

ORIGINAL

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION DEC 09 2009

This Section must be completed for all projects.

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Facility/Project Identification

Facility Name: Carle Foundation Hospital
Street Address: 611 West Park Street
City and Zip Code: Urbana, 61801
County: Champaign Health Service Area HSA - 4 Health Planning Area: D - 1

Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: The Carle Foundation
Address: 611 West Park Street, Urbana, IL 61801
Name of Registered Agent: James C. Leonard, MD.
Name of Chief Executive Officer: James C. Leonard, MD.
CEO Address: 611 West Park Street, Urbana, IL 61801
Telephone Number: (217) 383-3220

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Type of Ownership

<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other

- o Corporations and limited liability companies must provide an Illinois certificate of good standing.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Primary Contact

[Person to receive all correspondence or inquiries during the review period]

Name: Fred Segovich
Title: Director, Business Development
Company Name: Carle Foundation Hospital
Address: 611 West Park Street, Urbana, IL 61801
Telephone Number: (217) 326-0411
E-mail Address: Fred.Segovich@carle.com
Fax Number: (217) 383-3232

Additional Contact

[Person who is also authorized to discuss the application for permit]

Name: Kara Friedman
Title: Attorney
Company Name: McGuire Woods, LLP.
Address: 77 West Wacker Drive, Suite 4100, Chicago, IL 60601-1815
Telephone Number: (312) 750-2781
E-mail Address: kfriedman@mcguirewoods.com
Fax Number: (312) 920-6188

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT**

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APPLICATION FOR PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

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Facility/Project Identification

Facility Name: Carle Foundation Hospital			
Street Address: 611 West Park Street			
City and Zip Code: Urbana, IL 61801			
County: Champaign	Health Service Area	HSA - 4	Health Planning Area: D - 1

Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: Champaign Surgicenter, LLC.
Address: 1702 South Mattis Avenue, Champaign, IL 61821
Name of Registered Agent: James C. Leonard, MD.
Name of Chief Executive Officer: James C. Leonard, MD.
CEO Address: 611 West Park Street, Urbana, IL 61801
Telephone Number: (217) 383-3220

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E-mail Address: kfriedman@mcguirewoods.com
Fax Number: (312) 920-6188

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance]

Name: Fred Segovich
Title: Director, Business Development
Company Name: Carle Foundation Hospital
Address: 611 West Park Street, Urbana, IL 61801
Telephone Number: (217) 326-0411
E-mail Address: Fred.Segovich@carle.com
Fax Number: (217) 383-3232

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: The Carle Foundation
Address of Site Owner: 611 West Park Street, Urbana, IL 61801
Street Address or Legal Description of Site: 1702 South Mattis, Champaign, IL 61821

APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name: Carle Foundation Hospital		
Address: 611 West Park Street, Urbana, IL 61801		
<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental	
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Other
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Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person who is related (as defined in Part 1130.140). If the related person is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. **This map must be in a readable format.** In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 (<http://www.idph.state.il.us/about/hfpb.htm>).

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:

- Substantive
 Non-substantive

Part 1120 Applicability or Classification:
 [Check one only.]

- Part 1120 Not Applicable
 Category A Project
 Category B Project
 DHS or DVA Project

2. Project Outline

In the chart below, indicate the proposed action(s) for each clinical service area involved by writing the number of beds, stations or key rooms involved:

Clinical Service Areas	Establish	Expand	Modernize	Discontinue	No. of Beds, Stations or Key Rooms
Medical/Surgical, Obstetric, Pediatric and Intensive Care					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
Open Heart Surgery					
Cardiac Catheterization					
In-Center Hemodialysis					
Non-Hospital Based Ambulatory Surgery					
General Long Term Care					
Specialized Long Term Care					
Selected Organ Transplantation					
Kidney Transplantation					
Subacute Care Hospital Model					
Post Surgical Recovery Care Center					
Children's Community-Based Health Care Center					
Community-Based Residential Rehabilitation Center					
Long Term Acute Care Hospital Bed Projects					
Clinical Service Areas Other Than Categories of Service:					
• Surgery					
• Ambulatory Care Services (organized as a service)					
• Diagnostic & Interventional Radiology/Imaging					
• Therapeutic Radiology					
• Laboratory					
• Pharmacy					
• Occupational Therapy					
• Physical Therapy					
• Major Medical Equipment					
Freestanding Emergency Center Medical Services					
Master Design and Related Projects					
Mergers, Consolidations and Acquisitions					

3. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Champaign Surgicenter, LLC d/b/a Carle Surgicenter is currently the licensee of and owns and operates a multi-specialty Ambulatory Surgical Treatment Center (the "ASTC") located at 1702 South Mattis Avenue, in Champaign, Illinois. The ASTC includes five operating rooms and one procedure room. The ASTC has 9 pre-op surgical preparation bays, 9 PACU (Phase 1) bays, and 6 recovery (Phase 2) bays.

Subject to the approval of the Illinois Health Facilities and Services Review Board, the Carle Foundation Hospital (the "Hospital") will become the licensee of the ASTC. This change of licensee constitutes a change of ownership as that term is defined by Section 1130.140 of the HFSRB rules. The anticipated project completion date is no later than June 30, 2010.

The applicants are (1) The Carle Foundation, (2) The Carle Foundation Hospital, and (3) Champaign Surgicenter, LLC.

This change of ownership is classified as a Category B, non-substantive project, pursuant to 77 Ill. Adm. Code 1110.40(b) and 1120.20(b), because the value at issue is in excess of \$2 million.

The project does not involve any construction or modification relating to the ASTC's physical plant. As a result there will be no construction costs associated with this transaction and this project is solely a change of ownership. The gross square footage of the ASTC will not change. The scope of services will remain the same following the transaction.

NOTE: The purchase of the 49% interest of the ASTC which is currently held by the Carle Clinic Association is included in the Hospital's currently pending CON permit application number 09-059. That purchase is included in such CON application because it is an element of the Carle Foundation's reviewable \$245,377,783 capital expenditure.

This CON permit application, however, solely relates to the transfer of the ASTC operations and license within wholly-owned subsidiaries of the Carle Foundation health system. It is a corporate reorganization of one of the facilities owned under the umbrella of The Carle Foundation and is an affiliated transaction. As such, no consideration will pass between the affiliated organizations within the Carle Foundation. The \$27,000,000 project cost represents the fair market value of the ASTC.

The planned change of ownership of the ASTC to the Hospital is subject to the consummation of the transaction contemplated by CON permit application number 09-059.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-clinical components that are not related to the provision of health care, complete the second column of the table below. See 20 ILCS 3960 for definition of non-clinical. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NON-CLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			\$27,000,000
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS			\$27,000,000
SOURCE OF FUNDS	CLINICAL	NON-CLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources (Asset Transfer)			\$27,000,000

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

--

Land acquisition is related to project Yes No
Purchase Price: \$ _____
Fair Market Value: \$ _____

The project involves the establishment of a new facility or a new category of service
 Yes No

If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is \$ 0.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

- None or not applicable Preliminary
 Schematics Final Working

Anticipated project completion date (refer to Part 1130.140): June 30, 2010

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):

- Purchase orders, leases or contracts pertaining to the project have been executed.
 Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON contingencies.
 Project obligation will occur after permit issuance.

State Agency Submittals

Are the following submittals up to date as applicable:

- Cancer Registry N/A
 APORS N/A
 All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
 All reports regarding outstanding permits

Cost Space Requirements

Provide in the following format, the department/area GSF and cost. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON CLINICAL							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available**. Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: Carle Foundation Hospital		CITY: Urbana, IL			
REPORTING PERIOD DATES: From: Jan 1, 2008 to: Dec 31, 2008					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	* 185 / 195	13,317	50,898	0	0
Obstetrics	28	2,504	7,213	0	0
Pediatrics	20	933	2,579	0	0
Intensive Care	32	682	6,808	0	0
Comprehensive Physical Rehabilitation	15	437	4,738	0	0
Acute/Chronic Mental Illness	0	0	0	0	0
Neonatal Intensive Care	25	373	6,250	0	0
General Long Term Care	0	0	0	0	0
Specialized Long Term Care	0	0	0	0	0
Long Term Acute Care	0	0	0	0	0
Other ((identify) Observation	0	0	1085	0	0
TOTALS:	*305 / 315	18,246	79,571	0	0

* CFH used the 10% rule in June 2009 to add 10 Med / Surg beds

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of The Carle Foundation * in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

James C. Leonard
SIGNATURE

James C. Leonard, MD.
PRINTED NAME

President and CEO
PRINTED TITLE

John S. Snyder
SIGNATURE

John S. Snyder
PRINTED NAME

Executive Vice President and COO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 7th day of December 2009

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this 7th day of December 2009

Ann E. Beyers
Signature of Notary

Ann E. Beyers
Signature of Notary

Seal
"OFFICIAL SEAL"
ANN E. BEYERS
Notary Public, State of Illinois
My commission expires 04/16/11

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President and CEO
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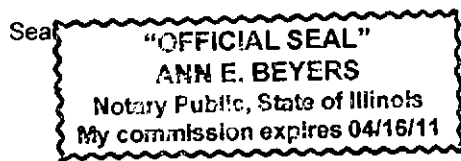
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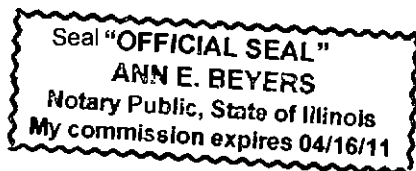
Notarization:
Subscribed and sworn to before me
this 7th day of December 2009

Ann E. Beyers
Signature of Notary



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*Insert EXACT legal name of the applicant

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This Application for Permit is filed on the behalf of Champaign Surgicenter, LLC. * in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

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Ann E. Beyers
Signature of Notary

Ann E. Beyers
Signature of Notary

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"OFFICIAL SEAL"
ANN E. BEYERS
Notary Public, State of Illinois
My commission expires 04/16/11

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*Insert EXACT legal name of the applicant

SECTION III. - PROJECT PURPOSE, BACKGROUND AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Criterion 1110.230 - Project Purpose, Background and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, certification and accreditation identification numbers, if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT-10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals.

For projects involving modernization, describe the conditions being upgraded. For facility projects, include statements of age and condition and regulatory citations. For equipment being replaced, include repair and maintenance records.

NOTE: The description of the "Purpose of the Project" should not exceed one page in length. Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ALTERNATIVES

Document ALL of the alternatives to the proposed project:

Examples of alternative options include:

- A) Proposing a project of greater or lesser scope and cost;
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.
 - 3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VI. MERGERS, CONSOLIDATIONS AND ACQUISITIONS/CHANGES OF OWNERSHIP

This Section is applicable to projects involving merger, consolidation or acquisition/change of ownership.

A. Criterion 1110.240(b), Impact Statement

Read the criterion and provide an impact statement that contains the following information:

1. Any change in the number of beds or services currently offered.
2. Who the operating entity will be.
3. The reason for the transaction.
4. Any anticipated additions or reductions in employees now and for the two years following completion of the transaction.
5. A cost-benefit analysis for the proposed transaction.

B. Criterion 1110.240(c), Access

Read the criterion and provide the following:

1. The current admission policies for the facilities involved in the proposed transaction.
2. The proposed admission policies for the facilities.
3. A letter from the CEO certifying that the admission policies of the facilities involved will not become more restrictive.

C. Criterion 1110.240(d), Health Care System

Read the criterion and address the following:

1. Explain what the impact of the proposed transaction will be on the other area providers.
2. List all of the facilities within the applicant's health care system and provide the following for each facility.
 - a. the location (town and street address);
 - b. the number of beds;
 - c. a list of services; and
 - d. the utilization figures for each of those services for the last 12 month period.
3. Provide copies of all present and proposed referral agreements for the facilities involved in this transaction.
4. Provide time and distance information for the proposed referrals within the system.
5. Explain the organization policy regarding the use of the care system providers over area providers.
6. Explain how duplication of services within the care system will be resolved.
7. Indicate what services the proposed project will make available to the community that are not now available.

APPEND DOCUMENTATION AS ATTACHMENT-18, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

T. Financial Feasibility

If the applicant has not documented a bond rating of "A" or better, pursuant to Section 1120.120, then the applicant must address the review criteria in this section.

REVIEW CRITERIA RELATING TO FINANCIAL FEASIBILITY (FIN)

Does the applicant (or the entity that is responsible for financing the project or is responsible for assuming the applicant's debt obligations in case of default) have a bond rating of "A" or better?
 Yes No

If yes is indicated, submit proof of the bond rating of "A" or better (that is less than two years old) from Fitch's, Moody's or Standard and Poor's rating agencies and go to Section XXVI. **If no is indicated, submit the most recent three years' audited financial statements including the following:**

- 1. Balance sheet
- 2. Income statement
- 3. Change in fund balance
- 4. Change in financial position

A. Criterion 1120.210(a), Financial Viability

1. Viability Ratios

If proof of an "A" or better bond rating has not been provided, read the criterion and complete the following table providing the viability ratios for the most recent three years for which audited financial statements are available. Category B projects must also provide the viability ratios for the first full fiscal year after project completion or for the first full fiscal year when the project achieves or exceeds target utilization (per Part 1100), whichever is later.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
	2006 for ASC	2007 for ASC	2008 for ASC	FY 2010 for Carle Foundation
Enter Historical and/or Projected Years:				
Current Ratio	8.2	10.8	2.3	3.7
Net Margin Percentage	35.3%	38.9%	38.4%	6.9%
Percent Debt to Total Capitalization	N/A	N/A	N/A	31%
Projected Debt Service Coverage	N/A	N/A	N/A	3.9
Days Cash on Hand	40	92	92	254
Cushion Ratio	N/A	N/A	N/A	20

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each. Insert the worksheets after this page.

2. Variance

Compare the viability ratios provided to the Part 1120 Appendix A review standards. If any of the standards for the applicant or for any co-applicant are not met, provide documentation that a person or organization will assume the legal responsibility to meet the debt obligations should the applicant default. The person or organization must demonstrate compliance with the ratios in Appendix A when proof of a bond rating of "A" or better has not been provided.

