I. The Proposed Project

The applicant proposes the merger of Illinois Masonic Medical Center and Advocate Health and Hospitals Corporation.

The total estimated project cost is $148,118,971.

II. Summary of Findings

A. The proposed project appears to be in conformance with the provisions of Part 1110.

B. The proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Illinois Masonic Medical Center, a 517-bed general hospital located in Chicago, in HSA VI; Illinois Masonic Medical Center d/b/a Warren N. Barr Pavilion, a 294-bed General Long-Term Care Facility, located in Chicago, in HSA VI; Advocate Health and Hospitals Corporation, which is the parent company for all 8 of Advocate’s licensed hospitals, located in Oak Brook, in HSA VII; and Advocate Health Care Network, which is the Parent Company for all of the Advocate System, which is also located in Oak Brook.

There are 14 other hospitals in Planning area A-1 where Illinois Masonic Medical Center
is located. Planning Area 6-B, where Warren N. Barr Pavilion is located has 8 hospital based LTC units and 25 other LTC facilities.

This is a non-substantive project which is subject to both a Part 1110 and a Part 1120 review.

A public hearing was held on June 27, 2000. A copy of the report on that hearing is included in the Board’s material.

The applicant indicates that obligation is contingent upon CON approval. The applicant further indicates that the projected project completion date is July 15, 2000. This does not appear to be a feasible completion date since the applicant would have to have all of the completion documents to the State Agency one day after the Board Meeting. It also appears that some accounting functions must take place before the final contribution to the foundation is completed, which is also part of this application.

IV. The Proposed Project-Details

The applicant proposes the merger of Illinois Masonic Medical Center (IMMC) and Advocate Health and Hospitals Corporation (AHHC).

The states: “Following the Illinois Health Facilities Planning Board approval, IMMC will merge all of its assets and all of its liabilities with and into AHHC according to the Articles of Merger and Plan of Merger, appended as Attachment Info-6. IMMC is an Illinois not-for-profit exempt corporation with four components:

1. Illinois Masonic Medical Center (Licensed Acute Care Hospital)
2. Warren N. Barr Pavilion (Licensed Nursing Home)
3. IMMC Home Health (Not a health care facility as defined in the Health Facilities planning Act)
4. Physicians Division ( Employed Physicians of the Hospital)

“As a result of such merger IMMC Hospital and the Warren N. Barr Pavilion (the ‘Pavilion’) will become a component part and be operated by AHHC. IMMC Home Health (not a licensed health care facility) and the Physician Division will become affiliated with the Advocate System. For information purposes only, we have attached copies of IMMC and Ravenswood Hospital and Medical Center’s existing corporate bylaws.

“As part of the merger, IMMCC will establish a new not-for-profit, tax exempt foundation which shall be called Masonic Family Health Foundation (the ‘New IMMC Foundation’). The new IMMC Foundation will be governed by a self perpetuating Board of Directors. The Board of Directors will initially be selected by IMMC. The Bylaws of the New IMMC Foundation will provide that, for so long as the New IMMC Foundation is affiliated with Advocate, there will be one seat on its Board of Directors reserved for an
Advocate representative.

“The New IMMC Foundation will be capitalized in an amount equal to all existing IMMC endowment funds (approximately $50 million) to be transferred by IMMC to the New IMMC Foundation. Advocate will make a contribution to the New IMMC Foundation in the amount of $25,000,000, less certain possible exclusions as outlined in the Articles of Merger.”

The applicant’s have also indicated that none of the existing permits for Advocate hospitals are impacted by this proposed merger, and that the single outstanding permit (Project # 99-097 for a Medical Office Building) will be completed as originally approved. “AHHC will assume all of the assets and liabilities of IMMC, and pledges to make sure that sufficient cash will remain available for the completion of the project consistent with the permit.

V. The Proposed Sources and Uses of Funds

The total estimated project cost is $148,118,971. This is to be funded with $75,000,000 in cash and securities and $73,118,971 which is the FMV of the buildings being acquired.

The $75,000,000 is the contribution to the New IMMC Foundation.

VI. Review Criteria - General

The only General Review Criterion which is applicable to this project is Criterion 1110.230.b., Background of Applicant

Criterion 1110.230.b., Background of Applicant

The State Agency’s analysis of this project finds that it appears that the applicant is fit, willing, and able to provide a proper standard of care for the residents of the planning area and specifically for the patients of this facility.

THE STATE AGENCY FINDS THAT THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERION.

VII. Review Criteria - Change of Ownership, Mergers, and Consolidation

A. Criterion 1110.240.b., Impact Statements

This criterion states:

“The applicant must submit an impact statement which details any proposed changes in the beds or services currently offered, who the anticipated operating entity will be, the reason for the transaction, any
anticipated additions or reductions in employees, and a cost/benefit analysis of the transaction. The statement must reflect at least a two-year period following the date of the change of ownership merger or consolidation.”

B. Criterion 1110.240.c., Access

This criterion states:

“The applicant must document any changes which may result in the restriction of patient admissions and document that no reductions in access to care will result from the transaction. Documentation shall consist of a written certification that the admission policies of the facilities involved will not become more restrictive and the submission of both the current formal admission policies of all institutions involved and the anticipated