



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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| <b>DOCKET ITEM:</b><br>NA  | <b>BOARD MEETING:</b><br>NA | <b>EXEMPTION NUMBER:</b><br>E-003-21 |
| <b>EXEMPTION APPLICANT(S):</b><br>Mercy Hospital and Medical Center, Chicago, Illinois |                             |                                      |

**DESCRIPTION:** The Applicants (Mercy Hospital and Medical Center, Mercy Health System of Chicago, Trinity Health Corporation and Insight Chicago, Inc.) are asking the State Board to approve a change of ownership of Mercy Hospital and Medical Center, located at 2525 South Michigan Avenue, Chicago, Illinois.

The Applicants have provided the information required of the Board's rules.

*"An exemption shall be approved when information required by the Board by rule is submitted. Nothing in this Act shall be construed as authorizing the Board to impose any conditions, obligations, or limitations, other than those required by this Section, with respect to the issuance of an exemption for a change of ownership, including, but not limited to, the time period before which a subsequent change of ownership of the health care facility could be sought, or the commitment to continue to offer for a specified time period any services currently offered by the health care facility."*

**STATE BOARD STAFF REPORT**  
**CHANGE OF OWNERSHIP**  
**MERCY HOSPITAL AND MEDICAL CENTER**

**I. Timeline**

On August 31, 2020 Mercy Hospital and Medical Center, Mercy Health System of Chicago, and Trinity Health Corporation applied for Permit (Project #20-039) to discontinue the 412-bed Mercy Hospital and Medical Center in Chicago. On December 15, 2020 the Application to discontinue Mercy Hospital and Medical Center received an Intent to Deny from the State Board. Mercy Health System of Chicago and Mercy Hospital and Medical Center filed voluntary petitions for protection under Chapter 11 of the United States Bankruptcy Code with the Bankruptcy Court for the Northern District of Illinois on February 10, 2021. On March 4, 2021 Mercy Hospital and Medical Center, Mercy Health System of Chicago, Trinity Health Corporation and Insight Chicago, Inc file a change of ownership with the State Board. In March 2021 WARN<sup>1</sup> notices were being sent to the employees of the Mercy Hospital and Medical Center.

**II. Background – The Hospital**

Mercy Hospital and Medical Center is a safety net hospital on the Southside of Chicago. The Hospital is in the A-03 Hospital Planning Area. The A-03 Planning Area has a population of approximately 770,000 residents. The Hospital from 2015 thru 2019 had an average daily census (ADC) of 162 patients. Over this same five-year period emergency department visits averaged 57,400 visits and outpatient visits averaged 360,000 at the hospital. Mercy Hospital provided care to approximately 14% of all the inpatients in the A-03 Hospital Planning, 15% of all emergency department visits and 27% of all outpatient visits in this A-03 Planning Area over this five-year period. Approximately 78% of inpatient revenue was for Medicare and Medicaid patients and 63% of outpatient revenue was Medicare and Medicaid at the hospital. The Hospital has stated the current hospital structure will require \$100 million in capital investment over the next five years to maintain a safe acute care environment.

Mercy Hospital and Medical Center currently has the following categories of service and beds

- 289 Medical/Surgical beds
- 30 Intensive Care beds
- 30 Obstetrics/Gynecology beds
- 39 Acute Mental Illness beds

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<sup>1</sup> The Worker Adjustment and Retraining Notification Act (WARN) protects workers, their families, and communities by requiring employers with 100 or more employees (generally not counting those who have worked less than six months in the last 12 months and those who work an average of less than 20 hours a week) to provide at least 60 calendar days advance written notice of a plant closing and mass layoff affecting 50 or more employees at a single site of employment.

- 24 Rehabilitation beds
- 2 Cardiac Catheterization Labs
- Open Heart Surgery

Mercy Hospital and Medical Center currently operates a **basic emergency department** and according to the Applicants the basic emergency department will continue to operate should the proposed change of ownership be approved. **Basic Emergency Treatment Services** requires at least one licensed physician be in the emergency department at all times, physician specialists who represent the specialties of medicine, surgery, pediatrics and obstetrics be available within minutes and ancillary services, including laboratory, x-ray and pharmacy, shall be staffed or on call at all times in accordance with Section 250.710 of the Hospital Licensing Requirements.