REVIEW CRITERIA RELATING TO FINANCIAL FEASIBILITY (FIN)
(continued)

B. Criterion 1120.210(b), Availability of Funds

If proof of an "A" or better bond rating has not been provided, read the criterion and document that sufficient resources are available to fund the project and related costs including operating start-up costs and operating deficits. Indicate the dollar amount to be provided from the following sources:

_____ Cash & Securities

Provide statements as to the amount of cash/securities available for the project. Identify any security, its value and availability of such funds. Interest to be earned or depreciation account funds to be earned on any asset from the date of application submission through project completion are also considered cash.

_____ Pledges

For anticipated pledges, provide a letter or report as to the dollar amount feasible showing the discounted value and any conditions or action the applicant would have to take to accomplish goal. The time period, historical fund raising experience and major contributors also must be specified.

_____ Gifts and Bequests

Provide verification of the dollar amount and identify any conditions of the source and timing of its use.

_____ Debt Financing (indicate type(s) _____)

For general obligation bonds, provide amount, terms and conditions, including any anticipated discounting or shrinkage) and proof of passage of the required referendum or evidence of governmental authority to issue such bonds;

For revenue bonds, provide amount, terms and conditions and proof of securing the specified amount;

For mortgages, provide a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated;

For leases, provide a copy of the lease including all terms and conditions of the lease including any purchase options.

_____ Governmental Appropriations

Provide a copy of the appropriation act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, provide a resolution or other action of the governmental unit attesting to such future funding.

_____ Grants

Provide a letter from the granting agency as to the availability of funds in terms of the amount, conditions, and time or receipt.

\$27,000,000 Other Funds and Sources

Provide verification of the amount, terms and conditions, and type of any other funds that will be used for the project.

\$27,000,000 TOTAL FUNDS AVAILABLE

C. Criterion 1120.210(c), Operating Start-up Costs

If proof of an "A" or better bond rating has not been provided, indicate if the project is classified as a Category B project that involves establishing a new facility or a new category of service? Yes No . If yes is indicated, read the criterion and provide in the space below the amount of operating start-up costs (the same as reported in Section I of this application) and provide a description of the items or components that comprise the costs. Indicate the source and amount of the financial resources available to fund the operating start-up costs (including any initial operating deficit) and reference the documentation that verifies sufficient resources are available.

APPEND DOCUMENTATION AS ATTACHMENT 75, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

U. Economic Feasibility

This section is applicable to all projects subject to Part 1120.

SECTION XXVI. REVIEW CRITERIA RELATING TO ECONOMIC FEASIBILITY (ECON)

A. Criterion 1120.310(a), Reasonableness of Financing Arrangements

Is the project classified as a Category B project? Yes No . If no is indicated this criterion is not applicable. If yes is indicated, has proof of a bond rating of "A" or better been provided? Yes No . If yes is indicated this criterion is not applicable, go to item B. If no is indicated, read the criterion and address the following:

Are all available cash and equivalents being used for project funding prior to borrowing? Yes No

If no is checked, provide a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to the following:

1. a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 2.0 times; or
2. borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Criterion 1120.310(b), Conditions of Debt Financing

Read the criterion and provide a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to the following as applicable:

1. The selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional debt, term (years) financing costs, and other factors;
2. All or part of the project involves the leasing of equipment or facilities and the expenses incurred with such leasing are less costly than constructing a new facility or purchasing new equipment.

B. Criterion 1120.310(c), Reasonableness of Project and Related Costs –Not Applicable

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

2. For each piece of major medical equipment included in the proposed project, the applicant must certify one of the following:

REVIEW CRITERIA RELATING TO ECONOMIC FEASIBILITY (ECON)
(continued)

- a. that the lowest net cost available has been selected; or
 - b. that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.
3. List the items and costs included in preplanning, site survey, site preparation, off-site work, consulting, and other costs to be capitalized. If any project line item component includes costs attributable to extraordinary or unusual circumstances, explain the circumstances and provide the associated dollar amount. When fair market value has been provided for any component of project costs, submit documentation of the value in accordance with the requirements of Part 1190.40.

D. Criterion 1120.310(d), Projected Operating Costs

Read the criterion and provide in the space below the facility's projected direct annual operating costs (in current dollars per equivalent patient day or unit of service, as applicable) for the first full fiscal year of operation after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. If the project involves a new category of service, also provide the annual operating costs for the service. Direct costs are the fully allocated costs of salaries, benefits, and supplies. Indicate the year for which the projected operating costs are provided.

E. Criterion 1120.310(e), Total Effect of the Project on Capital Costs

Is the project classified as a category B project? Yes No If no is indicated, go to item F. If yes is indicated, provide in the space below the facility's total projected annual capital costs as defined in Part 1120.130(f) (in current dollars per equivalent patient day) for the first full fiscal year of operation after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Indicate the year for which the projected capital costs are provided.

F. Criterion 1120.310(f), Non-patient Related Services

Is the project classified as a category B project and involve non-patient related services? Yes No . If no is indicated, this criterion is not applicable. If yes is indicated, read the criterion and document that the project will be self-supporting and not result in increased charges to patients/residents or that increased charges are justified based upon such factors as, but not limited to, a cost benefit or other analysis that demonstrates the project will improve the applicant's financial viability.

APPEND DOCUMENTATION AS ATTACHMENT -76, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SAFETY NET IMPACT STATEMENT that describes all of the following:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service

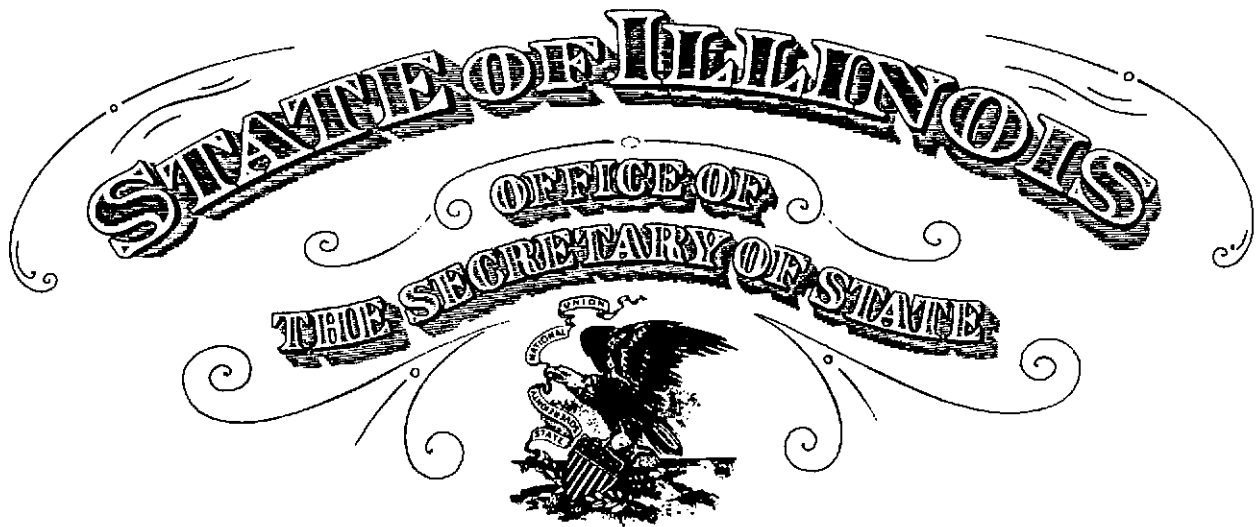
APPEND DOCUMENTATION AS ATTACHMENT-77, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

INDEX OF ATTACHMENTS

ATTACHMENT NO.		PAGES
1	Applicant Identification	NA
2	Site Ownership	NA
3	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	24 -27
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6	Description of Project	30
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9	Discontinuation	NA
10	Background of the Applicant	34 – 42
11	Purpose of the Project	43
12	Alternatives to the Project	33
13	Size of the Project	44 & 45
14	Project Service Utilization	46
15	Unfinished or Shell Space	NA
16	Assurances for Unfinished/Shell Space	NA
17	Master Design Project	NA
18	Mergers, Consolidations and Acquisitions	47 - 53
	Categories of Service:	
19	Planning Area Need	NA
20	Service Demand – Establishment of Category of Service	NA
21	Service Demand – Expansion of Existing Category of Service	NA
22	Service Accessibility – Service Restrictions	NA
23	Unnecessary Duplication/Maldistribution	NA
24	Category of Service Modernization	NA
25	Staffing Availability	NA
26	Assurances	NA
	Service Specific:	
27	Comprehensive Physical Rehabilitation	NA
28	Neonatal Intensive Care	NA
29	Open Heart Surgery	NA
30	Cardiac Catheterization	NA
31	In-Center Hemodialysis	NA
32	Non-Hospital Based Ambulatory Surgery	NA
	General Long Term Care:	
33	Planning Area Need	NA
34	Service to Planning Area Residents	NA
35	Service Demand-Establishment of Category of Service	NA
36	Service Demand-Expansion of Existing Category of Service	NA
37	Service Accessibility	NA
38	Description of Continuum of Care	NA
39	Components	NA
40	Documentation	NA
41	Description of Defined Population to be Served	NA
42	Documentation of Need	NA
43	Documentation Related to Cited Problems	NA
44	Unnecessary Duplication of Service	NA

INDEX OF ATTACHMENTS

ATTACHMENT NO.		PAGES
45	Maldistribution	NA
46	Impact of Project on Other Area Providers	NA
47	Deteriorated Facilities	NA
48	Documentation	NA
49	Utilization	NA
50	Staffing Availability	NA
51	Facility Size	NA
52	Community Related Functions	NA
53	Zoning	NA
54	Assurances	NA
	Service Specific (continued...):	
55	Specialized Long Term Care	NA
56	Selected Organ Transplantation	NA
57	Kidney Transplantation	NA
58	Subacute Care Hospital Model	NA
59	Post Surgical Recovery Care Center	NA
60	Children's Community-Based Health Care Center	NA
61	Community-Based Residential Rehabilitation Center	NA
	Clinical Service Areas Other than Categories of Service:	
62	Need Determination - Establishment	NA
63	Service Demand	NA
64	Referrals from Inpatient Base	NA
65	Physician Referrals	NA
66	Historical Referrals to Other Providers	NA
67	Population Incidence	NA
68	Impact of Project on Other Area Providers	NA
69	Utilization	NA
70	Deteriorated Facilities	NA
71	Necessary Expansion	NA
72	Utilization- Major Medical Equipment	NA
73	Utilization-Service or Facility	NA
	FEC:	
74	Freestanding Emergency Center Medical Services	NA
	Financial and Economic Feasibility:	
75	Financial Feasibility	54 - 59
76	Economic Feasibility	60 - 61
77	Safety Net Impact Statement	62 - 93



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

THE CARLE FOUNDATION HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MAY 28, 1982, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 0922902042

Authenticate at: <http://www.cyberdriveillinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 17TH day of AUGUST A.D. 2009 .

Jesse White

SECRETARY OF STATE



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

THE CARLE FOUNDATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 06, 1946, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 17TH day of AUGUST A.D. 2009 .

Jesse White

SECRETARY OF STATE

Authentication #: 0922902040

Authenticate at: <http://www.cyberdriveillinois.com>



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

CHAMPAIGN SURGICENTER, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON JANUARY 06, 2004, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 19TH day of NOVEMBER A.D. 2009

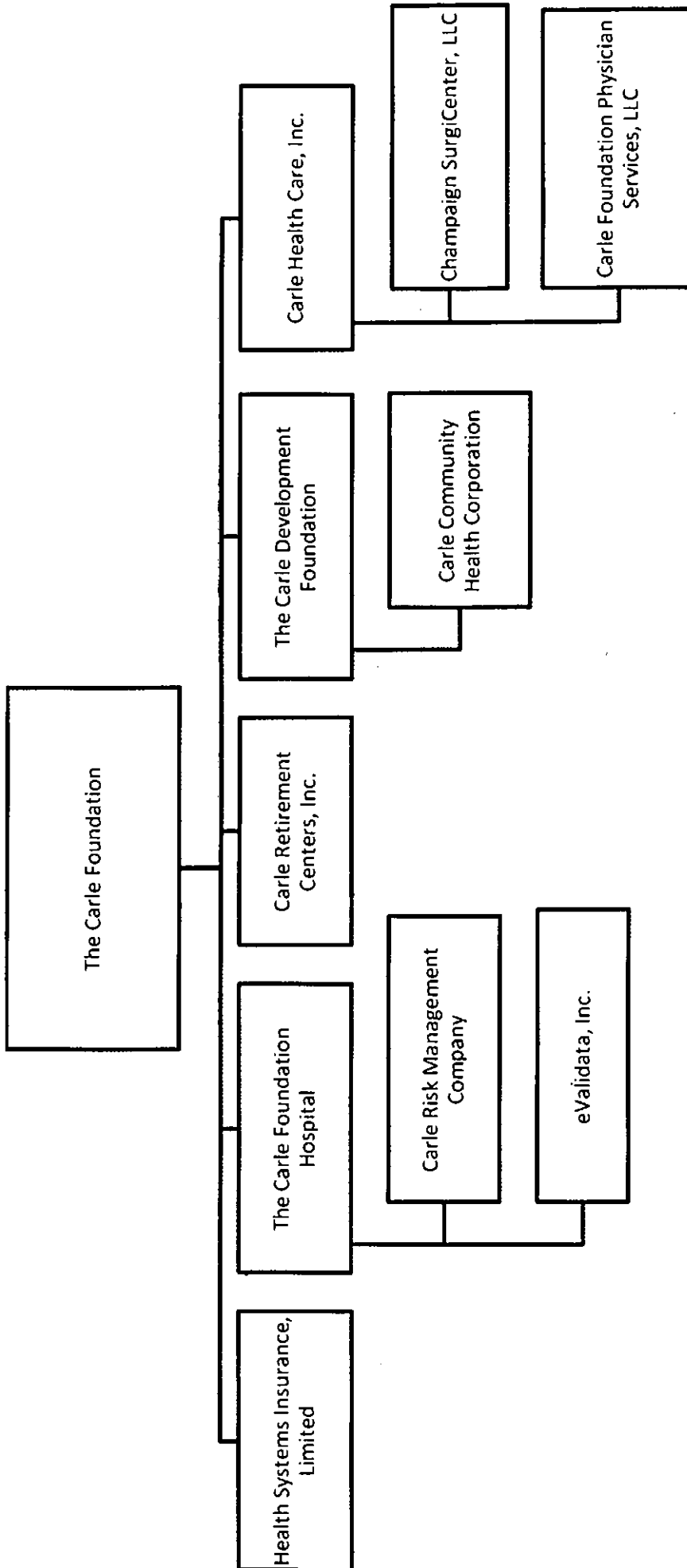


Jesse White

Authentication #: 0932302773

Authenticate at: <http://www.cyberdriveillinois.com>

SECRETARY OF STATE



Flood Plain Requirements

This application for permit does not involve new construction; therefore, the Flood Plain requirement is not applicable.

