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 NUMBER:	BOARD MEETING:	PROJECT NUMBER:
C-01	August 25, 2015	E-03-015
EXEMPTION APPLICANT(S): Memorial Regional Health Services, Inc., Memorial Group, Inc., Protestant Memorial Medical Center, Inc., d/b/a Memorial Hospital and BJC Healthcare.		
FACILITY NAME and LOCATION: Memorial Hospital, Belleville		

I. The Transaction

The applicants are proposing a change of ownership of Protestant Memorial Medical Center, Inc., d/b/a Memorial Hospital, located at 4500 Memorial Drive, Belleville, Illinois. This change of ownership is a of a proposed strategic affiliation between Memorial Group, Inc., and BJC Healthcare. The proposed strategic affiliation would be structured as a membership addition. Memorial Group, Inc. and BJC Healthcare will be the two corporate members of Memorial Regional Health Services, Inc., an Illinois not-for-profit corporation. Memorial Regional Health Services, Inc. will serve as the parent corporation of Memorial Hospital. The operating entity/licensee and the owner of the site is Protestant Memorial Medical Center, Inc. There is no acquisition price and the fair market value of the transaction is $213,506,859. The anticipated completion date is November 1, 2015.

II. The Applicants

Memorial Group, Inc. is an Illinois not for profit corporation and is the sole corporate member of Protestant Memorial Medical Center, Inc.

Memorial Regional Health Services, Inc. is an Illinois not for profit corporation incorporated May 14, 2015. Memorial Group, Inc. and BJC Healthcare would be the two corporate members of Memorial Regional Health Services, Inc. Memorial Regional Health Services, Inc. will serve as the parent corporation of Memorial Hospital in Belleville and Memorial Hospital-East in Shiloh.

Protestant Memorial Medical Center, Inc., d/b/a Memorial Hospital is an Illinois not for profit corporation that operates a 216 bed acute care hospital in Belleville, Illinois.

BJC HealthCare, a Missouri not-for-profit corporation, located in St. Louis Missouri is one of the largest nonprofit health care organizations in the United States. BJC HealthCare owns and operates 12 hospitals in Missouri and Illinois, most of which are located in the St. Louis metropolitan area. BJC HealthCare has two academic hospitals, Barnes-Jewish Hospital and St. Louis Children's Hospital. BJC has a long-standing strong affiliation with Washington University's School of Medicine. BJC HealthCare owns Alton Memorial Hospital in Alton, Illinois.

III. The Facility

Protestant Memorial Medical Center, Inc., d/b/a Memorial Hospital is an Illinois not for profit corporation that currently operates a 216 bed acute care hospital in Belleville, Illinois.

