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May 30, 2022

VIA E-MAIL

John P. Kniery
Board Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62702

Re: **Response to State Board Staff Report- #E-025-22 - West Suburban Medical Center, #E-026-22 – West Suburban Medical Center [Real Estate Only], #E-27-22 – Louis Weiss Memorial Hospital, #E-028-22 – Louis Weiss Memorial Hospital [Real Estate Only]**

Dear Mr. Kniery:

We represent AUM Global Healthcare Holdings, LLC d/b/a Resilience Healthcare, WestLaw Management, LLC, and Ramco Healthcare Holdings, LLC (collectively "Buyer") in connection with the four Certificate of Exemption applications for the change of ownership of West Suburban Medical Center and Louis A. Weiss Memorial Hospital. Please accept this letter as our response to the State Board Staff Report ("SBSR") recently issued by your staff.

First, we would like to thank staff for their work regarding this project and coordination with regard to the additional requests for information related to these exemption applications. We have tried to be both prompt and thorough in providing responses to your staff's questions and appreciate the Board's role with regard to these applications. Our goal has been to ensure we provided answers to each of the questions presented. The SBSR correctly describes the ownership of the proposed applicants but does not fully describe the proposed allocation of duties that Dr. Prasad and Mr. Patlola will assume related to the applicant entities. We consider this is important regarding the evaluation of these applications. Outside of his role as a Board Director, Mr. Patlola will not maintain an active role in facility operations. His role will be limited to management and maintenance of the underlying properties associated with the transaction. It is in this area he has significant experience and a notable track record of success. Dr. Prasad will serve as Chief Executive Officer of Resilience Healthcare and lead operations in conjunction with existing personnel at the facilities.

The SBSR correctly describes Dr. Prasad's decades of experience in operating and supporting hospitals, physician groups, and healthcare systems of various sizes. We would note that Dr. Prasad has operated hospitals with bed inventories similar in size to both Weiss

Memorial Hospital and West Suburban Medical Center in the past. Additionally, the SBSR does not mention Dr. Prasad's already demonstrated commitment to reside within the communities that the facilities will serve. Dr. Prasad views having a local presence as crucial to his ability to develop partnerships that will benefit the community and hospitals and will yield a key aspect to the success of these facilities under the control of himself and Mr. Patlola. He recently re-located his family and purchased a home in the area and intends to reside there for the foreseeable future. Over the last several weeks, his local presence has allowed him to begin surveying the hospital operations and preparing for transition of ownership as well as continue to meet with community stakeholders, and healthcare and elected leaders in the community. Dr. Prasad has already identified physician groups that are interested in working at the facilities and he continues his efforts to develop relationships and evaluate new partnerships to benefit the facilities and communities they serve. Through these efforts, Dr. Prasad was recently asked to serve on the University of Illinois Cancer Center (UICC) advisory board. This was the result of a partnership Dr. Prasad is developing between UICC and West Suburban Medical Center and Weiss Memorial Hospital to increase and provide access to cutting edge cancer treatment to the communities served by the facilities. Dr. Prasad will also be working with and advising UICC as they navigate their pathway to becoming a National Cancer Institute designated cancer center.

Page 5 of both SBSRs accurately describes the terms of the transaction between Buyer and Seller. It is important to note that the transaction was set up in this manner to dramatically reduce the major liabilities of the existing operator and to unburden Buyer who is entering a situation where both facilities have sustained losses for several months. Unlike many transactions that come before this Board, this involves a membership interest acquisition. What that means is that Buyer will be stepping into the shoes of Seller, in large part to avoid disruption to operations. Buyer will not only have that benefit but will also take on significant accounts receivable for the facilities which will allow for continued cash flow and will minimize if not eliminate possible disruptions to existing staff and, most importantly to patient care. As previously noted in responses to the Board, Buyer has developed several strategies to eliminate losses at the facilities, avoid unnecessary duplication of non-healthcare services, maximize efficiency, and provide an opportunity to invest and increases in current and new service lines at the facilities.

