



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-01	BOARD MEETING: February 25, 2020	EXEMPTION NUMBER: E-005-20
EXEMPTION APPLICANT(S): Pipeline Health System, LLC, Pipeline Hospital Holdings, Inc., Pipeline West Suburban Medical Center, LLC., SRC Hospital Investments II LLC.		
FACILITY NAME and LOCATION: West Suburban Medical Center, Oak Park		

PROJECT DESCRIPTION: The Applicants (Pipeline Health System, LLC, Pipeline Hospital Holdings, Inc., Pipeline West Suburban Medical Center, LLC., SRC Hospital Investments II LLC.) propose a change in control of a licensed 234-bed acute hospital West Suburban Medical Center located at 3 Eire Court, Oak Park, Illinois. There is no cost to this transaction. The expected completion date is March 31, 2020.

Heath 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

Pipeline-West Suburban Medical Center, LLC is currently a wholly owned subsidiary of SRC Hospital Investments II, LLC. The current SRC Hospital Investments II, LLC interest holders include several LCC entities and individuals, none of whom hold 50% or greater ownership or control interest in SRC Hospital Investments II, LLC.

The proposed transaction if approved will allow Pipeline Health System Holdings, LLC to become the sole member and interest holder of SRC Hospital Investments II, LLC. The sole member and interest holder of Pipeline Health System Holdings, LLC will be Pipeline Health System, LLC. The net effect of the transaction will be to bring SRC Hospital Investments II, LLC and Pipeline – West Suburban Medical Center, LLC into the centralized corporate structure of the national Pipeline operations, for which Pipeline Health System, LLC is the ultimate parent. The Fair Market Value of Pipeline-West Suburban Medical Center, LLC is approximately \$33.3 million.

In October 2018 the State Board approved SRC Hospital Investment II, LLC purchase of VHS West Suburban Medical Center from Tenant Healthcare Corporation (#E-051-18). As part of that transaction, the real estate and buildings on which West Suburban Medical Center is located were acquired by West Suburban Property Holdings, LLC. SRC Hospital Investment II, LLC does hold an ownership interest in West Suburban Property Holdings, LLC. West Suburban Medical Center entered a multi-year lease with West Suburban Property Holdings, LLC.

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

A public hearing was conducted by the State Board on February 3, 2020 at the Oak Park Public Library. No letters of support or opposition were received by the State Board.

At the end of this report are outlines of the pre and post transaction structures. The percentage of ownership of the Applicants have been provided at pages 79-81 of the Application for Exemption. The Medical Center is Accredited and is licensed by the Illinois Department of Public Health.

II. General Information

West Suburban Medical Center is a 234-bed acute care hospital. Information of the activity at the Medical Center for the years 2015-2018 is shown below.

TABLE ONE
West Suburban Medical Center
2018-2015

Hospital Information ⁽¹⁾

	Year	2018	2017	2016	2015
	Beds	Utilization			
M/S	135	42.10%	41.80%	44.30%	48.90%
Pediatric	5	0.50%	1.40%	2.10%	1.60%
Intensive Care	24	43.10%	38.40%	37.00%	26.40%
Obstetric	20	51.30%	53.10%	53.50%	56.30%
Long Term Care	50	45.80%	52.87%	54.00%	57.60%
Total	234	42.90%	43.90%	45.50%	48.10%
Births		1,356	1,457	1,537	1,578
	Rooms	Cases			
Surgery	8	3794	3,734	4,198	4,905
Gastro	4	3874	4,384	4,464	4,535
Cardiac Cath	1	873	688	683	706
Open Heart		0	6	11	20
		Visits			
Emergency Rooms	25	50,582	44,260	52,950	50,497
Outpatient		144,770	146,953	152,886	154,909
		Payor Mix			
Medicare		31.45%	18.10%	18.41%	17.62%
Medicaid		13.55%	4.57%	5.71%	12.55%
Private Insurance		54.34%	72.83%	71.37%	65.08%
Private Pay		0.66%	2.08%	2.35%	2.25%
Charity		2.50%	2.42%	2.16%	2.49%
		100.00%	100.00%	100.00%	100.00%

