

DOCKET ITEM:	BOARD MEETING: August 12-13, 2008	EXEMPTION NUMBER: E-009-08
EXEMPTION APPLICANT(S): Advocate Condell Medical Center, Advocate Health and Hospitals Corporation, Advocate Health Care Network, Condell Health Network, and Condell Medical Center		
FACILITY NAME and LOCATION: Condell Medical Center, Libertyville		

STATE AGENCY REPORT
CHANGE OF OWNERSHIP EXEMPTION REQUEST

The Chairman of the State Board requests the State Board to consider this exemption application.

I. The Exemption Application

The applicants are Advocate Condell Medical Center, Advocate Health and Hospitals Corporation, Advocate Health Care Network, Condell Health Network, and Condell Medical Center. The applicants propose a change of ownership of Condell Medical Center, 801 South Milwaukee Avenue, Libertyville, Illinois that will be accomplished by purchase of substantially all of the assets and the assumption of substantially all of the liabilities of Condell Health Network (the sole corporate parent of Condell Medical Center) resulting in a change of the current licensee. Advocate Condell Medical Center will become the operator/licensee and owner of the site. The anticipated acquisition price is \$180,000,000.

II. The Existing Facility

Condell Medical Center is a 283-bed facility located in Libertyville, Illinois (HSA 8), in the A-09 Hospital Planning Area (Lake County). Table One lists the bed category of services and the authorized beds offered by the Medical Center, AND their 2007 utilization. The Medical Center also offers open heart surgery and cardiac catheterization services.

TABLE ONE Condell Medical Center 2007 Utilization						
Beds	Beds	Admissions	Days	ALOS	ADC	Utilization
Medical Surgical	214	13,045	56,439	4.33	158.7	74.2%
Intensive Care	25	1,981	5,286	2.67	14.5	58.0%
Pediatric	18	756	1,633	2.16	5.3	29.6%
Obstetric	26	2,704	7,007	2.59	20.5	78.7%
	283					
Information submitted in response to the 2007 IDPH Hospital Questionnaire						

III. Applicants and Co-applicants

Advocate Health Care Network (“Network”) is a not for profit corporation and is the sole corporate member of the not for profit Advocate Health and Hospitals. Advocate Health and Hospitals is the sole corporate member of the applicant Advocate Condell Medical Center located in Libertyville, Illinois. The Advocate Health Care Network controls eight acute care hospitals in Illinois, including: Advocate Good Shepherd Hospital, Barrington, Advocate Bethany Hospital, Chicago, Advocate Christ Hospital, Oak Lawn, Advocate Good Samaritan Hospital, Downers Grove, Advocate Illinois Masonic Hospital, Chicago, Advocate Lutheran General Hospital, Park Ridge, Advocate South Suburban Hospital, Hazel Crest, and Advocate Trinity Hospital, Chicago. Condell Health Network is a not for profit corporation and is the sole member of Condell Medical Center.

IV. Proposed Transaction

Condell Medical Center is currently authorized for 214 medical surgical beds, 26 obstetric beds, 18 pediatric beds, 25 intensive care beds and cardiac catheterization and open heart surgery services. The applicants are proposing an asset purchase by which the Advocate Condell Medical Center (a wholly owned subsidiary of Advocate Health and Hospitals) will acquire substantially all of the assets and assume substantially all of the liabilities of Condell Health Network (the sole member of Condell Medical Center). The transaction will be funded with municipal bonds issued by the Illinois Finance Authority.

The applicants have attested that all beds and services will not substantially change for at least 12 months following the completion of the proposed transaction, and there will be no change resulting in the restriction of patient

admissions or reductions in access to care or a more restrictive charity care policy. The applicants also certify that the compliant charity care policy will remain in effect for a two year period following the change of ownership. The applicants attest that all projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of 20 ILCS 3960.

