

ORIGINAL

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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

FEB 27 2013

This Section must be completed for all projects.

Facility/Project Identification

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Facility Name:	Presence Saint Joseph Hospital-Chicago		
Street Address:	2900 North Lake Shore Drive		
City and Zip Code:	Chicago, IL 60657		
County:	Cook	Health Service Area	VI Health Planning Area: A-01

Applicant /Co-Applicant Identification

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

Exact Legal Name:	Presence Saint Joseph Hospital-Chicago
Address:	2900 North Lake Shore Drive Chicago, IL 60657
Name of Registered Agent:	
Name of Chief Executive Officer:	Roberta Luskin-Hawk, MD
CEO Address:	2900 North Lake Shore Drive Chicago, IL 60657
Telephone Number:	773/665-3972

Type of Ownership of Applicant/Co-Applicant

- | | |
|--|---|
| ☒ Non-profit Corporation | ☐ Partnership |
| ☐ For-profit Corporation | ☐ Governmental |
| ☐ Limited Liability Company | ☐ Sole Proprietorship ☐ Other |
- Corporations and limited liability companies must provide an Illinois certificate of good standing.
 - 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.

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

Primary Contact

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

Name:	Roberta Luskin-Hawk, MD
Title:	CEO
Company Name:	Presence Saint Joseph Hospital-Chicago
Address:	2900 North Lake Shore Drive Chicago, IL 60657
Telephone Number:	773-665-3972
E-mail Address:	Rluskin-hawk@presencehealth.org
Fax Number:	773/665-3861

Additional Contact

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

Name:	
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

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

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Presence Saint Joseph Hospital-Chicago		
Street Address:	2900 North Lake Shore Drive		
City and Zip Code:	Chicago, IL 60657		
County:	Cook	Health Service Area	VI Health Planning Area: A-01

Applicant /Co-Applicant Identification

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

Exact Legal Name:	Presence Health Network
Address:	7435 West Talcott Avenue Chicago, IL 60631
Name of Registered Agent:	Ms. Sandra Bruce
Name of Chief Executive Officer:	Ms. Sandra Bruce
CEO Address:	7435 West Talcott Avenue Chicago, IL 60631
Telephone Number:	773/792-5555

Type of Ownership of Applicant/Co-Applicant

☒ Non-profit Corporation	☐ Partnership
☐ For-profit Corporation	☐ Governmental
☐ Limited Liability Company	☐ Sole Proprietorship ☐ 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.	

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

Primary Contact

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

Name:	Roberta Luskin-Hawk, MD
Title:	CEO
Company Name:	Presence Saint Joseph Hospital-Chicago
Address:	2900 North Lake Shore Drive Chicago, IL 60657
Telephone Number:	773-665-3972
E-mail Address:	Rluskin-hawk@presencehealth.org
Fax Number:	773/665-3861

Additional Contact please see following page

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

Name:	
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

Additional Contact

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

Name:	Ms. Nicolette Curth
Title:	Planning & Business Development
Company Name:	Presence Health Network
Address:	7435 West Talbott Avenue Chicago, IL 60631
Telephone Number:	773/594-8553
E-mail Address:	ncurth@rpresencehealth.org
Fax Number:	

Additional Contact

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

Name:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court Suite 210 Palatine, IL 60067
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	

Additional Contact

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

Name:	Clare Connor Ranalli
Title:	Partner
Company Name:	McDermott Will & Emery
Address:	227 West Monroe Street Chicago, IL 60606
Telephone Number:	312/984-3365
E-mail Address:	cranalli@mwe.com
Fax Number:	

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960]

Name:	Roberta Luskin-Hawk, MD
Title:	CEO
Company Name:	Presence Saint Joseph Hospital-Chicago
Address:	2900 North Lake Shore Drive Chicago, IL 60657
Telephone Number:	773-665-3972
E-mail Address:	Rluskin-hawk@presencehealth.org
Fax Number:	773/665-3861

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Presence Saint Joseph Hospital-Chicago
Address of Site Owner:	2900 North Lake Shore Drive Chicago, IL
Street Address or Legal Description of Site:	2900 North Lake Shore Drive Chicago, IL
Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.	
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:		Presence Saint Joseph Hospital-Chicago	
Address:		2900 North Lake Shore Drive Chicago, IL	
☒	Non-profit Corporation	☐	Partnership
☐	For-profit Corporation	☐	Governmental
☐	Limited Liability Company	☐	Sole Proprietorship
		☐	Other
- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. - 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. - Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.			
APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity 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-4, 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.hfsrb.illinois.gov>).

APPEND DOCUMENTATION AS **ATTACHMENT -5**, 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-6**, 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:	Part 1120 Applicability or Classification: [Check one only.]
☐ Substantive	☐ Part 1120 Not Applicable
☒ Non-substantive	☐ Category A Project
	☒ Category B Project
	☐ DHS or DVA Project

2. 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.

The proposed project involves both the construction of a new building adjacent and connected by a bridge to Saint Joseph Hospital, and the renovation of selected areas within the existing hospital structure. The project does not propose either the addition or discontinuation of any beds or IDPH-designated categories of service.

The new building will be nine stories tall. The first floor will include oncology services, retail space, and public space. The second through fourth floors will provide parking. The fifth and sixth floors will provide a variety of hospital-operated outpatient services, including surgery, a GI lab, imaging, pre-admission testing and a musculoskeletal institute.

The renovated space in the hospital will include a variety of clinical and non-clinical areas, including surgery/recovery, imaging, inpatient physical therapy and the hospital's stroke program, on-call rooms and administrative areas. The renovation will not commence until the services to be located in the new building are re-located, and space is vacated.

This is a non-substantive project because it does not involve the establishment, relocation, or discontinuation of a licensed health care facility or the establishment or discontinuation of an IDPH-designated category of service.

LETTER OF INTENT

THIS LETTER OF INTENT ("LOI") is made and executed as of February 25, 2013 between HAMMES COMPANY HEALTHCARE REAL ESTATE SERVICES, LLC, a Wisconsin limited liability company ("Hammes"), and PRESENCE HEALTH NETWORK, an Illinois not-for-profit corporation ("Presence"). Presence and Hammes are sometimes individually referred to herein as a "Party" or together referred to as "Parties."

PRELIMINARY STATEMENTS

Purpose:

It is the intent of Presence, directly or through its designated affiliates, to formally engage Hammes and its affiliated service entities to develop, lease, finance, manage, and own a proposed ambulatory services, medical office and parking facility (the "Building") to be located on the Presence Saint Joseph Hospital Chicago (the "Hospital") campus in Chicago, Illinois (the "Hospital Campus").

This LOI is intended to present certain objectives and understandings of the parties, and serve as an outline of the project's economic and business terms that will be finalized during the lease documentation process.

The terms and conditions set forth herein are subject to further mutual negotiation and agreement, and except as expressly set forth herein, are not binding upon either party unless and until embodied in final and legally binding mutually acceptable agreement(s) signed by both Parties.

PROJECT OVERVIEW

Project:

The project (collectively, the "Project") will consist of the development, design, regulatory approvals, financing and construction and approved occupancy of the Building and related site improvements on a 1.574 acre parcel of land, owned by Presence, located directly west of the Hospital on the southeast corner of North Sheridan Road and West Surf Street, as generally depicted on the Site Plan attached hereto as Exhibit A (the "Site"). The medical office portion of the Building ("MOB Space") will be developed on the seventh through ninth floors and will comprise approximately 75,000 useable square feet/87,000 rentable square feet. The ambulatory care center portion of the Building ("ACC Space") will be developed on the first, fifth, and sixth floors and will comprise approximately 98,000 useable square feet/114,000 rentable square feet. The parking garage ("Garage") portion of the Building will be developed on floors two through four and will consist of approximately 350 stalls. A preliminary development budget ("Development Budget") setting forth the projected costs for the Project (the "Project Costs") is attached to and made a part of this LOI as Exhibit B.

Ownership:

Presence will enter into a ground lease agreement (the "Ground Lease Agreement") with a special purpose entity (the "Owner") to be formed by Hammes, and the sole purpose of Owner will be to develop, lease, finance, manage and own the Building. Hammes will present sufficient evidence of

financing to complete construction of the Building, including all tenant improvements, prior to starting construction of the Building.

Ground Lease Agreement:

Presence will lease to Owner certain property within the Site (in a location acceptable to Presence) required for the footprint of the Building plus an additional five (5) feet around the perimeter thereof (the "**Ground Leased Premises**") under a 55-year Ground Lease Agreement with two (2) 10-year extension options. The annual rent for the 55-year term of the Ground Lease Agreement shall be mutually agreed upon amount based on the fair market value of the land as determined by an independent appraisal multiplied by a rate of return to Presence of six percent (6%). This rent will be re-calculated every ten years based on the same process. The value of the land shall be based upon the planned use of the Ground Leased Premises as the location for the medical office building, ambulatory care center and parking garage of similar square footage, uses and tenant composition as that intended for the Project, and at rental rates consistent with prevailing rental rates for comparable medical office, ambulatory medical care and parking space in the geographic market within which the Project will compete. The ground rent will be an additional pass-through expense to the tenants who occupy the Project. Presence acknowledges that current projections indicate that the annual ground rent payment would be \$250,000. Owner will commence payment of ground rent upon issuance of a certificate of occupancy for the Building shell and core and upon commencement of the Presence ACC Lease (as defined below). The Ground Lease Agreement will contain a mutually acceptable outside date for substantial completion of the Project and will provide Presence with a reasonable right of access to inspect the progress of construction of the Project and compliance with the plans and specifications for the Project. In addition, the Ground Lease Agreement will provide for the payment of Project Costs through a customary construction escrow to be established with a title company.

Parking:

Parking for the Building's occupants will consist of approximately 350 stalls located within floors two through four of the Building. Presence agrees to provide (a) physician tenants in the MOB Project with adequate parking in the Garage and (b) occupants and invitees of the Building access and the right to use the parking areas on the rest of the Hospital Campus on a non-exclusive basis.

GENERAL BUSINESS TERMS

Physician Tenants:

It is anticipated that Owner will enter into ten-year triple net ("NNN") leases with third-party qualified physician tenants of the MOB Space at a NNN lease rate of \$22.89 per rentable square foot, an estimated full-service gross equivalent rental rate of \$39.00 per rentable square foot with a \$75.00 per useable square foot tenant improvement allowance, which rates have been determined to be commercially reasonable. A side letter agreement to the Ground Lease Agreement will set forth certain leasing parameters ("**Leasing Parameters**") (rental rates, tenant improvements and other economic terms to be agreed upon) and will provide that the Owner will market and offer the MOB Space to physicians in accordance with such Leasing Parameters until one year after substantial completion of the Project. During such time period, Owner shall not materially modify the Leasing Parameters without Presence's consent, not to be unreasonably withheld. Presence acknowledges that, notwithstanding

such Leasing Parameters, Owner may enter into leases of the MOB Space on such terms and conditions as may ultimately be agreed upon by the Owner and such physician tenants. The lease agreements with physician tenants will contain the Use Restrictions and an obligation to comply with the ERDs, as further defined and described in the Physician Tenant Qualification section below. In addition, the lease agreements will identify the elements of the construction that constitute the Building shell and core and the elements of construction that will constitute tenant improvements. Owner shall have the flexibility to negotiate the terms of the lease agreements to meet the tenants' specific needs; provided, however, if Owner desires to enter into any lease for the MOB Space that contains a NNN lease rate in excess of \$22.89 per rentable square foot for a term of 10 years with an improvement allowance of \$75.00 per usable square foot tenant that will commence upon issuance of the Building's certificate of occupancy, Owner shall first obtain Presence' prior written approval, after submission to Presence of an explanation for the change in rental terms, from a commercially reasonable perspective. Presence will not provide any economic support for the MOB Space including, among other things, unconstructed, vacant or below market rates on any MOB Space and all leases and the term thereof shall be negotiated directly between Owner and physician tenants. Tenants will be responsible for maintaining and repairing the interior of their suite, including all fixtures and equipment located in the suite, in a clean, safe, and sanitary condition and in good condition and repair and will be responsible for their proportionate share of operating expenses in the Project including common area maintenance, property taxes, utilities, insurance and ground rent. Owner (Landlord) will be responsible for maintaining the common areas, the roof, structure, and exterior of the building in a clean, safe, and sanitary condition and in good condition and repair in a "first class" manner. The lease will provide customary and reasonable rights and remedies for the parties' failure to perform their obligations, which shall include notice and a reasonable opportunity to cure such failures.

**Physician Tenant
Qualifications:**

At the time MOB Space leases are entered into and throughout the terms of such leases, physician tenants will be required to (i) maintain Medical Staff membership in good standing with appropriate clinical privileges at Presence Saint Joseph Hospital-Chicago (or any successor hospital operated adjacent to the Project) for so long as Presence (or any successor thereto by merger, consolidation, sale or other form of business combination) owns and operates Presence Saint Joseph Hospital-Chicago or such successor hospital) and (ii) have an unrestricted and unlimited license to practice medicine in the state of Illinois.

In addition, Hammes acknowledges the legitimate concerns of Presence with respect to the potential for physician tenants in the Building to provide ancillary services which compete on a commercial basis and/or duplicate services with those provided by Presence at the Hospital Campus. Accordingly, each physician tenant lease will contain restrictions mutually agreeable to Presence and Owner related to the services that may be offered by a physician tenant in the leased space ("Use Restrictions"). However, physician tenants shall be permitted to offer services and have medical diagnostic and/or treatment equipment that are usual and customary for the community and the practice of their specialty, provided such services are offered only to patients of the physician tenant's practice and to no other third parties.

Each physician tenant will also be required to abide by the Ethical and Religious Directives for Catholic Health Care Services, as promulgated from time to time by the Archbishop of Chicago ("ERDs").

The MOB Space leases will provide that if a physician tenant should at any time (a) fail to maintain Medical Staff membership in good standing with appropriate clinical privileges at Presence Saint Joseph Hospital-Chicago, (b) lose its unrestricted and unlimited license to practice medicine in the State of Illinois, (c) violate the Use Restrictions, or (d) fail to abide by the ERDs, such physician tenant will be in default under its lease, Presence will have the right to terminate such lease or require Hammes to terminate such lease.

Presence ACC Space Lease:

Owner and Presence will enter into a twenty-year lease for the ACC Space (the "Presence ACC Lease") with a tenant improvement allowance (the "Base TI Allowance") of \$75.00 per useable square foot. The Presence ACC Lease will delineate construction that is included in the shell and core and those items that are part of the Tenant Improvements. The Base TI Allowance may be used for programming, design, construction, low voltage systems, furniture and equipment. All Tenant Improvements will be constructed and installed by Owner in accordance with plans approved by Presence. The lease would escalate annually by the change in the consumer price index not to exceed 3% per year. Based on the Development Budget, the estimated first year annual triple net ("NNN") lease rate is approximately \$4,183,000 (approximately \$36.78 per rentable square foot). This lease rate is currently based upon a rental constant of 7.79% but will adjust as further described below. Presence will be responsible for its pro-rata share of operating expenses in the Project, including common area maintenance, property taxes, utilities, insurance and ground rent. Owner will separately meter the ACC Space for utility usage. The lease will provide among other things, (i) Presence rights to audit operating expenses; (ii) a continuing right of first offer on any portion of the MOB Space that becomes available for leasing after the initial leasing of such portion of the MOB Space; and (iii) two (2), 10-year year extension options at a lease rate equal to 95% of the fair market rental rate (to be determined by an appraisal process).

In addition to the Base TI Allowance, Hammes will provide Presence with an additional tenant allowance (the "TI Overage Allowance") for the ACC Space build-out costs in excess of the Base TI Allowance. The current estimate of the TI Overage Allowance is \$20,152,000, consisting of \$18,882,000 in hard construction costs and \$1,270,000 soft costs (which include design and financing costs). The Definitive Agreements (as defined below) shall set forth the timing and methodology for determining: (a) the total amount of the TI Overage Allowance, including a list of the items to be paid from the TI Overage Allowance; (b) the additional rent payable under the Presence ACC Lease on account of such TI Overage Allowance; and (c) the commencement date for payment of the additional rent attributable to the TI Overage Allowance.

Payment of base rent under the Presence ACC Lease shall commence upon the earlier of: (1) the date that is one hundred twenty (120) days after the date of issuance of the certificate of occupancy for the ACC Space or (2) the date that Presence obtains its licensure to operate the ACC Space.

At execution, the Presence ACC Lease will contain the final base rental rate for the first year of the Presence ACC Lease term, which will be determined in accordance with the provisions of the Final Rental Rate Derivation section below.

Presence Garage Lease:

Owner and Presence will enter into a twenty-year lease for the Garage (the "Presence Garage Lease"). Based on the current Development Budget, the estimated first year annual triple net ("NNN") base rental rate is approximately \$1,545,000. The foregoing base rental rate is currently based upon a rental constant of 7.79% but will adjust as further described below. The base rental rate will escalate annually by the change in the consumer price index not to exceed 3.0%. Presence will have two (2), ten-year extension options at a base rental rate equal to the greater of: (1) 95% of the fair market rental rate (to be determined by appraisal, assuming full market parking rates for comparable medical office project based on similar parking garages for medical office projects in the area), or (2) the first year annual NNN base rental rate. The allocation of operating expenses that will be passed through to the Garage will be determined during negotiation of the Definitive Agreements (as hereinafter defined) but conceptually, Presence will pay all expenses directly associated with the Garage as well as its proportionate share of operating expenses allocable to the entire Project. The payment of rent under the Presence Garage Lease will commence on the date of issuance of the certificate of occupancy for the Garage.

At execution, the Presence Garage Lease will contain the final base rental rate for the first year of the Presence Garage Lease term, which will be determined in accordance with the provisions of the Final Rental Rate Derivation section below.

Under the Presence Garage Lease, Presence will have the option to determine the rates it desires to charge for any parking for sub-tenants, patients and other visitors to park in the Garage and will be entitled to keep all revenue it earns. Presence will be responsible for management and all costs incurred in the operation of the Garage under the Presence Garage Lease.

Final Rental Rate Derivation:

The annual NNN base rental rates for the first years of the Presence ACC Lease and the Presence Garage Lease shall be determined by multiplying a rental constant by the Project Costs for the ACC Space and the Garage, respectively. The rental constant will be determined utilizing the formula shown in Exhibit C. For purposes of determining the annual NNN base rental rates for the first years of the Presence ACC Lease and the Presence Garage Lease, the blended rental constant for the Project (ACC Space, MOB Space and Garage) will be fixed at 7.91% and the annual NNN base rental rate for the MOB Space will be fixed at \$22.89 per rentable square foot. The annual NNN base rental rates for the first years of the MOB space leases that will commence on issuance of the certificate of occupancy for the MOB Space will be fixed at \$22.89 per rentable square foot.

The final annual NNN base rental rates for the first years of the Presence ACC Lease and the Presence Garage Lease shall be determined by Presence and Hammes promptly after Hammes has submitted to, and Presence has approved, a final construction contract for the construction of the Project and a final Development Budget for Project. Based on such construction contract, the final Development Budget and the rental constants for the Presence ACC Lease and the Presence Garage Lease, the annual NNN base rental rates for the ACC Space and the Garage may increase or decrease, as illustrated on Exhibit C attached hereto and made a part hereof. Upon determination of the final NNN base rental rates for the first years of the Presence ACC Lease and the Presence Garage Lease, such rental rates will be incorporated into the Definitive Agreements and will not increase or decrease; provided however, the foregoing shall not apply to the TI Overage amount and the repayment terms for the TI Overage amount that may be determined after the final NNN base rental rate for the first year of the Presence ACC Lease has been determined).

**Equity Investment
Option:**

Hammes acknowledges that, as of the date hereof, Presence has expended approximately \$3,719,000 in connection with the design and development of the ACC Space and the MOB Space, and approximately \$1,008,000 in connection with the design and development of the Garage (together with any additional sums expended by Presence and reasonably approved by Hammes, in connection with the design and development of the Project, the "**Presence Project Expenditures**"). The Presence Project Expenditures shall be treated as Project Costs and shall be paid by Hammes to Presence upon opening of the construction loan for the Project. However, Presence shall have the option to convert some or all of the Presence Project Expenditures into an equity ownership position in the Owner on the terms offered to other investors and to be set forth in the Definitive Agreements.

**THIS LETTER OF INTENT DOES NOT CONSTITUTE AN OFFER OF
SALE OR A SOLICITATION FOR OFFERS TO PURCHASE
INVESTOR MEMBER UNITS.**

Purchase Option:

Presence will have the option to purchase (the "**Purchase Option**") one hundred percent (100%) of Owner's right, title and interest in the Ground Lease Agreement including Owner's interest in the Building (the "**Ground Lease Interest**") on the following terms and during the following timeframes:

- Starting at the end of the fifth (5th) year after substantial completion of the Project and at the end of every five (5) years thereafter, Presence will have the right to purchase the Ground Lease Interest at fair market value as determined by appraisal subject to a Purchase Price Floor (as hereinafter defined). The "Purchase Price" Floor for each of the MOB Space, the ACC Space and the Garage shall mean an amount equal to such component's net operating income ("NOI") divided by a capitalization rate of seven and 50/100ths percent (7.50%). NOI will be determined using (i) the greater of ninety-five percent (95%) or actual occupancy of the applicable component of the Project, (ii) the actual rental rates for space that is subject to leases (excluding any rent payable on account of the TI Overage Allowance) and (iii) the fair market rental rates for unleased space. An example of the calculation of the "Purchase Price Floor" for the entire Project and each component

of the Project is attached hereto as Exhibit D. Presence will provide Owner not less than a ninety (90) day notice of its intent to purchase.

- The appraisal process will be conducted as follows: Presence will order an appraisal of the Ground Lease Interest. If Owner disagrees with the resulting appraised value, Owner can order another appraisal. If the two values are within 5% of one another, the purchase price will be the average of the two appraisals. If the values are more than 5% apart, the two initial appraisers will select a third appraiser, who will then pick which of the first two appraisals is closest to that third appraiser's opinion of value.
- Under the Purchase Option, Presence shall pay all closing costs related to the exercise the Purchase Option and the consummation of the transaction, including any prepayment premiums, yield maintenance charges, loan assumption fees and other charges and costs that Owner may be required to pay in connection with the prepayment or assumption of any permanent lending facility on Project. To the extent the existing loan is assumable, Owner shall in good-faith cooperate with Presence to effect such assumption.
- In order to permit Presence to exercise the Purchase Option, Owner will not finance the Project with any loan that is either not assumable or not able to be prepaid in the year of the Purchase Option. If Owner elects to finance the Project, Owner will exercise commercially reasonable efforts to provide for partial releases of the MOB Space, the ACC Space and the Garage, as applicable, for a release price not to exceed the purchase price payable for the applicable component of the Project. If Owner, after exercising such commercially reasonable efforts, is unable to obtain a loan with partial release prices, Presence shall continue to have the Purchase Option with respect to the entire Project.

If the Project has been subdivided or converted to a condominium with separate ownership units, subject to any limitations with respect to partial releases under any loan, Owner will permit Presence to exercise its Purchase Option to purchase: (a) the entire Project, consisting of the ACC Space, the Garage, the MOB Space and all related improvements; (b) the ACC Space and the Garage; (c) the ACC Space only; or (d) the Garage only. The Purchase Price Floor would be adjusted accordingly for the specific ownership unit to be purchased (i.e. if Presence elects to purchase the ACC Space only, the Purchase Price Floor would be under the same formula but on the allocable space only).

**Right of First Offer
To Purchase:**

Presence shall have a Right of First Offer ("ROFO") to purchase the Ground Lease Interest if Hammes desires to sell, directly or indirectly, the Ground Lease Interest at any time during the term of the Ground Lease. If Hammes desires to sell, directly or indirectly, the Ground Lease Interest, it will notify Presence of its intent to sell and the offer price Hammes will take to the market (the "Offer"). Presence will have 60 days to accept the Offer. If Presence declines to accept the Offer, Hammes shall have 12 months thereafter to market and close the sale of the Ground Lease Interest to a third party on substantially the same terms set forth in the Offer and at a price not less than 101.25% of the price stated in the Offer.

Presence shall have a Right of First Refusal ("ROFR") to purchase the Ground Lease Interest if Hammes were to receive an unsolicited offer to purchase the Ground Lease Interest which Hammes intends to accept. In that event, Presence will have 90 days to decide whether to match the offered terms.

The terms of any sale to any third party shall require that such third party purchaser assume the Ground Lease and comply with all terms and conditions thereof, including the Ethical and Religious Directives, unless other terms are agreed to by Presence and such third party purchaser in writing. Further, any sale of the Project to a competitor of Presence will be prohibited.

Property Management:

The Building (other than the Garage) shall be managed by a property manager (a "Property Manager") that is an affiliate of Owner or if not affiliate, is otherwise approved by Presence. Owner shall promptly terminate the Property Manager (i) if the Property Manager becomes a competitor of Presence or an affiliate of a competitor of Presence or begins to have a significant and material business relationship with a competitor of Presence, or (ii) if Presence has reasonable cause to remove the Property Manager, after receiving written notice thereof from Presence (which such notice shall describe in reasonable detail the reasons therefor) and providing the Property Manager a reasonable opportunity to cure, the Property Manager fails to effect such cure. Property Manager shall not be a competitor of Presence or an affiliate of a competitor of Presence, or have a significant business relationship with a competitor of Presence.

Physician Investment:

Hammes will provide physicians who are accredited investors under the applicable SEC rules and who have executed a space lease by December 31, 2013, the opportunity to invest in Owner on an equal basis with other third party investors. **THIS LETTER OF INTENT DOES NOT CONSTITUTE AN OFFER OF SALE OR A SOLICITATION FOR OFFERS TO PURCHASE INVESTOR MEMBER UNITS.**

**Condominium/Vertical
Subdivision:**

Prior to commencement of construction or as soon as possible thereafter, Owner and Presence will work to subdivide the ownership of the Building into separate ownership units consisting of the ACC Space, the Garage and the MOB Space by means of a condominium or other form of vertical subdivision. The costs of any subdivision will be included in the Project's Development Budget.

**Non-Competition
Radius Restriction:**

During the first five (5) years of the term of the Ground Lease Agreement, neither Hammes nor any affiliate of Hammes shall lease, own or develop a medical office building within three (3) miles of the Hospital Campus.

Lockout Period:

Hammes shall not directly or indirectly sell or otherwise dispose of its Ground Lease Interest prior to the 5th anniversary of the date of substantial completion of the Project.

Confidentiality:

Each Party agrees that it shall (a) maintain any proprietary information, proposals, or trade secrets ("**Confidential Information**") received from or prepared on behalf of the other Party in confidence, (b) exercise at least the same degree of care to safeguard the Confidential Information as it does to its own confidential information, (c) not disclose the Confidential Information to any third party (other than the Party's Representatives (defined below)), and (d) use the Confidential Information only to exercise its rights and fulfill its obligations under this Agreement; provided, however, that neither Party shall have any obligation with respect to information that (i) is public or becomes known to the public through no breach of the receiving Party, (ii) is independently developed by the receiving Party unrelated to this Agreement, (iii) is known to the receiving Party without any confidentiality restriction prior to its receipt from the other Party, and/or (iv) is rightfully received from a third party who is not under any confidentiality obligation with respect to the information and/or not commissioned for the Project. The Parties may disclose Confidential Information to those of the receiving Party's employees, attorneys, consultants, advisors and accountants who need to know such Confidential Information for the purpose of evaluating, negotiating or bringing about the Project (collectively, "**Representatives**") provided that any such disclosure is made subject to the terms of this paragraph. In addition, the Parties may disclose Confidential Information if so required by law (including a court order or subpoena), provided that the non-disclosing Party may require the disclosing Party to request the appropriate court or government body to seal the record that contains such Confidential Information. Each Party shall notify the other Party promptly and prior to any disclosure of any requirement that it disclose the other Party's Confidential Information, by operation of law, regulation or other legal process and shall cooperate fully to protect the Confidential Information. The obligations of the Parties under this paragraph shall survive the termination of this LOI.

General Terms & Conditions**Conditions**

The obligations of the Parties in connection with the Project will be subject to: (i) the receipt by the parties of all governmental approvals, permits and licenses necessary to have been received prior to commencement of the development and construction of the Project, including approval of the Illinois Health Facilities and Services Review Board; (ii) Hammes providing Presence with satisfactory evidence of debt and equity funding sufficient to complete the Project; (iii) Hammes shall have provided to Presence, and Presence shall have approved, a final Development Budget for the Project; (iv) Owner shall have entered into a fixed price or guaranteed maximum price contract for the construction of the Project and the Tenant Improvements in a form approved by Presence and at an aggregate price not to exceed the amounts set forth in the final Development Budget; (v) the mutual execution of the Ground Lease Agreement, Presence ACC Lease, and Presence Garage Lease and other agreements (collectively, the "**Definitive Agreements**"); (vi) receipt of all required approvals of governance or membership bodies and of Roman Catholic Church authorities; and (vii) other conditions customary in private transactions of a similar nature and acceptable to

the parties. Presence' obligation to proceed with the development and construction of the Project will be subject to the approval of the Illinois Health Facilities and Services Review Board as well.

Good Faith

The Parties agree to cooperate and negotiate in good faith with the view toward signing the Definitive Agreements as contemplated herein, but each party reserves the right of final approval or disapproval of the Definitive Agreements, for any reason.

Nonbinding Effect

Although this LOI expresses the intentions of the Parties, the Parties acknowledge and agree that, except as provided in this paragraph, this LOI will not create any binding legal commitments between them and any such binding legal commitments will come into place only upon execution and delivery of the Definitive Agreements setting forth the full scope, rights and responsibilities of the Parties. Notwithstanding the foregoing, the Parties agree upon the execution of this LOI to be bound by the following paragraphs of this LOI (collectively, the "Surviving Provisions"): "Confidentiality", "Nonbinding Effect", "Governing Law" and "Assignment".

Governing Law

This LOI and all transactions contemplated hereby shall be governed by, and construed and enforced in accordance with, the laws of the State of Illinois without giving effect to its choice of law or conflict of law provisions. Venue and jurisdiction of any lawsuit or claim resulting from, arising out of or otherwise pertaining to this Agreement (each, a "Proceeding") shall exist exclusively in state and federal courts having situs in Cook County, Illinois, and each of the Parties irrevocably submits to the exclusive jurisdiction of each such court in any such Proceeding, waives any objection it may now or hereafter have to venue or the convenience of forum, agrees that all claims in respect of such Proceeding shall be heard and determined only in any such court, and agrees not to bring any Proceeding arising out of or relating to this LOI in any other court. This paragraph shall survive termination of this LOI.

Term

The term of this LOI will commence on the date of acceptance and execution by authorized representative of each Party and continue in full force and effect until the earlier of: (i) the date on which it is superseded by the Definitive Agreements; or (ii) the date of termination pursuant to the next sentence. This LOI may be terminated by either Party upon ten (10) days written notice or by the mutual agreement of the Parties at any time, with or without cause, without any obligation or liability, except for the obligations of the Parties under the Surviving Provisions of this LOI.

Assignment

No Party to this LOI may assign this LOI or its rights or responsibilities hereunder without the prior written approval of the other Party.

Presence and Hammes have Accepted and Approved this Letter of Intent:

Presence Health Network

By: *Sandra Bruce*
Name: Sandra Bruce
Title: President and CEO

Date: _____

**Hammes Company Healthcare Real Estate
Services, LLC**

By: *Joseph W. K. Burr*
Name: Joseph W. K. Burr
Title: VP
Date: 2/22/12

EXHIBIT A

SITE PLAN

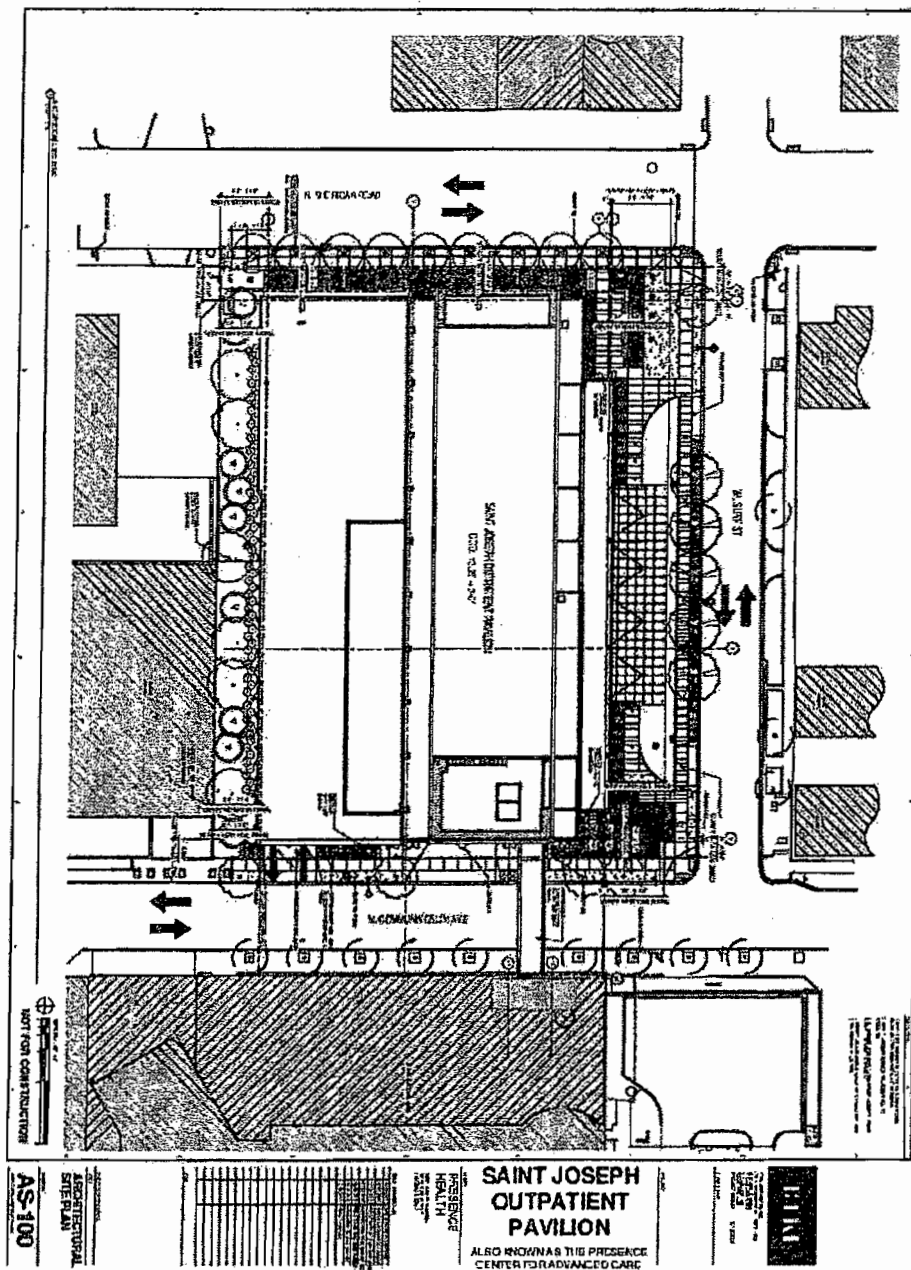


EXHIBIT B

DEVELOPMENT BUDGET

Project: Chicago for ADA-Compliant Core
 Permitted: 10/1/2010
 Chicago, IL

Development Budget

Financial Category

	2010			2011			2012			2013			2014			2015			2016			2017			2018			2019			2020			2021			2022			2023			2024			2025			2026			2027			2028			2029			2030			2031			2032			2033			2034			2035			2036			2037			2038			2039			2040			2041			2042			2043			2044			2045			2046			2047			2048			2049			2050			2051			2052			2053			2054			2055			2056			2057			2058			2059			2060			2061			2062			2063			2064			2065			2066			2067			2068			2069			2070			2071			2072			2073			2074			2075			2076			2077			2078			2079			2080			2081			2082			2083			2084			2085			2086			2087			2088			2089			2090			2091			2092			2093			2094			2095			2096			2097			2098			2099			2100			2101			2102			2103			2104			2105			2106			2107			2108			2109			2110			2111			2112			2113			2114			2115			2116			2117			2118			2119			2120			2121			2122			2123			2124			2125			2126			2127			2128			2129			2130			2131			2132			2133			2134			2135			2136			2137			2138			2139			2140			2141			2142			2143			2144			2145			2146			2147			2148			2149			2150			2151			2152			2153			2154			2155			2156			2157			2158			2159			2160			2161			2162			2163			2164			2165			2166			2167			2168			2169			2170			2171			2172			2173			2174			2175			2176			2177			2178			2179			2180			2181			2182			2183			2184			2185			2186			2187			2188			2189			2190			2191			2192			2193			2194			2195			2196			2197			2198			2199			2200			2201			2202			2203			2204			2205			2206			2207			2208			2209			2210			2211			2212			2213			2214			2215			2216			2217			2218			2219			2220			2221			2222			2223			2224			2225			2226			2227			2228			2229			2230			2231			2232			2233			2234			2235			2236			2237			2238			2239			2240			2241			2242			2243			2244			2245			2246			2247			2248			2249			2250			2251			2252			2253			2254			2255			2256			2257			2258			2259			2260			2261			2262			2263			2264			2265			2266			2267			2268			2269			2270			2271			2272			2273			2274			2275			2276			2277			2278			2279			2280			2281			2282			2283			2284			2285			2286			2287			2288			2289			2290			2291			2292			2293			2294			2295			2296			2297			2298			2299			2300			2301			2302			2303			2304			2305			2306			2307			2308			2309			2310			2311			2312			2313			2314			2315			2316			2317			2318			2319			2320			2321			2322			2323			2324			2325			2326			2327			2328			2329			2330			2331			2332			2333			2334			2335			2336			2337			2338			2339			2340			2341			2342			2343			2344			2345			2346			2347			2348			2349			2350			2351			2352			2353			2354			2355			2356
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EXHIBIT C

Example of determination of Presence's Rent for ACC and Garage Utilizing 1/29/13 Development Budget

Total Development Budget for ACC, Garage, & MOB	\$97,670,000	Excludes TI Overage
Rental Constant	7.91%	Fixed
Required Total NNN Rent	\$7,726,000	
Less: NNN Rent Provided by MOB	(\$1,999,000)	\$22.89 x 87,349 RSF
Required NNN Rent by ACC & Garage	\$5,727,000	
Total ACC & Garage Budgets	\$73,498,000	
Implied Rental Constant	7.79%	
ACC Development Budget	\$53,702,000	
Implied Presence Rental Constant	7.79%	From Above
Initial NNN Rent	\$4,183,000	
Garage Development Budget	\$19,834,000	
Implied Presence Rental Constant	7.79%	From Above
Initial NNN Rent	\$1,545,000	

EXHIBIT D
PURCHASE PRICE FLOOR

Presence Center for Advanced Care
Purchase Price Floor Exhibit

	ACC, Garage, MOB	MOB, Garage	ACC & Garage	ACC	Garage
Revenue					
ACC Lease					
Rentable Square Feet	113,721	-	113,721	113,721	-
NNN Rental Rate	\$ 96.79	\$ 96.79	\$ 96.79	\$ 96.79	\$ 96.79
NNN Rental Rate (year 6 with 2% Inflation)	\$ 40.62	\$ 40.62	\$ 40.62	\$ 40.62	\$ 40.62
NNN Rental Revenue - Presence Lease	\$ 4,619,347	\$ -	\$ 4,619,347	\$ 4,619,347	\$ -
Garage Lease					
NNN Rental Revenue - Presence Lease (year 6 with 2% Inflation)	\$ 1,702,000	\$ 1,702,000	\$ 1,702,000	\$ -	\$ 1,702,000
Medical Office Building Lease					
In-Place Revenue	\$1,954,609	\$1,954,609	-	-	-
Revenue Vacant Space					
Rentable Square Feet	10,000	10,000	-	-	-
Assumed Market Rent (YR 6)	\$ 25.27	\$ 25.27	-	-	-
Total Potential NNN Revenue on Vacant MOB Space	\$ 252,700	\$ 252,700	\$ -	\$ -	\$ -
Potential NNN Rental Revenue	\$ 2,207,309	\$ 2,207,309	\$ -	\$ -	\$ -
Total Potential NNN Rental Revenue	\$ 8,528,656	\$ 3,909,309	\$ 6,321,347	\$ 4,619,347	\$ 1,702,000
Year 6 Expense Reimbursements @17.80 (MOB/ACC only)	\$ 16.85	\$ 16.85	\$ 16.85	\$ 16.85	\$ 16.85
Subtotal	3,388,030	1,471,831	1,916,199	1,916,199	-
Total Gross Revenue	11,916,686	5,381,140	8,237,546	6,535,546	1,702,000
Expense					
Stabilized Vacancy Allowance (5% of Total Gross Rent)	\$ 595,834	\$ 269,057	\$ 411,877	\$ 326,777	\$ 85,100
Operating Expense and Ground Lease	3,388,030	1,471,831	1,916,199	1,916,199	-
Subtotal	3,983,864	1,740,888	2,328,076	2,242,976	85,100
Net Operating Income	7,932,822	3,640,252	5,909,470	4,292,570	1,616,900
Floor Capitalization Rate	7.50%	7.50%	7.50%	7.50%	7.50%
Floor Price	105,770,960	48,536,696	78,792,930	57,234,263	21,558,667
Original Development Cost	97,671,000	43,968,000	75,536,000	53,702,000	19,634,000

Notes

- (1) The escalated lease rates and operating expenses shown in the above analysis assume a 2% escalation for purposes of the exhibit. The actual lease rates and operating expenses would be utilized in derivation of the floor price.
- (2) The above assumes that the MOB is not fully occupied and as such, the revenue and expenses for the MOB need to be grossed up to assume a fully leased building.
- (3) The above assumes the actual occupancy rate is less than 95% and therefore a 5% vacancy rate has been assumed.

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 \$ not applicable.

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): November 30, 2016

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.

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

State Agency Submittals

Are the following submittals up to date as applicable:

- ☒ Cancer Registry
☒ APORS
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☒ All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

PROJECT COSTS and SOURCES OFFUNDS

		Clinical/ Reviewable	Non-Clinical/ Non-Reviewable	Total
Project Costs:				
Preplanning Costs		\$510,180	\$649,320	\$1,159,500
Site Survey and Soil Investigation		\$7,920	\$10,080	\$18,000
Site Preparation		\$37,400	\$47,600	\$85,000
Off Site Work				
New Construction Contracts		\$33,617,570	\$50,547,971	\$84,165,540
Modernization Contracts		\$8,638,803	\$ 2,457,141	\$11,095,944
Contingencies		\$2,660,178	\$3,385,682	\$6,045,860
Architectural/Engineering Fees		\$2,321,060	\$2,954,077	\$5,275,137
Consulting and Other Fees		\$1,404,240	\$1,787,214	\$3,191,454
Movable and Other Equipment		\$30,965,465	\$3,440,607	\$34,406,072
Bond Issuance Expense				
Net Interest Expense During Construction		\$4,210,635	\$5,358,990	\$9,569,625
Fair Mkt Value of Leased Space or Equip				
Other Costs to be Capitalized		\$855,360	\$1,088,640	\$1,944,000
Acquisition of Building or Other Property				
TOTAL COSTS		\$85,228,811	\$71,727,322	\$156,956,132
Sources of Funds				
Cash - Presence Health		\$ 40,000,000	\$ 5,356,132	\$ 45,356,132
Cash - Hammes		\$ 20,000,000	\$ 5,700,000	\$ 25,700,000
Mortgage - Hammes		\$ 25,228,811	\$ 60,671,190	\$ 85,900,000
Total Sources of Funds		\$85,228,811	\$71,727,322	\$156,956,132

Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. 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
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT-9, 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. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: Presence Saint Joseph Hospital-Chicago			CITY: Chicago		
REPORTING PERIOD DATES: From: January 1, 2011 to: December 31, 2011					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	219	7,119	31,892	none	219
Obstetrics	23	1,740	4,315	none	23
Pediatrics	11	176	561	none	11
Intensive Care	23	644	5,411	none	23
Comprehensive Physical Rehabilitation	23	324	3,555	none	23
Acute/Chronic Mental Illness	35	1,424	10,146	none	35
Neonatal Intensive Care*	15	93	1,389	none	15
General Long Term Care	26	698	5,977	none	26
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	375	12,218	63,246	none	375

*NICU opened July 1, 2011

CERTIFICATION

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

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

This Application for Permit is filed on the behalf of Presence Saint Joseph Hospital-Chicago * 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.

Jeannie C. Frey
SIGNATURE
Jeannie C. Frey
PRINTED NAME
Corporate Secretary
PRINTED TITLE

Sandra Bruce
SIGNATURE
Sandra Bruce, FACHE
PRINTED NAME
President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 25 day of February

Linda M. Noyola
Signature of Notary

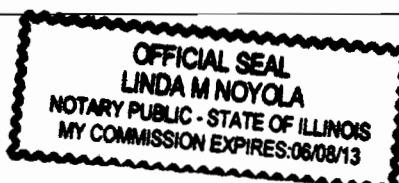
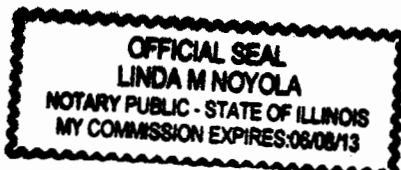
Seal

Notarization:
Subscribed and sworn to before me
this 25 day of February

Linda M. Noyola
Signature of Notary

Seal

*Insert EXACT legal name of the applicant



CERTIFICATION

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

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

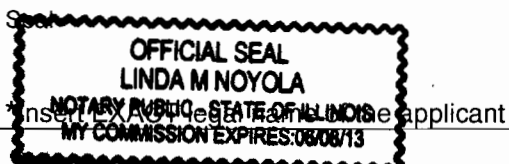
This Application for Permit is filed on the behalf of Presence Health Network *
in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the 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.

Jeannie C. Frey
SIGNATURE
Jeannie C. Frey
PRINTED NAME
Corporate Secretary
PRINTED TITLE

Sandra Bruce
SIGNATURE
Sandra Bruce, FACHE
PRINTED NAME
President and Chief Executive Officer
PRINTED TITLE

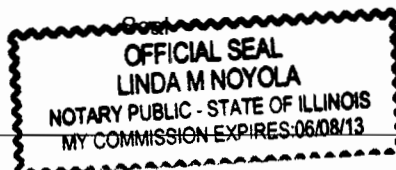
Notarization:
Subscribed and sworn to before me
this 25th day of February

Linda M. Noyola
Signature of Notary



Notarization:
Subscribed and sworn to before me
this 25th day of February

Linda M. Noyola
Signature of Notary



SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, 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 – Background, Purpose of the Project, 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, and certification 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-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

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 **as appropriate**.

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

NOTE: Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

- 1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** 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
 - D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, 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. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**
 - 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS **ATTACHMENT-13** IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative.**
2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:
 - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;
 - c. The project involves the conversion of existing space that results in excess square footage.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS ATTACHMENT-14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MET STANDARD?
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT-15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage of the proposed shell space;
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function;
3. Evidence that the shell space is being constructed due to
 - a. Requirements of governmental or certification agencies; or
 - b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
 - a. Historical utilization for the area for the latest five-year period for which data are available; and
 - b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT-16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT-17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

R. Criterion 1110.3030 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than Categories of Service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
X infusion therapy	14	20
X examination rooms	15	32
☐		

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
New Services or Facility or Equipment	(b) -	Need Determination - Establishment
Service Modernization	(c)(1) -	Deteriorated Facilities
		and/or
	(c)(2) -	Necessary Expansion
		PLUS
	(c)(3)(A) -	Utilization - Major Medical Equipment
		Or
	(c)(3)(B) -	Utilization - Service or Facility

APPEND DOCUMENTATION AS ATTACHMENT-37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

VIII. - 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

\$71,056,132	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
		1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
		2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
\$85,900,000	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:
		1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
		2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
		3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
		4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
		5) For any option to lease, a copy of the option, including all terms and conditions.
	e)	Governmental Appropriations – 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, a copy of a resolution or other action of the governmental unit attesting to this intent;
	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$156,956,132	TOTAL FUNDS AVAILABLE	

APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

IX. 1120.130 - Financial Viability

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver **not applicable, no debt to be incurred by applicants**

The applicant is not required to submit financial viability ratios if:

1. All of the projects capital expenditures are completely funded through internal sources
2. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
3. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

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.

2. Variance **not applicable, no debt to be incurred by applicants**

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) 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. Conditions of Debt Financing not applicable, no debt to be incurred by applicants

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

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									

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT -42, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XI. Safety Net Impact Statement

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS:

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.

A table in the following format must be provided as part of Attachment 43.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	2009	2010	2011
Inpatient	144	159	156
Outpatient	1,871	356	1,523
Total	2,015	1,515	1,679
Charity (cost in dollars)			
Inpatient	\$652,789	\$994,153	\$698,003
Outpatient	\$834,836	\$533,160	\$761,671
Total	\$1,487,625	\$1,527,313	\$1,459,674
MEDICAID			
Medicaid (# of patients)	2009	2010	2011
Inpatient	2,142	2,089	1,967
Outpatient	29,662	29,846	26,689
Total	31,804	31,935	28,656
Medicaid (revenue)			
Inpatient	\$19,290,122	\$19,106,026	\$19,478,148
Outpatient	\$1,963,278	\$1,271,104	\$1,788,078
Total	\$21,253,400	\$20,377,130	\$21,266,226

APPEND DOCUMENTATION AS ATTACHMENT-43, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information

Charity Care information **MUST** be furnished for **ALL** projects.

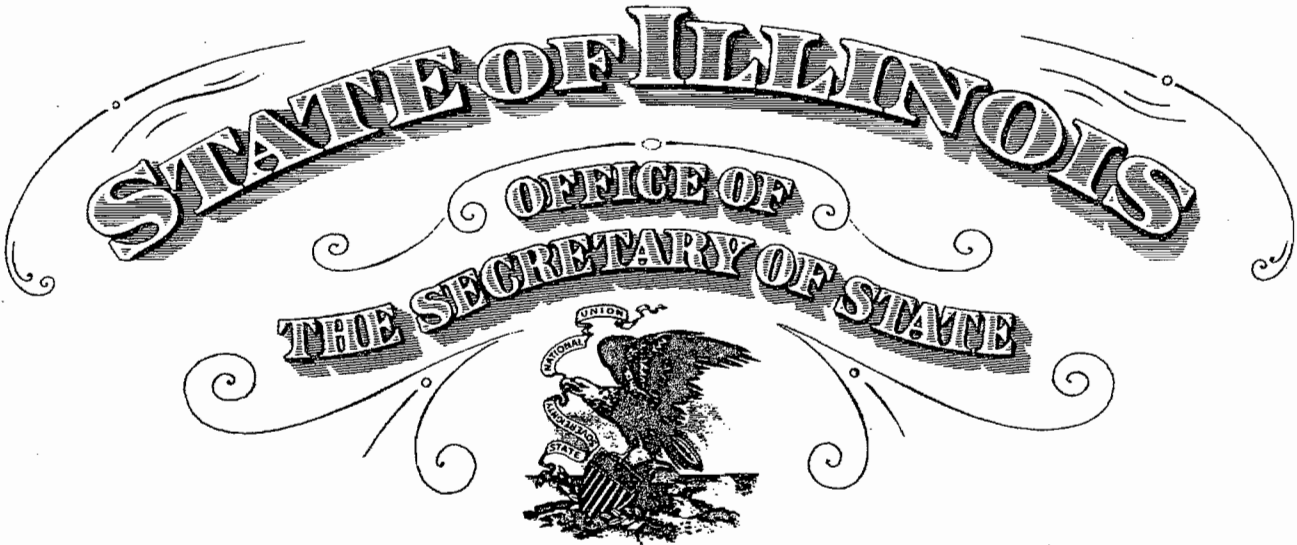
1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care **must** be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 44.

CHARITY CARE			
	2009	2010	2011
Net Patient Revenue	\$192,549,785	\$189,783,508	\$197,671,170
Amount of Charity Care (charges)	\$3,953,984	\$4,961,957	\$5,290,415
Cost of Charity Care	\$1,487,625	\$1,527,313	\$1,459,674

APPEND DOCUMENTATION AS **ATTACHMENT-44**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.



To all to whom these Presents Shall Come, Greeting:

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

PRESENCE HEALTH NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JANUARY 05, 1939, 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 21ST day of NOVEMBER A.D. 2012 .*

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

Authentication #: 1232600772

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

PRESENCE SAINT JOSEPH HOSPITAL - CHICAGO, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 14, 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 #: 1230602070

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 1ST
day of NOVEMBER A.D. 2012*

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

STATEMENT BY GRANTOR AND GRANTEE

The grantor or his agent affirms that, to the best of his knowledge, the name of the grantee shown on the deed or assignment of beneficial interest in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or other entity recognized as a person and authorized to do business or acquire title to real estate under the laws of the State of Illinois.

Dated November 17, 1997Signature: Sister James Marie Klein

SUBSCRIBED AND SWORN TO BEFORE
ME BY THE SAID _____
THIS 17th DAY OF November,
19 97.

My commission expires: 9/5/99

Notary Public Sister Vincetta Traffas
Sister Vincetta Traffas

08063871

The grantee or his agent affirms and verifies that the name of the grantee shown on the deed or assignment of beneficial interest in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or other entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois.

St. Francis Hospital of Evanston

Dated November 17, 1997Signature: Kevin D. Realy

President

SUBSCRIBED AND SWORN TO BEFORE
ME BY THE SAID _____
THIS 17th DAY OF November,
19 97.

My commission expires: 9/5/99

Notary Public Sister Vincetta Traffas
Sister Vincetta Traffas

Note: Any person who knowingly submits a false statement concerning the identity of a grantee shall be guilty of a Class C misdemeanor for the first offense and of a Class A misdemeanor for subsequent offenses.

[Attach to deed or ABI to be recorded in Cook County, Illinois, if exempt under provisions of Section 4 of the Illinois Real Estate Transfer Tax Act.]

CH12-20815.1

ATTACHMENT 2

0010616342

6172/0268 45 001 Page 1 of 6

2001-07-12 13:24:13

Cook County Recorder

31.00

SPECIAL WARRANTY DEED

(Illinois)

THIS INDENTURE, made effective
12:01 a.m. July 1, 2001, between
Catholic Health Partners Services,



(The Above Space for Recorder's Use Only)

7897469028

a not-for-profit corporation created and existing under and by virtue of the laws of the State of Illinois and duly authorized to transact business in the State of Illinois, party of the first part, and Saint Joseph Hospital, an Illinois not-for-profit corporation, 7435 West Talcott Avenue, Chicago, Illinois, party of the second part, WITNESSETH, that the party of the first part, for and in consideration of the sum of Ten and no/100 (\$10.00) Dollars and other good and valuable consideration in hand paid by the party of the second part, the receipt whereof is hereby acknowledged, and pursuant to authority of the Board of Directors of said corporation, by these presents does REMISE, RELEASE, ALIEN AND CONVEY unto the party of the second part, and to its successors and assigns, FOREVER, all the following described real estate, situated in the County of Cook and State of Illinois known and described as follows, to wit:

SEE EXHIBIT A ATTACHED HERETO AND BY THIS REFERENCE
MADE A PART HEREOF

Permanent Real Estate Index Number(s): See attached Exhibit A

Address(es) of Real Estate: See attached Exhibit A

Together with all and singular the hereditaments and appurtenances thereunto belonging, or in any ways appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and all the estate, right, title, interest, claim or demand whatsoever, of the party of the first part, either in law or equity, of, in and to the above described premises, with the hereditaments and appurtenances: TO HAVE AND TO HOLD the said premises as above described, with the appurtenances, unto the party of the second part, its successors and assigns forever.

And the party of the first part, for itself, and its successors, does covenant, promise and agree, to and with the party of the second part, its successors and assigns, that it has not done or suffered to be done, anything whereby the said premises hereby granted are, or may be, in any manner incumbered or charged, except as herein recited; and that the said premises, against all persons lawfully claiming, or to claim the same, by, through or under it, it WILL WARRANT AND DEFEND; subject to

SEE EXHIBIT B ATTACHED HERETO AND BY THIS REFERENCE
MADE A PART HEREOF

CH01/12/59691.1

BOX 333-CT ATTACHMENT 2

IN WITNESS WHEREOF, said party of the first part has caused its corporate seal to be hereto affixed, and has caused its name to be signed to these presents by its _____ President, and attested by its _____ Secretary, the day and year first above written.

Catholic Health Partners Services

By: Arnold Kinnel President

Attest: _____ Secretary

except under provisions of Paragraph B, Section 5,
Real Estate Transfer Tax Act.
Date: 6/27/01 By: Arnold Kinnel

except under provisions of Paragraph B, Section 200.1-2B6
of the Regulations to the Ordinance.
Date: 6/27/01 By: Arnold Kinnel

10816342

STATE OF ILLINOIS)
COUNTY OF Cook) SS.

I, the undersigned a Notary Public in and
for said County, in the State aforesaid, DO HEREBY CERTIFY that Arnold Kennel
personally known to me to be the President of Catholic Health Partners
Services, an Illinois not-for-profit corporation, and
personally known to me to be the Secretary of said corporation, and personally known
to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day
in person and severally acknowledged that as such President and Secretary, they
signed and delivered the said instrument and caused the corporate seal of said corporation to be affixed thereto,
pursuant to authority, given by the Board of Directors of said corporation as their free and voluntary act, and as the
free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and official seal this 27th day of June, 2001.

Janice A. Byrd
Notary Public

Commission Expires: 12-06-2004



This Instrument Was Prepared By:

Elizabeth A. Williams
Gardner, Carton & Douglas
321 North Clark Street
Suite 3400
Chicago, Illinois 60610

MAIL
TO: Thomas Hefty
McDermott, Wall + Emery
(227 W Monroe Suite 300)
Chicago IL 60606

SEND SUBSEQUENT TAX BILLS TO:

Saint Joseph Hospital
7435 West Talcott
Chicago, IL 60631

OR RECORDER'S OFFICE BOX NO. 307

SITE 4
2900 N. LAKESHORE

LEGAL DESCRIPTION

THAT PART OF LOTS 5 AND 6 EXCEPTING THEREFROM THE SOUTH 60.00 FEET OF SAID LOT 6 (TAKEN AS A TRACT) WHICH LIES BETWEEN THE EAST LINE OF COMMONWEALTH AVENUE ON THE WEST AND THE WEST BOUNDARY LINE OF LAKE SHORE DRIVE, SOUTH OF THE CENTER LINE OF SURF STREET (EXCEPTING THEREFROM THAT PART FALLING IN SURF STREET) IN ASSESSOR'S SUBDIVISION OF LOTS 1 AND 2 OF CITY OF CHICAGO SUBDIVISION IN THE EAST FRACTIONAL ONE HALF OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

CONTAINING 87,790 SQUARE FEET (2.0154 ACRES) OF LAND, MORE OR LESS.

2900 N. Lake Shore Dr. Chgo Ill

PERMANENT INDEX NUMBERS:

14-28-207-001-0000

10516342

SITE 4-1

CH99 3711383-2.037442.0059

ATTACHMENT 2

PERMITTED EXCEPTIONS

1. GENERAL REAL ESTATE TAXES NOT YET DUE AND PAYABLE.
2. COVENANTS AND AGREEMENT, CONDITIONS AND RESTRICTIONS (BUT OMITTING ANY SUCH COVENANT OR RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS OR NATIONAL ORIGIN UNLESS AND ONLY TO THE EXTENT THAT SAID COVENANT (A) IS EXEMPT UNDER CHAPTER 42, SECTION 3607 OF THE UNITED STATES CODE OR (B) RELATES TO HANDICAP BUT DOES NOT DISCRIMINATE AGAINST HANDICAPPED PERSONS), CONTAINED IN FOUR AGREEMENTS MADE BY THE COMMISSIONERS OF LINCOLN PARK WITH VARIOUS OWNERS OF THE LAND AND OTHER PROPERTY, DATED JANUARY 26, 1927 & COUNTERPARTS THEREOF RECORDED AS DOCUMENTS 9546753, 9546754 AND 9553861 RELATING TO THE LOCATION, HEIGHT, FRONTAGE, NATURE, CONSTRUCTION AND MAINTENANCE OF BUILDINGS ERECTED OR TO BE ERECTED ON THE LAND OR ANY PARTY THEREOF AND PROHIBITING THE USE OF SUCH BUILDINGS FOR CERTAIN PURPOSES THEREIN NAMED AND ALSO PROHIBITING THE CONSTRUCTION OF CERTAIN CLASSES OF BUILDINGS AND IMPROVEMENTS THEREON.

