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Northwestern Medicine, Centegra get approval to merge

By STEVEN R. STRAHLER |



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Northwestern Memorial HealthCare and Centegra Health System said regulators blessed their merger plans, with the union becoming effective Sept. 1.

Centegra is a three-hospital system based in Crystal Lake with a medical staff of 175. Its pending deal with the Chicago health care giant stretched out over two years, compared with the more typical months-long

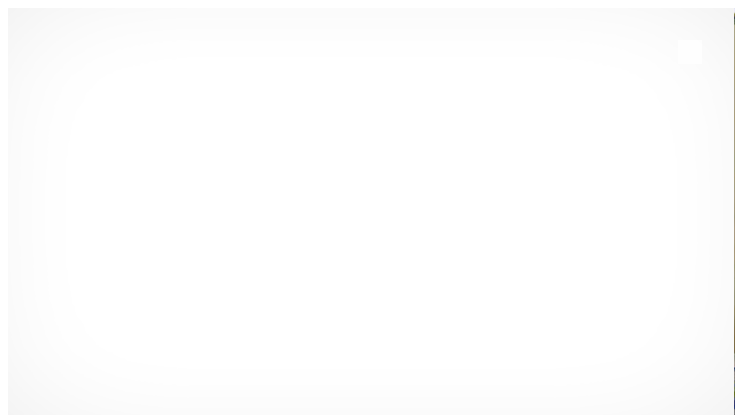
approval of other hospital mergers.

With Centegra, Northwestern's system will have 10 hospitals.

Centegra, meanwhile, has sued Mercyhealth System over plans to establish a 13-bed micro-hospital in McHenry, whose state approval **was overturned this month** by a McHenry Circuit Court judge.

The cause of Northwestern and Centegra's drawn-out negotiations was rooted in Centegra's questionable financial condition, not regulator concerns, says Phil Kaplan, a Chicago-based health care consultant at Hammond Hanlon Camp.

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As of March, Centegra projected it would end the 2018 fiscal year in June at least \$30 million in the red after suffering a \$62.3 million operating loss in 2017. It opened a hospital in 2016 in Huntley with disappointing results, according to Kaplan. He said the system hired an interim chief financial officer, industry consultant Doug Fenstermaker, who worked with Northwestern to **pare costs** and keep the deal on track.

Northwestern's revenue was \$4.83 billion last year, compared with Centegra's roughly \$550 million.

Centegra, despite its financial woes, offers its downtown partner a niche in McHenry County and potential referrals. It has about 30 outpatient locations in the northwest exurbs.

But competition in the area is fierce, as indicated by



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Centegra's litigation with Rockford-based Mercyhealth. Other rivals include Advocate Health Care, which cleared its final regulatory hurdle in March to combine with Milwaukee-based Aurora Health Care to form the nation's 10th-largest nonprofit health system, with 27 hospitals.

"Our shared goal is to provide patients with greater access to breakthrough treatments and specialized care, close to where they live and work," Northwestern CEO Dean Harrison said in a statement.

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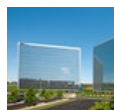
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