IV. Public Act 99-0154

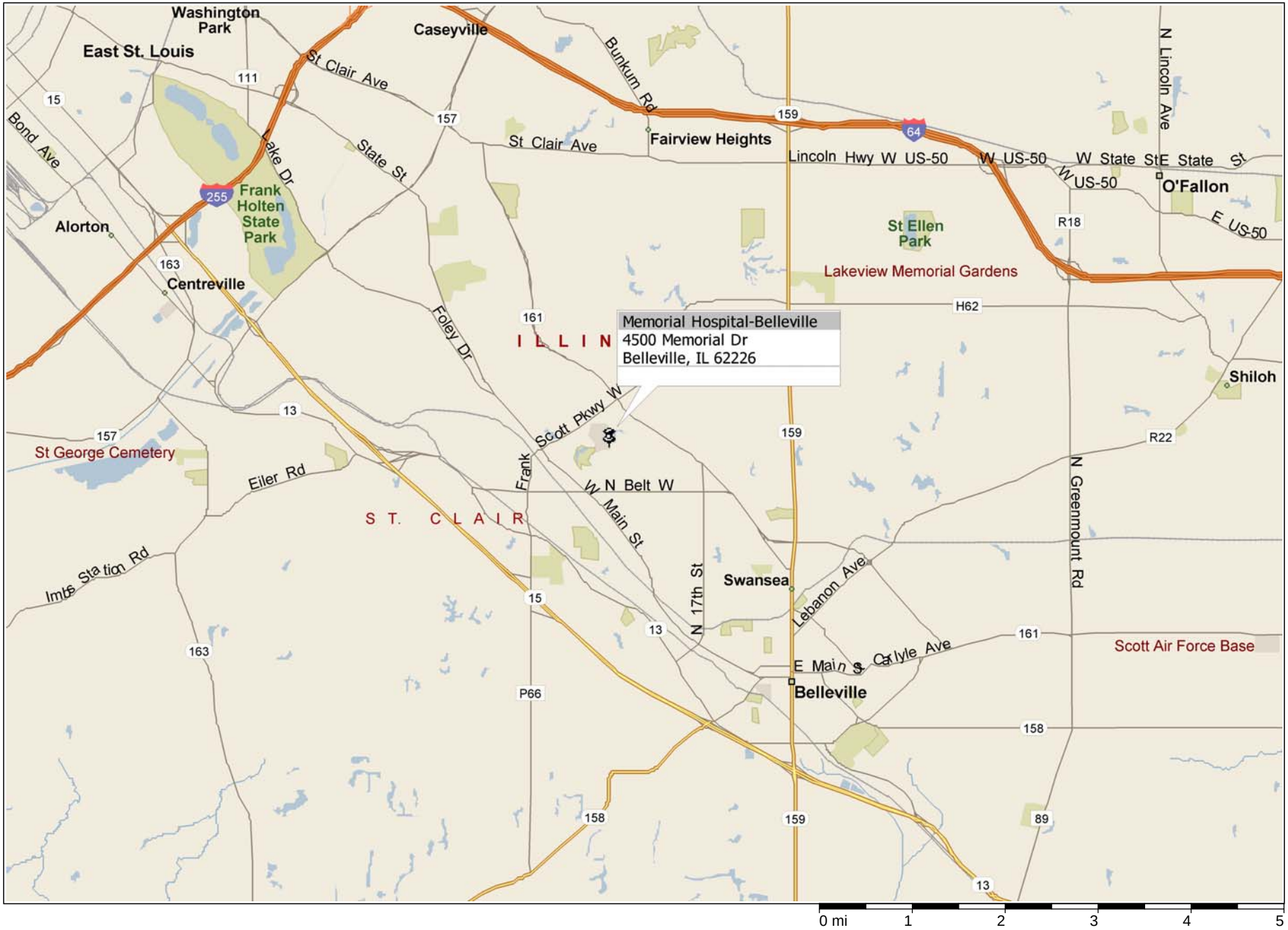
Public Act 99-0154 became law July 29, 2015 and is effective immediately. This Act states that an application for a change of ownership need not contain

- a signed transaction document so long as the application contains the following:
  - name and background of the parties;
  - structure of the transaction;
  - person who will be the licensed or certified entity both prior to and after the transaction;
  - fair market value of assets transferred;
  - purchase price or other consideration for the assets.
- the applicant must submit a statement to the State Board within 90 days after the closing date of the transaction certifying that the transaction has been completed in accordance with the key terms contained in the application for change of ownership.
- If the key terms change a new application for change of ownership must be filed with the State Board.
- The **State Board cannot impose any conditions or restrictions**, including;
  - the time period for a subsequent change of ownership; or
  - a commitment to continue to offer a service for a specified period of time after the change of ownership occurs.
- An exemption shall be approved when information required by the Board by rule is submitted.(20 ILCS 3960/6 (a)

V. Other Information

Attached to the end of this report is the 2013 Hospital Profile Information for Protestant Memorial Medical Center, Inc., d/b/a Memorial Hospital, Belleville and the Memo of Understanding between BJC Healthcare and Memorial Group, Inc.

#E-003-015 Memorial Hospital - Belleville



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Ownership, Management and General Information

ADMINISTRATOR NAME:	Mark J. Turner
ADMINSTRATOR PHONE	618/257-5642
OWNERSHIP:	Protestant Memorial Medical Center, Inc.
OPERATOR:	Protestant Memorial Medical Center, Inc.
MANAGEMENT:	Not for Profit Corporation (Not Church-R
CERTIFICATION:	
FACILITY DESIGNATION:	General Hospital
ADDRESS	4500 Memorial Drive **CITY:** Belleville **COUNTY:** St. Clair County

Patients by Race

White	67.6%
Black	31.7%
American Indian	0.1%
Asian	0.5%
Hawaiian/ Pacific	0.1%
Unknown	0.0%

