DOCKET ITEM: C-06
BOARD MEETING: October 22, 2019
EXEMPTION NUMBER: E-044-19

EXEMPTION APPLICANT(S): Pipeline Hospital Holdings, Inc., Pipeline Weiss Memorial Hospital, LLC., SRC Hospital Investments II LLC.

FACILITY NAME and LOCATION: Louis A. Weiss Memorial Hospital, Chicago

PROJECT DESCRIPTION: The Applicants (Pipeline Hospital Holdings, Inc., Pipeline Weiss Memorial Hospital, LLC., SRC Hospital Investments II LLC.) propose a change in control of a licensed 237-bed acute hospital Louis A. Weiss Memorial Hospital in Chicago. There is no cost to this transaction. The expected completion date is October 31, 2019.

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)
I. The Exemption Application

The Applicants (Pipeline Hospital Holdings, Inc., Pipeline – Weiss Memorial Hospital, LLC, SRC Hospital Investments II, LLC.) propose a change in control of a licensed 237-bed acute hospital – Weiss Memorial Hospital located at 4646 North Marine Avenue, Chicago, Illinois. The Applicants propose a corporate restructuring that will result in Pipeline Hospital Holdings, Inc. assuming ultimate control of Pipeline – Weiss Memorial Hospital, LLC. Pipeline – Weiss Memorial Hospital, LLC., is the licensee and Weiss Property Holdings, LLC is the owner of the property.

Currently Pipeline – Weiss Memorial Hospital, LLC is a wholly owned subsidiary of SRC Hospital Investments II, LLC. The proposed transaction will allow Pipeline Hospital Holdings, Inc, to assume ultimate control of SRC Hospital Investments II, and Pipeline – Weiss Memorial Hospital, LLC.

In October 2018 the State Board approved SRC Hospital Investment II, LLC purchase of Louis A. Weiss Memorial Hospital from Tenet Healthcare Corporation (#E-050-18). As part of that transaction, the real estate and buildings on which Louis A. Weiss Memorial Hospital is located were acquired by Weiss Property Holdings, LLC. SRC Hospital Investment II, LLC does not hold an ownership interest in Weiss Property Holdings, LLC. Louis A. Weiss Memorial Hospital entered a multi-year lease with Weiss Property Holdings, LLC. Weiss Property Holdings, LLC is not considered a co-applicant because the entity did not meet the requirements of a Necessary Parties to the Application of a Permit or Exemption (77 ILAC 1130.220). The Fair Market Value of the Hospital is approximately $25.2 million.

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

A public hearing was conducted by the State Board on October 7, 2019 at the Clarendon Park Community Center from 2:00pm to 6:00pm. No letters of support or opposition were received by the State Board.

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1 A permit or exemption shall be obtained prior to the acquisition of major medical equipment or to the construction or modification of a health care facility [20 ILCS 3960/5]. The following persons shall be the applicants for permit or exemption, as applicable:
   a) For construction or modification projects (including projects to establish or change the ownership of health care facilities and including projects to acquire major medical equipment by or on behalf of health care facilities) of one or more existing or proposed health care facilities:
      1) the person who will hold and who currently (as applicable) holds the license (or Medicare and/or Medicaid certification if licensing is not applicable) for each facility;
      2) the person who has final control of the person who will hold or who currently holds (as applicable) the license (or Medicare and/or Medicaid certification if applicable) for each facility;
      3) any related person who is or will be financially responsible for guaranteeing or making payments on any debt related to the project; and
      4) any other person who actively will be involved in the operation or provision of care and who controls the use of equipment or other capital assets that are components of the project, such as, but not limited to, fixed equipment, mobile equipment, buildings or portions of buildings, structures such as parking garages, etc.
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 52-53 of the Application for Permit. The Hospital is Accredited and is licensed by the Illinois Department of Public Health.

II. General Information

Louis A. Weiss Memorial Hospital is a 237-bed acute care hospital. Information of the activity at the Hospital for the years 2015-2017 is shown below.

<table>
<thead>
<tr>
<th>TABLE ONE</th>
<th>Louis A. Weiss Memorial Hospital</th>
<th>Hospital Utilization Information</th>
<th>2017-2015 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>2017</td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Beds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M/S</td>
<td>184</td>
<td>37.80%</td>
<td>38.20%</td>
</tr>
<tr>
<td>Intensive Care</td>
<td>16</td>
<td>53.40%</td>
<td>63.70%</td>
</tr>
<tr>
<td>AMI</td>
<td>11</td>
<td>83.10%</td>
<td>90.10%</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>26</td>
<td>23.20%</td>
<td>26.20%</td>
</tr>
<tr>
<td>Total</td>
<td>237</td>
<td>39.40%</td>
<td>40.80%</td>
</tr>
<tr>
<td>Births</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rooms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surgery</td>
<td>8</td>
<td>3,438</td>
<td>3,808</td>
</tr>
<tr>
<td>Gastro</td>
<td>3</td>
<td>1,598</td>
<td>1,709</td>
</tr>
<tr>
<td>Cysto</td>
<td>1</td>
<td>349</td>
<td>305</td>
</tr>
<tr>
<td>Cardiac Cath</td>
<td>1</td>
<td>616</td>
<td>658</td>
</tr>
<tr>
<td>Open Heart</td>
<td>10</td>
<td>19</td>
<td>28</td>
</tr>
<tr>
<td>Visits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Rooms</td>
<td>17</td>
<td>21,940</td>
<td>23,139</td>
</tr>
<tr>
<td>Outpatient</td>
<td></td>
<td>67,832</td>
<td>68,295</td>
</tr>
<tr>
<td>Payor Mix</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare</td>
<td>31.30%</td>
<td>32.21%</td>
<td>31.37%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>5.52%</td>
<td>6.04%</td>
<td>11.82%</td>
</tr>
<tr>
<td>Private Insurance</td>
<td>55.40%</td>
<td>54.58%</td>
<td>49.15%</td>
</tr>
<tr>
<td>Private Pay</td>
<td>6.14%</td>
<td>5.85%</td>
<td>6.22%</td>
</tr>
<tr>
<td>Charity</td>
<td>1.65%</td>
<td>1.32%</td>
<td>1.50%</td>
</tr>
</tbody>
</table>

Charity 100.00% 100.00% 100.00%
III. Charity Care Information

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

<table>
<thead>
<tr>
<th>TABLE TWO</th>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity Care</td>
<td>Louis A. Weiss Memorial Hospital</td>
<td>(2017-2015)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Patient Revenue</td>
<td></td>
<td>$107,119,763</td>
<td>$119,567,280</td>
<td>$111,663,450</td>
</tr>
<tr>
<td>Charity Care at Cost</td>
<td></td>
<td>$1,193,547</td>
<td>$1,179,864</td>
<td>$792,336</td>
</tr>
<tr>
<td>% or Charity Care to Net Patient Revenue</td>
<td></td>
<td>1.11%</td>
<td>0.99%</td>
<td>0.71%</td>
</tr>
</tbody>
</table>

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 website 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.
PRE-TRANSACTION STRUCTURE

SRC HOSPITAL INVESTMENTS II, LLC

Weiss Property Holdings, LLC

Pipeline-West Suburban Medical Center, LLC d/b/a West Suburban Medical Center

West Suburban Property Holdings, LLC

(Lease of RE)