The proposed transfer will occur on October 1, 2008 and on the approval from the Illinois Health Facilities Planning Board. The applicants have certified that no adverse actions have been taken against them by the federal government, licensing or certifying bodies of the State of Illinois. The applicants also certify that they intend to maintain ownership and control of the facility for a minimum of three years.

The applicants certify that the beds and services currently provided at the Hospital will be maintained. The applicants also state there will be no elimination of services provided at the Hospital. There will be no change in admission policies or medical staff or reduction in access as result of the proposed change.

V. Outstanding Permits

Condell Medical Center has two outstanding permits at the time of the change of ownership. Project #06-026 was approved by the State Board at the July 2006 State Board Meeting for a major modernization of the hospital and the addition of 68 medical surgical beds. On December 3, 2007 the Chairman of the Illinois Health Facilities Planning Board approved a 12-month extension of the period of the time to obligate Project #06-026 from January 19, 2008 to January 19, 2009. The cost of the project is \$103,638,048 and is not obligated. The expected project completion date is June 1, 2010.

Project #06-041 was approved by the State Board at the September 2006 State Board Meeting for a major expansion and modernization of the emergency department and ancillary and support services. The cost of the project is \$22,407,063. The project was obligated on March 12, 2008 and the anticipated project completion date is June 1, 2009.

The State Agency notes as per 77 IAC 1130.520 (f)

A permit or exemption cannot be transferred.

- 1) For purposes of change of ownership exemptions, outstanding permits will not be considered transferred if the following conditions are met:
 - A) the existing permit is not for the establishment or discontinuation of a new facility or category of service;
 - B) the existing permit is not a substantial change in scope as defined in Section 1130;
 - C) the existing permit has been obligated and is being carried out with due diligence.
- 2) If the requirements of this subsection (f) are not met, any outstanding permit will be considered a transfer of the permit and results in the permit being null and void.

77 IAC 1130.140 Substantially Changes the Scope or Changes the Functional Operation of the Facility means:

the addition or discontinuation of a category of service as defined in HFPB rules;

discontinuation as defined in this Part;

a change of a material representation made by the applicant in an application for permit or exemption subsequent to receipt of a permit that is relied upon by HFPB in making its decision. Material representations are those that provide a factual basis for issuance of a permit or exemption and include:

withdrawal or non-participation in the Medicare and/or Medicaid programs;

charge information;

requirements of variances pursuant to 77 Ill. Adm. Code 1110;

other representations made to HFPB as stipulated or agreed upon in the public record and specified in the application or the permit or exemption approval letter;

the addition of a surgical specialty not previously approved by HFPB for an ambulatory surgical treatment center (ASTC) that has not been classified as a multi-specialty ASTC by HFPB in accordance with the provisions of 77 Ill. Adm. Code 1110.1540;

an increase of more than three dialysis stations or more than 10% of the facility's total number of dialysis stations, whichever is less, over a two-year period. The two-year period begins on the date the facility's additional stations are certified. When a permit is issued for additional stations or for the establishment of an additional facility/service, the facility may not add any more dialysis stations for two years from the date that such stations approved in the permit are certified without obtaining an additional permit; or

the acquisition, construction, or leasing of space, buildings, or structures for the purpose of providing outpatient surgical services on a site or location that is not within the licensed premises of the health care facility. Outpatient surgical services are those surgical procedures that are routinely performed in such settings as a hospital or ambulatory surgical treatment center, or in any room or area that is designed, equipped, and used for surgery, such as, but not limited to, a surgical suite or special procedures room. Outpatient surgical services do not include those procedures performed as part of a physician's private practice in examination or non-surgical treatment rooms.

Project #06-041 has been obligated therefore this project would not be considered transferred. Project #06-026 is not obligated and is not a substantial change in scope as defined by the State Board. Therefore Project #06-026 would be considered transferred under current State Board rules.

VI. Public Hearing

A public hearing was held on this project on July 14, 2008. The public hearing transcript and the public comments have been included in the information submitted to the State Board.