Patients by Ethnicity

Hispanic or Latino:	1.2%
Not Hispanic or Latino:	98.8%
Unknown:	0.0%

IDPH Number:	1461
HPA	F-01
HSA	11

Facility Utilization Data by Category of Service

Clinical Service	Authorized CON Beds 12/31/2013	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Bed Occupancy Rate %
Medical/Surgical	175	253	188	12,406	55,393	1,432	4.6	155.7	89.0	61.5
0-14 Years				*0*	*0*					
15-44 Years				*1,775*	*6,541*					
45-64 Years				*3,941*	*16,915*					
65-74 Years				*2,474*	*11,726*					
75 Years +				*4,216*	*20,211*					
Pediatric	14	14	12	37	79	6	2.3	0.2	1.7	1.7
Intensive Care	19	20	20	1,613	5,433	14	3.4	14.9	78.5	74.6
Direct Admission				*1,039*	*3,337*					
Transfers				*574*	*2,096*					
Obstetric/Gynecology	8	29	21	1,841	4,557	252	2.6	13.2	164.7	45.4
Maternity				*1,706*	*4,200*					
Clean Gynecology				*135*	*357*					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds			0	0	0		0.0	0.0		
Acute Mental Illness	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedcated Observation	*0*					*0*				
Facility Utilization	**216**			**15,323**	**65,462**	**1,704**	**4.4**	**184.0**	**85.2**	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	*Medicaid*	*Other Public*	*Private Insurance*	*Private Pay*	*Charity Care*	*Totals*
Inpatients	**44.9%**	**13.9%**	**2.3%**	**27.6%**	**4.0%**	**7.3%**	
	6879	2132	354	4225	608	1125	**15,323**
Outpatients	**27.9%**	**14.9%**	**5.9%**	**43.0%**	**4.2%**	**4.0%**	
	55868	29850	11734	85970	8499	8071	**199,992**

Financial Year Reported: 1/1/2013 *to* 12/31/2013

Inpatient and Outpatient Net Revenue by Payor Source

	Medicare	*Medicaid*	*Other Public*	*Private Insurance*	*Private Pay*	*Totals*	*Charity Care Expense*
Inpatient Revenue ($)	**52.4%**	**12.0%**	**1.9%**	**33.7%**	**0.1%**	**100.0%**	
	59,090,730	13,496,685	2,177,701	37,970,359	98,680	112,834,155	3,150,592
Outpatient Revenue ($)	**18.4%**	**3.3%**	**4.2%**	**73.9%**	**0.1%**	**100.0%**	
	23,641,447	4,297,250	5,402,096	95,014,437	179,532	128,534,762	1,631,310

Total Charity Care Expense **4,781,902**

Total Charity Care as % of Net Revenue **2.0%**

Birthing Data

Number of Total Births:	1,610
Number of Live Births:	1,609
Birthing Rooms:	0
Labor Rooms:	2
Delivery Rooms:	1
Labor-Delivery-Recovery Rooms:	8
Labor-Delivery-Recovery-Postpartum Rooms:	0
C-Section Rooms:	2
CSections Performed:	494

Newborn Nursery Utilization

	Level I	Level II	Level II+
Beds	29	18	0
Patient Days	2,534	858	0
Total Newborn Patient Days			**3,392**

Laboratory Studies

Inpatient Studies	531,177
Outpatient Studies	603,926
Studies Performed Under Contract	12,932

Organ Transplantation

Kidney:	0
Heart:	0
Lung:	0
Heart/Lung:	0
Pancreas:	0
Liver:	0
Total:	**0**

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	2	2	246	9	1299	12	1311	5.3	1.3
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	18	18	1570	1855	2832	2018	4850	1.8	1.1
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	254	28	716	24	740	2.8	0.9
OB/Gynecology	0	0	0	0	368	705	851	686	1537	2.3	1.0
Oral/Maxillofacial	0	0	0	0	9	383	9	691	700	1.0	1.8
Ophthalmology	0	0	0	0	2	287	2	242	244	1.0	0.8
Orthopedic	0	0	0	0	891	918	1678	1141	2819	1.9	1.2
Otolaryngology	0	0	0	0	98	592	130	532	662	1.3	0.9
Plastic Surgery	0	0	0	0	82	787	127	592	719	1.5	0.8
Podiatry	0	0	0	0	26	320	29	315	344	1.1	1.0
Thoracic	0	0	0	0	76	41	73	32	105	1.0	0.8
Urology	0	0	0	0	245	742	261	862	1123	1.1	1.2
Totals	**0**	**0**	**20**	**20**	**3867**	**6667**	**8007**	**7147**	**15154**	**2.1**	**1.1**