1. Information from IDPH Annual Hospital Survey

III. Charity Care Information

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

TABLE TWO West Suburban Medical Center Charity Care Information 2018-2015				
	2018	2017	2016	2015
Net Patient Revenue	\$125,520,961	\$126,200,613	\$133,721,912	\$139,711,784
Charity Care at Cost	\$3, 102,649	\$2,048,302	\$1,924,653	\$1,765,245
% of Charity Care of Net Patient Revenue	2.50%	1.62%	1.44%	1.26%

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 1130.500 - 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

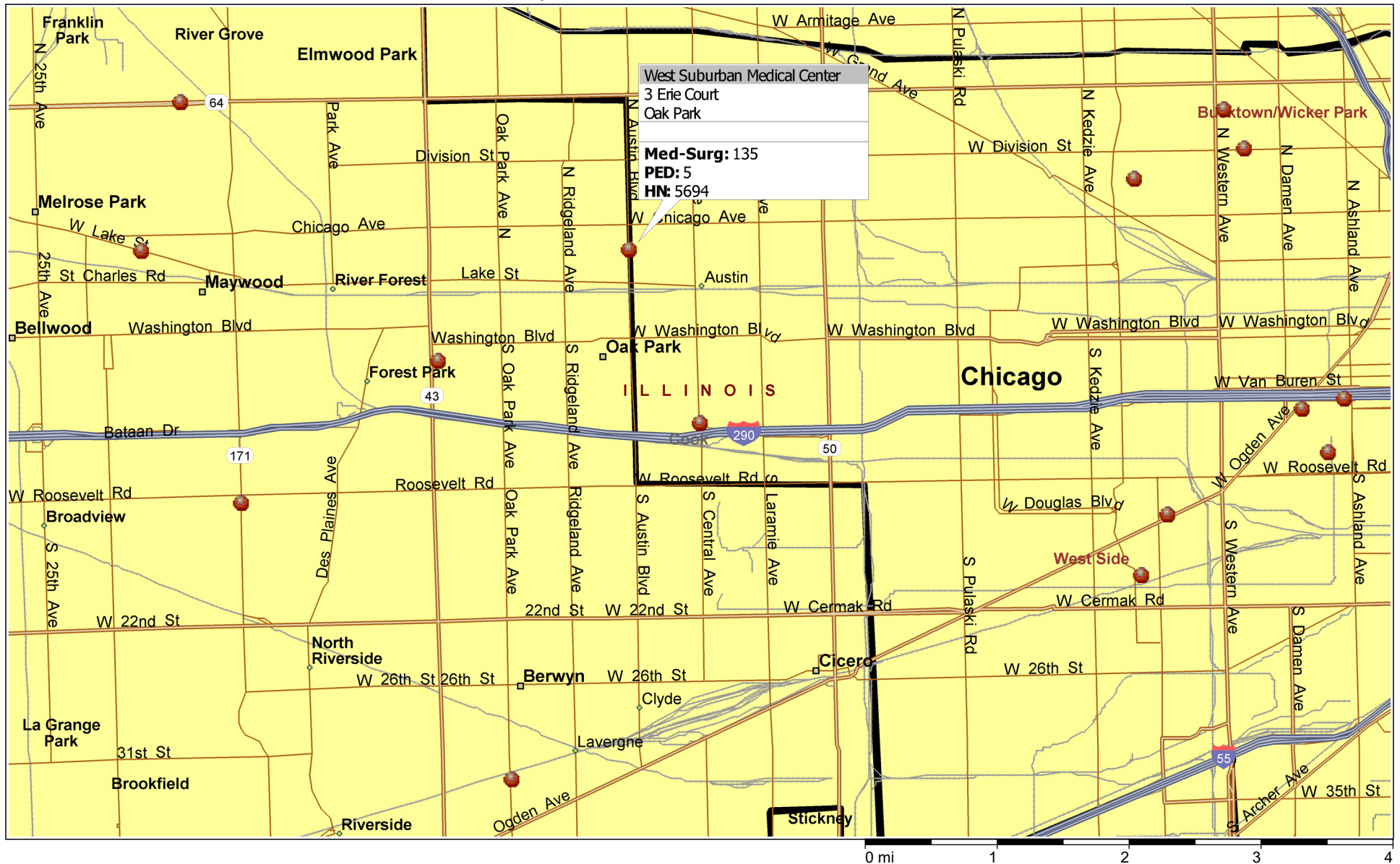
When a change of ownership is among related persons, and there are no other changes being proposed at the health care facility that would otherwise require a permit or exemption under the Act, the applicant shall submit an application consisting of a standard notice in a form set forth by the Board briefly explaining the reasons for the proposed change of ownership. [20 ILCS 3960/8.5(a)]

