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UChicago Medicine, Ingalls Health System merger finalized



Kurt Johnson, Ingalls CEO and president) and Dr. Kenneth Polonsky, Executive Vice President for Medical Affairs, Dean, Division of the Biological Sciences, right. | Provided photo

Alexandra Olsen

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University of Chicago Medicine and Ingalls Health System announced Tuesday they have officially merged after 10 months of planning and negotiation.

The Illinois Health Facilities and Services Review Board approved the merger last month; the merger also was reviewed by the Federal Trade Commission. Ingalls' Board of Directors voted

Sept. 22 to approve the terms of the merger agreement; a week later the University of Chicago Medical Center's board also OK'd the merger.

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Both organizations will keep their names and their operating licenses. Ingalls will remain under the direction of its president and chief executive, Kurt E. Johnson, and maintain a local board of directors and have representation on the University of Chicago Medical Center board. The U of C Medical Center is now Ingalls' corporate parent.

"This partnership is taking a very strong community hospital and allowing us to elevate our clinical abilities," Johnson said. "UCMC will help us fill the gaps in our medical staff and recruit new physicians, as well as help us evaluate and improve our current programs."

The planning needed to integrate the two organizations is scheduled to begin in the coming days. There are no plans to consolidate services or reduce staff; the merger makes sense because the two health providers' specialities complement each other, a spokeswoman said.

"Once fully integrated, this union will provide an array of services and choices for patients that encompass convenient, community-based health care and world-class academic medicine," Dr. Kenneth S. Polonsky, executive vice president of medical affairs and dean of the Biological Sciences Division at the University of Chicago, said in a press release.

Johnson and Sharon O'Keefe, UCMC president, will co-chair an integration committee.

"Integration is a journey," Johnson said. "Our full integration plan will span the next few years, but we do have some short-term plans that will take effect within the next 12 to 18 months."

Ingalls Health System has a hospital in Harvey and care centers in South Holland, Crestwood, Calumet City, Flossmoor and Tinley Park. The merger will bring together Ingalls Health System's five outpatient centers and UCMC's main campus in Hyde Park and planned ambulatory facilities in Orland Park and the South Loop.

http://www.nwitimes.com/news/local/illinois/ingalls-university-of-chicago-finalize-merger/article_da38dbd9-9931-5f3d-a678-957e9b7c0b40.html

EDITOR'S PICK

FEATURED

URGENT

Ingalls, University of Chicago finalize merger

Giles Bruce giles.bruce@nwi.com, (219) 853-2584 Updated 9 min ago



Provided

Ingalls Memorial Hospital in Harvey, Illinois, is shown. Ingalls Health System and University of Chicago Medicine announced Tue they have completed their merger.

HARVEY — Ingalls Health System and University of Chicago Medicine have officially merged, in a move officials say will improve the quality of health care delivered by both organizations.

The south suburban hospital system and Chicago-based academic medical center announced plans to join forces last November, after Ingalls concluded its search for a strategic partner in the hopes of boosting physician recruitment.

"It became obvious, as we got to know University of Chicago Medical Center better, they were the obvious choice for us," said Ingalls President and CEO Kurt Johnson. "They're a world-class medical center. They had all the attributes of a partner we were looking for in terms of producing well-trained physicians. University of Chicago Medical Center has a center of gravity that's south of the city. We relate to many of the same communities, stretching from Northwest Indiana, all the way west to Naperville."

The merger comes at a time of increasing consolidation in the health care industry, brought on by changes to provider reimbursement in the Affordable Care Act and a growing physician shortage caused by the aging population. In Northwest Indiana, Methodist Hospitals announced in June that it was seeking a strategic partnership. Jasper County sold its hospital in 2015 to Franciscan Health. And for-profit hospital behemoth Community Health Systems purchased LaPorte and Starke hospitals earlier this year.

Johnson noted that no money changed hands in the merger, which includes no plans for layoffs or a new hospital, and that Ingalls wasn't seeking the arrangement out of financial desperation. A review of the hospital's IRS 990 filings shows that to be the case, with the health facility having an average operating margin of 7.9 percent from 2011 to 2014.

Johnson said the organizations should be able to save money by having increased purchasing power. Both systems are retaining their names.

University of Chicago Medical Center is now Ingalls' corporate partner, though Ingalls, based in Harvey, will retain a local board of directors and have representation on the University of Chicago hospital board.

The move gives Ingalls access to University of Chicago's prestigious physician education pipeline and widens University of Chicago's footprint in the south suburbs. The university medical group is already building an 108,000-square-foot ambulatory facility in Orland Park, and has outpatient offices in Northwest Indiana. Like many hospital systems not located in big cities or wealthy suburbs, Ingalls has struggled to recruit physicians at a fast enough clip to replace its aging workforce.

U of C Medicine and Ingalls merger finalized

By Judith Ruiz-Branch October 04, 2016

Ingalls Health System is officially a part of the University of Chicago Medicine brand. **After roughly 10 months of negotiations**, the merger between the two institutions was approved by a review board, according to a U of C statement today.

