STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
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DOCKET ITEM: C-02	BOARD MEETING: March 15, 2022	PROJECT NUMBER: #E-001-22
APPLICANT(S): Peoria Day Surgery Center, Ltd., Springfield Clinic, LLP		
FACILITY NAME and LOCATION: Peoria Day Surgery Center, Ltd., Peoria		

DESCRIPTION: The Applicants [Peoria Day Surgery Center, Ltd.] propose a change of ownership of an ambulatory surgical treatment center located at 7309 North Knoxville Avenue, Peoria, Illinois. The purchase price is $2 million. The expected completion date of this change of ownership is upon State Board Approval.

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.*

Control means that a person possesses any of the following discretionary and non-ministerial rights or powers:
In the case of an entity, the ability to direct the management and policies of the entity, whether through the voting of securities, corporate membership, contract, or otherwise.
Examples of such control include, without limitation:

- holding 50% or more of the outstanding voting securities of an issue.
- in the case of an entity that has no outstanding voting securities, having the right to 50% or more of the profits or, in the event of dissolution, the right to 50% or more of the assets of the entity.
- having the power to appoint or remove 50% or more of the governing board members of an entity.
- having the power to require or approve the use of funds or assets of the entity; or
- having the power to approve, amend or modify the entity's bylaws or other governance documents.

Section Six of the Act requires the State Board to establish by regulation the procedures and requirements regarding issuance of exemptions [See end of this report]. The Act states further that **an exemption shall be approved when information required by the Board by rule is submitted. All the information required by rule has been submitted.**

Information regarding this change of ownership can be found at
https://www2.illinois.gov/sites/hfsrb/Projects/Pages/Peoria-Day-Surgery-Center,-Peoria---E-001-22.aspx

STAFF REPORT

ILLINOIS HEATLH FACILITIES AND SERVICES REFIEW BOARD
CHANGE OF OWNERSHIP
#E-001-22

Project Number	#E-001-22 – Peoria Day Surgery Center
Applicants	Peoria Day Surgery Center, Ltd., Springfield Clinic, LLP
Address	7309 North Knoxville Avenue, Peoria, Illinois.
Date Received	01/06/2022
Type	Change of Ownership

I. General Information

The Applicants [Peoria Day Surgery Center, Ltd., and Springfield Clinic, LLP] propose a change of ownership of Peoria Day Surgery Center, Ltd. an ambulatory surgical treatment center providing general, OB/GYN, ophthalmology, oral/Maxillofacial, Orthopedic, Otolaryngology, pain management, plastic, podiatry, and urology surgical services. The facility contains 4 operating rooms, 1 procedure room, and 22 Stage I and Stage 2 recovery stations. Adjacent to the Surgery Center is a 6-bed post-surgical recovery care center licensed under the Alternative Care Delivery Act. The cost of this transaction is $650,000 for the ASTC and Recovery Care Center and approximately $1.34 million for the land and building. The expected completion date is April 30, 2022.

II. Background of the Applicants

Springfield Clinic, LLP owns an ASTC in Springfield, Illinois and has a number of satellite offices throughout Central Illinois. The Springfield ASTC has 7 operating rooms, 7 procedure rooms, 22 exam rooms and 26 recovery stations. The Springfield ASTC has been approved to provide gastro, general, neurological, OB/GYN, ophthalmology, orthopedic, otolaryngology, pain management, plastic, podiatry, and urology surgical services.

Peoria Day Surgery Center, Ltd has been in Chapter 11 bankruptcy since 2018. Peoria Day Surgery Center, Ltd. has been approved for general, OB/GYN, Ophthalmology, Oral/Maxillofacial, Orthopedic, Otolaryngology, Pain Management, Plastic, Podiatry, and Urology. A change of ownership of Peoria Day Surgery Center, Ltd. was approved by the State Board in July 2021 to the Center for Health Ambulatory Surgery Center, LLC., and OSF Healthcare System (#E-016-21). In a letter dated December 15, 2021, the Center for Ambulatory Surgery Center, LLC and OSF Healthcare System relinquished their change of ownership exemption application for the reasons below:

- *CFH's due diligence revealed significant concerns with the facility's physical condition, requiring remediation and correction to finalize an acceptable lease.*
- *CFH's obligations, as the Buyer, to purchase the PDSC's assets, the Seller, was conditioned upon, among other things, negotiating a lease in form and substance acceptable to CFH.*
- *CFH has not been able to satisfy itself with the adequacy and timing of required corrective action and repairs of the facility to be leased.*
- *CFH, as the Buyer, could not, despite significant efforts and mutual compromise, negotiate acceptable lease terms with the Landlord, so the underlying Asset Purchase Agreement with the Seller, Peoria Day Surgery Center, Ltd., was terminated.*

The Applicants have certified that no adverse action has been taken against the Applicants directly or indirectly, within three years prior to the filing of this application. The Applicants have authorized the State Board as well at the Department of Public Health to access all documents to verify information submitted with this application for exemption.

III. TRANSACTION

Springfield Clinic, LLP is purchasing Peoria Day Surgery Center, Ltd. from the trustee in Chapter 11 bankruptcy for $650,000 for the ASTC and Recovery Care Center and the land and building for approximately $1.34 million. The Bankruptcy Court approved the proposed sale of Peoria Day Surgery Center PC to Springfield Clinic pending State Board approval and the closing of the transaction on February 16, 2022. The licensee and the owner of the site will be Springfield Clinic, LLP. No change in the services offered at the ASTC is being considered. Peoria Day Surgery Center will be owned 100% by Springfield Clinic, LLP and will become an operating entity of Springfield Clinic, LLP.

