include, but are not limited to, change of ownership of a health care facility and discontinuation of a category of service.

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

STATE BOARD STAFF FINDS THE EXEMPTION FOR CHANGE OF OWNERSHIP IN CONFORMANCE WITH CRITERIA (77 ILAC 1130.500 & 77 ILAC 1130.520)

STATE BOARD STAFF REPORT
CHANGE OF OWNERSHIP EXEMPTION REQUEST

I. The Exemption Application

The Applicants propose to merge¹ pursuant to the Illinois Not for Profit Corporation Act (805 ILCS 105). Little Company of Mary Hospital and Health Care Centers in Evergreen Park, Illinois will merge into OSF Healthcare System. OSF Healthcare System will become a 100% owner of the Little Company of Mary Hospital and Health Care System. The governing body of Little Company of Mary Hospital and Health Care Centers will be the Board of Directors of OSF HealthCare System as appointed by the Sister of the Third Order of St. Francis. Upon completion of the transaction the hospital will operate as “*OSF Healthcare Little Company of Mary Medical Center.*”

A Community Board will be established to provide input, advice, and guidance to the President of the merged hospital on specific matters such as management plans, strategic plans, annual capital and operating budgets. services, quality and safety. The President of the hospital will then report to the Chief Executive Officer of OSF or his designee. The employment agreements of physicians and physician extenders presently employed by Little Company of Mary Hospital and its affiliates will be honored by OSF. as will agreements for professional and other services between independent physicians or groups and other vendors.

Little Company of Mary Hospital and Health Care Center’s existing charity care policies will be replaced by OSF’s Charity Assistance Policy for Illinois Hospitals, which complies with, but exceeds the requirements of Illinois law, including the Illinois Hospital Uninsured Patient Discount Act. OSF will not adopt a more restrictive charity care policy than was in effect one year prior to the Closing Date of the proposed transaction. The OSF Charity Assistance Policy for Illinois Hospitals. will remain in effect for at least **a two (2)** year period following the Closing Date. In general, the OSF Charity Assistance Policy for Illinois Hospitals is the same or more generous than the current Little Company of Mary Charity Care Program.

OSF Healthcare System affirms that the current CON permits for both OSF Healthcare System and Little Company of Mary Hospital & Health Care Centers will be completed in accordance with the requirements of the Act. OSF HealthCare System does not anticipate any changes to the scope of services for the next 24-months after transaction completion.

¹A statutory merger is defined as "a combination of two or more corporations under the corporation laws of the State, with one of the corporations surviving. The surviving corporation acquires the assets and liabilities of the merged corporation(s) by operation of State law

The following projects are outstanding as of the date of this report. Project #18-032 and #18-041 have not been obligated.

Little Company of America Hospital & Health Centers

- 18-032 - Replacement of Emergency Services Department

OSF Healthcare System

- 16-010 OSF St. Mary Medical Center-Surgery/Lab Expansion - Galesburg
- 17-008 OSF Saint Elizabeth Medical Center-Center for Health - Streator
- 17-050 OSF St. Joseph Medical Center-Construction of MOB - Bloomington
- 17-051 OSF Saint Anthony's Health Center-Construction of Cancer Center Building – Alton
- 18-041 OSF Healthcare System-Allied Agencies Relocation - Peoria

The Fair Market Value of the transaction is approximately \$251,122,000 based on the net property and equipment total as provided in Little Company of Mary Hospital and Health Care Center 2019 Unaudited Financial Statements. There is no cost to the transaction. The expected completion date is February 1, 2020.

This change of ownership exemption is before the State Board because the transaction is a change in control of an Illinois licensed health facility.

No public hearing was requested, and no letters of opposition were received by the State Board. Letters of support were received and are attached at the end of this report.

At the end of this report are outlines of the pre and post transaction structures. The Hospital is Accredited and is licensed by the Illinois Department of Public Health.

II. General Information

Little Company of Mary Hospital and Health Care Centers is a 298-bed acute care hospital. Information on the activity at the Hospital for the years 2018-2016 is shown below.

TABLE ONE
Little Company of Mary Hospital and Health Care Centers
Utilization
(2018-2016)

Year		2018	2017	2016
	Beds			
M/S	228	60.30%	64.20%	63.50%
Pediatric ⁽¹⁾	0	0.00%	9.30%	9.90%
Intensive Care	29	39.60%	40.60%	44.00%
Obstetric	17	52.10%	52.50%	54.40%
Acute Mental Illness	24	29.10%	35.50%	35.70%
Total	298	56.00%	55.30%	55.20%
Births		994	1,034	1,052
	Rooms	Cases		
Surgery	10	4,228	4,250	4,758
Gastro	4	4,474	5,647	5,140
Laser Eye	1	10	31	57
Pain Management	1	64	308	439
Cardiac Cath	2	708	676	754
		Visits		
Emergency Rooms	30	47,315	48,017	49,846
Outpatient		188,983	242,801	253,193
		Payor Mix		
Medicare		39.25%	38.24%	37.40%
Medicaid		23.25%	24.58%	18.78%
Private Insurance		35.81%	35.62%	42.65%
Private Pay		1.69%	1.55%	1.16%
Charity		2.58%	2.89%	2.58%
Total Occupancy		100.00%	100.00%	100.00%

1. In October 2018 Hospital approved to discontinue 20 pediatric beds and add 20 M/S beds.

OSF HealthCare System owns the following licensed health care facilities.