### **III. The Transaction- Change of Ownership**

The Applicants (Mercy Hospital and Medical Center, Mercy Health System of Chicago, Trinity Health Corporation and Insight Chicago, Inc.) are asking the State Board to approve a change of ownership of Mercy Hospital and Medical Center, located at 2525 South Michigan Avenue, Chicago, Illinois. The value of the transaction is one dollar (\$1). This transaction involves the transfer of certain assets which include the following:

- Real property where the facility is located (i.e. the Hospital and the Land).
- Leasehold interests.
- Equipment necessary for the continued operation of the facility.
- Designated contracts.
- Warranties on equipment.
- Supplies, drugs, food, janitorial, and office supplies located in the facility; and
- Telephone numbers, and marketing materials.

*The Applicants state “The facility will continue to exist and serve patients thereafter. However, as part of the transaction the facility will no longer be operated as a Catholic facility and will discontinue the “Mercy” name after transfer of operational control of the facility. Insight understands its obligation to provide notice to the HFSRB and IDPH regarding the name of the facility. Insight will continue to operate the hospital at the same location under a new operating license and will seek to improve and maintain quality access to care for this community. Insight is not seeking to add or discontinue any categories of service as part of this Change of Ownership but reserves the right to make adjustments in services based on its assessment of community need.”*

### **IV. Background of the Applicants**

Insight Chicago, Inc. is a newly formed Illinois not-for-profit and has no ownership interest in any other healthcare facilities in Illinois. Mercy System of Chicago is the sole member of

Mercy Hospital and Medical Center, which operates Mercy Hospital & Medical Center in Chicago, Illinois. Trinity Health Corporation is the sole member of Mercy System of Chicago and Loyola University Health System d/b/a Loyola Medicine, which operates: (a) Loyola University Medical Center in Maywood, Illinois; (b) Gottlieb Memorial Hospital in Melrose Park, Illinois; and (c) Gottlieb Community Health Services d/b/a MacNeal Hospital in Berwyn, Illinois.

Insight Inc. is a Michigan based healthcare provider that operates a biomedical technology campus, a hospital in Warren, Michigan (Insight Surgical Hospital), multiple ambulatory surgical centers, a chiropractic center, wellness center, rehabilitation therapy facility, imaging center, health and fitness center, and endoscopy center. Insight Inc. acquired the hospital in Warren, Michigan and led turnaround efforts ensuring continued access to care to the surrounding community. According to the Applicants, in their Michigan facilities, Insight works with a high a Medicaid population, and is confident in their ability to provide high quality care regardless of a patient's ability to pay for the care. The goal for the Mercy Hospital & Medical Center is to foster a positive environment and develop a facility that will become a desired destination for healthcare services. Insight Chicago, Inc. has attested that the hospital will not adopt a charity care policy more restrictive than that was in effect one year prior to the transaction for two year after the transaction is completed (Page 53 of the Exemption Application)

*Insight Chicago, Inc. states it is prepared to assume ownership and operation of the facility as a full-service acute care community hospital. The new ownership will continue to assess the needs of the community with an openness to adjustment of services as will best meet the needs of the hospital's ability to continue operations while ensuring that needs of the community it serves are met.*

The governing board for the facility includes Jawad Shah M.D., FRCS, FAANS, FACS, Atif Bawahab, and Atiq Nakrawala.<sup>2</sup> Ultimately, it is the goal of Insight Chicago, Inc. to select a governing board that is reflective of and draws from the community and is committed to the continued successful operation of the hospital and its ability to serve this community.