NOTE: SAID INSTRUMENT CONTAINS NO PROVISIONS FOR A FORFEITURE OF OR REVERSION OF TITLE IN CASE OF BREACH OF CONDITION.

3. ENCROACHMENT OF THE BUILDING LOCATED MAINLY ON THE LAND ONTO THE PROPERTY EAST AND ADJOINING BY AN UNDISCLOSED AMOUNT, AS SHOWN ON PLAT OF SURVEY PREPARED BY CHICAGO GUARANTEE SURVEY COMPANY, DATED MAY 7, 2001, NUMBER 0101022-E.
4. LEASE BETWEEN DAVID GELHOFF, M.D., AS LESSEE, AND CATHOLIC HEALTH PARTNERS SERVICES, AS LESSOR, DATED 9/01/99.
5. LEASE BETWEEN HILLARD SLAVICK, M.D., AS LESSEE, AND CATHOLIC HEALTH PARTNERS SERVICES, AS LESSOR, DATED 12/29/98.
6. LEASE BETWEEN LAKESHORE INFECTIOUS DISEASE ASSOCIATES, LTD., AS LESSEE, AND SAINT JOSEPH HOSPITAL AND HEALTH CARE CENTER, AS LESSOR, DATED 1/01/93.
7. LEASE BETWEEN RHODA POMERANTZ, M.D., AS LESSEE, AND SAINT JOSEPH HOSPITAL AND HEALTH CARE CENTER, AS LESSOR, DATED 9/01/99.

8. LEASE BETWEEN PHYSICIAN RELIANCE NETWORK, INC., AS LESSEE, AND CATHOLIC HEALTH PARTNERS SERVICES D/B/A SAINT JOSEPH HOSPITAL, AS LESSOR, DATED 12/10/96.
9. LEASE BETWEEN USONCOLOGY, INC., AS LESSEE, AND CATHOLIC HEALTH PARTNERS SERVICES D/B/A SAINT JOSEPH HOSPITAL, AS LESSOR, DATED 11/01/00.
10. LEASE BETWEEN MARK VEXELMAN, M.D., AS LESSEE, AND CATHOLIC HEALTH PARTNERS SERVICES, AS LESSOR, DATED 5/17/01.
11. LEASE BETWEEN THE GIFT SHOP MANAGEMENT GROUP, INC., D/B/A LORI'S HALLMARK SHOPS, AS LESSEE, AND SAINT JOSEPH HOSPITAL AND HEALTH CARE CENTER, AS LESSOR, DATED 4/04/90.

10616342

SITE 4-2

CHT99 3730444-1.037442.0059

ATTACHMENT 2



To all to whom these Presents Shall Come, Greeting:

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

PRESENCE SAINT JOSEPH HOSPITAL - CHICAGO, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 14, 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 #: 1230602070

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

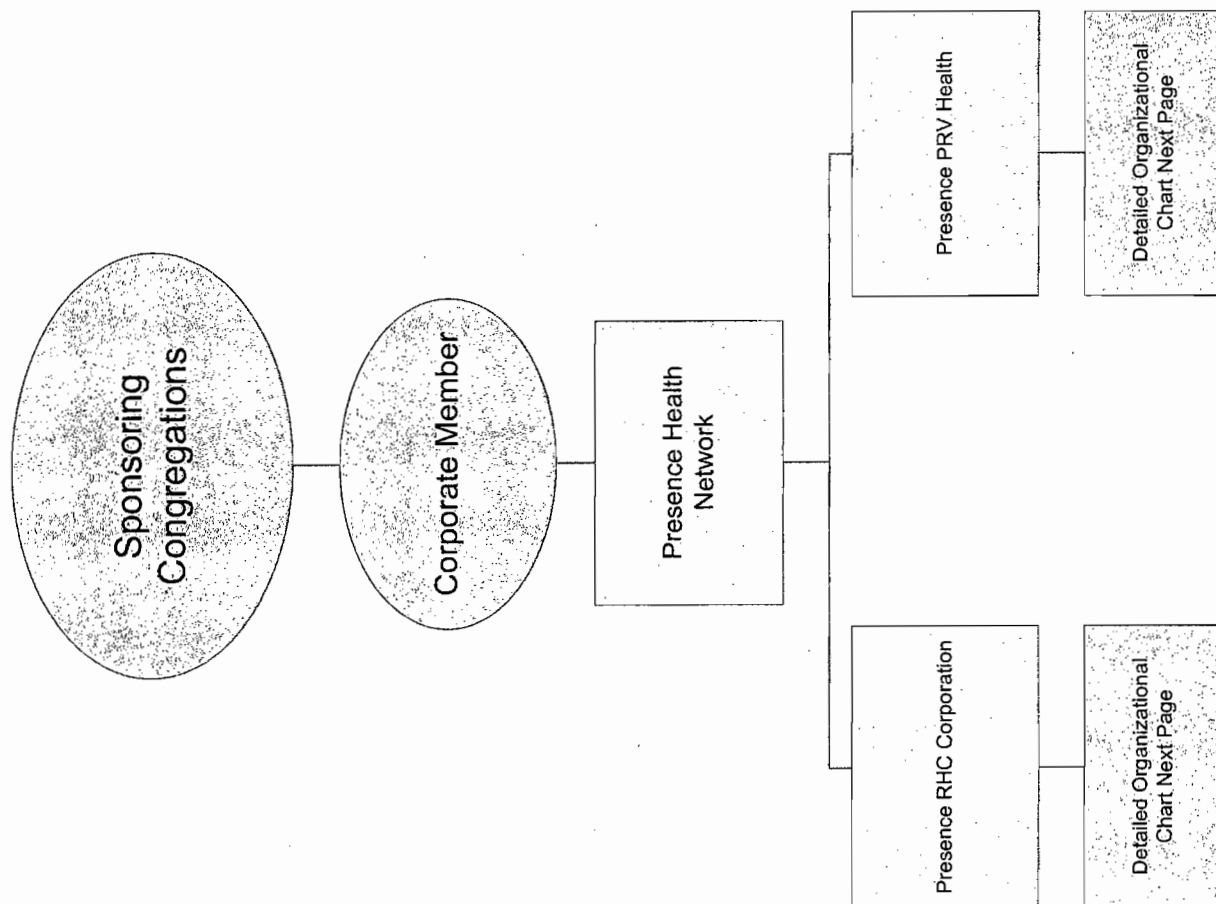
*In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 1ST
day of NOVEMBER A.D. 2012*

Jesse White

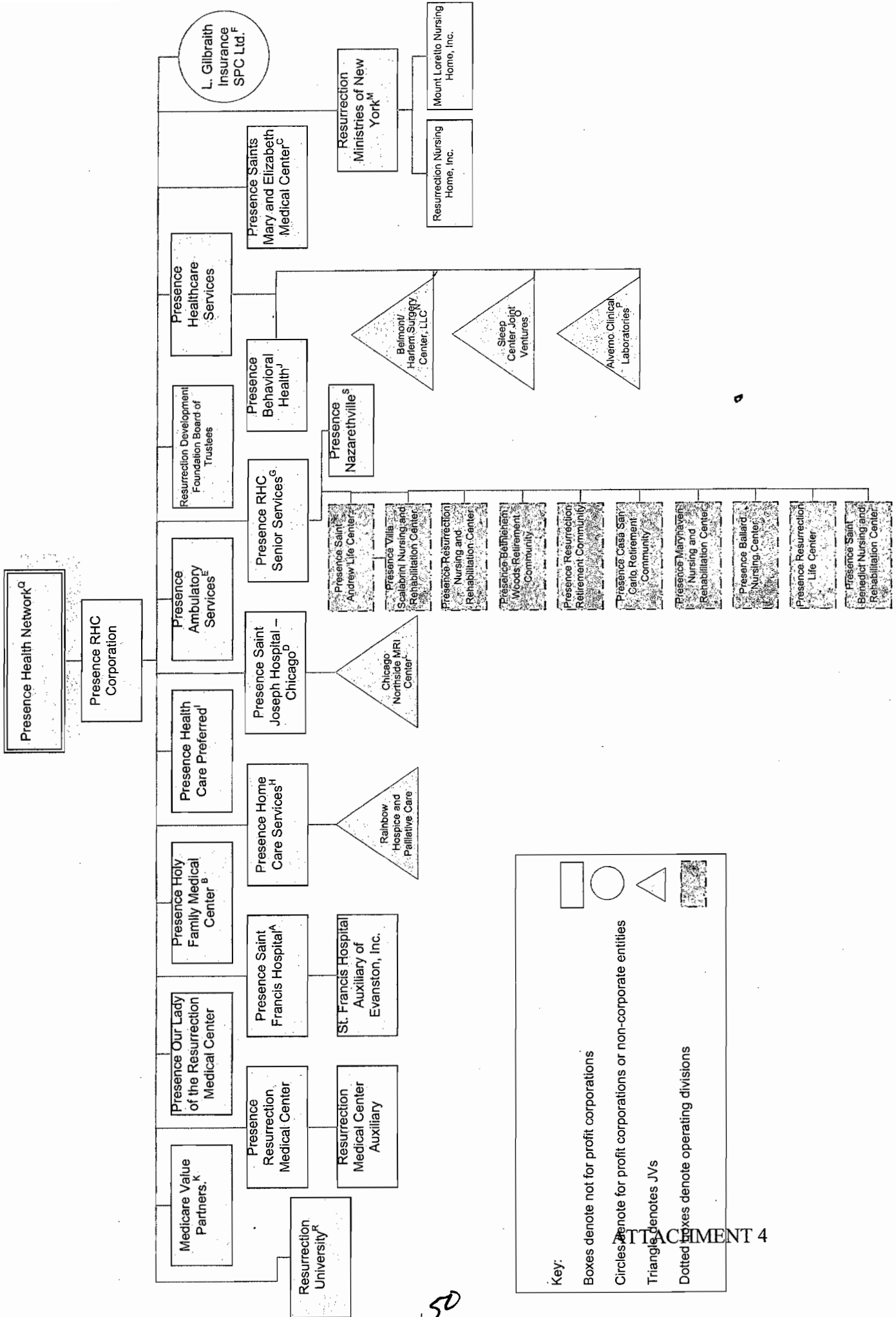
SECRETARY OF STATE

ATTACHMENT 3

Presence Health
Organizational Chart
Effective February 1, 2013



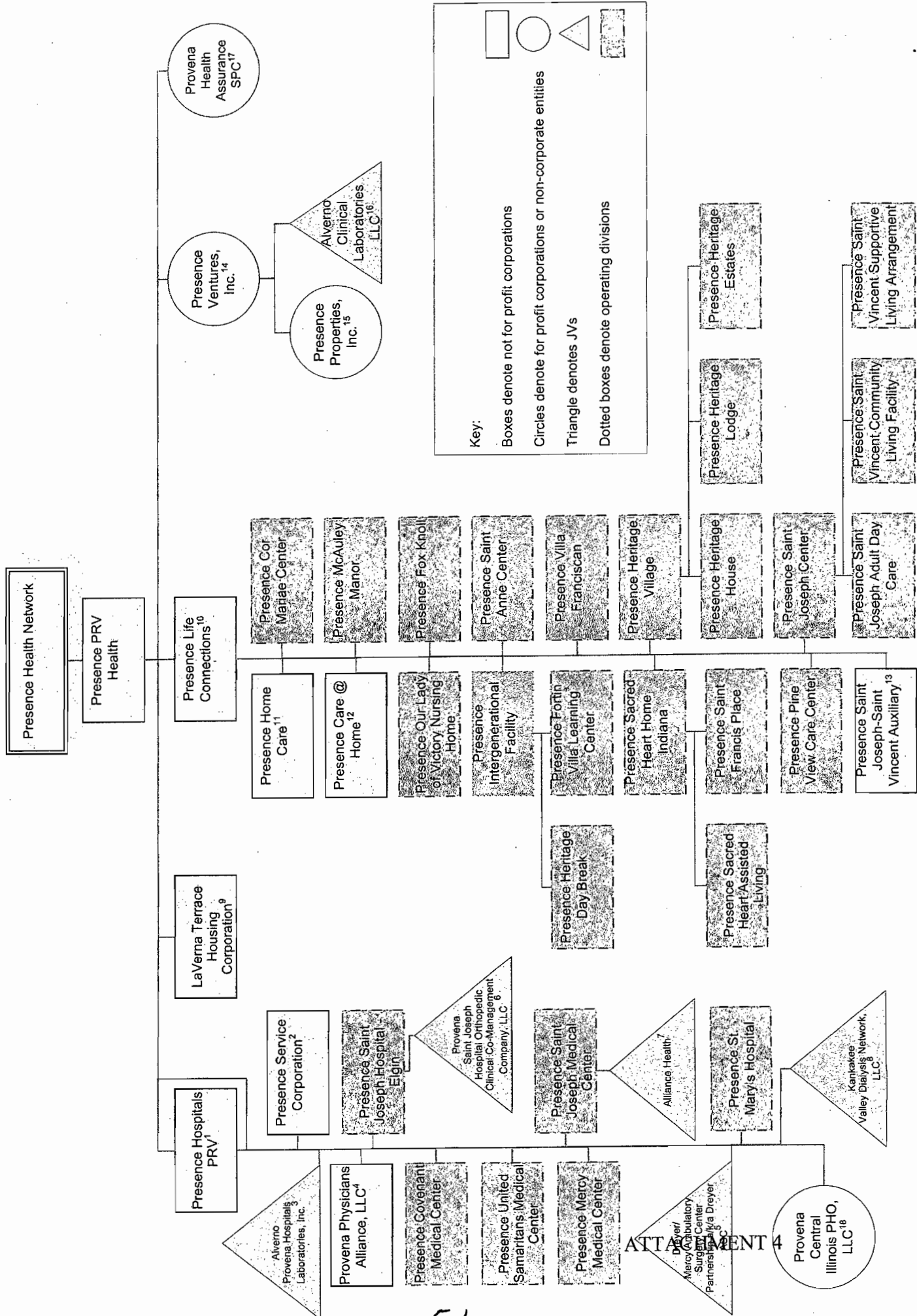
Presence Health Legacy Presence RHC Corporation Entities Effective February 1, 2013



Presence Health

Legacy Presence PRV Health

Effective February 1, 2013





Presence
Saint Joseph Hospital

February 19, 2013

Illinois Health Facilities and
Services Review Board
Springfield, IL

To Whom It May Concern:

I hereby attest to the fact that the proposed construction project on the campus of Saint Joseph Hospital in Chicago is in compliance with the Flood Plain requirements under Executive Order #2005-5.

A flood plain map is attached.

Sincerely,

Roberta Luskin-Hawk, M.D.
President and CEO

attachments



Scale: 5



1. Select page size

Letter 8.5x11

Legal 8.5x14

Tabloid 11x17

2. Select & Move Areas

Print Area

Scale and North Arrow

Title Block

3. Create FIRMette

Adobe PDF

Image File

NOTES

1. This map was prepared for the purpose of showing the location of the disaster area. It is not to be used for any other purpose.

2. The map was prepared using the best available information. It is not to be used for any other purpose.

3. The map was prepared using the best available information. It is not to be used for any other purpose.



LEGEND

1. Disaster Area

2. Disaster Area

3. Disaster Area

4. Disaster Area

5. Disaster Area

6. Disaster Area

7. Disaster Area

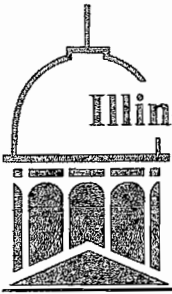
8. Disaster Area

9. Disaster Area

10. Disaster Area

ATTACHMENT 5

53



Illinois Historic
Preservation Agency

FAX (217) 782-8161

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • www.illinois-history.gov

Cook County
Chicago

CON - New Construction of Ambulatory Care Building and Rehabilitation, St.
Joseph Hospital
2900 N. Lake Shore Dr.
IHPA Log #003032212

April 5, 2012

Jacob Axel
Axel & Associates, Inc.
675 North Court, Suite 210
Palatine, IL 60067

Dear Mr. Axel:

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

ITEMIZATION OF PROJECT COSTS
(Total Project Costs)

Preplanning Costs (\$1,159,500)

Evaluation of alternatives, master planning and feasibility assessments.

Site Survey and Soil Investigation (\$18,000)

Estimate, based on projects of a similar scope.

Site Preparation (\$85,000)

Preparation of site for cranes and equipment, safety fencing, and repair of site/landscaping at conclusion of project.

New Construction Contracts (\$84,165,540)

Construction, consistent with ATTACHMENT 76c.

Modernization Contracts (\$11,095,944)

Renovation to twelve functional areas within the existing hospital structure, consistent with ATTACHMENT 76c.

Contingencies-New Construction (\$4,381,249)

Allowance for new construction-related contingencies.

Contingencies-Modernization (\$1,664,620)

Allowance for renovation-related contingencies.

Architectural and Engineering Fees (\$5,275,137)

Estimate of professional fees associated with the project design, preparation of all documents, construction/renovation monitoring, and interface with IDPH and local authorities, through the project's completion.

Consulting and Other Fees (\$3,191,454)

CON-related consulting and review fees, IDPH and municipal review fees, zoning, legal fees, bid preparation and bid solicitation, traffic and parking studies, utility systems analyses, equipment planning consultant, life safety code consultant, reimbursables, site security, materials testing, interior design consultant and miscellaneous costs.

Moveable and Other Equipment (\$34,406,072)

Furnishing, fixtures and all non-fixed clinical and non-clinical equipment, as delineated on the attached table.

Net Interest Expense Incurred During Construction (\$9,569,625)

Construction period interest to be paid by outside developer (non-applicant) associated with debt portion of financing to be addressed by developer.

Other Costs to be Capitalized (\$1,944,000)

Owner's construction insurance and project management services.

SJH - Chicago CON Equipment List

Project Name	Department	Room	Room Number	Description	Manufacturer	Model	Arch Code	Item Qty	Unit Cost	Item Subtotal	Room Ext Total
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	LINAC	'1411	Radiosurgery System, Stereotactic	Varian Medical Systems - Oncology Systems	TrueBeam STx System	2-Movable, Elect	1	4,500,000.00	4,500,000.00	4,500,000
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	MRI	'6218	MRI Unit, 3.0T	GE Healthcare - MRI	Discovery MR750w 3.0T	1-Fixed	1	3,245,000.00	3,245,000.00	3,245,000
Presence Health St. Joseph Outpatient Pavilion	IT Equipment			Medical Communication Systems							\$ 1,297,000
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	CT Simulator (Future HDR)	'1400	CT Scanner, Multi-Slice, Oncology	GE Healthcare - Imaging Systems	Discovery CT590 RT w/High Capacity Table	1-Fixed	1	1,175,000.00	1,175,000.00	1,175,000
Presence Health St. Joseph Outpatient Pavilion	IT Equipment			Physical Security Systems Design							\$ 973,000
Presence Health St. Joseph Outpatient Pavilion	IT Equipment			Wireless Networking Design Services							\$ 973,000
Presence Health St. Joseph Outpatient Pavilion	IT Equipment			Network Hardware							\$ 973,000
Presence Health St. Joseph Outpatient Pavilion	IT Equipment			Premise Wiring Infrastructure Systems							\$ 648,000
Presence Health St. Joseph Outpatient Pavilion	IT Equipment			Audio-Visual Services							\$ 648,000
Presence Health St. Joseph Outpatient Pavilion	IT Equipment			Television Systems							\$ 648,000
Presence Health St. Joseph Outpatient Pavilion	IT Equipment			Computers							\$ 551,000
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	Mammography w/ Tomo	'6103	X-Ray Unit, Mammography, Digital	Hologic, Inc. - Women's Health	Selenia Dimensions 2D (w/AWS 8000)	1-Fixed	1	510,000.00	510,000.00	510,000
Presence Health St. Joseph Outpatient Pavilion	IT Equipment			Phones and phone system							\$ 414,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Clean Supply	'5819	Sterilizer, Hydrogen Peroxide	Johnson & Johnson - Advanced Sterilization Products	STERRAD 100NX (Double Door)	2-Movable, Elect	2	202,500.00	405,000.00	405,000
Presence Health St. Joseph Outpatient Pavilion	06 - Musculoskeletal Institute	Rad Room	'6312	X-Ray Unit, General Radiography, Digital	GE Healthcare - Imaging Systems	Definium 5000	1-Fixed	1	355,000.00	355,000.00	355,000
Presence Health St. Joseph Outpatient Pavilion	IT Equipment			Customer-Telecom Campus Distribution							\$ 324,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Clean Supply	'5819	Sterilizer, Steam, Cabinet	STERIS Corporation	Amisco 400 Prevac 28x37x48 1dr (LH hinge) 208V	1-Fixed	2	158,353.00	316,706.00	316,706
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	Brachytherapy Treatment	'1412	Afterloader, High Dose Rate	Varian Medical Systems - Oncology Systems	VarSource 200	2-Movable, Elect	1	279,000.00	279,000.00	279,000
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Minor Procedure	'5728	X-Ray Unit, C-Arm, Mobile	GE Healthcare Surgery OEC	OEC 9900 Elite ESP	2-Movable, Elect	1	179,600.00	179,600.00	231,568
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	Workroom, Tech	'6200	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	4	52,000.00	208,000.00	208,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5806	Microscope, Operating, General	Carl Zeiss Surgical Products Division		2-Movable, Elect	1	200,000.00	200,000.00	200,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5808	Microscope, Operating, General	Carl Zeiss Surgical Products Division		2-Movable, Elect	1	200,000.00	200,000.00	200,000
Presence Health St. Joseph Outpatient Pavilion	05 - Bariatrics	Fluoro	'5107	X-Ray Unit, C-Arm, Mobile	GE Healthcare Surgery OEC	OEC 9900 Elite ESP	2-Movable, Elect	1	179,600.00	179,600.00	179,600
Presence Health St. Joseph Outpatient Pavilion	Backfill	General Operating Room		Light, Surgical, Dual, Ceiling, w/Monitor Arm					68,045.00	68,045.00	136,090
Presence Health St. Joseph Outpatient Pavilion	01 - Blood Draw	Lab	'1202	Analyzer, Lab, Blood Typing	Bio-Rad Laboratories, Ltd	IH1000	2-Movable, Elect	1	125,000.00	125,000.00	125,000
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	Scope Cleaning	'5602	Washer / Disinfectant, Endoscope	Johnson & Johnson - Advanced Sterilization Products	EVOTECH ECR System	1-Fixed	2	62,000.00	124,000.00	124,000
Presence Health St. Joseph Outpatient Pavilion	Backfill	General Operating Room		Boom, Equipment, Dual Arm, w/Monitor Arm					58,825.00	58,825.00	117,650
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	Reading Room	'6234	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	2	52,000.00	104,000.00	104,000
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	Reading Room	'6235	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	2	52,000.00	104,000.00	104,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Workroom, Anesthesia	'5715	Ultrasound, Imaging, Multipurpose	ALOMA Co. Ltd, America	ProSound Alpha 6	2-Movable, Elect	1	91,049.00	91,049.00	91,049
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	Capital Equipment Room		Esophageal Manometry System, pH and Impedance	Sandhill Scientific	Insight (1000/1000)	2-Movable, Elect	1	86,340.00	86,340.00	86,340
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5812	Boom, Anesthesia	Stryker Communications	Anesthesia (800/800)/Perfusion (1000/1000)	1-Fixed	1	66,000.00	66,000.00	66,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5815	Boom, Anesthesia	Stryker Communications	Anesthesia (800/800)/Perfusion (1000/1000)	1-Fixed	1	66,000.00	66,000.00	66,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5806	Boom, Anesthesia	Stryker Communications	Anesthesia (800/800)/Perfusion (1000/1000)	1-Fixed	1	66,000.00	66,000.00	66,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5808	Boom, Anesthesia	Stryker Communications	Anesthesia (800/800)/Perfusion (1000/1000)	1-Fixed	1	66,000.00	66,000.00	66,000
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	Capital Equipment Room		Ablation System, Radio-Frequency	Barrx Medical	HALO Flex System	2-Movable, Elect	1	65,000.00	65,000.00	65,000



SIH - Chicago CON Equipment List

Project Name	Department	Room	Description	Manufacturer	Model	Arch Code	ItemQty	Unit Cost	Item Subtotal	Room Ext. Total
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5809	X-Ray Unit, C-Arm, Mini	OrthoScan Inc.	OrthoScan HD	2-Movable, Elect	1	60,000.00	60,000.00	60,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5812	Light, Surgical, Dual, Ceiling, w/Dual Monitor Arms	Stryker Communications	Vision LED w/Dual FP Arms (Tandem Mt)	1-Fixed	1	60,000.00	60,000.00	60,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5815	Light, Surgical, Dual, Ceiling, w/Dual Monitor Arms	Stryker Communications	Vision LED w/Dual FP Arms (Tandem Mt)	1-Fixed	1	60,000.00	60,000.00	60,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5806	Light, Surgical, Dual, Ceiling, w/Dual Monitor Arms	Stryker Communications	Vision LED w/Dual FP Arms (Tandem Mt)	1-Fixed	1	60,000.00	60,000.00	60,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5808	Light, Surgical, Dual, Ceiling, w/Dual Monitor Arms	Stryker Communications	Vision LED w/Dual FP Arms (Tandem Mt)	1-Fixed	1	60,000.00	60,000.00	60,000
Presence Health St. Joseph Outpatient Pavilion	05 - Musculoskeletal Institute	'6511A	X-Ray Unit, C-Arm, Mini	OrthoScan Inc.	OrthoScan HD	2-Movable, Elect	1	60,000.00	60,000.00	60,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5812	Table, Surgical, Major	Skytron	UltraSlide 3600B	2-Movable, Elect	1	58,700.00	58,700.00	58,700
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5815	Table, Surgical, Major	Skytron	UltraSlide 3600B	2-Movable, Elect	1	58,700.00	58,700.00	58,700
Presence Health St. Joseph Outpatient Pavilion	Backfill		Camera, Endoscopy, Control Unit					28,648.00	28,648.00	57,298
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	'1424	Analyzer, Radiation, Q.A., Linear Accelerator	IBA Dosimetry	Blue Phantom2	2-Movable, Elect	1	52,785.00	52,785.00	52,785
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5809	Anesthesia Machine, General	GE Healthcare - Datex-Ohmeda	Aestiva/S 7100	2-Movable, Elect	1	52,723.00	52,723.00	52,723
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5812	Anesthesia Machine, General	GE Healthcare - Datex-Ohmeda	Aestiva/S 7100	2-Movable, Elect	1	52,723.00	52,723.00	52,723
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5815	Anesthesia Machine, General	GE Healthcare - Datex-Ohmeda	Aestiva/S 7100	2-Movable, Elect	1	52,723.00	52,723.00	52,723
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5806	Anesthesia Machine, General	GE Healthcare - Datex-Ohmeda	Aestiva/S 7100	2-Movable, Elect	1	52,723.00	52,723.00	52,723
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	'5808	Anesthesia Machine, General	GE Healthcare - Datex-Ohmeda	Aestiva/S 7100	2-Movable, Elect	1	52,723.00	52,723.00	52,723
Presence Health St. Joseph Outpatient Pavilion	01 - Oncology Clinic	'1318	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	01 - Oncology Clinic	'1319	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	'1401	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	'1418	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	'1415	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	'6232	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	06 - Musculoskeletal Institute	'6513	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	06 - Musculoskeletal Institute	'6501	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	'6111	Densitometer, Bone, Whole Body	GE Healthcare - Imaging Systems	Lunar OPX NT	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	'6111	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	'6104	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	'6103	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	'6102	PACS, Monitor, 2 Panel, Desktop	GE Healthcare - Imaging Systems	RadWorks 5.1 Diagnostic	2-Movable, Elect	1	52,000.00	52,000.00	52,000
Presence Health St. Joseph Outpatient Pavilion	Backfill		Monitor, Central Station, General					50,000.00	50,000.00	50,000
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	'1424	Analyzer, Radiation, Q.A., Linear Accelerator	Sur Nuclear Corporation	ArCheck	2-Movable, Elect	1	49,950.00	49,950.00	49,950
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	'6218	Injector, Contrast Media, MRI Compatible	Medrad Inc	Spectris	2-Movable, Elect	1	45,950.00	45,950.00	45,950
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	'1400	Laser, Patient Alignment System	LAP of America, L.C.	Apollo Green 4-Laser System	1-Fixed	1	42,000.00	42,000.00	42,000
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	'1411	Laser, Patient Alignment System	LAP of America, L.C.	Apollo Green 4-Laser System	1-Fixed	1	42,000.00	42,000.00	42,000
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	'6242	Laser, Patient Alignment System	LAP of America, L.C.	Apollo Green 4-Laser System	1-Fixed	1	42,000.00	42,000.00	42,000
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	'5728	Boom, Equipment, Dual Arm	Stryker Communications	1000/1000mm Articulating w/750mm Service Head	1-Fixed	1	39,000.00	39,000.00	39,000
Presence Health St. Joseph Outpatient Pavilion	01 - Infusion Therapy Center	'1206	Hood, Isolation Chamber, Console (Neg Pressure)	Baker Company, Inc.	ChemoSHIELD C5500 (2-Glove)	1-Fixed	2	19,430.00	38,860.00	38,860



SIH - Chicago CON Equipment List

Project Name	Department	Room	Room Number	Description	Manufacturer	Model	Arch Code	Item Qty	Unit Cost	Item Subtotal	Room Ext Total
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	Workroom, Tech	'6200	Recorder, CD/DVD, Medical	Stryker Communications		2-Movable, Elect	1	38,500.00	38,500.00	38,500
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	CT Simulator (Future HDR)	'1400	Injector, Contrast Media, Ceiling Mount	GE Healthcare - Radiology Accessories	Nemoto Dual-Shot CT Injector	1-Fixed	1	38,150.00	38,150.00	38,150
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	PET/CT	'6242	Injector, Contrast Media, Ceiling Mount	GE Healthcare - Radiology Accessories	Nemoto Dual-Shot CT Injector	1-Fixed	1	38,150.00	38,150.00	38,150
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Decontamination	'5820	Ultrasonic Cleaner, Floor	STERIS Corporation	Caviwave (15 gal)	1-Fixed	1	37,700.00	37,700.00	37,700
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	MRI	'6218	Detector, Ferromagnetic, MRI	Magmedix	FerrAlert Entry	1-Fixed	2	17,800.00	35,600.00	35,600
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	Capital Equipment Room		Electrosurgical Unit, Argon Beam	ERBE Incorporated	VIO System 300D/APC2 w/VIO Cart	2-Movable, Elect	1	33,900.00	33,900.00	33,900
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5600	Electrosurgical Unit, Argon Beam	ERBE Incorporated	VIO System 300D/APC2 w/VIO Cart	2-Movable, Elect	1	33,900.00	33,900.00	33,900
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5604	Electrosurgical Unit, Argon Beam	ERBE Incorporated	VIO System 300D/APC2 w/VIO Cart	2-Movable, Elect	1	33,900.00	33,900.00	33,900
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5605	Electrosurgical Unit, Argon Beam	ERBE Incorporated	VIO System 300D/APC2 w/VIO Cart	2-Movable, Elect	1	33,900.00	33,900.00	33,900
Presence Health St. Joseph Outpatient Pavilion	06 - Musculoskeletal Institute	Gym, Rehab	'6500	Simulator, Work, Whole Body	BTE Technologies	Simulator II	2-Movable, Elect	1	33,900.00	33,900.00	33,900
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	Procedure, Mammography Stereotactic	'6102	Biospy System, Breast, Vacuum Assisted	Hologic, Inc. - Women's Health	ATEC Emerald	2-Movable, Elect	1	33,000.00	33,000.00	33,000
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	Ultrasound, Vascular	'6208	Vascular Diagnostic System, Non-Invasive	Parks Medical Electronics, Inc.	2100-SX Flo-Lab	2-Movable, Elect	1	29,995.00	29,995.00	29,995
Presence Health St. Joseph Outpatient Pavilion	Backfill	General Operating Room		Insufflator, CO2					14,626.00	14,626.00	28,252
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5812	Camera, Endoscopy, Control Unit	Stryker Endoscopy	1488 Camera Control Unit	2-Movable, Elect	1	28,649.00	28,649.00	28,649
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5815	Camera, Endoscopy, Control Unit	Stryker Endoscopy	1488 Camera Control Unit	2-Movable, Elect	1	28,649.00	28,649.00	28,649
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5806	Camera, Endoscopy, Control Unit	Stryker Endoscopy	1488 Camera Control Unit	2-Movable, Elect	1	28,649.00	28,649.00	28,649
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5808	Camera, Endoscopy, Control Unit	Stryker Endoscopy	1488 Camera Control Unit	2-Movable, Elect	1	28,649.00	28,649.00	28,649
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	Storage, Physicist	'1424	Analyzer, Radiation, Q.A., Linear Accelerator	Sun Nuclear Corporation	MapCheck 1175	2-Movable, Elect	1	27,950.00	27,950.00	27,950
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Dictation	'5717	PACS, Monitor, 1 Panel, Desktop	McKesson Automation Solutions		2-Movable, Elect	2	13,900.00	27,800.00	27,800
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	Workroom, Rad Tech	'6228	PACS, Monitor, 1 Panel, Desktop	McKesson Automation Solutions		2-Movable, Elect	2	13,900.00	27,800.00	27,800
Presence Health St. Joseph Outpatient Pavilion	Backfill	General Operating Room		Electrosurgical Unit, Bipolar	Olympus America Inc. - Endoscope Div.				13,238.00	13,238.00	26,476
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5600	Video System, Endoscopic	Olympus America Inc. - Endoscope Div.	CV-190 EVIS EXERA III Video System Center	2-Movable, Elect	1	26,000.00	26,000.00	26,000
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5601	Video System, Endoscopic	Olympus America Inc. - Endoscope Div.	CV-190 EVIS EXERA III Video System Center	2-Movable, Elect	1	26,000.00	26,000.00	26,000
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5604	Video System, Endoscopic	Olympus America Inc. - Endoscope Div.	CV-190 EVIS EXERA III Video System Center	2-Movable, Elect	1	26,000.00	26,000.00	26,000
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5605	Video System, Endoscopic	Olympus America Inc. - Endoscope Div.	CV-190 EVIS EXERA III Video System Center	2-Movable, Elect	1	26,000.00	26,000.00	26,000
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	Alcove, Crash Cart		Defibrillator, Monitor, w/Pacing	Zoll Medical Corporation	M Series - ACLS w/Pacing, NIBP & SpO2, ETCO	2-Movable, Elect	1	23,900.00	23,900.00	23,900
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Alcove	'5831A	Defibrillator, Monitor, w/Pacing	Zoll Medical Corporation	M Series - ACLS w/Pacing, NIBP & SpO2, ETCO	2-Movable, Elect	1	23,900.00	23,900.00	23,900
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Charge Nurse/OR Control	'5714A	Defibrillator, Monitor, w/Pacing	Zoll Medical Corporation	M Series - ACLS w/Pacing, NIBP & SpO2, ETCO	2-Movable, Elect	1	23,900.00	23,900.00	23,900
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Alcove, Code Cart	'5735	Defibrillator, Monitor, w/Pacing	Zoll Medical Corporation	M Series - ACLS w/Pacing, NIBP & SpO2, ETCO	2-Movable, Elect	1	23,900.00	23,900.00	23,900
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Charge Nurse Pre/Post Op	'5714B	Defibrillator, Monitor, w/Pacing	Zoll Medical Corporation	M Series - ACLS w/Pacing, NIBP & SpO2, ETCO	2-Movable, Elect	1	23,900.00	23,900.00	23,900
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Storage	'5725	Telemetry, Transmitter, General	GE Healthcare - Monitoring Systems	ApexPro	2-Movable, Elect	15	1,500.00	22,500.00	22,500
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	Ultrasound, General	'6203	Ultrasound, Imaging, Multipurpose	GE Healthcare - Imaging Systems	LOGIQ P3	2-Movable, Elect	1	22,000.00	22,000.00	22,000
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	Ultrasound, General	'6204	Ultrasound, Imaging, Multipurpose	GE Healthcare - Imaging Systems	LOGIQ P3	2-Movable, Elect	1	22,000.00	22,000.00	22,000
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	Ultrasound, Vascular	'6208	Ultrasound, Imaging, Multipurpose	GE Healthcare - Imaging Systems	LOGIQ P3	2-Movable, Elect	1	22,000.00	22,000.00	22,000
Presence Health St. Joseph Outpatient Pavilion	01 - Infusion Therapy Center	Clean Supply	'1209	Pump, Infusion, Dual	Baxter Healthcare Corp	Flo-Gard 6301	2-Movable, Elect	3	7,005.00	21,015.00	21,015
Presence Health St. Joseph Outpatient Pavilion	Backfill	General Operating Room		Smoke Evacuation, Surgical					10,161.00	10,161.00	20,322

SJH - Chicago CON Equipment List

Project Name	Department	Room	Room Number	Description	Manufacturer	Model	Arch Code	Item Qty	Unit Cost	Item Subtotal	Room Ext Total
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	Storage, Physicist	'1424	Analyzer, Radiation, Q.A., Linear	Sun Nuclear Corporation	Profilier 2 (1174)	2-Movable, Elect	1	19,950.00	19,950.00	19,950
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5812	Boom, Equipment, Dual Arm, w/Monitor Arm	Stryker Communications	EDS Tandem 1000/1000 w/Dual Yoke FP Arm	1-Fixed	1	19,539.00	19,539.00	19,539
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5815	Boom, Equipment, Dual Arm, w/Monitor Arm	Stryker Communications	EDS Tandem 1000/1000 w/Dual Yoke FP Arm	1-Fixed	1	19,539.00	19,539.00	19,539
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5806	Boom, Equipment, Dual Arm, w/Monitor Arm	Stryker Communications	EDS Tandem 1000/1000 w/Dual Yoke FP Arm	1-Fixed	1	19,539.00	19,539.00	19,539
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5808	Boom, Equipment, Dual Arm, w/Monitor Arm	Stryker Communications	EDS Tandem 1000/1000 w/Dual Yoke FP Arm	1-Fixed	1	19,539.00	19,539.00	19,539
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5600	Boom, Equipment, Dual Arm, w/Monitor Arm	Stryker Communications	EDS Tandem 1000/1000 w/Dual Yoke FP Arm	1-Fixed	1	19,539.00	19,539.00	19,539
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5601	Boom, Equipment, Dual Arm, w/Monitor Arm	Stryker Communications	EDS Tandem 1000/1000 w/Dual Yoke FP Arm	1-Fixed	1	19,539.00	19,539.00	19,539
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5604	Boom, Equipment, Dual Arm, w/Monitor Arm	Stryker Communications	EDS Tandem 1000/1000 w/Dual Yoke FP Arm	1-Fixed	1	19,539.00	19,539.00	19,539
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5605	Boom, Equipment, Dual Arm, w/Monitor Arm	Stryker Communications	EDS Tandem 1000/1000 w/Dual Yoke FP Arm	1-Fixed	1	19,539.00	19,539.00	19,539
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Storage, Wheelchair & Cart	'5708	Stretcher, Procedure / Recovery	Stryker Medical	Prime w/Big Wheel 11115 (30" Litter)	3-Movable, Non-Elect	3	6,091.00	18,273.00	18,273
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	Hot Lab	'6237	Cabinet, Storage, Clinical, Lead Lined	Capintec, Inc.	5530-3064 (PET)	3-Movable, Non-Elect	1	17,957.00	17,957.00	17,957
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5600	Camera, Endoscopy, Control Unit	Olympus America Inc - Endoscope Div.	Olympus America Inc - Endoscope Div.	2-Movable, Elect	1	17,589.00	17,589.00	17,589
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5601	Camera, Endoscopy, Control Unit	Olympus America Inc - Endoscope Div.	Olympus America Inc - Endoscope Div.	2-Movable, Elect	1	17,589.00	17,589.00	17,589
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5604	Camera, Endoscopy, Control Unit	Olympus America Inc - Endoscope Div.	Olympus America Inc - Endoscope Div.	2-Movable, Elect	1	17,589.00	17,589.00	17,589
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5605	Camera, Endoscopy, Control Unit	Olympus America Inc - Endoscope Div.	Olympus America Inc - Endoscope Div.	2-Movable, Elect	1	17,589.00	17,589.00	17,589
Presence Health St. Joseph Outpatient Pavilion	01 - Radiation Therapy Center	CT Simulator (Future HDR)	'1400	Monitor, Physiologic, Cardiac	GE Healthcare - Monitoring Systems	DASH 4000 Pro	2-Movable, Elect	1	16,350.00	16,350.00	16,350
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5812	Monitor, Physiologic, Cardiac	GE Healthcare - Monitoring Systems	DASH 4000 Pro	2-Movable, Elect	1	16,350.00	16,350.00	16,350
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5815	Monitor, Physiologic, Cardiac	GE Healthcare - Monitoring Systems	DASH 4000 Pro	2-Movable, Elect	1	16,350.00	16,350.00	16,350
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5806	Monitor, Physiologic, Cardiac	GE Healthcare - Monitoring Systems	DASH 4000 Pro	2-Movable, Elect	1	16,350.00	16,350.00	16,350
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5808	Monitor, Physiologic, Cardiac	GE Healthcare - Monitoring Systems	DASH 4000 Pro	2-Movable, Elect	1	16,350.00	16,350.00	16,350
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Workroom, Anesthesia	'5715	Monitor, Physiologic, Cardiac	GE Healthcare - Monitoring Systems	DASH 4000 Pro	2-Movable, Elect	1	16,350.00	16,350.00	16,350
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5601	Electrocardiogram Unit, Argon Beam	ERBE Incorporated	APC2	2-Movable, Elect	1	15,600.00	15,600.00	15,600
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5600	Light Source, Xenon	Olympus America Inc - Endoscope Div.	CLV-190 EVIS EXERA III	2-Movable, Elect	1	15,000.00	15,000.00	15,000
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5601	Light Source, Xenon	Olympus America Inc - Endoscope Div.	CLV-190 EVIS EXERA III	2-Movable, Elect	1	15,000.00	15,000.00	15,000
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5604	Light Source, Xenon	Olympus America Inc - Endoscope Div.	CLV-190 EVIS EXERA III	2-Movable, Elect	1	15,000.00	15,000.00	15,000
Presence Health St. Joseph Outpatient Pavilion	05 - GI Lab	GI Lab	'5605	Light Source, Xenon	Olympus America Inc - Endoscope Div.	CLV-190 EVIS EXERA III	2-Movable, Elect	1	15,000.00	15,000.00	15,000
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5812	Insufflator, CO2	Stryker Endoscopy	PneumoSure (45L)	2-Movable, Elect	1	14,626.00	14,626.00	14,626
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5815	Insufflator, CO2	Stryker Endoscopy	PneumoSure (45L)	2-Movable, Elect	1	14,626.00	14,626.00	14,626
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5806	Insufflator, CO2	Stryker Endoscopy	PneumoSure (45L)	2-Movable, Elect	1	14,626.00	14,626.00	14,626
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5808	Insufflator, CO2	Stryker Endoscopy	PneumoSure (45L)	2-Movable, Elect	1	14,626.00	14,626.00	14,626
Presence Health St. Joseph Outpatient Pavilion	05 - Pre-Admit Testing	Alcove, Scale	'5212A	Electrocardiograph (ECG) Interpretive	GE Healthcare - Cardiology	MAC 5500 w/Cart	2-Movable, Elect	1	14,545.00	14,545.00	14,545
Presence Health St. Joseph Outpatient Pavilion	01 - Infusion Therapy Center	Infusion Bay, Shared	'1218	Pump, Infusion, Dual	Baxter Healthcare Corp	Flo-Gard 6901	2-Movable, Elect	2	7,005.00	14,010.00	14,010
Presence Health St. Joseph Outpatient Pavilion	01 - Infusion Therapy Center	Infusion Bay, Shared	'1220	Pump, Infusion, Dual	Baxter Healthcare Corp	Flo-Gard 6901	2-Movable, Elect	2	7,005.00	14,010.00	14,010
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	MRI Control	'6216	PACS, Monitor, 1 Panel, Desktop	McKesson Automation Solutions		2-Movable, Elect	1	13,900.00	13,900.00	13,900
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	PET Control Room	'6243	PACS, Monitor, 1 Panel, Desktop	McKesson Automation Solutions		2-Movable, Elect	1	13,900.00	13,900.00	13,900
Presence Health St. Joseph Outpatient Pavilion	Backfill	General Operating Room		Surgical Drive System, Instrument					6,753.00	6,753.00	13,506



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Project Name	Department	Room	Description	Manufacturer	Model	Arch Code	ItemQty	Unit Cost	Item Subtotal	Room Ext Total
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Pre/Post	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Pre/Post	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Pre/Post (Phase II)	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Pre/Post (Phase II)	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Pre/Post (Phase II)	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Pre/Post (Phase II)	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Pre/Post (Phase II)	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Pre/Post (Phase II)	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Pre/Post (Phase II)	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Pre/Post (Phase II)	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	Holding, PET	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	Holding, PET	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	PET/CT	Monitor, Physiologic, Portable	GE Healthcare - Monitoring Systems	Dash 4000 Pro	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Substerile (Future)	Cabinet, Warming, Dual, Freestanding	STERIS Corporation	AMSCO 18" Glass Doors	2-Movable, Elect	1	12,919.00	12,919.00	12,919
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Alcove, Stretcher	Stretcher, Procedure / Recovery	Stryker Medical	Prime w/Big Wheel 1115 (30" Liter)	3-Movable, Non-Elect	2	6,091.00	12,182.00	12,182
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Alcove, Stretcher	Stretcher, Procedure / Recovery	Stryker Medical	Prime w/Big Wheel 1115 (30" Liter)	3-Movable, Non-Elect	2	6,091.00	12,182.00	12,182
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Storage, Wheelchair & Cart	Stretcher, Procedure / Recovery	Stryker Medical	Prime w/Big Wheel 1115 (30" Liter)	3-Movable, Non-Elect	2	6,091.00	12,182.00	12,182
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Alcove, Scrub Sink	Sink, Scrub, 2-Bay, Stainless Steel	STERIS Corporation	Flexmatic w/Infrared Sensor	1-Fixed	1	12,162.00	12,162.00	12,162
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Alcove, Scrub Sink	Sink, Scrub, 2-Bay, Stainless Steel	STERIS Corporation	Flexmatic w/Infrared Sensor	1-Fixed	1	12,162.00	12,162.00	12,162
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Alcove, Scrub Sink	Sink, Scrub, 2-Bay, Stainless Steel	STERIS Corporation	Flexmatic w/Infrared Sensor	1-Fixed	1	12,162.00	12,162.00	12,162
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Nurse Workroom	Ice Machine, Dispenser, Nugget, Countertop	Follett Corporation	110CR400A (Satellite-III Ice-maker)	1-Fixed	1	11,830.00	11,830.00	11,830
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Nurse Workroom	Ice Machine, Dispenser, Nugget, Countertop	Follett Corporation	110CR400A (Satellite-III Ice-maker)	1-Fixed	1	11,830.00	11,830.00	11,830
Presence Health St. Joseph Outpatient Pavilion	06 - Musculoskeletal Institute	Gym, Rehab	Ice Machine, Dispenser, Nugget, Countertop	Follett Corporation	110CR400A (Satellite-III Ice-maker)	1-Fixed	1	11,830.00	11,830.00	11,830
Presence Health St. Joseph Outpatient Pavilion	06 - Women's Imaging Center	Alcove	Ice Machine, Dispenser, Nugget, Countertop	Follett Corporation	110CR400A (Satellite-III Ice-maker)	1-Fixed	1	11,830.00	11,830.00	11,830
Presence Health St. Joseph Outpatient Pavilion	01 - Infusion Therapy Center	Corridor (Supply)	Cabinet, Warming, Dual, Freestanding	STERIS Corporation	AMSCO 18" Glass Doors	2-Movable, Elect	1	11,489.00	11,489.00	11,489
Presence Health St. Joseph Outpatient Pavilion	01 - Infusion Therapy Center	Medication	Cabinet, Warming, Dual, Freestanding	STERIS Corporation	AMSCO 18" Glass Doors	2-Movable, Elect	1	11,489.00	11,489.00	11,489
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Substerile	Cabinet, Warming, Dual, Freestanding	STERIS Corporation	AMSCO 18" Glass Doors	2-Movable, Elect	1	11,489.00	11,489.00	11,489
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Substerile	Cabinet, Warming, Dual, Freestanding	STERIS Corporation	AMSCO 18" Glass Doors	2-Movable, Elect	1	11,489.00	11,489.00	11,489
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Nurse Workroom	Cabinet, Warming, Dual, Freestanding	STERIS Corporation	AMSCO 18" Glass Doors	2-Movable, Elect	1	11,489.00	11,489.00	11,489
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Nurse Workroom	Cabinet, Warming, Dual, Freestanding	STERIS Corporation	AMSCO 18" Glass Doors	2-Movable, Elect	1	11,489.00	11,489.00	11,489
Presence Health St. Joseph Outpatient Pavilion	06 - Imaging Center	Clean Supply	Cabinet, Warming, Dual, Freestanding	STERIS Corporation	AMSCO 18" Glass Doors	2-Movable, Elect	1	11,489.00	11,489.00	11,489

Project Name	Department	Room	Room Number	Description	Manufacturer	Model	Arch Code	Item Qty	Unit Cost	Item Subtotal	Room Ex Total
Presence Health St. Joseph Outpatient Pavilion	05 - Bariatrics	Exam	'5110	Table, Exam/Treatment, Powered, Bariatric	Midmark Corp - Medical	Ritter 244 (w/Seamless Upholstery Top)	2-Movable, Elect	1	10,599.00	10,599.00	10,599
Presence Health St. Joseph Outpatient Pavilion	05 - Bariatrics	Exam	'5111	Table, Exam/Treatment, Powered, Bariatric	Midmark Corp - Medical	Ritter 244 (w/Seamless Upholstery Top)	2-Movable, Elect	1	10,599.00	10,599.00	10,599
Presence Health St. Joseph Outpatient Pavilion	05 - Bariatrics	Fluoro	'5107	Table, Exam/Treatment, Powered, Bariatric	Midmark Corp - Medical	Ritter 244 (w/Seamless Upholstery Top)	2-Movable, Elect	1	10,599.00	10,599.00	10,599
Presence Health St. Joseph Outpatient Pavilion	05 - Occasional Use Area	Exam	'5500	Table, Exam/Treatment, Powered, Bariatric	Midmark Corp - Medical	Ritter 244 (w/Seamless Upholstery Top)	2-Movable, Elect	1	10,599.00	10,599.00	10,599
Presence Health St. Joseph Outpatient Pavilion	05 - Occasional Use Area	Exam	'5501	Table, Exam/Treatment, Powered, Bariatric	Midmark Corp - Medical	Ritter 244 (w/Seamless Upholstery Top)	2-Movable, Elect	1	10,599.00	10,599.00	10,599
Presence Health St. Joseph Outpatient Pavilion	05 - Occasional Use Area	Exam	'5503	Table, Exam/Treatment, Powered, Bariatric	Midmark Corp - Medical	Ritter 244 (w/Seamless Upholstery Top)	2-Movable, Elect	1	10,599.00	10,599.00	10,599
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Storage, Wheelchair & Cart	'5708	Chair, Clinical, Redline, Treatment	Stryker Medical	Symmetry Plus	3-Movable, Non-Elect	4	2,649.00	10,596.00	10,596
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5812	Smoke Evacuation, Surgical	Stryker Communications	StrykeVac (Boom Mount)	2-Movable, Elect	1	10,161.00	10,161.00	10,161
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room	'5815	Smoke Evacuation, Surgical	Stryker Communications	StrykeVac (Boom Mount)	2-Movable, Elect	1	10,161.00	10,161.00	10,161
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5806	Smoke Evacuation, Surgical	Stryker Communications	StrykeVac (Boom Mount)	2-Movable, Elect	1	10,161.00	10,161.00	10,161
Presence Health St. Joseph Outpatient Pavilion	05 - Ambulatory Surgery	Operating Room (Microscope)	'5808	Smoke Evacuation, Surgical	Stryker Communications	StrykeVac (Boom Mount)	2-Movable, Elect	1	10,161.00	10,161.00	10,161
Presence Health St. Joseph Outpatient Pavilion	05 - Pre/Post	Minor Procedure	'5728	Smoke Evacuation, Surgical	Stryker Communications	StrykeVac (Boom Mount)	2-Movable, Elect	1	10,161.00	10,161.00	10,161
Presence Health St. Joseph Outpatient Pavilion	Other miscellaneous equipment <\$25,000										9,408,178
											34,406,072

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Cost Space Requirements

		Departmental Gross Square Feet			Amount of Proposed Total Square Feet		
		Existing		Proposed	New Const.	That is:	
Dept./Area	Cost					Modernized	As Is
							Vacated Space
Reviewable							
Musculo. Inst	\$ 6,447,900	0	10,369		10,369		
Imaging	\$ 16,611,655	18,583	22,911		12,300	10,611	7,972
Oncology Clinic	\$ 7,275,768	0	11,900		11,900		
Infusion Ther. (Onc	\$ 4,657,209	5,292	6,800		6,800		5,292
Radiation Ther.	\$ 8,906,260	4,250	4,200		4,200		4,250
Inf. Ther. (non-onc)	\$ 944,889	0	2,000			2,000	
Outpt. PT/OT	\$ 2,928,181	0	3,811		3,811		
Surgery*	\$ 30,548,081	23,461	64,125		27,708	23,461	
Recovery*		12,956				12,956	
GI Lab*		6,350					6,350
Bariatrics	\$ 1,571,597	0	1,090		1,090		
Neurodiag/Sleep	\$ 1,308,807	2,400	2,100			2,100	2,400
Inpt. Rehab	\$ 3,354,889	8,870	11,270			11,270	
Bronchoscopy	\$ 673,573	250	269			269	250
	\$ 85,228,811	82,412	140,845		78,178	62,667	0 26,514
Non-Reviewable							
Retail	\$ 751,154		1,590		1,590		
Pre-Adm. Testing	\$ 955,187		1,500		1,500		
Diabetes Ed.	\$ 1,229,161		2,900		2,900		
Lease-Dialysis	\$ 3,072,902		8,000		8,000		
Public Area	\$ 2,565,734		2,705		2,705		
Admin	\$ 1,624,301	6,100	10,817		1,117	3,600	6,100
Care Suites	\$ 409,720		2,600			2,600	
Bridge	\$ 1,229,161		848		848		
Physicians' Offices	\$ 39,811,155		78,696		78,696		
Bldg. Services	\$ 409,720		1,090		1,090		
Nurs. Ed./Adm.	\$ 1,551,154		5,072			5,072	
On Call Rms	\$ 409,719	3,250	5,942			2,692	3,250
Med Ed/Med Adm	\$ 1,524,301	3,650	6,600			6,600	3,650
	\$ 55,543,370	13,000	128,360		98,446	20,564	9,350
					176,624		
DGSF>BGSF	\$ 16,183,951		42,438		42,438		
	\$ 156,956,132	95,412	311,643		219,062	83,231	9,350
							30,164
*recovery DGSF supports inpatient surgery, outpatient surgery, and GI lab; and surgery, recovery and GI lab share support space							

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AMERICAN OSTEOPATHIC ASSOCIATION

**BUREAU OF HEALTHCARE FACILITIES ACCREDITATION
HEALTHCARE FACILITIES ACCREDITATION PROGRAM**

142 E. Ontario Street, Chicago, IL 60611-2864 | PH 312 202 8258 | 800-621-1773 X 8258

March 10, 2011

Roberta Luskin-Hawk, MD
Chief Executive Officer
Saint Joseph Hospital
2900 N. Lake Shore Drive
Chicago, IL 60657

Dear Dr. Hawk :

The American Osteopathic Association's Bureau of Healthcare Facilities Accreditation Executive Committee, at its meeting on March 8, 2011 reviewed the recertification survey report and found all Medicare conditions have been met. Your facility has been granted **Full Accreditation**, with resurvey within 3 years and AOA/HFAP recommends **continued deemed status**.

Saint Joseph Hospital (All Sites as Listed)
2900 N. Lake Shore Drive
Chicago, IL 60657

Seton Family Health Center
711 West North Avenue,
Chicago, IL 60657

St. Joseph Rehabilitation and Fitness Center
1525 West Belmont,
Chicago, IL 60657

Program: Acute Care Hospital

CCN # 140224

HFAP ID: 118817

Survey Dates: 10/11/2010 – 10/13/2010

Effective Date of Accreditation: 10/19/2010 - 10/19/2013

Condition Level Deficiencies: ☒ None
(Use crosswalk and CFR citations, if applicable):

No further action is required.

Sincerely,

George A. Reuther
Secretary

GAR/pmh

C: Laura Weber, Health Insurance Specialist, CMS



State of Illinois 2090075
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.

LA MAR HASEBROUCK, MD, MPH
DIRECTOR

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

EXPIRATION DATE	CATEGORY	ID NUMBER
07/02/13	0000	0005101

FULL LICENSE
GENERAL HOSPITAL

EFFECTIVE: 07/03/12

BUSINESS ADDRESS:

SAINT JOSEPH HOSPITAL
2900 NORTH LAKE SHORE DRIVE
CHICAGO, IL 60657

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DISPLAY THIS PART IN A
CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN
IDENTIFICATION

State of Illinois 2090075
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

SAINT JOSEPH HOSPITAL
DIRECTOR

EXPIRATION DATE	CATEGORY	ID NUMBER
07/02/13	0000	0005101

FULL LICENSE
GENERAL HOSPITAL

EFFECTIVE: 07/03/12

06/02/12

SAINT JOSEPH HOSPITAL
2900 NORTH LAKE SHORE DRIVE
CHICAGO, IL 60657

FEE RECEIPT NO.

			IDPH
	Name	Location	Licensure #
	Hospitals Owned by Presence RHC Corporation:		
	Presence Saint Mary's Hospital	Chicago	2584
	Presence Saint Elizabeth Hospital	Chicago	5314
	Presence Resurrection Medical Center	Chicago	1974
	Presence Saint Joseph Hospital-Chicago	Chicago	5181
	Presence Holy Family Medical Center	Des Plaines	1008
	Presence Saint Francis Hospital	Evanston	2402
	Presence Our Lady of Resurrection Medical Center	Chicago	1719
	Hospitals Owned by Presence PRV Health:		
	Presence Covenant Medical Center	Urbana	4861
	Presence United Samaritan Medical Center	Danville	4853
	Presence Saint Joseph Medical Center	Joliet	4838
	Presence Saint Joseph Hospital-Elgin	Elgin	4887
	Presence Mercy Medical Center	Aurora	4903
	Presence Saint Mary's Hospital	Kankakee	4879
	Ambulatory Surgical Treatment Centers Owned by:		
	Presence Healthcare Services:		
	Belmont/Harlem Surgery Center, LLC*	Chicago	7003131
	Presence Hospitals PRV:		
	Dreyer Ambulatory Surgery Center**	Aurora	7001779
	Vermillion County Ambulatory Surgery Center***	Danville	7003175
	End Stage Renal Disease Facilities Owned by		
	Presence Hospitals PRV:		
	Manteno Dialysis Center****	Manteno	147271
	Long-Term Care Facilities Owned by Presence Life Connections:		
	Presence Villa Franciscan	Joliet	2009220
	Presence Saint Anne Center	Rockford	2004899
	Presence Pine View Care Center	St. Charles	2009222
	Presence Our Lady of Victory Nursing Home	Bourbonnais	2013080
	Presence McCauley Manor	Aurora	1992916
	Presence Cor Mariae Center	Rockford	1927199
	Presence Saint Joseph Center	Freeport	0041871
	Presence Heritage Village	Kankakee	0042457
	Long-Term Care Facilities owned by Presence RHC Senior Services:		
	Presence Maryhaven Nursing and Rehabilitation Center	Glenview	0044768
	Presence Resurrection Life Center	Chicago	0044354
	Presence Resurrection Nursing and Rehabilitation Center	Park Ridge	0044362
	Presence Saint Andrew Life Center	Niles	0044776
	Presence Saint Benedict Nursing and Rehabilitation Center	Niles	0044784
	Presence Villa Scalabrini Nursing and Rehabilitation Center	Northlake	0044792
	Presence Ballard Nursing Center	Des Plaines	51490
	* Presence RHC Corporation has a 51% ownership interest		
	** Presence Hospitals PRV has a 40% ownership interest		
	*** Presence Hospitals PRV has a 100% ownership interest		
	**** Presence Hospitals PRV has a 50% ownership interest		



Presence Health™

Jeannie Carmedelle Frey
Sr. Vice President/Chief Legal Officer
7435 W. Talcott POB #461
Chicago, IL 60631
Jfrey@presencehealth.org
773-792-5034

February 25, 2013

Illinois Health Facilities
and Services Review Board
525 West Jefferson
Springfield, IL 62761

To Whom It May Concern:

In accordance with Review Criterion 1110.230.b, Background of the Applicant, we are submitting this letter assuring the Illinois Health Facilities and Services Review Board (IHFSRB) that:

1. Over the past three years there have been a total of nine (9) adverse actions involving a Presence Health (f/k/a Provena – Resurrection Health Network) hospital (each addressing Medicare Conditions of Participation).
 - One action relates to Presence Our Lady of the Resurrection Medical Center (OLR). The action arose in 2011 and relates to a cited deficiency related to QAPI Quality Indicators which was fully resolved to the satisfaction of IDPH and CMS through a plan of correction.
 - Two (2) actions relate to Presence Saint Joseph Hospital (SJH). The first involved a life safety code issue from a 2010 survey related to the age of the physical plant of SJH for which a plan of correction was completed to the satisfaction of IDPH and CMS. The other action involves a Federal Monitoring Survey conducted at the hospital in January 2013. The hospital submitted its plan of correction in response to this survey and has been found back in substantial compliance to the satisfaction of IDPH and CMS.
 - Two (2) actions relate to Presence St. Mary and Elizabeth Medical Center (SMEMC). The first was initiated in 2011 when SMEMC was cited with a deficiency related to patients' rights and the matter was been fully resolved to the satisfaction of CMS and IDPH. The second occurrence arises from a survey conducted in February 2012 where by the hospital

Illinois Health Facilities
and Services Review Board
February 25, 2013
Page 2

was removed from deemed status and found to be out of compliance with Medicare Conditions of Participation. The hospital submitted its plan of correction in response to this survey and has been found back in substantial compliance to the satisfaction of IDPH and CMS.