Historic Preservation Act Requirements

This application involves the change of ownership of an existing Ambulatory Surgical Treatment Center by Carle Foundation Hospital and does not involve new construction, modernization of existing buildings, or demolition of any structures. As a result, this requirement is not applicable.

Description of Project

This Certificate of Need application is for the change in licensee of the multi-specialty ambulatory surgical treatment center operated at 1702 South Mattis Avenue, in Champaign, Illinois from Champaign SurgiCenter, LLC to the Carle Foundation Hospital. The information relevant to that existing ASTC is provided below.

Clinical Service Areas	Establish	Expand	Modernize	Discontinue	No. of Beds, Stations or Key Rooms
Medical/Surgical, Obstetric, Pediatric and Intensive Care	NA	NA	NA	NA	
Acute/Chronic Mental Illness	NA	NA	NA	NA	
Neonatal Intensive Care	NA	NA	NA	NA	
Open Heart Surgery	NA	NA	NA	NA	
Cardiac Catheterization	NA	NA	NA	NA	
In-Center Hemodialysis	NA	NA	NA	NA	
Non-Hospital Based Ambulatory Surgery	NA	NA	NA	NA	5 ORs
General Long Term Care	NA	NA	NA	NA	
Specialized Long Term Care	NA	NA	NA	NA	
Selected Organ Transplantation	NA	NA	NA	NA	
Kidney Transplantation	NA	NA	NA	NA	
Subacute Care Hospital Model	NA	NA	NA	NA	
Post Surgical Recovery Care Center	NA	NA	NA	NA	
Children's Community-Based Health Care Center	NA	NA	NA	NA	
Community-Based Residential Rehabilitation Center	NA	NA	NA	NA	
Long Term Acute Care Hospital Bed Projects	NA	NA	NA	NA	
Clinical Service Areas Other Than Categories of Service:	NA	NA	NA	NA	
• Surgery	NA	NA	NA	NA	
• Ambulatory Care Services (organized as a service)	NA	NA	NA	NA	
• Diagnostic & Interventional Radiology/Imaging	NA	NA	NA	NA	
• Therapeutic Radiology	NA	NA	NA	NA	
• Laboratory	NA	NA	NA	NA	
• Pharmacy	NA	NA	NA	NA	
• Occupational Therapy	NA	NA	NA	NA	
• Physical Therapy	NA	NA	NA	NA	
• Major Medical Equipment	NA	NA	NA	NA	
Freestanding Emergency Center Medical Services	NA	NA	NA	NA	
Master Design and Related Projects	NA	NA	NA	NA	
Mergers, Consolidations and Acquisitions	NA	NA	NA	NA	X

Project and Sources of Funds Itemization

Itemization of Project Costs

Cash	\$ 2,087,000
Net Working Capital	\$ 395,000
Fixed Assets	\$ 596,000
Implied Goodwill/ Intangible Assets	\$23,921,000
Total:	\$27,000,000

Sources of Funds Narrative:

Sources of Funds Narrative:

After the transaction to acquire the business of Carle Clinic Association,¹ which includes the transfer of the Carle Clinic Association's a 49% in interest in the ASTC to the Carle Foundation health system, the Carle Foundation health system will be the sole owner of Champaign Surgicenter, LLC. Currently, the assets are held by an affiliated entity (a "sister" entity) of Carle Foundation Hospital. Thus, this transaction is, in essence, a corporate restructuring amongst affiliated entities and no consideration will pass between Champaign Surgicenter, LLC and the Carle Foundation in connection with the transaction. Rather, the \$27,000,000 project cost represents the fair market value of 100% of the ASTC. Included with this Attachment 7 is a letter from Ernst & Young, an independent third-party appraiser confirming that this figure represents the fair market value of the ASTC.

¹ See Health Facilities and Services Review Board Project Number 09-059.

December 2, 2009

Dr. James C. Leonard
President and Chief Executive Officer
Carle Foundation Hospital
611 West Park Street
Urbana, IL 61801

Dear Dr. Leonard:

It is my understanding that the Foundation Board of Trustees (the "Board") for Carle Foundation Hospital held a meeting on Tuesday October 6, 2009 to approve an offer to purchase 100% of the shareholder's equity of Carle Clinic Association ("CCA") and its wholly owned subsidiary, Health Alliance Medical Plan ("HAMP") for \$250,000,000. One component of the purchase price is a 49% joint venture equity interest within Champaign Surgicenter LLC.

Based upon your offer price, the non marketable minority fair market value for 100% of the shareholder's equity is \$27.0 million or \$13.23 million for a 49% equity interest. This price falls within the overall recommended range of fair market value for the Champaign Surgicenter joint venture documented in our independent valuation analysis prepared for CCA and HAMP.

I appreciate the opportunity to assist Carle Foundation Hospital and its Board with the valuation analysis of CCA and HAMP. Please feel free to contact me with any comments or questions that may arise regarding either valuation analysis.

Sincerely,



Matthew M. Vitellaro
Principal

Cost Space Requirements

This application involves the change of ownership of an existing, multi-specialty Ambulatory Surgical Treatment Center ("ASTC") to be operated in existing spaces that will not be modified. The project does not involve any construction, modernization, or demolition of space at the existing ASTC. As such, this section is not applicable.

The fair market value of the interest being acquired is \$27,000,000, and the transaction cost reflects this value. As a result, there is no true allocation of transaction costs between clinical and non-clinical space.



Carle Foundation Hospital

611 West Park Street, Urbana, IL 61801-2595 Phone: (217) 383-3311

December, 2009

Ms. Courtney Avery
Acting Chairperson
Illinois Health Facilities and Services Review Board
525 West Jefferson Street
Springfield, Illinois 62761

RE: Attachment 10 - Background of Applicant (The Carle Foundation)

Dear Ms. Avery:

The following information addresses the four points of the subject criterion 1110.230:

1. The health care facilities owned or operated by the applicant include:

Carle Foundation Hospital

License Identification Number: 003798

Accreditation Identification Number: 7439

Champaign Surgicenter, LLC

License Identification Number: 7002959

**Carle Foundation Hospital Postsurgical Recovery Care Center
- Champaign**

License Identification Number: 4000015

**Carle Foundation Hospital Ambulatory Surgical Treatment
Center - Danville**

License Identification Number: 7002439

**Carle Foundation Hospital Postsurgical Recovery Care Center
- Danville**

License Identification Number: 4000019

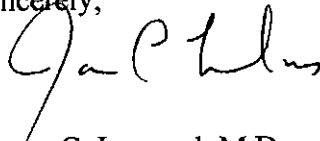
2. Proof of current licensure and accreditation is attached.

Attachment-10

3. There have been no adverse actions taken against the health care facilities owned or operated by the applicant during the three years prior to the filing of this application.

4. This letter serves as authorization permitting the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information which the State Board or Agency finds pertinent to this subsection.

Sincerely,

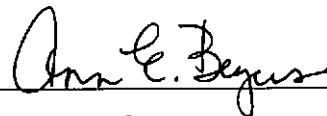


James C. Leonard, M.D.
President and CEO

Attachments

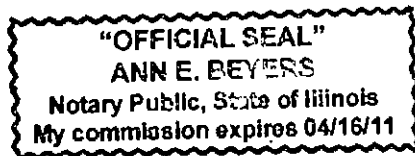
Notarization:

Subscribed and sworn to before
me this 7th day of December 2009



Signature of Notary

seal





State of Illinois 1899772
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
 The State of Illinois
 Department of Public Health

EXPIRATION DATE 12/31/09	CATEGORY BGBD	ID NUMBER 0003798
FULL LICENSE		
GENERAL HOSPITAL		
EFFECTIVE: 01/01/09		

BUSINESS ADDRESS

CARLE FOUNDATION HOSPITAL
 611 WEST PARK STREET

URBANA IL 61801

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

DISPLAY THIS PART IN A
 CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN
 IDENTIFICATION

State of Illinois 1899772
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

CARLE FOUNDATION HOSPITAL

EXPIRATION DATE 12/31/09	CATEGORY BGBD	ID NUMBER 0003798
FULL LICENSE		
GENERAL HOSPITAL		
EFFECTIVE: 01/01/09		

EFFECTIVE: 01/01/09

11/01/08

CARLE FOUNDATION HOSPITAL
 611 WEST PARK STREET
 URBANA IL 61801

FEE RECEIPT NO.



July 31, 2008

James C. Leonard, MD
President and CEO
Carle Foundation Hospital
611 West Park Street
Urbana, IL 61801

Joint Commission ID #: 7439
Accreditation Activity: Measure of Success
Accreditation Activity Completed: 7/31/2008

Dear Dr. Leonard:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Home Care
- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning November 17, 2007. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 39 months.

Please visit [Quality Check®](#) on the Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that the Joint Commission will keep the report confidential, except as required by law. To ensure that the Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Linda S. Murphy-Knoll
Interim Executive Vice President
Division of Accreditation and Certification Operations



State of Illinois 1904779

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
01/31/10	BGBD	7002959
FULL LICENSE		
AMBUL SURGICAL TREAT CNTR		
EFFECTIVE: 02/01/09		

BUSINESS ADDRESS

CHAMPAIGN SURGICENTER, LLC
D/B/A CARLE SURGICENTER
1702 S. MATTIS AVENUE

CHAMPAIGN IL 61821

The face of this license has a colored background. Printed by authority of the State of Illinois - 4/87 *



Pat Quinn, Governor

Damon T. Arnold, M.D., M.P.H., Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • www.idph.state.il.us

LICENSE, PERMIT CERTIFICATION, REGISTRATION

The firm or corporation whose name appears on this certificate has complies with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Alternative Health Care Delivery Act and the Postsurgical Recovery Care Center Demonstration Program Code (77Ill. Adm. Code 210)

Licensed number of Beds	Expiration Date	License Identification
6	8/01/2010	4000015

Carle Recovery Center-Champaign
1702 South Mattis
Champaign, IL 61821

Issued under the authority of The State of Illinois Department of Public Health



Pat Quinn, Governor

Damon T. Arnold, M.D., M.P.H., Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • www.idph.state.il.us

September 23, 2009

Ms. Julie Hudson, Director
Carle Recovery Center- Champaign
1702 S. Mattis
Champaign, IL 61821

Dear Ms. Hudson:

The Division of Health Care Facilities and Programs found on September 3, 2009, that the Post Surgical Recovery Care facility at Carle Recovery Center was in substantial compliance with the Alternative Health Care Delivery Act and the Postsurgical Recovery Care Center Demonstration Program Code (77Ill. Adm. Code 210). The Plan of Correction submitted was acceptable. The license applies to 6 beds.

This license is not transferable and expires August 1, 2010.

Sincerely,

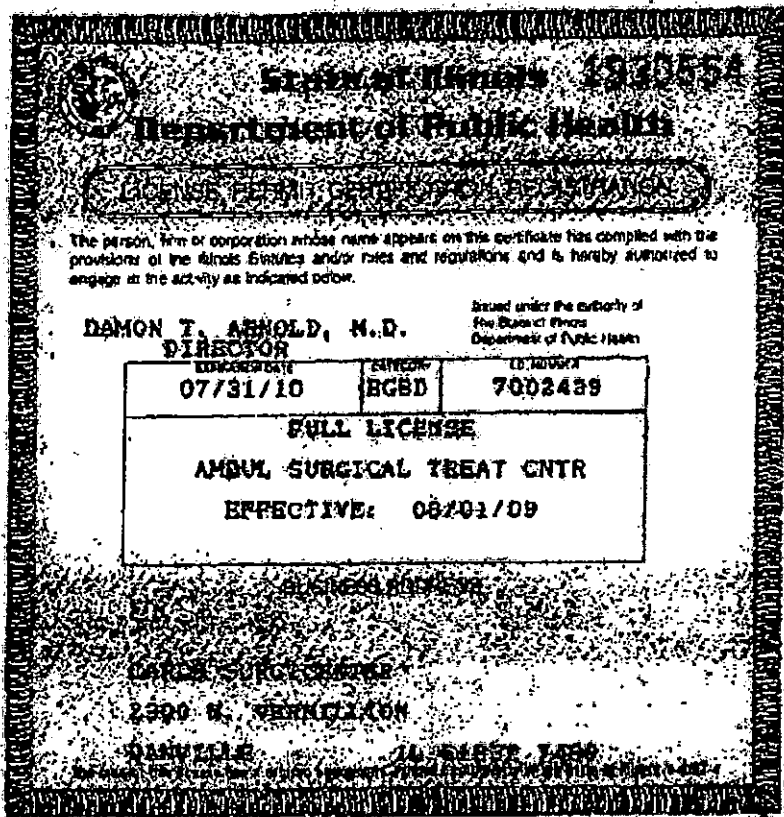
A handwritten signature in cursive script that reads "Karen Senger".