TABLE TWO
OSF Healthcare System Health Care Facilities

Facility	City	Beds
OSF HealthCare Holy Family Medical Center	Monmouth	23
OSF HealthCare Saint Francis Medical Center	Peoria	629
OSF HealthCare Saint Anthony'& Health Center	Alton	49
OSF HealthCare Saint James-John W. Albrecht Medical Center	Pontiac	42
OSF HealthCare St. Joseph Medical Center	Bloomington	149
OSF HealthCare Saint Anthony Medical Center	Rockford	241
OSF HealthCare Saint Luke Medical Center	Kewanee	25
OSF HealthCare Saint Elizabeth Medical Center	Ottawa	97
OSF HealthCare St. Mary Medical Center	Galesburg	81
OSF HealthCare Saint Paul Medical Center	Mendota	25
OSF Healthcare Sacred Heart Medical Center	Danville	174
OSF HealthCare Heart of Mary Medical Center	Urbana	210
OSF Saint Elizabeth Medical Center FSEC	Streator	

III. Charity Care Information

As required the Applicants provided charity care information that is documented below.

TABLE THREE
OSF HealthCare System
Charity Care Information

Year	2016	2017	2018
Net Patient Revenue	\$1,970,497,456	\$2,057,383,657	\$2,321,396,516
Amount of Charity Care	\$121,815,596	\$123,255,304	\$145,025,489
Charity Care Cost	\$25,170,596	\$26,127,456	\$30,452,288
% of the Charity Care Cost to Revenue	1.28%	1.27%	1.31%

TABLE THREE
Little Company of Mary Hospital and Health Care Centers
Charity Care Information

Year	2016	2017	2018
Net Patient Revenue	\$208,415,708	\$202,590,300	\$183,187,191
Amount of Charity Care	\$27,958,661	\$30,424,744	\$26,424,198
Charity Care Cost	\$4,903,000	\$5,586,000	\$4,813,306
% of the Charity Care Cost to Revenue	2.35%	2.76%	2.63%

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 rule (77 ILAC 1130.500 & 77 ILAC 1130.520) specifies the requirements necessary for a change of ownership exemption application to be filed with the State Board. The State Board may, by rule, delegate authority to the Chairman to grant permits or exemptions when applications meet all the State Board's review criteria and are unopposed [20 ILCS 3960/5].

An exemption shall be approved when information required by the Board by rule is submitted [20 ILCS 3960/6].

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 3 consecutive days 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 3 consecutive days. 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.



Mayor
James J. Sexton

Clerk
Catherine T. Aparo, MMC

Village of Evergreen Park

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Tel. (708) 422-1551 • Fax (708) 422-7818
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Trustees
Norman Anderson
Kelly Burke
Carol E. Kyle
Mark Marzullo
James A. McQuillan
Mark T. Phelan

November 4, 2019

RECEIVED

NOV 8 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Courtney Avery, Administrator
Illinois Health Facilities Services Review Board
525 W. Jefferson Street, 2nd floor
Springfield, IL 62761

RE: Letter of Support for Little Company of Mary Hospital & Health Care Centers Merger with OSF HealthCare System

Dear Ms. Avery:

I am writing to express my full support for the merger of Little Company of Mary Hospital & Health Care Centers with OSF HealthCare System. I believe the merger is in the best interest of my constituents living in Evergreen Park and surrounding areas. With this merger, residents will benefit from enhanced services, improved access to health care and more collaboration between providers – with a desire to keep services right here, in the local community.

I have long supported Little Company of Mary Hospital & Health Care Centers as Mayor of Evergreen Park. I understand the need for local healthcare and appreciate the hard work of the Little Company of Mary Hospital & Health Care Centers' team to operate as an independent health system. With ongoing changes in healthcare, a merger with the integrated health system like OSF will afford even more services to the local communities.

For these reasons stated, I am submitting this letter of support for the proposed merger and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Little Company of Mary Hospital & Health Care Centers.

Thank you in advance for your consideration.

Sincerely,

James J. Sexton, Mayor
Village of Evergreen Park

E-051-19

DISTRICT OFFICE
5144 W. 95TH STREET
OAK LAWN, IL 60453
708.425.0571
708.425.0642 FAX



CAPITOL OFFICE
246 - W STRATTON OFFICE BUILDING
SPRINGFIELD, IL 62706
217.782.0515
217.558.4553 FAX

KELLY BURKE
STATE REPRESENTATIVE
36TH DISTRICT

November 8, 2019

RECEIVED

NOV 14 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Courtney Avery, Administrator
Illinois Health Facilities Services Review Board
525 W. Jefferson Street, 2nd floor
Springfield, IL 62761

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I have long supported Little Company of Mary Hospital & Health Care Centers as Representative of the Illinois 36th legislative district. I understand the need for local healthcare and appreciate the hard work of the Little Company of Mary Hospital & Health Care Centers' team to operate as an independent health system. With ongoing changes in healthcare, a merger with the integrated health system like OSF will afford even more services to the local communities.