VII. Applicable Rules

The Illinois Health Facilities Planning Act defines a change of ownership as

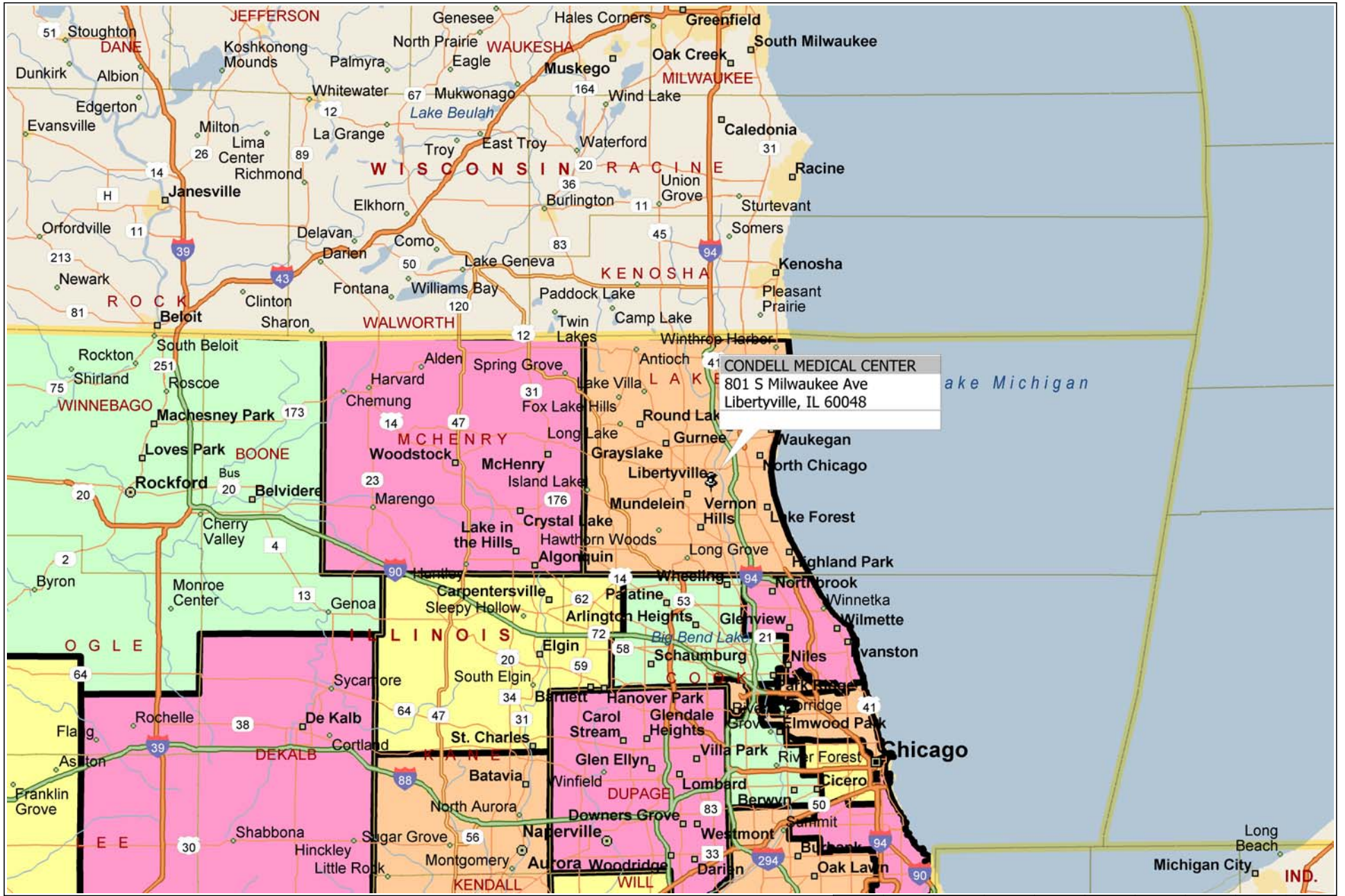
“ . . . a change in the person who has ownership or control of a health care facility’s physical plant and capital assets. A change in ownership is indicated by the following transactions: sale, transfer, acquisition, lease, change of sponsorship or other means of transferring control.”