Karen Senger, RN, B.S.N.
Supervisor, Central Office Operations Section
Division of Health Care Facilities and Programs

Improving public health, one community at a time

printed on recycled paper

Attachment - 10



← DISPLAY THIS PART IN A
 CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN
 IDENTIFICATION

State of Illinois 1930554
 Department of Public Health
 LICENSE, PERMIT, CERTIFICATION, REGISTRATION

CARLE SURGICENTER

EXPIRATION DATE 07/31/10	CLASSIFICATION BGBD	LICENSE NUMBER 7002439
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FULL LICENSE
 AMBUL SURGICAL TREAT CNTR
 EFFECTIVE: 08/01/09

08/23/09
 CARLE SURGICENTER
 2300 N. VERMILLION
 2300 N. VERMILLION
 DANVILLE IL 61832 7499

FEE RECEIPT NO. 75437



Pat Quinn, Governor
Damon T. Arnold, M.D., M.P.H., Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • www.idph.state.il.us

LICENSE, PERMIT CERTIFICATION, REGISTRATION

The firm or corporation whose name appears on this certificate has complies with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Alternative Health Care Delivery Act and the Postsurgical Recovery Care Center Demonstration Program Code (77Ill. Adm. Code 210)

Licensed number of Beds	Expiration Date	License Identification
2	8/01/2010	4000019

Carle Recovery Center Danville
2300 N Vermillion
Danville, Illinois 61832

Issued under the authority of The State of Illinois Department of Public Health

Purpose of the Project

This conversion is occurring in connection with Health and Facilities Services Review Board project 09-059, the integration of the Carle Clinic Association, which currently owns 49% of the membership interests in the Ambulatory Surgical Treatment Center ("ASTC") of Champaign Surgicenter, LLC and the Carle Foundation Hospital ("Hospital"). The proposed change of ownership of the ASTC is part of a transaction that will provide many benefits that will improve health care services and have a positive impact on the market area population to be served. The purpose of the project is to provide the following benefits, within a reasonable time following the change of ownership, including:

- **Improved Coordination of Patient Care:** The Hospital, as the main provider of health care services, will maintain the same monitoring and oversight of the facility as it does with any other department of the provider. Inpatient and outpatient care can be integrated, giving patients easier access to the proper care setting at the Hospital or ASTC.
- **Improved Communication and Coordination Between Locations:** The director of the ASTC will be required to maintain a reporting relationship with the leadership and key officers at the Hospital and ensure that the same frequency, intensity, and level of accountability exists at the Hospital and all of the Hospital's satellite locations.
- **Consistent Policy Across all Health Care Settings:** All Hospital locations, including the ASTC, will be subject to the same organizational policies, goals, quality assurance programs, utilization reviews, and charity care standards as the main Hospital—adding consistency to care delivery goals across all of the Hospital's sites.
- **Integrated Medical Records:** Making the ASTC a hospital department allows the Hospital to integrate medical records for its patients who are treated in all outpatient locations with the patient's records that are maintained at the Hospital itself.
- **Financial Integration:** The financial operations of both entities can be fully combined, allowing the Hospital to identify and eliminate duplication of service and other unnecessary spending and thereby reduce the cost of delivering care.

ASTC service area counties: In Illinois: Champaign, Christian, Clark, Clay, Coles, Crawford, Cumberland, Dewitt, Douglas, Edgar, Effingham, Fayette, Ford, Grundy, Iroquois, Jasper, Kankakee, LaSalle, Lawrence, Livingston, Logan, Macon, McLean, Montgomery, Moultrie, Piatt, Richland, Sangamon, Shelby, Tazewell, Vermilion, Will, Woodford. In Indiana: Benton, Fountain, Montgomery, Parke, Putnam, Vermillion, Warren. The population of the area served by the ASTC, based on the U.S. Census Bureau data had an estimated population of 2,503,218 in 2008.

The Hospital plans to attain the following goals immediately at the time of the change of ownership:

- Improved Coordination of Patient Care
- Improved Communication and Coordination Between Entities
- Consistent Policies Across all Health Care Settings
- Integrated Medical Records
- Financial Integration

Alternatives to the Project

The Carle Foundation Hospital ("Hospital") believes that bringing the Champaign Surgicenter ASTC ("ASTC") under the Hospital organization and obtaining provider-based status for the ASTC is the best course of action. The proposed change of ownership of the ASTC will make the Hospital the operator and is required under Medicare rules delineating requirements for remote locations operating as hospital outpatient departments and receiving provider-based treatment (42 CFR 413.65).

Beyond the proposed plan, the Hospital also considered maintaining the status quo and retaining physician ownership in the ASTC.

Alternative 1

Do Nothing: Retain Physician Ownership in the ASTC and Maintain it as a Separate Organization

The Hospital considered the possibility of keeping the ASTC operations separate from the Hospital and to maintain physician ownership in the entity. Based on the fact that these physicians are becoming employees of the Hospital, the Hospital felt that this would create potentially disruptive conflicts of interests and fiduciary issues. Further, a decision to keep the ASTC as a separate legal entity would not provide any of the integration benefits to the Hospital or the community it serves as discussed in the Purpose of the Project section of this application. For example, maintaining the status quo would not improve the coordination of care between sites, nor would patients have the benefit of enhanced communication between the two providers, more consistent policies across all care settings and a more seamless care system. The status quo also does not maximize the Hospital's ability to achieve the benefits associated with complete financial integration. For example, two independent billing systems would remain if full integration does not occur.

Alternative 2

Bring the operations of the ASTC under the Hospital

The Hospital determined that the better course of action is to bring the operations of the ASTC under the Hospital umbrella and to obtain provider-based status for this location. Other than changes in the ordinary course of business, the current ASTC clinical employees will remain in place. The management and oversight of the ASTC, however, will become more fully integrated into the Hospital. For example, (i) the Hospital will maintain the same monitoring and oversight of the ASTC as it does for all other departments of the Hospital; one specific benefit of this is that going forward, there will be no separate credentialing and privileging for health care practitioners who are vetted through the Hospital credentialing process, (ii) the medical director of the ASTC will maintain a reporting relationship with the chief medical officer of the Hospital that has the same frequency, intensity, and level of accountability that exists in the relationship between the chair of each department of the Hospital and the chief medical officer of the

Hospital, and will be under the same type of supervision and accountability as any other director, medical or otherwise, of the Hospital, (iii) professional committees at the Hospital will be responsible for medical activities in the ASTC, including quality assurance, utilization review, and the coordination and integration of services, to the extent practicable. Also, medical records for patients treated in the ASTC will be integrated into the unified retrieval system of the Hospital and ASTC patient billing will be consolidated with Hospital billing. Further, services of the ASTC and the Hospital will be integrated in such a way that patients treated at the ASTC who require further care will have full access to all services of the Hospital and will be referred where appropriate to the corresponding inpatient or outpatient department or service of the Hospital.

As a result, the Hospital will achieve enhanced payment rates from the Centers for Medicare and Medicaid Services ("CMS") for services rendered to Medicare services by obtaining provider status.¹ This higher rate of reimbursement has been established by CMS to account for the higher overhead costs of hospitals and other factors such as uncompensated care and safety net services costs as well as greater regulation of services under CMS rules. Note that Medicaid reimbursement will remain the same for the ASTC despite the Hospital's operation of the ASTC as a hospital outpatient department.

Cost-Benefit Analysis

To effect this change of ownership, there will be no capital expenditure for construction or modernization site work. In fact, there will be no capital expenditure as part of the change of licensee transaction at all.² Further, services will become streamlined with the care system within the Hospital. This reorganization will create efficiencies thereby reducing operating costs.

There is no additional cost to any State health care program but this project will bring additional federal Medicare health care revenue into the State of Illinois at a time when the State government is urgently seeking additional money to fund health care in the State. This critical infusion of federal dollars helps hospitals ensure accessible, affordable and quality health care services for families and individuals across Illinois.

Finally, this project will ensure continued access to surgical services for the uninsured, the underinsured and other vulnerable populations as discussed in the Safety Net Impact statement.

¹The U.S. General Accounting Office (GAO) has recently concluded that the cost of performing a procedure in an ASTC is lower than the cost of providing the same procedure in a hospital outpatient department and, thus, lower payments are appropriate. Government Accountability Office. 2006. Medicare: Payment for ambulatory surgical centers should be based on the hospital outpatient payment system. GAO report: GAO-07-96. Washington, DC: Government Accountability Office.

² As stated earlier in this CON application, the \$27,000,000 project cost figure represents the fair market value of the ASTC but no consideration will be paid as part of the corporate restructuring.

Size of the Project

This application involves the change of ownership of an existing, multi-specialty Ambulatory Surgical Treatment Center ("ASTC") to be operated in existing spaces that will not be modified. The project does not involve any construction, modernization, or demolition of space at the existing ASTC. As such, this section is not applicable.

Mergers, Consolidations, and Acquisitions

A. Criterion 1110.240(b). Impact Statement

For a merger, consolidation, or acquisition, an applicant must submit an Impact Statement that addresses the following:

1. Any change in the number of beds or services currently offered.
2. Who the operating entity will be.
3. The reason for the transaction.
4. Any anticipated additions or reductions in employees now and for the two years following completion of the transaction.
5. A cost-benefit analysis for the proposed transaction.

1. Beds and Services Currently Offered

This application involves the change of ownership of an existing, multi-specialty Ambulatory Surgical Treatment Center ("ASTC") to be operated in existing spaces. This application does not seek to modify the program or physical space in any way.

2. Operating Entity

The operating entity will be The Carle Foundation Hospital ("the Hospital").

3. Reason for the Transaction

The proposed change of ownership of the ASTC will make the Hospital the operator and is required under Medicare rules delineating requirements for remote locations operating as hospital outpatient departments and receiving provider-based treatment (42 CFR 413.65). As a result, the Hospital will achieve enhanced payment under Medicare by obtaining provider status. Medicaid reimbursement, however, will remain the same for the ASTC despite the new ownership by the Hospital. This conversion is occurring in connection with the Carle Foundation's acquisition of the Carle Clinic Association which currently owns 49% of the membership interests in the ASTC. The purpose of the project is discussed in greater detail above in Attachment-11.

4. Employment Status Post-Transaction

The Hospital does not anticipate any reductions in clinical staff as a result of this transaction.

5. Cost-Benefit Analysis

Because no consideration will pass between the Carle Surgicenter and the Carle Foundation or the Carle Foundation Hospital as a result of the transaction, there will be

no capital expenditures to change the licensee. The benefits of the transaction are discussed in the Purpose of the Project section of this application (see Attachment-11).

B. Criterion 1110.240(c). Access

This application attachment addresses the following:

1. The current admission policies for the facilities involved in the proposed transaction.
2. The proposed admission policies for the facilities.
3. A letter from the CEO certifying that the admission policies of the facilities involved will not become more restrictive.

1. Current Admission Policies

The ASTC's current admission policies are attached at the end of this Attachment-18. Also, a copy of the charity care policy (which the Applicant's call their "community care" policy) is attached (see Attachment-77). This policy is now in effect and will continue to be in effect after the completion of the transaction contemplated by this CON application. In addition, both the ASTC and Hospital are currently enrolled in and is a participating provider in the Medicare and Medicaid programs. The Hospital will continue its participation in these programs upon completion of the transaction.

2. Proposed Admission Policies

The Applicants do not intend to change the admission policies of the ASTC following the change of ownership.

3. CEO Letter

A written certification of the Hospital, confirming that the ASTC will not move to a more restrictive admission policy following the proposed change of ownership transaction is attached.

**The Carle Foundation
Corporate General Policy CF157**

Subject	SurgiCenter Patient Selection Criteria		
Approval	May 2001*	Review	Jun 2009
Purpose	To select appropriate patients for the SurgiCenter.		

*Originally was CFH129 transferred to CF157 Jun 2009

Statement of Policy

1. The patient shall be scheduled for admission to the SurgiCenter by the order of the operating practitioner. Refer to the Medical Staff Office -- Delineation of Clinical Privileges/Scope of Service Cweb page.
2. The anesthesiologist and surgeon can confer should there be any questions of patient selection; final decision rests with the anesthesiologist.
3. The patient shall be three (3) months of age, or at least three (3) months beyond the original estimated due date, if born prematurely.
4. The patient should weigh less than 350 pounds.
5. The patient's BMI should be less than 50.
6. The patient or immediate family should not have a history of malignant hyperthermia.
7. Patients selected will be low risk as defined by ASA-1 and ASA-2 criteria. ASA-3 patients will be accepted if their medical condition is stable and under good control. Surgical procedures scheduled must be on the Approved Procedure List.
8. Patient should have an ASA Physical Status Classification of Class 3 or less:
 - a. **Class 1:** There is not organic, physiologic, biochemical or psychiatric disturbance. The pathological process for which the operation is to be performed is localized and is not a systemic disease.
 - b. **Class 2:** Mild to moderate systemic disturbance caused either by the condition to be treated surgically or by other pathophysiologic processes.
 - c. **Class 3:** Severe systemic disturbance or disease from whatever cause, even though it may not be possible to define the degree of disability with finality.
9. Postoperative care does not require inpatient facilities other than the Recovery Center.
10. Preliminary pre-op evaluation will be done by phone by an RN or anesthesiologist.
11. Patients who require IV sedation or general anesthesia shall be accompanied by a responsible adult at the time of discharge and at home to care for them for the 24 hours following surgery.
12. Patients can be discharged after meeting discharge criteria or discharged by a physician. Specific discharge instructions appropriate to the patient's surgical procedure will be given to each patient, both verbally and in writing.

Electronic Approval on File

John M. Snyder
Executive Vice President and COO

Sanjiv Jain, MD
President of Medical Staff



Carle Foundation Hospital
611 West Park Street, Urbana, IL 61801

December, 2009

Mr. Mike Constantino
Supervisor, Project Review Section
Illinois Health Facilities Planning Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761-0001

Re: Admission and Community Care Policies of Champaign Surgicenter

Dear Mr. Constantino:

I hereby certify that the admission and community care policies of Champaign Surgicenter will not become more restrictive as a result of the proposed change of ownership of the ASTC to Carle Foundation Hospital. The patients in the community that Champaign Surgicenter serves will continue to have the same access to services at the ASTC as they currently do upon completion of the transaction.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Leonard".

James Leonard, M.D.
President and CEO

Attachment-18

Criterion 1110.240(d). Health Care System

This attachment addresses the following:

1. Explain what the impact of the proposed transaction will be on the other area providers.
2. List all of the facilities within the applicant's health care system and provide the following for each facility.
 - a. The location (town and street address);
 - b. The number of beds;
 - c. A list of services; and
 - d. The utilization figures for each of those services for the last 12 month period.
3. Provide copies of all present and proposed referral agreements for the facilities involved in this transaction.
4. Provide time and distance information for the proposed referrals within the system.
5. Explain the organization policy regarding the use of the care system providers over area providers.
6. Explain how duplication of services within the care system will be resolved.
7. Indicate what services the proposed project will make available to the community that are not now available.