The deal is U of C's first full merger with another hospital and stretches its Hyde Park-based campus further south into the impoverished Harvey community. U of C was working on extending its footprint into the south suburbs and northwest Indiana prior to the proposed merge.

U of C becomes Ingalls corporate parent. Both organizations will retain their names and operating license's and the Harvey-based community hospital will remain under the direction of President and Chief Executive Kurt E. Johnson.

"Our overall strategy is pretty simple; it's to take the clinical high ground in the southland area and we have a tremendous partner that will help us achieve that vision," Johnson said.

No money was exchanged under the terms of the merger, according to the release. The hospital's assets were joined to create what Kenneth Polonsky, U of C's executive vice president of medical affairs, says will be a stronger combined institution. That includes Ingalls five outpatient centers, as well as U of C's main medical campus in Hyde Park and planned ambulatory facilities in Orland Park and the South Loop, according to the press release.

"We will learn things from Ingalls that we don't know because we haven't run a community hospital," Polonsky said.

In turn, Johnson said he's excited to integrate the specialty areas that U of C is known for into Ingalls, including their notable clinical cancer program, among others.

U of C's planned facility in Orland Park will be its largest outpatient site conveniently located closer to Ingalls than U of C so patients in the area can stay closer to home.

The two organizations announced the decision to move forward with a merger last year after Ingalls began its search to find a partner that could help recruit high quality physicians to a poor community. Johnson said he was concerned about the hospital's aging medical staff and even more concerned after an initial recruitment process proved unsuccessful due to viable candidates taking offers in more affluent areas.

"This was not about a hospital under financial distress," Johnson said. "This was really about our future and looking for a partner that would continue our history of being the dominant hospital system in the south suburbs."

Johnson said Ingalls 24-hour outpatient care centers in Homewood-Flossmoor, Tinley Park and Calumet City have provided a significant financial boost for the hospital over the years and has been a key factor in its long-term financial stability, a rarity among struggling community hospitals today.

Its new partner, U of C, is among the biggest health systems in Chicago, with \$1.44 billion in operating revenue in 2014, compared to Ingalls \$356 million the same year.

U. of C. Medicine finalizes merger with Ingalls, looking for more hospitals



Ingalls Memorial Hospital in south suburban Harvey now is officially part of the University of Chicago Medicine system. (Ingalls Health System 2014)

By **Lisa Schencker**

Chicago Tribune

OCTOBER 4, 2016, 11:00 AM

University of Chicago Medicine has officially scooped up its first community hospital, finalizing a merger expected to expand the academic medical center's reach and improve the outlook for a smaller south suburban health system.

U. of C. Medicine announced Tuesday that it has gained all the necessary regulatory and institutional approvals to finalize its merger with Ingalls Health System, which runs a community hospital in Harvey. No money was exchanged under the terms of the deal.

The merger might be just the beginning of a larger quest by U. of C. Medicine to expand into community hospitals.

Kenneth Polonsky, U. of C. Medicine executive vice president for medical affairs, confirmed to the Tribune the health system is in talks with other community hospitals about potential partnerships, though he declined to say which ones.

In Chicago and across the country, health care providers are consolidating to reduce costs, offer more services and, some say, to boost their bargaining power with insurers.

This latest merger will allow the academic medical center to serve a wider geographic area, Polonsky said. U. of C. Medicine also can learn much by partnering with a community hospital, he said.

"We can programmatically learn a lot from having a hospital like this," Polonsky said. "It gives us an opportunity for our physicians to partner with community physicians."

Meanwhile, Ingalls hopes to get a lift by being part of the highly esteemed U. of C. Medicine system. Historically, it's been challenging for Ingalls to compete with other hospitals for doctors, said Kurt Johnson, Ingalls Health System president and CEO.

"With their reputation and clinical stature, I'll be in a much stronger position to recruit stronger, better-trained physicians, all of which benefits our community," said Johnson, who will remain president and CEO at Ingalls.

U. of C. Medicine expects to hire a "significant" number of additional physicians who will be based primarily at Ingalls, as well as add additional services there, Polonsky said. Ingalls has about 450 physicians in 30 medical and surgical specialties and 473 beds. The University of Chicago Medical Center has about 850 physicians, more than 1,100 residents and fellows and 805 licensed beds.

Ingalls had revenue of \$298 million, and a surplus of \$16 million in 2013, according to the most recent federal tax filings available. U. of C. Medical Center had revenue of \$1.5 billion in 2013 and a surplus of nearly \$115 million.

Johnson said the merger also will help Ingalls provide higher levels of cancer care in the south suburbs, or refer patients to U. of C. Medicine's Hyde Park campus.

Polonsky said he expects the integration between the two systems to be complete within a year to 18 months. Ingalls will keep a local board and be represented on the U. of C. Medical Center board.

The integrated system includes Ingall's five outpatient centers, U. of C. Medicine's Hyde Park medical campus and planned ambulatory facilities in Orland Park and the South Loop.

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