For these reasons stated, I am submitting this letter of support for the proposed merger and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Little Company of Mary Hospital & Health Care Centers.

Thank you in advance for your consideration.

Sincerely,

Kelly Burke

Representative Kelly M. Burke
Illinois House of Representatives
36th District

DISTRICT OFFICES
10400 S. WESTERN AVE.
CHICAGO, IL 60643
(773) 445-8128
(773) 672-5144 FAX

16033 S. 94TH AVE.
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SPRINGFIELD OFFICE
281-S STRATTON BUILDING
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(217) 782-8200
EMAIL: repfranhurley@gmail.com

RECEIVED

NOV 14 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD



STATE OF ILLINOIS

FRANCES ANN HURLEY

STATE REPRESENTATIVE

35TH DISTRICT

E-051-19

CHAIRPERSON:

- HUMAN SERVICES

VICE - CHAIRPERSON:

- MUSEUMS, ARTS &
CULTURAL ENHANCEMENT

SUB-VICE CHAIRPERSON:

- JOB GROWTH,
PRESERVATION & TRAINING

COMMITTEES:

- APPROPRIATIONS - CAPITAL

- COMMERCE &

- INNOVATION

- ENERGY & ENVIRONMENT

- LABOR & COMMERCE

11/5/19

Courtney Avery, Administrator
Illinois Health Facilities Services Review Board
525 W. Jefferson Street, 2nd floor
Springfield, IL 62761

RE: Letter of Support for Little Company of Mary Hospital & Health Care Centers Merger with OSF HealthCare System

Dear Ms. Avery:

I am writing to express my full support for the merger of Little Company of Mary Hospital & Health Care Centers with OSF HealthCare System. I believe the merger is in the best interest of my constituents living in Chicago and surrounding areas. With this merger, residents will benefit from enhanced services, improved access to health care and more collaboration between providers – with a desire to keep services right here, in the local community.

I have long supported Little Company of Mary Hospital & Health Care Centers as the Representative of the Illinois 35th legislative district. I understand the need for local healthcare and appreciate the hard work of the Little Company of Mary Hospital & Health Care Centers' team to operate as an independent health system. With ongoing changes in healthcare, especially in our community, a merger with the integrated health system like OSF will afford even more services to the local communities.

For these reasons stated, I am submitting this letter of support for the proposed merger and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Little Company of Mary Hospital & Health Care Centers.

Thank you in advance for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Frances A. Hurley".
Representative Frances A. Hurley
Illinois House of Representatives
35th District

CAPITOL OFFICE:

ROOM 307 STATE CAPITOL
SPRINGFIELD, ILLINOIS 62706
PHONE: 217/782-5145



DISTRICT OFFICES:

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ILLINOIS STATE SENATE
BILL CUNNINGHAM
STATE SENATOR • 18TH DISTRICT
WWW.SENATORBILLCUNNINGHAM.COM

November 6, 2019

Courtney Avery, Administrator
Illinois Health Facilities Services Review Board
525 W. Jefferson Street, 2nd floor
Springfield, IL 62761

RE: Letter of Support for Little Company of Mary Hospital & Health Care Centers Merger with OSF HealthCare System

Dear Ms. Avery:

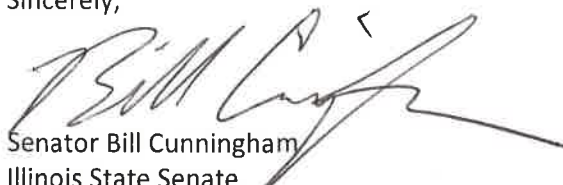
I am writing to express my full support for the merger of Little Company of Mary Hospital & Health Care Centers with OSF HealthCare System. I believe the merger is in the best interest of my constituents living in Evergreen Park and surrounding areas. With this merger, residents will benefit from enhanced services, improved access to health care and more collaboration between providers – with a desire to keep services right here, in the local community.

I have long supported Little Company of Mary Hospital & Health Care Centers as both Senator of the 18th Illinois Senate district, as a member of the community the hospital serves. I understand the need for local healthcare and appreciate the hard work of the Little Company of Mary Hospital & Health Care Centers' team to operate as an independent health system. With ongoing changes in healthcare, a merger with the integrated health system like OSF will afford even more services to the local communities.

For these reasons stated, I am submitting this letter of support for the proposed merger and encourage the Planning Board to approve the Certificate of Exemption for the change of ownership of Little Company of Mary Hospital & Health Care Centers.

Thank you in advance for your consideration.

Sincerely,


Senator Bill Cunningham
Illinois State Senate
18th Senate District

E-051-19 Little Company of Mary Hospital - Evergreen Park