1. Impact on Other Area Providers

The proposed transaction will not adversely affect other area providers. For further discussion, see the Safety Net Impact Statement provided as Attachment-77.

2. Facilities in the Health Care System

ASTC	Address & City	OR's	Services	Surgical Procedures FY 2009
Carle Surgicenter – Danville	2300 N. Vermillion Danville	2	Multi-specialty	2,476
Champaign Surgicenter	1702 South Mattis Ave., Champaign	5	Multi-Specialty	5,894
Carle Foundation Hospital	611 W. Park St., Urbana, IL	18	Hospital inpt/outpt	13,089

Beyond the surgical services provided as set forth above, the Carle Foundation Hospital located at 611 W. Park Street in Urbana, Illinois operates a hospital with:

- 195 medical/surgical,
- 28 obstetrics,
- 20 pediatrics,
- 32 intensive care,
- 15 comprehensive physical rehabilitation, and
- 25 neonatal intensive care beds.

The Hospital also operates the open heart surgery category of service as well as the cardiac catheterization category of service. A copy of the Facility Bed Capacity and Utilization table is included at the end of this Attachment 18.¹

3. Referral Agreements

There are no present and proposed referral agreements for the facilities involved in this transaction. The physicians and other health care providers who make care decisions for surgical patients are not required to use Carle Foundation providers over other health care providers. The Applicants do not intend to change this policy. Referral decisions are made based on a variety of factors such as the adequacy of the services available based on patient needs, insurance requirements, patient location and choice and cost issues.

4. Time & Distance of Proposed Referrals

According to MapQuest the distances amongst the providers in the health care system are as follows:

The Danville ASTC is:

- 49 minutes and 40 miles from the Champaign Surgicenter; and
- 40 minutes and 34 miles from Carle Foundation Hospital.

The Champaign Surgicenter is 12 minutes and 5 miles from Carle Foundation Hospital.

5. Organizational Policy Regarding the Use of the Care System Providers

Carle Foundation Hospital has defined policies for the process for admitting/transferring patients and to ensure patients receive prompt care in the appropriate setting. These processes are particularly important because of the large volume of referrals/transfers that Carle Foundation Hospital receives from outlying community hospitals. However, the physicians and other health care providers involved with the operations of the Carle Foundation Hospital and its affiliates who make care decisions are not required to use Carle providers over other health care providers. The Applicants do not intend to change this policy. Referral decisions are made based on a variety of factors such as the

¹ This chart is also provided on page 10 of this application.

adequacy of the services available based on patient needs, insurance requirements, patient location and choice and cost issues.

6. Duplication of Services

This application involves the change of ownership of an existing, multi-specialty Ambulatory Surgical Treatment Center ("ASTC") to be operated in existing spaces. The project does not involve any construction, modernization, or demolition of space at the existing ASTC. The Hospital does not intend to reduce any of the services currently offered following this transaction. Volume demands are such that all the current facilities will continue to be utilized at the same level. This transaction will not create a duplication of any service presently provided by the ASTC.

7. Services to the Community

To better serve the community, the Applicants hope to further expand on and establish new specialty services and centers of excellence, which will optimize use of the facilities for the benefit of the patients at both the ASTC and the Hospital. Operational consistency between the main operating room ("OR") and the ASTC will allow the Hospital to better assess and improve efficacy, efficiency, and safety of surgical services providing focused expertise, equipment, and availability of resources. Within a dedicated program, resources also include specialized physical space, support staff organization, information technology and a communication structure for clinical and administrative data flow. In a setting focusing on such specialization, the program establishes benchmarks for quality based on nationally established criteria for outcomes measurement. In this environment, the ASTC and Hospital can implement techniques to optimize patient and physician satisfaction, quality, and cost effectiveness in surgical care. As a result of a more closely integrated program, that brings the main OR and the ASTC to operate in the same manner, more resources may become available and allow the Hospital to offer broader services to the community.

Financial Feasibility

December, 2009

Note regarding bond letter:

Fitch Ratings has issued that attached rating letter which provides The Carle Foundation an "A" range bond rating. This rating applies to both The Carle Foundation and Carle Foundation Hospital which are both members of the Obligated Group under the Master Trust Indenture dated March 1, 2009. As such, they are jointly and severally liable for the outstanding note obligations issued under the Master Trust Indenture that secure the outstanding bonds issued on their behalf. Attached (also at Attachment 75) are selected pages from the Master Trust Indenture to confirm that both of these entities are members of the Obligated Group and, therefore, the subject of Fitch's "A" rating.

FitchRatings

One State Street Plaza
New York, NY 10004

T 212 908 0500 F 800 75 FITCH
www.fitchratings.com

March 6, 2009

Mr. Scott Hendrie
Director of Finance
The Carle Foundation
611 West Park Street
Urbana, IL 61801

Re: \$25,000,000 Illinois Finance Authority
Variable Rate Demand Revenue Bonds, Series 2009B
(The Carle Foundation)

Dear Mr. Hendrie:

Fitch Ratings ("Fitch") has assigned a rating of 'AA-/F1+' to the above-referenced bonds. The rating is based on the support of the irrevocable, direct-pay letter of credit provided by The Northern Trust Company. The rating on the bonds will expire on the earliest of: March 18, 2012, the stated expiration date of the letter of credit, unless such date is extended; any prior termination of the letter of credit; or defeasance of the bonds.

Ratings assigned by Fitch are based on the documents and information provided to us by the issuer and its experts and agents and are subject to receipt of final closing documents in form satisfactory to Fitch. Fitch does not audit or verify the truth or accuracy of such information.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to the use of its name as an expert in connection with any registration statement or other filing under U.S., U.K, or any other relevant securities laws.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal or actuarial services. A rating should not be viewed as a replacement for such advice or services.

It is important that you promptly provide us with all information that may be material to the rating so that our ratings continue to be accurate. Ratings may be raised, lowered, withdrawn, suspended or placed on Rating Watch due to changes in, additions to, the accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.


Attachment -75

Mr. Scott Hendrie
The Carle Foundation
Rating letter of March 6, 2009
Page Two

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between us and any user of the ratings. Nothing in this letter shall limit our right to publish, disseminate or license others to publish or otherwise disseminate the ratings or the rationale for the ratings.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact us.

Sincerely,



Joseph Staffa
Senior Director
Public Finance

cc: Jeffrey Ellis—Goldman Sachs
David J. Kates—Jones Day
Mary Wilson—Sonnenschein Nath & Rosenthal LLP
Michael Schrader—Orrick Herrington & Sutcliffe

MASTER TRUST INDENTURE
AMONG
THE CARLE FOUNDATION,
THE CARLE FOUNDATION HOSPITAL,
CARLE HEALTH CARE INCORPORATED,
CARLE RETIREMENT CENTERS, INC.
AND
WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Master Trustee

Dated as of March 1, 2009

CHI-1650718v9

Attachment - 75

THIS IS A MASTER TRUST INDENTURE dated as of March 1, 2009 (the "Master Indenture") among The Carle Foundation (the "Corporation"), The Carle Foundation Hospital (the "Hospital"), Carle Health Care Incorporated ("Health Care") and Carle Retirement Centers, Inc. ("Retirement Centers"), each, an Illinois not for profit corporation, and Wells Fargo Bank, National Association, a national banking institution duly established, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America, with its designated corporate trust office, domicile at post office address in Chicago, Illinois, herein called the "*Master Trustee*".

RECITALS:

WHEREAS, the Corporation, the Hospital, Health Care and Retirement Centers are authorized by law, and deem it necessary and desirable that they be able, to issue evidences of indebtedness secured hereby of several series (collectively, the "*Obligations*") in order to secure the financing or refinancing of health care facilities and for other lawful and proper corporate purposes; and

WHEREAS, the Corporation, the Hospital, Health Care and Retirement Centers also desire to provide in this Master Indenture for other legal entities to join with the Corporation, the Hospital, Health Care and Retirement Centers in the future in pooling credit resources in order to achieve lower borrowing costs and to become jointly and severally liable with the Corporation, the Hospital, Health Care and Retirement Centers and other such entities for the payment of the Obligations and the performance of all covenants contained herein; the Corporation, the Hospital, Health Care and Retirement Centers and each legal entity incurring such joint and several liability in accordance with the terms hereof are herein referred to individually as a "*Member*" and collectively as the "*Members*" or the "*Obligated Group*;" and

WHEREAS, in order to declare the terms and conditions upon which Obligations of each series are authenticated, issued and delivered, and in consideration of the premises, of the purchase and acceptance of Obligations of each series by the holders thereof and of the sum of One Dollar to it duly paid by the Master Trustee at the execution of these presents, the receipt whereof is hereby acknowledged, the Corporation, the Hospital, Health Care and Retirement Centers (and each future Obligated Group Member) covenant and agree with the Master Trustee, for the equal and proportionate benefit of the respective holders from time to time of Obligations of each series, as follows:

Granting Clauses

That each Obligated Group Member, in consideration of the premises and of the purchase of the Obligations and of other good and lawful consideration, the receipt of which is hereby acknowledged, and to secure the payment of the principal of, premium, if any, and interest on the Obligations, and payments on Obligations securing Derivative Agreement Scheduled Payments and Derivative Agreement Termination Payments on Interest Rate Agreements, and the performance and observance of all of the covenants and conditions herein or therein contained, has executed and delivered this Master

Review Criteria Relating to Financial Feasibility

The 27,000,000 figure represented as the project cost relates to the contribution of the ASTC assets from one organization to another within a health care system operated under the umbrella of a single parent. Thus, there will be no actual purchase price payment to the contributing entity to the intended operator and licensee or its parent. This \$27,000,000 figure is the fair market value of the ASTC. A letter from Ernst & Young confirming that this value reflects the fair market value is included as Attachment-7.

Conditions of Debt Financing

The project does not involve the expenditure of funds. Consequently, no debt is being incurred and criterion 1120.310(b), Conditions of Debt Financing, is not applicable.

Review Criteria Relating to Economic Feasibility

The table below provides information regarding costs as they relate to patient days.

Line 4 of the table addresses Criterion 1120.310(d), Projected Operating Costs.

Line 5 of the table addresses Criterion 1120.310(e), Total Effect of the Project on Capital Costs.

Line	Projected	FY 2011
1	Equivalent Patient Days	311,045
2	Total Capital Cost	\$53,298.00
3	Total Operating Expense	\$786,209.00
4	Capital Cost per Equivalent Patient Day	\$171.35
5	Operating Cost per Equivalent Patient Day	\$2,527.64

Safety Net Impact Statement

This Safety Net Impact Statement discusses how the proposed transaction positively impacts safety net services within the community served by Carle Foundation Hospital ("Hospital").

1. Impact on Essential Safety Net Services in the Community.

The Hospital directly operates numerous safety net programs, including pediatric services, obstetrics services, neonatal intensive care services and a Level I trauma center emergency department. Its NICU and obstetrics programs support its designation as a Level III perinatal program in the State's network which provides necessary care for high-risk obstetrics patients and their babies. The Hospital's intensive care and surgical programs support complex neurosurgical procedures which are not otherwise available in the community. Further, the stroke program it operates is of foremost importance in safeguarding against the otherwise significant mortality and co-morbid conditions experienced by stroke patients.

This transaction will support all of these safety net services and will have a positive impact on the community's essential safety net services as a whole because it will enhance the Hospital's ability to serve its present patient base. This project will further benefit the community through:

- Improved Coordination of Each Patient's Care
- Improved Communication Between Locations
- Consistent Policies Across all Health Care Settings
- Integrated Medical Records
- Continued Access to Services for Uninsured and Underinsured Individuals and Families

Further, this reorganization results from the larger transaction to integrate Carle Clinic Association into the Applicant's health care system. That transaction will create an integrated health care delivery system with designs to improve the overall delivery of health care services in central Illinois. As an integrated organization, Carle Foundation Hospital will coordinate core services more effectively and fill service gaps. The project will support the development of seamless care delivery and the implementation of clinical protocols which will promote improved outcomes and the efficiency of the care that is delivered. As a result the population as a whole, including the vulnerable populations in the community, will benefit.

2. Impact on the Ability of Other Providers or Health Care Systems to Cross-Subsidize Safety Net Services.

The proposed transaction will not impair the ability of other safety net providers in the community to care for, nor place any barriers upon, area residents seeking health care services because of a lack of insurance, an inability to pay, special needs, ethnic or

cultural characteristics, or geographic isolation. The proposed transaction will not adversely impact the ability of other hospital providers or community health providers to serve patients seeking safety net services.

This application merely involves the change of ownership of an existing, multi-specialty ASTC to be operated in existing spaces that will not be changed in any way. The project does not involve any construction, modernization, or demolition of space at the existing ASTC. The Hospital does not plan to reduce any of the services currently offered following this transaction.

3. No Discontinuation of Safety Net Services

No services, facilities or programs will be reduced or eliminated as part of this proposal

Additional Safety Net Impact Statement Information

1. Charity Care Information

Charity Care		FY 07	FY 08	FY 09
Inpatient	# of patients	1,971	2,225	1,842
	Actual cost	\$4,834,624	\$5,946,848	\$4,931,157
Outpatient	# of patients	9,230	10,615	10,043
	Actual cost	\$2,039,822	\$2,712,484	\$2,869,650
Total	Actual Cost	\$6,874,446	\$8,659,332	\$7,800,807

2. Medicaid Information

Medicaid		FY 07	FY 08	FY 09
Inpatient	# of patients ⁴	2,292	2,432	2,818
	Actual cost	\$23,487,706	\$22,353,016	\$30,556,974
Outpatient	# of patients ⁴	17,360	18,643	20,304
	Actual cost	\$3,316,478	\$4,228,656	\$5,570,834
Total	Actual Cost	\$26,804,184	\$26,581,672	\$36,127,808 ⁵

⁴ Patient numbers reflect FY data.

⁵ Medicaid Revenue net of incurred assessments of \$10.1 million.