- One action relates to Presence Resurrection Medical Center (RMC) that was initiated in 2011. RMC was alleged certain condition-level deficiencies related to the hospital's CLIA certification. RMC appealed this alleged deficiency with CMS and has settled the dispute to the satisfaction of CMS.
 - Two (2) actions relate to surveys at Presence Provena Covenant Medical Center. The first survey was conducted in January 2012 and the hospital was found to be in compliance with Medicare Conditions of Participation after submitting its plan of correction and following a substantial allegation survey. The second survey was conducted in September 2012 and the hospital was found to be in compliance with Medicare Conditions of Participation after submitting its plan of correction and following a substantial allegation survey on December 4, 2012
 - One action relates to a survey performed at Presence Provena United Samaritans Medical Center in October 2011. After submitting a plan of correction and following a revisit survey conducted in 2012, the medical center has been found back in substantial compliance to the satisfaction of IDPH and CMS.
2. Over the past year there has been one adverse action involving a Presence Health long-term care facility (each addressing Medicare Conditions of Participation). The action arises from a complaint survey at Presence Maryhaven Nursing and Rehabilitation Center that was initiated in 2011. As a result of the survey, IDPH notified Maryhaven that it found an immediate-jeopardy level deficiency for failing to protect a resident in the facility's dementia-unit from injury. Both IDPH and CMS have imposed sanctions and Resurrection is currently appealing all sanctions before IDPH and CMS. The facility has been found back in substantial compliance.



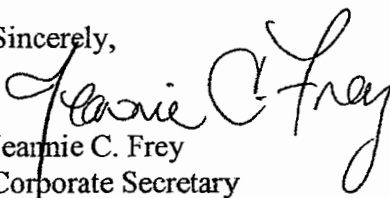
Presence HealthSM

February 25, 2013
Illinois Health Facilities
and Review Board

3. Presence Health authorizes the State Board and State Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or State Agency finds pertinent to this application.

If we can in any way provide assistance to your staff regarding these assurances or any other issue relative to this application, please do not hesitate to call me.

Sincerely,


Jeannie C. Frey
Corporate Secretary

PURPOSE OF THE PROJECT

The proposed major modernization project has two primary purposes. The first is to provide a contemporary delivery mechanism for the hospital's growing scope and volume of outpatient services; many of which continue to be delivered in the same manner and using the same facilities that were provided when the hospital opened in 1964. The second primary purpose of the proposed project is to provide much-needed high quality physicians' office space in the Lincoln Park area in general, and on the hospital campus in particular. The project, as proposed, will improve the health care and well being of area residents through improving the availability of health care services and the manner in which they are delivered to those who look to Presence Saint Joseph Hospital-Chicago for their health care needs, with particular focus on the development of outpatient services and increasing the area's availability of physicians.

The proposed project is not anticipated to result in any appreciable changes to the hospital's patient origin. Presence Saint Joseph Hospital-Chicago's historical patient origin (all inpatients) is presented in the table on the following page.

ZIP Code/Community	%	Cumulative %
60657 CHICAGO	13.57%	13.57%
60614 CHICAGO	13.20%	26.78%
60640 CHICAGO	6.19%	32.96%
60626 CHICAGO	5.26%	38.23%
60613 CHICAGO	4.62%	42.84%
60618 CHICAGO	4.52%	47.37%
60660 CHICAGO	3.51%	50.88%
60610 CHICAGO	2.95%	53.83%
60647 CHICAGO	2.95%	56.79%
60625 CHICAGO	2.40%	59.19%
60645 CHICAGO	2.40%	61.59%
60619 CHICAGO	2.12%	63.71%
60617 CHICAGO	1.75%	65.47%
60630 CHICAGO	1.75%	67.22%
60641 CHICAGO	1.75%	68.98%
60634 CHICAGO	1.57%	70.54%
60628 CHICAGO	1.29%	71.84%
60659 CHICAGO	1.29%	73.13%
60639 CHICAGO	1.02%	74.15%
60646 Chicago	1.02%	75.16%
60622 CHICAGO	1.02%	76.18%
other, <1.0%, each	23.82%	100.00%

As displayed in the table above, Presence Saint Joseph Hospital-Chicago's historical patient origin is spread over many ZIP Code areas and neighborhoods in Chicago, with no single ZIP Code area contributing as much as 14% of the patient population. Approximately one-quarter of the hospital's admissions, however come from two ZIP Code areas (60657 and 60614) on the north lakefront of Chicago, and each ZIP Code area contributing 2.00%+ of the patients is located on the north side (and primarily on the northeast side) of Chicago. The hospital is located in ZIP Code area 60657.

Most apparent to hospital patients among the improvements that will result from the proposed project will be the manner in which outpatient services are delivered. In

general, the project will allow the co-location of many outpatient services, providing easy access and way finding for patients, a platform for multi-disciplinary, coordinated care, and efficiency for patients, family, physicians, and staff. These attributes will result in an enhanced patient experience. The individual departments are designed to protect patient privacy and provide space for family and loved ones.

The success of the project will be immediately measurable following completion by anticipated high scores on satisfaction questionnaires returned by outpatients.

ALTERNATIVES

The primary goals of proposed project are: 1) improve the manner in which outpatient services are provided, 2) increase the amount of high quality physicians' office space available in the community, and 3) improve the physical aspects of selected areas within the existing hospital.

A number of alternatives were considered, and all were found to be inferior to the proposed project.

The first alternative considered was the locating of either or both the outpatient services and physicians' offices components of the project to a site (or sites) remote from the hospital. The hospital currently offers selected outpatient services, including primary care and immediate care, at a variety of locations on the north side of Chicago. From an accessibility perspective, remote sites could improve access for residents from communities and neighborhoods remote from the hospital, however the remote sites would compromise accessibility for residents of the neighborhoods surrounding the hospital. The quality of the services provided at remote sites, assuming they would be provided under the same treatment protocols as on-campus programs, would be identical to the quality associated with the proposed project. Capital (one-time) costs could not be compared due to variety of facilities/land acquisition scenarios that could be employed.

Operating expenses, due primarily to duplicative staffing, administrative and supply costs, were estimated to be approximately 15% higher with off-site facilities.

The second alternative considered was the locating of the hospital-operated outpatient services proposed to be incorporated into this project and the physicians' offices in separate buildings. Through this alternative, the potential for reductions in construction costs exist, and quality, accessibility, and operating costs could be very similar to that of the proposed project. This alternative was determined to be inferior to the proposed project, however, because of a lack of land on the hospital campus for two separate buildings, and the added value of having all of the functions included in the proposed project on the campus.

The third alternative considered was to expand the physical size of the proposed building to incorporate many of the functions (please see ATTACHMENT 9) to be located in space to be vacated/renovated within the hospital upon the opening of the ambulatory care building. This alternative would have no impact on the quality of services provided, accessibility, or operating costs. The construction costs associated with those functional components of the project to be located in "backfill" space, however, would be approximately 40% higher than the cost associated with the components' renovation costs. This alternative would also involve the securing of City of Chicago approvals, with a larger-sized building, which would exceed the limitations of the Planned Development.

For the reasons discussed above, it is the belief of the applicants that the proposed project—a single building to house many of the hospital's outpatient services, and particularly secondary services, and physicians' offices, coupled with renovation within the existing hospital—provides the best path to meeting the goals identified in the opening to this ATTACHMENT. It is envisioned that many of the secondary level outpatient services will serve as a hub for those services, attracting patients from Presence Health's primary care sites and hospitals.

SIZE OF PROJECT

The amount of space included in the proposed project is necessary and not excessive. Department-specific areas and space allocations were identified through a lengthy space planning process that included physicians and hospital staff, as well as the project architect. The amount of space renovated in the existing hospital building was determined primarily by the amount of vacated space becoming available in appropriate locations within the hospital. Where possible, and as practical, functions are being re-located with as little wall movement as practical, to minimize the associated renovation costs.

The table below identifies newly-constructed space for the functions for which the IDPH maintains space standards. Please refer to ATTACHMENT 9 for identification of all newly-constructed and renovated space. As noted below, each of the areas included in new construction are being programmed consistent with IDPH standards.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Imaging (1)	12,300	12,900	(600)	YES
Radiation Therapy (2)	4,200	4,200	-	YES
Surgery/Recov/GI Lab (3)	27,708	29,700	(1,992)	YES
(1) 2 general units, 1 PET, 3 ultrasound units, 1 MRI, 1 dexascan, and 3 mammography units				
(2) 1 CT simulator and 1 linac				
(3) 4 class C operating rooms, 5 class B operating rooms, 33 phase II recovery stations				

NOTE ON THE RE-ALLOCATION OF SPACE WITHIN THE EXISTING HOSPITAL

The proposed project includes both the re-location of certain functions from the existing hospital building into the ambulatory care center and the renovation of the existing space for different functions, to include the following:

1. 4,250 sf on the 1st floor, and currently housing the radiation therapy department, will be renovated for use as the hospital's employee health department. Employee health does not currently have a permanent location.
2. 2,400 sf on the 2nd floor, and currently housing the neurodiagnostics program, will be renovated for use as administrative offices for the inpatient rehabilitation program.
3. 250 sf on the 3rd floor, and currently housing the bronchoscopy lab will be renovated for medical education space.
4. 3,072 sf on the 3rd floor, and currently used as part of the imaging department, will be renovated for use by nursing administration/nursing education and case management.
5. 2,000 sf on the 3rd floor, and currently used as part of the imaging department, will be renovated for non-oncology infusion therapy.
6. 2,100 sf on the 3rd floor, and currently used as part of the imaging department, will be renovated for use by the neurodiagnostics program.
7. The 5,292 sf infusion therapy program on the 7th floor will be renovated to provide 2,692 sf of on call rooms and 2,600 sf of care suites for patients and family members.
8. The existing 6,350 sf GI lab on the 10th floor will be renovated, to be used for medical education space.
9. 3,600 sf on the 12th floor, and currently used for medical staff administration and medical education will be renovated for administration.

PROJECT SERVICES UTILIZATION

By the second year following the proposed project's completion, utilization of each of the project components for which the IDPH maintains utilization standards will be met, with the exception of the PET/CT unit. The standard for that service is not applicable, because only one unit will be provided. The table below identifies the historical and projected utilization for each applicable service, as well as the State standard and documentation of compliance.

Dept./Service	Historical Util.(1)	Projected Util. Year 1	Projected Util. Year 2	State Standard	Standard Met?
Gen'l ORs (hrs)	9,455	13,667	14,197	13,501+	YES
GI Lab (hrs)	3,940	4,864	5,016	4,501+	YES
Gen'l Radiology	32,238	42,860	43,916	40,001+	YES
Mammography	8,589	10,896	11,212	10,001+	YES
Ultrasound	13,626	16,052	16,226	15,501+	YES
CT	8,990	11,841	12,128	7,001+	YES
MRI	4,122	7,016	7,231	2,501+	YES
PET/CT (2)	450	617	651	3,600	N/A(3)
Radiation Ther.	8,032	12,581	13,617	7,500	YES

(1) calendar 2011 historical utilization
 (2) PET services are currently provided on a contractual basis one day a week
 (3) State standard is not applicable because only one unit is to be provided

Internal-driven planning efforts, which were completed with the assistance of external consulting resources, were conducted on a service line basis. Utilization for the second year

following the project's completion, as presented below, is based on data developed for the applicants by Thomson Reuters, an international consulting firm with expertise in health care planning, which developed medical specialty-specific utilization projections for the hospital's service area population, as it has done for many other hospitals and health systems, nationwide.

The Thomson Reuters projection model is done on a ZIP Code level basis, using eight separate sex/age groupings. Historical outpatient trends and practices are identified using claims data and streams for Medicare recipients and commercially insured patients, and Federal surveys are used to construct demand/use rates for Medicaid recipients and the uninsured. Usage rates are then adjusted by Thomson Reuters, based on unique epidemiology, patterns of access, and local health care practices. The Thomson Reuters projections were then combined with the hospital's specialty-specific physician recruitment plans and the historical use of hospital services by each specialty (procedures per admission, etc.). The recruitment plans/expectations include hospital-employed as well as independent physicians, and the plans are based, in part, on the plans of established practices that have traditionally admitted patients to and used outpatient services provided by Saint Joseph Hospital. The projected utilization of services by individual recruited physicians was then estimated based both on (as applicable) the historical utilization by members of the group recruiting the physician, and discussions with physicians of like specialties. Adjustments for physician attrition were made, where appropriate. The resultant projected increases and decreases in the utilization of the services, were then phased in, consistent with and incorporating the recruitment plans, to project annual utilization of the individual clinical services, through the second year following the project's completion.

Critical to the physician recruitment plans is the availability of quality physicians' office space in close proximity to the hospital. The lack of high quality office space has been identified as a primary obstacle to physicians joining Presence Saint Joseph Hospital-Chicago's Medical Staff in recent years, and one that will be remedied with the inclusion of nearly 79,000 square feet of physicians' office space in the proposed project.

The table below provides seven years of historical utilization (as available) and projected utilization of the individual clinical services identified above, through the second full year following the project's completion.

	2006	2007	2008	2009	2010	2011	2012	2017	2018
Gen'l ORs-cases									
Inpt.	1,649	1,527	1,528	1,522	1,395	1,391	1,254	1,873	1,910
Outpt.	<u>4,014</u>	<u>4,053</u>	<u>4,176</u>	<u>4,374</u>	<u>4,374</u>	<u>4,470</u>	<u>4,496</u>	<u>6,704</u>	<u>7,027</u>
Total	5,663	5,580	5,704	5,896	5,769	5,861	5,750	8,577	8,937
Gen'l ORs- hours									
Inpt.	4,449	4,449	3,869	4,289	3,937	3,352	3,022	4,514	4,603
Outpt.	<u>7,002</u>	<u>7,002</u>	<u>7,403</u>	<u>7,429</u>	<u>7,642</u>	<u>6,103</u>	<u>6,138</u>	<u>9,153</u>	<u>9,594</u>
Total	11,451	11,451	11,272	11,718	11,579	9,455	9,160	13,667	14,197
GI Lab cases									
Inpt.	997	922	859	736	736	689	667	871	877
Outpt.	<u>3,836</u>	<u>4,036</u>	<u>3,940</u>	<u>3,738</u>	<u>3,738</u>	<u>3,912</u>	<u>3,866</u>	<u>4,804</u>	<u>4,980</u>
Total	4,833	4,958	4,799	4,474	4,474	4,601	4,533	5,675	5,857
GI Lab hours									
Inpt.	1,297	1,251	1,107	879	879	718	695	908	914
Outpt.	<u>4,600</u>	<u>4,751</u>	<u>4,691</u>	<u>4,219</u>	<u>4,219</u>	<u>3,222</u>	<u>3,184</u>	<u>3,957</u>	<u>4,102</u>
Total	5,897	6,002	5,798	5,098	5,098	3,940	3,879	4,864	5,016

Gen'I Radiology-exams

Inpt.	13,826	13,725	13,511	12,155	11,170	10,623	10,942	11,988	12,079
Outpt.	<u>22,566</u>	<u>22,861</u>	<u>21,597</u>	<u>22,888</u>	<u>21,688</u>	<u>21,615</u>	<u>22,263</u>	<u>30,872</u>	<u>31,837</u>
Total	36,392	36,586	35,108	35,043	32,858	32,238	33,205	42,860	43,916

Mammography-exams

Inpt.	19	12	16	0	9	6	6	7	7
Outpt.	<u>7,389</u>	<u>7,853</u>	<u>7,668</u>	<u>8,837</u>	<u>8,221</u>	<u>8,583</u>	<u>8,840</u>	<u>10,889</u>	<u>11,205</u>
Total	7,408	7,865	7,684	8,837	8,230	8,589	8,846	10,896	11,212

Ultrasound-exams

Inpt.	2,277	3,329	3,223	2,986	2,884	2,462	2,536	2,778	2,799
Outpt.	<u>10,882</u>	<u>11,728</u>	<u>11,156</u>	<u>11,466</u>	<u>10,926</u>	<u>11,164</u>	<u>11,499</u>	<u>13,274</u>	<u>13,427</u>
Total	13,159	15,057	14,379	14,452	13,810	13,626	14,035	16,052	16,226

CT-exams

Inpt.	3,831	3,678	3,162	3,399	2,893	2,123	2,187	2,396	2,414
Outpt.	<u>9,235</u>	<u>9,123</u>	<u>8,666</u>	<u>9,644</u>	<u>8,719</u>	<u>6,867</u>	<u>7,073</u>	<u>9,445</u>	<u>9,714</u>
Total	13,066	12,801	11,828	13,043	11,612	8,990	9,260	11,841	12,128

MRI									
Inpt.	2,126	2,184	1,885	1,922	1,685	1,681	1,731	1,897	1,911
Outpt.	<u>2,710</u>	<u>2,551</u>	<u>2,458</u>	<u>2,478</u>	<u>2,452</u>	<u>2,461</u>	<u>2,535</u>	<u>5,119</u>	<u>5,320</u>
Total	4,836	4,735	4,343	4,400	4,137	4,142	4,266	7,016	7,231
PET/CT									
Inpt.							3	3	3
Outpt.							<u>464</u>	<u>613</u>	<u>648</u>
Total			283	391	383	450	467	617	651
Radiation Ther									
Inpt.							425	466	469
Outpt.							<u>8,295</u>	<u>12,116</u>	<u>13,148</u>
Total				8,451	8,400	8,032	8,720	12,581	13,617

In addition to the services identified above, one operating room will be provided for the hospital's open heart surgery program, per the requirements of open heart surgery programs; and one cystoscopy room will be provided in the hospital's main surgical suite, due to the nature of those procedures.

CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE

The proposed project provides for two clinical areas for which the IDPH does not have either space or utilization standards: examination rooms and infusion therapy.

Thirty-two examination rooms will be provided through new construction in the ambulatory care center. Eleven of the examination rooms will be provided in the oncology clinic, eighteen will be located in the musculoskeletal institute, and three will be located in the bariatrics clinic.

The number of examination rooms provided in each setting was determined through discussions with physicians and staff that will be working in the individual areas, and is dependent, to a great extent on the scheduling of clinics. For example, in the oncology clinic, a radiation oncologist typically sees approximately five patients a day, Monday-Friday. Two days a week, the exam rooms are also used simultaneously by two additional physicians/nurse practitioners seeing a total of approximately 48 patients a day for clinic services and consultations, and three days a week the exam rooms are used by three additional physicians/nurse practitioners simultaneously, seeing approximately 72 patients a day. Patients occupy an exam room between fifteen minutes and three hours each, with the average being approximately thirty minutes. Similarly, exam room usage in the musculoskeletal institute was projected separately for the various subspecialties that will use the area, including: orthopedics,

physical medicine, neurosurgery/spine surgery, sports medicine, podiatry, rheumatology, and hand surgery. Annual visits were projected by specialty, and exam room assignments and hours were assigned, based on projected utilization. For example, orthopedics is projected to have 8,849 exam room visits during the first year following the project's completion, and 12,680 during the subsequent year. As a result, orthopedics is allocated the following exam rooms: 13 rooms on Monday, Tuesday and Thursday, 7 rooms on Wednesday, and 10 rooms on Friday from 8AM to noon; and 7 rooms on Monday, Wednesday, Thursday, and Friday and 10 rooms on Tuesday between 1PM and 5PM. All exam rooms are assigned Monday-Friday between 8AM and 5PM, with three rooms being assigned to sports medicine Monday-Thursday until 8PM.

Similar to the planning for the IDPH-designated categories of services, internal-driven planning efforts, which were completed with the assistance of external consulting resources, were conducted to determine the number of infusion therapy stations that would be needed, and the appropriate amount of space to be allocated to the function.

Sixteen infusion therapy stations will be provided through new construction in the ambulatory care center for oncology patients, and four stations will be provided through the renovation of existing space on the hospital's third floor for non-oncology infusion therapy services. Utilization for the second year following the project's completion, as presented below, is based on data developed for the applicants by Thomson Reuters, an international consulting firm with expertise in health care planning, which developed medical specialty-specific

utilization projections for the hospital's service area population, as it has done for many other hospitals and health systems, nationwide.

The Thomson Reuters projection model is done on a ZIP Code level basis, using eight separate sex/age groupings. Historical outpatient trends and practices are identified using claims data and streams for Medicare recipients and commercially insured patients, and Federal surveys are used to construct demand/use rates for Medicaid recipients and the uninsured. Usage rates are then adjusted by Thomson Reuters, based on unique epidemiology, patterns of access, and local health care practices. The Thomson Reuters projections were combined with the hospital's specialty-specific (particularly oncology and hematology) physician recruitment plans and the historical use of infusion therapy services by each specialty. The projected utilization of services by individual physicians was then estimated. The resultant projected increases in the utilization of infusion therapy services, were then phased in, consistent with and incorporating recruitment plans, to project annual utilization of the service, through the second year following the project's completion. During 2011 5,596 infusion therapy treatments were provided at the hospital, and that volume increased to 6,380 treatments in 2012. Based on the methodology discussed above, 8,733 and 8,873 infusion therapy treatments are projected to be provided during the first two years following the project's completion, respectively.

AVAILABILITY OF FUNDS

The project will be funded through three sources:

1. Cash from Presence Health for its portion of the project, and audited financial statements are provided.
2. Cash from the outside developer, Hammes Company, or a subsidiary, thereof. Consistent with a technical assistance conference with IHFSRB staff, the outside developer is not to be identified as an applicant. Therefore, proof of availability of funds is not provided.
3. Debt, in the form of a loan (mortgage) to be secured by Hammes Company, or a subsidiary, thereof.

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Consolidated Financial Statements and Supplementary Information

December 31, 2011

(With Independent Auditors' Report Thereon)

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

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Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

May 31, 2012

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Consolidated Statement of Financial Position

December 31, 2011

(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 107,955
Assets whose use is limited or restricted – required for current liabilities	31,195
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately \$239,301	405,379
Inventories	49,651
Prepaid expenses and other current assets	102,630
Assets held for sale	4,929

Total current assets	701,739
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Assets whose use is limited or restricted	1,149,263
Land, buildings, and equipment, net	1,349,701
Other assets	78,303

Total assets	\$ 3,279,006
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Liabilities and Net Assets

Current liabilities:

Current installments of long-term debt	\$ 30,106
Current portion of obligations under capital leases	4,653
Current portion of estimated self-insurance liabilities	23,960
Accounts payable and accrued expenses	312,879
Estimated payables under third-party reimbursement programs	222,979
Deferred revenue and refundable deposits	66,208
Liabilities held for sale	1,541
Other	18,920

Total current liabilities	681,246
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Long-term debt, excluding current installments and unamortized bond premiums and discounts	1,180,913
Obligations under capital leases, net of current portion	9,325
Pension benefit liability	336,998
Estimated self-insurance liabilities	329,908
Other long-term liabilities	27,150

Total liabilities	2,565,540
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Net assets:

Unrestricted:

Unrestricted net assets of Presence Health	673,124
Noncontrolling interest in subsidiaries	4,096

Total unrestricted net assets	677,220
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Temporarily restricted	20,511
Permanently restricted	15,735

Total net assets	713,466
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Total liabilities and net assets	\$ 3,279,006
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See accompanying notes to consolidated financial statements.

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**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Consolidated Statement of Operations

Two months ended December 31, 2011

(In thousands)

Revenue:		
Net patient and resident service revenue	\$	433,912
Other revenue		43,357
Total revenue		<u>477,269</u>
Expenses:		
Salaries and benefits		228,283
Supplies		72,755
Purchased services		45,428
Insurance		9,616
Depreciation and amortization		26,368
Provision for uncollectible accounts receivable		42,960
Interest		7,885
Assessments and taxes		15,132
Other		49,403
Total expenses		<u>497,830</u>
Loss from operations		(20,561)
Nonoperating – investment income and other, net		<u>(144)</u>
Revenue and gains deficient of expenses and losses before discontinued operations		(20,705)
Losses from discontinued operations		<u>(569)</u>
Revenue and gains deficient of expenses and losses		(21,274)
Other changes in unrestricted net assets:		
Net assets released from restrictions for purchase of land, buildings, and equipment		1,057
Other, net		(18)
Recognition of change in pension funded status		(37,798)
Decrease in unrestricted net assets	\$	<u><u>(58,033)</u></u>

See accompanying notes to consolidated financial statements.

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Consolidated Statement of Changes in Net Assets

Two months ended December 31, 2011

(In thousands)

Unrestricted net assets:	
Revenue and gains deficient of expenses and losses	\$ (21,274)
Net assets released from restrictions for purchase of land, buildings, and equipment	1,057
Other, net	(18)
Recognition of change in pension funded status	<u>(37,798)</u>
Decrease in unrestricted net assets	<u>(58,033)</u>
Temporarily restricted net assets:	
Pledges and contributions	572
Investment return	190
Net assets released from restrictions for purchase of land, buildings, and equipment	(1,057)
Net assets released from restrictions for operations	<u>(838)</u>
Decrease in temporarily restricted net assets	<u>(1,133)</u>
Permanently restricted net assets:	
Contributions	610
Investment return	<u>5</u>
Increase in permanently restricted net assets	<u>615</u>
Change in net assets	(58,551)
Net assets at beginning of period	<u>772,017</u>
Net assets at end of period	<u><u>\$ 713,466</u></u>

See accompanying notes to consolidated financial statements.

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Consolidated Statement of Cash Flows

Two months ended December 31, 2011

(In thousands)

Cash flows from operating activities:	
Change in net assets	\$ (58,551)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	26,385
Provision for uncollectible accounts	42,960
Loss on disposal of land, buildings, and equipment	3,219
Change in funded status of pension plan	37,798
Equity gain in joint ventures	(419)
Cash distributions received from joint ventures	31
Amortization of deferred occupancy and care revenue	(100)
Change in net unrealized gains and losses on investment securities	10,320
Net realized gain on sale of investments	(7,218)
Permanently restricted contributions and investment return	(615)
Changes in assets and liabilities:	
Patient and resident accounts receivable	(88,151)
Estimated settlements under third-party reimbursement programs, net	246
Inventories	(789)
Prepaid expenses and other assets	(4,041)
Accounts payable and accrued expenses	18,546
Estimated self-insurance liabilities	353
Other current liabilities	(2,515)
Pension benefit liability	(27,183)
Other long-term liabilities	(553)
Net cash used in operating activities	<u>(50,277)</u>
Cash flows from investing activities:	
Acquisition of land, buildings, and equipment, net	(40,023)
Net proceeds from sale of land, buildings, and equipment	118
Purchases of investment securities	(231,193)
Sales of investment securities	299,492
Change in other long-term assets	(8,387)
Net cash provided by investing activities	<u>20,007</u>
Cash flows from financing activities:	
Repayment of obligations under capital leases	(864)
Proceeds from issuance of long-term debt	20,000
Net deposits of entrance fees and membership deposits	10,266
Permanently restricted contributions	615
Net cash provided by financing activities	<u>30,017</u>
Net change in cash and cash equivalents	(253)
Cash and cash equivalents at beginning of period	<u>108,208</u>
Cash and cash equivalents at end of period	<u>\$ 107,955</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest, net of amounts capitalized	\$ 5,827
Supplemental disclosure of noncash transaction:	
Assets acquired under capital leases	\$ 1,616

See accompanying notes to consolidated financial statements.

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

(1) Provena-Resurrection Health Network and Affiliates

On November 1, 2011, Resurrection Health Care Corporation and its affiliates (collectively, RHC) and Provena Health and its affiliates (collectively, Provena) completed a system merger to form Provena-Resurrection Health Network (d/b/a Presence Health). Pursuant to the merger, the two sponsoring congregations of RHC and the three sponsoring congregations of Provena agreed to jointly sponsor a new system composed of all entities comprising both systems. The system merger was accomplished through the establishment of a new system parent corporation as the sole member of the former parent corporations of each system (i.e., Resurrection Health Care Corporation and Provena Health, respectively). The parent corporation of the newly merged health care system, Provena-Resurrection Health Network (d/b/a Presence Health) (referred to as Presence Health, herein), is a not-for-profit, tax-exempt corporation. The merger was effected to preserve and strengthen Catholic health care, furthering RHC's and Provena's charitable missions. Presence Health created the largest Catholic healthcare network in the State of Illinois, spanning 12 hospitals, 28 long-term care and senior residential facilities, more than 50 primary and specialty care clinics, and 6 home health agencies. The combined health system has hospital operations throughout Chicago, Des Plaines, Evanston, Aurora, Elgin, Joliet, Kankakee, Urbana, and Danville. The merger was initiated by repurposing an existing, dormant Illinois not-for-profit corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, to become the new corporate parent entity and given control over all of the health care activities, assets, and operations of RHC and Provena Health.

Concurrent with the merger, directors of both RHC and Provena resigned at the effective date of the transaction, and a new board of directors was formed. The merger of RHC and Provena was approved by the Sponsors of both organizations to improve access to care in the communities served. The combination has been accounted for as a merger given the ceding of control by both organizations to Presence Health. The accompanying consolidated financial statements of Presence Health present the financial position and results of operations of the merged entity as of and subsequent to the merger date.

The accompanying consolidated financial statements include the accounts of Presence Health, and the following affiliates:

(a) Resurrection Healthcare Corporation Historical Affiliates

- Resurrection Medical Center (RMC), a not-for-profit corporation that owns an acute care hospital providing various inpatient and outpatient services and programs;
- Saint Francis Hospital (SFH), a not-for-profit corporation that owns an acute care hospital providing various inpatient and outpatient services and programs;
- Our Lady of the Resurrection Medical Center (OLR), a not-for-profit corporation that owns an acute care hospital providing various inpatient and outpatient services and programs;
- Saints Mary and Elizabeth Medical Center (SMEMC), a not-for-profit corporation that owns two acute care hospitals providing various inpatient and outpatient services and programs;

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(Continued)

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

- Holy Family Medical Center (HFMC), a not-for-profit corporation that owns a long-term acute care hospital providing various services and programs to patients including outpatient services and addiction services;
- Saint Joseph Hospital (SJH), a not-for-profit corporation that owns an acute care hospital providing various inpatient and outpatient services and programs;
- Resurrection Senior Services (Senior Services), a not-for-profit corporation that manages and owns various independent living and nursing services and programs and, which encompasses the following: Resurrection Nursing and Rehabilitation Center, Resurrection Retirement Community, Resurrection Life Center, Bethlehem Woods Retirement Community, Casa San Carlo Retirement Community, St. Benedict Nursing and Rehabilitation Center, Villa Scalabrini Nursing and Rehabilitation Center, Maryhaven Nursing and Rehabilitation Center, St. Andrew Life Center, Holy Family Nursing and Rehabilitation Center, Resurrection Nursing Home, Mt. Loretto Nursing Home, and Ballard Nursing Center;
- Resurrection Services (Services), a not-for-profit corporation that encompasses the following operating divisions: Resurrection Ambulatory Care Services (RAS), Resurrection Properties, Resurrection retail Pharmacies, and Resurrection Medical Group; Resurrection Home Medical Equipment; and the Long-Term Care for the Homebound Elderly program;
- Resurrection Behavioral Health (RBH), d/b/a Proviso Family Services, a not-for-profit corporation established to provide behavioral health services;
- Resurrection Home Health Services (Home Care), a not-for-profit corporation established to provide home care services. Home Care holds the RHC system's membership interest in Rainbow Hospice a not-for-profit corporation that is a 50/50 joint venture with Advocate Health and Hospitals Corporation;
- Resurrection Development Foundation (Foundation), a not-for-profit corporation established to coordinate fund-raising activities that support the benevolent care and other programs at RHC and Affiliates. The Foundation's legal name was changed effective November 1, 2011, to Resurrection Development Foundation Board of Trustees;
- Resurrection University, a not-for-profit corporation established to prepare students for professional careers in a health care environment;
- Resurrection Health Care Preferred (RHCP), a taxable not-for-profit corporation that serves as a system-wide managed care contracting organization for RHC that holds capitated risk contracts for which physicians and RHC hospitals and other facilities act as participating providers.

The accompanying consolidated financial statements also include the following two entities, which are presented as discontinued operations:

- Westlake Hospital (WH), a not-for-profit corporation that until August 2010 owned an acute care hospital providing various inpatient and outpatient services and programs. Effective

ATTACHMENT 39

(Continued)

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

August 1, 2010, RHC sold substantially all of the assets and certain liabilities of and associated with WH. After such sale, WH was renamed, first as Cana Lakes Health Care, and then as Provena-Resurrection Health Network, and repurposed to become the system parent of the new merged system created with Provena, effective November 1, 2011 (references to WH refer to such corporation prior to August 2010);

- West Suburban Medical Center (WSMC), a not-for-profit corporation that until August 1, 2010 owned an acute care hospital providing various inpatient and outpatient services and programs. Effective August 1, 2010, RHC sold substantially all of the assets and certain liabilities of and associated with WSMC (note 9). After such sale, WSMC was renamed first as Cana West Ministry Services and then as Resurrection University (effective July 1, 2011) and repurposed to hold the assets associated with Resurrection University (f/k/a West Suburban College of Nursing).

(b) Provena Health Historical Affiliates

- Provena Hospitals, an Illinois not-for-profit corporation, that owns and operates six acute care hospitals and medical centers and more than 30 health centers. Provena Hospitals' wholly owned subsidiary, Provena Services Corporation (PSC), is a taxable Illinois not-for-profit, corporation formed to manage Provena Hospitals' physician practices;
- Provena Senior Services (d/b/a Provena Life Connections), an Illinois not-for-profit corporation, that owns and operates 11 nursing homes, four independent living facilities, four assisted living facilities, two adult daycare centers, two community service facilities, one child care center, and one outpatient pharmacy in northern and central Illinois and Indiana;
- Provena Senior Services is the sole member of LaVerna Terrace Housing Corporation, and Illinois not-for-profit corporation doing business as Provena LaVerna Terrace Housing Corporation. Provena Senior Services is also the sole member of Provena Home Health, Inc., a not-for-profit organizations that owns and operates five home health agencies and two hospice agencies in northern and central Illinois. Provena Care @ Home is the d/b/a name of an Illinois not-for-profit corporation currently known as Will County Community Transitions Program, Inc;
- Provena Ventures, Inc. (Ventures), an Illinois (for-profit) corporation, which operates various for-profit enterprises, consisting primarily of Provena Properties as of December 31, 2011 and 2010, an Illinois business corporation that owns four parcels of land held for future use of Provena Health;
- Provena Health Assurance SPC, an insurance company incorporated in the Cayman Islands as of May 29, 2003, and operates subject to the provisions of the Companies Law (2002 Revision) of the Cayman Islands. Provena Health Assurance SPC is a wholly owned subsidiary of Provena Health. The principal business of Provena Health Assurance SPC is to procure excess commercial insurance coverage on behalf of Provena Health through reinsurance with AM Best highly rated reinsurers;

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(Continued)

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

Prior to the merger, Provena and RHC each held a 33.3% investment in Alverno Provena Hospital Laboratories, Inc. (APHL), a corporation operated as a cooperative hospital service organization providing laboratory services and Alverno Clinical Laboratories, LLC (ACL), a venture created to expand the availability of lab services to patients in the communities serviced by the company, encourage further improvement in the quality of lab services, and support APHL (collectively herein, Alverno). As of the merger date, Presence Health has a 66.6% controlling interest in APHL and ACL (collectively, Alverno). Accordingly, the accompanying consolidated financial statements include the statement of financial position and results of operations of Alverno as of and for the two months ended December 31, 2011.

The following represents a reconciliation of beginning and ending balances of Presence Health's interest and the noncontrolling interests for each class of net assets for which a noncontrolling interest exists during the two months ended December 31, 2011:

	Unrestricted net assets		
	Total	Controlling interest	Noncontrolling interest
Balance at November 1, 2011	\$ 735,253	731,279	3,974
Revenue and gains in excess (deficient) of expenses and losses	(21,274)	(21,396)	122
Net assets released from restrictions used for the purchase of property and equipment	1,057	1,057	—
Other, net	(18)	(18)	—
Recognition of change in pension funded status	(37,798)	(37,798)	—
Net distributions received by noncontrolling shareholders	—	—	—
Balance at December 31, 2011	<u>\$ 677,220</u>	<u>673,124</u>	<u>4,096</u>

Opening Balance Sheet

At the November 1, 2011 merger date, neither Provena nor RHC had significant assets or liabilities that do not require recognition under U.S. generally accepted accounting principles. The application of merger accounting to the combination as of November 1, 2011 required Provena and RHC to conform certain accounting policies for consistency, including the accounting for professional and general liability and inventory.

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The amounts recognized as of the November 1, 2011 merger date for each major class of assets, liabilities, and net assets for Provena and RHC, and their respective historical affiliates, inclusive of opening balance adjustments, are provided in the following table:

	RHC	Provena	Alverno	Adjustments/ eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 8,898	93,387	5,923	—	108,208
Receivables, net of allowances	182,329	175,153	2,706	—	360,188
Other current assets	85,692	87,919	5,417	4,965	183,993
Total current assets	276,919	356,459	14,046	4,965	652,389
Assets whose use is limited or restricted	836,621	375,629	7,996	—	1,220,246
Land, buildings, and equipment, net	717,590	612,296	7,764	—	1,337,650
Other assets	50,435	27,436	—	(8,192)	69,679
Total assets	\$ 1,881,565	1,371,820	29,806	(3,227)	3,279,964
Current liabilities:					
Current installments of long-term debt	\$ 18,970	11,131	—	—	30,101
Accounts payable and accrued liabilities	348,392	257,826	17,640	—	623,858
Total current liabilities	367,362	268,957	17,640	—	653,959
Long-term debt, excluding current installments	559,623	601,312	—	—	1,160,935
Other liabilities	415,637	260,032	—	17,384	693,053
Total liabilities	1,342,622	1,130,301	17,640	17,384	2,507,947
Net assets:					
Unrestricted net assets of Presence Health	511,978	231,720	—	(12,419)	731,279
Noncontrolling interest in subsidiaries	—	—	12,166	(8,192)	3,974
Temporarily restricted	13,520	8,124	—	—	21,644
Permanently restricted	13,445	1,675	—	—	15,120
Total net assets	538,943	241,519	12,166	(20,611)	772,017
Total liabilities and net assets	\$ 1,881,565	1,371,820	29,806	(3,227)	3,279,964

Unaudited Supplementary Information

The following information is not audited but is required supplemental pro forma information. Presence Health's revenue, revenues and gains deficient of expenses and losses, and changes in each

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component of net assets for the year ended December 31, 2011, as if the merger had occurred as of January 1, 2011, are as follows:

Revenue	\$ 2,655,895
Changes in net assets:	
Unrestricted	\$ (113,930)
Temporarily restricted	(2,646)
Permanently restricted	<u>509</u>
Total changes in net assets	<u>\$ (116,067)</u>

(2) Summary of Significant Accounting Policies

A summary of significant accounting policies is as follows:

- The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include: allowance for contractual adjustments and bad debt; third party payor settlements; valuation of investments; recoverability of land, buildings, and equipment; self-insurance liabilities; and accrued pension benefit liabilities.
- Transactions deemed by management to be ongoing, major, or central to the provision of health and long-term care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.
- The consolidated statement of operations includes revenue and gains deficient of expenses and losses. Changes in unrestricted net assets, which are excluded from revenue and gains deficient of expenses and losses, consistent with industry practice, include recognition of change in pension funded status, contributions of and for long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), and other.
- Cash and cash equivalents consist primarily of demand deposits with banks, cash on hand, overnight secured repurchase agreements, and securities with an original term of 90 days or less when purchased, excluding amounts included as assets whose use is limited or restricted. Short-term investments consist of securities with an original term of one year or less, excluding cash and cash equivalents and amounts whose use is limited or restricted.
- Presence Health applies the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received to

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sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 7).

In conjunction with the application of ASC Topic 820, Presence Health applies the measurement provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in mutual funds and alternative investments that do not have readily determinable fair values. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (NAV) per share or its equivalent. Interests in mutual funds and alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of December 31, 2011, Presence Health had no plans or intentions to sell investments at amounts different from NAV.

Presence Health applies the provisions of ASU 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amends ASC Subtopic 820-10, *Fair Value Measurement – Overall*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements.

- Presence Health applies the provisions of ASC Subtopic 825-10, *Financial Instruments – Overall*, which gives the irrevocable option to report most financial assets and liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Management has not elected to measure any additional eligible financial assets or financial liabilities at fair value subsequent to the adoption of ASC Subtopic 825-10.
- Supplies inventories are stated at the lower of cost or market. Cost is determined on the basis of the most recent purchase price, which approximates the first-in, first-out method and the average cost method.
- Land, buildings, and equipment are stated at cost, or if donated, at fair value at the date of donation, net of allowances for depreciation and impairments. Depreciation is provided over the estimated useful life of each class of depreciable asset and is primarily computed using the straight-line method. Leasehold improvements are amortized over the shorter of the terms of the leases or the estimated useful lives of the improvements. Equipment under capital leases is recorded at the present value of minimum lease payments. Amortization of equipment under capital leases is over the shorter of the lease term or useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component cost of acquiring those assets. Presence Health capitalized interest cost of \$196 for the two months ended December 31, 2011.
- Presence Health applies the provisions of ASU 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions* (ASU 2010-07). ASU 2010-07 provides guidance on a transaction or other event in which a not-for-profit entity that is reporting entity combines with one or more other not-for-profit,

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businesses, or nonprofit activities in a transaction that meets the definition of a merger of not-for-profit entities or an acquisition by a not-for-profit entity.

- Presence Health evaluates long-lived assets for impairment on an annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. When such assets are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. During the two months ended December 31, 2011, Presence Health had no impairments of its long-lived assets.
- Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted contributions, and are excluded from revenue and gains in excess of expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expiration of donor restrictions is reported when the donated or acquired long-lived assets are placed in service.
- Assets whose use is limited or restricted include: assets set aside by the Board of Directors for future capital improvements, over which the Board of Directors retains control and may at its discretion subsequently use for other purposes; assets held by trustees under indenture agreements and resident agreements; assets set aside for self-insured liabilities; and donor-restricted investments. Assets whose use is limited or restricted are classified as current assets to the extent they are required to satisfy obligations classified as current liabilities in the accompanying consolidated statement of financial position.
- Deferred finance charges, bond discount, and bond premium are amortized on a straight-line basis over the periods the related obligations are outstanding.
- Deferred revenue and refundable deposits represent various types of entrance and membership fees received from residents of senior living facilities. Resident membership deposits are fully refundable, net of applicable processing fees, to the resident upon termination of the lease agreement between Senior Services and the resident, with any interest earned on such deposits accruing to Senior Services. Senior Services offers a variety of partially refundable entrance fees. The nonrefundable portion of entrance fees is amortized to revenue using the straight-line method over the estimated remaining life expectancies of the residents. Total entrance payments subject to refund at December 31, 2011 approximated \$35,664 and are included in deferred revenue and refundable deposits in the accompanying consolidated statement of financial position.
- In August 2010, the Financial Accounting Standards Board (FASB) issued ASU-2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. ASU 2010-24 clarifies that healthcare entities should not net insurance recoveries against the related claim liability and that the claim liability amount should be determined without consideration of insurance recoveries. Presence

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Health implemented ASU 2010-24 during the two-month period ended December 31, 2011 and reclassified a receivable of \$18,137 from estimated self-insurance professional and general liability claims to other assets in the accompanying consolidated statement of financial position.

- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions are reported as direct additions to temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.
- Temporarily restricted net assets are those whose use by Presence Health has been limited by donors to a specific time period or purpose. Presence Health's temporarily restricted net assets are restricted for various programs related to the provision of health and pastoral care and the acquisition of land, buildings, and equipment.
- Permanently restricted net assets represent donor-restricted contributions, the principal amount of which may not be expended. Amounts reported as permanently restricted net assets represent the cumulative amount of contributions received for permanent endowment. Investment return currently earned on permanently restricted investments is reported as either nonoperating investment income or a direct addition to temporarily restricted net assets based on donor intentions.

ASC Topic 958, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to An Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization and requires additional disclosure about endowment funds. Presence Health follows the guidance of ASC Topic 958.

Presence Health classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. Investment returns in excess of approved spending are classified within temporarily restricted net assets until appropriated for expenditure by Presence Health.

Endowment funds are commingled in a pooled investment portfolio administered by Presence Health. Presence Health relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Presence Health targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints. Investment return is allocated to endowment fund assets on a basis proportional to its percentage of the

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investment portfolio. Endowment fund assets are maintained at a level equivalent to the balance of permanently restricted net assets.

- Presence Health provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Presence Health does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure* (ASU 2010-23). ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosures purposes and that cost can be identified as direct and indirect costs of providing charity care. Presence Health implemented ASU 2010-23 during the two months ended December 31, 2011.
- Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.
- Presence Health accounts for discontinued operations under ASC guidance related to accounting for the impairment or disposal of long-lived assets. The guidance requires that a component entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component entity has been disposed of or is classified as held-for-sale, the results of operations for current and prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations.
- Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in unrestricted revenue and gains deficient of expenses and losses in the accompanying consolidated statement of operations unless the income or loss is restricted by donors, in which case the investment income is recorded directly to temporarily restricted net assets. Investment returns of temporarily restricted investments are recorded directly to temporarily restricted net assets in accordance with donor intent.
- Presence Health recognizes liabilities when a legal obligation exists to perform an asset retirement obligation (ARO) in which the timing or method of settlement are conditional on a future event that may or may not be under the control of the entity. An ARO liability is recorded at its net present value with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to depreciation expense. Presence Health is legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the existing buildings. The estimated asbestos removal cost at December 31, 2011 was \$9,271 and is included as other long-term liabilities in the accompanying consolidated statement of financial position.
- The provisions for estimated self-insured medical malpractice claims, workers' compensation claims, and employee health claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

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- Ventures is an Illinois business (for-profit) corporation that recognizes deferred income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Ventures tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2011 are primarily the result of a net operating loss carryforward (approximately \$7,019 at December 31, 2011, which expires at various future dates through 2031).

PSC is an Illinois not-for-profit taxable corporation that also recognizes deferred income taxes under the asset and liability method. PSC tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2011 are primarily the result of a net operating loss carryforward (approximately \$108,093 at December 31, 2011, which expires at various future dates through 2031).

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable losses and projections for future taxable losses over the periods for which the deferred tax assets are deductible, management believes it is more likely than not that Ventures and PSC will not realize the majority of the benefits of these deductible differences. The deferred tax assets attributable to the net operating loss carryforwards not realized as of December 31, 2011 have been fully reserved in the accompanying consolidated financial statements due to the uncertainty of realization.

- Presence Health recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. As of December 31, 2011, Presence Health does not have any liabilities for unrecognized tax benefits.
- Presence Health incurs expenses for the provision of health and residential care services and related general and administrative activities.
- In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07). ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay present the provision for bad debts related to patient service revenue as a

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deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statement of operations. All other entities would continue to present the provision for bad debts as an operating expense. In addition, there are enhanced disclosures about the entities policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The adoption of ASU 2011-07 will be effective for Presence Health beginning in fiscal year 2012.

(3) Net Patient and Resident Service Revenue

Presence Health has agreements with third-party payors that provide for reimbursement at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, capitation, and per diem payments. A summary of the basis of reimbursement with major third-party payors is as follows:

Medicare – Inpatient acute care services, outpatient services, physician services, home health, and long-term care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per case. These rates vary according to patient and resident classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to adjustment. Payment classification of patients and residents under the prospective payment systems, and the appropriateness of the services, are subject to validation reviews. Certain services related to Medicare beneficiaries are reimbursed based upon cost-reimbursement methodologies. Presence Health is reimbursed for cost-reimbursable items at tentative rates with final settlement determined after submission of annual reimbursement reports by Presence Health and audits thereof by the Medicare fiscal intermediary. As of December 31, 2011, annual Medicare reimbursement reports generally have been final settled for RHC through 2007 and for Provena through 2006.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates per discharge and fee schedules, respectively. Presence Health also receives incremental Medicaid reimbursement for specific programs and services at the discretion of the State of Illinois Medicaid Program. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in existing payment methodologies and rates, based on the amount of funding available to the State of Illinois Medicaid Program.

The State of Illinois (the State) has an assessment program to assist in the financing of its Medicaid program through June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). Presence Health has included \$13,910 as provider tax assessment expense in the accompanying consolidated statement of operations. In 2011, the State accelerated the program's payment schedule, which required assessment payments for the State's fiscal year ending June 30, 2012 to be paid by December 2011. Presence Health has included prepaid assessments of \$36,739 for the period from January 1, 2012 through June 30, 2012 within prepaid expenses and other in the accompanying consolidated statement of financial position.

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The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas approved by CMS. Presence Health has included its additional related reimbursement of \$22,361 within net patient and resident service revenue in the accompanying consolidated statement of operations. The State advanced \$67,085 as of December 31, 2011 related to additional Medicaid reimbursement covering the period January 1, 2012 to June 30, 2012. Presence Health has deferred this additional Medicaid reimbursement and reported such amounts as estimated payables under third party reimbursement programs in the accompanying consolidated statement of financial position.

The State's Medicaid program entered its new fiscal year on July 1, 2011 with a structural budget deficit. The deficit includes the continued practice of deferring Medicaid bills to future periods, the expiration of Federal stimulus enhanced match, and enrollment growth. The deficit has led to the State's slowdown in claims processing and payments over 180 days since the start of their fiscal year. As of December 31, 2011, Medicaid receivables were approximately \$266,000 and represented approximately six months of outstanding claims. Management continues to value these patient receivables using historical collection percentages.

Blue Cross – Presence Health also participates as a provider of health care services under reimbursement agreements with Blue Cross. The provisions of the indemnity plan agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of annual cost reports and reviews by Blue Cross. As of December 31, 2011, the Blue Cross cost settlements for 2011 are subject to audit and retroactive adjustment.

Managed Care – Presence Health also participates as a provider of health care services under various agreements with health maintenance organizations (HMOs) and preferred provider organizations (PPOs). The terms of each contract vary, but typically include a negotiated discount offered by Presence Health for services provided to contracted HMO and PPO patients.

Capitation Revenue – RHCP receives capitation payments based on the demographic characteristics of covered members in exchange for providing all primary care physician services, as well as certain outpatient diagnostic and specialist physician services. Additionally, RHCP is eligible for incentive payments based on favorable utilization experience. Capitation revenue related to risk-based contracts totaled approximately \$5,196 for the two months ended December 31, 2011, and is included with other revenue in the accompanying consolidated statement of operations. Pursuant to risk-based contracts, RHCP estimates its liability for covered medical claims, including claims incurred but not reported as of the consolidated statement of financial position dates, based upon historical costs incurred and payment processing experience. This liability approximated \$4,665 at December 31, 2011, and is included with accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

There were no retroactive settlements and changes in prior estimates for third-party settlements and allowances during the two months ending December 31, 2011.

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A summary of gross and net patient and resident service revenue for the two months ended December 31, 2011 is as follows:

Gross patient and resident service revenue	\$ 1,538,063
Plus Medicaid provider tax revenue	22,361
Less provisions for:	
Contractual adjustments under third-party reimbursement programs, including managed care and other	<u>(1,126,512)</u>
Net patient and resident service revenue	<u>\$ 433,912</u>

(4) Concentrations of Credit Risk

Presence Health grants credit without collateral to its patients and residents, most of whom are local residents in Presence Health's markets. The mix of receivables from patients, residents, and third-party payors at December 31, 2011 is as follows:

Medicare	25%
Medicaid	23
Managed care/contract payors	30
Other	<u>22</u>
	<u>100%</u>

A summary of Presence Health's utilization percentages, based upon gross patient and resident service revenue for the two months ended December 31, 2011, is as follows:

Medicare	45%
Medicaid	17
Managed care/contract payors	28
Other	<u>10</u>
	<u>100%</u>

(5) Charity Care

Presence Health provides necessary medical care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. Because Presence Health does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The following information measures the approximate level of charity care provided at cost. Cost is estimated using an overall cost to charge ratio. During the two months ended December 31, 2011, the estimated costs of charity care provided were \$8,723.

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(6) Investments

A summary of the composition of Presence Health's investment portfolio at December 31, 2011 is as follows:

Cash and cash equivalents	\$ 104,121
Common stocks	246,931
Mutual funds	125,382
U.S. government and agency obligations	199,085
Corporate debt securities	216,838
Mortgage-backed securities	206,439
Asset-backed securities	23,028
Alternative investments – hedge funds	55,666
Foreign government obligations	657
Other	2,311
	<u>\$ 1,180,458</u>

Presence Health has invested in alternative investments – hedge funds that employ a long/short strategy. The funds are primarily invested in global equity markets and private investment funds. There are no additional funding requirements as of December 31, 2011.

Investments are classified in the accompanying consolidated statement of financial position as follows:

Assets whose use is limited or restricted, required for current liabilities	\$ 31,195
Assets whose use is limited or restricted, net of current portion	<u>1,149,263</u>
	<u>\$ 1,180,458</u>

The composition of the noncurrent portion of assets whose use is limited or restricted is as follows:

Board-designated investments for reinvestment and self-insurance	\$ 997,341
Self-insurance trust	53,530
Held by trustee under bond indenture agreements	63,860
Restricted by donors	34,532
	<u>\$ 1,149,263</u>

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The composition of investment return for the two months ended December 31, 2011 is as follows:

Interest and dividend income, net of fees and expenses	\$ 6,418
Change in net unrealized gains and losses on securities	(10,320)
Net realized gains on sale of investments	<u>7,218</u>
Total investment return	<u>\$ 3,316</u>

Investment returns are included in the accompanying consolidated statement of operations and changes in net assets for the two months ended December 31, 2011 as follows:

Nonoperating:	
Investment income	\$ 3,121
Temporarily restricted net assets:	
Investment return	190
Permanently restricted net assets:	
Investment return	<u>5</u>
Total investment return	<u>\$ 3,316</u>

Interest and dividend income reflected above has been reduced by \$521 of interest expense incurred on long-term debt during the two months ended December 31, 2011. As part of Presence Health's overall capital management program, a portion of interest expense incurred on outstanding long-term debt is apportioned against income earned on investment securities and is reported as a direct reduction of investment returns in the accompanying consolidated statement of operations.

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated statement of financial position for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient and resident accounts receivable, accounts payable and accrued expenses, and estimated payables and receivables under third-party reimbursement programs.
- Assets whose use is limited or restricted and short-term investments: Common stocks and direct U.S. government obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, indirect U.S. government obligations, U.S. agency obligations, and foreign government obligations are measured using other observable inputs. The carrying value equals fair value.

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(Continued)

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

- Presence Health elected to apply the concepts of ASC Subtopic 820-10 to its mutual funds and alternative investments using net asset value as a practical expedient in estimating fair value; however, it is possible that the redemption rights of certain alternative investments may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and consequently the fair value of Presence Health's interest in the funds.
- Long-term debt: The fair value of fixed rate long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to Presence Health for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. The estimated fair value of long-term debt instruments at December 31, 2011 is approximately \$1,244,000.
- Capital leases: The fair value of capital leases is estimated based on debt of the same remaining maturities using Presence Health's incremental borrowing rate at the measurement date. The fair value of capital leases at December 31, 2011 is \$12,988.

(b) Fair Value Hierarchy

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Provena has the ability to access at the measurement date.
- Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2011:

	Total fair value	Fair value measurements at December 31, 2011 using			Redemption frequency	Days notice
		(Level 1)	(Level 2)	(Level 3)		
Assets:						
Assets whose use is limited or restricted, excluding other totaling \$2,311 and cash and cash equivalents totaling \$104,121:						
Common stocks	\$ 246,931	246,931	—	—	Daily	One
Mutual funds	125,382	125,382	—	—	Daily	One
U.S. government and agency obligations	199,085	125,210	73,875	—	Daily	One
Corporate debt securities	216,838	—	216,838	—	Daily	One
Mortgage-backed securities	206,439	—	204,931	1,508	Daily	One
Asset-backed securities	23,028	—	23,028	—	Daily	One
Foreign government obligations	657	—	657	—	Daily	One
Alternative investment – hedge fund	27,837	—	27,837	—	Monthly/Quarterly	90/60
Alternative investment – hedge fund	27,829	—	27,829	—	Quarterly	95
Total	\$ 1,074,026	497,523	574,995	1,508		

Presence Health recognizes transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the two months ended December 31, 2011.

The Level 3 asset is a mortgage-backed security issued by the National Credit Union Association, and is secured by residential mortgages. Inputs to determine fair value of the security include loan level and structure specific items that influence the bonds' principal and interest cash flows and their timing, which includes, but is not limited to, assumptions about prepayments, defaults, severities, credit enhancement, and discount rate. There are no redemption frequency or notice restrictions with this security. The following table presents a reconciliation for Level 3 assets measured at fair value on a recurring basis for the two months ended December 31, 2011:

Beginning balance (November 1, 2011)	\$ 1,568
Total net gains	(2)
Settlements	(58)
Purchases	—
Ending balance	<u>\$ 1,508</u>

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

(8) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at December 31, 2011 is as follows:

Land	\$ 89,798
Land improvements	56,749
Buildings and leasehold improvements	1,710,798
Equipment and furnishings	<u>1,102,490</u>
	2,959,835
Less accumulated depreciation and amortization for capital leases	<u>1,707,493</u>
	1,252,342
Construction in progress	<u>97,359</u>
Land, buildings, and equipment, net	<u><u>\$ 1,349,701</u></u>

At December 31, 2011, construction in progress related primarily to various information systems projects. Presence Health has outstanding contractual commitments of approximately \$41,000 as of December 31, 2011 relating to these projects, which will be funded through operations and with existing funds.