The State Board’s rule (77 IAC 1130.520) specifies the requirements necessary for a change of ownership exemption application to be filed with the State Board.

VIII. Other Information

Included in the information submitted to the State Board is the change of ownership exemption application for the proposed change of ownership of Condell Medical Center and the public hearing transcript and public comment.

E-009-08 CONDELL MEDICAL CENTER



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Ownership, Management and General Information

ADMINISTRATOR NAME: Dennis C. Millirons
ADMINSTRATOR PHONE 847-990-5200
OWNERSHIP: Condell Medical Center
OPERATOR: Condell Medical Center
MANAGEMENT: Non-Government Other Non-Profit
FACILITY DESIGNATION/ Short Term Acute Care Hospital
CERTIFICATION:
ADDRESS 801 South Milwaukee Avenue

CITY: Libertyville

COUNTY: Lake County

Patients by Race

White 74.7%
 Black 6.0%
 American Indian 0.0%
 Asian 2.6%
 Hawaiian/ Pacific 0.0%
 Unknown: 16.6%

Patients by Ethnicity

Hispanic or Latino: 14.0%
 Not Hispanic or Latino: 86.0%
 Unknown: 0.0%
 IDPH Number: 0422
 HPA A-09
 HSA 8

Birthing Data

Number of Deliveries: 2,368
 Number of Live Births: 2,353
 Birthing Rooms: 0
 Labor Rooms: 0
 Delivery Rooms: 0
 Labor-Delivery-Recovery Rooms: 9
 Labor-Delivery-Recovery-Postpartum Rooms: 0
 C-Section Rooms: 2
 CSections Performed: 863

Newborn Nursery Utilization

Level 1 Patient Days 4,756
 Level 2 Patient Days 0
 Level 2+ Patient Days 2,298
 Total Nursery Patientdays **7,054**

Organ Transplantation

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

Laboratory Studies

Inpatient Studies 556,927
 Outpatient Studies 432,330
 Studies Performed Under Contract 32,711

Facility Utilization Data by Category of Service

Clinical Service	Authorized CON Beds	Beds Setup 10/1/2007	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	214	186	190	190	13,045	56,439	1,497	4.4	158.7	74.2	83.5
0-14 Years					0	0					
15-44 Years					2,384	7,353					
45-64 Years					3,964	16,276					
65-74 Years					2,260	11,032					
75 Years +					4,437	21,778					
Pediatric	18	16	16	15	756	1,633	313	2.6	5.3	29.6	33.3
Intensive Care	25	17	25	25	1,981	5,286	3	2.7	14.5	58.0	58.0
Direct Admission					1,455	3,623					
Transfers					526	1,663					
Obstetric/Gynecology	26	26	26	26	2,704	7,007	462	2.8	20.5	78.7	78.7
Maternity					2,500	6,469					
Clean Gynecology					204	538					
Neonatal	0	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	0.0
Swing Beds					0	0		0.0	0.0		
Acute Mental Illness	0	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	0.0
Dedicated Observation	12						15				
Facility Utilization	283	245			17,960	70,365	2,290	4.0	199.1	70.3	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	41.6%	13.7%	0.4%	40.4%	2.2%	1.6%	17,960
	7479	2460	77	7260	404	280	
Outpatients	23.4%	10.9%	1.4%	60.1%	3.9%	0.2%	639,360
	149842	69415	9262	384369	25030	1442	

Financial Year Reported: 1/1/2007 to 12/31/2007

Inpatient and Outpatient Net Revenue by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense	Total Charity Care Expense
Inpatient Revenue (\$)	2887.3%	501.2%	59.5%	1907.4%	145.7%	5501.1%	1,697,740	3,649,461
	79,828,239	13,857,495	1,643,838	52,734,663	4,028,721	2,764,795		
Outpatient Revenue (\$)	24.4%	3.2%	1.0%	65.3%	6.1%	100.0%	1,951,721	2.5%
	34,977,238	4,526,289	1,490,659	93,516,042	8,721,907	143,232,135		