3. Additional Information Relevant to Safety Net Services

The Carle Foundation's most recent Community Benefit Report is included attached as Attachment 77.

POLICY AND PROCEDURE

Revised: October 8th, 2009

CARLE FOUNDATION

SUBJECT: Community Care Discount Program

PURPOSE: To identify and assist those patients who are uninsured or underinsured and who are financially eligible to receive discounts for specified medical expenses through the Community Care Discount Program. The Carle Foundation will consider each patient's ability to contribute to the cost of his or her care and Carle Foundation's financial ability to provide discounts for the care received.

SCOPE: Medically necessary care rendered by an eligible Carle Foundation entity. Eligible entities are:

- Carle Foundation Hospital
- Carle Clinic Physician Group
- Carle Foundation Physician Services
- Carle Arrow Ambulance
- Champaign Surgicenter, LLC
- Carle HomeCare including Carle Hospice and Carle Home Infusion

STATEMENTS OF POLICY:

- A. Any patient or responsible party may apply for Community Care. Patients must reside in a primary or secondary service area or be referred to Carle from another hospital or provider. Primary and secondary service areas are listed on Attachment 1.
- B. Carle Foundation desires that all patients be aware of the Community Care program, that those eligible be identified as early in the care and billing process as possible, and that the process be as simple as possible for the patient while maintaining the financial controls and stewardship necessary to protect the organization. Consistent with these principles, the following items are required from applicants:
 1. Verification of income for the previous 12 months is required. Income eligibility will be based upon the most current Federal Poverty Guidelines.
 2. An application for government assistance must be completed if the patient appears to meet eligibility criteria. When appropriate,

Social Services will use a screening checklist to assist in determining if the patient would qualify for government assistance.

- a. Failure to complete the government program application process and/or failure to cooperate during the application process will result in an automatic denial for Community Care.
 - b. Patients who are determined to be homeless with no verifiable address, phone, or income can be exempted from the government program application requirement. However, if these homeless patients have inpatient services, a referral should be initiated to assist with the completion of the government program application process.
 - c. Patients who have a third party payment source that will reimburse more than the government program reimbursement will be exempted from the application requirement.
 - d. Patients who qualify for Public Aid without a spend down will be eligible for a 100% discount for those visits prior to the three month backdating that Public Aid allows. A copy of the Public Aid eligibility will be maintained as documentation of financial need, a community care application will not be required.
3. Liquid assets will be taken into consideration during the Community Care application process. Liquid assets exceeding \$2000 will be added to the applicant's income total for the past 12 months. IRAs, 401ks, and 403b retirement funds will not be considered as liquid assets. Distributions from these funds will be considered as income to the applicant for the income determination.
 4. If the applicant's income is equal to or less than 200% of the federal poverty level at the time of submission, the Community Care discount will be 100%, greater than 200% but less than or equal to 230% of the federal poverty level will receive a 75% discount, greater than 230% but less than or equal to 270% of the federal poverty level will receive a 50% discount, and greater than 270% but less than or equal to 300% of the federal poverty level will receive a 25% discount.

5. Patients that receive a determination under the Community Care Program may reapply in six months in the event there are substantial or unforeseen material changes in their financial situation. The Supervisor and Director of Patient Accounting will conduct the review jointly.
 6. Applicants may appeal Community Care discount determinations to the Director of the Patient Accounting Office or the Chief Financial Officer.
- B. The Community Care discount will apply to the patient balance of the account after all other payments from sources such as Medicare, Insurance Companies, or lawsuit settlement funds are received and posted. If the patient has been making personal payments the Community Care discount will be applied to the financial responsibility that was remaining three months prior to the date the application was signed.
 - C. Long-term patients that have been approved for the Community Care Discount Program must re-apply annually.
 - D. Patients that have been referred to a collection agency may request a Community Care Discount application if a judgment has not yet been obtained in court.
 - E. Carle will not:
 - Authorize body attachments
 - Assert liens against owner occupied homes or other personal property (which does not include the proceeds from any third party liability claim(s))
 - Institute "no more service" actions for financial reasons against patients eligible for Community Care discounts
 - F. Medical care that does not meet medical necessity guidelines as defined by The Carle Foundation is excluded from Community Care Program discounts. Services such as cosmetic surgeries, infertility services, dental services, experimental services, screenings and bariatric surgeries are not eligible for Community Care Program discounts. Non-emergent out-of-network care that would be paid by the patient's insurance company elsewhere will not be eligible for Community Care since the patient has the ability to have their health care needs met.
 - G. A minimum copay of \$10 will be collected from or billed to the patient for physician office visits. If a patient qualifies for less than a 100% discount and has a financial obligation remaining after the discount is applied of greater than \$10, this larger amount will be collected from or billed to the patient.

PROCEDURE:

- A. Patients with financial concerns should be identified as soon as possible in the registration or treatment process.
 1. A referral to Social Services or directly to a government program should be completed to obtain a determination of eligibility for Public Assistance. Patients who fail to cooperate with the government program during the application process will automatically be denied for Community Care.
 - a. If the patient does not meet the eligibility criteria for a government program or if they have a spenddown, they may be eligible for a Community Care discount.
 - b. The application for Community Care discounts will be available in registration areas, the Patient Accounting offices, SBU Business Offices, the Cashier areas, Social Services or on the Carle website (www.carle.org).
 - c. The Community Care application should be completed and returned within 60 days of discharge or service whenever possible.
 - d. If the Community Care application is not returned, a notification letter will be mailed to the patient/responsible party that indicates the billing will commence unless the application is received.
 2. The completed application should include:
 - a. Income and asset verification for the 12 months immediately prior to the date of the application and the most recent income tax return form, if applicable. This verification may consist of:
 1. Pay stubs or check with year-to-date totals or
 2. Letter from employer showing current salary and year to date income.
 3. Verification from Social Security of the monthly benefit amount or deposit slips showing the amount of the Social Security checks.
 4. Copies of bank statement to verify checking and savings account balances.

b. The patient or responsible party must provide verification of family size.

1. Family size will include only those dependents listed on tax returns or otherwise verified.

- B. A written determination will be sent to the applicant within 10 working days of receipt of the complete application. If the application is approved, the patient's account will be adjusted as soon as possible to reflect the discount.
- C. Patients that qualify for a partial discount of the balance will be required to pay the remaining balance due and will be allowed as any other private pay account to make reasonable payment plan arrangements.
- D. Individuals with income up to 400% of the Federal Poverty level will have their personal financial responsibility capped at 40% of their annual gross income.
- E. When the application has been processed and the determination is made, a record of each application will be maintained.
- F. When the Patient Accounting Department or any SBU receives an application for Community Care that indicates treatment at any eligible Carle Foundation facility, the application, verification and determination will be shared with all other eligible and involved Carle businesses.
- G. The application, verification of income and the Community Care records will be maintained by fiscal year.
- H. The Community Care applications should be approved by the Supervisor of Accounts Receivable and the SBU director or designee.
- I. The total of the Community Care Discount Program write-offs will be regularly reported to the Chief Financial Officer

Patricia Owens
Director - Patient Accounting

Date

Annual Non Profit Hospital Community Benefits Plan Report

Hospital or Hospital System: Carle Foundation Hospital

Mailing Address: 611 West Park Street, Urbana, IL 61801
(Street Address/P.O. Box) (City, State, Zip)

Physical Address (if different than mailing address):
(Street Address/P.O. Box) (City, State, Zip)

Reporting Period: 7/1/07 through 6/30/08 Taxpayer Number: 31-114538
Month Day Year Month Day Year

If filing a consolidated financial report for a health system, list below the Illinois hospitals included in the consolidated report.

Hospital Name	Address	FEIN #

1. **ATTACH Mission Statement:** Attachment A
 The reporting entity must provide an organizational mission statement that identifies the hospital's commitment to serving the health care needs of the community and the date it was adopted.

2. **ATTACH Community Benefits Plan:** Attachment B
 The reporting entity must provide it's most recent Community Benefits Plan and specify the date it was adopted. The plan should be an operational plan for serving health care needs of the community. The plan must:

1. Set out goals and objectives for providing community benefits including charity care and government-sponsored indigent health care.
2. Identify the populations and communities served by the hospital.
3. Disclose health care needs that were considered in developing the plan.

3. **REPORT Charity Care:**
 Charity care is care for which the provider does not expect to receive payment from the patient or a third-party payer. Charity care does not include bad debt. In reporting charity care, the reporting entity must report the actual cost of services provided, based on the total cost to charge ratio derived from the hospital's Medicare cost report (CMS 2552-96 Worksheet C, Part 1, PPS Inpatient Ratios), not the charges for the services.

Charity Care: \$ 8,057,332

ATTACH Charity Care Policy: Attachment C
 Reporting entity must attach a copy of its current charity care policy and specify the date it was adopted.

4. **REPORT** Community Benefits actually provided other than charity care: Attachment D
 See instructions for completing Section 4 of the Annual Non Profit Hospital Community Benefits Plan Report.

Community Benefit Type

Language Assistant Services \$ _____
 Government Sponsored Indigent Health Care \$ _____
 Donations \$ _____
 Volunteer Services
 a) Employee Volunteer Services \$ _____
 b) Non-Employee Volunteer Services \$ _____
 c) Total (add lines a and b) \$ _____
 Education \$ _____
 Government-sponsored program services \$ _____
 Research \$ _____
 Subsidized health services \$ _____
 Bad debts \$ _____
 Other Community Benefits \$ _____

Attach a schedule for any additional community benefits not detailed above. Attachment B-1

5. **ATTACH** Audited Financial Statements for the reporting period. Attachment E

Under penalty of perjury, I the undersigned declare and certify that I have examined this Annual Non Profit Hospital Community Benefits Plan Report and the documents attached thereto. I further declare and certify that the Plan and the Annual Non Profit Hospital Community Benefits Plan Report and the documents attached thereto are true and complete.

JAMES C. HEDNAR, M.D., President
 Name/Title (Please Print) CEO, THE CARLE FOUNDATION
 Signature [Handwritten Signature]

217-383-3220
 Phone: Area Code / Telephone No.
12/19/05
 Date.

Christina S. Robbins, Director Public
 Name of Person Completing Form
Relations, Carle Foundation Hospital
Christina S. Robbins, Q. Carle, MD
 Electronic / Internet Mail Address

217-383-3016
 Phone: Area Code / Telephone No.
217-383-3540
 FAX: Area Code / FAX No.

1) Mission Statement—Attachment A

Carle Foundation Hospital Mission Statement

Adopted by the Carle Foundation Hospital Board of Trustees
March 10, 2006

**We serve people through high quality care,
medical research, and education.**

Our mission statement, in the broadest sense, defines who we are, what we stand for, and the importance of our relationship with our patients, staff and community. As a locally-based private, not-for-profit organization, we take seriously our obligation to treat and provide high quality care to everyone, regardless of their ability to pay. However, this mission statement looks beyond medicine to include research and education, both of which have been highly valued by our organization over the years. In 2006, our Board of Trustees altered the mission statement to acknowledge that research and education spark the ideas that lead to new discoveries, which in turn enable us to deliver even better patient care and make a significant investment in the future of health care.

From this mission statement, our vision, and our greater strategic plan flows our Community Benefit Plan.

2) Community Benefit Plan—Attachment B

In recent years, and FY 08 is no exception, Carle Foundation Hospital administration has encouraged its leadership to be guided in their planning, including for community benefits, by these questions: *How will/does this affect health care in our community? Since those we treat are our neighbors, friends, and family members, is this consistent with what we expect for them?*

Besides emphasizing quality health care, our leadership is striving to assure that the medical needs of the people we serve are met—and met close to home. More than ever before, **access** to health care has become a predominant theme.

We believe that we exist to serve everyone and to provide everyone with the best care possible while being good stewards of our community's resources. In FY 08, we focused on the needs of low-income elderly, 65 and older, finding ways to help them to be healthier. Using funds set aside in FY 07, we created the Senior Impact Project which is central to this year's community benefit programming.

While community benefit has been tracked at least every other year since the early '90s, Carle Foundation Hospital has had a structured Community Health and Wellness program in place since 1997. That program and our Community Care Discount Program are at the core of our Community Benefit Plan.

In FY 08, Carle Foundation Hospital's community benefit contribution totaled \$61,826,062.

Since 2004, community benefit has been calculated by Carle Foundation Hospital using the CBISA (Community Benefit Inventory for Social Accountability) software and accompanying guidelines, established by the Catholic Health Association. This software and these guidelines have become the gold standard for tracking and reporting, especially with the national focus on tax exemption for not-for-profit hospitals.

Carle Foundation Hospital's Community Benefit Plan is comprised of **four components:**

1. The Carle Foundation Hospital Community Care Discount Program (charity care)
2. The Community Health and Wellness Program
3. Research and education initiatives
4. Emergency preparedness leadership

1. The Carle Community Care Discount Program (charity care)

As a tax-exempt organization, Carle Foundation Hospital provides care to patients regardless of their ability to pay for that care or source of payment. We also recognize that some patients need help to pay their hospital bills. As a locally-owned community hospital, we always provide the care first and then help with the financial challenges. Carle Foundation Hospital's **Community Care Discount Program** (charity care) provides discounts or free care to those who need it. The most current policy was revised June 10, 2008. (See Attachment C.). This program is continually evaluated and expanded as needed to meet the needs of our community. Evaluation involves input from administrative leaders, billing office staff, local consumer advocacy groups and patients.

Goal 1: Regularly review and continually improve practices relating to the hospital's charity care program—Carle Foundation Hospital Community Care Discount Program.

Outcomes:

Review status

Representatives from the Hospital's administration, Patient Accounting, Registration, Case Management and Public Relations departments meet monthly with the local Medical Debt Task Force of the Champaign County Health Care Consumers, which also includes representation from the Land of Lincoln Legal Assistance Foundation and Frances Nelson Health Center, to gain input, ideas and reactions to related services and situations.