(9) Capital Leases

Presence Health leases certain equipment under capital leases. Included with equipment and furnishings is \$23,524 of assets held under capital leases and \$8,227 of related accumulated amortization at December 31, 2011. Capital leases are secured by the underlying equipment. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases as of December 31, 2011 is as follows:

Year:	
2012	\$ 4,716
2013	3,914
2014	2,576
2015	1,712
2016	589
Thereafter	<u>1,306</u>
Total future minimum lease payments	14,813
Less amount representing interest at rates from 0.00% to 10.25%	<u>835</u>
Present value of future minimum lease payments	13,978
Less current portion of obligations under capital leases	<u>4,653</u>
Obligations under capital leases, excluding current portion	<u><u>\$ 9,325</u></u>

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(Continued)

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

(10) Long-Term Debt

A summary of long-term debt at December 31, 2011 is as follows:

Provena Master Trust Indenture obligations:	
Fixed Rate Revenue Bonds (Series 2010A)	\$ 108,320
Fixed Rate Revenue Bonds (Series 2010B)	10,020
Variable Rate Revenue Bonds (Series 2010C)	31,000
Variable Rate Revenue Bonds (Series 2010D)	41,000
Fixed Rate Revenue Bonds (Series 2009A)	200,000
Variable Rate Revenue Bonds (Series 2009B)	50,000
Variable Rate Revenue Bonds (Series 2009C)	41,000
Variable Rate Revenue Bonds (Series 2009D)	25,000
Fixed Rate Revenue Bonds (Series 1998A)	108,920
U.S. Department of Housing and Urban Development Mortgage Loan	1,095
RHC Master Trust Indenture obligations:	
Fixed Rate Revenue Bonds (Series 2009)	91,925
Variable Rate Revenue Bonds (Series 2005B)	119,140
Variable Rate Revenue Bonds (Series 2005C)	119,775
Fixed Rate Revenue Bonds (Series 1999A)	100,400
Fixed Rate Revenue Bonds (Series 1999B)	100,400
Revenue Bonds (Series 1997B) (HFMC)	29,085
Line of Credit (RHCC)	20,000
Business Loan Agreements	14,000
Total long-term debt	1,211,080
Less current installments of long-term debt	30,106
Less unamortized bond premium	(5,783)
Less unamortized bond discount	5,844
Total long-term debt, net of current installments and unamortized bond discount	\$ 1,180,913

During 1998, Provena Health (the Provena Obligated Group Member), Provena Hospitals, Provena Senior Services, and Ventures (the Designated Affiliates) issued bonds and commercial paper notes amounting to \$515,410 in order to provide funds to refinance certain then-existing indebtedness, to pay for certain capital expenditures and working capital, and pay expenses incurred in connection with the issuance of the bonds. All Series 1998-related bonds were secured by obligations issued under the Provena Health Master Trust Indenture (Provena MTI) dated April 15, 1998 executed by the Provena Obligated Group Member. The Provena Obligated Group Member loaned proceeds from the bonds and the commercial paper notes to the Designated Affiliates through execution of informal notes payable. No Designated Affiliates were directly obligated with respect to the Master Notes; however, the Provena MTI required that Provena Health cause the Designated Affiliates to charge fees and rates for their services sufficient to enable

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(Continued)

PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)

Resurrection Health Care Consolidating Statement of Operations Information

Two months ended December 31, 2011

(In thousands)

	Resurrection Health Care Corporation	Resurrection Medical Center	Saint Francis Hospital	Our Lady of the Resurrection Medical Center	WSMC and Westlake Hospital	Saints Mary and Elizabeth Medical Center	Holy Family Medical Center	Saint Joseph Hospital	Resurrection Senior Services
Revenue:									
Net patient and resident service revenue	\$ —	42,923	25,894	22,383	—	52,831	14,410	30,517	19,097
Other revenue	773	766	446	139	—	419	230	978	343
Services provided to affiliates	29,195	—	—	—	—	—	—	—	1,396
Total revenue	29,968	43,689	26,340	22,522	—	53,250	14,640	31,495	20,836
Expenses:									
Salaries and benefits	19,451	17,470	9,987	9,524	—	18,539	6,704	13,035	12,625
Supplies	164	7,648	3,411	3,045	—	4,896	1,677	5,610	4,113
Management Services	—	5,608	4,561	3,095	—	5,952	1,395	3,794	2,096
Purchased services	2,835	1,760	1,664	927	—	3,712	520	1,403	512
Insurance	21	587	979	308	—	991	215	947	529
Depreciation and amortization	2,025	1,427	1,896	941	—	2,125	775	1,681	1,232
Provision for uncollectible accounts receivable	—	3,896	2,758	3,195	—	8,558	1,374	(810)	843
Interest	(201)	523	504	253	—	573	210	448	349
Assessments and taxes	—	1,136	990	666	—	3,471	478	1,419	52
Other	10,045	5,039	2,865	1,251	—	3,638	791	3,828	750
Total expenses	34,340	45,094	29,615	23,205	—	52,445	14,139	31,355	23,101
Income (loss) from operations	(4,372)	(1,405)	(3,275)	(683)	—	805	501	140	(2,265)
Nonoperating gains (losses):									
Investment income (loss) and other, net	(5,384)	1,996	1,140	430	—	934	—	—	1,720
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	(9,756)	591	(2,135)	(253)	—	1,739	501	140	(545)
Income (losses) from discontinued operations	102	—	—	—	(22)	—	—	—	(649)
Revenue and gains in excess (deficient) of expenses and losses	(9,654)	591	(2,135)	(253)	(22)	1,739	501	140	(1,194)
Other changes in unrestricted net assets:									
Net assets released from restrictions for purchase of land, buildings, and equipment	13	66	16	—	—	—	—	—	218
Recognition of change in pension funded status	—	(15,151)	—	—	—	—	—	—	—
Increase (decrease) in unrestricted net assets	(9,641)	(14,494)	(2,119)	(253)	(22)	1,739	501	140	(976)

(Continued)

PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)

Resurrection Health Care Consolidating Statement of Operations Information

Two months ended December 31, 2011

(In thousands)

	Resurrection Services	Resurrection Behavioral Health	Resurrection Home Health Services	Resurrection Development Foundation	Resurrection Health Care Preferred	Resurrection University	Eliminations	Consolidated totals
Revenue:								
Net patient and resident service revenue	\$ 9,740	—	2,093	—	—	—	(662)	219,226
Other revenue	3,855	3,119	4	23	8,689	1,358	(790)	20,352
Services provided to affiliates	—	—	—	—	—	—	(30,591)	—
Total revenue	13,595	3,119	2,097	23	8,689	1,358	(32,043)	239,578
Expenses:								
Salaries and benefits	3,103	1,677	1,530	239	582	793	—	115,259
Supplies	1,309	97	116	29	21	21	(1,488)	30,669
Management Services	1,120	137	222	17	32	30	(28,059)	—
Purchased services	1,233	186	2	123	23	20	(663)	14,257
Insurance	576	22	59	—	13	—	—	5,247
Depreciation and amortization	1,192	9	35	—	8	—	—	13,346
Provision for uncollectible accounts receivable	1,155	53	139	—	—	—	—	21,161
Interest	310	11	10	—	—	—	—	2,990
Assessments and taxes	1,153	—	—	—	—	—	—	9,365
Other	6,874	633	152	78	8,090	139	(1,833)	42,330
Total expenses	18,025	2,825	2,265	486	8,769	1,003	(32,043)	254,624
Income (loss) from operations	(4,430)	294	(168)	(463)	(80)	355	—	(15,046)
Nonoperating gains (losses):								
Investment income (loss) and other, net	(28)	(1)	218	260	—	—	—	1,285
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	(4,458)	293	50	(203)	(80)	355	—	(13,761)
Income (losses) from discontinued operations	—	—	—	—	—	—	—	(569)
Revenue and gains in excess (deficient) of expenses and losses	(4,458)	293	50	(203)	(80)	355	—	(14,330)
Other changes in unrestricted net assets:								
Net assets released from restrictions for purchase of land, buildings, and equipment	—	—	—	—	—	—	—	313
Recognition of change in pension funded status	—	—	—	—	—	—	—	(15,151)
Increase (decrease) in unrestricted net assets	(4,458)	293	50	(203)	(80)	355	—	(29,168)

See accompanying independent auditors' report.

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**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

For the 2004 tax year, Covenant has filed an application seeking an exemption for certain parcels of real estate that had not been included in the 2002 application, and for the 2006 tax year, Covenant has filed a new application seeking a property tax exemption for the parcels of real estate that were the basis for the 2002 application described in the preceding paragraph. In January 2011, a hearing for these matters was conducted before an administrative law judge for the Illinois Department of Revenue. As of May 2011, post-hearing briefing was completed. A recommendation by the administrative law judge, and a final decision by the Illinois Department of Revenue is expected in 2012.

In March 2007, the Illinois Department of Revenue denied the Provena Senior Services St. Joseph Center (St. Joseph Center) application for real estate tax-exempt status for the 2004 tax year. St. Joseph Center has been recognizing property taxes on this property from 2004 and for all periods through December 31, 2011. Accrued property taxes on this property of \$837 as of December 31, 2011 are included in accounts payable and accrued expenses within the accompanying consolidated statement of financial position. Provena appealed the ruling and a hearing was held before an administrative law judge in October 2008. In February 2011, the administrative law judge ruled that, with the exception of the campus chapel, St. Joseph Center be denied an exemption from real estate taxes. Provena subsequently filed an appeal in the Circuit Court of Stephenson County, which is presently pending.

(g) *Investment Risks and Uncertainties*

Presence Health invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities and current market conditions, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated statement of financial position.

(14) *Subsequent Events*

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, Presence Health evaluated subsequent events after the consolidated statement of financial position date of December 31, 2011 through May 31, 2012, which was the date the financial statements were issued.

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Presence Health Consolidating Statement of Financial Position Information

December 31, 2011

(In thousands)

Assets	Provena Health	Resurrection Health Care	Alverno	Eliminations	Consolidated totals
Current assets:					
Cash and cash equivalents	\$ 90,961	11,071	5,923	—	107,955
Assets whose use is limited or restricted – required for current liabilities	12,225	18,970	—	—	31,195
Patient and resident accounts receivables, less allowance for uncollectible accounts of approximately \$239,301 in 2011	195,259	207,414	2,706	—	405,379
Inventories	24,411	23,631	1,609	—	49,651
Prepaid expenses and other current assets	48,123	50,699	3,808	—	102,630
Assets held for sale	—	4,929	—	—	4,929
Total current assets	370,979	316,714	14,046	—	701,739
Assets whose use is limited or restricted	331,360	809,907	7,996	—	1,149,263
Land, buildings, and equipment, net	617,066	724,871	7,764	—	1,349,701
Other assets	35,413	51,082	—	(8,192)	78,303
Total assets	\$ 1,354,818	1,902,574	29,806	(8,192)	3,279,006
Liabilities and Net Assets					
Current liabilities:					
Current installments of long-term debt	\$ 11,136	18,970	—	—	30,106
Current portion of obligations under capital leases	4,653	—	—	—	4,653
Current portion of estimated self-insurance liabilities	15,307	8,653	—	—	23,960
Accounts payable and accrued expenses	121,494	173,867	17,518	—	312,879
Estimated payables under third-party reimbursement programs	85,316	137,663	—	—	222,979
Deferred revenue and refundable deposits	26,732	39,476	—	—	66,208
Liabilities held for sale	—	1,541	—	—	1,541
Other	18,920	—	—	—	18,920
Total current liabilities	283,558	380,170	17,518	—	681,246
Long-term debt, excluding current installments and unamortized bond premiums and discounts	601,324	579,589	—	—	1,180,913
Obligations under capital leases, net of current portion	9,325	—	—	—	9,325
Pension benefit liability	146,713	190,285	—	—	336,998
Estimated self-insurance liabilities	84,627	245,281	—	—	329,908
Other long-term liabilities	17,161	9,989	—	—	27,150
Total liabilities	1,142,708	1,405,314	17,518	—	2,565,540
Net assets:					
Unrestricted:					
Unrestricted net assets of Presence Health	202,733	470,391	8,192	(8,192)	673,124
Noncontrolling interests in subsidiaries	—	—	4,096	—	4,096
Total unrestricted net assets	202,733	470,391	12,288	(8,192)	677,220
Temporarily restricted	7,678	12,833	—	—	20,511
Permanently restricted	1,699	14,036	—	—	15,735
Total net assets	212,110	497,260	12,288	(8,192)	713,466
Total liabilities and net assets	\$ 1,354,818	1,902,574	29,806	(8,192)	3,279,006

See accompanying independent auditors' report.

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Provena Health Consolidating Statement of Financial Position Information

December 31, 2011

(In thousands)

Assets	Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center	Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation
Current assets:							
Cash and cash equivalents	\$ 4,969	2,656	1,102	17,713	6,249	4,630	(1,340)
Assets whose use is limited or restricted – required for current liabilities	—	—	—	—	—	—	—
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately \$123,525	22,392	28,556	23,268	61,031	24,583	14,169	3,444
Inventories	3,629	3,556	4,568	6,756	3,210	1,903	—
Prepaid expenses and other current assets	2,944	4,828	3,422	7,336	3,284	3,873	494
Due from affiliates	235	252	399	361	519	1,014	345
Total current assets	34,169	39,848	32,759	93,197	37,845	25,589	2,943
Assets whose use is limited or restricted	5,864	5,960	2,674	2,135	1,518	3,520	—
Land, buildings, and equipment, net	49,677	66,135	55,262	250,835	57,188	26,822	2,888
Other assets	71	1,411	1,048	2,916	484	273	1,358
Total assets	\$ 89,781	113,354	91,743	349,083	97,035	56,204	7,189
Liabilities and Net Assets							
Current liabilities:							
Current installments of long-term debt	\$ —	—	—	—	—	—	—
Current portion of obligations under capital leases	187	148	138	891	310	158	—
Current portion of estimated self-insurance liabilities	—	—	—	—	—	—	—
Accounts payable and accrued expenses	12,027	12,290	9,874	26,771	9,040	6,668	2,148
Estimated payables under third-party reimbursement programs	10,184	11,599	11,166	39,320	8,417	6,272	—
Deferred revenue and refundable deposits	2,622	6,594	3,179	6,222	4,063	4,052	—
Other	1,454	1,154	1,261	899	478	1,108	515
Due to affiliates	2,203	2,372	1,948	5,555	1,901	2,020	544
Total current liabilities	28,677	34,157	27,566	79,658	24,209	20,278	3,207
Long-term debt, excluding current installments and unamortized bond premiums and discounts	—	—	—	—	—	—	—
Obligations under capital leases, net of current portion	550	413	367	2,693	2,420	461	—
Pension benefit liability	—	—	—	—	—	—	—
Estimated self-insurance liabilities	—	—	—	—	—	—	—
Other long-term liability	254	4,582	521	2,883	1,319	245	69
Total liabilities	29,481	39,152	28,454	85,234	27,948	20,984	3,276
Net assets:							
Unrestricted	59,362	71,979	61,884	262,320	67,569	34,638	3,913
Temporarily restricted	816	1,847	813	1,334	1,499	430	—
Permanently restricted	122	376	592	195	19	152	—
Total net assets	60,300	74,202	63,289	263,849	69,087	35,220	3,913
Total liabilities and net assets	\$ 89,781	113,354	91,743	349,083	97,035	56,204	7,189

(Continued)

PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)

Provena Health Consolidating Statement of Financial Position Information

December 31, 2011

(In thousands)

Assets	Provena Health	Provena Life Connections	Provena Ventures, Inc.	Eliminations	Consolidated totals
Current assets:					
Cash and cash equivalents	\$ 40,671	13,074	1,237	—	90,961
Assets whose use is limited or restricted – required for current liabilities	12,225	—	—	—	12,225
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately \$123,525	—	17,816	—	—	195,259
Inventories	—	789	—	—	24,411
Prepaid expenses and other current assets	21,307	521	114	—	48,123
Due from affiliates	16,531	11	—	(19,667)	—
Total current assets	90,734	32,211	1,351	(19,667)	370,979
Assets whose use is limited or restricted	316,296	7,768	—	(14,375)	331,360
Land, buildings, and equipment, net	52,098	50,554	5,607	—	617,066
Other assets	55,684	397	4,058	(32,287)	35,413
Total assets	\$ 514,812	90,930	11,016	(66,329)	1,354,818
Liabilities and Net Assets					
Current liabilities:					
Current installments of long-term debt	\$ 11,075	61	—	—	11,136
Current portion of obligations under capital leases	2,817	4	—	—	4,653
Current portion of estimated self-insurance liabilities	15,307	—	—	—	15,307
Accounts payable and accrued expenses	30,105	12,384	187	—	121,494
Estimated payables under third-party reimbursement programs	—	(1,642)	—	—	85,316
Deferred revenue and refundable deposits	—	—	—	—	26,732
Other	23,646	2,476	304	(14,375)	18,920
Due to affiliates	1,970	1,153	1	(19,667)	—
Total current liabilities	84,920	14,436	492	(34,042)	283,558
Long-term debt, excluding current installments and unamortized bond premiums and discounts	600,290	1,034	—	—	601,324
Obligations under capital leases, net of current portion	2,417	4	—	—	9,325
Pension benefit liability	146,713	—	—	—	146,713
Estimated self-insurance liabilities	84,627	—	—	—	84,627
Other long-term liability	6,268	1,020	—	—	17,161
Total liabilities	925,235	16,494	492	(34,042)	1,142,708
Net assets:					
Unrestricted	(410,423)	73,254	10,524	(32,287)	202,733
Temporarily restricted	—	939	—	—	7,678
Permanently restricted	—	243	—	—	1,699
Total net assets	(410,423)	74,436	10,524	(32,287)	212,110
Total liabilities and net assets	\$ 514,812	90,930	11,016	(66,329)	1,354,818

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See accompanying independent auditors' report.

PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)

Resurrection Health Care Consolidating Statement of Financial Position Information

December 31, 2011
(In thousands)

	Resurrection Health Care Corporation	Resurrection Medical Center	Saint Francis Hospital	Our Lady of the Resurrection Medical Center	WSMC and Westlake Hospital	Saints Mary and Elizabeth Medical Center	Family Medical Center	Holy Joseph Hospital	Resurrection Senior Services
Assets									
Current assets:									
Cash and cash equivalents	\$ 188	—	2,928	45	—	21	—	42	4,927
Assets whose use is limited or restricted – required for current liabilities	18,970	—	—	—	—	—	—	—	—
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately \$115,776	—	33,907	27,107	20,761	—	35,377	26,594	24,526	22,951
Inventories	—	6,719	4,190	1,642	—	4,256	1,162	4,738	390
Prepaid expenses and other current assets	16,106	1,729	3,459	2,326	—	10,605	91	4,651	2,102
Assets held for sale	348	—	—	—	—	—	—	—	4,500
Due from affiliates	—	370,470	20,676	—	2,056	63,823	—	5,921	—
Total current assets	35,612	412,825	58,360	24,774	2,056	114,082	27,855	39,878	34,870
Assets whose use is limited or restricted	264,678	159,199	91,365	33,803	—	86,437	674	—	138,509
Land, buildings, and equipment, net	252,999	20,328	59,538	26,268	—	82,423	27,067	66,614	107,245
Other assets	30,633	2,942	1,626	826	—	2,107	1,144	889	2,612
Total assets	\$ 583,922	\$ 595,294	\$ 210,889	\$ 85,671	\$ 2,056	\$ 285,049	\$ 56,740	\$ 107,381	\$ 283,236
Liabilities and Net Assets									
Current liabilities:									
Current installments of long-term debt	\$ 17,750	—	—	—	—	—	1,220	—	—
Current portion of estimated self-insurance liabilities	—	8,653	—	—	—	—	—	—	—
Accounts payable and accrued expenses	52,746	83,506	806	409	671	7,493	829	927	6,151
Estimated payables under third-party reimbursement programs	(2,549)	24,748	19,507	7,257	—	33,429	10,229	41,260	3,642
Deferred revenue and refundable deposits	—	—	—	—	—	—	—	—	35,865
Liabilities held for sale	—	—	—	—	1,385	—	—	—	—
Due to affiliates	204,177	—	—	12,477	—	—	30,995	—	69,810
Total current liabilities	272,124	116,907	20,313	20,143	2,056	40,922	43,273	42,187	115,468
Long-term debt, excluding current installments and unamortized bond premiums and discounts	538,272	—	—	—	—	—	27,317	—	—
Pension benefit liability	—	190,285	—	—	—	14,000	—	—	—
Estimated self-insurance liabilities	43,260	64,653	43,549	22,986	—	38,369	5,441	27,023	—
Other long-term liabilities	9,271	—	—	—	—	—	—	—	718
Total liabilities	862,927	371,845	63,862	43,129	2,056	93,291	76,031	69,210	116,186
Net assets:									
Unrestricted	(279,349)	223,449	147,027	42,542	—	191,738	(19,291)	38,171	167,050
Temporarily restricted	344	—	—	—	—	—	—	—	—
Permanently restricted	—	—	—	—	—	—	—	—	—
Total net assets	(279,005)	223,449	147,027	42,542	—	191,738	(19,291)	38,171	167,050
Total liabilities and net assets	\$ 583,922	\$ 595,294	\$ 210,889	\$ 85,671	\$ 2,056	\$ 285,049	\$ 56,740	\$ 107,381	\$ 283,236

(Continued)

PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)

Resurrection Health Care Consolidating Statement of Financial Position Information

December 31, 2011
(In thousands)

	Resurrection Services	Resurrection Behavioral Health	Resurrection Home Health Services	Resurrection Development Foundation	Resurrection Health Care Preferred	Resurrection University	Eliminations	Consolidated totals
Assets								
Current assets:								
Cash and cash equivalents	\$ 389	1,147	12	1,364	—	—	—	11,071
Assets whose use is limited or restricted – required for current liabilities	—	—	—	—	—	—	—	18,970
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately \$115,776	11,837	2,196	2,158	—	—	—	—	207,414
Inventories	534	—	—	—	—	—	—	23,631
Prepaid expenses and other current assets	2,853	3	20	1,450	2,099	3,205	—	50,699
Assets held for sale	81	—	—	—	—	—	—	4,929
Due from affiliates	—	—	—	—	5,878	364	(469,188)	—
Total current assets	15,694	3,346	2,190	2,814	7,977	3,569	(469,188)	316,714
Assets whose use is limited or restricted	—	9	—	35,233	—	—	—	809,907
Land, buildings, and equipment, net	79,157	2,583	299	—	140	210	—	724,871
Other assets	4,637	—	3,581	85	—	—	—	51,082
Total assets	\$ 99,488	5,938	6,070	38,132	8,117	3,779	(469,188)	1,902,574
Liabilities and Net Assets								
Current liabilities:								
Current installments of long-term debt	\$ —	—	—	—	—	—	—	18,970
Current portion of estimated self-insurance liabilities	—	—	—	—	—	—	—	8,653
Accounts payable and accrued expenses	8,573	641	1,045	5	9,861	204	—	173,867
Estimated payables under third-party reimbursement programs	—	140	—	—	—	—	—	137,663
Deferred revenue and refundable deposits	—	444	—	—	—	3,167	—	39,476
Liabilities held for sale	156	—	—	—	—	—	—	1,541
Due to affiliates	129,630	2,915	14,289	4,895	—	—	(469,188)	—
Total current liabilities	138,359	4,140	15,334	4,900	9,861	3,371	(469,188)	380,170
Long-term debt, excluding current installments and unamortized bond premiums and discounts	—	—	—	—	—	—	—	579,589
Pension benefit liability	—	—	—	—	—	—	—	190,285
Estimated self-insurance liabilities	—	—	—	—	—	—	—	245,281
Other long-term liabilities	—	—	—	—	—	—	—	9,989
Total liabilities	138,359	4,140	15,334	4,900	9,861	3,371	(469,188)	1,405,314
Net assets:								
Unrestricted	(38,871)	1,798	(9,264)	6,707	(1,744)	408	—	470,391
Temporarily restricted	—	—	—	12,489	—	—	—	12,833
Permanently restricted	—	—	—	14,036	—	—	—	14,036
Total net assets	(38,871)	1,798	(9,264)	33,232	(1,744)	408	—	497,260
Total liabilities and net assets	\$ 99,488	5,938	6,070	38,132	8,117	3,779	(469,188)	1,902,574

See accompanying independent auditors' report.

ATTACHMENT 39

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Presence Health Consolidating Statement of Operations Information

Two months ended December 31, 2011

(In thousands)

	Provena Health	Resurrection Health Care	Alverno	Eliminations	Consolidated totals
Revenue:					
Net patient and resident service revenue	\$ 210,571	219,226	4,115	—	433,912
Other revenue	3,404	20,352	27,218	(7,617)	43,357
Total revenue	213,975	239,578	31,333	(7,617)	477,269
Expenses:					
Salaries and benefits	101,164	115,259	15,157	(3,297)	228,283
Supplies	29,386	30,669	12,700	—	72,755
Purchased services	31,138	14,257	4,353	(4,320)	45,428
Insurance	4,328	5,247	41	—	9,616
Depreciation and amortization	12,821	13,346	201	—	26,368
Provision for uncollectible accounts receivable	21,712	21,161	87	—	42,960
Interest	4,895	2,990	—	—	7,885
Assessments and taxes	5,767	9,365	—	—	15,132
Other	8,464	42,330	(1,391)	—	49,403
Total expenses	219,675	254,624	31,148	(7,617)	497,830
Income (loss) from operations	(5,700)	(15,046)	185	—	(20,561)
Nonoperating gains (losses):					
Investment income and other, net	(1,366)	1,285	(63)	—	(144)
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	(7,066)	(13,761)	122	—	(20,705)
Losses from discontinued operations	—	(569)	—	—	(569)
Revenue and gains in excess (deficient) of expenses and losses	(7,066)	(14,330)	122	—	(21,274)
Other changes in unrestricted net assets:					
Net assets released from restrictions for purchase of land, buildings, and equipment	744	313	—	—	1,057
Other, net	(18)	—	—	—	(18)
Recognition of change in pension funded status	(22,647)	(15,151)	—	—	(37,798)
Increase (decrease) in unrestricted net assets	\$ (28,987)	(29,168)	122	—	(58,033)

See accompanying independent auditors' report.

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Provena Health Consolidating Statement of Operations Information

Two months ended December 31, 2011

(In thousands)

	Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center	Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation
Revenue:							
Net patient and resident service revenue	\$ 23,041	28,138	25,666	72,199	23,464	17,487	2,988
Other revenue	225	529	188	774	292	509	20
Total revenue	23,266	28,667	25,854	72,973	23,756	17,996	3,008
Expenses:							
Salaries and benefits	8,990	12,139	11,324	28,961	8,964	7,645	3,991
Supplies	3,605	3,941	3,626	10,289	3,576	2,433	244
Purchased services	5,772	5,109	5,347	11,793	5,122	4,361	593
Insurance	743	520	343	1,681	275	494	187
Depreciation and amortization	1,208	1,275	826	4,145	1,201	780	199
Provision for uncollectible accounts receivable	245	4,862	3,829	7,495	2,986	1,606	457
Interest	594	726	1,045	1,907	630	361	14
Assessments and taxes	739	1,173	736	2,013	602	504	—
Other	1,423	948	659	1,439	670	590	347
Total expenses	23,319	30,693	27,735	69,723	24,026	18,774	6,032
Income (loss) from operations	(53)	(2,026)	(1,881)	3,250	(270)	(778)	(3,024)
Nonoperating gains (losses):							
Investment income (loss) and other, net	(812)	(107)	10	(478)	(1,093)	(250)	4
Revenue and gains in excess (deficient) of expenses and losses	(865)	(2,133)	(1,871)	2,772	(1,363)	(1,028)	(3,020)
Other changes in unrestricted net assets:							
Net assets released from restrictions for purchase of land, buildings, and equipment	—	(151)	29	—	226	640	—
Transfers from (to) affiliates	5,055	4,698	3,993	(655)	3,493	(1,895)	4,556
Other, net	—	—	—	—	(20)	—	—
Recognition of change in pension funded status	—	—	—	—	—	—	—
Increase (decrease) in unrestricted net assets	\$ 4,190	2,414	2,151	2,117	2,336	(2,283)	1,536

(Continued)

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Provena Health Consolidating Statement of Operations Information

Two months ended December 31, 2011

(In thousands)

	Provena Health	Provena Life Connections	Provena Ventures, Inc.	Eliminations	Consolidated totals
Revenue:					
Net patient and resident service revenue	\$ —	17,588	—	—	210,571
Other revenue	27,478	726	86	(27,423)	3,404
Total revenue	27,478	18,314	86	(27,423)	213,975
Expenses:					
Salaries and benefits	10,866	12,521	—	(4,237)	101,164
Supplies	152	1,520	—	—	29,386
Purchased services	4,069	1,707	5	(12,740)	31,138
Insurance	4,247	248	—	(4,410)	4,328
Depreciation and amortization	2,435	752	—	—	12,821
Provision for uncollectible accounts receivable	—	232	—	—	21,712
Interest	5,010	511	—	(5,903)	4,895
Assessments and taxes	—	—	—	—	5,767
Other	1,248	1,250	23	(133)	8,464
Total expenses	28,027	18,741	28	(27,423)	219,675
Income (loss) from operations	(549)	(427)	58	—	(5,700)
Nonoperating gains (losses):					
Investment income (loss) and other, net	1,539	(179)	—	—	(1,366)
Revenue and gains in excess (deficient) of expenses and losses	990	(606)	58	—	(7,066)
Other changes in unrestricted net assets:					
Net assets released from restrictions for purchase of land, buildings, and equipment	—	—	—	—	744
Transfers from (to) affiliates	(19,475)	230	—	—	—
Other, net	2	—	—	—	(18)
Recognition of change in pension funded status	(22,647)	—	—	—	(22,647)
Increase (decrease) in unrestricted net assets	(41,130)	(376)	58	—	(28,987)
	\$				

See accompanying independent auditors' report.

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

(b) Fair Value Hierarchy

Plan A and Plan B apply the provisions of ASC Topic 715, *Compensation – Retirement Benefits*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 715 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The following table presents the Plans' fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2011:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Redemption frequency</u>	<u>Days notice</u>
Investments, excluding cash and cash equivalents of \$4,273:						
Common stocks	\$ 107,434	107,434	—	—	Daily	One
Mutual funds	912	912	—	—	Daily	One
U.S. Treasury securities	19,315	19,315	—	—	Daily	One
Corporate and municipal bonds and notes	14,020	—	14,020	—	Daily	One
Mortgage-backed securities	19,297	—	18,995	302	Daily	One
Asset-backed securities	2,437	—	2,437	—	Daily	One
Total assets at fair value	\$ <u>163,415</u>	<u>127,661</u>	<u>35,452</u>	<u>302</u>		

The Level 3 asset is a mortgage-backed security issued by the National Credit Union Association, and is secured by residential mortgages. Inputs to determine fair value of the security include loan level and structure specific items that influence the bonds' principal and interest cash flows and their timing, which includes, but is not limited to, assumptions about prepayments, defaults, severities, credit enhancement, and discount rate. There are no redemption frequency or notice restrictions with this security. The following table presents a reconciliation for Level 3 assets measured at fair value on a recurring basis for the two months ended December 31, 2011:

Balance at beginning of period	\$ 321
Total net losses	(2)
Purchases, sales, issuances, and settlements (net)	<u>(17)</u>
Balance at end of period	\$ <u>302</u>

West Suburban Health Care

WSMC sponsored the West Suburban Health Care Retirement Income Plan (Income Plan), a noncontributory defined benefit pension plan, for which the board of directors of WSMC authorized the curtailment of the Income Plan effective January 1, 2002. As a result of the curtailment,

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**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

participation in the Income Plan is limited to participants entering on or before January 1, 2002, and no new benefits will accrue to participants subsequent to that date. Gains and losses, calculated as the difference between estimated and actual amounts of plan assets and the projected benefit obligation, are amortized over the expected future service period. RHC has maintained responsibility for the Income Plan subsequent to the asset divestitures.

A summary of the changes in the projected benefit obligation and plan assets and the resulting funded status of the Income Plan is as follows at December 31, 2011 (measurement date):

Change in benefit obligation:

Projected benefit obligation at beginning of period	\$ (78,752)
Interest cost	(655)
Actuarial loss	(482)
Benefits paid	484
Projected benefit obligation at end of period	\$ <u>(79,405)</u>

Change in plan assets:

Fair value of plan assets at beginning of period	\$ 56,582
Actual return on plan assets	(248)
Employer contributions	—
Benefits paid	(484)
Fair value of plan assets at end of period	\$ <u>55,850</u>

Funded status	\$ (23,555)
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**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

Amount recognized in the accompanying consolidated statements of financial position:

Accrued pension liability	\$ (23,555)
Accumulated charge to unrestricted net assets	35,327
Net amount recognized	<u>\$ 11,772</u>

Components of net periodic benefit cost:

Interest cost	\$ 655
Expected return on plan assets	(641)
Amortization of unrecognized net loss	155
Net periodic benefit cost	<u>\$ 169</u>

Other changes in plan assets and benefit obligation recognized in unrestricted net assets:

Net actuarial loss	\$ 1,371
Reversal of amortization item:	
Net actuarial gain	(155)
Total recognized in unrestricted net assets	<u>\$ 1,216</u>

Estimated future benefit payments:

Fiscal year 2012	\$ 3,610
Fiscal year 2013	3,781
Fiscal year 2014	4,016
Fiscal year 2015	4,218
Fiscal year 2016	4,418
Fiscal years 2017 – 2021	25,112

Expected contributions during fiscal year 2012:

Minimum required contribution	\$ 6,315
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Weighted average assumptions used to determine benefit obligations:

Settlement (discount) rate	5.05%
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Weighted average assumptions used to determine net periodic benefit cost:

Discount rate	5.61%
Expected return on plan assets	7.00

The estimated net actuarial loss for the Income Plan that will be amortized from unrestricted net assets into net periodic benefit cost during the 2012 fiscal year is \$973.

The Income Plan's overall expected long-term rate of return on assets is 7.0%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

ATTACHMENT 39

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

The Income Plan's weighted average asset allocations at December 31, 2011 by asset category are as follows:

Asset category:	
Common stock and mutual funds	53.4%
Fixed income securities	44.2
Cash and cash equivalents	2.4

RHC has developed a plan investment policy for the Income Plan, which has been reviewed and approved by the RHCC Finance Committee and its Board of Directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy dictates a specific asset allocation between equity and fixed income securities. Investments are managed by independent advisers who are monitored by management and the Finance Committee. RHC monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

(c) Fair Value of Financial Instruments

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011.

- Cash and cash equivalents: Valued at the carrying amount that approximates fair value because of the short-term maturity of these investments.
- Common and preferred stocks, U.S. government securities, and foreign securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Mutual funds: Valued using net asset value as a practical expedient in estimating fair value.
- Municipal bonds, corporate bonds, notes, and debentures: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

(d) Fair Value Hierarchy

The Plan applies the provisions of ASC Topic 715 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 715 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The following table presents the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

	Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments, excluding cash and cash equivalents of \$1,31:						
Common stocks	\$ 29,644	29,644	—	—	Daily	One
Mutual funds	191	191	—	—	Daily	One
U.S. Treasury securities	6,114	6,114	—	—	Daily	One
Corporate and municipal bonds and notes	7,158	—	7,158	—	Daily	One
Mortgage-backed securities	9,550	—	9,550	—	Daily	One
Asset-backed securities	1,880	—	1,880	—	Daily	One
	<u>\$ 54,537</u>	<u>35,949</u>	<u>18,588</u>	<u>—</u>		

Provena Retirement Programs

The Provena Retirement Program consists of the Provena Employees' Pension Plan (the Plan), the Provena Employees' 403(b) Retirement Savings Plan (the Savings Plan), and the Provena Ventures, Inc. 401(k) Retirement Savings Plan (the 401(k) Plan). Matching employer and base contributions under the Savings Plan and the 401(k) Plan are funded currently and amounted to \$3,565 for the two months ended December 31, 2011 and is included in salaries and benefits expense in the accompanying consolidated statement of operations.

The Plan was frozen effective December 31, 2003 and only specified grandfathered employees remained as active participants in the Plan. The Plan was replaced effective January 1, 2004 with the Savings Plan, a defined contribution plan. Provena recognizes the cost related to the Plan using the Projected Unit Credit cost method. Gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, were amortized over the expected future service period through 2004. Effective January 1, 2005, the amortization period was changed to the average remaining life expectancy of inactive participants (approximately 95% of plan participants are inactive). Prior service costs established January 1, 2002 are being amortized over 10.8 years.

Provena accounts for the Plan in accordance with ASC Topic 715. In accordance with ASC Topic 715, the funded status of the Plan, including all previously unrecognized actuarial gains

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

and losses and unamortized prior service cost, is recognized as a component of unrestricted net assets in the accompanying consolidated statement of financial position.

The following table sets forth the Plan's funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions at the Plan's measurement date, December 31:

Change in benefit obligation:

Projected benefit obligation at beginning of period	\$ (484,039)
Service cost	(422)
Interest cost	(3,577)
Actuarial losses	(16,935)
Benefits paid	3,494
Projected benefit obligation at end of period	(501,479)

Change in plan assets:

Fair value of plan assets at beginning of period	336,497
Actual return on plan assets	(2,237)
Employer contribution	24,000
Benefits paid	(3,494)
Fair value of plan assets at end of period	354,766

Funded status

\$ 856,245

Amounts recognized in the accompanying consolidated balance sheets:

Pension benefit liability	\$ (146,713)
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Amounts not yet reflected in net periodic benefit cost and included as an accumulated charge to unrestricted net assets:

Unrecognized net actuarial losses	\$ 285,054
Unrecognized prior service cost	<u>2</u>

Net amounts included as an accumulated charge
to unrestricted net assets

\$ 285,056

**PROVENA-RESURRECTION HEALTH NETWORK
(D/B/A PRESENCE HEALTH)**

Notes to Consolidated Financial Statements

December 31, 2011

(Dollars in thousands)

Calculation of change in unrestricted net assets:	
Accumulated unrestricted net assets, end of period	\$ 285,056
Reversal of accumulated unrestricted net assets, prior period	<u>(262,409)</u>
Change in unrestricted net assets	<u><u>\$ 22,647</u></u>
Changes in plan assets and benefit obligations recognized in unrestricted net assets:	
Actuarial loss arising during the period	\$ 24,041
Amortization of actuarial loss	(1,394)
Amortization of prior service cost	<u>—</u>
Net amounts recognized in unrestricted net assets as change in funded status of pension plan	<u><u>\$ 22,647</u></u>
Estimate of amounts that will be amortized from unrestricted net assets to net pension cost in 2012:	
Net actuarial loss	\$ 9,212
Prior service cost	2
Estimated future benefit payments:	
Fiscal 2012	22,017
Fiscal 2013	23,746
Fiscal 2014	25,113
Fiscal 2015	26,525
Fiscal 2016 – 2020	182,169
Weighted average assumptions used to determine benefit obligations:	
Discount rate – benefit obligations	4.15%
Discount rate – periodic benefit cost	4.45
Expected return on plan assets	8.50
Rate of compensation increase	4.00
Components of net periodic benefit cost (benefit):	
Service cost	\$ 422
Interest cost	3,577
Expected return on plan assets	(4,870)
Amortization of unrecognized net actuarial loss	1,394
Amortization of unrecognized prior service cost	<u>—</u>
Net periodic benefit cost	<u><u>\$ 523</u></u>

Provena's overall expected long-term rate of return on assets is 8.5% at December 31, 2011. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

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Provena does not expect to make any contributions to the Plan during 2012.

Provena has developed a plan investment policy for the Plan, which has been reviewed and approved by the Provena Finance Committee and its boards of directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy dictates a specific asset allocation between equity and fixed income securities. Investments are managed by independent advisers who are monitored by management and the Finance Committee. Provena monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

The table below shows the target allocation and acceptable ranges and actual asset allocations as of December 31, 2011:

Asset	Target allocation	Acceptable range	Actual allocation December 31, 2011
Common stocks and mutual funds	60%	55% – 65%	60%
Fixed income securities and cash equivalents	40	35 – 45	40
Real estate	—	0 – 3	—

Provena monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

(e) Fair Value of Financial Instruments

The following methods and assumptions were used by Provena in estimating the fair value of its financial instruments of the Plan:

- Cash and cash equivalents: Valued at the carrying amount that approximates fair value because of the short-term maturity of these investments.
- Common stocks and direct U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Mutual funds: Valued using net asset value as a practical expedient in estimating fair value.
- Corporate bonds, notes, indirect U.S. government obligations, U.S. agency securities, and foreign government obligations: Valued using other observable inputs. The carrying value equals fair value.

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(f) Fair Value Hierarchy

The following table presents the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Redemption frequency</u>	<u>Days notice</u>
Investments:						
Common stocks	\$ 49,111	49,111	—	—	Daily	One
Mutual funds	182,447	182,447	—	—	Daily	One
Corporate debt securities	40,208	—	40,208	—	Daily	One
U.S. government and agency obligations	82,500	28,276	54,224	—	Daily	One
Foreign government obligations	500	—	500	—	Daily	One
Total	<u>\$ 354,766</u>	<u>259,834</u>	<u>94,932</u>	<u>—</u>		

The Plan recognizes transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the year ended December 31, 2011.

(12) Self Insurance

(a) Professional and General Liability

Presence Health is self-insured for professional and general liability claims up to specified limits arising from incidents occurring after dates of entry into the program, which vary by corporation. Excess insurance coverage was occurrence based through various dates, which overtime has been changed to claims-made-based coverage. There are no assurances that Presence Health will be able to renew existing excess policies or procure coverage on similar terms in the future.

Presence Health is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted and are currently in various stages of litigation. Provisions for professional and general liability claims include the ultimate cost of known claims and claims incurred but not reported as of the respective consolidated statement of financial position dates. It is the opinion of management that the estimated malpractice liabilities accrued at December 31, 2011 are adequate to provide for the ultimate cost of potential losses resulting from pending or threatened litigation; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. Accruals for professional and general liabilities are recorded on an undiscounted basis. Professional and general liability expense amounted to \$7,137 for the two months ended December 31, 2011, and is included in other expense in the accompanying consolidated statement of operations.

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The accrued liability estimated for self-insured professional and general liability claims is \$329,908 at December 31, 2011. All self-insured malpractice and general claim liabilities are reported as long-term liabilities as the portion expected to be paid within one year is not readily determinable.

Professional insurance consultants have been retained to determine funding requirements for the Provena self-insurance program. The amounts funded have been placed in an irrevocable trust account administered by a trustee. The trust assets are included within assets whose use is limited or restricted in the accompanying consolidated statement of financial position.

(b) *Workers' Compensation*

Presence Health administers self-insurance programs for workers' compensation coverage that covers all entities except for two long-term care and residential facilities in Indiana, which are commercially insured. These programs limit the self-insured retention to specific amounts on a per occurrence basis. Coverage from commercial insurance carriers is maintained for claims in excess of the self-insured retention. Accrued workers' compensation claims amounted to \$23,960 at December 31, 2011. Management believes the estimated self-insured workers' compensation claims liability at December 31, 2011 is adequate to cover the ultimate liability; however, such estimate may be more or less than the amounts ultimately paid when claims are resolved. The portion of workers' compensation claims expected to be paid beyond one year of the consolidated statements of financial position dates is not readily determinable, and therefore, the entire accrual is classified as a current liability included within current portion of estimated self-insurance liabilities in the accompanying consolidated statement of financial position. Workers' compensation self-insurance expense amounted to \$2,393 for the two months ended December 31, 2011 and is included in salaries and benefits expense in the accompanying consolidated statement of operations.

Professional insurance consultants have been retained to determine funding requirements for the Provena workers' compensation self-insurance program. The trust assets and the related liabilities are included in the accompanying consolidated statement of financial position.

(c) *Health Care*

Presence Health maintains a program of self-insurance for employee health coverage. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits. Accrued self-insured employee health care claims amounted to \$7,028 December 31, 2011 and are included with accounts payable and accrued expenses in the accompanying consolidated statements of financial position based on the short term payment cycle related to health claims. It is the opinion of management that the estimated health care costs accrued at December 31, 2011 are adequate to provide for the ultimate liability; however, final payouts as claims are paid may vary significantly from estimated claim liabilities.

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(13) Commitments and Contingencies

(a) Medicare Reimbursement

For the two months ended December 31, 2011, Presence Health recognized approximately \$194,031 of net service revenue from services provided to Medicare beneficiaries. Federal legislation has routinely included provisions to reduce Medicare payments to health care providers. Changes in Medicare and other payor reimbursement as a result of current health reform initiatives may have an adverse effect on Presence Health's net patient and resident service revenues.

Presence Health has received and responded to requests from the Medicare program requiring that Presence Health provide Medicare with documentation for claims to carry out the Recovery Audit Contracting (RAC) program. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse effect on Presence Health's net patient and resident service revenues.

(b) Litigation

Presence Health is involved in litigation and regulatory investigations arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the consolidated financial position or results from operations.

(c) Regulatory Investigations and Overpayments

The U.S. Department of Justice (DOJ) and other federal agencies routinely conduct regulatory investigations and compliance audits of health care providers. Presence Health is subject to these regulatory efforts. Presence Health maintains a system-wide compliance program and conduct audits and other activities to identify potential compliance issues, including overpayments to governmental payors.

(d) Operating Leases

Presence Health leases various equipment and facilities under operating leases expiring at various dates through 2023. Total lease expense for the two months ended December 31, 2011 for all operating leases was approximately \$2,820.

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The following is a schedule by year of future minimum lease payments for the next five years and thereafter under operating leases as of December 31, 2011 that have initial or remaining lease terms in excess of one year:

2012	\$	11,624
2013		10,644
2014		8,168
2015		6,578
2016		6,493
Thereafter		20,641
	\$	<u>64,148</u>

(e) Charity Care Legislation

The Illinois attorney general and state legislature are considering legislation directed at Illinois not-for-profit hospitals and their affiliates. Such legislation may clarify the level of charity care and other charitable activity that hospitals must provide in the future in order to retain state, property, and other tax exemption benefits. Management is unable to predict the outcome of these legislative initiatives and any related impacts such legislation may have on Presence Health.

(f) Tax Exemption for Sales Tax and Property Tax

Presence Health is exempt from sales tax and property tax based on their not-for-profit charitable status, except for RACS, which has applied for but not yet received approval of its exemption for sales tax. The State of Illinois has challenged this status with many healthcare providers in the State and at least four providers have had property tax exemption applications denied with respect to all or part of their campuses. Management is actively monitoring these issues to assess the impact.

In February 2004, the Illinois Department of Revenue denied the Provena Covenant Medical Center (Covenant) application for real estate tax-exempt status for the 2002 tax year. Provena appealed this ruling and the decision was reversed in 2007 by the Circuit Court of Sangamon County. The Illinois Department of Revenue appealed the 2007 ruling to the Appellate Court of the Fourth District, which overturned the 2007 ruling. Provena filed a Petition for Leave to Appeal to the Supreme Court of Illinois. The Supreme Court of the State of Illinois granted the appeal and released their opinion on March 18, 2010 in favor of the Illinois Department of Revenue. As a result of the unfavorable ruling, Provena has been accruing and paying real estate taxes. For the two months ended December 31, 2011, Presence Health recognized \$204 of real estate expense within the accompanying consolidated statement of operations related to Covenant.

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Provena Health to pay amounts due on Outstanding Master Notes and to comply with certain covenants contained in the Provena MTI.

The purpose of the Provena MTI is to provide a mechanism for the efficient and economical issuance of notes by Provena Obligated Group members under the Provena MTI using the collective borrowing capacity and credit rating of the Provena Obligated Group members. The Provena MTI requires members to make principal and interest payments on notes issued for their benefit as well as for other members if the other members are unable to make such payments. Payment of the scheduled principal and interest on all of the Series 1998A bonds is insured by financial guaranty insurance policies issued by MBIA Insurance Corporation (MBIA (now known as National Public Finance Guarantee Corporation)). The Series 1998A bonds are secured by obligations issued under the Provena MTI. Principal on the Series 1998A bonds is payable annually in varying amounts through May 15, 2023. Interest is payable semiannually at fixed interest rates ranging from 4.50% to 5.75% depending on date of maturity.

In 2005, Provena Health amended the Provena MTI to add Provena Hospitals (including six acute care hospital operating divisions) as a Member of the Provena Obligated Group. In 2009, Provena Health amended and restated the Provena MTI to add Provena Senior Services as a Member of the Provena Obligated Group. As a result, Provena Health, Provena Hospitals, and Provena Senior Services are now jointly and severally obligated on all obligations outstanding under the Provena MTI. In addition, the Provena MTI was further amended to establish additional covenants and provide additional security in favor of all obligation holders under the Provena MTI, including a gross revenue pledge and certain financial covenants, which pledge and covenants may only be enforced by the Master Trustee at the direction of MBIA and may be modified, amended, or waived at any time with the consent of MBIA. As further security under the Provena MTI, a mortgage has also been granted on Provena's six acute care hospital facilities.

As of May 27, 2009, Provena amended and restated the Provena MTI, as well as amended its revolving credit facility and liquidity facility agreements. The amended and restated Provena MTI, as well as the amended revolving credit facility and liquidity facility agreements, revise the MBIA and commercial bank ratios, covenant requirements, and debt service reserve funding requirements. The amended and restated Provena MTI also established additional covenants for the benefit of all obligation holders under the Provena MTI, as well as granting a mortgage in favor of all obligation holders under the Provena MTI on Provena's six acute care hospital facilities.

On June 25, 2009, Provena Health issued \$200,000 of Illinois Finance Authority Revenue Bonds, Series 2009A, and on July 9, 2009, Provena Health issued \$116,000 of Illinois Finance Authority Variable Rate Demand Bonds, Series 2009B-D, all secured by obligations issued under the Provena MTI. The Series 2009B-D bonds have a put option that allows the holders to redeem the bonds prior to maturity. Provena has an agreement with a remarketing agent to remarket any bonds redeemed as a result of the exercise of put options. If the bonds cannot be remarketed, the bonds will be purchased by commercial banks under a direct pay letter of credit (DPLOC) that currently expires on September 21, 2013. So long as no event of default has occurred or is continuing, loans made with a draw under the DPLOC for a failed remarketing will be required to be repaid in 8 equal quarterly installments of principal plus interest at the

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higher of the prime rate, or the adjusted one-month LIBOR plus 1% to 2% depending on the date of maturity, with the initial installment commencing 12 months after the date of the drawing under the DPLOC. Principal on the Series 2009A bonds is payable annually in varying amounts beginning August 15, 2026 through August 15, 2034. Interest is payable semiannually at a fixed rate of 7.75%. Principal on the Series 2009B-D bonds is payable annually in varying amounts beginning August 15, 2016 through August 15, 2044. Interest is payable semiannually at variable rates that change daily for the Series 2009B and 2009C bonds and weekly for the Series 2009D bonds. During the two-month period ended December 31, 2011, the effective interest rates were 0.06% and 0.11% for the Series 2009B and Series 2009C-D bonds, respectively.

On February 11, 2010, Provena issued \$126,000 of Illinois Finance Authority Revenue Bonds, Series 2010A and 2010B, both of which are obligations under the Provena MTI. Principal on the Series 2010A bonds is due annually in varying amounts beginning May 1, 2010 through May 1, 2028. Interest is payable semiannually at fixed interest rates ranging from 5.0% to 6.0% depending on the date of maturity. Principal on the Series 2010B bonds is due annually in varying amounts beginning May 1, 2029 through May 1, 2034. Interest is payable semiannually at a fixed interest rate of 6.0%.

On September 22, 2010, Provena issued \$72,000 of Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2010C and 2010D, both of which are obligations secured under the Provena MTI. The 2010C and 2010D Bonds have a put option that allows the holders to redeem the bonds prior to maturity. Provena has an agreement with a remarketing agent to remarket any bonds redeemed as a result of the exercise of put options. If the bonds cannot be remarketed, the bonds will be purchased by commercial banks under a DPLOC that currently expires on September 21, 2013. So long as no event of default has occurred or is continuing, loans made with a draw under the DPLOC for a failed remarketing will be required to be repaid in 8 equal quarterly installments of principal plus interest at the higher of the prime rate, or the adjusted one-month LIBOR plus 1% to 2% depending on the date of maturity, with the initial installment commencing 12 months after the date of the drawing under the DPLOC. Principal on the Series 2010C-D bonds is due annually in varying amounts beginning May 1, 2036 through May 1, 2045. Interest is payable semiannually for the Series 2010C bonds and weekly for the Series 2010D bonds. During the two-month period ended December 31, 2011, the effective interest rates were 0.06% and 0.09% for the Series 2010C and Series 2010D bonds, respectively.

Provena Senior Services has a mortgage loan with the U.S. Department of Housing and Urban Development. Principal and interest payments of \$13 are payable monthly through November 2022. The loan is secured by a building with a net book value of \$205 as of December 31, 2011.

On August 1, 1999, RHC entered into a Master Trust Indenture (RHC MTI) under which RHC was the only RHC Obligated Group member. RMC, OLR, WH, SFH, Services, Senior Services, Home Care, and the Foundation were named Unlimited Credit Group Participants required to permit RHC to perform all obligations and covenants under the RHC MTI. The RHC MTI was amended and restated as of May 1, 2005, pursuant to the issuance of the Series 2005 bonds and the reissuance of the Variable Rate Demand Bonds (Series 1999A and Series 1999B). RHC, RMC, OLR, WH, SFH, SJH, SMEMC, and WSMC were named Obligated Group Members under the amended and restated RHC MTI. Services, Senior Services,

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Home Care, and the Foundation were named Unlimited Credit Group Participants required to permit the RHC Obligated Group to perform all obligations and covenants under the amended and restated RHC MTI, and required to pay such amounts as are necessary to make all payments on the Series 1999 and Series 2005 obligations. On June 5, 2008, the RHC MTI was amended and restated pursuant to the issuance of the Series 2008 bonds and the conversion of the Series 2005A and Series 2005B bonds. On December 1, 2009, the RHC MTI was amended and restated pursuant to the issuance of the Series 2009 bonds and the advance refunding of the Series 2008A and Series 2008B bonds. The purpose of the RHC MTI is to provide a mechanism for the efficient and economical issuance of notes by individual members of the RHC Obligated Group using the collective borrowing capacity and credit rating of the RHC Obligated Group. The RHC MTI requires the individual members of the RHC Obligated Group to make principal and interest payments on notes issued for their benefit and to pay such amounts as are otherwise necessary to enable the RHC Obligated Group to satisfy all obligations issued under the RHC MTI.

On December 22, 2009, the Illinois Finance Authority issued Revenue Refunding Bonds, Series 2009, in the amount of \$103,805 on behalf of RHC. Principal on the Series 2009 bonds is payable annually through 2025. Interest is payable semiannually commencing on May 15, 2010 at fixed rates between 3.00% and 6.13% depending on date of maturity. The Series 2009 bonds were issued pursuant to a Bond Trust Indenture, dated as of December 1, 2009. The Series 2009 bonds are secured by an interest in the pledged revenues of the RHC Obligated Group and a mortgage on RMC.

On May 26, 2005, the Illinois Finance Authority issued Variable Rate Revenue Bonds, Series 2005A, Series 2005B, Series 2005C, and Series 2005D, and on June 16, 2005, the Illinois Finance Authority issued Variable Rate Revenue Bonds, Series 2005E (collectively referred to as the Series 2005 bonds), in the aggregate amount of \$350,000 on behalf of RHC. The Series 2005D and Series 2005E bonds were cash defeased in 2008, and the Series 2005A bonds were cash defeased in 2010. Principal on the bonds is payable annually through 2035. Interest is payable monthly at variable rates. During the six months ended December 31, 2011 and the year ended June 30, 2011, the effective interest rate on the Series 2005 bonds was 0.15% and 0.26%, respectively. The Series 2005 bonds were issued pursuant to five separate Bond Trust Indentures, each dated as of May 1, 2005. The Series 2005B and 2005C bonds are each secured by a DPLOC issued by commercial banks, which currently expire on September 21, 2013, in amounts equal to the principal amount of the bonds and accrued interest on such principal. Holders of the Series 2005 bonds have a put option that allows them to redeem the bonds prior to maturity. The Obligated Group has an agreement with an underwriter to remarket any bonds redeemed through the exercise of put options. So long as no event of default has occurred or is continuing, loans made with a draw under each DPLOC for a failed remarketing will be require interest payments to begin immediately, with the interest rate set at the prime rate plus 1% to 2% depending on the date of maturity, and principal to be paid in twelve equal, quarterly installments commencing twelve months after the date of the drawing under the DPLOC.

On August 27, 1999, the Illinois Health Facility Authorities issued Variable Rate Demand Revenue Bonds, Series 1999A and Series 1999B, and Periodic Auction Reset Securities, Series 1999C (collectively referred to as the Series 1999 bonds), in the aggregate amount of \$380,000 on behalf of RHC. The Series 1999C bonds were advance refunded in 2008. On June 5, 2008, RHC converted the outstanding Series 1999A and Series 1999B bonds of \$225,000 from variable rate to fixed rate bonds through a bond reissuance.

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Principal on the Series 1999A and Series 1999B bonds is payable annually through 2029. Interest is payable semiannually at fixed rates varying between 4.00% and 5.50% depending on date of maturity. The Series 1999A and Series 1999B bonds were issued pursuant to amended and restated Bond Trust Indentures, each dated as of June 1, 2008. Payment of principal and interest on the Series 1999A and Series 1999B bonds when due is guaranteed under municipal bond insurance policies.

On December 23, 1997, the Illinois Health Facilities Authority on behalf of HFMC issued its Revenue Bonds, Series 1997, in the principal amount of \$41,000 pursuant to a loan agreement dated December 1, 1997 between the Illinois Health Facilities Authority and HFMC (Series 1997B). Interest is payable at rates varying between 4.25% and 5.00% in annual installments through 2027. Effective February 6, 2001, HFMC entered into a Reimbursement, Mortgage, and Security Agreement (RHC Reimbursement Agreement) with RHC. The RHC Reimbursement Agreement provides that RHC will guarantee payment to the Bond Insurer of all amounts paid by the Bond Insurer in connection with the Series 1997B bonds under either the Bond Insurance Policy or the Surety Bond, which are not reimbursed to the Bond Insurer by HFMC. In conjunction with the RHC Reimbursement Agreement, HFMC issued its Direct Note Obligation, Series 2001A (Series 2001A), in a principal amount equal to the amount owed under the RHC Reimbursement Agreement, if any. Series 2001A is secured by a mortgage of the land and healthcare facilities of HFMC's main campus located in Des Plaines, Illinois, and HFMC's accounts receivable. All intercompany amounts related to the Series 2001A bonds have been eliminated in consolidation. RHC has not made or accrued any payment obligations pursuant to this guarantee.

RNH and MLNH have two mortgage loan agreements through the Dormitory Authority of the State of New York. The notes bear interest at fixed annual rates of 7.25% and 7.90%, respectively. The notes with an outstanding principal balance of \$11,430 were cash defeased during the year ended June 30, 2011.

In April 2011, RHC entered into a revolving credit agreement with a commercial bank to provide a \$30,000 line of credit. In September 2011, the revolving credit agreement was raised to \$50,000 through January 2013. At December 31, 2011, outstanding advances on the line of credit were \$20,000. Interest is variable at a rate based on the lender's prime commercial rate and is payable monthly. The effective rate for the two months ended December 31, 2011 was 3.75%.

In October 2012, SMEMC entered into two mortgage loan agreements totaling \$14,000. The notes bear interest at 0.94%. Principal on both notes is payable in equal annual installments beginning in 2023 and continuing through 2041.

Under Section 148(f) of the Code, an issuer of tax-exempt bonds is required to rebate to the Internal Revenue Service the excess of investment income earned on all nonpurpose investments made with the gross proceeds of tax-exempt bond issues over the amount, which would have been earned if such nonpurpose investments had been invested at a rate equal to the interest yield on the related bond issue. There was no estimated rebate liability at December 31, 2011.

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Scheduled principal repayments on long-term debt for Presence Health based on the variable rate revenue bonds being put back and a corresponding draw being made on the underlying credit facilities, if available, are as follows for the ensuing five years:

	<u>Amount</u>
Year:	
2012	\$ 30,106
2013	360,787
2014	126,758
2015	56,850
2016	22,478
Thereafter	<u>614,101</u>
	<u>\$ 1,211,080</u>

Scheduled annual principal payments on long-term debt based on the scheduled redemptions according to the respective Bond Trust Indentures for the ensuing five years are as follows:

	<u>Amount</u>
Year:	
2012	\$ 30,106
2013	51,372
2014	32,758
2015	34,310
2016	27,953
Thereafter	<u>1,034,581</u>
	<u>\$ 1,211,080</u>

(11) Employees' Retirement Plans

Resurrection Health Care

RHC has two cash balance plans (defined benefit plans that operate like defined contribution plans) (Plan A and Plan B) that cover substantially all eligible employees of RHC. Each eligible participant has a benefit account balance, which accrues as a percentage of current year's pay and earns interest at a specified rate.

RHC records pension cost at an amount calculated by an independent consulting actuary. RHC recognizes the cost related to employee service using the projected unit credit cost method. Gains and losses, calculated as the difference between estimated and actual amounts of plan assets and the projected benefit obligation, and prior service cost are amortized over the expected future service period.

