



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 # 026-13

Facility: Salt Creek Surgery Center, Westmont

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

Kathy J. Olson  
 Illinois Health Facilities and Services Review Board

12/13/13

Date



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# HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET ITEM:</b> C-04	<b>BOARD MEETING:</b> December 17, 2013	<b>EXEMPTION NUMBER:</b> E-026-013
<b>EXEMPTION APPLICANT(S):</b> Westmont Surgery Center, LLC d/b/a Salt Creek Surgery Center, Edward Health Ventures, and Edward-Elmhurst Healthcare		
<b>FACILITY NAME and LOCATION:</b> Westmont Surgery Center, LLC d/b/a Salt Creek Surgery Center, Westmont		

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The applicants (Westmont Surgery Center, LLC d/b/a Salt Creek Surgery Center, Edward Health Ventures, and Edward-Elmhurst Healthcare) are proposing a change of ownership for Westmont Surgery Center, LLC, d/b/a/ the Salt Creek Surgery Center located at 530 N. Cass Avenue, Westmont, Illinois. The facility is 15,000 square feet and has four operating rooms and performs orthopedics, podiatry, neurology, pain management, dermatology, and plastic surgery surgical specialties. The licensee operating entity is Westmont Surgery Center, LLC d/b/a the Salt Creek Surgery Center and the owner of the site is GM Property, LLC. The applicants are proposing a stock transfer resulting in no change in the current licensee. The estimated purchase price is \$7,057,277 and the expected project 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 (Westmont Surgery Center, LLC d/b/a Salt Creek Surgery Center, Edward Health Ventures, and Edward-Elmhurst Healthcare) are proposing a change of ownership for Westmont Surgery Center, LLC, d/b/a/ the Salt Creek Surgery Center located at 530 N. Cass Avenue, Westmont, Illinois. The facility is 15,000 square feet and has four operating rooms and performs orthopedics, podiatry, neurology, pain management, dermatology, and plastic surgery surgical specialties. The licensee operating entity is Westmont Surgery Center, LLC d/b/a the Salt Creek Surgery Center and the owner of the site is GM Property, LLC. The applicants are proposing a stock transfer resulting in no change in the current licensee. **The estimated purchase price is \$7,057,277 and the expected project completion date is December 31, 2013.**

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**

Westmont Surgery Center, LLC d/b/a Salt Creek Surgery Center is a multi specialty ambulatory surgical treatment center with 4 operating rooms. The facility performs orthopedics, podiatry, neurology, pain management, dermatology, and plastic surgery surgical specialties.

**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.

Edward-Elmhurst Healthcare is the parent and sole corporate member of Edward Hospital, Edward Health Ventures, and Elmhurst Memorial Hospital. The system maintains two separate obligated groups, with Edward Hospital and Edward Health Ventures operating within the Edward obligated group and Elmhurst Memorial Healthcare operating within the Elmhurst obligated group.

#### **IV. The Proposed Transaction**

Westmont Surgery Center, LLC d/b/a Salt Creek Surgery Center is a joint venture of 32 independent orthopedic surgeons. In the proposed transaction, the existing 32 physician owners will retain 40% of the Surgery Center and sell the remaining 60% to Edward Health Ventures, a wholly owned subsidiary of Edward-Elmhurst Healthcare. Upon project completion Westmont Surgery Center will issue 600 new Class B Units. The 32 physicians will retain 400 Class A Units. Edward Health Ventures will acquire the Class B Units through a cash transaction, utilizing internally available financial resources. The estimated purchase price for the 60% ownership interest is \$7,057,277. This value will be adjusted, prior to the close of the transaction, to reflect actual value at close date, consistent with 60% of 7X EBITDA.

#### **The 32 physicians and their current ownership interest:**

Kris J. Alden, 2.94%, Mathew J. Bucche, M.D., 3.00%, Dale J. Buranosky, D.P.M., 3.00%, Giridhar Burra, M.D., 2.94%, Michael J. Collins, M.D. 2.94%, Robert J. Daley, M.D. 2.94%, Benjamin G. Domb, M.D., 2.94%, Michael C. Durkin, M.D., 2.94%, Bradley D. Dworsky, M.D., 2.94%, William J. Gilligan, M.D., 2.94%, Rahul Gokhale, M.D., 3.00%, Kamal Ibrahim, M.D., 3.00%, Troy R. Karlsson, M.D., 3.00%, Andrew H. Kim, M.D., 3.00%, Bryan W. Lapinski, M.D., 2.00%, Lawrence D. Lieber, M.D., 3.00%, Ernest B. Lindell, M.D., 3.00%, Mark A. Lorenz, M.D., 2.94%, Steven S. Louis, M.D., 2.94%, Steven J. Mash, M.D. 3.00%, Steven E. Mather, M.D., 3.00%, Brian A. Murphy, M.D., 3.00%, Dalip Pelinkovich, M.D. 3.00%, John L. Reilly, M.D., 3.00%, Victor M. Romano, M.D., 2.94%, Kenneth L. Schiffman, M.D., 2.94%, Paul M. Trksak, M.D., 3.00%, David J. Tulipan, M.D., 3.00, Leah R. Urbanosky, M.D., 2.94%, Robyn A. Vargo, D.O., 2.94%, Samuel Vinci, D.P.M. 3.00%, Robert L. Welch, M.D. 3.00%, Michael R. Zindrick, M.D. 2.94%.

#### **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. Attached to this report is the valuation analysis**