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<sup>2</sup> **Dr. Jawad Shah** studied at McGill University in Montreal and the University of Manitoba prior to completing medical school at the University of Manitoba in Winnipeg, Canada, where he was also raised. He began Ph.D. work in psychoneuroimmunology prior to embarking on specialty training in neurosurgery. He completed subspecialty fellowship training in skull base neurosurgery at the University of Arkansas. His areas of specialty include brain stem surgery, vascular neurosurgery, brain tumors, complex spine, and neuromodulation. He currently practices at McLaren, Hurley, and Genesys Hospitals. He is involved in extensive research projects including clinical, patent work, biological/mechanical, and electrical product development, industry-sponsored studies, and theoretical philosophy, among other areas. He is a faculty member at the Michigan State University Medical School. He also is Co-Director of the Center for Cognition and Neuroethics, jointly administered by the University of Michigan and Insight. **Atif Bawahab** is the Chief Strategy Officer of Insight. Atif identifies and develops strategic relationships with potential clients and partners while focusing on the vision for the company. He has been with the company since 2012. Atif received his Master's in Business Administration (MBA) and Masters in Healthcare Administration (MHA) from the University of Minnesota. Prior to that, he graduated with a Bachelors in Business Economics from Texas A&M University. (Source: Google) **Atiq Nakrawla** is the Executive Vice President of Insight Health Group (Source Linked)

The Applicants have attested they are in compliance and good standing with federal and state regulations and have authorized the State Board and the Illinois Department of Public Health to access files and records to verify information in the Application for Permit.

**V. Anticipated benefits of the proposed changes in ownership to the community**

According to the Applicants: *“This transaction allows the Hospital to remain open so it can continue to provide essential healthcare services to the South Side of Chicago. The approval of this application will maintain vital health services in the community and the continued operation of a necessary facility.”* The Applicants state further: *“The continued operation of this facility is in alignment with the principles of the HFSRB program, which is to increase, or in this case maintain access to quality care for underserved communities.”*

**VI. The anticipated or potential cost savings, if any, that will result for the community and the facility because of the change in ownership;**

The Applicants state *“Insight Chicago, Inc. recognizes the opportunity for operational improvements that will enable the community and the facility to benefit from these efficiencies. The executive team that will manage operations of the facility has the requisite experience operating a health system in the Flint, Michigan community.”*

**VII. A description of the facility's quality improvement program mechanism that will be utilized to assure quality control;**

The Applicants state *“Mercy Hospital and Medical Center quality improvement program mechanism will not change as a result of the proposed transaction.”*

**VIII. A description of the selection process that the acquiring entity will use to select the facility's governing body;**

The Applicants state *“The governing board for the facility will include Jawad Shah M.D., FRCS, FAANS, FACS, Atif Bawahab, and Atiq Nakrawala. Ultimately, it is the goal of Insight Chicago, Inc. to select a governing board that is reflective of and draws from the community and is committed to the continued successful operation of the hospital and its ability to serve this community.”*

| <b>CHARITYCARE</b>                       |                      |                      |                      |
|--|----------------------|----------------------|----------------------|
| <b>Mercy Hospital and Medical Center</b> |                      |                      |                      |
|  | <b>2017</b>          | <b>2018</b>          | <b>2019</b>          |
| <b>Net Patient Revenue</b>               | <b>\$234,663,000</b> | <b>\$222,850,173</b> | <b>\$224,729,000</b> |
| Amount of Charity Care (charges)         | \$12,499,199         | \$12,236,713         | \$9,119,928          |
| Cost of Charity Care                     | \$4,408,423          | \$4,348,972          | \$3,281,000          |
| % of Charity Care to Revenue             | 1.87%                | 1.95%                | 1.45%                |

**APPLICABLE REVIEW CRITERIA**

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

1130.520(b)(1)(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.

1130.520(b)(1)(C) - Structure of the transaction

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

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 organizational structure with a listing of controlling or subsidiary persons.

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

1130.520(b)(1)(G) - The purchase price or other forms of consideration to be provided for those assets. [20 ILCS 3960/8.5(a)]

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

1130.520(b)(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

1130.520(b)(4) - A statement as to the anticipated benefits of the proposed changes in ownership to the community

1130.520(b)(5) - The anticipated or potential cost savings, if any, that will result for the community and the facility because of the change in ownership;

1130.520(b)(6) - A description of the facility's quality improvement program mechanism that will be utilized to assure quality control;

1130.520(b)(7) - A description of the selection process that the acquiring entity will use to select the facility's governing body;

1130.520(b)(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.