



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

MEMORANDUM

TO: George Roate, Program Review Section
Division of Health Systems Development

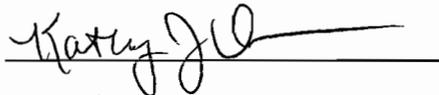
FROM: Kathy Olson, Chairwoman
Illinois Health Facilities Planning Board

RE: Exemption Application # 025-13

Facility: Midwest Endoscopy Center, LLC, Naperville

This is to advise you that I have reviewed the above-captioned exemption application with the requirements in 77 Ill. Adm. Code 1130.544 and have determined the following:

- This application is in compliance with the requirements in 1130.544.
- This application is to be reviewed by the Health Facilities Planning Board.
- This application is DENIED effective _____ because it does NOT comply with the requirements specified in Ill. Adm. Code 1130.544.
- Other actions as follows:



Kathy J. Olson
Illinois Health Facilities and Services Review Board

12/13/13

Date



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: C-03	BOARD MEETING: December 17, 2013	EXEMPTION NUMBER: E-025-013
EXEMPTION APPLICANT(S): Midwest Endoscopy Center, LLC Edward Health Ventures, and Edward-Elmhurst Healthcare		
FACILITY NAME and LOCATION: Midwest Endoscopy Center, LLC, Naperville		

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Midwest Endoscopy Center, LLC Edward Health Ventures, and Edward-Elmhurst Healthcare) are proposing a change of ownership for Midwest Endoscopy Center, LLC a single specialty ambulatory surgical treatment center located at 1243 Rickert Drive, Naperville, Illinois. The anticipated cost of the transaction is \$12,876,600. **The anticipated completion date is December 31, 2013.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are proposing a change of ownership under the exemption rules promulgated by the State Board. (77 IAC 1130.520) An exemption does **NOT** require evidence of the **NEED** for the service.
- 20 ILCS 3960/6 (b) states *“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.”*

EXEMPTION REQUIREMENTS:

A certificate of exemption requires affirmation

- that the categories of service and number of beds as reflected in the Inventory of Health Care Facilities will not substantially change for at least 12 months following the project's completion date;
- 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;
- proof that the applicant has sufficient funds to finance the acquisition and to operate the facility for a period of 36 months
- that the applicant intends to maintain ownership and control of the facility for a minimum of three years;
- 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;
- 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,
- that failure to complete the project in accordance with the applicable provisions of Section 1130.500(d) no later than 24 months from the date of exemption approval (or by a later date established by HFSRB upon a finding that the project has proceeded with due diligence) and failure to comply with the material change requirements of this Section will invalidate the exemption.

The applicants have met all of the requirements of 77 IAC 1130.520 Requirements for Exemptions Involving a Change of Ownership of a Health Care Facility.

STATE BOARD STAFF REPORT
CHANGE OF OWNERSHIP EXEMPTION

I. The Exemption Application

The applicants (Midwest Endoscopy Center, LLC Edward Health Ventures, and Edward-Elmhurst Healthcare) are proposing a change of ownership for Midwest Endoscopy Center, LLC a single specialty ambulatory surgical treatment center located at 1243 Rickert Drive, Naperville, Illinois. **The anticipated cost of the transaction is \$12,876,600. The anticipated completion date is December 31, 2013.** The licensee is Midwest Endoscopy Center, LLC and the owner of the site is DJSB, LLC.

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, and change of sponsorship or other means of transferring control.”

The applicants are before the State Board because the applicants are proposing a stock transaction resulting in a change of control of a health care facility.

No public hearing was requested and no letters of opposition were received by the State Board Staff. Letters of support have been submitted.

II. The Facility

Midwest Endoscopy Center, LLC is a single specialty ambulatory surgical treatment center with 2 operating rooms. The facility performs gastro-intestinal surgical procedures.

III. The Applicants

Edward-Elmhurst Healthcare is a **combination** of Naperville-based Edward Healthcare and Elmhurst Memorial Healthcare. The State Board approved this affiliation on May 14, 2013 as Exemption (#E-008-13). The healthcare system has approximately \$1 billion in annual revenue and is comprised of three hospitals: 259-bed Elmhurst Memorial, 309-bed Edward Hospital in Naperville and 108-bed Linden Oaks, a behavioral health hospital also in Naperville. Edward Health Ventures (EHV), is an organization that provides the services of physician practices, holds real estate investments, and invests in joint venture medical practices and other health care services and is a wholly owned subsidiary of Edward-Elmhurst Healthcare.

IV. The Proposed Transaction

Midwest Endoscopy Center LLC is currently owned by five (5) physician investors and interest percentage:

Dinesh Jain, MD – 41.0%
Scott Berger, MD -41.0%
Sushama Gundlapali, MD-6.0%
Darren Kastin, MD-6.0%
Ravi Nadimpalli, MD-6.0%

In the proposed transaction, the existing 5 physician owners will retain 45% of the surgery center and sell the remaining 55% to Edward Health Ventures, a wholly owned subsidiary of Edward-Elmhurst Healthcare. Upon the completion of the transaction the ownership interest will be the following:

Edward Health Ventures – 55.0%
Dinesh Jain, M.D. – 16.5%
Scott Berger, M.D. – 16.5%
Sushama GundJapalli, M.D. -4.0%
Darren Kastin, M.D. -4.0%
Ravi Nadimpalli, M.D.-4.0%

Edward Health Ventures will acquire its ownership interest through a cash transaction, utilizing internally available financial resources. The purchase price for the 55% ownership interest is \$12,876,600, consistent with 55% of 7.5X EBITDA based on an external fair market analysis.

The applicants:

1. Attest that the Inventory of Health Care Facilities of Kewanee Hospital will not substantially change for at least 12 months following the project's completion date;
2. Certify 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;
3. Affirm that the applicant intends to maintain ownership and control of the facility for a minimum of three years;
4. Affirm 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;

5. Affirm 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; and

V. Other Information

Attached to this report is the valuation analysis.