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The following tables set forth the consolidated funded status, assumptions, and amounts recognized in the accompanying consolidated financial statements as of and for the two months ended December 31, 2011 for Plans A and B:

Change in benefit obligation:

Projected benefit obligation at beginning of period	\$ (321,496)
Service cost	(3,023)
Interest cost	(2,475)
Actuarial loss	(10,563)
Benefits paid	3,139
Projected benefit obligation at end of period	<u>(334,418)</u>

Change in plan assets:

Fair value of plan assets at beginning of period	164,937
Actual return on plan assets	(1,603)
Adjustments for transfers	(83)
Employer contributions	7,576
Benefits paid	(3,139)
Fair value of plan assets at end of period	<u>167,688</u>
Funded status	<u>\$ (166,730)</u>

Amounts recognized in the accompanying consolidated statements of financial position:

Accrued pension liability	\$ (166,730)
Accumulated charge to unrestricted net assets	68,718
Net amount recognized	<u>\$ (98,012)</u>

Accumulated benefit obligation \$ (334,145)

Components of net periodic benefit cost:

Service cost	\$ 3,023
Expense load	83
Interest cost	2,475
Expected return on plan assets	(2,111)
Amortization of unrecognized net loss	387
Amortization of unrecognized prior service credit	(74)
Net periodic benefit cost	<u>\$ 3,783</u>

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Other changes in plan assets and benefit obligation recognized in unrestricted net assets:	
Net actuarial loss	\$ 14,248
Reversal of amortization items:	
Net actuarial loss	(387)
Prior service credit	74
Total recognized in unrestricted net assets	<u>\$ 13,935</u>
Estimated future benefit payments:	
Calendar year 2012/Fiscal year 2012	\$ 31,209
Calendar year 2013/Fiscal year 2013	31,402
Calendar year 2014/Fiscal year 2014	31,037
Calendar year 2015/Fiscal year 2015	30,787
Calendar year 2016/Fiscal year 2016	30,863
Calendar years/Fiscal years 2017 – 2021	159,186
Expected contribution during calendar year/fiscal year 2012	\$ 22,728

The estimated net actuarial loss and prior service credit for Plans A and B that will be amortized from unrestricted net assets into net periodic benefit cost during the 2012 fiscal year are \$3,630 and \$444, respectively.

Weighted average assumptions used to determine benefit obligations at period end:

Settlement (discount) rate	4.60%
Weighted average rate of increase in future compensation levels	3.00

Weighted average assumptions used to determine net periodic benefit cost for the two months ended December 31, 2011:

Discount rate	5.20%
Expected return on plan assets	7.50
Rate of compensation increase	3.00

RHC's overall expected long-term rate of return on assets is 7.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

RHC's pension plan weighted average asset allocations at December 31, 2011, by asset category, are as follows:

Asset category:	
Common stocks and mutual funds	64.6%
Fixed income securities	32.9
Cash and cash equivalents	2.5

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RHC has developed a plan investment policy, which has been reviewed and approved by the RHCC Finance Committee and its Board of Directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy reflects a target of up to 60% for equity securities. Investments are managed by independent advisers who are monitored by management and the Finance Committee. RHC monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

RHC also has a defined contribution money purchase plan (Defined Contribution Plan). RHC contributes 25% of contributions made by employees to their tax deferred account up to a maximum contribution percentage of 1% of the participant's qualified income. RHC's boards of directors have amended Plan A and the Defined Contribution Plan whereby the employer matching contribution of the Defined Contribution Plan is considered a component of Plan A. Accordingly, this employer matching component has been included as a component of the accrued pension liability of Plan A as determined by the professional consulting actuary.

(a) Fair Value of Financial Instruments

The following is a description of the valuation methodologies used for pension Plan A and Plan B assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011.

- Cash and cash equivalents: Valued at the carrying amount that approximates fair value because of the short-term maturity of these investments.
- Common stocks, real estate investment trusts, U.S. government securities, and foreign securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Mutual funds: Valued using net asset value as a practical expedient in estimating fair value.
- Mortgage-backed securities, commercial mortgage-backed, asset-backed, CMO/REMIC, and corporate bonds and notes: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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(Continued)

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidated Financial Statements and Schedules

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

ATTACHMENT 39



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Resurrection Health Care Corporation:

We have audited the accompanying consolidated statements of financial position of Resurrection Health Care Corporation and Affiliates as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Resurrection Health Care Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Resurrection Health Care Corporation and Affiliates' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Resurrection Health Care Corporation and Affiliates as of June 30, 2011 and 2010, and the results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in schedules 1 and 2 is presented for purposes of additional analysis of the 2011 consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. The consolidating information has been subjected to the auditing procedures applied in the audit of the 2011 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 consolidated financial statements taken as a whole.

KPMG LLP

November 18, 2011

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2011 and 2010

(In thousands)

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 15,203	63,091
Assets whose use is limited or restricted – required for current liabilities	18,910	256,030
Patient and resident accounts receivable, net of allowance for uncollectible accounts of \$97,848 in 2011 and \$88,655 in 2010	145,662	141,464
Other receivables	17,290	10,900
Inventory of supplies	16,494	14,840
Prepaid expenses and other current assets	22,401	26,940
Assets held for sale	5,005	72,671
Total current assets	240,965	585,936
Assets whose use is limited or restricted:		
By boards for reinvestment and self-insurance	807,406	481,843
Under bond indenture agreements – held by trustee	31,793	22,813
By donors – permanently restricted	14,024	13,186
	853,223	517,842
Land, buildings, and equipment, net	705,435	689,962
Deferred finance charges, net	9,423	9,934
Other assets	27,659	20,778
Total assets	\$ 1,836,705	1,824,452

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	2011	2010
Current liabilities:		
Current installments of long-term debt	\$ 18,910	257,411
Accounts payable and accrued expenses	91,651	82,943
Accrued payroll and fringe benefits	64,809	59,050
Estimated payables under third-party reimbursement programs	90,324	108,886
Deferred revenue and refundable deposits	37,458	39,409
Liabilities held for sale	3,500	17,438
Total current liabilities	306,652	565,137
Long-term debt, excluding current installments and unamortized bond premiums and discounts	546,911	339,078
Accrued pension liability	160,723	271,941
Estimated self-insured professional and general liability claims	223,349	246,405
Asset retirement obligation	9,482	10,643
Total liabilities	1,247,117	1,433,204
Net assets:		
Unrestricted	562,292	364,812
Temporarily restricted	13,272	13,250
Permanently restricted	14,024	13,186
Total net assets	589,588	391,248
Total liabilities and net assets	\$ 1,836,705	1,824,452

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidated Statements of Operations

Years ended June 30, 2011 and 2010

(In thousands)

	2011	2010
Revenue:		
Net service revenue	\$ 1,303,334	1,303,802
Other revenue	116,934	101,820
Total revenue	1,420,268	1,405,622
Expenses:		
Salaries and wages	522,552	513,636
Payroll taxes and fringe benefits	141,264	162,636
Physicians' fees	75,749	66,836
Supplies	189,026	196,555
Other	147,859	128,350
Purchased services	69,779	66,806
Insurance	10,856	23,104
Depreciation and amortization	77,067	71,839
Provision for uncollectible accounts receivable	93,633	98,934
Interest	20,747	16,656
Assessments and taxes	53,914	54,024
Total expenses	1,402,446	1,399,376
Income from operations	17,822	6,246
Nonoperating gains (losses):		
Investment income and other, net	80,779	95,414
Loss on early extinguishment of long-term debt	—	(1,022)
Net nonoperating gains	80,779	94,392
Revenue and gains in excess of expenses and losses before discontinued operations	98,601	100,638
Losses from discontinued operations (including losses on sale of \$4,827 and \$81,865 in 2011 and 2010, respectively)	(8,164)	(109,332)
Revenue and gains in excess (deficient) of expenses and losses	90,437	(8,694)
Other changes in unrestricted net assets:		
Net assets released from restrictions for purchase of land, buildings, and equipment	1,584	2,956
Recognition of change in pension funded status	105,459	(46,382)
Increase (decrease) in unrestricted net assets	\$ 197,480	(52,120)

See accompanying notes to consolidated financial statements.

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Unrestricted net assets:		
Revenue and gains in excess (deficient) of expenses and losses	\$ 90,437	(8,694)
Net assets released from restrictions for purchase of land, buildings, and equipment	1,584	2,956
Recognition of change in pension funded status	<u>105,459</u>	<u>(46,382)</u>
Increase (decrease) in unrestricted net assets	<u>197,480</u>	<u>(52,120)</u>
Temporarily restricted net assets:		
Pledges and contributions	2,986	4,054
Investment return	710	604
Reclassification of net assets based on donor intent	(361)	1,300
Net assets released from restrictions for purchase of land, building, and equipment	(1,584)	(2,956)
Net assets released from restrictions for operations	<u>(1,729)</u>	<u>(2,508)</u>
Increase in temporarily restricted net assets	<u>22</u>	<u>494</u>
Permanently restricted net assets:		
Reclassification of net assets based on donor intent	361	(1,300)
Contributions	<u>477</u>	<u>167</u>
Increase (decrease) in permanently restricted net assets	<u>838</u>	<u>(1,133)</u>
Change in net assets	198,340	(52,759)
Net assets at beginning of year	<u>391,248</u>	<u>444,007</u>
Net assets at end of year	<u>\$ 589,588</u>	<u>391,248</u>

See accompanying notes to consolidated financial statements.

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2011 and 2010

(In thousands)

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 198,340	(52,759)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Losses from discontinued operations	8,164	109,332
Depreciation and amortization	77,067	71,839
Provision for uncollectible accounts receivable	93,633	98,934
Loss on early extinguishment of long-term debt	—	1,022
Equity loss (gain) in joint ventures, net of cash distributions received	(624)	1,127
Amortization of deferred occupancy and care revenue	(280)	(200)
Recognition of change in pension funded status	(105,459)	46,382
Change in net unrealized gains and losses on trading securities	(45,999)	(65,829)
Net realized loss (gain) on sale of investments	(6,613)	3,711
Permanently restricted contributions	(477)	(167)
Changes in assets and liabilities, net of effects from acquisition:		
Patient and resident accounts receivable	(97,831)	(75,312)
Other receivables, inventory of supplies, prepaid expenses, and other current assets	(3,505)	1,972
Accounts payable and accrued expenses and other liabilities	13,306	(667)
Estimated payables under third-party reimbursement programs, net	(18,562)	13,054
Accrued pension liability	(5,759)	(20,114)
Estimated self-insured professional and general liability claims	(23,056)	(5,266)
Net cash provided by operating activities	82,345	127,059
Net cash used in discontinued operating activities	(10,819)	(25,478)
Cash flows from investing activities, net of effects from business acquisition:		
Business acquisitions	(22,000)	—
Proceeds from sale of businesses	51,548	—
Acquisition of land, buildings, and equipment, net	(79,393)	(50,863)
Gross purchases of securities	(621,724)	(679,689)
Gross sales or maturities of securities	576,075	688,921
Net change in other assets	3,107	(4,183)
Net cash used in investing activities	(92,387)	(45,814)
Net cash provided by (used in) discontinued investing activities	4,944	(7,128)
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	—	103,805
Repayments of long-term debt	(30,668)	(147,179)
Payments for deferred financing fees	—	(1,303)
Net refunds of entrance fees and membership deposits	(1,671)	(2,490)
Permanently restricted contributions	477	167
Net cash used in financing activities	(31,862)	(47,000)
Net cash provided by (used in) discontinued financing activities	(109)	20,042
Net increase (decrease) in cash and cash equivalents	(47,888)	21,681
Cash and cash equivalents at beginning of year	63,091	41,410
Cash and cash equivalents at end of year	\$ 15,203	63,091
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 21,919	17,229

See accompanying notes to consolidated financial statements.

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

(1) Organization and Operations

Resurrection Health Care Corporation (RHC), a not-for-profit tax-exempt corporation, was incorporated for charitable, educational, and scientific purposes to support health and human services by providing management assistance and in all other relevant ways. The accompanying consolidated financial statements include the accounts of RHC and the following affiliates (collectively, RHC and Affiliates) for which it serves as the parent corporation through ownership, sole member powers, the authority to approve Board membership, or the holding of certain reserve powers:

- Resurrection Medical Center (RMC), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs
- Saint Francis Hospital (SFH), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs
- Our Lady of the Resurrection Medical Center (OLR), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs
- Westlake Hospital (WH), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs. Effective August 1, 2010, RHC sold substantially all of the assets and certain liabilities of and associated with WH (note 9).
- Saints Mary and Elizabeth Medical Center (SMEMC), not-for-profit acute care facilities providing various inpatient and outpatient services and programs
- Holy Family Medical Center (HFMC), a not-for-profit long-term acute care hospital providing various services and programs to patients in between acute care and skilled nursing
- Saint Joseph Hospital (SJH), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs
- West Suburban Medical Center (WSMC), a not-for-profit acute care hospital providing various inpatient and outpatient services and programs. Effective August 1, 2010, RHC sold substantially all of the assets and certain liabilities of and associated with WSMC (note 9).
- Resurrection Senior Services (Senior Services), which provides various independent living and nursing services and programs, and which encompasses the following: Resurrection Nursing and Rehabilitation Center (RNRC), Resurrection Retirement Community (RRC), Resurrection Life Center (RLC), St. Francis Nursing and Rehabilitation Center (SFNR), Bethlehem Woods Retirement Community (BWRC), Casa San Carlo Retirement Community (CSCRC), St. Benedict Nursing and Rehabilitation Center (SBNRC), Villa Scalabrini Nursing and Rehabilitation Center (VSNRC), Maryhaven Nursing and Rehabilitation Center (MNRC), St. Andrew Life Center (SALC), Holy Family Nursing and Rehabilitation Center (HFNRC), Resurrection Nursing Home (RNH), Mt. Loretto Nursing Home (MLNH), and Ballard Nursing Center (Ballard) effective May 31, 2011 (note 8). Effective July 1, 2010, Senior Services sold substantially all of the assets of and associated with SFNR (note 9).

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

- Resurrection Services (Services), which encompasses the following corporations and/or operating divisions: Resurrection Ambulatory Care Services (RACS), Resurrection Properties (RP), Resurrection Pharmacies, and Resurrection Medical Network
- Resurrection Behavioral Health (RBH), a not-for-profit corporation established to provide behavioral health services
- Resurrection Home Health Services (Home Care), a not-for-profit corporation established to provide home care services. Home Care also includes RHC's membership interest in Rainbow Hospice.
- Resurrection Development Foundation (Foundation), a not-for-profit corporation established to coordinate fund-raising activities that support the benevolent care and other programs at RHC and Affiliates
- Resurrection Health Care Preferred (RHCP), a systemwide managed care contracting organization that engages physicians in capitated risk contracts. Under these arrangements, RHCP receives capitation payments based on the demographic characteristics of covered members in exchange for providing all primary care physician services, as well as certain outpatient diagnostic and specialist physician services. Additionally, RHCP is eligible for incentive payments based on favorable utilization experience. Capitation revenue related to risk-based contracts totaled approximately \$30,452 and \$32,167 for 2011 and 2010, respectively, and is included with other revenue in the accompanying consolidated statements of operations. Pursuant to risk-based contracts, RHCP estimates its liability for covered medical claims, including claims incurred but not reported as of the consolidated statements of financial position dates, based upon historical costs incurred and payment processing experience. This liability approximated \$3,950 and \$4,810 at June 30, 2011 and 2010, respectively, and is included with accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

The above listed entities are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and, with the exception of RHCP, are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

(2) Summary of Significant Accounting Policies

Significant accounting policies of RHC and Affiliates are as follows:

- The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- Cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with maturities of three months or less, excluding amounts classified as assets whose use is limited or restricted.
- Inventory of supplies is stated at lower of cost (first-in, first-out method) or market.

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

- In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amends Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements and Disclosures*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements. RHC implemented ASU 2010-06 for the year ended June 30, 2011.

ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value (note 7).

- Assets whose use is limited or restricted include: assets set aside by the boards of directors for debt repayment, reinvestment, and self-insurance purposes, over which the boards retain control and may at their discretion use for other purposes; assets held by a trustee under bond indenture agreements; and funds restricted by donors.
- Except as otherwise noted, the carrying value of all financial instruments approximates their fair values.
- Land, buildings, and equipment are stated at cost, or if donated, at fair value at date of donation, net of allowances for depreciation and impairments. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.
- Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. RHC and Affiliates do not believe that there are any factors or circumstances indicating impairment of its land, buildings, and equipment as of June 30, 2011 and 2010.
- In January 2010, the FASB issued ASU 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions* (ASU 2010-07). ASU 2010-07 provides guidance on a transaction or other event in which a not-for-profit entity that is a reporting entity combines with one or more other not-for-profit, businesses, or nonprofit activities in a transaction that meets the definition of a merger of not-for-profit entities or an acquisition by a not-for-profit entity. RHC and Affiliates adopted ASU 2010-07 effective July 1, 2010.

Goodwill, which represents the excess of purchase price over identified net assets acquired, principally relates to the acquisition of a skilled nursing facility in 2011 (note 8). Goodwill is to be reviewed for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

RHC performed its annual goodwill impairment test as of June 30, 2011 and did not identify any impairment issues. The fair value of the reporting unit is in excess of its carrying value.

- Intangible assets acquired are initially recognized and measured at cost. The cost of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their fair values. Intangible assets with finite useful lives are amortized over their estimated useful lives on a straight-line basis.
- Deferred finance charges, bond discount, and bond premium are amortized on the straight-line basis over the periods the related obligations are outstanding.
- Deferred revenue and refundable deposits represent various types of entrance and membership fees received from residents of senior living facilities. RRC resident membership deposits are fully refundable, net of applicable processing fees, to the resident upon termination of the lease agreement between RRC and the resident, with any interest earned on such deposits accruing to RRC. BWRC and CSCRC offer a variety of partially refundable entrance fees. These entrance payments are included with deferred revenue and refundable deposits in the accompanying consolidated statements of financial position. The nonrefundable portion of entrance fees is amortized to revenue using the straight-line method over the estimated remaining life expectancies of the residents. Total entrance payments subject to refund at June 30, 2011 and 2010 approximated \$36,868 and \$37,324, respectively.
- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions are reported as direct additions to temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.
- Temporarily restricted net assets are those assets whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets principally represent amounts restricted for the purpose of acquiring long-lived assets or for specific operating purposes. During 2011 and 2010, certain donors clarified their intentions for previously recorded gifts. Such reclassified amounts are

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(Continued)

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

reported as reclassifications of net assets based on donor intent in the accompanying consolidated statements of operations and changes in net assets.

- Permanently restricted net assets represent donor-restricted contributions, the principal amount of which may not be expended. Amounts reported as permanently restricted net assets represent the cumulative amount of contributions received for permanent endowment. Investment return currently earned on permanently restricted investments is reported as either nonoperating investment income or a direct addition to temporarily restricted net assets based on donor intentions.

ASC Topic 958, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to An Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*, provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization and requires additional disclosure about endowment funds. RHC and Affiliates follow the guidance of ASC Topic 958.

During 2009, the State of Illinois adopted UPMIFA, which establishes guidelines for the prudent spending and preservation of endowment funds through the establishment of a UPMIFA compliant endowment spending policy.

RHC and Affiliates classify as permanently restricted net assets the original value of gifts donated to the permanent endowment. Investment returns in excess of approved spending are classified within temporarily restricted net assets until appropriated for expenditure by RHC and Affiliates.

Endowment funds are commingled in a pooled investment portfolio administered by RHC (note 6). RHC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RHC targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints. Investment return is allocated to endowment fund assets on a basis proportional to its percentage of the investment portfolio. RHC endowment fund assets are maintained at a level equivalent to the balance of permanently restricted net assets.

- Net service revenue is reported at the estimated net realizable amounts from patients and residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Those adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.
- The consolidated statements of operations include revenue and gains in excess (deficient) of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of health and residential care services are reported as revenue and expenses. Transactions incidental to the provision of health and residential care services are reported as gains and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess (deficient) of expenses and losses, consistent with industry practice, include contributions of long-lived assets

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

(including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets) and recognition of changes in pension funded status.

- RHC and Affiliates account for discontinued operations under ASC guidance surrounding accounting for the impairment or disposal of long-lived assets. The guidance requires that a component entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component entity has been disposed of or is classified as held-for-sale, the results of operations for current and prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations.
- Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in revenue and gains in excess (deficient) of expenses and losses unless the income or loss is restricted by donors, in which case the investment income is recorded directly to temporarily restricted net assets. Investment returns of temporarily restricted investments are recorded directly to temporarily restricted net assets in accordance with donor intent.
- RHC and Affiliates recognize liabilities when a legal obligation exists to perform an asset retirement obligation (ARO) in which the timing or method of settlement are conditional on a future event that may or may not be under the control of the entity. An ARO liability is recorded at its net present value with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to depreciation expense. RHC and Affiliates are legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the existing buildings. The estimated asbestos removal cost at June 30, 2011 and 2010 was \$9,482 and \$10,643, respectively.
- RHC and Affiliates recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. RHC and Affiliates do not have any liabilities for unrecognized tax benefits.
- RHC and Affiliates incur expenses for the provision of health and residential care services and related general and administrative activities.
- All significant intercompany balances and transactions have been eliminated in the preparation of the accompanying consolidated financial statements.
- Certain 2010 amounts have been reclassified to conform to the 2011 consolidated financial statement presentation, including a reclassification of net realized losses on sale of investments in the 2010 consolidated statement of cash flows that increases operating activities and decreases investing activities by \$3,711.
- In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure* (ASU 2010-23). ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosures purposes and that cost can be identified as direct and indirect costs of providing charity

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

care. The adoption of ASU 2010-23 will be effective for RHC and Affiliates beginning in fiscal year 2012.

- In August 2010, the FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24). ASU 2010-24 clarifies that healthcare entities should not net insurance recoveries against the related claim liability and that the claim liability amount should be determined without consideration of insurance recoveries. The adoption of ASU 2010-24 will be effective for RHC and Affiliates beginning in fiscal year 2012.
- In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07). ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations. All other entities would continue to present the provision for bad debts as an operating expense. In addition, there are enhanced disclosures about the entities policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The adoption of ASU 2011-07 will be effective for RHC and Affiliates beginning in fiscal year 2013 with early adoption permitted.

(3) Third-Party Reimbursement Programs

RHC and Affiliates have agreements with third-party payors, which provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs principally represent the difference between the billings at list price and the amounts reimbursed by Blue Cross and certain other contracted third-party payors; the difference between the billings at list price and the allocated cost of services provided to Medicare and Medicaid patients; and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement methodologies with major third-party payors follows:

(a) Medicare

RMC, OLR, SFH, WH, SMEMC, HFMC, SJH, and WSMC (collectively known as the Hospitals) and Senior Services are paid for inpatient acute care services, long-term care services, outpatient services, psychiatric services, rehabilitation services, and home health services rendered to Medicare program beneficiaries under prospective reimbursement rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospitals' classification of patients under the Medicare prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

For certain services and activities (medical education, Medicare bad debts, and indigent care) the Hospitals are reimbursed by Medicare based upon cost reimbursement methodologies. The Hospitals

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are reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the Hospitals and audits thereof by the Medicare fiscal intermediary. The Medicare cost reports have been audited and settled by the Medicare fiscal intermediary through 2009 for HFMC and through 2007 for RMC, SFH, OLR, SMEMC, SJH, WH, and WSMC.

(b) Medicaid

Under the State of Illinois' (the State) Medicaid reimbursement system, the Hospitals are paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Senior Services are reimbursed based upon an all inclusive per-diem rate. SMEMC also receives incremental Medicaid reimbursement for specific Programs and services at the discretion of the State Medicaid program. Medicaid reimbursement methodologies and payment rates are subject to change based on the amount of funding available to the State Medicaid program and any such changes could have a significant effect on RHC and Affiliates' revenues.

The State has an assessment program to assist in the financing of its Medicaid program, which is in effect through June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment formula approved by the Centers for Medicare & Medicaid Services (CMS). RHC and Affiliates have included their 2011 and 2010 related assessments of \$48,811 within assessments and taxes expense in the accompanying consolidated statements of operations. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. RHC and Affiliates have included their additional 2011 and 2010 related reimbursement of \$87,426 and \$80,705, respectively, within net service revenue in the accompanying consolidated statements of operations.

(c) Blue Cross

The Hospitals also participate as providers of health care services under reimbursement agreements with Blue Cross. The provisions of these agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of annual cost reports by the Hospitals and reviews thereof by Blue Cross. The Blue Cross traditional indemnity reimbursement reports for 2010 and prior years have been reviewed by Blue Cross. The Blue Cross HMOI, PPO, and MCNP reimbursement reports have been reviewed by Blue Cross through 2010 for RMC, SFH, WH, SMEMC, SJH, and HFMC.

(d) Other

The Hospitals have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

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A summary of gross and net service revenue for the years ended June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Service revenue:		
Nursing, dietary, and room service	\$ 1,044,253	984,031
Ancillary services	2,936,426	2,784,742
Long-term care services	159,702	130,960
Retirement communities	21,175	24,403
Ambulatory care services	58,859	10,905
Apothecary, durable medical equipment, home health services, and other	<u>26,040</u>	<u>28,404</u>
Gross service revenue	4,246,455	3,963,445
Less provisions for estimated contractual adjustments under third-party reimbursement programs and other discounts and allowances	<u>2,943,121</u>	<u>2,659,643</u>
Net service revenue	<u>\$ 1,303,334</u>	<u>1,303,802</u>

A summary of RHC and Affiliates' Medicare, Medicaid, managed care, self-pay, commercial, and other utilization percentages based upon gross service revenue follows:

	<u>2011</u>	<u>2010</u>
Medicare	45%	46%
Medicaid	20	19
Managed care	25	25
Self-pay, commercial, and other	10	10

Accruals for settlements with third-party payors are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the federal Medicare program, the Illinois Medicaid program, and the Blue Cross Plan of Illinois. Included in 2011 and 2010 as additions to net service revenue is \$11,263 and \$4,226, respectively, related to changes in prior year third-party revenue estimates.

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(4) Concentration of Credit Risk

RHC and Affiliates grant credit without collateral to their patients, most of who are local residents and are generally insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of June 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Medicare	35%	35%
Medicaid	19	17
Managed care	23	26
Self-pay	13	12
Commercial and other	10	10

(5) Charity Care

RHC and Affiliates provide necessary medical care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. Because RHC and Affiliates do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The following information presents the level of charity care provided during the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Charges forgone for non-Medicare and non-Medicaid patients, based on established rates	\$ 78,101	86,894

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(6) Investments

RHC and Affiliates report their investments at fair value and consider all investments to be trading securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statements of financial position. A summary of the composition of the RHC and Affiliates' investment portfolios at June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 55,606	41,322
Common stocks and mutual funds	284,091	226,132
U.S. Treasury securities	106,961	88,081
Corporate and municipal bonds and notes	164,758	129,982
Mortgage-backed securities	230,014	249,348
Asset-backed securities	30,703	39,007
	<u>\$ 872,133</u>	<u>773,872</u>

Investments are reported in the accompanying consolidated statements of financial position at June 30 as follows:

	<u>2011</u>	<u>2010</u>
Assets whose use is limited or restricted – required for current liabilities	\$ 18,910	256,030
Assets whose use is limited or restricted, less amounts required for current liabilities:		
By boards for reinvestment and self-insurance	807,406	481,843
Under bond indenture agreements – held by trustee	31,793	22,813
By donors – permanently restricted	14,024	13,186
	<u>\$ 872,133</u>	<u>773,872</u>

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The composition of investment return on the RHC and Affiliates' investment portfolio for the years ended June 30, 2011 and 2010 is as follows:

	2011	2010
Interest and dividend income, net of fees and expenses	\$ 30,548	36,706
Net realized gains (losses) on sale of investments	6,613	(3,711)
Net change in unrealized gains and losses during the holding period	45,999	65,829
	<u>\$ 83,160</u>	<u>98,824</u>

Investment returns are included in the accompanying consolidated financial statements for the years ended June 30, 2011 and 2010 as follows:

	2011	2010
Nonoperating gains – investment income and other, net	\$ 82,450	98,220
Temporarily restricted investment return	710	604
	<u>\$ 83,160</u>	<u>98,824</u>

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by RHC and Affiliates in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated statements of financial position for the following approximates fair value because of the short maturities of these financial instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and estimated receivables and payables under third-party reimbursement programs.
- Assets whose use is limited or restricted: common stocks and mutual funds, and U.S. Treasury securities are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate and municipal bonds and notes and U.S. government agency securities are estimated based on observable market inputs as provided by national pricing services. The carrying value equals fair value.
- Fair value of fixed rate long-term debt is estimated based on market indications for the same or similar debt issues.

(b) Fair Value Hierarchy

ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted

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prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable market inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that RHC and Affiliates have the ability to access at the measurement date.
- Level 2 are observable market inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable market inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2011:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total			
Assets:				
Cash and cash equivalents	\$ 70,809	70,809	—	—
Common stocks and mutual funds	284,091	284,091	—	—
U.S. Treasury securities	106,961	106,961	—	—
Corporate and municipal bonds and notes	164,758	—	164,758	—
Mortgage-backed securities	230,014	—	228,145	1,869
Asset-backed securities	30,703	—	30,703	—
Total	\$ 887,336	461,861	423,606	1,869

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The following table presents assets that are measured at fair value on a recurring basis at June 30, 2010:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total			
Assets:				
Cash and cash equivalents	\$ 104,413	104,413	—	—
Common stocks and mutual funds	226,132	226,132	—	—
U.S. Treasury securities	88,081	88,081	—	—
Corporate and municipal bonds and notes	129,982	—	129,982	—
Mortgage-backed securities	249,348	—	249,348	—
Asset-backed securities	39,007	—	39,007	—
Total	\$ 836,963	418,626	418,337	—

The Level 3 asset is a mortgage-backed security issued by the National Credit Union Association, and is secured by residential mortgages. Inputs to determine fair value of the security include loan level and structure specific items that influence the bonds' principal and interest cash flows and their timing, which includes, but is not limited to, assumptions about prepayments, defaults, severities, credit enhancement, and discount rate. There are no redemption frequency or notice restrictions with this security. The following table presents a reconciliation for Level 3 assets measured at fair value on a recurring basis for the period of July 1 to June 30, 2011:

Beginning balance, July 1, 2010	\$	—
Total net gains		21
Purchases, sales, issuances, and settlements (net)		1,848
Ending balance, June 30, 2011	\$	1,869

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(8) Business Acquisition

(a) *Ballard Nursing Center*

On May 31, 2011, RHC completed the acquisition of Ballard, a skilled nursing facility in Des Plaines, Illinois. The purchase price for Ballard was \$22,000 in cash, subject to customary postclosing working capital adjustment, based upon the terms and subject to the conditions contained in the Asset Purchase Agreement. Ballard's results of operations from the date of acquisition through June 30, 2011 are included in the 2011 consolidated statement of operations.

The acquisition of Ballard will help enhance RHC's senior services business by expanding its presence and enhancing its capabilities to provide resident services.

Costs related to the Ballard acquisition of \$158 are included in purchased services expenses for the year ended June 30, 2011. The costs incurred are comprised of legal, accounting, valuation, and professional services fees associated with the Ballard acquisition.

(b) *Purchase Price Allocation*

The Ballard acquisition was accounted for under the acquisition method of accounting with RHC treated as the acquiring entity. Accordingly, the consideration paid by RHC to complete the acquisition has been allocated to the assets acquired based upon their estimated fair values as of the date of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired was recorded to goodwill. Goodwill is nonamortizing for financial statement purposes.

The following table summarizes the fair values assigned to the assets acquired at the acquisition date:

Land, buildings, and equipment	\$	13,147
Goodwill		1,923
Intangible assets – finite lived		<u>6,930</u>
Total assets acquired	\$	<u><u>22,000</u></u>

During the year ended June 30, 2011, RHC recognized \$0 of amortization expense from the finite-lived intangible asset acquired. The intangible asset acquired will be amortized over its estimated period of benefit of 35 years.

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(c) *Unaudited Pro Forma Financial Information*

The following unaudited pro forma financial information presents the combined historical results of operations of RHC and Ballard as if the acquisition had occurred on the first day of the comparable fiscal period presented. The unaudited pro forma financial information includes certain adjustments related to the acquisition, such as increased amortization from the fair value of the intangible asset acquired recorded as part of acquisition accounting. Unaudited pro forma results of operations are as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Net revenue	\$ 1,434,711	1,421,378
Income from operations	17,257	5,630
Revenue and gains in excess (deficient) of expenses and losses	89,872	(9,310)
Change in unrestricted net assets	196,915	(52,736)

The unaudited pro forma financial information is not intended to represent or be indicative of what would have occurred if the transaction had taken place on the dates presented and is not indicative of what RHC's actual results of operations would have been had the acquisition been completed at the beginning of the periods indicated above. Further, the pro forma combined results do not reflect one-time costs to fully merge and operate the combined organization more efficiently and should not be relied upon as being indicative of the future results that RHC will experience.

(9) **Asset Divestitures**

Effective August 1, 2011, Senior Services entered into an agreement to sell substantially all of the assets and certain liabilities of and associated with RNH and MLNH (collectively referred to herein as Resurrection Ministries of New York or RMNY). Pursuant to the Asset Purchase Agreement (APA), Senior Services sold substantially all the assets of RMNY including resident accounts receivable, fixed assets, and inventory. The net book value of RMNY's assets that were purchased by the buyer at date of sale approximated \$6,875. Accounts payable and accrued expenses assumed by the buyer at date of sale approximated \$195. Senior Services has accepted an offer of \$4,500 for the sale of RMNY's assets. Senior Services recognized a loss on the sale of \$2,180 in fiscal 2011.

Effective August 1, 2010, RHC sold substantially all of the assets and certain liabilities of and associated with WSMC, WH, and certain physician practices, properties, and retail pharmacies associated with Services (collectively referred to herein as the Entities). Pursuant to the Asset Purchase Agreement (Agreement), RHC sold substantially all the assets of the Entities including fixed assets, patient accounts receivable, and inventory. The net book value of the Entities' assets that were purchased by the buyer at date of sale approximated \$143,895. Accounts payable and accrued expenses assumed by the buyer at date of sale approximated \$16,962. RHC received net cash proceeds from the sale of \$45,068. RHC recognized a loss on the sale of \$81,865 in fiscal 2010.

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The purchase price of the Entities, as defined in the Agreement, was \$40,000 based on net working capital of \$15,000. On August 1, 2010, the estimated net working capital of the Entities was \$20,068. Included in the net cash proceeds collected by RHC of \$45,068 are the purchase price and the excess of net working capital on August 1, 2010 above the amount specified in the Agreement. The Agreement also includes a provision for final settlement of the purchase consideration based on actual net working capital as of the date of sale. RHC recognized a loss on sale of \$1,451 in fiscal 2011 related to the working capital settlement.

Effective July 1, 2010, Senior Services sold substantially all of the assets of and associated with SFNR. Pursuant to the Asset Purchase Agreement, Senior Services sold substantially all the assets of SFNR including fixed assets, rights and obligations under resident agreements, resident accounts receivable, and inventory. The net book value of SFNR's assets that were purchased by the buyer at date of sale approximated \$1,668. Deferred revenue and liabilities attributable to entrance fees assumed by the buyer at date of sale approximated \$281. Senior Services received net cash proceeds from the sale of \$6,480. Senior Services recognized a gain on the sale of \$5,093 in fiscal 2011.

RMNY's, the Entities', and SFNR's assets and liabilities are classified as held-for-sale in the accompanying consolidated statements of financial position. The operations of RMNY, the Entities, and SFNR have been presented in the accompanying consolidated statements of operations as discontinued operations. The results of RMNY's, the Entities', and SFNR's operations, including the gain (loss) on the sale transactions, are reported in the accompanying consolidated statements of operations as gain (loss) from discontinued operations. Further, all net cash flows related to the operating, investing, and financing activities of RMNY, the Entities, and SFNR are reported separately as discontinued operations in the accompanying consolidated statements of cash flows.

Effective with the divestitures, employees of RMNY, the Entities, and SFNR will no longer be eligible for participation in the retirement plans sponsored by RHC (note 12). RHC will offer each employee who will no longer be eligible for participation in the RHC cash balance plans the option of receiving a lump-sum settlement of their benefit in their cash balance account. Gains or losses from the settlement of cash balance accounts will be recognized as gain or loss on discontinued operations at time of settlement. During fiscal 2011, RHC recognized \$13,651 of losses for the settlement of cash balance accounts with former employees. The settlement loss is included within discontinued operating losses as a component of the loss on sales.

A summary of the operating components of the gain (losses) from discontinued operations for RMNY, the Entities, and SFNR for the years ended June 30, 2011 and 2010 is as follows:

	2011	2010
Revenue	\$ 30,045	295,103
Expenses	33,688	322,416
Nonoperating gains (losses)	306	(154)
Losses from discontinued operations	<u>\$ (3,337)</u>	<u>(27,467)</u>

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(10) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2011 and 2010 follows:

	2011	2010
Land	\$ 56,225	59,993
Land improvements	37,932	39,041
Buildings and building equipment	914,452	919,356
Departmental equipment	595,333	567,191
	<u>1,603,942</u>	<u>1,585,581</u>
Less accumulated depreciation	<u>949,668</u>	<u>971,850</u>
	654,274	613,731
Construction in progress	<u>51,161</u>	<u>76,231</u>
Land, buildings, and equipment, net	<u>\$ 705,435</u>	<u>689,962</u>

Construction in progress at June 30, 2011 and 2010 consists primarily of costs associated with an information technology and software implementation project and various other projects. The remaining costs associated with these projects at June 30, 2011 are approximately \$22,800, substantially all of which have been contractually committed. Interest cost is capitalized as a component cost of significant capital projects to the extent that such interest expense exceeds interest income earned on any project specific borrowed funds. For the years ended June 30, 2011 and 2010, RHC capitalized interest cost of \$1,198 and \$1,761, respectively.

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(11) Long-Term Debt

A summary of long-term debt at June 30, 2011 and 2010 is as follows:

	2011	2010
Fixed Rate Revenue Bonds (Series 2009)	\$ 91,925	101,040
Variable Rate Revenue Bonds (Series 2005B)	119,140	119,140
Variable Rate Revenue Bonds (Series 2005C)	119,775	119,775
Fixed Rate Revenue Bonds (Series 1999A)	100,400	104,400
Fixed Rate Revenue Bonds (Series 1999B)	100,400	104,400
Revenue Bonds (Series 1997B) (HFMC)	30,245	31,350
Mortgage loans (RMNY)	—	12,244
Total long-term debt	561,885	592,349
Less:		
Current installments	18,910	257,411
Unamortized bond premium	(4,501)	(4,739)
Unamortized bond discount	565	599
Long-term debt, excluding current installments and unamortized bond premiums and discounts	\$ 546,911	339,078

On August 1, 1999, RHC entered into a Master Trust Indenture under which RHC was the only Obligated Group member. RMC, OLR, WH, SFH, Services, Senior Services, Home Care, and the Foundation were named Unlimited Credit Group Participants required to permit RHC to perform all obligations and covenants under the Master Trust Indenture. The Master Trust Indenture was amended and restated as of May 1, 2005, pursuant to the issuance of the Series 2005 bonds and the reissuance of the Variable Rate Demand Bonds (Series 1999A and Series 1999B). RHC, RMC, OLR, WH, SFH, SJH, SMEMC, and WSMC were named Obligated Group Members under the amended and restated Master Trust Indenture. Services, Senior Services, Home Care, and the Foundation were named Unlimited Credit Group Participants required to permit the Obligated Group to perform all obligations and covenants under the amended and restated Master Trust Indenture, and required to pay such amounts as are necessary to make all payments on the Series 1999 and Series 2005 obligations. On June 5, 2008, the Master Trust Indenture was amended and restated pursuant to the issuance of the Series 2008 bonds and the conversion of the Series 2005A and Series 2005B bonds. On December 1, 2009, the Master Trust Indenture was amended and restated pursuant to the issuance of the Series 2009 bonds and the advance refunding of the Series 2008A and Series 2008B bonds. The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The Master Trust Indenture requires the individual members of the Obligated Group to make principal and interest payments on notes issued for their benefit and to pay such amounts as are otherwise necessary to enable the Obligated Group to satisfy all obligations issued under the Master Trust Indenture.

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On December 22, 2009, the Illinois Finance Authority issued Revenue Refunding Bonds, Series 2009, in the amount of \$103,805 on behalf of RHC. The proceeds from the Series 2009 bond issuance were used to advance refund their outstanding Series 2008A and Series 2008B bonds. The transactions to advance refund and cash defease outstanding debt resulted in a loss of \$1,022, which is included with nonoperating losses in the 2011 consolidated statement of operations. Principal on the Series 2009 bonds is payable annually through 2025. Interest is payable semiannually commencing on May 15, 2010 at fixed rates between 3.00% and 6.13% depending on date of maturity. The Series 2009 bonds were issued pursuant to a Bond Trust Indenture, dated as of December 1, 2009. The Series 2009 bonds are secured by an interest in the pledged revenues of the Obligated Group and a mortgage on RMC.

On June 5, 2008, the Illinois Finance Authority issued Variable Rate Revenue Bonds, Series 2008A and Series 2008B (collectively referred to as the Series 2008 bonds), in the aggregate amount of \$100,000 on behalf of RHC. The proceeds from the Series 2008 bond issuance were used to advance refund various outstanding debt. Principal on the bonds was due on May 15, 2029. Interest was payable monthly at variable rates. During 2010, the effective interest rate on the Series 2008 bonds was 1.68%. The Series 2008 bonds were issued pursuant to two separate Bond Trust Indentures, each dated as of June 1, 2008. The Series 2008 bonds were secured by irrevocable transferable direct pay letters of credit issued by commercial banks, which expired on December 5, 2009. The Series 2008 bonds with an outstanding principal balance of \$98,370 were advance refunded in 2010.

On May 26, 2005, the Illinois Finance Authority issued Variable Rate Revenue Bonds, Series 2005A, Series 2005B, Series 2005C, and Series 2005D, and on June 16, 2005, the Illinois Finance Authority issued Variable Rate Revenue Bonds, Series 2005E (collectively referred to as the Series 2005 bonds), in the aggregate amount of \$350,000 on behalf of RHC. The Series 2005D and Series 2005E bonds were cash defeased in 2008. Principal on the bonds is payable annually through 2035. Interest is payable monthly at variable rates. During 2011 and 2010, the effective interest rate on the Series 2005 bonds was 0.26% and 0.27%, respectively. The Series 2005 bonds were issued pursuant to five separate Bond Trust Indentures, each dated as of May 1, 2005. The Series 2005B and 2005C bonds are secured by direct pay letters of credit issued by commercial banks, which currently expire on October 31, 2012, in amounts equal to the principal amount of the bonds and accrued interest on such principal. Holders of the Series 2005 bonds have a put option that allows them to redeem the bonds prior to maturity. The Obligated Group has an agreement with an underwriter to remarket any bonds redeemed through the exercise of put options. Principal on the Series 2005B and 2005C bonds outstanding at June 30, 2010 were included in current installments of long-term debt as the letters of credit securing the bonds as of June 30, 2010 expired on February 25, 2011. The Series 2005A bonds with an outstanding principal balance of \$26,130 were cash defeased in 2010.

On August 27, 1999, the Illinois Health Facility Authorities issued Variable Rate Demand Revenue Bonds, Series 1999A and Series 1999B, and Periodic Auction Reset Securities, Series 1999C (collectively referred to as the Series 1999 bonds), in the aggregate amount of \$380,000 on behalf of RHC. The Series 1999C bonds were advance refunded in 2008. On June 5, 2008, RHC converted the outstanding Series 1999A and Series 1999B bonds of \$225,000 from variable rate to fixed rate bonds through a bond reissuance. Principal on the Series 1999A and Series 1999B bonds is payable annually through 2029. Interest is payable semiannually at fixed rates varying between 4.00% and 5.50% depending on date of maturity. The

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(In thousands)

Series 1999A and Series 1999B bonds were issued pursuant to amended and restated Bond Trust Indentures, each dated as of June 1, 2008. Payment of principal and interest on the Series 1999A and Series 1999B bonds when due is guaranteed under municipal bond insurance policies.

On December 23, 1997, the Illinois Health Facilities Authority on behalf of HFMC issued its Revenue Bonds, Series 1997, in the principal amount of \$41,000 pursuant to a loan agreement dated December 1, 1997 between the Illinois Health Facilities Authority and HFMC (Series 1997B). Interest is payable at rates varying between 4.25% and 5.00% in annual installments through 2027. Effective February 6, 2001, HFMC entered into a Reimbursement, Mortgage, and Security Agreement (RHC Reimbursement Agreement) with RHC. The RHC Reimbursement Agreement provides that RHC will guarantee payment to the Bond Insurer of all amounts paid by the Bond Insurer in connection with the Series 1997B bonds under either the Bond Insurance Policy or the Surety Bond, which are not reimbursed to the Bond Insurer by HFMC. In conjunction with the RHC Reimbursement Agreement, HFMC issued its Direct Note Obligation, Series 2001A (Series 2001A), in a principal amount equal to the amount owed under the RHC Reimbursement Agreement, if any. Series 2001A is secured by a mortgage of the land and healthcare facilities of HFMC's main campus located in Des Plaines, Illinois, and HFMC's accounts receivable. All intercompany amounts related to the Series 2001A bonds have been eliminated in consolidation. RHC has not made or accrued any payment obligations pursuant to this guarantee.

In October 1999, HFMC entered into a 10-year term loan (Term Loan) in the amount of \$10,275. Under the terms of the Term Loan, HFMC paid interest at a fixed rate of 7.75%. Principal installments were due annually in amounts ranging from \$227 to \$420 through October 2009 with a lump-sum payment of \$6,951, due November 2009. The Term Loan was repaid during 2010.

RNH and MLNH have two mortgage loan agreements through the Dormitory Authority of the State of New York. Principal and interest on the first note are payable in fixed monthly amounts of \$46 through July 2027. The note bears interest at a fixed annual rate of 7.25% and is secured by certain real estate. Principal and interest on the second note are payable in fixed monthly amounts of \$53 through January 2033. The note bears interest at a fixed annual rate of 7.90% and is secured by certain assets of RNH and MLNH. The notes with an outstanding principal balance of \$11,430 were cash defeased in 2011. The transactions to cash defease outstanding debt resulted in a gain of \$1,842, which is included with discontinued operations in the 2011 consolidated statement of operations.

RHC entered into a revolving credit agreement with a commercial bank on April 8, 2011 to provide a \$30,000 line of credit. There were no outstanding draws on the line of credit as of June 30, 2011.

At June 30, 2011 and 2010, the fair value of RHC and Affiliates' total long-term debt was approximately \$566,966 and \$601,456, respectively. Fair value was estimated using quoted market prices based upon the Obligated Group's current borrowing rates for similar types of long-term debt securities.

Under Section 148(f) of the Code, an issuer of tax-exempt bonds is required to rebate to the Internal Revenue Service the excess of investment income earned on all nonpurpose investments made with the gross proceeds of tax-exempt bond issues over the amount, which would have been earned if such nonpurpose investments had been invested at a rate equal to the interest yield on the related bond issue. The estimated rebate liability of \$0 and \$1,148 at June 30, 2011 and 2010, respectively, related to the

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

Series 2005 bonds is recorded within accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Scheduled principal repayments on long-term debt based on the variable rate revenue bonds being put back to the Obligated Group and a corresponding draw being made on the underlying credit facility, if available, are as follows for the ensuing five years:

	<u>Amount</u>
Year:	
2012	\$ 18,910
2013	258,485
2014	20,280
2015	20,145
2016	8,615

Scheduled annual principal payments on long-term debt based on the scheduled redemptions according to the respective Bond Trust Indentures for the ensuing five years are as follows:

	<u>Amount</u>
Year:	
2012	\$ 18,910
2013	19,570
2014	20,280
2015	21,105
2016	12,110

(12) Employees' Retirement Plans

RHC and Affiliates have two cash balance plans (defined benefit plans that operate like defined contribution plans) (Plan A and Plan B) that cover substantially all eligible employees of RHC and Affiliates. Each eligible participant has a benefit account balance, which accrues as a percentage of current year's pay and earns interest at a specified rate.

RHC and Affiliates record pension cost at an amount calculated by an independent consulting actuary. RHC and Affiliates recognize the cost related to employee service using the projected unit credit cost method. Gains and losses, calculated as the difference between estimated and actual amounts of plan assets and the projected benefit obligation, and prior service cost are amortized over the expected future service period.

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

The following tables set forth the consolidated funded status, assumptions, and amounts recognized in the accompanying consolidated financial statements as of and for the years ended June 30, 2011 and 2010 for Plans A and B:

	<u>2011</u>	<u>2010</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ (385,274)	(319,512)
Service cost	(20,351)	(21,521)
Interest cost	(18,926)	(20,095)
Actuarial gain (loss)	68,845	(44,731)
Benefits paid	49,268	20,585
Gain due to curtailment	2,610	—
Loss due to settlement	(6,974)	—
Benefit obligation at end of year	<u>\$ (310,802)</u>	<u>(385,274)</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 137,499	88,503
Actual return on plan assets	27,341	8,111
Adjustments for transfers	(485)	(472)
Employer contributions	54,145	61,942
Benefits paid	(49,268)	(20,585)
Fair value of plan assets at end of year	<u>\$ 169,232</u>	<u>137,499</u>
Funded status	\$ (141,570)	(247,775)
Amounts recognized in the accompanying consolidated statements of financial position:		
Accrued pension liability	\$ (141,570)	(247,775)
Accumulated charge to unrestricted net assets	<u>31,750</u>	<u>132,434</u>
Net amount recognized	<u>\$ (109,820)</u>	<u>(115,341)</u>
Accumulated benefit obligation	\$ (310,548)	(384,838)

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Components of net periodic benefit cost:		
Service cost	\$ 20,351	21,521
Expense load	485	472
Interest cost	18,926	20,095
Expected return on plan assets	(12,971)	(8,297)
Amortization of unrecognized net loss	8,826	5,579
Amortization of unrecognized prior service credit	(351)	(403)
Curtailment expense	27	—
Settlement expense	13,650	—
Net periodic benefit cost	<u>\$ 48,943</u>	<u>38,967</u>
	<u>2011</u>	<u>2010</u>
Other changes in plan assets and benefit obligation recognized in unrestricted net assets:		
Net actuarial gain (loss)	\$ 78,851	(44,599)
Reversal of amortization items:		
Net actuarial loss	22,382	5,579
Prior service credit	(324)	(403)
Total recognized in unrestricted net assets	<u>\$ 100,909</u>	<u>(39,423)</u>
Estimated future benefit payments:		
Fiscal year 2012	\$ 27,607	
Fiscal year 2013	31,592	
Fiscal year 2014	32,358	
Fiscal year 2015	32,662	
Fiscal year 2016	33,569	
Fiscal year 2017 – 2021	171,776	
Expected contribution during fiscal year 2012	\$ 45,000	

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

The estimated net actuarial loss and prior service credit for Plans A and B that will be amortized from unrestricted net assets into net periodic benefit cost during the 2012 fiscal year are \$178 and \$444, respectively.

	2011	2010
Weighted average assumptions used to determine benefit obligations at June 30:		
Settlement (discount) rate	5.20%	5.05%
Weighted average rate of increase in future compensation levels	3.00	4.00
Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	5.05%	6.57%
Expected return on plan assets	8.50	8.50
Rate of compensation increase	4.00	4.00

RHC's overall expected long-term rate of return on assets is 8.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

RHC's pension plan weighted average asset allocations at June 30, 2011 and 2010, by asset category, are as follows:

Asset category	Plan assets at June 30	
	2011	2010
Equities	71.6%	56.1%
Fixed income securities	26.1	41.7
Cash and cash equivalents	2.3	2.2

RHC has developed a plan investment policy, which is reviewed and approved by the RHC Finance Committee and the boards of directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy reflects a target of up to 60% for equity securities. Investments are managed by independent advisers who are monitored by management and the Finance Committee. RHC monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

RHC and Affiliates also have a defined contribution money purchase plan (Defined Contribution Plan). RHC and Affiliates contribute 25% of contributions made by employees to their tax deferred account up to a maximum contribution percentage of 1% of the participant's qualified income. RHC and Affiliates' boards of directors have amended Plan A and the Defined Contribution Plan whereby the employer matching contribution of the Defined Contribution Plan is considered a component of Plan A. Accordingly,

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

this employer matching component has been included as a component of the accrued pension liability of Plan A as determined by the professional consulting actuary.

(a) Fair Value of Financial Instruments

The following is a description of the valuation methodologies used for pension Plan A and Plan B assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

- Cash and cash equivalents: Valued at the carrying amount that approximates fair value because of the short-term maturity of these investments.
- Common stocks, real estate investment trusts, U.S. government securities, and foreign securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Mortgage-backed securities, commercial mortgage-backed, asset-backed, CMO/REMIC, and corporate bonds and notes: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(b) Fair Value Hierarchy

Plan A and Plan B adopted ASC Subtopic 715-20-50 on July 1, 2009 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

The following tables present the Plans' fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2011 and 2010:

	<u>Fair value, June 30, 2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 3,956	3,956	—	—
Common stocks and mutual funds	121,237	121,237	—	—
U.S. Treasury securities	13,421	13,421	—	—
Corporate and municipal bonds and notes	13,065	—	13,065	—
Mortgage-backed securities	15,388	—	15,014	374
Asset-backed securities	2,165	—	2,165	—
Total assets at fair value	<u>\$ 169,232</u>	<u>138,614</u>	<u>30,244</u>	<u>374</u>
	<u>Fair value, June 30, 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 3,035	3,035	—	—
Common stocks and mutual funds	77,201	77,201	—	—
U.S. Treasury securities	16,803	16,803	—	—
Corporate and municipal bonds and notes	16,471	—	16,471	—
Mortgage-backed securities	19,501	—	19,501	—
Asset-backed securities	4,488	—	4,488	—
Total assets at fair value	<u>\$ 137,499</u>	<u>97,039</u>	<u>40,460</u>	<u>—</u>

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

The Level 3 asset is a mortgage-backed security issued by the National Credit Union Association, and is secured by residential mortgages. Inputs to determine fair value of the security include loan level and structure specific items that influence the bonds' principal and interest cash flows and their timing, which includes, but is not limited to, assumptions about prepayments, defaults, severities, credit enhancement, and discount rate. There are no redemption frequency or notice restrictions with this security. The following table presents a reconciliation for Level 3 assets measured at fair value on a recurring basis for the period of July 1 to June 30, 2011:

Beginning balance, July 1, 2010	\$	—
Total net gains		4
Purchases, sales, issuances, and settlements (net)		370
Ending balance, June 30, 2011	\$	<u>374</u>

WSMC sponsored the West Suburban Health Care Retirement Income Plan (Income Plan), a noncontributory defined benefit pension plan, for which the board of directors of WSMC authorized the curtailment of the Income Plan effective January 1, 2002. As a result of the curtailment, participation in the Income Plan is limited to participants entering on or before January 1, 2002, and no new benefits will accrue to participants subsequent to that date. Gains and losses, calculated as the difference between estimated and actual amounts of plan assets and the projected benefit obligation, is amortized over the expected future service period. RHC has maintained responsibility for the Income Plan subsequent to the asset divestitures disclosed in note 9.

A summary of the changes in the projected benefit obligation and plan assets and the resulting funded status of the Income Plan is as follows at June 30, 2011 and 2010 (measurement dates):

	2011	2010
Change in projected benefit obligation:		
Benefit obligation at beginning of period	\$ (70,970)	(57,918)
Interest cost	(3,756)	(3,858)
Actuarial loss	(1,276)	(11,620)
Benefits paid	2,590	2,426
Benefit obligation at end of period	\$ <u>(73,412)</u>	<u>(70,970)</u>
Change in plan assets:		
Fair value of plan assets at beginning of period	\$ 46,804	43,254
Actual return on plan assets	8,896	5,526
Employer contributions	1,149	450
Benefits paid	(2,590)	(2,426)
Fair value of plan assets at end of period	\$ <u>54,259</u>	<u>46,804</u>
Funded status	\$ (19,153)	(24,166)

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

	2011	2010
Accumulated benefit obligation	\$ (73,412)	(70,970)
Amount recognized in the accompanying consolidated statements of financial position:		
Accrued pension liability	\$ (19,153)	(24,166)
Accumulated charge to unrestricted net assets	25,932	30,482
Net amount recognized	\$ 6,779	6,316
Components of net periodic benefit cost:		
Interest cost	\$ 3,756	3,858
Expected return on plan assets	(3,886)	(3,555)
Amortization of unrecognized net loss	817	2,691
Net periodic benefit cost	\$ 687	2,994
Other changes in plan assets and benefit obligation recognized in unrestricted net assets:		
Net actuarial gain (loss)	\$ 3,733	(9,650)
Reversal of amortization item:		
Net actuarial gain	817	2,691
Total recognized in unrestricted net assets	\$ 4,550	(6,959)
	2011	2010
Estimated future benefit payments:		
Fiscal year 2012	\$ 3,393	
Fiscal year 2013	3,551	
Fiscal year 2014	3,668	
Fiscal year 2015	3,894	
Fiscal year 2016	4,138	
Fiscal years 2017 – 2021	23,675	
Expected contributions during fiscal year 2012:		
Minimum required contribution	\$ 6,508	
Weighted average assumptions used to determine benefit obligations:		
Settlement (discount) rate	5.61%	5.41%
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	5.41%	6.83%
Expected return on plan assets	8.50	8.50

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

The estimated net actuarial loss for the Income Plan that will be amortized from unrestricted net assets into net periodic benefit cost during the 2012 fiscal year is \$661.

The Income Plan's overall expected long-term rate of return on assets is 8.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The Income Plan's weighted average asset allocations at June 30, 2011 and 2010 by asset category are as follows:

Asset category	Plan assets at June 30	
	2011	2010
Equities	61.4%	54.4%
Fixed income securities	36.0	43.8
Cash and cash equivalents	2.6	1.8

RHC has developed a plan investment policy for the Income Plan, which is reviewed and approved by the RHC Finance Committee and the boards of directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy dictates a specific asset allocation between equity and fixed income securities. Investments are managed by independent advisers who are monitored by management and the Finance Committee. RHC monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

(c) *Fair Value of Financial Instruments*

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

- Cash and cash equivalents: Valued at the carrying amount that approximates fair value because of the short-term maturity of these investments.
- Common and preferred stocks, U.S. government securities, and foreign securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Municipal bonds, corporate bonds, notes, and debentures: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its

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RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(d) Fair Value Hierarchy

The Plan adopted ASC Subtopic 715-20-50 on July 1, 2009 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The following tables present the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2011 and 2010:

	Fair value, June 30, 2011	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 1,434	1,434	—	—
Common stocks and mutual funds	33,289	33,289	—	—
U.S. Treasury securities	4,717	4,717	—	—
Corporate and municipal bonds and notes	5,370	—	5,370	—
Mortgage-backed securities	7,824	—	7,824	—
Asset-backed securities	1,625	—	1,625	—
	<u>\$ 54,259</u>	<u>39,440</u>	<u>14,819</u>	<u>—</u>

	Fair value, June 30, 2010	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 854	854	—	—
Common stocks and mutual funds	25,463	25,463	—	—
U.S. Treasury securities	5,511	5,511	—	—
Corporate and municipal bonds and notes	5,476	—	5,476	—
Mortgage-backed securities	8,453	—	8,453	—
Asset-backed securities	1,047	—	1,047	—
	<u>\$ 46,804</u>	<u>31,828</u>	<u>14,976</u>	<u>—</u>

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

(13) Self-Insurance

(a) *Professional and General Liability*

RHC and Affiliates are self-insured for professional and general liability claims up to specified limits arising from incidents occurring after dates of entry into the program, which vary by corporation. Excess insurance coverage was occurrence based through various dates, at which time all corporations changed to claims-made-based coverage. There are no assurances that RHC and Affiliates will be able to renew existing policies or procure coverage on similar terms in the future.