Increased Charity Care

By focusing on determining the financial status of patients up-front, we have been able to pinpoint those needing financial assistance early in the process, minimizing bad debt and optimizing our ability to help them. A generous Community Care Discount Program has also resulted in our ability to reach more people. **In FY 08, charity care increased a remarkable 26%—from \$6,874,446 in FY 07 to \$8,659,332.** We fully believe that this increase is the cumulative benefit of our sustained commitment over the past 5 years to work with local organizations and to communicate the availability of the program through a wide variety of channels.

The number of people served continues to steadily increase to 5,033 in FY 08. That number was just more than 4,500 in FY 07; 4,000 in FY 06.

We also looked at the number of individuals covered by the program versus those who actually used services at the Hospital, comparing the 2008

applications to those on file in 2005. (These numbers do not include IDPA auto-qualify patients or homeless individuals.) **In 2008, we had 6,442 family members registered versus 2,596 in 2005.**

When people qualify for Community Care, we are essentially providing them and their family a one-year insurance policy that covers their healthcare needs for all services provided through Carle Foundation Hospital. **In FY 08, 1,409 people who were qualified for our Community Care Discount Program did not receive services from us, but had the peace of mind that comes with knowing they would not have to worry about a hospital bill if someone in their family needed hospitalization.**

Communicating Available Financial Assistance: Finding Ways to Make it Easier to Get Help

Carle Foundation Hospital has made a concerted, continuous effort to be sure that people have access to information that will help them with their hospital bills. These include:

- Billing envelopes that carry the message, *Need help with your hospital bill? Call 888-479-0008*, prominently on the outside of the envelope.
- Community Care application forms available at all registration points, as well as in the Hospital's main lobby. Continuation of regular newspaper ads in Champaign, Vermilion and Coles counties, as well as appropriate special event programs.
- A simplified application form.
- Information and application forms on our Web-site, with the information also translated into Spanish and Chinese.
- Working with Land of Lincoln Legal Assistance Foundation, a pre-qualifying system is in place so that all area Section 8 residents and homeless people are able to qualify without filling out an application.
- Extended evening hours in Patient Accounting so that the working uninsured or underinsured have easier and more worker-friendly access to for financial assistance.

2. The Community Health and Wellness Program

Based on a variety of community needs assessments, the Hospital's **Community Health and Wellness** program is organized into three categories:

1. Initiatives—programs that are Hospital-based and managed and branded with our name.
2. Grants and donations—financial support of community programs and events, primarily those that match our mission and meet identified needs in the community.
3. Partnerships—programs executed collaboratively or community-need solutions that are sought with input and leadership from multiple organizations.

Goal 2: Continue existing community health and wellness programs, designed to meet identified needs and to improve the health of the community primarily through education and prevention. Programs may be Hospital-based initiatives or accomplished in partnership with community organizations. Programs are evaluated annually for effectiveness in meeting needs and community acceptance in conjunction with the budget process.

Outcomes—Partnerships and Initiatives (not inclusive):

- **The Community Parish Nurse program**—trained 15 additional nurses this year, and all together the active 231 nurses logged 12,129 hours of volunteer services to their congregations. This program is the largest and most established in the nation, with 414 nurses trained from 214 congregations in 30 counties in three states.
- **Playing It Safe**—free family safety fair—co-sponsored with Champaign County SAFE KIDS®. It was planned for the 12th consecutive year, and, for the first year ever, was cancelled due to lightning and thunderstorms. It promised to be the best yet with participation from county-wide and local public safety agencies as well as other community organizations concerned with our children's safety. More than 50 interactive displays were planned. Typically more than 2,200 people of all ages attend.
- **Center for Rural Health and Farm Safety**—functioning with partners at the University of Illinois and area farm bureaus and extension services. Programs included five Progressive Agriculture Farm Safety Days which reached 1,012 children; 16 evening and weekend Agricultural Emergency Response Classes for EMTs and firefighters reaching 220 providers, 15 schools safety programs reaching 1,756 children and 195 teachers, 47 community CPR classes certifying 310 participants and 10 Farm Family Emergency Response programs with 96 participants; as well as health screenings specific to farmers—such as pulmonary and hearing screenings at the Farm Progress Show.

- **Poison prevention education**—We are a satellite education center for the Illinois Poison Center, serving school children, healthcare professionals, and consumers in our region. Last year in the Champaign and Urbana school districts, we reached 2,000 children. Besides reaching elementary schools, there has been a focus on Emergency Medical Services staff education.
- **Risk Watch**—a safety curriculum integrated into local schools, coordinated by a Carle Foundation Hospital staff member and involving representatives from area public safety agencies as instructors. In school year 2007-2008, the Risk Watch program reached thousands of students through presentations of 11 different safety subjects. Carle trends current safety topics, and adapts to the needs of the students through changes in the Risk Watch curriculum. For an example, an increase in dog bites was noted and animal safety officers were invited to present information to the children on how to avoid being harmed by dogs.
- **Interpersonal violence prevention**—community education with a focus on the reduction of domestic violence as well as training for Sexual Assault Nurse Examiners (SANE) and others who deal with rape and abuse victims. We currently have six SANE nurses on staff in our Emergency Department, treating and assisting 100-150 adult/adolescent and pediatric sexually assaulted patients annually.
- **Carle/Salvation Army Toy Drive**—For the 23rd year, Carle Foundation Hospital was one of the primary corporate sponsors of this annual holiday event. We share this sponsorship honor with Carle Clinic and WHMS/WDWS radio. Nearly 4,000 toys and \$800 were collected at Clinic drop off locations and through a one-day drive-through collection.
- **www.HelpSource.org**—Taking a leadership role in its development nearly 10 years ago, we have continued to support HelpSource.org and provide guidance to the maintenance and promotion of this on-line directory of human services in east central Illinois.

Outcomes—Donations and Grants (not inclusive):

Financial, In-kind and leadership support of health and human service organizations with similar/compatible missions. In total, 129 community organizations received financial support this year. Some of those are:

- United Way of Champaign County**
- Danville Area United Way
- United Way of Coles County
- American Red Cross
- Center for Women in Transition
- Coles County Council on Aging
- Cunningham Children's Home
- Catholic Charities
- Crisis Nursery
- Don Moyer Boys and Girls Club
- Developmental Services Center
- Danville Family YMCA
- Champaign County YMCA
- Mattoon Area Family YMCA
- Big Brothers Big Sisters of Champaign County
- Eastern Illinois Food Bank
- American Cancer Society
- American Heart Association
- American Diabetes Association
- Arthritis Foundation
- MDA
- PACE

**Carle Foundation Hospital annually matches our employees' contribution to United Way and this year our contribution exceeded 100%. This year, that donation amounted to \$65,520 and was *once again* designated for Frances Nelson Health Center.

Goal 3: Maintain support of current programs and find new ways to improve access to healthcare and to reach out to the underserved, uninsured and underinsured populations.

Outcomes—Programs:

Senior Impact Project

With money set aside in FY 07, we proceeded to determine how we could make an impact on the health and well-being of the low-income, 65 and older population. Based on a needs assessment, the following six areas of impact were targeted and benefited:

1. *Transportation*

Many seniors, especially those with low incomes, struggle with traveling to and from medical appointments, shopping trips, social gatherings, community events and more. Being unable to drive or

not having access to a vehicle is not only frustrating, but it can also affect your health. With limited transportation, seniors often put off medical appointments, screenings or miss out on getting refills for vital prescription medications. With money from Carle's Senior Impact Project, two local organizations specializing in transportation for seniors are now able to offer expanded and improved services for low-income seniors.

2. *Isolation and Health Education*

For many people over the age of 65, isolation is a serious problem. Isolation can occur for a variety of reasons, whether it is the loss of a spouse, the lack of nearby family members or a scarcity of community social events. Apart from the psychological impact of loneliness, which can lead to depression, lack of contact with others can also impact seniors' overall health. Carle's Senior Impact Project is increasing funding for community facilities where seniors come together. These facilities help to battle isolation, while at the same time offer educational programs where seniors may learn more about a range of health issues.

3. *Medication Management*

Keeping tabs on medications can be difficult, especially when there is a possibility of dangerous interactions between them. Prescription medications can be purchased at a variety of locations, which can lead to serious problems if the pharmacists at each of the locations are not aware of your complete prescription history. With a two-year demonstration project grant to the East Central Illinois Area Agency on Aging from Carle's Senior Impact Project, a local case management organization is able to send staff to visit patients and catalog their full inventory of medications. This list is then sent to a pharmacist who reviews it for possible drug interactions. If one is found, the pharmacist contacts the physician who can make the proper adjustments.

4. *Workforce Development*

As the population ages, there will be a steady increase in the demand for health workers, especially those working with older patients. Through a partnership with Parkland College, Carle's Senior Impact Project has created scholarships to provide healthcare workers with the opportunity to become educated in caring for seniors, ideally providing more trained people to help seniors who wish to stay in their own homes. In addition to funding CNA training, this money will also go towards educational programming on geriatrics for non-physician healthcare providers, students and community members with an interest in caring for family elders.

5. *Communication*

Although health resources are widely available online, low-income seniors are perhaps the least likely population to have access to them. Carle's Senior Impact Project is helping to educate those seniors by devoting funds to assist in the distribution of *Healthwise for Life*, an informative, self-care book aimed specifically at older adults. In its pages, readers can find a wealth of reliable information—presented with reader-friendly language and visuals—on topics ranging from symptom identification, diets, wellness and emergency care. For seniors that have internet access, the Senior Impact Project has enhanced Carle's funding of www.HelpSource.org, an online resource for information pertaining to human services within east central Illinois.

6. *Dental Care*

A number of communities around the country have attempted to tackle the growing problem of inadequate dental care for seniors. The Champaign-Urbana United Way has agreed to address the issue in our community. With money from the Senior Impact Project, they will embark on a two-stage process: first identifying how the community can meet this need and then bringing together the appropriate people to set up systems to address those needs.

Access Improved Through Collaboration, Carle Initiatives

Multiple community organizations continue to advocate for the need for access to dental and healthcare services for people of all ages, keeping the awareness at a high level. Carle Foundation Hospital continues to respond to this need, as already pointed out in the Senior Impact Project allocation.

• ***\$14,000 SmileHealthy (formerly Central Illinois Dental Education and Services) donation***

SmileHealthy provides dental care to over 1,000 children from low-income families each year at county grade schools as well as at the Rantoul Head Start Dental Clinic serving enrolled children and their families and income eligible county children.

SmileHealthy also provides education programs and dental supplies to over 3,000 each year in settings from classrooms to health fairs. This donation helped to purchase supplies and pay a part-time provider.

- **Frances Nelson Health Center**

Frances Nelson Health Center is a Federally Qualified Health Center that provides primary care clinic services on a sliding fee scale to the underserved and underinsured.

- In 2005, in concert with a community effort, Carle Foundation Hospital purchased a former furniture store in Champaign and renovated it for \$1.2 million.

Carle is now renting the facility back to Frances Nelson for \$1 a year for the first three years. This year's value to the Center is \$72,359 in lease payments.

- The Hospital is also paying their utilities, which totaled \$53,872.

- **Coles County Community Health Clinic**

We continued to provide leadership to the establishment of a Federally Qualified Health Center to serve the indigent, uninsured and underinsured in Coles County in conjunction with other community partners. A Carle representative continues to serve as the Board president of the Coles Community Health Program, created to support the Center through fund-raising.

Officials estimated that more than 17 percent of the Coles County population is without health care: about 9,300 people use public aid, while more than 7,100 workers have no health insurance. Officials hope to have the clinic up and running in less than two years.

- **Champaign County Christian Health Center**

Founded in 2003, this free clinic provides care, screenings, health education—and to those who want it, spiritual support—to the uninsured and indigent in our community

Since 2004, Carle Foundation Hospital has donated \$40,700 in cash to the Champaign County Christian Health Center. During this time, we donated thousands of dollars in medications, as well.

- In FY 08, we donated \$20,000 in cash and made a further commitment to providing an additional \$10,000 of in-kind supplies and equipment.

- **Carle Mobile Clinic's involvement in Wellness on Wheels (WOW)**

This program provided screenings for STDs and HIV, as well as other health conditions, to community locations in partnership with Champaign-Urbana Public Health District, from August 2007 through December 2007, the Carle Mobile Clinic rotated weekly between Catholic Worker House, Restoration Urban Ministries (transitional living program for families), Skelton Place (mixed-income Housing Unit), and Washington Square (Housing Unit).

- o Staff on WOW saw a total of 66 clients: 19 were female (29%) and 47 male (71%). Clients reported their race/ethnicity as 19 White (29%), 47 Black (71%), 0 Native American, 0 Asian American/Pacific Islander, 0 Hispanic.

- **Miscellaneous**

- o Community Prenatal Care—funding of this program provided low-cost, high-quality prenatal care and birthing in partnership with Planned Parenthood of East Central Illinois and United Way. Planned Parenthood dropped this service; having put an interim service in place in cooperation with Carle Clinic Association, Carle Foundation Hospital is currently looking at ways to restore this service in our community.
- o Free Breastfeeding Clinic—24-hour service open to the community.
- o Discounted prenatal and family education programs, open to the community.
- o Telemedicine initiatives, providing greater access for rural residents. The Hospital has been offering telemedicine services since 1994, and is now connected to 20 hospitals and clinics.

Goal 4: Maintain low and negative margin programs within the hospital, initiated to improve the health of the community.

Outcomes—Programs:

- Neonatal Intensive Care Unit
- Mills Breast Cancer Institute
- Carle Foundation Hospital's Low Vision Center
- ECHO (Expanding Children's Hearing Opportunities)
- Carle Auditory Oral School (formerly St. Joseph Institute for the Deaf)

- Palliative Medicine
- Pulmonary Rehabilitation

Several programs listed under Miscellaneous under Goal 3 also operate at a loss.

3. Research and Education Initiatives

Carle Foundation Hospital is actively involved in **research and education** initiatives. The overall purpose of the research program is helping to discover new diagnostic and treatment technologies and methods that will improve the delivery and/or quality of healthcare. The research program is done in conjunction with area physicians and scientists, the University of Illinois, and entrepreneurial companies. Carle Foundation Hospital's efforts in research and education have steadily grown in recent years, with strategic emphasis now placed on translational research with the University of Illinois.

Besides patient and community education, significant resources are expended on the education and training of medical students, physician residents, nurses, allied health professionals and the general health care workforce.

