



User Name: Esther Quiles

Date and Time: Thursday, September 15, 2022 5:14:00 PM EDT

Job Number: 179577333

Document (1)

1. [Atrium Health deal to double in size hit a snag in another state. Here's what's next.](#)

Client/Matter: 99520.00001

Search Terms: headline(Atrium health deal to double in size hit a snag in another state)

Search Type: Natural Language

Narrowed by:

Content Type
News

Narrowed by
-None-

[Atrium Health deal to double in size hit a snag in another state. Here's what's next.](#)

Charlotte Observer (North Carolina)

September 15, 2022 Thursday

Copyright 2022 The Charlotte Observer All Rights Reserved

The Charlotte Observer

Found on [Charlotte.com](#)

Section: business

Length: 1127 words

Byline: Gordon Rago

The Charlotte Observer

Body

Health care giant Atrium Health's plan to combine with Illinois- and Wisconsin-based hospital system Advocate Aurora Health hit a regulatory snag on Tuesday. But the plans appear to be back on track for what would result in the fifth largest health system in the country by revenue.

The Health Facilities and Services Review Board, an independent Illinois regulatory body, voted 3-2 to reject an application that would lead to a combination of the two systems.

But the board decided shortly after the vote to reconsider its action, ultimately agreeing to postpone its vote, board administrator John Kniery said. The vote could happen on or before the board's next regular meeting, Dec. 13.

While the board just has jurisdiction over the 10 facilities Advocate Aurora has in Illinois, if it rejects the deal, that may impact the timing or structure of the combination with Atrium.

Other regulatory approvals are needed for the deal, too, including from the Federal Trade Commission.

In Illinois, board members generally wanted more information on how the deal was structured and how it would proceed operationally, said Mark Silberman, vice chair of the Healthcare+ Practice Group at Benesch, a law firm with offices in Chicago.

Silberman, who is not involved in the deal, previously served as general counsel for the Illinois board. He was at Tuesday's meeting for another matter.

Atrium takeaways

"This was the most efficient and effective way to get everyone back to the table and allow this project to be considered," Silberman told The Charlotte Observer.

Regulators watching

Atrium Health deal to double in size hit a snag in another state. Here's what's next.

A number of regulatory bodies have asked for information regarding the Atrium-Advocate Aurora deal, Atrium Health spokesman Dan Fogleman said in an email to the Observer.

He said the health care company will continue to share information with the Illinois board. Fogleman declined to comment on how Tuesday's postponement might affect the time frame of its deal with Advocate Aurora.

Atrium is anticipating the finalization of a review from the Federal Trade Commission later this year.

CLT_atrium_01.JPG Atrium Health and Advocate Aurora Health announced a strategic combination in May. Pending regulatory approvals, the system will be headquartered in Charlotte, with a combined revenue of more than \$27 billion.

Advocate Aurora was surprised by Tuesday's board delay. The Illinois board staff deemed its application complete last month, a system spokesperson told the Observer in an email.

Advocate Aurora said it will continue to work with the board and other regulators to address questions.

The health system remains confident the combination with Atrium is on track to close by the end of the year, the spokesperson said.

Attempts to reach Illinois board members Wednesday were not successful.

Details, concerns about the hospitals' plans

The Atrium and Advocate Aurora Health deal -- labeled a strategic combination -- was announced in May, as the Charlotte healthcare giant set its sights on national growth.

If approved, the new system would be headquartered in Charlotte, with a combined revenue of \$27 billion. It will operate under the Advocate Health name, with the Advocate, Aurora and Atrium Health brands used locally.

Critics of the deal pointed to its staggering size and reach.

The deal could lead to higher prices, suppressed wages for nurses and physicians and more expensive national insurance plans, hospital consolidation critic and Duke Law School professor Barak Richman told the Observer at the time the deal was announced.

Similar concerns were expressed this week in Illinois.

Service Employees International Union Healthcare, a union of more than 90,000 healthcare and human service workers, wrote in a letter the Atrium and Advocate Aurora consolidation would lead to increased prices and the same or worse care for patients.

The letter was shared publicly as part of Tuesday's Illinois Health Facilities and Services Review Board meeting.

SEIU pointed to a 2017 Federal Trade Commission injunction which blocked Advocate Aurora's merger with Lake County, Ill.-based NorthShore Health System. SEIU cited a quote from the commission's Bureau of Competition that the merger would reduce quality and increase the price of health care.

Concerns were also shared by SEIU about having out-of-state owners.

Atrium has said the new combination will create more jobs and opportunities for innovation, the Observer has reported. Together, the combined system has nearly 150,000 employees, according to Atrium.

The organizations pledged to create more than 20,000 jobs across the communities served, but they did not detail specifics on how to achieve that.

Atrium Health deal to double in size hit a snag in another state. Here's what's next.

Atrium CEO Gene Woods has also said the Atrium and Advocate Aurora have a track record of driving savings by making the systems more efficient.

A rejection, then a reconsideration

Generally, health care systems need to demonstrate the need to build a new health care facility.

Last week, for example, Atrium was required under N.C. law to submit a Certificate of Need application to build a satellite hospital in Cabarrus County. After the application is filed, the public is given the chance to comment before a final state decision is made.

In the Atrium-Aurora deal, the Illinois board was reviewing a Certificate of Exemption. This certificate deals with a change in ownership percentage or operational control, Silberman said.

After Atrium and Aurora presented their case on Tuesday, board members raised questions about information they felt would be necessary to evaluate the change of ownership, Silberman said.

The discussion pertained to the availability of information -- and was not centered around whether the transaction was a good deal, he said.

The board then voted 3-2, rejecting the applications for the Certificate of Exemption.

Under a Certificate of Need application, the applicant can challenge a decision in court or by other means, Silberman said. Or, the regulatory body can issue what's known as an intent to deny, meaning the applicant can return later to address whatever concerns board members have.

That can't be done with a Certificate of Exemption, Silberman said. With a denial, the hospital systems would have to reapply, adding time to the proposal.

Board members came back and reconsidered the vote, pushing any decision to the next meeting.

Both sides were open to exchanging more information. To Silberman, the decision to postpone the vote -- rather than making the health care system reapply after a denial -- was the right move.

He said that Illinois state law helps shed some light on whether the board ultimately will approve the application. The board must approve applications for exemptions that it determines are in compliance with a long set of requirements, according to the statute.

Classification

Language: ENGLISH

Publication-Type: Newspaper

Subject: APPROVALS (89%); BOARDS OF DIRECTORS (89%); LAW & LEGAL SYSTEM (78%); TALKS & MEETINGS (77%); DELAYS & POSTPONEMENTS (76%); EMPLOYMENT HISTORY (76%); JURISDICTION (69%); COMMERCE DEPARTMENTS (67%); CORPORATE COUNSEL (66%); LAWYERS (64%)

Industry: HEALTH CARE (90%); HOSPITALS (89%); CORPORATE COUNSEL (66%); LAWYERS (64%)