RHC and Affiliates are involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against RHC and Affiliates and are currently in various stages of litigation. Provisions for professional and general liability claims include the ultimate cost of known claims and claims incurred but not reported as of the respective consolidated statement of financial position dates. It is the opinion of management that the estimated malpractice liabilities accrued at June 30, 2011 and 2010 are adequate to provide for the ultimate cost of potential losses resulting from pending or threatened litigation; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. Estimated malpractice claims have been discounted at rates of 3.15% and 3.00% at June 30, 2011 and 2010, respectively. The accrued liability estimated for self-insured professional and general liability claims amounted to \$223,349 and \$246,405 at June 30, 2011 and 2010, respectively. All self-insured malpractice and general claim liabilities are reported as long-term liabilities as the portion expected to be paid within one year is not readily determinable.

(b) *Workers' Compensation*

The Hospitals maintain self-insurance programs for workers' compensation coverage. These programs limit the self-insured retention to specific amounts on a per occurrence basis. Coverage from commercial insurance carriers is maintained for claims in excess of the self-insured retention. Accrued workers' compensation claims amounted to \$8,745 and \$4,681 at June 30, 2011 and 2010, respectively. Management believes the estimated self-insured workers' compensation claims liability at June 30, 2011 and 2010 is adequate to cover the ultimate liability; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. The portion of workers' compensation claims expected to be paid beyond one year of the consolidated statements of financial position dates is not readily determinable, and therefore, the entire accrual is classified as a current liability included within accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

(c) *Health Care*

RHC and Affiliates also maintain a program of self-insurance for employee health coverage. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits. Accrued self-insured employee health care claims amounted to \$2,638 and \$3,779 for 2011 and 2010, respectively, and are included with accounts payable and accrued expenses in the accompanying consolidated statements of financial position. It is the opinion of management that the estimated

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

health care costs accrued at June 30, 2011 and 2010 are adequate to provide for the ultimate liability; however, final payouts as claims are paid may vary significantly from estimated claim liabilities.

(14) Joint Ventures

Investments in joint ventures include RHC and Affiliates' investment in various joint ventures, which were established to provide various health care services including laboratory, radiation, oncology, sleep lab, and a group purchasing function. RHC and Affiliates account for their investments in the joint ventures on the equity method of accounting. RHC and Affiliates have included their proportional share of the joint ventures' net loss of \$110 and \$1,143 in 2011 and 2010, respectively, within investment loss and other, net in the accompanying consolidated statements of operations. RHC and Affiliates received cash distributions from the joint ventures of \$734 and \$16 in 2011 and 2010, respectively. As of and for the years ended June 30, 2011 and 2010, respectively, the joint ventures had total assets of \$48,535 and \$47,141, members' equity of \$22,266 and \$23,843, revenue of \$75,287 and \$76,510, and net loss of \$402 and \$26. The carrying value of RHC and Affiliates' investments in joint ventures of \$9,199 and \$9,638 at June 30, 2011 and 2010, respectively, is included with other assets in the accompanying consolidated statements of financial position.

(15) Contingencies

(a) *Medicare Reimbursement*

For the year ended June 30, 2011, RHC and Affiliates recognized approximately \$494,655 of net service revenue from services provided to Medicare beneficiaries. Federal legislation has included provisions to reduce Medicare payments to health care providers. Changes in Medicare and other payor reimbursement as a result of current health reform initiatives may have an adverse effect on RHC and Affiliates' net service revenues.

(b) *Litigation*

RHC and Affiliates are involved in litigation and regulatory investigations arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on RHC and Affiliates' consolidated financial position or results from operations.

(c) *Regulatory Investigations*

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of health care providers. RHC and Affiliates are subject to these regulatory efforts. Management is currently unaware of any regulatory matters, which may have a material adverse effect on RHC and Affiliates' consolidated financial position or results of operations.

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands)

(d) Tax Exemption for Sales Tax and Property Tax

RHC and Affiliates are exempt from sales tax and property tax based on their not-for-profit status. In 2011, the State of Illinois has challenged this status with many healthcare providers in the State and at least four providers have had their property tax exemption revoked on all or part of their campuses. Management is actively monitoring these issues to assess the impact on RHC and Affiliates. As of June 30, 2011, no related accruals have been made in the accompanying consolidated financial statements for sales or property taxes.

(16) Merger with Provena Health

On November 1, 2011, RHC completed a merger with Provena Health (Provena). Pursuant to the merger, the sponsoring congregations of RHC and Provena merged their health care operations. The parent corporation of the newly merged health care system, Cana Lakes Corporation, a not-for-profit, tax-exempt corporation, is controlled by the five sponsoring congregations of RHC and Provena. The merger was effected to preserve and strengthen Catholic health care, furthering the RHC and Provena charitable missions. The combined systems created the largest Catholic healthcare network in the State of Illinois, spanning 12 hospitals, 28 long-term care and senior residential facilities, more than 50 primary and specialty care clinics, and 6 home health agencies. The combined health system has hospital operations throughout Chicago, Des Plaines, Evanston, Aurora, Elgin, Joliet, Kankakee, Rockford, Urbana, and Danville.

(17) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ASC Topic 855, *Subsequent Events*, RHC and Affiliates evaluated subsequent events after the consolidated balance sheet date of June 30, 2011 through November 18, 2011, which was the date the consolidated financial statements were available to be issued.

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule - Financial Position Information

June 30, 2011

(In thousands)

Assets	Resurrection Health Care Corporation	Resurrection Medical Center	Saint Francis Hospital	Our Lady of the Resurrection Medical Center	Westlake Hospital	Saints Mary and Elizabeth Medical Center	Holy Family Medical Center	Saint Joseph Hospital
Current assets:								
Cash and cash equivalents	\$ 157	3,239	2,850	6	—	195	—	11
Assets whose use is limited or restricted — required for current liabilities:	18,910	—	—	—	—	—	—	—
Patient and resident accounts receivable net of allowance for uncollectible accounts of \$97,848	—	28,361	17,275	14,877	—	27,584	22,043	19,273
Other receivables	4,242	2,162	609	381	—	2,096	122	349
Inventory of supplies	—	3,483	1,689	1,104	—	4,231	905	4,133
Prepaid expenses and other current assets	15,962	4,336	190	222	—	361	54	167
Assets held for sale	310	—	—	—	—	—	—	—
Due from affiliates	—	370,721	33,621	—	1,243	48,630	—	1,588
Total current assets	39,581	412,302	56,234	16,590	1,243	83,097	23,124	25,521
Assets whose use is limited or restricted:								
By boards for reinvestment and self-insurance	292,428	159,028	89,041	32,943	—	72,325	—	—
Under bond indenture agreements — held by trustee	30,229	—	—	—	—	—	1,254	—
By donors — permanently restricted	—	—	—	—	—	—	—	—
Land, buildings, and equipment, net	322,657	159,028	89,041	32,943	—	72,325	1,254	—
Deferred finance charges, net	218,509	21,868	62,341	27,397	—	85,123	27,952	69,061
Other assets	8,421	—	—	—	—	—	1,002	—
	9,926	214	148	—	—	—	—	—
Total assets	\$ 599,094	593,412	207,764	76,930	1,243	240,545	53,332	94,582

(Continued)

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule – Financial Position Information

June 30, 2011

(In thousands)

Assets	West Suburban Medical Center	Resurrection Senior Services	Resurrection Services	Resurrection Behavioral Health	Resurrection Home Health Services	Resurrection Development Foundation	Resurrection Health Care Preferred	Eliminations	Consolidated
Current assets:									
Cash and cash equivalents	\$ —	7,563	211	218	49	704	—	—	15,203
Assets whose use is limited or restricted – required for current liabilities; Patient and resident accounts receivable; net of allowance for uncollectible accounts of \$97,848	—	—	—	—	—	—	—	—	18,910
Other receivables	—	5,510	6,804	2,190	1,745	—	—	—	145,662
Inventory of supplies	—	2,040	1,249	—	21	2,282	1,737	—	17,290
Prepaid expenses and other current assets	—	299	650	—	—	—	—	—	16,494
Assets held for sale	—	837	168	14	12	78	—	—	22,401
Due from affiliates	—	4,695	—	—	—	—	—	—	5,005
Total current assets	2,497	20,944	9,082	2,422	1,827	3,064	8,238	(464,801)	240,965
Assets whose use is limited or restricted:									
By boards for reinvestment and self-insurance	—	141,232	—	12	—	20,397	—	—	807,406
Under bond indenture agreements – held by trustee	—	310	—	—	—	14,024	—	—	31,793
By donors – permanently restricted	—	—	—	—	—	—	—	—	14,024
	—	141,542	—	12	—	34,421	—	—	853,223
Land, buildings, and equipment, net	—	114,337	75,682	2,651	355	—	159	—	705,435
Deferred finance charges, net	—	—	—	—	—	—	—	—	9,423
Other assets	—	9,302	4,995	—	2,992	82	—	—	27,659
Total assets	\$ 2,497	286,125	89,759	5,085	5,174	37,567	8,397	(464,801)	1,836,705

(Continued)

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule - Financial Position Information

June 30, 2011

(In thousands)

	Resurrection Health Care Corporation	Resurrection Medical Center	Saint Francis Hospital	Our Lady of the Resurrection Medical Center	Westlake Hospital	Saints Mary and Elizabeth Medical Center	Holy Family Medical Center	Saint Joseph Hospital
Liabilities and Net Assets								
Current liabilities:	\$							
Current installments of long-term debt	17,750	—	—	—	—	—	1,160	—
Accounts payable and accrued expenses:	36,893	21,704	1,652	1,286	119	3,592	1,403	1,680
Accrued payroll and fringe benefits	—	64,444	52	—	—	—	—	—
Estimated payables under third-party reimbursement programs	1,492	20,985	16,593	4,786	—	7,310	8,035	29,560
Deferred revenue and refundable deposits	—	—	—	—	—	—	—	—
Liabilities held for sale	—	—	—	—	1,124	—	—	—
Due to affiliates	230,331	—	—	3,653	—	—	30,626	—
Total current liabilities	286,466	107,133	18,297	9,725	1,243	10,902	41,224	31,240
Long-term debt, excluding current installments and unamortized bond premiums and discounts	518,391	—	—	—	—	—	28,520	—
Accrued pension liability	—	160,723	—	—	—	—	—	—
Estimated self-insured professional and genera liability claims	44,759	54,250	42,941	17,918	—	33,628	5,058	24,795
Asset retirement obligation	9,482	—	—	—	—	—	—	—
Total liabilities	859,098	322,106	61,238	27,643	1,243	44,530	74,802	56,035
Net assets (deficit):								
Unrestricted	(260,318)	271,306	146,526	49,287	—	196,015	(21,470)	38,547
Temporarily restricted	314	—	—	—	—	—	—	—
Permanently restricted	—	—	—	—	—	—	—	—
Total net assets (deficit)	(260,004)	271,306	146,526	49,287	—	196,015	(21,470)	38,547
Total liabilities and net assets (deficit)	\$ 599,094	593,412	207,764	76,930	1,243	240,545	53,332	94,582

(Continued)

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule – Financial Position Information

June 30, 2011

(In thousands)

	West Suburban Medical Center	Resurrection Senior Services	Resurrection Services	Resurrection Behavioral Health	Resurrection Home Health Services	Resurrection Development Foundation	Resurrection Health Care Preferred	Eliminations	Consolidated
Liabilities and Net Assets									
Current liabilities:									
Current installments of long-term debt	\$ —	—	—	—	—	—	—	—	18,910
Accounts payable and accrued expenses	737	2,898	7,181	430	1,100	111	10,865	—	91,651
Accrued payroll and fringe benefits	—	313	—	—	—	—	—	—	64,809
Estimated payables under third-party reimbursement programs	—	1,443	—	120	—	—	—	—	90,324
Deferred revenue and refundable deposits	—	37,100	—	358	—	—	—	—	37,458
Liabilities held for sale	1,760	195	421	—	—	—	—	—	3,500
Due to affiliates	—	70,303	110,023	2,847	13,954	3,064	—	(464,801)	—
Total current liabilities	2,497	112,252	117,625	3,755	15,054	3,175	10,865	(464,801)	306,652
Long-term debt, excluding current installments and unamortized bond premiums and discounts	—	—	—	—	—	—	—	—	546,911
Accrued pension liability	—	—	—	—	—	—	—	—	160,723
Estimated self-insured professional and genera liability claims	—	—	—	—	—	—	—	—	223,349
Asset retirement obligation	—	—	—	—	—	—	—	—	9,482
Total liabilities	2,497	112,252	117,625	3,755	15,054	3,175	10,865	(464,801)	1,247,117
Net assets (deficit):									
Unrestricted	—	173,873	(27,866)	1,330	(9,880)	7,410	(2,468)	—	562,292
Temporarily restricted	—	—	—	—	—	12,958	—	—	13,272
Permanently restricted	—	—	—	—	—	14,024	—	—	14,024
Total net assets (deficit)	—	173,873	(27,866)	1,330	(9,880)	34,392	(2,468)	—	589,588
Total liabilities and net assets (deficit)	\$ 2,497	286,125	89,759	5,085	5,174	37,567	8,397	(464,801)	1,836,705

See accompanying independent auditors' report.

ATTACHMENT 39

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES
Consolidating Schedule – Operations and Changes in Unrestricted Net Assets Information
Year ended June 30, 2011
(In thousands)

	Resurrection Health Care Corporation	Resurrection Medical Center	Saint Francis Hospital	Our Lady of the Resurrection Medical Center	Westlake Hospital	Saints Mary and Elizabeth Medical Center	Holy Family Medical Center	Saint Joseph Hospital
Revenue:								
Net service revenue	\$ —	257,832	170,404	129,500	—	310,020	79,158	197,671
Other revenue	8,527	4,493	3,703	882	—	11,375	1,410	3,868
Services provided to affiliates	140,717	—	—	—	—	—	—	—
Total revenue	149,244	262,325	174,107	130,382	—	321,395	80,568	201,539
Expenses:								
Salaries and wages	69,724	87,824	49,986	44,095	—	96,386	31,670	63,437
Payroll taxes and fringe benefits	14,045	24,452	13,749	11,534	—	25,528	8,577	17,575
Physicians' fees	878	16,680	11,622	5,296	—	10,870	1,748	16,378
Supplies	2,093	49,233	23,807	17,510	—	32,706	8,678	29,947
Other	46,551	15,863	6,154	5,307	—	10,054	4,730	9,397
Management services	—	28,075	17,878	15,828	—	30,967	7,273	18,864
Purchased services	10,464	9,996	7,121	4,309	—	19,801	2,634	9,011
Insurance	141	4,500	1,806	2,109	—	(3,098)	195	1,506
Depreciation and amortization	5,534	9,054	12,316	5,932	—	13,551	4,556	10,499
Provision for uncollectible accounts receivable	—	14,243	22,080	21,320	—	30,273	(4,955)	6,220
Interest	—	3,804	3,521	1,457	—	3,403	1,341	2,828
Assessments and taxes	—	6,819	5,990	3,994	—	20,828	2,869	8,514
Total expenses	149,430	270,543	176,030	138,691	—	291,269	69,316	194,176
Income (loss) from operations	(186)	(8,218)	(1,923)	(8,309)	—	30,126	11,252	7,363
Nonoperating gains (losses):								
Investment income (loss) and other, net	56,747	7,494	3,946	1,524	—	2,548	(247)	—
Loss on early extinguishment of long-term debt	—	—	—	—	—	—	—	—
Net nonoperating gains (losses)	56,747	7,494	3,946	1,524	—	2,548	(247)	—
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	56,561	(724)	2,023	(6,785)	—	32,674	11,005	7,363
Gains (losses) from discontinued operations (including losses on sale of \$4,827 in 2011)	6,180	—	—	—	(7,872)	—	—	—
Revenue and gains in excess (deficient) of expenses and losses	62,741	(724)	2,023	(6,785)	(7,872)	32,674	11,005	7,363
Other changes in unrestricted net assets:								
Net assets released from restrictions for purchases of land, building, and equipment	165	248	76	60	—	9	—	597
Transfers to affiliated organizations	(55,064)	—	—	—	26,269	—	—	—
Recognition of change in pension funded status	—	105,459	—	—	—	—	—	—
Increase (decrease) in unrestricted net assets	7,842	104,983	2,099	(6,725)	18,397	32,683	11,005	7,960

(Continued)

RESURRECTION HEALTH CARE CORPORATION AND AFFILIATES

Consolidating Schedule - Operations and Changes in Unrestricted Net Assets Information

Year ended June 30, 2011

(In thousands)

	West Suburban Medical Center	Resurrection Senior Services	Resurrection Services	Resurrection Behavioral Health	Resurrection Home Health Services	Resurrection Development Foundation	Resurrection Health Care Preferred	Eliminations	Consolidated
Revenue:									
Net service revenue	\$	120,240	29,729	—	12,238	—	—	(3,458)	1,303,334
Other revenue	—	2,359	17,307	18,003	52	1,477	47,538	(4,060)	116,934
Services provided to affiliates	—	8,612	—	—	—	—	—	(149,329)	—
Total revenue	—	131,211	47,036	18,003	12,290	1,477	47,538	(156,847)	1,420,268
Expenses:									
Salaries and wages	—	51,993	8,706	7,862	7,009	1,055	2,805	—	522,552
Payroll taxes and fringe benefits	—	17,179	3,740	2,570	1,492	185	638	—	141,264
Physicians' fees	—	127	10,157	1,920	—	—	202	(129)	75,749
Supplies	—	23,667	8,632	509	704	8	124	(8,592)	189,026
Other	—	4,578	8,380	1,365	783	439	43,228	(9,370)	147,859
Management services	—	10,699	3,151	923	1,356	69	214	(135,297)	—
Purchased services	—	3,174	5,020	1,179	63	308	158	(3,459)	69,779
Insurance	—	1,416	1,671	120	369	—	121	—	10,856
Depreciation and amortization	—	8,154	6,870	240	312	—	49	—	77,067
Provision for uncollectible accounts receivable	—	2,611	1,429	247	165	—	—	—	93,633
Interest	—	2,210	2,073	84	26	—	—	—	20,747
Assessments and taxes	—	2,026	2,874	—	—	—	—	—	53,914
Total expenses	—	127,834	62,903	17,219	12,279	2,064	47,539	(156,847)	1,402,446
Income (loss) from operations	—	3,377	(15,867)	784	11	(587)	(1)	—	17,822
Nonoperating gains (losses):									
Investment income (loss) and other, net	(12)	6,290	878	(1)	704	907	1	—	80,779
Loss on early extinguishment of long-term debt	(12)	—	—	—	—	—	—	—	—
Net nonoperating gains (losses)	(12)	6,290	878	(1)	704	907	1	—	80,779
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	(12)	9,667	(14,989)	783	715	320	—	—	98,601
Gains (losses) from discontinued operations (including losses on sale of \$4,827 in 2011)	(10,449)	3,537	440	—	—	—	—	—	(8,164)
Revenue and gains in excess (deficient) of expenses and losses	(10,461)	13,204	(14,549)	783	715	320	—	—	90,437
Other changes in unrestricted net assets:									
Net assets released from restrictions for purchases of land, building, and equipment	—	253	—	176	—	—	—	—	1,584
Transfers to affiliated organizations	28,795	—	—	—	—	—	—	—	—
Recognition of change in pension funded status	—	—	—	—	—	—	—	—	105,459
Increase (decrease) in unrestricted net assets	\$ 18,334	13,437	(14,549)	959	715	320	—	—	197,480

See accompanying independent auditors' report.

PROVENA HEALTH AND AFFILIATES

Consolidated Financial Statements and Supplementary Information

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

PROVENA HEALTH AND AFFILIATES

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KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Provena-Resurrection Health Network (d/b/a Presence Health):

We have audited the accompanying consolidated balance sheets of Provena Health and Affiliates (Provena Health) as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Presence Health's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Provena Health's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Provena Health and Affiliates as of December 31, 2011 and 2010, and the results of their consolidated operations, changes in their net assets, and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary consolidating information in schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

May 23, 2012

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PROVENA HEALTH AND AFFILIATES

Consolidated Balance Sheets

December 31, 2011 and 2010

(In thousands)

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 89,568	112,999
Short-term investments	1,393	1,636
Assets limited or restricted as to use, required for current liabilities	12,225	12,832
Receivables:		
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately \$123,525 in 2011 and \$117,595 in 2010	195,259	169,840
Estimated receivables under third-party reimbursement program:	5,631	4,381
Inventories	24,411	23,838
Prepaid expenses and other	56,082	48,123
Total current assets	384,569	373,649
Assets limited or restricted as to use, net of current portion	331,360	400,944
Land, buildings, and equipment, net	617,066	679,755
Excess of purchase price over identifiable net assets acquired, net	1,840	855
Other	25,614	31,810
Total assets	\$ 1,360,449	1,487,013
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 11,136	10,525
Current portion of obligations under capital leases	4,653	3,869
Current portion of estimated self-insurance liabilities	15,307	26,574
Accounts payable and accrued expenses	121,494	112,135
Estimated payables under third-party reimbursement program:	90,947	84,644
Medicaid tax assessment deferred revenues	26,732	26,732
Derivatives and other	18,920	36,788
Total current liabilities	289,189	301,267
Long-term debt, net of current installments	601,324	612,017
Obligations under capital leases, net of current portion	9,325	6,991
Estimated self-insurance liabilities, net of current portion	84,627	86,480
Pension benefit liability	146,713	91,499
Derivatives and other long-term liabilities	17,161	16,149
Total liabilities	1,148,339	1,114,403
Net assets:		
Unrestricted	202,733	362,756
Temporarily restricted	7,678	8,200
Permanently restricted	1,699	1,654
Total net assets	212,110	372,610
Total liabilities and net assets	\$ 1,360,449	1,487,013

See accompanying notes to consolidated financial statements.

PROVENA HEALTH AND AFFILIATES

Consolidated Statements of Operations

Years ended December 31, 2011 and 2010

(In thousands)

	2011	2010
Revenue:		
Net patient and resident service revenue	\$ 1,233,167	1,221,429
Other revenues	19,266	19,780
Net assets released from restriction used for operations	1,141	1,164
Total revenue	1,253,574	1,242,373
Expenses:		
Salaries and benefits	589,228	581,726
Supplies and drugs	169,334	170,125
Purchased services	178,829	157,123
Interest	31,264	35,608
Depreciation and amortization	70,638	70,359
Provider tax assessment	34,650	34,355
Provision for uncollectible accounts	123,100	110,521
Restructuring charges	2,851	1,033
Other	70,580	72,982
Total expenses	1,270,474	1,233,832
(Loss) income from operations before impairments	(16,900)	8,541
Impairments	71,736	1,652
(Loss) income from operations	(88,636)	6,889
Nonoperating gains (losses):		
Investment income – realized	18,192	12,570
Investment (loss) income – unrealized	(10,054)	19,353
Derivatives valuation adjustment	(1,456)	(6,792)
Other, net	(7,783)	8,448
Net nonoperating (losses) gains	(1,101)	33,579
Revenue and gains (deficient) in excess of expenses and losses	(89,737)	40,468
Other changes in unrestricted net assets:		
Expense reclassification for dedesignated hedges	4,033	95
Change in funded status of pension plan	(77,355)	(15,172)
Net assets released from restriction used for the purchase of land, buildings, and equipment	3,044	1,129
Other, net	(8)	(9)
Change in unrestricted net assets	\$ (160,023)	26,511

See accompanying notes to consolidated financial statements.

PROVENA HEALTH AND AFFILIATES
Consolidated Statements of Changes in Net Assets
Years ended December 31, 2011 and 2010
(In thousands)

	<u>2011</u>	<u>2010</u>
Unrestricted net assets:		
Revenue and gains (deficient) in excess of expenses and losses	\$ (89,737)	40,468
Other changes in unrestricted net assets:		
Expense reclassification for dedesignated hedges	4,033	95
Change in funded status of pension plan	(77,355)	(15,172)
Net assets released from restriction used for the purchase of land, building, and equipment	3,044	1,129
Other, net	(8)	(9)
Change in unrestricted net assets	<u>(160,023)</u>	<u>26,511</u>
Temporarily restricted net assets:		
Restricted contributions	3,647	3,010
Change in net unrealized (losses) gains	(26)	41
Temporarily restricted investment income	42	59
Net assets released from restrictions used for the purchase of land, buildings, and equipment	(3,044)	(1,129)
Net assets released from restriction used for operations	<u>(1,141)</u>	<u>(1,164)</u>
Change in temporarily restricted net assets	<u>(522)</u>	<u>817</u>
Permanently restricted net assets:		
Restricted contributions	55	96
Net realized and unrealized (losses) gains on investments	<u>(10)</u>	<u>10</u>
Change in permanently restricted net assets	<u>45</u>	<u>106</u>
Change in net assets	(160,500)	27,434
Net assets at beginning of year	<u>372,610</u>	<u>345,176</u>
Net assets at end of year	<u>\$ 212,110</u>	<u>372,610</u>

See accompanying notes to consolidated financial statements.

PROVENA HEALTH AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (160,500)	27,434
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	70,638	70,359
Provision for uncollectible accounts	123,100	110,521
Net loss on disposal of capital assets	4,018	246
Change in fair value of derivative instruments	1,456	6,792
Change in funded status of pension plan	77,355	15,172
Gains from equity interest of unconsolidated affiliates	(890)	(304)
Cash distributions received from unconsolidated affiliates	913	1,195
Net gain on redemption of long-term debt	—	(10,030)
Impairments	71,736	1,652
Change in net unrealized gains and losses on investment securities	10,090	(19,394)
Net realized gains on sale of investment securities	(7,825)	(180)
Permanently restricted contributions	(55)	(96)
Changes in assets and liabilities:		
Patient and resident accounts receivable	(148,519)	(102,013)
Estimated settlements under third-party reimbursement programs, net	5,053	(14,721)
Inventories	(573)	(2,064)
Prepaid expenses and other assets	(8,635)	(16,851)
Accounts payable and accrued expenses	9,359	(19,555)
Estimated self-insurance liabilities	(13,120)	8,918
Medicaid tax assessment deferred revenues	—	26,732
Other current liabilities	(17,868)	17,461
Other long-term liabilities	(22,585)	(29,279)
Net cash (used in) provided by operating activities	<u>(6,852)</u>	<u>71,995</u>
Cash flows from investing activities:		
Acquisition of land, buildings, and equipment, net	(79,985)	(62,704)
Net proceeds from sale of capital assets	5,068	694
Purchases of investment securities	(103,373)	(99,608)
Sales of investment securities	171,542	125,825
Change in other long-term assets	<u>5,188</u>	<u>(3,242)</u>
Net cash used in investing activities	<u>(1,560)</u>	<u>(39,035)</u>
Cash flows from financing activities:		
Repayment of obligations under capital leases	(4,992)	(3,252)
Repayment of long-term debt	(10,082)	(196,400)
Issuance of long-term debt	—	198,000
Payment of bond issue costs	—	(2,574)
Permanently restricted contributions	<u>55</u>	<u>96</u>
Net cash used in financing activities	<u>(15,019)</u>	<u>(4,130)</u>
Net change in cash and cash equivalents	<u>(23,431)</u>	<u>28,830</u>
Cash and cash equivalents at beginning of year	<u>112,999</u>	<u>84,169</u>
Cash and cash equivalents at end of year	\$ <u>89,568</u>	\$ <u>112,999</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 33,359	31,896
Supplemental disclosure of noncash transactions:		
Assets acquired under capital leases	\$ 8,110	6,359

See accompanying notes to consolidated financial statements.

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PROVENA HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

(1) Operations and Basis of Consolidation

Effective November 30, 1997, The Franciscan Sisters of the Sacred Heart (Franciscans), The Servants of the Holy Heart of Mary – Holy Family Province (ServantCor), and The Sisters of Mercy of the Americas Regional Community of Chicago (Mercy) (collectively, the Sponsors) created a new equally sponsored Catholic healthcare system called Provena Health in order to assure the provision of ongoing quality healthcare services to the communities served by the Sponsors.

Provena Health is the sole corporate member of Provena Hospitals, Provena Senior Services (d/b/a Provena Life Connections), Provena Home Health, Inc., Provena Care @ Home, and Provena Health Assurance SPC, and owns 100% of Provena Ventures, Inc. (Ventures) (collectively referred to herein as Provena). These organizations include all of the healthcare operations of the Sponsors. Provena provides healthcare and long-term care services to communities primarily located in northern and central Illinois.

Provena Hospitals is an Illinois not-for-profit corporation, which owns and operates six acute care hospitals and medical centers and more than thirty health centers. Provena Hospitals' wholly owned subsidiary, Provena Services Corporation (PSC), is a taxable Illinois not-for-profit corporation formed to manage Provena Hospitals' physician practices.

Provena Senior Services (d/b/a Provena Life Connections) is an Illinois not-for-profit corporation, which owns and operates eleven nursing homes, four independent living facilities, four assisted living facilities, two adult daycare centers, two community service facilities, one child care center, and one outpatient pharmacy in northern and central Illinois and Indiana. Provena Senior Services is the sole member of LaVerna Terrace Housing Corporation, an Illinois not-for-profit corporation doing business as Provena LaVerna Terrace Housing Corporation. Provena Senior Services is also the sole member of Provena Home Health, Inc., a not-for-profit organization that owns and operates five home health agencies and two hospice agencies in northern and central Illinois, and Provena Care @ Home, the doing business as name of an Illinois not-for-profit corporation currently known as Will County Community Transitions Program, Inc.

Ventures is an Illinois business (for-profit) corporation, which operates various for-profit enterprises, consisting primarily of Provena Properties as of December 31, 2011 and 2010, an Illinois business corporation that owns four parcels of land held for future use of Provena Health.

Provena Health Assurance SPC is an insurance company incorporated in the Cayman Islands as of May 29, 2003, and operates subject to the provisions of the Companies Law (2002 Revision) of the Cayman Islands. Provena Health Assurance SPC is a wholly owned subsidiary of Provena Health. The principal business of Provena Health Assurance SPC is to procure excess commercial insurance coverage on behalf of Provena through reinsurance with AM Best highly rated reinsurers.

Pursuant to the November 1, 2011 merger with Resurrection Health Care Corporation (RHC), Provena Health became a subsidiary of Provena-Resurrection Health Network (d/b/a Presence Health). From the date of merger through December 31, 2011, Provena Health and its affiliates had no significant intercompany balances or transactions with RHC.

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All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies

A summary of significant accounting policies follows:

- The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health and long-term care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.
- The consolidated statements of operations include revenue and gains in excess of expenses and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include changes in the funded status of Provena's defined benefit pension plan, reclassifications to interest expense for the previously effective portion of dedesignated hedges, and contributions of and for long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).
- Cash and cash equivalents consist primarily of demand deposits with banks, cash on hand, overnight secured repurchase agreements, and securities with an original term of 90 days or less when purchased, excluding amounts limited or restricted as to use. Short-term investments consist of securities with an original term of one year or less, excluding cash and cash equivalents and amounts limited or restricted as to use.
- Provena applies the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 7).

In conjunction with the adoption of ASC Topic 820, Provena adopted the measurement provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in private funds that do not have readily determinable fair values. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

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- Provena applies the provisions of ASU 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amends ASC Subtopic 820-10, *Fair Value Measurements and Disclosures*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements.
- Provena applies the provisions of ASC Subtopic 825-10, *Financial Instruments – Overall*, which gives Provena the irrevocable option to report most financial assets and liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Provena management has not elected to measure any additional eligible financial assets or financial liabilities at fair value subsequent to the adoption of ASC Subtopic 825-10.
- Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in unrestricted revenue and gains in excess of expenses and losses in the accompanying consolidated statements of operations unless the income or loss is restricted by donor or law.
- Provena accounts for derivatives and hedging activities in accordance with ASC Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated balance sheets at their respective fair values.

Effective January 1, 2008, Provena discontinued hedge accounting prospectively for its outstanding interest rate swap agreements as management determined that designation of the derivatives as hedging instruments was no longer appropriate given overall credit market and interest rate conditions. Provena continued to carry its derivatives at fair value and recognized changes in their fair values subsequent to January 1, 2008 and through the dates the respective interest rate swap agreements were terminated as nonoperating gains or losses in the consolidated statements of operations. Cumulative amounts charged to unrestricted net assets for the effective portion of hedges in the amount of \$4,644 as of January 1, 2008 were being reclassified from unrestricted net assets to interest expense on a straight-line basis over the terms of the underlying debt, through the dates the corresponding interest rate swaps were terminated, at which time the remaining balances were reclassified (note 13).

- Supplies inventories are stated at the lower of cost or market. Cost is determined on the basis of the most recent purchase price, which approximates the first-in, first-out method and the average cost method.
- Land, buildings, and equipment are stated at cost if purchased or at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is primarily computed using the straight-line method. Leasehold improvements are amortized over the shorter of the terms of the leases or the estimated useful lives of the improvements. Equipment under capital leases is recorded at the present value of minimum lease payments. Amortization of equipment under capital leases is over the shorter of the lease term or useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component cost of acquiring those assets. Provena capitalized interest cost of \$207 in 2011. No interest cost was capitalized in 2010.

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(Continued)

PROVENA HEALTH AND AFFILIATES

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- Provena applies the provisions of ASU 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions* (ASU 2010-07). ASU 2010-07 provides guidance on a transaction or other event in which a not-for-profit entity that is a reporting entity combines with one or more other not-for-profit, businesses, or nonprofit activities in a transaction that meets the definition of a merger of not-for-profit entities or an acquisition by a not-for-profit entity.
- Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted contributions, and are excluded from revenue and gains in excess of expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expiration of donor restrictions is reported when the donated or acquired long-lived assets are placed in service.
- Assets limited or restricted as to use include assets set aside by the Board of Directors for future capital improvements, over which the Board of Directors retains control and may at its discretion subsequently use for other purposes; assets held by trustees under indenture agreements and resident agreements; assets set aside for self-insured liabilities; assets held under collateral posting requirements; and donor-restricted investments. Assets limited or restricted as to use are classified as current assets to the extent they are required to satisfy obligations classified as current liabilities in the accompanying consolidated balance sheets.
- Included in other assets at December 31, 2011 and 2010 is goodwill of \$1,840 and \$855, respectively. Goodwill, which represents the excess of purchase price over identified net assets acquired, principally relates to the acquisition of a surgery center, as well as certain physician practices. Effective January 1, 2010, Provena implemented ASC 958-805, *Not-For-Profit Entities: Business Combinations*, which discontinues the amortization of goodwill. Under ASC 958-805, goodwill is to be reviewed for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

Provena performed its annual goodwill impairment test as of December 31, 2011, and no goodwill was impaired. For the year ended December 31, 2010, Provena impaired \$833 of previously recognized goodwill, which is reported within impairments in the accompanying 2010 consolidated statement of operations.

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- Deferred finance charges and bond discount are amortized on a straight-line basis over the terms of the respective debt.
- In August 2010, the Financial Accounting Standards Board (FASB) issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24). ASU 2010-24 clarifies that healthcare entities should not net insurance recoveries against the related claim liability and that the claim liability amount should be determined without consideration of insurance recoveries. Provena implemented ASU 2010-24 for the year ended December 31, 2011 and reclassified a receivable of \$9,442 from estimated self-insurance liabilities to prepaid expenses and other assets in the accompanying 2011 consolidated balance sheet.
- Temporarily restricted net assets are those whose use by Provena has been limited by donors to a specific time period or purpose. Provena's temporarily restricted net assets are restricted for various programs related to the provision of health and pastoral care and the acquisition of land, buildings, and equipment.
- Provena's permanently restricted net assets represent endowment funds for which the investments are to be held in perpetuity and the related investment income is expendable to support healthcare or other donor-designated services. Provena applies the provisions of ASC Topic 958, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC Topic 958 also enhances disclosures related to both donor-restricted and board-designated endowment funds.
- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. Gifts are reported as either a temporarily or permanently restricted contribution if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions. Unrestricted contributions are included in other revenues in the accompanying consolidated statements of operations.
- Provena provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Provena does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure* (ASU 2010-23). ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosures purposes and that cost can be identified as direct and indirect costs of providing charity care. Provena implemented ASU 2010-23 for the year ended December 31, 2011 (note 5).

- Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive

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adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

- The provisions for estimated self-insured medical malpractice claims, workers' compensation claims, and employee health claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.
- During 2011 and 2010, Provena, with the assistance of outside consultants, completed restructuring efforts throughout the organization, which involved the elimination of various employee positions and the refocusing of strategic direction. As a result, charges of \$2,851 and \$1,033, comprised primarily of consulting fees and severance compensation, are reported as restructuring charges in the accompanying 2011 and 2010 consolidated statements of operations, respectively.
- Provena Health, Provena Hospitals, Provena Home Health, Inc., Provena Care @ Home, and Provena Senior Services are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code), and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.
- Ventures is an Illinois business (for-profit) corporation that recognizes deferred income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Ventures tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2011 and 2010 are primarily the result of net operating loss carryforwards (approximately \$7,019 and \$6,439 at December 31, 2011 and 2010, respectively, which expire at various future dates through 2031).

PSC is an Illinois not-for-profit taxable corporation that also recognizes deferred income taxes under the asset and liability method. PSC tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2011 and 2010 are primarily the result of net operating loss carryforwards (approximately \$108,093 and \$99,647 at December 31, 2011 and 2010, respectively, which expire at various future dates through 2031).

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable losses and projections for future taxable losses over the periods for which the deferred tax assets are deductible, management believes it is more likely than not that Ventures and PSC will not realize the majority of the benefits of these deductible differences. The

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deferred tax assets attributable to the net operating loss carryforwards not realized as of December 31, 2011 and 2010 have been fully reserved in the accompanying consolidated financial statements due to the uncertainty of realization.

- On January 1, 2008, Provena adopted ASC Subtopic 740-10, *Income Taxes – Overall*, which addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, Provena may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures. At the date of adoption, and as of December 31, 2011, Provena does not have any liabilities for any unrecognized tax benefits.
- Provena evaluates long-lived assets for impairment on an annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. When such assets are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. During 2011 and 2010, Provena impaired \$71,736 and \$819, respectively, of long-lived assets, which are reported within impairments in the accompanying consolidated statements of operations.
- Certain 2010 amounts have been reclassified to conform to the 2011 consolidated financial statement presentation, including a reclassification of net realized gains on the sale of investment securities in the 2010 consolidated statement of cash flows that decreases operating activities and increases investing activities by \$180.

(3) Net Patient Service Revenue

Provena has agreements with third-party payors that provide for reimbursement to Provena at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, capitation, and per diem payments. A summary of the basis of reimbursement with major third-party payors is as follows:

Medicare – Inpatient acute care services, outpatient services, physician services, home health, and long-term care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per case. These rates vary according to patient and resident classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to adjustment. Provena's payment classification of patients and residents under the prospective payment systems, and the appropriateness of the services, are subject to validation reviews. Certain services related to Medicare beneficiaries are reimbursed based upon cost-reimbursement methodologies. Provena is reimbursed for cost-reimbursable items at tentative rates with final settlement determined after submission of annual

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reimbursement reports by Provena and audits thereof by the Medicare fiscal intermediary. As of December 31, 2011, annual Medicare reimbursement reports have been final settled through 2006.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates per discharge and fee schedules, respectively. Provena Hospitals also receive incremental Medicaid reimbursement for specific programs and services at the discretion of the State of Illinois Medicaid Program. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in existing payment methodologies and rates, based on the amount of funding available to the State of Illinois Medicaid Program.

In 2008, the State of Illinois (the State) enacted an assessment program to assist in the financing of its Medicaid program through June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). Provena has included its related annual assessment of \$34,650 and \$34,355 as provider tax assessment expense in the accompanying 2011 and 2010 consolidated statements of operations, respectively. In 2011, the State accelerated the program's payment schedule, which required assessment payments for the State's fiscal year ending June 30, 2012 to be paid by December 2011. Provena has included prepaid assessments of \$17,178 for the periods from January 1, 2012 through June 30, 2012 and from January 1, 2011 through June 30, 2011, within prepaid expenses and other in the accompanying 2011 and 2010 consolidated balance sheets, respectively.

The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas approved by CMS. Provena has included its additional related reimbursement of \$53,464 and \$56,729 within net patient service revenue in the accompanying 2011 and 2010 consolidated statements of operations, respectively, of which \$3,265 related to a one-time incremental Medicaid stimulus payment to Provena for the year ended December 31, 2010. The State advanced Provena \$26,732 as of December 31, 2011 and December 31, 2010, related to additional Medicaid reimbursement covering the periods January 1, 2012 to June 30, 2012 and January 1, 2011 to June 30, 2011, respectively. Provena has deferred this additional Medicaid reimbursement and reported such amounts as Medicaid deferred revenue in the accompanying 2011 and 2010 consolidated balance sheets.

Blue Cross – Provena also participates as a provider of healthcare services under reimbursement agreements with Blue Cross. The provisions of the indemnity plan agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of annual cost reports and reviews by Blue Cross. As of December 31, 2011, the Blue Cross cost settlements for 2011 are subject to audit and retroactive adjustment.

Managed Care – Provena also participates as a provider of healthcare services under various agreements with health maintenance organizations (HMOs) and preferred provider organizations (PPOs). The terms of each contract vary, but typically include a negotiated discount offered by Provena for services provided to contracted HMO and PPO patients.

For the years ended December 31, 2011 and 2010, the consolidated statements of operations include \$(272) and \$(1,201), respectively, of net (unfavorably) favorably determined retroactive settlements and changes in prior estimates for third-party settlements and allowances.

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A summary of gross and net patient and resident service revenue for the years ended December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Gross patient and resident service revenue	\$ 4,824,488	4,590,514
Plus Medicaid provider tax revenue	53,464	56,729
Less provisions for:		
Contractual adjustments under third-party reimbursement programs, including managed care and other	<u>(3,644,785)</u>	<u>(3,425,814)</u>
Net patient and resident service revenue	<u>\$ 1,233,167</u>	<u>1,221,429</u>

(4) Concentrations of Credit Risk

Provena grants credit without collateral to its patients and residents, most of whom are local residents in Provena's markets. The mix of gross receivables from patients, residents, and third-party payors at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Medicare	20%	23%
Medicaid	21	20
Managed care/contract payors	36	33
Other	<u>23</u>	<u>24</u>
	<u>100%</u>	<u>100%</u>

A summary of Provena's utilization percentages, based upon gross patient and resident service revenue, is as follows:

	<u>2011</u>	<u>2010</u>
Medicare	46%	45%
Medicaid	15	15
Managed care/contract payors	30	29
Other	<u>9</u>	<u>11</u>
	<u>100%</u>	<u>100%</u>

(5) Charity Care

Consistent with its mission, Provena provides medical care to all patients regardless of their ability to pay. In addition, Provena provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources and/or are uninsured or underinsured, and to enhance the health status of the communities in which it operates.

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The following summary has been prepared in accordance with the Catholic Health Association of the United States' (CHA) policy documents *Community Benefit Program: A Revised Resource for Social Accountability and Community Benefit Reporting: Guidelines and Standard Definitions for the Community Benefit Inventory for Social Accountability*, released in November 2004, and *A Guide for Planning and Reporting Community Benefit*, released in May 2006. Provena has expanded its reporting by including more detailed classifications of program spending, consistent with the reporting guidelines.

The following amounts reflect the quantifiable costs of Provena's community benefit ministry, unpaid Medicare costs, uninsured discount, and provision for bad debts for the years ended December 31:

	2011	2010
Ministry for the poor and the underserved:		
Unpaid cost of Medicaid and other public programs	\$ 69,530	71,859
Less net impact of Medicaid provider tax assessment program, including 2010 stimulus payment (note 3)	(18,814)	(22,374)
Net unpaid cost of Medicaid and other public programs	50,716	49,485
Other charity care at cost	34,187	35,046
Community and subsidized health services	4,284	4,396
Health professions education	4,626	4,912
Financial/in-kind contributions	1,043	834
Other community benefits	2,166	1,949
Community benefit ministry	\$ 97,022	96,622
Unpaid cost of Medicare, net	\$ 56,729	65,107

Ministry for the poor and the underserved represents the financial commitment to seek out and serve those who need help the most, especially the poor, the uninsured, and the indigent. This is done with the conviction that healthcare is a basic human right.

Unpaid cost of Medicaid and other public programs represents the cost (determined using a cost-to-charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Other charity care at cost represents the cost of services provided to patients who cannot afford healthcare services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a charity patient in accordance with the Provena's established policies and where no payment (or a discounted one) for such services is anticipated. Services provided to these patients are not reported as revenue in the consolidated statements of operations and changes in net assets. The cost of charity care is calculated using a cost-to-charge ratio methodology.

Community and subsidized health services represent costs of services provided in response to community need that are subsidized from other revenue sources.

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Health professions education represents costs incurred for facility-based educational programs, reduced by direct medical education funding, fees, and other revenues.

Financial/in-kind contributions represent cash and in-kind donations such as the value of meeting space, equipment, and personnel to assist other healthcare providers, social service agencies, and organizations.

Unpaid cost of Medicare, net represents the cost (determined using a cost-to-charge ratio) of providing services to primarily elderly beneficiaries of the Medicare program, in excess of governmental and managed care contract payments.

(6) Assets Limited or Restricted as to Use and Short-Term Investments

A summary of the composition of assets limited or restricted as to use and short-term investments at December 31, 2011 and 2010 is as follows:

	2011	2010
Cash and cash equivalents	\$ 43,401	46,850
Corporate debt securities	78,181	80,030
U.S. government and agency obligations	105,726	114,497
Foreign government obligations	657	518
Equity securities	47,753	64,660
Equity funds	66,949	106,627
Pledges receivable	2,111	2,030
Land	200	200
	<u>\$ 344,978</u>	<u>415,412</u>

Investments are classified in the accompanying consolidated balance sheets as follows:

	2011	2010
Short-term investments	\$ 1,393	1,636
Assets limited or restricted as to use, required for current liabilities	12,225	12,832
Assets limited or restricted as to use, net of current portion	331,360	400,944
	<u>\$ 344,978</u>	<u>415,412</u>

PROVENA HEALTH AND AFFILIATES

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The composition of the noncurrent portion of assets limited or restricted as to use is as follows:

	<u>2011</u>	<u>2010</u>
Investments in centralized investment programs	\$ 248,299	299,123
Other board-designated investments	—	4,450
Total unrestricted investments	248,299	303,573
Self-insurance trust	53,530	67,953
Debt service reserve funds held by Bond Trustee	19,459	19,459
Restricted by donors	9,377	9,854
Other	695	105
	<u>\$ 331,360</u>	<u>400,944</u>

The composition of investment return for 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividend income, net of interest expense allocation	\$ 10,409	12,459
Change in net unrealized gains and losses on securities	(10,090)	19,394
Net realized gains on sale of investments	7,825	180
Total investment return	<u>\$ 8,144</u>	<u>32,033</u>

Interest and dividend income reflected above has been reduced by \$2,779 and \$4,192 of interest expense incurred on long-term debt in 2011 and 2010, respectively. As part of Provena's overall capital management program, a portion of interest expense incurred on outstanding long-term debt is apportioned against income earned on investment securities and is reported as a direct reduction of investment returns in the accompanying consolidated statements of operations.

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Nonoperating gains:		
Investment income – realized	\$ 18,192	12,570
Investment (loss) income – unrealized	(10,054)	19,353
Temporarily restricted net assets:		
Investment income	42	59
Change in net unrealized gains	(26)	41
Permanently restricted net assets:		
Net realized and unrealized (losses) gains on investments	(10)	10
Total investment return	<u>\$ 8,144</u>	<u>32,033</u>

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PROVENA HEALTH AND AFFILIATES

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December 31, 2011 and 2010

(Dollars in thousands)

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by Provena in estimating the fair value of its financial instruments:

- *The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments:* cash and cash equivalents, patient and resident accounts receivable, accounts payable and accrued expenses, and estimated payables and receivables under third-party reimbursement programs.
- *Assets limited or restricted as to use and short-term investments:* Common stocks, quoted mutual funds, and direct U.S. government obligations, are measured using quoted market prices at the reporting date multiplied by the quantity held. Private funds that do not have readily determinable fair values are measured using net asset value per share at the reporting date multiplied by the number of shares held. Corporate bonds, notes, indirect U.S. government obligations, U.S. agency obligations, and foreign government obligations are measured using other observable inputs. The carrying value equals fair value.
- *Interest rate swap agreements:* The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and Provena. The carrying value equals fair value.
- *Long-term debt:* The fair value of fixed rate long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to Provena for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value.
- *Capital leases:* The fair value of capital leases is estimated based on debt of the same remaining maturities using Provena's incremental borrowing rate at the measurement date.

The following table presents the carrying amounts and estimated fair values of Provena's financial instruments not carried at fair value at December 31, 2011 and 2010:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	\$ 612,460	641,197	622,542	641,857
Capital leases	13,978	12,988	10,860	9,962

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(b) Fair Value Hierarchy

Provena applies ASC Topic 820 for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Provena has the ability to access at the measurement date.
- Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2011:

	Total fair value	Fair value measurements at December 31, 2011 using		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 89,568	89,568	—	—
Assets limited as to use and short-term investments, excluding pledges receivable and land totaling \$2,311:				
Cash and cash equivalents	43,401	43,401	—	—
Corporate debt securities	78,181	—	78,181	—
U.S. government and agency obligations	105,726	31,851	73,875	—
Foreign government obligations	657	—	657	—
Equity securities	47,753	47,753	—	—
Equity funds	66,949	66,949	—	—
Total	\$ 432,235	279,522	152,713	—

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(Dollars in thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2010:

	Total fair value	Fair value measurements at December 31, 2010 using		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 112,999	112,999	—	—
Assets limited as to use and short-term investments, excluding pledges receivable and land totaling \$2,230:				
Cash and cash equivalents	46,850	46,850	—	—
Corporate debt securities	80,030	—	80,030	—
U.S. government and agency obligations	114,497	44,338	70,159	—
Foreign government obligations	518	—	518	—
Equity securities	64,660	64,660	—	—
Equity funds	106,627	106,627	—	—
Total	\$ 526,181	375,474	150,707	—
Liabilities:				
Current liabilities:				
Derivatives and other:				
Interest rate derivatives	\$ 17,345	—	17,345	—

Provena's accounting policy is to recognize transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended December 31, 2011 and 2010.

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(8) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 32,170	32,941
Land improvements	19,190	23,238
Buildings and leasehold improvements	752,605	861,262
Equipment and furnishings	503,509	640,091
	<u>1,307,474</u>	<u>1,557,532</u>
Less accumulated depreciation and amortization for capital leases	<u>713,072</u>	<u>898,580</u>
	594,402	658,952
Construction in progress	<u>22,664</u>	<u>20,803</u>
Land, buildings, and equipment, net	<u>\$ 617,066</u>	<u>679,755</u>

At December 31, 2011, construction in progress related primarily to construction projects at Provena Mercy Medical Center and Provena Covenant Medical Center, as well as various information systems projects throughout the organization. Provena has outstanding contractual commitments of \$14,615 as of December 31, 2011 relating to these projects, which will be funded with available cash and cash equivalents.

PROVENA HEALTH AND AFFILIATES

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(9) Capital Leases

Provena leases certain equipment under capital leases. Included with equipment and furnishings is \$23,524 and \$18,292 of assets held under capital leases and \$8,227 and \$7,177 of related accumulated amortization at December 31, 2011 and 2010, respectively. Capital leases are secured by the underlying equipment. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases as of December 31, 2011 are as follows:

Year:	
2012	\$ 4,716
2013	3,914
2014	2,576
2015	1,712
2016	589
Thereafter	<u>1,306</u>
Total future minimum lease payments	14,813
Less amount representing interest at rates from 0.00% to 10.25%	<u>835</u>
Present value of future minimum lease payments	13,978
Less current portion of obligations under capital leases	<u>4,653</u>
Obligations under capital leases, excluding current portion	<u>\$ 9,325</u>

(10) Investments in Joint Ventures and Affiliated Organizations

Provena has ownership interests in various entities, which are accounted for using the equity method of accounting. The carrying value of all investments in affiliated companies amounted to approximately \$5,627 and \$5,650 at December 31, 2011 and 2010, respectively, and is included as a component of other noncurrent assets in the accompanying consolidated balance sheets. For the years ended December 31, 2011 and 2010, Provena recognized equity income of \$890 and \$304 on investments in affiliated companies, respectively. This income is included as a component of other revenues in the accompanying consolidated statements of operations.

Effective September 1, 2005, Alverno Provena Hospital Laboratories, Inc. (APHL, Inc.) was established as an Indiana nonprofit corporation through a joint venture among Provena, the Sisters of St. Francis Health Services, Inc., and certain affiliates. On January 31, 2008, RHC joined APHL, Inc. as an equal participant. The corporation is operated as a cooperative hospital service organization, providing laboratory services for the benefit of its participants and patron hospitals. APHL, Inc. Provena had a 33.3% interest in APHL, Inc. at both December 31, 2011 and 2010, and an equity investment of \$50 at December 31, 2011 and 2010, respectively. Provena recognized no equity income or loss on APHL, Inc. in 2011 or 2010. APHL made a return of capital of \$200 to Provena in 2010.

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Also, effective September 1, 2005, Alverno Clinical Laboratories, LLC (ACL, LLC) was established through a joint venture between Provena and the Sisters of St. Francis Health Services, Inc. During 2007, RHC also became a joint venture member of ACL, LLC. This venture was established, among other things, to expand the availability of lab services to patients in the communities serviced by the company, encourage further improvement in the quality of lab services, and support APhL, Inc. Provena has a 33.3% interest in ACL, LLC and an equity investment of \$4,046 and \$4,022 at December 31, 2011 and 2010, respectively. Provena recognized equity gains (losses) on ACL, LLC of \$24 in 2011 and \$(391) in 2010. Provena made equity cash contributions of \$450 to ACL, LLC in 2010. No such contributions were made in 2011.

In addition to the APhL, Inc. and ACL, LLC investments described above, Provena has ownership interests in various other entities, which are also accounted for under the equity method. For the years ended December 31, 2011 and 2010, Provena recognized equity income of \$866 and \$695 from investments in these affiliated companies, respectively. Provena received cash distributions from these equity method investees of \$913 and \$1,195 in 2011 or 2010, respectively.

The following table summarizes the unaudited aggregated financial information of Provena's investments in joint ventures and affiliated organizations:

	<u>2011</u>	<u>2010</u>
Total assets	\$ 37,067	35,146
Total liabilities	<u>21,054</u>	<u>17,662</u>
Total equity	<u>\$ 16,013</u>	<u>17,484</u>
Net revenues	\$ 192,230	196,759
Operating expenses	<u>189,093</u>	<u>195,173</u>
Net income	<u>\$ 3,137</u>	<u>1,586</u>

Provena Hospitals obtains laboratory services from APhL, Inc., at cost, pursuant to an evergreen contractual agreement. Expense recognized by Provena for APhL, Inc. laboratory services was \$32,769 in 2011 and \$33,068 in 2010 and is included in purchased services.

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(Dollars in thousands)

(11) Long-Term Debt

A summary of long-term debt at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Illinois Development Finance Authority Revenue Bonds, Series 1998A, dated April 15, 1998, with fixed interest rates ranging from 4.50% to 5.75%, due May 15 annually in varying amounts through May 15, 2023	\$ 108,920	115,780
Illinois Finance Authority Revenue Bonds, Series 2009A, dated June 25, 2009, with fixed interest rate of 7.75%, due annually in varying amounts beginning August 15, 2026 through August 15, 2034	200,000	200,000
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2009B, dated July 9, 2009, interest rate changes daily (0.06% and 0.26% at December 31, 2011 and 2010, respectively), due annually in varying amounts beginning August 15, 2016 through August 15, 2044	50,000	50,000
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2009C, dated July 9, 2009, interest rate changes daily (0.11% and 0.30% at December 31, 2011 and 2010, respectively), due annually in varying amounts beginning August 15, 2016 through August 15, 2044	41,000	41,000
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2009D, dated July 9, 2009, interest rate changes weekly (0.11% and 0.30% at December 31, 2011 and 2010, respectively), due annually in varying amounts beginning August 15, 2016 through August 15, 2044	25,000	25,000
Illinois Finance Authority Revenue Bonds, Series 2010A, dated February 11, 2010, with fixed interest rates ranging from 5.0% to 6.0%, due annually in varying amounts beginning May 1, 2010 through May 1, 2028	108,320	111,930
Illinois Finance Authority Revenue Bonds, Series 2010B, dated February 11, 2010, with fixed interest rate of 6.0%, due annually in varying amounts beginning May 1, 2029 through May 1, 2034	10,020	10,020

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	<u>2011</u>	<u>2010</u>
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2010C, dated September 15, 2010, interest rate changes daily (0.06% and 0.26% at December 31, 2011 and 2010, respectively), due annually in varying amounts beginning May 1, 2036 through May 1, 2045	\$ 31,000	31,000
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2010D, dated September 15, 2010, interest rate changes weekly (0.09% and 0.28% at December 31, 2011 and 2010, respectively), due annually in varying amounts beginning May 1, 2036 through May 1, 2045	41,000	41,000
U.S. Department of Housing and Urban Development, 9.25% mortgage payable in monthly principal and interest installments of \$13 through November 2022, secured by a building	<u>1,095</u>	<u>1,150</u>
Total long-term debt	616,355	626,880
Less current installments of long-term debt	11,136	10,525
Less unamortized bond discount	<u>3,895</u>	<u>4,338</u>
Total long-term debt, net of current installments and unamortized bond discount	\$ <u><u>601,324</u></u>	<u><u>612,017</u></u>

During 1998, Provena Health (the Obligated Group Member), Provena Hospitals, Provena Senior Services, and Ventures (the Designated Affiliates) issued bonds and commercial paper notes amounting to \$515,410 in order to provide funds to refinance certain then-existing indebtedness, to pay for certain capital expenditures and working capital, and pay expenses incurred in connection with the issuance of the bonds. All Series 1998-related bonds were secured by obligations issued under the Provena Health Master Trust Indenture (MTI) dated April 15, 1998 executed by the Obligated Group Member. The Obligated Group Member loaned proceeds from the bonds and the commercial paper notes to the Designated Affiliates through execution of informal notes payable. No Designated Affiliates were directly obligated with respect to the Master Notes; however, the MTI required that the Parent cause the Designated Affiliates to charge fees and rates for their services sufficient to enable the Parent to pay amounts due on Outstanding Master Notes and to comply with certain covenants contained in the MTI.

The purpose of the MTI is to provide a mechanism for the efficient and economical issuance of notes by Obligated Group members under the MTI using the collective borrowing capacity and credit rating of the Obligated Group members. The MTI requires members to make principal and interest payments on notes issued for their benefit as well as for other members if the other members are unable to make such payments. Payment of the scheduled principal and interest on all of the Series 1998A bonds is insured by financial guaranty insurance policies issued by MBIA Insurance Corporation (MBIA (now known as National Public Finance Guarantee Corporation)). The Series 1998A bonds are secured by obligations issued under the MTI.

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In 2005, Provena Health amended its MTI to add Provena Hospitals (including six acute care hospital operating divisions) as a Member of the Obligated Group. In 2009, Provena Health amended and restated its MTI to add Provena Senior Services as a Member of the Obligated Group. As a result, Provena Health, Provena Hospitals, and Provena Senior Services are now jointly and severally obligated on all obligations outstanding under the MTI. In addition, the MTI was further amended to establish additional covenants and provide additional security in favor of all obligation holders under the MTI, including a gross revenue pledge and certain financial covenants, which pledge and covenants may only be enforced by the Master Trustee at the direction of MBIA and may be modified, amended, or waived at any time with the consent of MBIA. As further security under the MTI, a mortgage has also been granted on Provena's six acute care hospital facilities.

Provena was not in compliance at December 31, 2008 with its debt service coverage ratio requirement; debt capitalization ratio requirement; and debt service reserve funding requirements. Failure to comply with the MTI debt service coverage ratio requirement did not result in an event of default under the MTI; however, Provena was required by the MTI to engage operational consultants, which were retained by Provena in fiscal 2008. Noncompliance with the ratios and debt service reserve funding requirements did result in events of default with MBIA and the commercial bank providing the revolving credit facilities and liquidity facility agreements. These events of default, if not cured or waived, could have resulted in an acceleration of all obligations issued under the MTI. On May 27, 2009, Provena received compliance waivers from MBIA and the commercial bank for noncompliance with the aforementioned ratios and debt service reserve funding requirements as of and for the year ended December 31, 2008, and where applicable, the quarter ended March 31, 2009. Pursuant to the waiver granting process, Provena amended and restated its MTI, as well as amended its revolving credit facility and liquidity facility agreements, as of May 27, 2009. The amended and restated MTI, as well as the amended revolving credit facility and liquidity facility agreements, revise the MBIA and commercial bank ratios, covenant requirements, and debt service reserve funding requirements. The amended and restated MTI also established additional covenants for the benefit of all obligation holders under the MTI, as well as granting a mortgage in favor of all obligation holders under the MTI on Provena's six acute care hospital facilities.