SURGICAL RECOVERY STATIONS Stage 1 Recovery Stations 22 Stage 2 Recovery Stations 36

Dedicated and Non-Dedicated Procedure Room Utilzation

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	9	9	1396	2344	1961	2357	4318	1.4	1.0
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	4	4	123	5048	107	1728	1835	0.9	0.3
Cystoscopy	0	0	2	2	187	333	172	325	497	0.9	1.0
Multipurpose Non-Dedicated Rooms											
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Emergency/Trauma Care

Certified Trauma Center		No
Level of Trauma Service	**Level 1**	**Level 2**
	(Not Answered)	Not Answered
Operating Rooms Dedicated for Trauma Care		0
Number of Trauma Visits:		0
Patients Admitted from Trauma		0
Emergency Service Type:		Comprehensive
Number of Emergency Room Stations		36
Persons Treated by Emergency Services:		52,333
Patients Admitted from Emergency:		10,850
Total ED Visits (Emergency+Trauma):		**52,333**

Free-Standing Emergency Center

Beds in Free-Standing Centers	0
Patient Visits in Free-Standing Centers	0
Hospital Admissions from Free-Standing Center	0

Outpatient Service Data

Total Outpatient Visits	**304,791**
Outpatient Visits at the Hospital/ Campus:	268,347
Outpatient Visits Offsite/off campus	36,444

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	**4**
Cath Labs used for Angiography procedures	2
Dedicated Diagnostic Catheterization Lab	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	**1,556**
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	1,219
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	284
EP Catheterizations (15+)	53

Cardiac Surgery Data

Total Cardiac Surgery Cases:	**179**
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	179
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	140

Diagnostic/Interventional Equipment

	Owned	Contract	Examinations Inpatient	Outpt	Contract
General Radiography/Fluoroscopy	26	0	24,985	62,055	0
Nuclear Medicine	5	0	3,666	7,441	0
Mammography	3	0	177	26,427	0
Ultrasound	13	0	1,788	7,175	0
Angiography	4	0			
Diagnostic Angiography			363	192	0
Interventional Angiography			89	214	0
Positron Emission Tomography (PET)	0	0	0	0	0
Computerized Axial Tomography (CAT)	4	0	10,605	30,909	0
Magnetic Resonance Imaging	3	0	1,804	6,213	0

Therapeutic Equipment

	Owned	Contract	Therapies/ Treatments
Lithotripsy	0	225	225
Linear Accelerator	0	0	0
Image Guided Rad Therapy			0
Intensity Modulated Rad Thrp			0
High Dose Brachytherapy	5	0	5
Proton Beam Therapy	0	0	0
Gamma Knife	0	0	0
Cyber knife	0	0	0

Source: 2013 Annual Hospital Questionnaire, Illinois Department of Public Health, Health Systems Development.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is made and entered by and between Memorial Group, Inc., an Illinois not-for-profit corporation ("Memorial"), and BJC Health System, a Missouri nonprofit corporation doing business as BJC HealthCare ("BJC"). For purposes of this MOU, Memorial and BJC may each be referred to individually as a "Party", and are collectively referred to as the "Parties".

BACKGROUND

A. The Parties have engaged in discussions regarding a proposed strategic affiliation involving the joint ownership and operation of the hospitals, including Memorial Hospital located in Belleville, Illinois and Memorial Hospital-East located in Shiloh, Illinois, and other health care facilities that are currently owned by Memorial and its subsidiaries (the "Strategic Affiliation").

B. The Parties desire to set forth in this MOU certain non-binding terms reflecting their mutual understanding with regard to various aspects of the Strategic Affiliation.

NON-BINDING TERMS

1. **Purposes**. The purpose of the proposed Strategic Affiliation will be to improve the manner which health care services are provided to the residents of the communities served by Memorial. The Parties anticipate that the Strategic Affiliation will create a stronger regional health delivery system that will, among other things, improve access to clinical expertise, facilitate the sharing of clinical and non-clinical "best practices," and provide economies of scale that will reduce costs for both patients and providers.