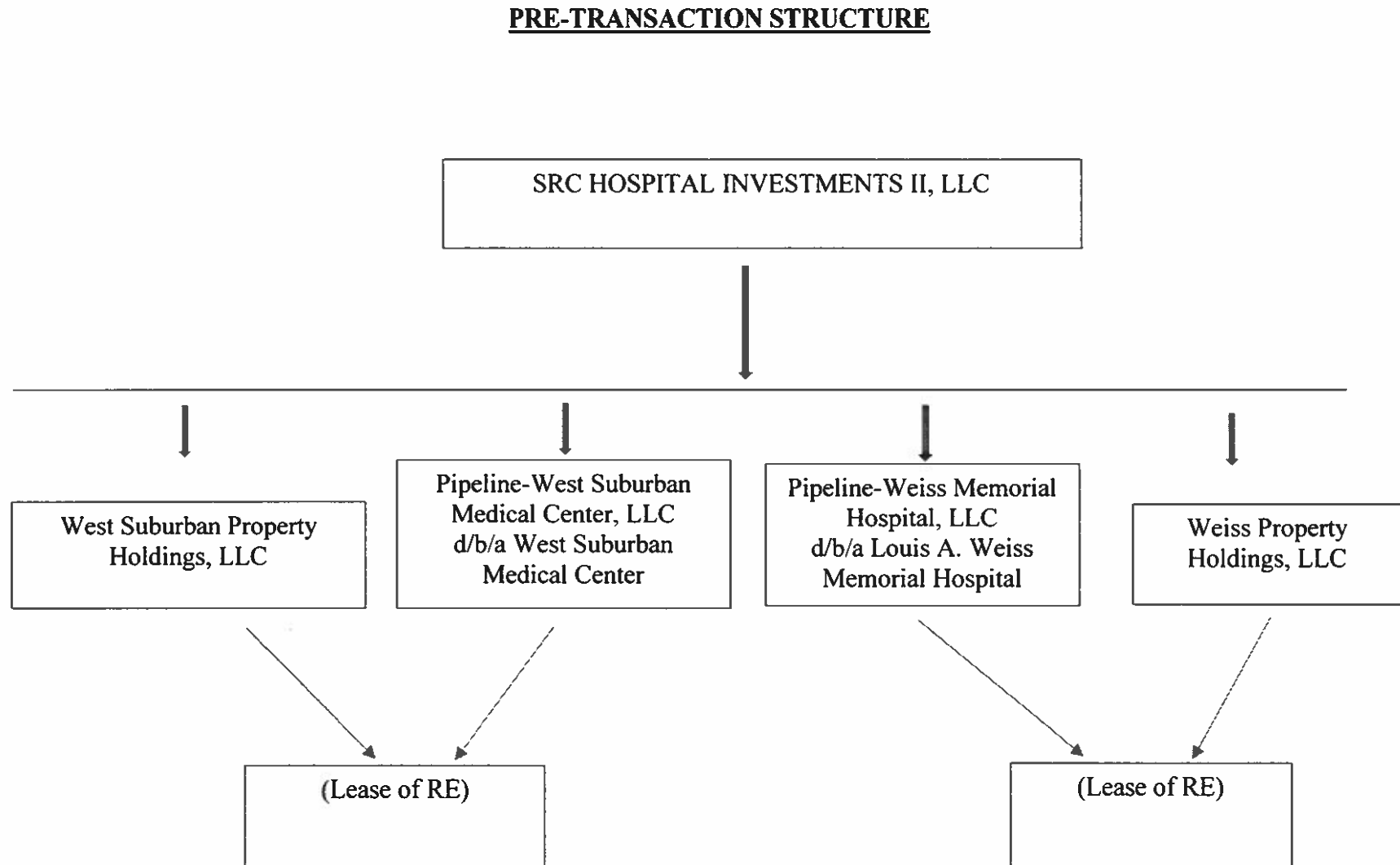
d) Opportunity for Public Hearing

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 daily, 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-005-20 Pipeline- West Suburban Medical Center





POST-TRANSACTION STRUCTURE