Goal 5: Shape our vision and expand our involvement in translational research, exploring additional ways to collaborate with the University of Illinois and entrepreneurial high-tech businesses.

Outcomes

- Emphasis has been on creating the infrastructure for a robust translational research program.
- As of June 2008, there were 113 active research projects affiliated with Carle Foundation Hospital, with another 17 pending. Topics of investigation vary widely.
 - We are now working with Carle Clinic physicians and University of Illinois scientists on projects related to breast cancer, aging, cardiology, gastroenterology, imaging, genomic research and more.
- Carle Foundation Hospital received Institutional Review Board (IRB) approval in June 2008 to build its own tissue repository. Prior to that approval, staff researched the best and most effective way to create this resource. A tissue repository is a collection of human biological specimens, or tissue, that have been obtained with consent as part of usual care and serve as valuable resources for future medical research. The specimens are stored securely and adhere to strict rules that protect the

privacy of the donors and ensure the appropriateness of the research for which it will be used.

Goal 6: Contribute toward health care workforce development.

Outcomes—Hospital-based programs and community partnerships

- Carle Scholars at Parkland College—includes scholarships and staffing support for nurse education and nursing student recruitment.
- Support of nursing scholarship program at Lake Land College.
- Support of the University of Illinois College of Medicine at Urbana-Champaign, with monies earmarked for the MD/PhD program.
- Graduate Medical Education programs:
 - Maintaining a geriatric fellowship as well as three medical residency programs, and serving as a clinical site for a fourth.
- Continuing Medical Education programs for regional providers who are not members of the Carle Foundation Hospital medical staff, including Carle Foundation Day.

4. Emergency Preparedness

Emergency Preparedness continued to be a strategic objective of Carle Foundation Hospital and our initiatives in this area include disaster training for our facility and our community, leadership in planning community-wide responses to various disaster scenarios, and state-level leadership for our 21-county region.

Goal 7: Continue to prepare our hospital and those in our 21-county POD region to be ready to respond to any natural disaster or act of terrorism.

Outcomes

Management of government grants totaling approximately \$810,000. We were able to enhance an already robust preparedness program within our region, including these additions:

- Added a second care, or surge, facility for use in the event of a large disaster.
- Purchased medical supplies, medical equipment, hospital bed mattresses and personal grooming kits for patients.
- Increased the ventilator supply to care for critically ill or injured patients.

- Purchased an on-line disaster education program for Hospital employees to better prepare them to care for patients during a disaster.
- Purchased 800 MHz radios to increase the interoperability communications capabilities with other local emergency providers.
- Purchased additional personal protective equipment to allow staff to care for victims inflicted by a hazardous materials incident or an infectious disease.

Populations and communities served

Carle Foundation Hospital serves Champaign-Urbana and rural communities reaching residents in 38 counties in east central Illinois and western Indiana. The programs within our community benefit plan are directed generally to all of the residents in our communities, with certain programs directed at specific populations and with a focus on residents of Champaign County. Targeted populations include the uninsured and underinsured, and children at risk—from conception through childhood.

Carle Foundation Hospital serves as the region's only Level I Trauma Center and maintains a 25-bed, Level III Neonatal Intensive Care Unit. As the area's Co-Perinatal Center, our service area extends all the way south down the eastern side of the state.

Dates adopted/approved

This Community Benefit Plan is driven by a 5-year strategic plan adopted in 2007.

Strategic initiatives of the Community Benefit Plan included in the 2007 5-Year Strategic Plan are as follows:

- Care for uninsured, underinsured and indigent; partner with community resources to provide access to inpatient and outpatient services. Charity Care goal in 2008 was to meet or exceed 3% of gross revenue.
- Partner with the University of Illinois in research, education and program offerings.
- Further develop Emergency Preparedness plan to meet Carle Foundation Hospital affiliates' and community needs.

The Community Health and Wellness program, emergency preparedness efforts, and research initiatives are reviewed and confirmed through the

annual budgeting process. *The Board of Trustees approved the FY 08 budget on June 8, 2007.*

The current Community Care Discount Program (Charity Care) was adopted October 14, 2005. The Finance Committee of The Board of Trustees reviews charity care numbers monthly, and the full Board receives a report at least semi-annually.

The Community Benefit Report, which details our efforts and discloses our community benefit dollars and allocation, is also presented to the Board annually.

Health care needs addressed

Use existing data, informal discussions, and community needs assessments to determine if existing programs are on track; what needs to be added, deleted or enhanced; and where our focus needs to be placed.

Data was drawn from these sources and used to affirm and re-shape our plan, as needed:

- Community Needs Assessment, published in 2004 as a community effort coordinated by the Champaign County Regional Planning Commission. This continues to be the primary guiding resource for the United Way.
- United Way Summer Summit, a full-day planning session to assess current need and to set priorities.
- Current and future workforce shortage statistics
- Homeland Security initiatives
- Input from CU Public Health and human service agencies (on-going)
- A Senior Needs Assessment Focus Group, commissioned by Carle Foundation Hospital.
- Oral Health in Champaign-Urbana, IL, a review prepared by the Champaign-Urbana Public Health District.
- A study by the Health Care Advisory Board requested by Carle Foundation Hospital to look at ways in which other communities were tackling the problem of providing dental services to older seniors.

POLICY AND PROCEDURE

Revised: June 10th, 2008

CARLE FOUNDATION

SUBJECT: Community Care

PURPOSE: To identify and assist those patients who are financially eligible to receive discounts for medical expenses through the Community Care Discount Program.

STATEMENTS OF POLICY:

- A. Any patient and/or guardian may apply for Community Care regardless of citizenship or residency status.
 1. Verification of income for the previous 12 months is required. Income eligibility will be based upon the most current Federal Poverty Guidelines.
 2. An application for assistance must be completed through the Department of Public Aid if the patient appears to meet IDPA eligibility criteria. When appropriate, Social Services will use a screening checklist called IDPA Eligibility/Community Care Determination to assist in determining if the patient would qualify for IDPA assistance.
 - a. Failure to complete the Public Aid application process and/or failure to cooperate with Accordis during the Public Aid application process will result in an automatic denial for Community Care.
 - b. Patients who are determined to be homeless with no verifiable address, phone, or income can be exempted from the Public Aid application requirement. However, if these homeless patients have inpatient services, a referral to Accordis should be initiated to complete the Public Aid application process.
 - c. Patients who have a third party payment source that will reimburse more than the Public Aid reimbursement will be exempted from the Public Aid application requirement.
 - d. Patients who qualify for Public Aid without a spend down will be eligible for a 100% discount for those visits prior to the three month backdating that Public Aid allows. A copy

of the Public Aid eligibility will be maintained as documentation of financial need, a community care application will not be required.

3. Liquid assets will be taken into consideration during the Community Care application process. Liquid assets exceeding \$2000 will be added to the applicant's income total for the past 12 months. IRAs, 401ks, and 403b retirement funds will not be considered as liquid assets. Distributions from these funds will be considered as income to the applicant for the income determination.
 4. If the applicant's income is equal to or less than 200% of the federal poverty level at the time of submission, the Community Care discount will be 100%, greater than 200% but less than or equal to 230% of the federal poverty level will receive a 75% discount, greater than 230% but less than or equal to 270% of the federal poverty level will receive a 50% discount, and greater than 270% but less than or equal to 300% of the federal poverty level will receive a 25% discount.
 5. Patients that receive a determination under the Community Care Program may reapply in six months in the event there are substantial and/or unforeseen material changes in their financial situation. The Manager and Director will conduct the review jointly.
 6. Applicants may appeal Community Care discount determinations to the Director of the Patient Accounting Office or the Chief Financial Officer.
- B. The Community Care discount will apply to the patient balance of the account after all other payments, such as Medicare, Insurance Company, or lawsuit settlement funds are received and posted. If the patient has been making personal payments the Community Care discount will be applied to their financial responsibility that was remaining three months prior to the date the application was signed.
- C. Long-term patients that have been approved for uncompensated care must re-apply annually for the Community Care Discount Program.
- D. Patients that have been referred to a collection agency may request a Community Care Discount application if a judgment has not been obtained yet in court
- E. Cosmetic Surgeries, Infertility Services, Dental services, experimental services, screenings and bariatric surgeries that do not meet medical necessity guidelines are excluded from Community Care. Non-emergent out-of-network care that would be paid by the patient's insurance company

elsewhere will not be eligible for community care since the patient has the ability to have their health care needs met.

PROCEDURE:

A. Patients with financial concerns should be identified as soon as possible in the registration or treatment process.

1. A referral to Social Services or directly to Public Aid should be completed to obtain a determination of eligibility for Public Assistance. Patients who fail to cooperate with Public Aid and/or Accordis during the Public Aid application process will automatically be denied for Community Care.

a. If the patient does not meet the eligibility criteria for Public Aid or if they have a spenddown, they may be eligible for a Community Care discount.

b. The application for Community Care Discounts will be available in registration areas, the Hospital Patient Accounting office, SBU Business Offices, the Hospital Cashiers, Social Services or the Carle website.

c. The Community Care application should be completed and returned within 60 days of discharge or service.

d. If the Community Care application is not returned a notification letter will be mailed to the patient/guarantor that indicates the billing will commence unless we receive the application.

2. The completed application should include:

a. Income and asset verification for the 12 months immediately prior to the date of the application and the most recent income tax return form, if applicable. This verification may consist of:

- 1. Pay stubs or check with year-to-date totals or**
- 2. Letter from employer showing current salary and year to date income.**
- 3. Verification from Social Security of the monthly benefit amount or deposit slips showing the amount of the Social Security checks.**
- 4. Copies of bank statement to verify checking and savings account balances.**

b. Patient must provide verification of family size.

1. Family size will include only those dependents listed on tax returns.

B. A written determination will be sent to the applicant within 10 working days of receipt of the complete application.

1. If the application is approved, the patient's account should be adjusted as soon as possible to reflect the discount.

C. Patients that qualify for a partial discount of the balance will be required to pay the remaining balance due and will be treated as any other private pay account.

D. Individuals with income up to 400% of the Federal Poverty level will have their personal financial responsibility capped at 40% of their annual gross income.

E. When the application has been processed and the determination is made, each application should be logged and a record should be completed.

F. When HPA or any SBU receives an application for Community Care that indicates treatment at another Carle Foundation facility that participates in the Community Care program; the application, verification and determination will be shared with all other involved businesses. Carle Hospital, Carle Hospice, Carle Home Infusion, Arrow Ambulance, Carle Homecare, Carle Medical Supply, Carle Surgicenter, and Carle Foundation Physician Services participate in the Community Care program.

1. The application, verification of income and the Community Care records will be maintained by fiscal year.

G. The Community Care applications should be approved by the Manager of Accounts Receivable, the SBU director or designee, and the total of the write-offs will be reported to the V.P. of Finance.

Pat Owens

6-10-08

Patricia Owens

Date

Director - Patient Accounting

Attachment - 77

**Carle Foundation Hospital
Attachment D**

4) REPORT Community Benefits actually provided other than charity care:
See instructions for completing Section 4 of the Annual Non Profit Hospital Community
Benefits Plan Report.

Community Benefit Type

Language Assistant Services.....	\$133,361
Government Sponsored Indigent Health Care.....	\$34,203,246
Donations.....	\$2,207,370
Volunteer Services	
a) Employee Volunteer Services.....	\$ 21,094
b) Non-Employee Volunteer Services.....	\$530,030
c) Total (add lines a and b).....	\$551,124
Education.....	\$ 3,886,202
Government-sponsored program services.....	0
Research.....	\$2,544,618
Subsidized health services.....	\$4,494,831
Bad debts.....	\$4,578,036
Other community benefits.....	\$567,942

See attached Schedule 4-1

**Carle Foundation Hospital
Community Benefit Report FY 08**

**Attachment D-1
Introduction to Schedule 4-1**

Carle Foundation Hospital uses the Community Benefit Inventory for Social Accountability (CBISA) software and guidelines for determining inclusions. Originally created collaboratively by the Catholic Hospital Association of the United States of America and VHA Inc. to track their mission activities, these standardized reporting categories, definitions, and guidelines are now universally accepted in the not-for-profit hospital arena.

Additional community benefits reported are in CBISA categories F and G. Category F documents Community Building Activities and Category G includes Community Benefit Operations.

Attachment D-1
 Schedule 4-1
 Carle Foundation Hospital
 Selected Categories - Detail
 For period from 7/1/2007 through 6/30/2008

<u>Category</u>	<u>Benefit</u>
Community Building Activities (F)	
Physical Improvements/Housing (F1)	
Affordable Housing	36,536
City Tree Pruning	3,000
Engineering Work on City Walkways/Streets	31,071
Neighborhood Landscaping/Yardwork	37,104
Neighborhood Lighting	36,858
Neighborhood Snow Removal	7,000
Transitional House	14,398
*** Physical Improvements/Housing	165,967
Community Support (F3)	
Business/Education Partnerships	4,500
Disaster Readiness	470
*** Community Support	4,970
Environmental Improvements (F4)	
Waste Reduction Efforts	159,640
*** Environmental Improvements	159,640
Coalition Building (F6)	
HelpSource	121
Neighborhood Meetings	81
Representation on Community Coalitions	5,329
YMCA Partnership	1,706
*** Coalition Building	7,237
Community Health Improvement Advocacy (F7)	
Advocacy for Access to Healthcare	6,755
Champaign County Healthcare Consumers	3,765
*** Community Health Improvement Advocacy	10,520
Workforce Development (F8)	
Adult Immunizations	

		50,394
	Community Workforce Building	
		95,483
	Health Career Programs	
		889
	*** Workforce Development	146,766
	**** Community Building Activities	495,100
	Dedicated Staff (G1)	
	Dedicated Staff	
		52,200
	*** Dedicated Staff	52,200
	Community Health Needs Assessment	
		4,386
	*** Community Needs/Health Assets Assessment	4,386
	Other Resources (G3)	
	Costs Associated with the Development of a CB Plan	
		11,617
	Salvation Army Toy Drive	
		4,639
	*** Other Resources	16,256
	**** Community Benefit Operations	72,842
	Number of Activities 24	
	Grand Total	567,942