2. **Organizational Structure**. The proposed Strategic Affiliation will be structured as a membership substitution, whereby (i) BJC and Memorial will form and become the members of a new Illinois not-for-profit corporation - Memorial Regional Health Services, Inc. ("MRHS"), and (ii) MRHS will, in turn, replace Memorial as the common parent corporation of each of the entities that are currently direct subsidiaries of Memorial (the "Memorial Subsidiaries").

3. **Governance**. MRHS will be governed by a Board of Directors (the "MRHS Board"). At the time of the closing of the proposed Strategic Affiliation, BJC and Memorial will each appoint an equal number of directors to the MRHS Board for the staggered terms set forth in the MRHS governing documents, and thereafter, the members of the MHRS Board will be appointed in accordance with the MRHS governing documents. BJC and Memorial, as the corporate members of MRHS, will each hold certain reserved powers with respect to the governance and operation of MRHS. In addition to the MRHS Board, Memorial Hospital and Memorial Hospital-East will be governed by a board of directors which will retain certain responsibilities with respect to the hospitals, including medical staff credentialing, oversight of implementation of operating and capital budgets, maintaining accreditation with applicable accreditation body(ies), and patient care quality and safety.

The Parties have executed this Memorandum of Understanding to be effective as of April 27, 2015.

Memorial Group, Inc.

By: _____

Print Name: _____

Title: _____

BJC Health System d/b/a BJC HealthCare

By: _____

Print Name: Michael A. DeHaven

Title: Senior Vice President

The Parties have executed this Memorandum of Understanding to be effective as of April 27, 2015.

Memorial Group, Inc.

By: Mark J. Turner

Print Name: MARK J. TURNER

Title: PRESIDENT & CEO

BJC Health System d/b/a BJC HealthCare

By: _____

Print Name: _____

Title: _____

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4. **Capital Commitments**. BJC will agree to make capital and operating investments in the facilities and operations of MRHS (the "MRHS Facilities") in an amount sufficient to ensure that the hospitals and other health care facilities operated by MRHS remain preferred providers of health care to the local community. BJC's total contribution to MRHS and the MRHS Facilities will be supported by a mutually agreed upon valuation.

5. **Service Commitments**. BJC would agree to recognize MRHS as its hub hospital provider in MRHS's primary service area. As a hub provider, the Hospitals operated by MRHS will provide the highest levels of service by BJC affiliated hospital providers in MRHS's primary service area and will be the conduit through which patients in MRHS's primary service area access BJC hospitals. BJC would also agree to operate and maintain the Memorial hospital facilities as full-service acute care hospitals for a defined period of time and maintain Memorial's core services at both such hospital facilities.

6. **Charity Care Commitments**. The Parties agree that the Memorial Subsidiaries would continue to provide access to care for indigent and uninsured patients in accordance with a mutually-agreeable charity care policy for MRHS.

7. **Identification of Memorial**. All signage and logos used by MRHS and the Memorial Subsidiaries will continue to use the name "Memorial." The BJC name and brand would be incorporated into all signage and logos in a manner that is mutually agreed upon by the Parties.

8. **Governing Law**. This MOU shall be construed and enforced in accordance with the laws of the State of Illinois.

9. **Non-Binding Nature**. The provisions of this MOU are intended to set forth certain mutual understandings between the Parties with respect to the proposed Strategic Affiliation, but each Party acknowledges that this MOU is not intended to create or constitute a legally binding obligation between BJC and Memorial, and neither BJC nor Memorial shall have any liability to the other Party with respect to the provisions hereof until a definitive agreement and other related documents (collectively, the "Definitive Agreement") are prepared, authorized, executed and delivered by and between the Parties. The omission of certain terms from this MOU shall not be construed so as to diminish the importance or the materiality of such term, and the Parties acknowledge that, in addition to the proposed terms contained in this MOU, additional material terms remain to be resolved.

10. **Counterparts**. This MOU may be executed in two or more counterparts, each of which shall be deemed to be an original copy of this MOU, and all of which, when taken together, shall be deemed to constitute one and the same instrument.

[*Signature page follows.*]