On June 25, 2009, Provena Health issued \$200,000 of Illinois Finance Authority Revenue Bonds, Series 2009A and on July 9, 2009, Provena Health issued \$116,000 of Illinois Finance Authority Variable Rate Demand Bonds, Series 2009B-D, all secured by obligations issued under the MTI. The proceeds of the sale of the Series 2009B-D bonds were primarily used to reimburse Provena Health, Provena Hospitals, and Provena Senior Services for, or refinance outstanding indebtedness the proceeds of which were used for, costs of acquiring, constructing, renovating, remodeling, and equipping the bond financed property. The Series 2009B-D bonds have a put option that allows the holders to redeem the bonds prior to maturity. Provena has an agreement with a remarketing agent to remarket any bonds redeemed as a result of the exercise of put options. If the bonds cannot be remarketed, the bonds will be purchased by commercial banks under a Direct Pay Letter of Credit (DPLOC) that currently expires on September 21, 2013. So long as no event of default has occurred or is continuing, loans made with a draw under the DPLOC for a failed remarketing will be required to be repaid in 8 equal quarterly installments of principal plus interest at the higher of the prime rate, or the adjusted one-month LIBOR plus 1% to 2% depending on the date of maturity, with the initial installment commencing 12 months after the date of the drawing under the DPLOC.

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(Dollars in thousands)

On February 11, 2010, Provena issued \$126,000 of Illinois Finance Authority Revenue Bonds, Series 2010A and 2010B, both of which are obligations under the MTI. The proceeds of the offering were used primarily to purchase approximately \$126,000 of par value Series 1998D and Series 1998D-R Periodic Auction Reset Securities at 88% of par value and to reimburse Provena Health, Provena Hospitals, and Provena Senior Services for the costs of acquiring, constructing, renovating, remodeling, and equipping the bond financed property. Provena also terminated its Series 1998D-R interest rate swap agreement pursuant to the redemption of the Periodic Auction Reset Securities. A net gain of approximately \$10,030 was recognized in connection with the bond redemption and termination of the Series 1998D-R interest rate swap agreement, which is included with other nonoperating gains (losses) in the accompanying 2010 consolidated statement of operations.

On September 22, 2010, Provena issued \$72,000 of Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2010C and 2010D, both of which are obligations secured under the MTI. The proceeds of the offerings were used primarily to pay or reimburse Provena for costs of acquiring, constructing, renovating, remodeling, and equipping the bond financed property. The 2010C and 2010D Bonds have a put option that allows the holders to redeem the bonds prior to maturity. Provena has an agreement with a remarketing agent to remarket any bonds redeemed as a result of the exercise of put options. If the bonds cannot be remarketed, the bonds will be purchased by commercial banks under a DPLOC that currently expires on September 21, 2013. So long as no event of default has occurred or is continuing, loans made with a draw under the DPLOC for a failed remarketing will be required to be repaid in 8 equal quarterly installments of principal plus interest at the higher of the prime rate, or the adjusted one-month LIBOR plus 1% to 2% depending on the date of maturity, with the initial installment commencing 12 months after the date of the drawing under the DPLOC.

Aggregate scheduled principal repayments on long-term debt, assuming the Series 2009B-D and the Series 2010C-D variable rate demand obligations being put back to the Obligated Group on May 23, 2012, the date the consolidated financial statements were issued, and a corresponding draw being made on the underlying DPLOC credit facility, for the ensuing five years and thereafter are as follows:

2012	\$	11,136
2013		82,242
2014		106,413
2015		36,635
2016		13,788
Thereafter		366,141
	\$	<u>616,355</u>

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Aggregate scheduled principal repayments on long-term debt based on the scheduled redemptions in accordance with the MTI for the ensuing five years and thereafter are as follows:

2012	\$	11,136
2013		11,742
2014		12,413
2015		13,135
2016		15,768
Thereafter		552,161
	\$	<u>616,355</u>

(12) Auction Rate Securities

On February 11, 2010, Provena redeemed approximately \$126,000 par value of auction rate securities (Series 1998D and Series 1998D-R) using a portion of the proceeds from the issuance of Series 2010A-B revenue bonds. Additionally, on September 22, 2010, Provena repaid approximately \$70,600 par value of auction rate securities (Series 1998B), thus eliminating all exposure to the auction rate securities market fluctuations. From February 2008 and through the redemption of the Series 1998B, 1998D, and 1998D-R auction rate securities in 2011, Provena had been paying interest on its auction rate securities at the maximum rate as set forth in the applicable bond documents. The maximum rate applicable to Provena's Series 1998B Bonds was 175% of ARS Index (i.e., the greater of the 30-Day After-Tax Equivalent Rate or The Bond Market Association (now known as SIFMA) Municipal Swap Index). The maximum rate applicable to Provena's Series 1998D and Series 1998D-R Bonds was 200% of the ARS Index (i.e., the greater of the Seven-Day After-Tax Equivalent Rate or the SIFMA Municipal Swap Index). The effective interest rates on the auction rate securities for 2010 were 0.60% for the Series 1998B Bonds, 0.05% for the Series 1998D Bonds, and 0.05% for the Series 1998D-R Bonds.

(13) Derivative Instruments and Hedging Activities

Provena had interest-rate-related derivative instruments to manage its exposure on its variable rate debt instruments, but does not enter into derivative instruments for any purpose other than risk management purposes. That is, Provena does not speculate using derivative instruments.

Provena maintained interest rate swap programs on its Series 1998B and Series 1998D-R debt. The Series 1998B and Series 1998D-R bonds exposed Provena to variability in interest payments due to changes in interest rates. In the interest of limiting the variability of a portion of its interest rate risk, management entered into two interest rate swap agreements to manage fluctuations in cash flows related to this risk. Under the terms of these swap agreements, Provena received variable interest rate payments and made fixed interest rate payments, thereby reducing the variability of cash flows from changes in interest rates.

Effective January 1, 2008, Provena prospectively discontinued hedge accounting for its derivative instruments as management determined that designation of the derivatives as hedging instruments was no longer appropriate given overall credit market and interest rate conditions. Provena continued to carry its derivative instruments at fair value in the consolidated balance sheets and recognized \$1,456 and \$6,792 in

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nonoperating losses for the years ended December 31, 2011 and 2010, respectively, attributable to the changes in the fair value of its derivatives.

In February of 2010, Provena issued the Series 2010A and 2010B bonds, at which time the Series 1998D-R bonds were repaid. At that time, Provena also terminated the interest rate swap agreement associated with the Series 1998D-R. In connection with the swap termination, Provena was required to pay the counterparty a settlement payment of \$18,662.

In February 2011, Provena terminated the interest rate swap agreements associated with the Series 1998A and 1998B bonds. In connection with the termination of these two agreements, Provena was required to pay the counterparties settlement payments of \$8,328 and \$6,091 to settle the Series 1998A and Series 1998B interest rate swaps, respectively. Upon termination of these agreements, Provena no longer has any interest rate swap agreements in effect.

Payments equal to the differential to be paid or received under the interest rate swap agreements were recognized monthly and amounted to payments of approximately \$517 in 2011 and \$5,895 in 2010, which are included in interest expense. The cumulative amount of prior year effective hedges charged to unrestricted net assets as of January 1, 2008 was \$4,644, which was being reclassified to interest expense over the terms of the underlying long-term debt. Interest expense for 2011 and 2010 includes \$44 and \$266, respectively, of amounts reclassified from unrestricted net assets related to the effective portion of prior year hedges charged to unrestricted net assets prior to termination of the respective swaps. Other nonoperating (losses) gains for 2011 and 2010 includes \$(3,989) and \$171, respectively, of amounts reclassified from unrestricted net assets related to the effective portion of prior year hedges charged to unrestricted net assets at the time the Series 1998A and B and Series 1998D-R swaps were terminated. The fair value of interest rate swap agreements of \$17,345 at December 31, 2010 is included with other current liabilities in the accompanying 2010 consolidated balance sheet.

Pursuant to the terms of its interest rate swap agreements, Provena was required to post collateral with its counterparties under certain specified conditions. Collateral posting requirements for each swap agreement are based on the amount of the derivative liability, Provena's bond ratings, and the number of days cash on hand. Provena posted \$9,807 of collateral related to its swaps as of December 31, 2010. The collateral posted as of December 31, 2010 is included in the current portion of assets limited or restricted as to use in the accompanying 2010 consolidated balance sheet.

(14) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2011 and 2010:

	2011	2010
Land, building, and equipment acquisitions	\$ 5,466	5,810
Provision of health and pastoral care	2,212	2,390
	<u>\$ 7,678</u>	<u>8,200</u>



KPMG LLP
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Independent Auditors' Report

The Board of Directors
Provena-Resurrection Health Network (d/b/a Presence Health)

We have audited the accompanying consolidated statement of financial position of Provena-Resurrection Health Network d/b/a Presence Health and its affiliates (Presence Health) as of December 31, 2011, and the related consolidated statement of operations, changes in net assets, and cash flows for the two months then ended. These consolidated financial statements are the responsibility of Presence Health's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Presence Health's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Provena-Resurrection Health Network d/b/a Presence Health and its affiliates as of December 31, 2011, and the results of their operations, changes in their net assets, and their cash flows for the two months then ended, in conformity with U.S. generally accepted accounting principles.

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(15) Endowments

Provena has various donor-restricted endowment funds (collectively referred to as the Funds), the principal of which may not be expended. The interest and dividend income from the Funds are utilized for Provena operations. The Funds are classified in permanently restricted net assets in the consolidated balance sheets at December 31, 2011 and 2010.

The Funds are maintained within Provena's commingled investment portfolio. The principal allocated to such Funds is approximately \$1,699 and \$1,654 at December 31, 2011 and 2010, respectively. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies as of December 31, 2011 and 2010.

(16) Self-Insurance

(a) *Professional and General Liability*

Provena Hospitals and Provena Senior Services are self-insured for professional and general liability up to specified limits above which Provena is covered by excess insurance policies. Professional insurance consultants have been retained to determine funding requirements. The amounts funded have been placed in an irrevocable trust account administered by a trustee. The trust assets are included within assets limited or restricted as to use in the accompanying consolidated balance sheets.

Provena is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against Provena and are currently in various stages of litigation. Additional claims may be asserted against Provena arising from services through December 31, 2011. It is the opinion of management that the estimated professional and general liabilities accrued at December 31, 2011 and 2010 are adequate to provide for potential losses resulting from pending or threatened litigation. Accruals for professional and general liabilities are recorded on an undiscounted basis. The ultimate settlement of malpractice claims could be different from recorded accruals, with such differences being potentially significant. Professional and general liabilities are reported within estimated self-insured liabilities in the accompanying consolidated balance sheets.

Professional and general liability expense amounted to \$20,382 and \$23,263 for the years ended December 31, 2011 and 2010, respectively, and is included in other expense in the accompanying consolidated statements of operations.

Provena maintains varying levels of commercial umbrella and excess coverage by policy year. There are no assurances that Provena will be able to renew existing policies or procure coverage on similar terms in the future.

(b) *Workers' Compensation*

Provena administers a self-insured workers' compensation program, which covers all Provena organizations except for two long-term care and residential facilities in Indiana, which are commercially insured. Professional insurance consultants have been retained to determine funding

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PROVENA HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

requirements. The trust assets and the related liabilities are included in the accompanying consolidated balance sheets. Commercial workers' compensation claims umbrella and excess policies provide various levels of additional coverage by policy year. Workers' compensation self-insurance expense amounted to \$8,245 and \$7,300 for the years ended December 31, 2011 and 2010, respectively, and is included in salaries and benefits expense in the accompanying consolidated statements of operations. The entire liability for estimated self-insured workers' compensation claims is included within the current portion of estimated self-insurance liabilities in the accompanying consolidated balance sheets on an undiscounted basis.

(17) Employee Benefit Plans

The Provena Retirement Program consists of the Provena Employees' Pension Plan (the Plan), the Provena Employees' 403(b) Retirement Savings Plan (the Savings Plan), and the Provena Ventures, Inc. 401(k) Retirement Savings Plan (the 401(k) Plan). Matching employer and base contributions under the Savings Plan and the 401(k) Plan are funded currently and amounted to \$19,279 and \$18,149 for the years ended December 31, 2011 and 2010, respectively, and are included in salaries and benefits expense in the accompanying consolidated statements of operations.

The Plan was frozen effective December 31, 2003 and only specified grandfathered employees remained as active participants in the Plan. The Plan was replaced effective January 1, 2004 with the Savings Plan, a defined contribution plan. Provena recognizes the cost related to the Plan using the Projected Unit Credit cost method. Gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, were amortized over the expected future service period through 2004. Effective January 1, 2005, the amortization period was changed to the average remaining life expectancy of inactive participants (approximately 95% of plan participants are inactive). Prior service costs established January 1, 2002 are being amortized over 10.8 years.

Provena accounts for the Plan in accordance with ASC Topic 715, *Compensation – Retirement Benefits*. In accordance with ASC Topic 715, the funded status of the Plan, including all previously unrecognized actuarial gains and losses and unamortized prior service cost, is recognized as a component of unrestricted net assets in the accompanying consolidated balance sheets.

PROVENA HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

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(Dollars in thousands)

The following table sets forth the Plan's funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions at the Plan's measurement date, December 31:

	2011	2010
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ 445,102	408,082
Service cost	2,248	2,381
Interest cost	22,489	23,064
Actuarial losses	52,278	30,663
Benefits paid	(20,638)	(19,088)
Projected benefit obligation at end of year	501,479	445,102
Change in plan assets:		
Fair value of plan assets at beginning of year	353,603	335,205
Actual return on plan assets	(2,199)	37,446
Employer contribution	24,000	40
Benefits paid	(20,638)	(19,088)
Fair value of plan assets at end of year	354,766	353,603
Funded status	\$ (146,713)	(91,499)
Amounts recognized in the accompanying consolidated balance sheets:		
Pension benefit liability	\$ (146,713)	(91,499)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated charge to unrestricted net assets:		
Unrecognized net actuarial losses	\$ 285,053	207,696
Unrecognized prior service cost	2	4
Net amounts included as an accumulated charge to unrestricted net assets	\$ 285,055	207,700

PROVENA HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

	2011	2010
Calculation of change in unrestricted net assets:		
Accumulated unrestricted net assets, end of year	\$ 285,055	207,700
Reversal of accumulated unrestricted net assets, prior year	(207,700)	(192,528)
Change in unrestricted net assets	\$ 77,355	15,172
Changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Actuarial loss arising during the year	\$ 83,783	20,893
Amortization of actuarial loss	(6,426)	(5,719)
Amortization of prior service cost	(2)	(2)
Net amounts recognized in unrestricted net assets as change in funded status of pension plan	\$ 77,355	15,172
Estimate of amounts that will be amortized from unrestricted net assets to net pension cost in 2011:		
Net actuarial loss	\$ 9,212	—
Prior service cost	2	—
Estimated future benefit payments:		
Fiscal 2012	22,017	—
Fiscal 2013	23,746	—
Fiscal 2014	25,113	—
Fiscal 2015	26,525	—
Fiscal 2016 – 2020	182,169	—
Weighted average assumptions used to determine benefit obligations:		
Discount rate – benefit obligations	4.15%	5.25%
Discount rate – periodic benefit cost	4.45	5.80
Expected return on plan assets	8.50	8.50
Rate of compensation increase	4.00	4.00
Components of net periodic benefit cost (benefit):		
Service cost	\$ 2,248	2,381
Interest cost	22,489	23,064
Expected return on plan assets	(29,307)	(27,676)
Amortization of unrecognized net actuarial loss	6,426	5,719
Amortization of unrecognized prior service cost	2	2
Net periodic benefit cost	\$ 1,858	3,490

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(Continued)

PROVENA HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

Provena's overall expected long-term rate of return on assets is 8.5% in 2011 and 2010. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Provena does not expect to make any contributions to the Plan during 2012.

Provena has developed a plan investment policy, which, until the date of the merger with Resurrection Health Care, was reviewed and approved by the Provena Investment Subcommittee and the Board of Directors. After this date, the policy is reviewed and approved by the Presence Health Investment Subcommittee and Board of Directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy dictates a target asset allocation and an allowable range for such categories based on quarterly investment fluctuations. Investments are managed by independent advisors who are monitored by management and the Investment Subcommittee.

The table below shows the target allocation and acceptable ranges and actual asset allocations as of December 31, 2011 and 2010:

Asset	Target allocation	Acceptable range	December 31	
			2011	2010
Equities	60%	55 – 65%	60%	63%
Fixed income securities and cash equivalents	40	35 – 45	40	37
Real estate	—	0 – 3	—	—

Provena monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

(a) *Fair Value of Financial Instruments*

The following methods and assumptions were used by Provena in estimating the fair value of its financial instruments of the Plan:

- Common stocks, quoted mutual funds, and direct U.S. government obligations, are measured using quoted market prices at the reporting date multiplied by the quantity held. Private funds that do not have readily determinable fair values are measured using net asset value per share at the reporting date multiplied by the number of shares held. Corporate bonds, notes, indirect U.S. government obligations, U.S. agency securities, and foreign government obligations are measured using other observable inputs. The carrying value equals fair value.

PROVENA HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

(b) Fair Value Hierarchy

The following table presents the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

	Total fair value	Fair value measurements at December 31 using		
		Level 1	Level 2	Level 3
Investments:				
Corporate debt securities	\$ 40,208	—	40,208	—
U.S. government and agency obligations	82,500	28,276	54,224	—
Foreign government obligations	500	—	500	—
Equity securities	49,111	49,111	—	—
Equity funds	182,447	182,447	—	—
Total	\$ 354,766	259,834	94,932	—

The following table presents the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

	Total fair value	Fair value measurements at December 31 using		
		Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 717	717	—	—
Corporate debt securities	40,977	—	40,977	—
U.S. government and agency obligations	85,915	25,153	60,762	—
Foreign government obligations	430	—	430	—
Equity securities	52,770	52,770	—	—
Equity funds	172,794	172,794	—	—
Total	\$ 353,603	251,434	102,169	—

The Plan recognizes transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended December 31, 2011 or 2010, respectively.

PROVENA HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

(18) Commitments and Contingencies

(a) Operating Leases

Provena leases various equipment and facilities under operating leases expiring at various dates through 2023. Total lease expense in 2011 and 2010 for all operating leases was approximately \$15,808 and \$16,448, respectively.

The following is a schedule by year of future minimum lease payments for the next five years and thereafter under operating leases as of December 31, 2011 that have initial or remaining lease terms in excess of one year:

2012	\$	11,624
2013		10,644
2014		8,168
2015		6,578
2016		6,493
Thereafter		20,641
	\$	<u>64,148</u>

(b) Medicare and Medicaid Reimbursement

Provena participates as a provider under the Medicare program. Federal legislation routinely includes provisions to change Medicare reimbursement mechanisms and reimbursement levels. For each of the years ended December 31, 2011 and 2010, approximately 46% and 45%, respectively, of Provena's gross patient and resident service revenue related to services provided to Medicare beneficiaries. Recently enacted healthcare reform and other Medicare legislation may have an adverse effect on Provena's net patient and resident service revenues.

Medicaid payment methodologies and rates may be subject to modification based on the amount of funding available to the State of Illinois Medicaid program.

Provena has received and responded to requests from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contracting (RAC) program. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse effect on Provena's net patient and resident service revenues.

(c) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. Provena is subject to these regulatory efforts. Management is currently unaware of any regulatory matters that may have a material adverse effect on the consolidated financial position or results of operations.

PROVENA HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

(d) *Charity Care Legislation*

The Illinois attorney general and state legislature are considering legislation directed at Illinois not-for-profit hospitals. Such legislation could mandate the level of charity care, as defined by the State, that hospitals must provide in the future in order to retain state and local tax exemption benefits. Management is unable to predict the outcome of these legislative initiatives and any related impacts such legislation may have on Provena.

(e) *Litigation*

In the normal course of business, the Parent and affiliates are involved in litigation and regulatory investigations. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on Provena's financial position or results from operations.

(f) *Provena Covenant Medical Center Property Tax Exemption*

In February 2004, the Illinois Department of Revenue denied the Provena Covenant Medical Center (Covenant) application for real estate tax-exempt status for the 2002 tax year. Provena appealed this ruling and the decision was reversed in 2007 by the Circuit Court of Sangamon County. The Illinois Department of Revenue appealed the 2007 ruling to the Appellate Court of the Fourth District, which overturned the 2007 ruling. Provena filed a Petition for Leave to Appeal to the Supreme Court of Illinois. The Supreme Court of the State of Illinois granted the appeal and released their opinion on March 18, 2010 in favor of the Illinois Department of Revenue. As a result of the unfavorable ruling, Provena has been accruing and paying real estate taxes. For the 2011 and 2010 tax years, Provena recognized \$1,283 and \$1,138 of real estate expense within the accompanying 2011 and 2010 consolidated statements of operations, respectively.

For the 2004 tax year, Covenant has filed an application seeking an exemption for certain parcels of real estate that had not been included in the 2002 application, and for the 2006 tax year, Covenant has filed a new application seeking a property tax exemption for the parcels of real estate that were the basis for the 2002 application described in the preceding paragraph. In January 2011, a hearing for these matters was conducted before an administrative law judge for the Illinois Department of Revenue. As of May 2011, post-hearing briefing was completed. A recommendation by the administrative law judge, and a final decision by the Illinois Department of Revenue is expected later in 2012.

PROVENA HEALTH AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

(g) *Provena Senior Services St. Joseph Center Tax Exemption*

In March 2007, the Illinois Department of Revenue denied the Provena Senior Services St. Joseph Center (St. Joseph Center) application for real estate tax-exempt status for the 2004 tax year. St. Joseph Center has been recognizing property taxes on this property from 2004 and for all periods through December 31, 2011. Accrued property taxes on this property of \$837 and \$723 as of December 31, 2011 and 2010, respectively, are included in accounts payable and accrued expenses within the accompanying consolidated balance sheets. Provena appealed the ruling and a hearing was held before an administrative law judge in October 2008. In February 2011, the administrative law judge ruled that, with the exception of the campus chapel, St. Joseph Center be denied an exemption from real estate taxes. Provena subsequently filed an appeal in the Circuit Court of Stephenson County, which is presently pending.

(h) *Investment Risks and Uncertainties*

Provena invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities and current market conditions, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying 2011 consolidated balance sheet.

(19) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, Provena evaluated subsequent events after the consolidated balance sheet date of December 31, 2011 through May 23, 2012, which was the date the financial statements were issued.

PROVENA HEALTH AND AFFILIATES

Consolidating Balance Sheet Information

December 31, 2011

(In thousands)

Assets	Provena Health	Provena Hospitals	Provena Life Connections	Provena Ventures, Inc.	Eliminations	Consolidated totals
Current assets:						
Cash and cash equivalents	\$ 40,671	34,769	12,891	1,237	—	89,568
Short-term investments	—	1,210	183	—	—	1,393
Assets limited or restricted as to use, required for current liabilities	12,225	—	—	—	—	12,225
Receivables:						
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately \$123,525	—	177,443	17,816	—	—	195,259
Estimated receivables under third-party reimbursement programs	—	3,936	1,695	—	—	5,631
Due from affiliates	16,531	1,997	11	—	(18,539)	—
Inventories	—	23,622	789	—	—	24,411
Prepaid expenses and other	29,266	26,181	521	114	—	56,082
Total current assets	98,693	269,158	33,906	1,351	(18,539)	384,569
Assets limited or restricted as to use, net of current portion	316,296	21,671	7,768	—	(14,375)	331,360
Land, buildings, and equipment, net	52,098	508,807	50,554	5,607	—	617,066
Excess of purchase price over net assets acquired, net	—	1,840	—	—	—	1,840
Other	47,725	5,721	397	4,058	(32,287)	25,614
Total assets	\$ 514,812	807,197	92,625	11,016	(65,201)	1,360,449
Liabilities and Net Assets (Deficit)						
Current liabilities:						
Current installments of long-term debt	\$ 11,075	—	61	—	—	11,136
Current portion of obligations under capital leases	2,817	1,832	4	—	—	4,653
Current portion of estimated self-insurance liabilities	15,307	—	—	—	—	15,307
Accounts payable and accrued expenses	30,105	78,818	12,384	187	—	121,494
Estimated payables under third-party reimbursement programs	—	90,894	53	—	—	90,947
Due to affiliates	1,970	15,415	1,153	1	(18,539)	—
Medicaid tax assessment deferred revenues	—	26,732	—	—	—	26,732
Other	23,646	6,869	2,476	304	(14,375)	18,920
Total current liabilities	84,920	220,560	16,131	492	(32,914)	289,189
Long-term debt, net of current installments	600,290	—	1,034	—	—	601,324
Obligations under capital leases, net of current portion	2,417	6,904	4	—	—	9,325
Estimated self-insurance liabilities, net of current portion	84,627	—	—	—	—	84,627
Pension benefit liability	146,713	—	—	—	—	146,713
Other long-term liabilities	6,268	9,873	1,020	—	—	17,161
Total liabilities	925,235	237,337	18,189	492	(32,914)	1,148,339
Net assets (deficit):						
Unrestricted	(410,423)	561,665	73,254	10,524	(32,287)	202,733
Temporarily restricted	—	6,739	939	—	—	7,678
Permanently restricted	—	1,456	243	—	—	1,699
Total net assets (deficit)	(410,423)	569,860	74,436	10,524	(32,287)	212,110
Total liabilities and net assets	\$ 514,812	807,197	92,625	11,016	(65,201)	1,360,449

See accompanying independent auditors' report.

PROVENA HEALTH AND AFFILIATES
Consolidating Statement of Operations Information
Year ended December 31, 2011
(In thousands)

	Provena Health	Provena Hospitals	Provena Life Connections	Provena Ventures, Inc.	Eliminations	Consolidated totals
Revenue:						
Net patient and resident service revenue	\$ —	1,125,379	107,788	—	—	1,233,167
Other revenues	152,029	14,753	4,325	209	(152,050)	19,266
Net assets released from restriction used for operations	—	1,009	132	—	—	1,141
Total revenue	152,029	1,141,141	112,245	209	(152,050)	1,253,574
Expenses:						
Salaries and benefits	59,820	480,921	73,912	—	(25,425)	589,228
Supplies and drugs	974	159,795	8,565	—	—	169,334
Purchased services	24,579	215,879	9,889	24	(71,542)	178,829
Interest	31,129	30,150	2,854	—	(32,869)	31,264
Depreciation and amortization	11,318	55,014	4,306	—	—	70,638
Provider tax assessment	—	34,650	—	—	—	34,650
Provision for uncollectible accounts	—	121,996	1,104	—	—	123,100
Restructuring charges	2,334	517	—	—	—	2,851
Other	29,058	55,432	8,159	145	(22,214)	70,580
Total expenses	159,212	1,154,354	108,789	169	(152,050)	1,270,474
(Loss) income from operations before impairments	(7,183)	(13,213)	3,456	40	—	(16,900)
Impairments	1,736	70,000	—	—	—	71,736
(Loss) income from operations	(8,919)	(83,213)	3,456	40	—	(88,636)
Nonoperating gains (losses):						
Investment income – realized	16,137	1,540	515	—	—	18,192
Investment loss – unrealized	(9,465)	(380)	(209)	—	—	(10,054)
Derivatives valuation adjustment	(1,456)	—	—	—	—	(1,456)
Other, net	(37)	(7,133)	(613)	—	—	(7,783)
Net nonoperating gains (losses)	5,179	(5,973)	(307)	—	—	(1,101)
Revenue and gains in excess (deficient) of expenses and losses	(3,740)	(89,186)	3,149	40	—	(89,737)
Other changes in unrestricted net assets:						
Expense reclassification for dedesignated hedges	4,033	—	—	—	—	4,033
Change in funded status of pension plan	(77,355)	—	—	—	—	(77,355)
Transfers (to) from affiliates	(25,391)	32,433	(7,042)	—	—	—
Net assets released from restriction used for the purchase of land, buildings, and equipment	—	2,366	678	—	—	3,044
Other, net	1	(9)	—	—	—	(8)
Change in unrestricted net assets	\$ (102,452)	(54,396)	(3,215)	40	—	(160,023)

See accompanying independent auditors' report.

PROVENA HOSPITALS
Consolidating Balance Sheet Information
December 31, 2011
(In thousands)

Assets	Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center
Current assets:				
Cash and cash equivalents	\$ 4,969	2,656	1,102	16,503
Short-term investments	—	—	—	1,210
Receivables:				
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$122,304	22,392	28,556	23,268	61,031
Estimated receivables under third-party reimbursement programs	1,496	645	(1,005)	1,806
Due from affiliates	235	252	399	361
Inventories	3,629	3,556	4,568	6,756
Prepaid expenses and other	2,944	4,828	3,422	7,336
Total current assets	35,665	40,493	31,754	95,003
Assets limited or restricted as to use, net of current portion	5,864	5,960	2,674	2,135
Land, buildings, and equipment, net	49,677	66,135	55,262	250,835
Excess of purchase price over net assets acquired, net	—	—	—	1,825
Other	71	1,411	1,048	1,091
Total assets	\$ 91,277	113,999	90,738	350,889
Liabilities and Net Assets				
Current liabilities:				
Current portion of obligations under capital leases	\$ 187	148	138	891
Accounts payable and accrued expenses	12,027	12,290	9,874	26,771
Estimated payables under third-party reimbursement programs	11,680	12,244	10,161	41,126
Due to affiliates	2,203	2,372	1,948	5,555
Medicaid tax assessment deferred revenues	2,622	6,594	3,179	6,222
Other	1,454	1,154	1,261	899
Total current liabilities	30,173	34,802	26,561	81,464
Obligations under capital leases, net of current portion	550	413	367	2,693
Other long-term liabilities	254	4,582	521	2,883
Total liabilities	30,977	39,797	27,449	87,040
Net assets:				
Unrestricted	59,362	71,979	61,884	262,320
Temporarily restricted	816	1,847	813	1,334
Permanently restricted	122	376	592	195
Total net assets	60,300	74,202	63,289	263,849
Total liabilities and net assets	\$ 91,277	113,999	90,738	350,889

See accompanying independent auditors' report.

Schedule 3

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
6,249	4,630	(1,340)	34,769	—	34,769
—	—	—	1,210	—	1,210
24,583	14,169	3,444	177,443	—	177,443
69	925	—	3,936	—	3,936
519	1,014	345	3,125	(1,128)	1,997
3,210	1,903	—	23,622	—	23,622
3,284	3,873	494	26,181	—	26,181
37,914	26,514	2,943	270,286	(1,128)	269,158
1,518	3,520	—	21,671	—	21,671
57,188	26,822	2,888	508,807	—	508,807
—	—	15	1,840	—	1,840
484	273	1,343	5,721	—	5,721
97,104	57,129	7,189	808,325	(1,128)	807,197
310	158	—	1,832	—	1,832
9,040	6,668	2,148	78,818	—	78,818
8,486	7,197	—	90,894	—	90,894
1,901	2,020	544	16,543	(1,128)	15,415
4,063	4,052	—	26,732	—	26,732
478	1,108	515	6,869	—	6,869
24,278	21,203	3,207	221,688	(1,128)	220,560
2,420	461	—	6,904	—	6,904
1,319	245	69	9,873	—	9,873
28,017	21,909	3,276	238,465	(1,128)	237,337
67,569	34,638	3,913	561,665	—	561,665
1,499	430	—	6,739	—	6,739
19	152	—	1,456	—	1,456
69,087	35,220	3,913	569,860	—	569,860
97,104	57,129	7,189	808,325	(1,128)	807,197

ATTACHMENT 39

PROVENA HOSPITALS
Consolidating Statement of Operations Information
Year ended December 31, 2011
(In thousands)

	Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center
Revenue:				
Net patient and resident service revenue	\$ 142,316	163,189	142,375	408,624
Other revenues	1,155	3,531	1,429	4,120
Net assets released from restriction used for operations	256	115	26	295
Total revenue	143,727	166,835	143,830	413,039
Expenses:				
Salaries and benefits	55,611	70,652	66,931	170,097
Supplies and drugs	22,054	20,317	21,065	62,017
Purchased services	33,668	29,677	30,256	65,130
Interest	3,643	4,041	5,820	11,175
Depreciation and amortization	5,981	7,485	9,301	21,561
Provider tax assessment	4,428	7,055	4,424	12,077
Provision for uncollectible accounts	10,816	22,455	15,045	40,283
Restructuring costs	201	(392)	143	198
Other	11,460	7,643	6,366	16,728
Total expenses	147,862	168,933	159,351	399,266
(Loss) income from operations before impairments	(4,135)	(2,098)	(15,521)	13,773
Impairments	—	—	70,000	—
(Loss) income from operations	(4,135)	(2,098)	(85,521)	13,773
Nonoperating gains (losses):				
Investment income – realized	515	312	54	259
Investment loss – unrealized	(139)	(45)	(22)	(20)
Other, net	(1,183)	(3,482)	(442)	(818)
Net nonoperating losses	(807)	(3,215)	(410)	(579)
Revenue and gains (deficient) in excess of expenses and losses	(4,942)	(5,313)	(85,931)	13,194
Other changes in unrestricted net assets:				
Transfers from (to) affiliates	10,999	10,946	12,769	(20,437)
Net assets released from restriction used for the purchase of land, buildings, and equipment	7	485	297	621
Other, net	—	—	7	—
Change in unrestricted net assets	\$ 6,064	6,118	(72,858)	(6,622)

See accompanying independent auditors' report.

Schedule 4

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
143,769	110,458	14,648	1,125,379	—	1,125,379
1,696	2,582	240	14,753	—	14,753
65	252	—	1,009	—	1,009
145,530	113,292	14,888	1,141,141	—	1,141,141
53,406	45,476	18,748	480,921	—	480,921
20,749	12,563	1,030	159,795	—	159,795
29,952	24,161	3,035	215,879	—	215,879
3,374	2,017	80	30,150	—	30,150
5,930	4,048	708	55,014	—	55,014
3,626	3,040	—	34,650	—	34,650
20,239	11,796	1,362	121,996	—	121,996
12	77	278	517	—	517
5,386	5,181	2,668	55,432	—	55,432
142,674	108,359	27,909	1,154,354	—	1,154,354
2,856	4,933	(13,021)	(13,213)	—	(13,213)
—	—	—	70,000	—	70,000
2,856	4,933	(13,021)	(83,213)	—	(83,213)
239	161	—	1,540	—	1,540
(110)	(44)	—	(380)	—	(380)
(903)	(302)	(3)	(7,133)	—	(7,133)
(774)	(185)	(3)	(5,973)	—	(5,973)
2,082	4,748	(13,024)	(89,186)	—	(89,186)
(1,171)	1,892	17,435	32,433	—	32,433
316	640	—	2,366	—	2,366
(16)	—	—	(9)	—	(9)
1,211	7,280	4,411	(54,396)	—	(54,396)

ATTACHMENT 39

PROVENA HEALTH AND AFFILIATES

Consolidating Balance Sheet Information

December 31, 2010

(In thousands)

Assets	Provena Health	Provena Hospitals	Provena Life Connections	Provena Ventures, Inc.	Eliminations	Consolidated totals
Current assets:						
Cash and cash equivalents	\$ 55,125	39,868	16,780	1,226	—	112,999
Short-term investments	—	1,509	127	—	—	1,636
Assets limited or restricted as to use, required for current liabilities	12,832	—	—	—	—	12,832
Receivables:						
Patient and resident accounts receivable, less allowance for uncollectible accounts of approximately \$117,595	—	155,419	14,421	—	—	169,840
Estimated receivables under third-party reimbursement programs	—	3,921	460	—	—	4,381
Due from affiliates	13,791	2,704	50	—	(16,545)	—
Inventories	—	23,134	704	—	—	23,838
Prepaid expenses and other	22,275	24,949	785	114	—	48,123
Total current assets	104,023	251,504	33,327	1,340	(16,545)	373,649
Assets limited or restricted as to use, net of current portion	386,642	20,779	7,577	—	(14,054)	400,944
Land, buildings, and equipment, net	40,969	576,805	56,374	5,607	—	679,755
Excess of purchase price over identifiable net assets acquired, net	—	855	—	—	—	855
Other	54,461	5,125	475	4,036	(32,287)	31,810
Total assets	\$ 586,095	855,068	97,753	10,983	(62,886)	1,487,013
Liabilities and Net Assets						
Current liabilities:						
Current installments of long-term debt	\$ 10,470	—	55	—	—	10,525
Current portion of obligations under capital leases	2,396	1,468	5	—	—	3,869
Current portion of estimated self-insurance liabilities	26,574	—	—	—	—	26,574
Accounts payable and accrued expenses	12,305	85,943	13,692	195	—	112,135
Estimated payables under third-party reimbursement programs	—	84,591	53	—	—	84,644
Due to affiliates	1,695	13,532	1,318	—	(16,545)	—
Medicaid deferred revenue	—	26,732	—	—	—	26,732
Derivatives and other	41,349	7,000	2,189	304	(14,054)	36,788
Total current liabilities	94,789	219,266	17,312	499	(30,599)	301,267
Long-term debt, net of current installments	610,922	—	1,095	—	—	612,017
Obligations under capital leases, net of current portion	2,656	4,326	9	—	—	6,991
Estimated self-insurance liabilities, net of current portion	86,480	—	—	—	—	86,480
Pension benefit liability	91,499	—	—	—	—	91,499
Other long-term liabilities	7,720	7,337	1,092	—	—	16,149
Total liabilities	894,066	230,929	19,508	499	(30,599)	1,114,403
Net assets (deficit):						
Unrestricted	(307,971)	616,061	76,469	10,484	(32,287)	362,756
Temporarily restricted	—	6,667	1,533	—	—	8,200
Permanently restricted	—	1,411	243	—	—	1,654
Total net assets	(307,971)	624,139	78,245	10,484	(32,287)	372,610
Total liabilities and net assets	\$ 586,095	855,068	97,753	10,983	(62,886)	1,487,013

See accompanying independent auditors' report.

PROVENA HEALTH AND AFFILIATES
Consolidating Statement of Operations Information
Year ended December 31, 2010
(In thousands)

	Provena Health	Provena Hospitals	Provena Life Connections	Provena Ventures, Inc.	Eliminations	Consolidated totals
Revenue:						
Net patient and resident service revenue	\$ —	1,112,243	109,186	—	—	1,221,429
Other revenues	161,600	14,522	5,394	(186)	(161,550)	19,780
Net assets released from restriction used for operations	—	1,043	121	—	—	1,164
Total revenue	161,600	1,127,808	114,701	(186)	(161,550)	1,242,373
Expenses:						
Salaries and benefits	61,228	469,837	75,453	—	(24,792)	581,726
Supplies and drugs	763	160,861	8,501	—	—	170,125
Purchased services	13,830	202,726	9,327	—	(68,760)	157,123
Interest	35,304	32,237	3,050	—	(34,983)	35,608
Depreciation and amortization	12,457	53,690	4,212	—	—	70,359
Provider tax assessment	—	34,355	—	—	—	34,355
Provision for uncollectible accounts	—	109,305	1,216	—	—	110,521
Restructuring charges	95	938	—	—	—	1,033
Other	31,127	65,914	8,865	91	(33,015)	72,982
Total expenses	154,804	1,129,863	110,624	91	(161,550)	1,233,832
Income (loss) from operations before impairments	6,796	(2,055)	4,077	(277)	—	8,541
Impairments	—	1,729	(77)	—	—	1,652
Income (loss) from operations	6,796	(3,784)	4,154	(277)	—	6,889
Nonoperating gains (losses):						
Investment income – realized	10,390	1,809	371	—	—	12,570
Investment income – unrealized	18,199	780	374	—	—	19,353
Derivatives valuation adjustment	(6,792)	—	—	—	—	(6,792)
Other, net	10,335	(1,350)	(537)	—	—	8,448
Net nonoperating gains	32,132	1,239	208	—	—	33,579
Revenue and gains in excess (deficient) of expenses and losses	38,928	(2,545)	4,362	(277)	—	40,468
Other changes in unrestricted net assets:						
Expense reclassification for dedesignated hedges	95	—	—	—	—	95
Change in funded status of pension plan	(15,172)	—	—	—	—	(15,172)
Transfers from (to) affiliates	(3,824)	5,760	(1,936)	—	—	—
Net assets released from restriction used for the purchase of land, buildings, and equipment	—	1,010	119	—	—	1,129
Other, net	—	(9)	—	—	—	(9)
Change in unrestricted net assets	\$ 20,027	4,216	2,545	(277)	—	26,511

See accompanying independent auditors' report.

PROVENA HOSPITALS
Consolidating Balance Sheet Information
December 31, 2010
(In thousands)

Assets	Provena Covenant Medical Center	Provena Mercy Center	Provena Saint Joseph Hospital	Provena Saint Joseph Medical Center
Current assets:				
Cash and cash equivalents	\$ 6,492	2,508	2,069	22,515
Short-term investments	—	—	—	1,509
Receivables:				
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$96,626	20,181	23,895	21,464	56,083
Estimated receivables under third-party reimbursement programs	1,014	227	(569)	2,682
Due from affiliates	246	289	365	473
Inventories	3,875	2,798	4,580	6,890
Prepaid expenses and other	3,014	5,126	2,867	7,344
Total current assets	34,822	34,843	30,776	97,496
Assets limited or restricted as to use, net of current portion	5,347	5,394	2,421	1,911
Land, buildings, and equipment, net	47,769	63,548	131,947	248,558
Excess of purchase price over identifiable net assets acquired, net	—	—	—	855
Other	471	1,605	1,253	926
Total assets	\$ 88,409	105,390	166,397	349,746
Liabilities and Net Assets				
Current liabilities:				
Current portion of obligations under capital leases	\$ 366	157	139	311
Accounts payable and accrued expenses	16,275	14,938	10,894	26,439
Estimated payables under third-party reimbursement programs	11,736	10,223	12,005	36,672
Due to affiliates	2,115	2,013	1,970	4,807
Medicaid deferred revenue	2,622	6,594	3,179	6,222
Derivatives and other	442	819	1,168	401
Total current liabilities	33,556	34,744	29,355	74,852
Obligations under capital leases, net of current portion	737	558	501	1,390
Other long-term liabilities	276	2,192	601	2,801
Total liabilities	34,569	37,494	30,457	79,043
Net assets:				
Unrestricted	53,298	65,861	134,742	268,942
Temporarily restricted	437	1,634	659	1,567
Permanently restricted	105	401	539	194
Total net assets	53,840	67,896	135,940	270,703
Total liabilities and net assets	\$ 88,409	105,390	166,397	349,746

See accompanying independent auditors' report.

Schedule 7

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
7,142	67	(925)	39,868	—	39,868
—	—	—	1,509	—	1,509
19,854	11,819	2,123	155,419	—	155,419
(32)	599	—	3,921	—	3,921
436	867	28	2,704	—	2,704
3,152	1,839	—	23,134	—	23,134
3,418	2,913	267	24,949	—	24,949
33,970	18,104	1,493	251,504	—	251,504
1,663	4,043	—	20,779	—	20,779
54,922	27,911	2,150	576,805	—	576,805
—	—	—	855	—	855
494	227	149	5,125	—	5,125
91,049	50,285	3,792	855,068	—	855,068
114	381	—	1,468	—	1,468
8,600	7,285	1,512	85,943	—	85,943
7,731	6,224	—	84,591	—	84,591
57	1,934	636	13,532	—	13,532
4,063	4,052	—	26,732	—	26,732
721	1,429	2,020	7,000	—	7,000
21,286	21,305	4,168	219,266	—	219,266
521	619	—	4,326	—	4,326
1,221	124	122	7,337	—	7,337
23,028	22,048	4,290	230,929	—	230,929
66,358	27,358	(498)	616,061	—	616,061
1,644	726	—	6,667	—	6,667
19	153	—	1,411	—	1,411
68,021	28,237	(498)	624,139	—	624,139
91,049	50,285	3,792	855,068	—	855,068

ATTACHMENT 39

PROVENA HOSPITALS
Consolidating Statement of Operations Information
Year ended December 31, 2010
(In thousands)

	<u>Provena Covenant Medical Center</u>	<u>Provena Mercy Center</u>	<u>Provena Saint Joseph Hospital</u>	<u>Provena Saint Joseph Medical Center</u>
Revenue:				
Net patient and resident service revenue	\$ 156,386	154,402	146,037	399,218
Other revenues	1,164	3,513	1,447	3,963
Net assets released from restriction used for operations	299	113	13	251
Total revenue	<u>157,849</u>	<u>158,028</u>	<u>147,497</u>	<u>403,432</u>
Expenses:				
Salaries and benefits	57,167	68,177	66,456	166,987
Supplies and drugs	22,893	19,641	21,662	61,588
Purchased services	30,990	27,135	29,139	60,503
Interest	3,927	4,325	6,230	12,048
Depreciation and amortization	5,194	8,077	10,495	20,529
Provider tax assessment	4,410	6,961	4,394	12,071
Provision for uncollectible accounts	15,350	15,457	12,264	34,338
Restructuring costs	48	442	155	267
Other	14,608	8,693	8,356	19,788
Total expenses	<u>154,587</u>	<u>158,908</u>	<u>159,151</u>	<u>388,119</u>
Income (loss) from operations before impairments	3,262	(880)	(11,654)	15,313
Impairments	192	245	—	243
Income (loss) from operations	<u>3,070</u>	<u>(1,125)</u>	<u>(11,654)</u>	<u>15,070</u>
Nonoperating gains (losses):				
Investment income – realized	428	525	129	398
Investment income – unrealized	294	120	24	85
Other, net	55	(801)	(194)	(249)
Net nonoperating gains (losses)	<u>777</u>	<u>(156)</u>	<u>(41)</u>	<u>234</u>
Revenue and gains in excess (deficient) of expenses and losses	3,847	(1,281)	(11,695)	15,304
Other changes in unrestricted net assets:				
Transfers from (to) affiliates	2,180	(63)	5,853	(14,465)
Net assets released from restriction used for the purchase of land, buildings, and equipment	(236)	115	57	591
Other, net	—	—	—	—
Change in unrestricted net assets	<u>\$ 5,791</u>	<u>(1,229)</u>	<u>(5,785)</u>	<u>1,430</u>

See accompanying independent auditors' report.

Schedule 8

Provena Saint Mary's Hospital	Provena United Samaritans Medical Center	Provena Service Corporation	Total Hospitals	Eliminations	Consolidated Hospital totals
131,394	112,054	12,752	1,112,243	—	1,112,243
1,932	2,295	208	14,522	—	14,522
94	273	—	1,043	—	1,043
<u>133,420</u>	<u>114,622</u>	<u>12,960</u>	<u>1,127,808</u>	<u>—</u>	<u>1,127,808</u>
50,367	45,312	15,371	469,837	—	469,837
20,613	13,781	683	160,861	—	160,861
28,622	23,582	2,755	202,726	—	202,726
3,457	2,139	111	32,237	—	32,237
5,166	3,769	460	53,690	—	53,690
3,557	2,962	—	34,355	—	34,355
16,333	14,531	1,032	109,305	—	109,305
18	5	3	938	—	938
6,467	6,118	1,884	65,914	—	65,914
<u>134,600</u>	<u>112,199</u>	<u>22,299</u>	<u>1,129,863</u>	<u>—</u>	<u>1,129,863</u>
(1,180)	2,423	(9,339)	(2,055)	—	(2,055)
484	—	565	1,729	—	1,729
<u>(1,664)</u>	<u>2,423</u>	<u>(9,904)</u>	<u>(3,784)</u>	<u>—</u>	<u>(3,784)</u>
246	83	—	1,809	—	1,809
79	178	—	780	—	780
165	48	(374)	(1,350)	—	(1,350)
<u>490</u>	<u>309</u>	<u>(374)</u>	<u>1,239</u>	<u>—</u>	<u>1,239</u>
(1,174)	2,732	(10,278)	(2,545)	—	(2,545)
4,820	(2,163)	9,598	5,760	—	5,760
207	276	—	1,010	—	1,010
(9)	—	—	(9)	—	(9)
<u>3,844</u>	<u>845</u>	<u>(680)</u>	<u>4,216</u>	<u>—</u>	<u>4,216</u>



Presence Health™

Jeannie Carmedelle Frey
Sr. Vice President/Chief Legal Officer
7435 W. Talcott POB #461
Chicago, IL 60631
Jfrey@presencehealth.org
773-792-5034

February 22, 2013

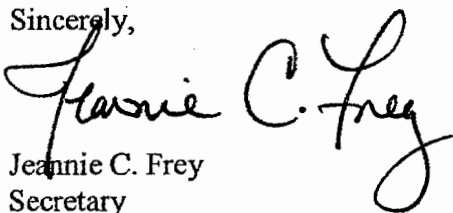
Illinois Health Facilities and
Services Review Board
Springfield, IL 62761

RE: Presence Saint Joseph Hospital-Chicago Modernization Project

To Whom it May Concern:

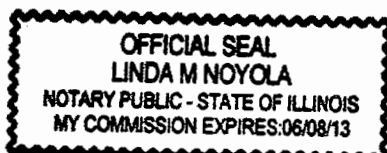
Please be advised that Presence Health Network will not finance the Presence Saint Joseph Hospital-Chicago Modernization Project through any debt of Presence Health Network. The project will be funded by Presence Health Network through cash, use of liquid assets, such as short term investments, and developer financing.

Sincerely,


Jeannie C. Frey
Secretary

Notarized:





Sponsored by the Franciscan Sisters of the Sacred Heart, the Servants of the Holy Heart of Mary, the Sisters of the Holy Family of Nazareth, the Sisters of Mercy of the Americas and the Sisters of the Holy Spirit.

ATTACHMENT 40A

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A		B		C		D		E		F		G		H		Total	
	New	Cost/Sq. Foot	Mod.		New		Circ.		Mod.		Circ.		Const. \$ (A x C)		Mod. \$ (B x E)		Costs (G + H)	
Reviewable																		
Musculo. Inst	\$	392.85			10,369								\$	4,073,462			\$	4,073,462
Imaging	\$	498.15	\$	186.04	12,300				10,611				\$	6,127,245	\$	1,974,044	\$	8,101,289
Oncology Clinic	\$	392.85			11,900								\$	4,674,915			\$	4,674,915
Infusion Ther. (onc)	\$	392.85			6,800								\$	2,671,380			\$	2,671,380
Radiation Ther.	\$	498.15			4,200								\$	2,092,230			\$	2,092,230
Inf. Ther. (non-onc)			\$	146.71					2,000						\$	293,425	\$	293,425
Outpt. PT/OT	\$	392.85			3,811				23,461				\$	1,497,151			\$	1,497,151
Surgery*	\$	435.00	\$	186.04	27,708				12,956						\$	4,364,626	\$	16,417,606
Recovery*																		
GI Lab*																		
Bariatrics	\$	392.85			1,090								\$	428,207			\$	428,207
Neurodiag/Sleep			\$	146.71					2,100						\$	308,096	\$	308,096
Inpt. Rehab			\$	146.71					11,270						\$	1,653,450	\$	1,653,450
Bronchoscopy			\$	167.89					269						\$	45,162	\$	45,162
	\$	430.01	\$	137.85	78,178				62,667				\$	33,617,570	\$	8,638,803	\$	42,256,372
Non-Reviewable																		
Retail	\$	384.75			1,590								\$	611,753			\$	611,753
Pre-Adm. Testing	\$	319.95			1,500								\$	479,925			\$	479,925
Diabetes Ed.	\$	319.95			2,900								\$	927,855			\$	927,855
Lease-Dialysis	\$	295.65			8,000								\$	2,365,200			\$	2,365,200
Public Area	\$	384.75			2,705								\$	1,040,749			\$	1,040,749
Admin	\$	319.95	\$	119.49	1,117				3,600				\$	357,384	\$	430,155	\$	787,539
Care Suites			\$	119.49					2,600						\$	310,668	\$	310,668
Bridge	\$	1,156.05			848								\$	980,328			\$	980,328
Physicians' Offices	\$	392.85			78,696								\$	30,915,724			\$	30,915,724
Bldg. Services	\$	295.65			1,090								\$	322,259			\$	322,259
Nurs. Ed./Adm.			\$	119.49					5,072						\$	606,041	\$	606,041
On Call Rms			\$	119.49					2,692						\$	321,660	\$	321,660
Med Ed/Med Adm			\$	119.49					6,600						\$	788,618	\$	788,618
	\$	386.01	\$	119.49	98,446				20,564				\$	38,001,176	\$	2,457,141	\$	40,458,316
DGSF-BGSF	\$	295.65			42,438								\$	12,546,795			\$	12,546,795
contingency	\$	20.00	\$	20.00									\$	84,165,540	\$	11,095,944	\$	95,261,483
													\$	4,381,240	\$	1,664,620	\$	6,045,860
PROJECT TOTAL	\$	404.21	\$	153.32	219,062				83,231				\$	88,546,780	\$	12,760,564	\$	101,307,343
Shared areas																		

ATTACHED 4A

PROJECTED OPERATING COSTS and
TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS

Projected Adjusted patent Days: 64,544

Projected Operating Costs, 2018

salaries & benefits:	119,525,000
supplies:	<u>42,680,000</u>
	162,205,000

Projected Operating Cost per Adjusted Patient Day:	\$2,513.09
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Projected Capital Costs, 2018

depreciation, amortization, and interest:	20,454,500
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Projected Capital Costs per Adjusted Patient Day:	\$ 316.91
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SAFETY NET IMPACT STATEMENT

Presence Saint Joseph Hospital-Chicago and its parent corporation, Presence Health Network, are both safety net providers. The Presence Health System's hospitals provide emergency departments and services, as well as a variety of outpatient and community-based services designed to improve access to needed services, and operate under liberal charity care and financial assistance policies.

Presence Health was formed as a result of the merging of the Resurrection Health Care and Provena Health systems in 2011. Presence Health hospitals all currently operate under common charity care and financial assistance policies, and those policies are attached. Also attached are the 2011 Community Benefit Reports developed by the Resurrection Health Care and Provena Health systems.

This project is not expected to have any adverse impact on access to essential safety net services by the hospital or any other provider. In fact, as a result of the programmatic design of the proposed project, which focuses primarily on the delivery of outpatient services, the provision of physicians' office space, and the modernization of selected areas of the existing hospital, the project is expected to enhance the availability of safety net services provided by Presence Saint Joseph Hospital-Chicago. In addition, and again due to the nature of the

proposed project, the project will not impact any other provider's ability to cross-subsidize safety net services.

SAFETY NET IMPACT STATEMENT

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Presence Health was formed as a result of the merging of the Resurrection Health Care and Provena Health systems in 2011. Presence Health hospitals all currently operate under common charity care and financial assistance policies, and those policies are attached. Also attached are the 2011 Community Benefit Reports developed by the Resurrection Health Care and Provena Health systems.

As a result of the programmatic design of the proposed project, which focuses primarily on the delivery of outpatient services, the provision of physicians' office space, and the modernization of selected areas of the existing hospital, the project will have minimum, if any impact on the provision of essential safety net services by either Presence Saint Joseph Hospital-Chicago or any other area provider. In addition, and again due to the nature of the proposed project, the project will not impact any other provider's ability to cross-subsidize safety net services.

SYSTEM POLICY

Section: Finance

Page: 1 of 12

Subject: Provision for Financial Assistance –Hospitals

Approval Date: 4/1/2012

Effective Date: 4/1/2012

Executive Owner: Executive Leadership-Finance

Last Review Date:

Revised Date:

Supersedes:

I. POLICY STATEMENT

- A. To promote the health and well-being of our communities, community residents with limited financial resources, and with no or insufficient insurance coverage shall be eligible for free or discounted hospital services as set forth in this Policy.
- B. Adoption of this Policy reflects the commitment of Presence Health hospitals to assure that patients with limited financial means have access to needed hospital services in a fair and equitable basis.
- C. This Policy is designed to be fully compliant with applicable law, including the Illinois Hospital Uninsured Patient Discount Act, the Illinois Fair Patient Billing Act, and Section 501 (r) of the Internal Revenue Code (instituted by the Patient Protection and Affordable Care Act). In many respects, this Policy exceeds such legal requirements, reflecting our commitment to assuring that the poor and underserved have access to needed health care.

II. PURPOSE

- A. This Policy sets forth the standards for providing Financial Assistance/Charity Care to hospital patients who lack ability to pay for medically necessary hospital services.
- B. This Policy applies to hospital charges and not independent physicians or independent company billings.

III. MISSION / VALUES RATIONALE

- A. Our Mission and Values call us to service those in need. Our hospitals have a long tradition of serving the poor and underserved members of our community. This Policy continues that tradition, while reflecting an appropriate stewardship of resources.
- B. This Policy is one aspect of the many ways in which our hospitals promote the health care needs of the underserved. In addition to providing financial assistance in accordance with the Policy, each Presence Health hospital will continue to play a leadership role in identifying and responding to community health needs, in coordination and partnership with government and private organizations.

ATTACHMENT 43

IV. SPECIAL INSTRUCTIONS

This Policy is applicable to all Presence Health hospital ministries.

V. DEFINITIONS

- A. **Automatic Uninsured Self-Pay Discount:** A discount of 40% of gross charges, provided to all uninsured patients without requiring evidence of inability to pay. This discount is designed to assure that patients are charged at a rate generally comparable to that applied to insured patients.
1. There is no application process for the patient to receive the uninsured discount. The discount is applied based on the account's self-pay/uninsured status.
 2. Patients receiving pre-negotiated discounts (package pricing) for hospital services will not be eligible for this uninsured discount.
 3. If a patient is subsequently approved for financial assistance/charity care the automatic uninsured discount will be reversed so that the full amount can be recognized as a charity allowance.
- B. **Catastrophic Discount:** A discount provided when the patient responsibility specific to medical care at Provena Health – Resurrection Health Care Hospitals, even after payment by third-party payers, exceed a designated percentage of the patient's family annual gross income.
- C. **Charity Care:** Term often used to refer to the value (at cost) of free or discounted health care services provided to individuals who have been determined eligible for financial assistance based on financial need.
- D. **Exempt Assets:** The following assets are considered "Exempt Assets" for purposes of this Policy, such that the value of such assets will not be considered in determining a patient's ability to pay or financial need: the patient's primary residence; personal property exempt from judgment under Section 12-1001 of the Code of Civil Procedure; or any amounts held in pension or retirement plan (however, distribution and payments from pension or retirement plans will be included as income).
- E. **Family:** The patient, his/her spouse (including a legal common law spouse) and his/her legal dependents according to the Internal Revenue Service rules. For example, if the patient claims someone as a dependent on his/her income tax return, they may be considered a dependent for purposes of the provision of financial assistance.
- F. **Family Income:** The sum of a family's gross annual earnings and cash benefits from all sources before taxes, less payment made for child support. Sources of income include but are not limited to: Gross wages, salaries, dividends, interest, Social Security benefits, workers compensation, training stipends, regular support from family members not living in the household, government pensions, private pensions, insurance and annuity payments, income from rents, royalties, estates and trusts.

- G. **Financial Assistance Committee**: A team of hospital leaders that meets monthly to review data relating to financial assistance applications and determinations. The committee will consist of the hospital Chief Executive Officer, Chief Financial Officer, VP Mission Services, Revenue Integrity Director (or designee), Director of Case/Care Management, Patient Financial Counselor, or a similar mix of responsible hospital leaders.

H. **Financial Assistance Guidelines and Eligibility Criteria**

1. **General**. The Financial Assistance Guidelines and Eligibility Criteria below are designed to assure that patients with financial need are charged at a rate substantially less than insured patients, including the opportunity to receive 100% free care. The table below is used to determine the financial assistance discounts by tier for uninsured patients.

Eligibility Criteria		
Percentage of Poverty Guidelines	Discount Percentage	Catastrophic Cap
Up to 200%	100%	15%
201 - 300%	90%	15%
301 - 400%	80%	15%
401 - 600%	75%	15%
Over 600%	Determined on an exception basis	15%

2. **Annual Updates of Criteria Levels**. The Federal Poverty Guideline calculations will also be updated annually in conjunction with the published updates by the United States Department of Health and Human Services. The Eligibility Criteria discount percentage will be updated annually based on the calculation set forth by the Illinois Uninsured Patient Discount Act and Section 501(r) of the Internal Revenue Code (instituted by the Patient Protection and Affordable Care Act).
3. **Financial Assistance to Certain Crime Victims**. Individuals who are deemed eligible by the State of Illinois to receive assistance under the Violent Crime Victims Compensation Act or the Sexual Assault Victims Compensation Act shall first be evaluated for eligibility for financial assistance based on the Financial Assistance Guidelines and Eligibility Criteria. Applications for reimbursement under such Crime Victims Funds will be made only to the extent of any remaining patient liability after the financial assistance eligibility determination is made.
4. **Financial Assistance for Insured Patients**. Financial assistance/charity care in the form of 100% discounts (free care) is available for patient-liability amounts remaining after insurance payments, for insured patients who are Illinois residents with family gross income less than 200% of the Federal Poverty guidelines and after satisfying related co-payments/coinsurances up to \$300 per encounter.