Page 7 of both SBSRs notes that 2021 losses at the facilities came out to over $19 million. Using that amount as a baseline, there are several areas where Buyer believes they will be able to reduce and eliminate those losses upon taking effective control of the facilities and implementing new systems. Seller had two independent analyses of their revenue cycle management conducted by outside consultants, Moss Adams and Huron. Drafts of both studies were conducted in recent years, most recently the Moss Adam study in late 2021. They confirmed that the existing revenue cycle management system is in need of investment and revamping. The Huron analysis used a statistically valid random sample of 50 Medicare and 50 Medicaid charts at the facility. On the low end, Huron estimated that Weiss Memorial Hospital could see an additional $1.5 million in revenue and on the high end could see an additional $2.2 million in revenue. Using the same method to evaluate West Suburban Medical Center, Huron believed that on the low end the facility could see an additional $370,000 in revenue and on the high end could see an additional $554,000 in revenue. To accomplish these increases it is estimated that it would require an additional 2.8 FTEs at Weiss Memorial and 3.0 FTEs at West Suburban Medical Center. These are undertakings where the up-front expense is well worth the long-term benefit and stability it will provide to these facilities and to the communities they serve.

The Moss Adams analysis also identified a number of opportunities for improving revenue cycle management at both facilities. Moss Adams believed there was an opportunity to increase net revenue by $4.5 million between both facilities. Their analysis found there to be the best opportunity to capture revenue from services already being provided in the service lines of cancer, Cardiac, Orthopedic, and primary care. Buyer engaged Accordias Healthcare Services, LLC during their transition planning to evaluate the existing revenue cycle management systems and they concluded that there is an opportunity to increase revenue by $4 million per month. Improving revenue cycle management is an important component of Dr. Prasad's plan to put an end to the revenue losses and bring stability to the facilities. Efficiency and accountability can yield the stability these facilities need.

Additionally, Buyer responded to Board staff questions regarding savings they will achieve through utilization of a professional employer organization which will be leveraged to reduce costs and improve employee benefits. The proposed savings are still being calculated but the expectation is the savings will be substantial. Another major expense for the hospital where Buyer has identified an opportunity for significant savings, will be with the electronic health records technology obtained from Cerner. Buyer is in the midst of negotiating a new contract with Cerner which will reduce the cost of the EHR by over $1.8 million annually and provide for increased support and training from the software developer. There will also be significant savings through a new liability insurance policy for the hospitals which is expected to result in over $700,000 in savings monthly. Some of the proposed operational changes will result in immediate savings, while others will take 2-3 months to produce increased revenue. Buyer recognizes that upfront investment will be required in addition to the accounts receivable it will control after closing, and that is why they have obtained a line of credit in the amount of $40 million. Finally, Mr. Patlola as President and CEO of Ramco Healthcare Holdings, LLC is committed to the long-term success and operation of the facilities and is prepared to subsidize the property loan obligations during a transition period while the revenue at the facility is stabilized. Consider, also, that there is an agreed period of six-months during which there be reduced or no payment of rent. This term will allow for increased utilization of funds for operational purposes to maximize the impact of the necessary and desired changes.

Page 6 of the Weiss Memorial Hospital SBSR accurately describes the $12 million credit that will be provided to Buyer at the closing of this transaction related to the sale of a surface lot adjacent to Weiss Memorial Hospital. However, it is important to note that Buyers are committed to using all of the credit for the benefit of the facilities and will utilize at least $8 million dollars of that credit for the benefit of Weiss Memorial Hospital specifically. The SBSR also notes that concerns were raised during the public hearing held on these projects, although we would note that the vast majority of the comments in opposition were related to Weiss Memorial Hospital specifically and centered on the sale of the adjacent surface parking lot. That is something entirely outside of Buyer's control. That transaction occurred long before Buyer entered into negotiations for the facility and is not a part of this acquisition. With that said, Buyer understands the community concerns raised and is committed to being a partner to local community organizations and leaders as it steps into this important role as a healthcare provider.

If you should have any questions or need any additional information regarding our submission, please do not hesitate to contact me at 312-212-4967 or via email at JMorado@beneschlaw.com. You can also contact my colleague Mark J. Silberman at 312-212-4952 or via email at MSilberman@benseschlaw.com. Additionally, we would ask that you include both Seller and Buyer counsel in any follow up you may have.

Very truly yours,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP

Juan Morado, Jr.

JMJ

cc: Anne M. Murphy, ArentFox Schiff