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	0	0	504	170	1764	385	2149	3.5	2.3
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	12	12	884	2359	1922	3946	5868	2.2	1.7
Gastroenterology	0	0	0	0	1	3	2	5	7	2.0	1.7
Neurology	0	0	0	0	290	723	952	1777	2729	3.3	2.5
OB/Gynecology	0	0	0	0	275	651	529	931	1460	1.9	1.4
Oral/Maxillofacial	0	0	0	0	17	23	41	54	95	2.4	2.3
Ophthalmology	0	0	0	0	1	509	2	681	683	2.0	1.3
Orthopedic	0	0	0	0	436	1418	1128	3336	4464	2.6	2.4
Otolaryngology	0	0	0	0	47	741	76	973	1049	1.6	1.3
Plastic Surgery	0	0	0	0	16	57	48	124	172	3.0	2.2
Podiatry	0	0	0	0	6	93	22	183	205	3.7	2.0
Thoracic	0	0	0	0	74	10	169	19	188	2.3	1.9
Urology	0	0	0	0	280	724	565	1040	1605	2.0	1.4
Totals	0	0	12	12	2831	7481	7220	13454	20674	2.6	1.8

SURGICAL RECOVERY STATIONS	Stage 1 Recovery Stations	26	Stage 2 Recovery Stations	22
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Dedicated and Non-Dedicated Procedure Room Utilization

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	5	5	1918	5525	699	1653	2352	0.4	0.3
Laser Eye Procedures	0	0	1	1	0	298	0	424	424	0.0	1.4
Pain Management	0	0	0	0	0	0	0	0	0	0.0	0.0
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
Multipurpose Non-Dedicated Rooms											
Pain Management	0	0	13	13	29	98	30	100	130	1.0	1.0
None	0	0	0	0	0	0	0	0	0	0.0	0.0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	3
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	2,177
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	1,369
Interventional Catheterizations (0-14):	0
Interventional Catheterizations (15+)	432
EP Catheterizations (15+)	376

Emergency/Trauma Care

Certified Trauma Center by EMS	<input checked="" type="checkbox"/>
Level of Trauma Service	Level 1 N/A
	Level 2 Adult
Operating Rooms Dedicated for Trauma Care	0
Number of Trauma Visits:	1032
Patients Admitted from Trauma	1012
Emergency Service Type:	Comprehensive
Persons Treated by Emergency Services:	53,097
Patients Admitted from Emergency:	10,115
Total ED Visits (Emergency+Trauma):	54,129

Cardiac Surgery Data

Total Cardiac Surgery Cases:	209
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	209
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	164

Outpatient Service Data

Total Outpatient Visits	639,360
Outpatient Visits at the Hospital/ Campus:	456,557
Outpatient Visits Offsite/off campus	182803

Diagnostic and Therapeutic Equipment

Equipment	Hospital Owned			Examinations		
	Hospital Owned	Shared	Contracted	Inpatient	Outpatient	Contractual
General Radiography/Fluoroscopy	7	0	0	41,028	43,586	0
Nuclear Medicine	4	0	0	4,604	6,130	0
Mammography	5	0	0	14	12,306	0
Ultrasound	10	0	0	7,508	18,664	0
Angiography	1	0	0	3,125	2,274	0
Positron Emission Tomography (PET)	1	0	0	4	396	0
Computerized Axial Tomography (CAT)	6	0	0	13,170	22,657	0
Magnetic Resonance Imaging	3	0	0	3,656	4,813	0
Treatment Courses						
Lithotripsy	0	0	1	129		
Radiation Therapy Equipment:						
Linear Accelerator	1	0	0	260	0	0
	0	0	0	0	0	0