Upon the closing of the transaction Springfield Clinic, LLP plans to modernize the facility and temporarily suspend services in accordance with the Illinois Department of Public Health and State Board requirements. Should the modernization exceed the capital expenditure minimum of $3,797,666 a certificate of need application for permit will be submitted.

In response to the State Board's requirements, Springfield Clinic stated procedures performed in an ASTC are a least cost surgery alternative. According to the Applicants the Seller's surgical resources will be retained in the community and current cost savings will continue. The Clinic states there are no anticipated additional material cost savings through a change of ownership of this respective healthcare facility. Springfield Clinic, LLP is governed by a Board of Managers chosen in accordance with the Second Amendment and Restated Operating Agreement for the Springfield Clinic, LLP. Day-to-day management will be delegated to other officers and employees consistent with current practice. The newly licensed ASTC entity will also have a medical staff with its own Governance provisions.

A public hearing was conducted VIRTUALLY on February 15, 2022, and letters of support and opposition were received by the State Board.

IV. HISTORIC PAYOR INFORMATION

Peoria Day Surgery Center

Peoria Day Surgery Center had revenue by payor source average over the past six years 18.5% Medicare, 78.3% Insurance, less than 1% Medicaid and no charity care. The Surgery Center's number of patients by payor source for the past six years are 61.4% Medicare, 3.4% Medicaid and 32% Insurance. Over this same six-year period the Surgery Center averaged 2,170 cases per year and 2,500 hours.

TABLE I
Revenue by Payor Source
Peoria Day Surgery Center, Ltd.

	2015	2016	2017	2018	2019	2020	AVE	%
Medicare	$787,743	$350,824	$934,563	$312,635	$425,199	$249,819	$510,131	18.53%
Medicaid	$43,635	$41,378	$25,630	$9,517	$13,082	$10,100	$23,890	0.87%
Other	$65,835	$7,512	$20,745	$9,630	$15,021	$16,139	$22,480	0.82%
Insurance	$4,959,085	$3,142,605	$2,294,328	$894,364	$1,030,669	$612,815	$2,155,644	78.28%
Private Pay	$54,789	$42,335	$27,750	$41,146	$50,037	$33,194	$41,542	1.51%
Total	$5,911,087	$3,584,654	$3,303,016	$1,267,292	$1,534,008	$922,067	$2,753,687	100.00%

TABLE II
Number of Patients by Payor Source
Peoria Day Surgery Center, Ltd.

	2015	2016	2017	2018	2019	2020	AVE	%
Medicaid	144	128	72	35	28	25	72	3.37%
Medicare	3,312	1,480	1,305	1,114	368	290	1,312	61.40%
Other	44	20	17	32	31	21	28	1.29%
Insurance	325	1366	991	189	742	492	684	32.03%
Private Pay	82	62	25	47	17	13	41	1.92%
Total	3,907	3,056	2,410	1,417	1,186	841	2,136	100.00%

Springfield Clinic, LLP-ASTC

Springfield Clinic ASTC had revenue by payor source average over the past six years 22% Medicare, 78.0% Insurance, less than 1% Medicaid and no charity care. The Clinic's Surgery Center number of patients by payor source for the past six years are 42% Medicare, 1.4% Medicaid and 55.4% Insurance and no charity patients. Over this same six-year period the Clinic's Surgery Center averaged 8,600 surgical cases per year, 8,100 surgery hours per year, 14,400 procedures and 6,400 procedural hours per year.

TABLE III Revenue by Payor Source Springfield Clinic, LLP - ASTC								
	2015	2016	2017	2018	2019	2020 (1)	Ave	% OF Total
Medicare	$3,288,663	$6,780,216	$7,486,076	$18,490,513	$7,448,788	$8,804,119	$8,716,396	21.66%
Medicaid	$0	$0	$0	$0	$17,282	$2,160	$3,240	0.01%
Other	$0	$0	$0	$0	$91,438	$456,433	$91,312	0.23%
Insurance	$26,596,212	$26,365,787	$30,165,777	$25,397,176	$38,802,191	$39,664,486	$31,165,272	77.44%
Private Pay	$183,585	$265,099	$144,349	$445,895	$234,057	$333,079	$267,677	0.67%
Total	$30,068,460	$33,411,102	$37,796,202	$44,333,584	$46,593,756	$49,260,277	$40,243,897	100.00%
Note: 2020 information has been corrected to reflect net revenue instead of gross revenue								

TABLE IV Number of Patients by Payor Source Springfield Clinic, LLP - ASTC								
	2015	2016	2017	2018	2019	2020	Ave	% Of Total
Medicare	7,335	7,554	9,160	10,325	11,422	10,608	9,401	41.63%
Medicaid	49	1,687	21	32	20	9	303	1.34%
Other	4	0	101	0	355	600	177	0.78%
Insurance	12,927	9,101	12,591	13,705	14,397	12,304	12,504	55.37%
Private Pay	58	345	206	191	58	318	196	0.87%
Total	20,373	18,687	22,079	24,253	26,252	23,839	22,581	100.00%

Requirements for Exemptions Involving the Change of Ownership of a Health Care Facility

a) Submission of Application for Exemption
Prior to acquiring or entering a contract to acquire an existing health care facility, a person shall apply 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.