- I. **Illinois resident:** A person who currently lives in Illinois and who intends to remain living in Illinois indefinitely. Relocation to Illinois for the sole purpose of receiving health care benefits does not satisfy the residency requirement. Acceptable verification of Illinois residency shall include any one (1) of the following:
1. Any of the documents listed in Paragraph (H);
 2. A valid state-issued identification card;
 3. A recent residential utility bill;
 4. A lease agreement;
 5. A vehicle registration card;
 6. A voter registration card;
 7. Mail addressed to the uninsured patient at an Illinois address from a government or other credible source;
 8. A statement from a family member of the uninsured patient who resides at the same address and presents verification of residency; or
 9. A letter from a homeless shelter, transitional house or other similar facility verifying that the uninsured patient resides at the facility.

All non-IL resident applications will be reviewed by the ministry Financial Assistance Committee.

- J. **Income Documentation:** Acceptable family income documentation shall include any one (1) of the following:
1. a copy of the most recent tax return;
 2. a copy of the most recent W-2 form and 1099 forms, or similar forms issued to members of partnerships, limited liability companies or other entities;
 3. copies of the two (2) most recent pay stubs;
 4. written income verification from an employer if paid in cash; or
 5. one (1) other reasonable form of third party income verification deemed acceptable to the hospital.
- K. **Medically Necessary Service:** Any inpatient or outpatient hospital service, including pharmaceuticals or supplies provided by a hospital to a patient, covered under Title XVIII of the federal Social Security Act for beneficiaries with the same clinical presentation as the uninsured patient. A "medically necessary" service does not include any of the following: (1) non-medical services such as social and vocational services; or (2) elective cosmetic surgery, but not plastic surgery designed to correct disfigurement caused by injury, illness or congenital defect or deformity.

L. **Presumptive Financial Assistance/Charity Care Eligibility:** Presumptive eligibility for financial assistance/charity care may be determined on the basis of individual life circumstances that indicate financial need. In these situations, a patient is deemed to have family income of 200% or less of the Federal Poverty Level, and therefore eligible for a 100% reduction from charges (i.e., full charity write-off). A patient therefore does not need to complete a financial assistance application when sufficient evidence is provided that they meet one of the following presumed eligibility criteria:

1. Participation in state-funded prescription programs.
2. Participation in Women's Infants, and Children's Programs (WIC)
3. Food stamp eligibility (LINK Card)
4. Subsidized school lunch program eligibility.
5. Low income/subsidized housing is provided as a valid address (Section 8 certificate holder)
6. Patient is deceased with no known estate.
7. Patient receiving or qualifying for free care from a community clinic affiliated with the hospital or known to have eligibility standards substantially equivalent to that of the hospital under this Policy, and the community clinic refers the patient to the hospital Ministry for treatment or for a procedure.
8. Patient is or states that he/she is homeless, and such status is determined to be accurate after appropriate review of the available facts.
9. Patient is mentally or physically incapacitated and has no one to act on his/her behalf.
10. Patient is currently eligible for Medicaid, but was not eligible on a prior date of service; in such case, instead of making the patient duplicate the required paperwork, the hospital Ministry will rely on the financial assistance determination process from Medicaid and apply a 100% discount for such prior service.
11. Patient receives a MANG denial due to asset availability.

M. **Uninsured Patient:**

1. A patient of a hospital who is not covered under any commercial health insurance Policy (including third party liability coverage) and is not a beneficiary or eligible to be covered by any governmental or other coverage program, including Medicare, Medicaid, TriCare, high deductible insurance, or other coverage arrangements.\
2. If an insured patient's coverage is exhausted, or the patient's insurance does not cover the Medically Necessary hospital service provided to the patient, the patient will be considered uninsured for purposes of financial assistance and the uninsured discount will also apply to these cases.

VI. PROCEDURE

A. Identification of Potentially Eligible Patients

1. Prior to Admission. When possible prior to the admission or pre-registration of the patient, the hospital will conduct an appropriate pre-admission/pre-registration interview with the patient, the guarantor, and/or his/her legal representative. If a pre-admission/pre-registration interview is not possible, this interview should be conducted upon admission or registration or as soon as possible thereafter. In case of patients who have come to the hospital's Emergency Department, the hospital's evaluation of payment ability should not take place until an appropriate medical screening has been provided, and in the case of patients determined to have an emergency medical condition, until after such condition has been stabilized.
2. Patient Interview. At the time of the initial patient interview, the following information should be gathered: (a) Routine and comprehensive demographic data and employment information: (b) Complete information regarding all existing third party coverage.
3. Patients Potentially Eligible for Public Programs. Patients who are identified as potentially eligible for healthcare coverage from a governmental program or other source will be referred to a Financial Counselor and expected to cooperate with efforts to determine their eligibility for coverage (e.g. Medicaid), prior to consideration for financial assistance. Such coverage eligibility efforts will be made at the hospital's expense, and will promote such public Policy goals by assuring eligible patients are covered by available health coverage programs.
4. Timing of Financial Assistance/Charity Care Application. A patient may apply for financial assistance at any time during the billing and collection process.

B. Determination of Eligibility

1. Provision of Financial Assistance Applications. All patients identified as uninsured will be provided a Financial Assistance application prior to discharge or at point of service (for outpatient services) and offered the opportunity to apply for financial assistance. If uninsured status is not determined until after the patient leaves the hospital, a Patient Financial Services representative will mail a financial assistance application to the uninsured patient upon request.
2. Expectations of Patient Cooperation. It is expected that patients will cooperate with the information gathering and assessment process in order to determine eligibility for financial assistance.

3. Application of Catastrophic Discount. The Catastrophic Discount will be available to patients who have medical expenses over a 12 month period for Medically Necessary Services from a Presence Health hospital that exceed 15% of the patient's family annual gross income, even after payment by third-party payers. Any patient responsibility in excess of the 15% will be written off to charity. Services that are not Medically Necessary will not be eligible for this discount.
4. Financial Assistance Committee Reviews of Special Circumstances. The Financial Assistance Committee will review patient accounts identified by a Financial Counselor that involve unique circumstances affecting financial need beyond the standard eligibility criteria.
 - a. The Committee may recommend to the System Chief Revenue Cycle Officer or his/her designee, specific exceptions to this Policy based on unusual or uncommon circumstances relating to financial need. All exception decisions must have the rationale clearly and formally documented by the Committee and maintained in the account file and must be made consistently across the System.
 - b. Special circumstances approvals of financial assistance for any person affiliated with the Hospital or System, such as employees, medical staff, board members, etc. or family member of such person, shall be subject to the approval of the Chief Legal Officer for Presence Health.
5. Assets Consideration. Assets will be used in the determination of the maximum collectible amount in a 12-month period. Assets will not be used for initial financial assistance eligibility, except to the extent of assets, other than Exempt Assets, that indicate the existence of unreported additional sources of income. (Patient may be excluded if patient has substantial assets, other than Exempt Assets defined as having a value in excess of 600% Federal Poverty Level). Distributions and payments from pension or retirement plans may be included as income.
 - a. Acceptable documentation of assets include:
 - i. Statements from financial institutions or some other third party verification of an asset's value.
 - ii. If no other third party exists the patient shall certify as to the estimated value of the asset.
6. Approval Authorities. The Business Office Financial Counselor may approve financial assistance for amounts up to \$25,000. The System Financial Assistance Manager may approve amounts greater than \$25,000 but lower than \$100,000. Amounts greater than \$100,000 will be approved by the hospital's CFO. Approval amounts must be in compliance with the Financial Assistance/Charity Care eligibility criteria.

C. Notification of Eligibility Determination

1. Normal Processing Period. Clear expectations as to the length of time required to review the application and provide a decision to the patient should be provided at the time of application. A prompt turn-around and written decision, providing a reason(s) for denial (if appropriate) will be provided, generally within 45 days of the hospital's receipt of completed application. Patients will be notified in the denial letter that they may appeal this decision and will be provided contact information to do so.
2. Suspension of Collection Activity. If a patient disagrees with the Financial Assistance eligibility determination, including regarding the extent of discount for which a patient is eligible, the patient may appeal in writing within 45 days of the denial. The Ministry's Chief Financial Officer will review the appeal, and make a recommendation to the Financial Assistance Committee. Decisions reached will normally be communicated to the patient within 45 days, and reflect the Committee's final review.
3. Suspension of Collection Activities Pending Eligibility Determination. Collection activity will be suspended during the consideration of a completed financial assistance application or an application for any governmental or other available healthcare coverage (i.e. Medicare, or Medicaid, etc.). A note will be entered into the patient's account to suspend collection activity until the financial assistance process is completed. If the account has been placed with a collection agency, the agency will be notified by telephone to suspend collection efforts until a determination is made. This notification will be documented in the account notes. The patient will also be notified verbally that the collection activity will be suspended during consideration.
4. Other Determinations of Financial Need Based on Objective Data. When a patient has not completed a financial assistance application but there is adequate objective information to support a determination of the patient's likely inability to pay, the patient's case will be submitted for review to the Ministry's CFO, who will make a recommendation to the Financial Assistance Committee. If approved for assistance, a 100% write off to financial assistance/charity care will be granted for all open accounts. Eligibility for financial assistance discounts for future dates of service will be determined at the dates such services are provided.
5. Refunding Patient Payments. No refunds will be given for payments made prior to the first date the patient applies for financial assistance, except in cases approved by the Financial Assistance Committee or Chief Legal Officer involving lack of effective communication with the patient or other extenuating circumstances.

6. Change in Status Notifications. If the patient with an outstanding bill or payment obligation has a change in his/her financial status, the patient should promptly notify the Central Billing Office (CBO) or hospital designee. The patient may request his/her and apply for financial assistance or a change in their payment plan terms.
7. Payment Arrangements. After the financial assistance/charity care discount has been applied, any remaining patient balances will be eligible for payment arrangements in accordance with Patient Financial Services policies. If a patient is unable to meet the payment arrangement guidelines due to special patient or family circumstances limiting the patient's payment ability, the Financial Counselor or similar representative may review and recommend additional financial assistance/charity care to the Ministry Financial Assistance Committee for the Committee's review and recommendation.
8. Application of Financial Assistance Discounts to Patient Accounts. Once a financial assistance eligibility determination is made, the applicable discount will be applied to all of the patient's open or bad debt accounts for services prior to the approval date. For subsequent applications made within six (6) months of an eligibility determination, patients may be asked to verify information that was provided during the initial application process.

D. Collection Practices

1. Pre-Litigation Review. Prior to an account being authorized for the filing of suit for non-payment of a patient bill, a final review of the account will be conducted and approved by the Financial Counseling Representative (or designee) to make sure that no application of financial assistance was ever received and that there exists objective evidence that the patient does have sufficient financial means to pay all or part of his/her bill. Prior to a collections suit being filed, the Self-pay Collections Director must review and approve.
2. Residential Liens. No hospital will place a lien on the primary residence of a patient who has been determined to be eligible for Financial Assistance/Charity Care, for payment of the patient's undiscounted balance due. Further, in no case will any hospital execute a lien by forcing the sale or foreclosure of the primary residence of any patient to pay for any outstanding medical bill.
3. No Use of Body Attachments. No hospital will use body attachment to require any person, whether receiving Financial Assistance/Charity Care discounts or not, to appear in court.
4. Collection Agency Referrals. Each hospital Finance accounting will ensure that all collection agencies used to collect patient bills promptly refer any patient who indicates financial need, or otherwise appears to qualify for Financial Assistance/Charity Care discounts, to a financial counselor to determine if the patient is eligible for such a charitable discount.

E. Patient Awareness of Policy and Availability of Assistance

1. Signage. Signs, placards or similar written notices regarding the availability of Financial Assistance Charity Care will be visible in all hospitals at points of registration and other patient intake areas, to create awareness of the Financial Assistance program. At a minimum, signage will be posted in the emergency department, and the admission/patient registration area. All public information and/or forms regarding the provision of Financial Assistance will use languages that are appropriate for the Ministry's service area in accordance with the state's Language Assistance Services Act. This Policy will be translated to and made available in Spanish and other languages appropriate for each hospital.
2. Hospital Bill/Invoice. Patient bills, invoices or other summary of charges shall include a prominent statement that patients who meets certain income requirements may qualify for financial assistance and information regarding how a patient may apply for consideration under the hospital's financial assistance Policy.
3. Policy Availability. Upon request, any member of the public or state governmental body will be provided with a copy of this Financial Assistance/Charity Care Policy. A summary of the financial assistance is available pursuant to this Policy and will be available on the Presence Health website.
4. Application Forms. Forms used to determine a patient's eligibility for financial assistance will be made available at each hospital, ministry, and provided at registration to all patients who are identified as uninsured or at other appropriate times or locations if the patient's uninsured status is determined after registration.

F. Monitoring and Reporting

1. Maintenance of Financial Assistance/Charity Care Logs. A financial assistance log from which periodic reports can be developed shall be maintained. Financial assistance logs will be maintained for a period of ten (10) years. At a minimum, the financial assistance logs are to include:
 - a. Account number
 - b. Date of Service
 - c. Application returned
 - d. Application completed
 - e. Total charges
 - f. Self-pay balances
 - g. Amount of Financial Assistance approved
 - h. Date financial assistance was approved or rejected

2. Review of Financial Assistance/Charity Care Logs. The Financial Assistance log for each hospital will be printed monthly for review at the hospital Financial Assistance Committee meeting.
3. Financial Assistance Authorization Record Retention. A record, paper or electronic, should be maintained reflecting authorization of financial assistance. These documents shall be kept for a period of ten (10) years.
4. Annual Reports to Governmental Bodies. The cost of financial assistance will be reported annually in the Community Benefit Report to the Community, IRS 990 schedule H and in compliance with the IL Community Benefit Act. Charity Care will be reported as the cost of care provided (not charges) using the documented criteria for the reporting requirements.

FORMS AND OTHER DOCUMENTS

Eligibility Criteria for the Financial Assistance Program
Hospital Financial Assistance Program Cover Letter and Application
Room and Board Statement

REFERENCES

Section 12-1001 Illinois Code of Civil Procedure
Title XVIII Federal Social Security Act
Illinois Uninsured Patient Discount Act
Illinois Fair Patient Billing Act
Illinois Violent Crime Victims Compensation Act
Illinois Sexual Crime Victims Compensation Act
Women's, Infant, Children Program (WIC)
IL Community Benefit Act
Internal Revenue Service (IRS) 990 Schedule H
Section 501(r) of the Internal Revenue Code (instituted by the Patient Protection and Affordable Care Act)
Ethical and Religious Directives for Catholic Health Services, Part 1
System Policy – Payment Arrangement



**Resurrection Health Care
2011 Community Benefits Plan
(Fiscal Year: July 1, 2011 - December 31, 2011)**

A Multi-Year Plan Updated Annually

Introduction

For more than 100 years, the Sisters of the Holy Family of Nazareth and the Sisters of the Resurrection have provided compassionate care to those in need-- particularly poor, marginalized and immigrant populations. This is the foundation of the Sisters' health care ministry, which they refer to as their "sacred trust", and which is embodied in the system of health care corporations collectively known as Resurrection Health Care.

This commitment to providing health and healing services for all people in a respectful and dignified environment is communicated in multiple ways, through words and actions, at all levels throughout the Resurrection Health Care system (RHC).

For example, the **RHC Sponsor Expectations** are a set of nine criteria by which the Sponsoring Congregations exercise oversight of the governance and management of Resurrection Health Care so that its healing mission continues to be effectively stewarded and advanced in the name of and in the spirit of the sponsors. Sponsor Expectation 6 requires that *"the services and practices of Resurrection Health Care will promote and defend human dignity."* In addition, Sponsor Expectation 7 states *"that Resurrection Health Care will be a moral force in society, working with other organizations to address the needs of the poor and the marginalized and affect the change needed to insure that all will have access to safe, quality health care across the continuum of care."* These expectations express the foundational beliefs of the Sponsors that those who live in poverty, and at the margins of society, have a moral and ethical priority for services. In addition, the leadership of RHC has a clear mandate (the "expectation") to design, implement and continuously provide services to the community in a way that is consistent with the values of the Sponsors.

Further, the **RHC Mission Statement** declares that *"motivated by a reverence for life and respect for those we serve, we are committed to improving the health and well-being of our community."* Throughout the organization, the leadership, at all levels, is held accountable to being "faithful to the Mission" by their decisions and actions.

Further, one of the attributes for the organization's desired leadership paradigm, called the **RHC Transformational Leadership Model**, is *"Respects Others."* This behavior is defined as *"taking action to build an inclusive environment characterized by mutual respect, compassion, forgiveness, honesty and the freedom to express ideas"* and includes attributes such as *"promoting and defending human dignity"* and *"attending to the whole person."* Every individual who holds a position of leadership within Resurrection Health Care has their annual performance evaluated according to their demonstrated competency of these attributes.

In addition, the entire organization strives to abide by its **Core Values** of Compassion, Accountability, Respect, Excellence and Service. Of particular significance to this Community Benefits Plan are the values of Compassion, Respect and Service. *Compassion* fosters a sensitivity to the spiritual, physical, psychological and emotional needs of every individual inspiring each to find comfort and hope. RHC seeks to develop systems and structures that attend to the needs of those at risk of discrimination because of age, gender, lifestyle, ethnic background, religious beliefs or socioeconomic status. The **Core Value** of *Respect* commits us to honor the diversity and dignity of each individual as a person created and loved by God and an inherently valuable member of the community. Finally, the **Core Value** of *Service* commits us to give of ourselves in order to respond appropriately to the needs of others. An example of this is the obligation for RHC to create policies and procedures that are at the service of those we serve and those who work with us. The acronym for the RHC Core Values is C.A.R.E.S. and this also describes our connection to the communities we serve.

As a vital health care ministry within the Archdiocese of Chicago, Resurrection Health Care is grounded in Catholic tradition and social teaching. As such, the Resurrection Health Care system adheres to the seven ***Constitutive Elements of Catholic Identity*** as defined by The Catholic Health Association:

1. Promote and Defend Human Dignity
2. Attend to the Whole Person
3. Care for the Poor and Vulnerable Persons
4. Promote the Common Good
5. Act on Behalf of Justice
6. Steward Resources
7. Act in Communion with the Church

Further, as a Catholic health care ministry, Resurrection Health Care abides by the ***Ethical and Religious Directives for Catholic Health Care Services*** promulgated by the United States Conference of Catholic Bishops which states that Catholic Health Care is called to provide "*service to and advocacy for those people whose social condition puts them at the margins of society and makes them particularly vulnerable to discrimination.*" (ERD, Part 1, Directive 3)

At Resurrection Health Care, we believe that it is our responsibility to be a significant moral force both in Chicago as well as nationally as we advance the Church's vision of a just society with special attention to the poor, the marginalized and the vulnerable. The Resurrection Health Care Mission Division exists to advance these commitments. One of the recurring and persistent themes promulgated by the Mission Division is a challenge to each employee to "Claim the Mission" in their daily actions. The six Resurrection hospitals, and all of its other health care ministries, work to advance this vision through advocacy, community outreach, commitment to social justice, mission-related programs and services and effective community benefit activities. It is our hope that as a result of staying true to our Mission, Core Values and Sponsor Expectations, Resurrection Health Care will continue to be highly effective in proactively addressing public policy and remain an active partner in activities that benefit the communities it serves, in general, and the individuals who live and work in those communities, in particular.

The tradition of community service to those most in need is deeply ingrained in the culture and everyday practices of Resurrection Health Care. The ***Community Benefit Report*** is one way that RHC measures its commitment to its communities by fulfilling the Community Benefits Plan. While this plan fulfills the reporting requirements of the Illinois Community Benefits Act, Resurrection Health Care has documented its community service and benefits for many years prior to the Act's enactment.

The ***Community Benefits Plan*** outlined here is guided by the ***Resurrection Health Care Mission*** (Exhibit 1) and its related ***Core Values*** of Compassion, Accountability, Respect, Excellence and Service. These concepts guide our operations in every way-- from care at the bedside, to community involvement outside our walls, and to every business decision in every operational area of the organization. As such, the RHC Mission and Core Values serve as the foundation for its Strategic planning, which provides the focus for Resurrection Health Care's ***Community Benefits Plan***.

Resurrection Health Care's ***Community Benefits Plan*** is an operational plan for identifying and serving community health care needs, and detailing the goals and objectives for providing community benefits. The plan identifies the specific populations and communities served by

Resurrection Health Care and reports on the various health care needs of the communities that were considered in developing the Plan.

About The Data

The data presented in this report will not perfectly correlate with IRS Form 990 filings for the Resurrection Health Care hospitals whose data are set forth collectively in this report, due to different reporting requirements for the federal Form 990 and the Illinois Community Benefits Act. In addition, some of the data presented may not be a true reflection of the current economic state of some of our communities given the downturn in the economy over the last two years. Most data set and reports published are using retrospective information.

RHC Strategic Planning

Since 2004, Resurrection Health Care has had a rigorous strategic planning process which formalized the system's extraordinary commitment to addressing the health care needs of the communities it serves. The most recent update to the RHC Strategic Plan occurred in 2010 and addresses the period from 2010 to 2014.

Core Competencies

The Mission of Resurrection Health Care is integrated into its strategic planning process through the concept of ***Core Competencies***. These competencies were developed to ensure that the Mission and Vision of RHC are integrated into the Strategic Planning Process and that the Strategic Plan itself is in service to our commitment to live out our Mission in the communities we serve.

The six Core Competencies are intended to cut across the entire spectrum of Strategic Goals and Initiatives. They are considered the foundational requirements of future success.

One of the Core Competencies is **Mission Integration**. Resurrection Health Care believes that Mission Integration occurs at all levels of the organization through a process of education, modeling and affirmation, first by leaders and subsequently by all involved in health care at any level. Thus, this Core Competency clarifies the overarching responsibility of Resurrection Health Care to live its mission, values and guiding principles. The Mission Integration competency underlies Resurrection Health Care's commitments to: treating the whole person; respecting the diverse backgrounds of our patients and employees; pursuing our healing mission; and effectively using our resources to address community health care needs. Mission Integration is not just limited to the Strategic Planning plan. Rather it is a fundamental way in which we act and in how we serve our communities. It is the way we "Claim the Mission."

Another Core Competency is **Community Needs Assessment and Benefit Reporting**. Resurrection Health Care is a member of the Catholic Health Association (CHA) and, as such, adheres to the CHA's foundational beliefs relative to community benefit:

- Those who live in poverty and at the margins of our society have a moral priority for services.
- Not-for-profit health care has a responsibility to work toward improved health in the communities they serve.
- Health care facilities should actively involve community members, organizations and agencies in their community benefit programs.
- Community benefit programs must be integrated throughout health care organizations.
- Leadership commitment is required for successful community benefit programs.

The community needs assessment and benefit reporting competency calls upon Resurrection hospitals and other system health care entities to partner with their communities and address community health needs through a continuum of care settings, with emphasis on wellness and prevention. In addition, Resurrection hospitals and other system providers are expected to seek collaboration opportunities with organizations that share our values of working for the good of our communities

The focus of these two Competencies, in particular, must be evident in the ministry of Resurrection Health Care both in the community as well as within the workplace.

Other Community-focused Strategic Imperatives

In addition to the Core Competencies of the Resurrection Health Care Strategic Plan, there are several components that lead directly or indirectly to benefits to the community, such as:

- Resurrection Health Care is committed to offering product lines, specialty services and technologies that meet the unique needs of the communities it serves, especially those with diverse language and/or cultural needs.
- Resurrection Health Care hospitals and other providers are expected to collaborate with the community by participating in committees, boards, or other forums as appropriate, and by involvement in community related projects such as health fairs, educational programs, community relations councils and groups and the furtherance of health care vocational opportunities.
- Resurrection Health Care is dedicated to being especially sensitive and attentive to the needs of the disadvantaged and marginalized people in our communities. Resurrection is committed to ensuring that its charity care and financial assistance policies are attuned to the economic realities facing its service areas, since it strongly believes that everyone deserves accessible, affordable health care.
- Resurrection Health Care is committed to identifying opportunities for partnering with other providers, government agencies, community groups and others who share our vision and mission in order to continue to improve the health and well-being of the community and expand access to care. Resurrection Health Care is committed to taking a leadership role in initiatives related to health care issues to effect positive change on the health care environment.

Since Mission Integration and a commitment to the community through community need assessment and community benefit reporting permeates the strategic plan document, a sound basis for this *Community Benefit Plan* has been provided.

Population and Communities Served by Resurrection Health Care

Resurrection Health Care serves a diverse community of over two million people from forty (40) zip codes primarily located on the North/Northwest Side of Chicago and surrounding suburbs. This large and varied region requires comprehensive service to a number of populations: uninsured and

poorly insured; all age categories—children, adults, seniors; various ethnic populations and immigrants; and individuals from various prominent disease categories.

The primary service area of Resurrection Health Care hospitals in 2011 is characterized as follows:

- The population is approximately 41.0% White, 33.2% Hispanic, 16.1% African-American, 7.0% Asian and 2.7% other non-Hispanic.
- The Hispanic population represents 33.2% of the population of the service area, compared to the national average of 16.1%.
- Approximately 19.6% of Resurrection Health Care's primary service area population is uninsured. That figure is estimated to drop down to 6.6% in five years due to the health care reform bill.
- The unemployment rate in the primary service area is 10.6% of the total labor force. The number of females of childbearing ages (15-44) is expected to decrease by 5.8% over the next five years.
- Individuals 65 and over are 11.2% of the primary service area.
- The overall population of the service area is expected to decrease by -0.2% over the next 5 years.
- The median 2011 household income for the primary service area is \$51,223.

Source: Thomson Medstat, Claritas 2011

The above characteristics serve to focus the Resurrection Health Care community benefit efforts so they address the areas of greatest need.

The Health Care Needs of the Community

In 2009, the Metropolitan Chicago Healthcare Council developed a Community Needs Assessment for the City of Chicago which can be used as a planning tool for all Chicago area health care providers, including Resurrection Health Care. This process included the collaboration between other providers, community and government agencies, and yielded data and recommendations that can be used in future community benefits planning.

In order to ascertain the health care needs of the community served by Resurrection Health Care, a number of internal and external sources were reviewed. The quantitative data focused on published health status indicators as well as our own direct measures of expressed community needs (via phone calls, website and survey responses), while the qualitative data relied upon the direct experience of RHC staff with clinical and health education responsibilities.

External Sources for Assessing Community Needs

- **Chicago Department of Public Health – *Healthy Chicago 2020*.** The Healthy Chicago 2020 report identifies 12 health priorities to improve upon in the Chicago area. Each priority was identified based on historical and current data in addition to consultations with the objectives of the national Healthy People 2020 plan. Strategies and Interventions are provided for each health priority.
- **Chicago Department of Public Health – *Casting Chicago's Health Care Safety Net: A 12-Year Review of Chicago's Community-Based Primary Care System*.** The report highlights

the changes that occurred in Chicago's community-based health care safety net system between 1990-2002. The report also explores, for the same 12-year period, changes in related indicators: general population characteristics, health status and insurance coverage.

- **Building a Healthier Chicago (BHC)** is a collaborative of local and national stakeholders working to strengthen efforts to promote the health of Chicago residents. Resurrection is a vital stakeholder in BHC. This organization seeks to create integrated, effective and sustained community-wide partnerships for health promotion. Its goal is to improve the health of Chicago residents by providing information on policies and programs to help promote healthier lifestyle choices for Chicago residents as well as the prevention and treatment of high blood pressure.
- **Metro Chicago Information Center (MCIC)** is an organization that details information on community needs assessments for the city of Chicago. The information identifies the demographics and community needs by categorizing the city into six distinct areas or communities.
- **Metropolitan Chicago Healthcare Council (MCHC) Needs Assessment** is a comprehensive, data driven approach to determine the health status, and understand the behaviors and needs of the residents of Cook, Lake, and DuPage counties. This study can be used to address and understand the needs of individual communities.
- **We/Plan 2005-2010** (in conjunction with The Cook County Department of Public Health) summarizes the process of assessment – a systematic collection and analysis in order to provide a basis for decision making – and community strategic planning. *We/Plan 2005-2010* is a compilation of data and analysis, measurable objectives, available resources, interventions and preliminary implementation steps for three priority health indicators: chronic disease, violence and access to care.
- **Taking a Closer Look at Illinois Uninsured** (2009 edition) published by the Gilead Outreach & Referral Center, documents the most current demographics of uninsured individuals and families in Illinois. The report demonstrates that 1.6 million Illinoisans still lack basic health care coverage.
- **The Heartland Alliance** is an independent, non-sectarian, non-profit organization serving more than 200,000 people annually. There are two documents that provide data on Illinois poverty: *The 2009 Report on Chicago Region Poverty* is the ninth annual comprehensive analysis of poverty indicators in Illinois. The report explains that unemployment and poverty are correlated; rising unemployment precipitates an increase in poverty. With the Illinois unemployment rate already over 9 percent, the ripple effect on Illinoisans will be severe, according to researchers. *The 2010 Report on Illinois Poverty* contains poverty data from 2008 and therefore does not fully capture the effects of the recession
- **Illinois Department of Public Health (IDPH)** publishes *The Illinois Project for Local Assessment of Needs (IPLAN)*, a community health assessment and planning process and online tool that is conducted every five years (2006 is most current data) by local health jurisdictions in Illinois.
- **Healthy People 2020** is an updated initiative by the U.S. Department of Health and Human Services, composed of federal, state and territorial departments, to strategically focus on initiatives which can be measured and which promote healthy living and disease prevention.

Their website offers information on many leading indicators that are currently being measured. In addition, all community benefit activities are reported and organized using the Community Benefit Inventory for Social Accountability (CBISA) software which utilizes the Healthy People 2010/2020 categories in its database.

Internal Sources for Assessing Community Needs

- **Resurrection Health Care's Strategic Planning Process**, *includes comprehensive assessments of service area demographics, identified needs, health care trends, market share, financial outcomes, capital needs, and other factors.*
- **RES-INFO** is a widely utilized Resurrection Health Care telephone service/contact center that provides nurse advice, physician referrals, health information and health care class registrations to callers. Staffed by clinicians and other professionals, community members access **RES-INFO** by utilizing a toll-free number and the RHC Website. Summary reports indicate the types of health care providers callers seek, the symptoms they need assistance with, the health information they are seeking, and the health classes and seminars they would like to take.
- **The Resurrection Health Care Website (www.reshealth.org)** provides an online health information library as well as information related to the full continuum of available health care services, the Resurrection financial assistance program, educational programs and screenings, an online physician search and online job application system, to name a few of the available topics. A parallel version of the site is also available in Spanish. Regular review of site usage statistics provides useful information about the health concerns of website visitors.
- **Neighborhood Community Relations Activities**
Each Resurrection Health Care hospital has a Neighborhood Community Relations Committee made up of representatives of the hospital, local clergy, business groups, community service agencies and elected officials. These committees work together to identify community health needs and devise strategies and tactics to address those health needs together, with an overall goal of improving the health status of the community.
- **Resurrection Health Care** clinical educators, health educators and physicians supply significant empirical research on the needs of the community. Resurrection Health Care operates several clinics in and around each hospital. Clinical and professional staffs also obtain patient data through health education, health screenings, health fairs and other clinical encounters.

Summary of Community Need Findings

Greatest Threats to Health and Survival

- The leading causes of death in Chicagoland are heart disease (26.9%), cancer (24.0%) and stroke (5.6%). [2009 PRC-MCHC Community Health Assessment Report, p. 46]
- Heart disease and cancer are the greatest disease threats to public health in Suburban Cook County as well. In suburban Cook County, nearly 1 in 2 deaths during 2006 was caused by heart disease. [IDPH, *Illinois Project for Local Assessment of Needs*, 2006]

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- In persons aged 1-24 years in Chicagoland, the leading causes of death are homicide and motor vehicle accidents. Among Blacks and Hispanics, homicide is the leading cause of death. Chicago Department of Public Health, "Leading Causes of Death," 2006 Volume XVII Number II, pp. 6-7 and 12]In the recent MCHC Community Health Assessment report, Blacks' homicide death rate is 4 times higher than Hispanics and 13 times higher than Whites in Cook, DuPage, and Lake Counties. [2009 PRC-MCHC Community Health Assessment Report, p. 95] Violent acts in the community threaten the quality of life as well as the mental well-being of many people in the Chicagoland community. Per 2008-2009 data, the City of Chicago had 12.0 percent of live births by females under age 20 years, while it was 9.6 percent statewide [IDPH, *Illinois Teen Births by County 2008-2009*]. There is an overall decrease when compared to 2007-2008 data which shows the City of Chicago had 12.8 percent of live births by females under age 20 years and 10.0 percent statewide [IDPH, *Illinois Teen Births by County 2007 - 2008*]
- In 2008, the infant mortality rate for the city of Chicago was 8.1 per 1000 live births. This rate is higher than the Cook County rate of 7.7 per 1,000 births and the state of Illinois rate of 7.2 per 1,000 births [IDPH, *Infant Mortality Numbers by County, 2006-2008*]
- Lung cancer and breast cancer related deaths are the two most frequent causes of cancer mortality in women in Chicagoland. These mortality rates have decreased over the last several years in Cook, DuPage, and Lake Counties. [WE/Plan 2005-2010, p.73] [2009 PRC-MCHC Community Health Assessment Report, p. 65]

Poor and Uninsured Populations: Severe Needs and Barriers to Accessing Health Care

- 20.5% of Chicago area residents live below the federal poverty threshold while 9.1% of Chicago area residents live in extreme poverty, below 50%. [Heartland Alliance, *2009 Report on Chicago Region Poverty*, p. 2]
- 20.6% of Chicago area residents live near the poverty level (between 100 and 199% of federal poverty threshold). [Heartland Alliance, *2009 Report on Chicago Region Poverty*, p. 2]
- Through the expansion of governmental health care coverage programs such as All Kids and Family Care and the outreach and enrollment efforts by Gilead and others, the number of uninsured Illinois children dropped by 27% (by almost 90,000 to 236,000) compared to 2006. [Gilead, *Taking a Closer Look at Illinois Uninsured*, , April 2009, p. 4]
- Twenty-four percent of Chicago's population is uninsured. [Gilead, *Taking a Closer Look at Illinois Uninsured* April 2009, p. 16]
- Ten percent of Chicago children age 0-18 are uninsured. [Gilead, *In Their Own Words, The Voice of the Uninsured*, April 2009, p. 17]
- 9.5% of the Chicago labor force is unemployed—thus without income or employer-sponsored insurance [Illinois Department of Employment Security, 3-month (Jun-Aug 2011) Local Area Unemployment Statistics]
- Hospitals in the metropolitan Chicago area increased their charity care donations by more than 16 percent in 2008. [MCHC, October 2010, *Providing Care in a Recession*]

Ethnic Populations: Special Needs and Significant Barriers to Accessing Health Care

- From 2011 to 2016, the Hispanic population will grow from 33.2% to 34.6% and the Asian population will grow from 7.0% to 7.4% in the RHC PSA while the RHC PSA population will decrease by 0.2%. These groups have special language and cultural needs that impact access to and quality of health care. [Thomson Medstat, Claritas, 2011]
- The number of Chicagoans whose primary language spoken at home is not English is 46.9% [Thomson Medstat, Claritas, 2011]
- Hispanics are now the largest minority group in the RHC PSA, accounting for 33.2% of the region's population, compared to 16.1% for blacks. [Thomson Medstat, Claritas, 2011]

Other Needs and Barriers to Accessing Health Care

- Over 25% of adults aged 18 to 64 in Downtown/West Cook and Southwest Cook are more likely to be without any type of coverage for health care services compared to all other adults nationally. [2009 MCHC Community Health Report, September 2009, pg. 11]
- Over 50% of North Cook County residents report some type of difficulty getting health care in the past year, a percentage that is higher than all other areas in the US. [2009 MCHC Community Health Report, September 2009, pg. 11]
- Transportation is often a greater barrier to accessing health services in Cook County than it is in DuPage county, Lake counties, and nationally. [2009 MCHC Community Health Report, September 2009, pg. 11]
- 23.4 % of adults in Cook County failed to fill needed prescriptions in the past year due to cost compared to 19.7% of adults nationally. [2009 MCHC Community Health Report, September 2009, pg. 11]
- Cook County Adults are 27.1% more likely to not have a particular doctor or clinic they go to for routine medical care (a "medical home") compared to 23.2% of all American adults. [2009 MCHC Community Health Report, September 2009, pg. 11]
- The top three community needs identified by respondents to a Metropolitan Chicago Healthcare Council community needs survey related to insurance issues, access to care and cardiovascular treatment and management. [Source: 2009 MCHC/PRC Community Health Assessment Report]
- The top three health services needed in the community, as identified by the same survey respondents, included insurance issues, access to care and a tie between cardiovascular and weight control/obesity treatment and management. [Source: 2009 MCHC/PRC Community Health Assessment Report]
- **RES-INFO** is a widely publicized Resurrection Health Care telephone service/contact center that provides nurse advice, physician referrals, health information and health care class registrations to callers. Staffed by clinicians and other professionals, community members access **RES-INFO** by utilizing a toll-free number and the RHC Website. Summary reports indicate the types of health care providers callers seek, the symptoms they need assistance

with, the health information they are seeking, and the health classes and seminars they would like to take.

- The most frequent type of health care providers that callers to RES-INFO (physician referral, nurse advice, class registration, health information contact center) requested was primary care physicians: family practice, internal medicine, and obstetrics and gynecology, followed by orthopaedic surgeons and dermatologists [Note: the specific order by volume was family practice, internal medicine, obstetrics and gynecology, orthopaedic surgery, and dermatology]. These physicians are essential links to general health.
- The most frequent symptoms voiced by RES-INFO callers include: abdominal pain/discomfort, chest pain/discomfort, nausea/vomiting, back symptoms, vaginal bleeding (premenopausal), and upper respiratory infections/colds.
- The most frequent health library topics discussed with RES-INFO callers include: gastrointestinal conditions (constipation, gastroenteritis), infectious diseases (colds, flu, viruses), diagnostic testing (blood tests, colonoscopy, vital signs), cardiovascular concerns (chest pain, peripheral artery disease, high blood pressure), and reproductive/women's health (pregnancy tests, natural family planning, menopause).
- The most frequent Spanish health library topics accesses by visitors to the Resurrection website during 2010 included: Pulmonary Embolism; Information About the Backbone, Shoulder, and Pelvis; General Description of the Vascular System; Knee Tendinitis; and About the Heart and the Blood Vessels.
- The most frequent English health library topics accesses by visitors to the Resurrection website during 2011 included: Femoral Popliteal Bypass Surgery, Overview of Chromosome Abnormalities, Thoracic Aortic Aneurysm, Stomach and Duodenal Ulcers, Anatomy and Physiology of the Nose and Throat, Pregnancy - Anatomy of Female Pelvic Area, Anatomy: Fetus in Utero, High-Risk Newborns - Blood Circulation in the Fetus and Newborn, Hip Problems and Anatomy of a Joint.

The application of the Community Needs Index tool to each Resurrection hospital's service area indicated that while *some progress has been made there are still many pockets where multiple barriers to accessing health care exist:*

- *Thirty-six of the total 67 zip codes in Resurrection's combined hospital service area scored 3 or above on the Community Needs Index (Scale: 1= Low Need and 5= High Need) — showing a high level of need with significant barriers to accessing health care. This is 54% of the zip codes in the densely populated geographic area served by Resurrection hospitals.*
- *Every zip code but one in Saints Mary and Elizabeth Medical Center's service area had a Community Needs Index score 3 or above, showing continued high levels of need.*
- *Twenty-seven out of the 39 Saint Joseph Hospital's service area zip codes scored 3 or above on the Community Needs Index.*
- *Eight out of the 11 zip codes in Saint Francis Hospital's service area had Community Needs Index scores of 3 or above.*
- *The largest zip code (60639) in the Our Lady of the Resurrection Medical Center service area scored 3.63 on the Community Needs Index.*

Goals & Objectives

Central to Resurrection Health Care's Mission is improving the health and well-being of its community. Having reviewed qualitative and quantitative data detailing health care needs and barriers to accessing health care, the following related goals and objectives have been established for 2009.

1. Community Health Improvement Services: Health Maintenance, Disease Prevention and Safe Communities

Goal: Work to improve the overall health status of the communities served.

- Each Resurrection Health Care hospital will continue to:
 - provide health screenings tailored to the communities served.
 - provide health education to meet specific community needs.
 - provide support groups that promote healthy behaviors.
 - provide health fairs to the community to provide information and screenings on critical health topics.
 - maintain the system-wide "Move Your Numbers" campaign to address negative health indicators

Goal: Facilitate community members' management of their own health by providing information on health care topics and multiple ways to access appropriate providers of care.

- Resurrection Health Care will continue to:
 - provide the *RES-INFO* call center that features nurse advice, physician appointments, class registrations and health information by phone, mail, and email.
 - maintain a website with useful information for its communities on topics such as financial assistance, health care services, physicians, employment opportunities and other health-related information.
 - provide a parish nurse program in selected communities. sustain the System-wide "Move Your Numbers" campaign to increase community awareness and responsibility for critical health indicators

2. Charity Care & Government Sponsored Indigent Care

Goal: Provide free and discounted care to all patients who qualify.

- Resurrection Health Care will continue to:
 - maintain its financial assistance/charity care policy with 100% of hospital patients who apply and qualify.
 - ensure that its charity care policies and practices are attuned to the realities facing our service area population.
 - provide unreimbursed care to accommodate the shortfall of reimbursement by government sources.

3. Improving Systems for Personal and Public Health: Affordable, Accessible Ambulatory Care

Goal: *Ensure adequate, affordable, accessible outpatient health care services are available. Provide such services with particular sensitivity and attention to the needs of the disadvantaged and marginalized populations.*

- Resurrection Health Care will continue to:
 - promote and facilitate the expansion of RHC-affiliated community clinics and federally qualified health centers located throughout the RHC service area.
 - provide Immediate Care Centers in selected areas to help address walk-in health care cases that are not emergent in nature.
 - provide outpatient services (i.e. imaging, laboratory, surgery) at all RHC hospitals.

4. Language Assistance Services

Goal: Remove barriers to health care services to patients with limited English proficiency.

- Resurrection Health Care will continue to:
 - provide interpreter services at all Resurrection Health Care hospitals and clinics.
 - translate patient education materials into other languages as appropriate to local communities. (Note: These languages are most often Spanish and Polish.)
 - provide signage in other languages as appropriate to local communities.
 - provide financial assistance and charity care materials in other languages as appropriate to local communities.
 - provide health education notifications and promotional materials in other languages as appropriate to local communities.
 - maintain a Language Assistance Services Task Force to insure the standardization of services and a best practices model for providing Language Assistance and Hearing Impaired services throughout the system.

5. Community Building and Leadership Activities: Community Outreach and Collaboration

Goal: Communicate and partner with the community to ensure community health care needs are appropriately identified and met.

- Resurrection Health Care will continue to:
 - build relationships with key community organizations and leaders—including clergy and elected officials—to help determine community needs, to seek input on ways to meet those needs and to collaborate in ways that benefit the community.
 - assess and incorporate ideas and observations from its physicians and employees.
 - develop mechanisms (such as advisory boards and community outreach) to facilitate communication and collaboration.
 - seek input from its patients through patient satisfaction or other surveys.
 - offer community outreach programs that result in health education and disease screenings.

- communicate with the general public about new key developments through communications such as media releases, lobby posters, brochures, newsletters and the website.
- annually report its community benefit goals and activities to the community.
- stay abreast of community trends and needs through primary and secondary research such as the sources mentioned earlier in this plan.
- provide continuing organization and leadership to the Healthy Kids & Families Network, a public-private partnership formed by Resurrection Health Care, to link a city-wide network of community partners with state certified application agents who assist families in wellness activities and applying for public health insurance.

6. Education of Health Care Professionals

Goal: Resurrection Health Care will continue to educate health care professionals to ensure quality of care, availability of care and an adequate number of health care providers to meet community needs now and into the future.

- Resurrection Health Care will:
 - support and enhance its medical residency programs.
 - support and enhance the Saint Francis School of Radiography as well as its other educational programs to support allied health professionals.
 - support and enhance Resurrection University (formerly West Suburban College of Nursing) and promote continued education and advancement in the nursing profession and other allied health professions.
 - support and enhance its Clinical Pastoral Education Program to continue the education and training of professional chaplains.
 - support and enhance the leadership development and mission commitment of its employees through the three Transformational Leadership Programs.
 - offer and enhance continuing education through the Resurrection Learning Institute (RLI) for its employees to promote enhanced professional competence, personal development and career advancement opportunities.

System-wide Community Benefit Initiatives

In addition to the goals and objectives listed above, Resurrection Health Care has maintained two system-wide community benefit initiatives for the 2010-2011 Fiscal Year. This effort was implemented in order to consolidate the resources of the entire RHC System toward two particular community need issues. In addition, it is expected that the system-wide approach to these specific initiatives will foster the creation of best practices as facilities share both the activities developed as well as the outcomes realized.

The two system-wide community benefit initiatives were as follows:

1. Confronting the epidemic of obesity

- a. Programs were established to identify weight and body mass index for those at risk
- b. Programs were established for healthy eating and nutritional counseling
- c. Programs were created for fitness, exercise, weight loss/reduction
- d. Programs that connected with public and private schools, workplaces and public shopping areas were implemented.
- e. Efforts were made to connect to existing resources such as the "Let's Move Our Numbers" campaign in each Resurrection hospital community.

2. Improving community access to healthcare information and resources.

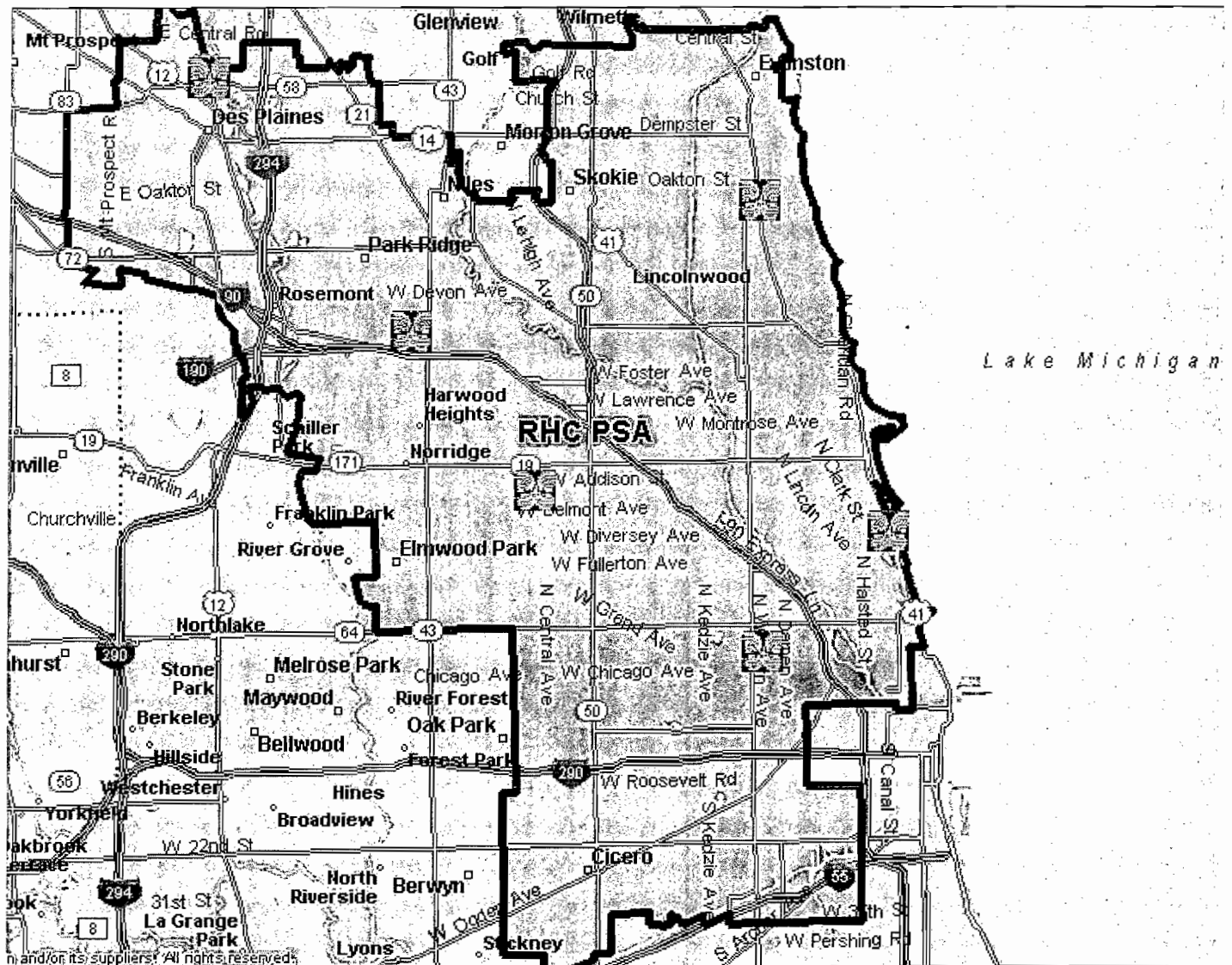
- a. **Programs were implemented that provided screenings and health status information for critical areas such as body mass, blood sugar, cholesterol, blood pressure, etc.**
- b. Information on programs and services in the community that address critical health factors were provided.
- c. All facets of communication with community: media, web-based, support groups, health screenings, etc were utilized.
- d. Connections to existing resources were made as appropriate.

Conclusion

Resurrection Health Care's dedication to serving its communities—in particular, the poor and disadvantaged populations—dates back to the beginnings of its Sponsors' health care ministry in the late 19th Century. Despite the often daunting obstacles facing many of our more challenged communities, RHC hospitals and facilities remain a vital and integral part of communities throughout Chicagoland and are firmly dedicated to providing community benefits that address critical needs.

Implementing its *Community Benefit Plan* is one of many ways that Resurrection Health Care fulfills its Mission to witness God's love through compassionate, family-centered care and to improve the health and well-being of its communities.

All Resurrection Health Care Hospitals and Primary Service Area (PSA)



Zip Codes in Cook County:	166
RHC Service Area Zip Codes:	40
% of Cook County Zip Codes covered by RHC PSA:	24%
2010 Population of Cook County:	5,193,817
2010 Population of RHC PSA:	2,064,620
% of Cook County population covered by RHC PSA:	40%
# of hospitals in Cook:	74
RHC Hospitals in Cook:	6

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POLICY PROTOCOL		
CATEGORY: Finance		NUMBER: 100.15
TITLE: Financial Assistance/Charity Care and Uninsured Patient Discount Programs (This policy applies to hospitals only)		TITLE NUMBER: 122.05
		PAGE: 1 OF 17
EFFECTIVE DATE: February 2002	REVISION DATE: January 2009	SUPERSEDES: September 2004
REFER TO:		LOCATION:

PHILOSOPHY

Finance Policies are intended to provide guidelines to promote responsible stewardship and allocation of resources.

PURPOSE

This policy establishes guidelines for the development and application of financial assistance and uninsured patient discount programs, by Resurrection Health Care system (RHC) hospitals. Such programs will be designed to assist individuals in financial need and other medically underserved individuals or groups to obtain appropriate medical care and advice, and thereby improve the health of those in the communities served by RHC hospitals.

PROCESS

1. Definitions

- 1.1 Federal Poverty Level means the level of household income at or below which individuals within a household are determined to be living in poverty, based on the Federal Poverty Guidelines as annually determined by the U.S. Department of Health and Human Services.
- 1.2 Financial Assistance/Charity Care means providing a discount of up to 100% of the charges associated with a patient's hospital care, or a discounted fee schedule, based on financial need.

POLICY PROTOCOL		
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- 1.3 Financial Assistance Programs means all programs set forth herein to provide assistance to those in financial need including financial assistance/charity care, uninsured patient discounts, and medical indigence discounts and payment caps.
- 1.4 Financial need means documented lack of sufficient financial resources to pay the applicable charge for medical care. Financial need may be evidenced by low household income and asset levels, or high levels of medical debt in relation to household income (medical indigence). Financial need determinations also take into consideration other relevant circumstances, such as employment status or health status of patient or other household members, which may affect a patient's ability to pay. The existence of financial need must be demonstrated by information provided by or on behalf of the patient, and/or other objective data available to the hospital. RHC hospitals may use asset or debt information to assist in making a determination regarding financial need, when income data is unavailable or inconclusive, or reported income is not supported by objective data.
- 1.5 Illinois Resident or Cook County Resident means a person who lives in Illinois (or Cook County as applicable) and intends to remain living in Illinois (or Cook County) indefinitely. Relocation to Illinois or Cook County for the sole purposes of receiving health care benefits does not satisfy the residency requirement.
- 1.6 Illinois Uninsured Patient Discount Act means the hospital uninsured patient discount act, as passed by the Illinois General Assembly in 2008, effective as of April 1, 2009, and as amended from time to time.

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1.7 Medically Necessary Hospital Services means:

1.7.1 Except to the extent necessary to determine services subject to the Illinois Underinsured Patient Discount, for purposes of this policy "Medically Necessary Hospital Services" means those hospital services required for the treatment or management of a medical injury, illness, disease or symptom that, if otherwise left untreated, as determined by an independent treating physician or other physician consulted by an RHC Hospital would pose a threat to the patient's ongoing health status, and that would be (a) covered by guidelines for Medicare coverage if the patient were a Medicare beneficiary with the same clinical presentation as the Uninsured Patient; or (b) a discretionary, limited resource program for which the potential for unlimited free care would threaten the hospital's ability to provide such program at all (such as substance and chemical abuse treatment, continuing care for certain chronic diseases, chemotherapy and HIV drugs, other than when provided in connection with other Medically Necessary Hospital Services).

1.7.2 Examples of services that are not Medically Necessary Hospital Services include, but are not limited to: (1) cosmetic health services; including elective cosmetic surgery (exclusive of plastic surgery designed to correct disfigurement caused by injury, illness, or congenital defect or deformity); (2) services that are experimental or part of a clinical research program; (3) elective goods or services that are not necessary to treat an illness or injury; (4) private and/or non-RHC medical or physician professional fees; and (5) services and/or treatments not provided at an RHC Hospital; (6) pharmaceuticals or medical equipment, except to the extent required in connection with other medically necessary inpatient or outpatient care being received by a hospital patient; and (7) procedures or services for which the hospital provides a discounted "flat rate" pricing package.

POLICY PROTOCOL		
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Finance		100.15
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- 1.8 Non-Retirement Household Liquid Assets includes cash, or non-cash assets that can readily be converted to cash, owned by a member of a household, including savings accounts, investment accounts, stocks, bonds, treasury bills, certificates of deposit and money market accounts, and cash value of life insurance policies. Non-retirement household liquid assets will not include a patient's equity in his or her primary residence or assets held in qualified retirement plan or other similar retirement savings account for which there would be a tax penalty for early withdrawal of savings.
- 1.9 RHC Hospital means a hospital that is part of the not-for-profit, Catholic-sponsored health care system known as "Resurrection Health Care".
- 1.10 RHC Hospital Service Area means, for all hospitals, Cook County and with respect to each individual RHC hospital those portions of any adjacent counties that are within such hospital's defined service area or core community, based on the zip code of a predominant portion of the hospital's patient population.
- 1.11 Uninsured Patient means an individual who is or was a patient of an RHC hospital and at the time of service is or was not (a) covered under a policy of health insurance or (b) not a beneficiary under a public or private health insurance, health benefit, or other health coverage program, including Medicare, Medicaid, TriCare, SCHIP and All-Kids, high deductible health insurance plans, workers' compensation, accident liability insurance, or other third party liability plan.
2. Patient Treatment Standards. All patients of RHC hospitals shall be treated with respect and dignity regardless of their ability to pay for medical care, or their need for charitable assistance.



POLICY PROTOCOL		
CATEGORY:		NUMBER:
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3. Financial Assistance/Charity Care and other Financial Assistance Programs

- 3.1 Discount for Low-Income Uninsured Patients. Financial Assistance/Charity Care discounts or discounted fee schedules will be available for Medically Necessary Hospital Services provided to Uninsured Patients who are unable to pay all or part of the otherwise applicable charge for their care due to financial need, as documented in accordance with this Policy. Patients demonstrating financial need based on household income at or below one hundred percent (100%) of the Federal Poverty Level, combined with a general lack of liquid assets, will receive a one hundred percent (100%) discount on Medically Necessary Hospital Services. Patients generally lacking liquid assets who have household income between one hundred percent (100%) and up to four hundred percent (400%) of the Federal Poverty Level will receive a sliding-scale discount for such hospital care, at levels approved by the RHC Executive Leadership Team.
- 3.2 Payment Caps Under Illinois Uninsured Patient Discount Act. To the extent required by the Illinois Uninsured Patient Discount Act, and subject to other eligibility standards and exclusions as set forth by such law including standards based on asset level, Uninsured Patients who are Illinois residents having household income of up to six hundred percent (600%) of the Federal Poverty Level shall not be required to pay to an RHC hospital more than twenty five percent (25%) of such patient's family gross income within a twelve (12) month period.
- 3.3 Other Payment Caps. An Uninsured Patient who is eligible for Financial Assistance/Charity Care at an RHC Hospital pursuant to the criteria set forth in Section 5.1 or 5.3 below shall be eligible for a payment cap based on RHC's

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charitable commitment to catastrophic medical expenses assistance based on medical indigence, as follows:

- 3.3.1 For an eligible Uninsured Patient who demonstrates that s/he has a household income of four hundred percent (400%) or less of the Federal Poverty Level, such patient's payment obligation within any 12-month period will be limited to the higher of: (a) ten percent (10%) of the patient's annual gross household income; or (b) ten percent (10%) of the patient's Non-Retirement Household Liquid Assets.
- 3.3.2 For an eligible Uninsured Patient who demonstrates that s/he has a household income over four hundred percent (400%) of the Federal Poverty Level, or less, such patient's payment obligation within any 12-month period will be limited to the higher of: (a) fifteen percent (15%) of annual gross household income; or (b) fifteen percent (15%) of the patient's Non-Retirement Household Liquid Assets.
- 3.4 Financial Assistance/Charity Care for Insured Patients. Subject to insurance and governmental program restrictions (which may limit the ability to grant a discount on co-pays or deductibles, versus discounts on co-insurance), insured individuals, federal program beneficiaries and other individuals who are not automatically eligible for Financial Assistance/Charity Care hereunder but who demonstrate medical indigence or other financial need, may receive a Financial Assistance/Charity Care discount in similar or different amounts as are available to Uninsured Patients under this policy, as determined appropriate under the circumstances by RHC Patient Financial Services.



**Resurrection
Health Care**

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4. Discounts for Uninsured, Medically Indigent Patients. Uninsured Patients whose household income is greater than four hundred percent (400%) of the Federal Poverty Level or who do not meet the automatic eligibility criteria set forth in Section 5 below, will nevertheless be eligible to receive a financial assistance/charity care discount based on a determination of medical indigence, by virtue of having medical bills from an RHC hospital in an amount equal to or greater than fifteen percent (15%) of their household income and available assets. Such Financial Assistance/Charity Care discount for uninsured higher income but medically indigent patients shall be one that is reasonable in relation to the individual patient's household financial circumstances and the health status of the patient and other family members.
5. Eligibility for Financial Assistance Programs
 - 5.1 Automatic Eligibility: Cook County and Adjacent County Residents and Patients Needing Emergency Medical Care. In order to best serve the needs of the low-income and medically underserved members of their respective communities, RHC hospitals' Financial Assistance/Charity Care and other Financial Assistance Programs (other than the RHC uninsured discount, which will be available to all patients irrespective of residence) will be automatically available to all residents (regardless of citizenship or immigration status) of Cook County and those portions of any adjacent counties that are within a hospital's service area, subject to a determination of financial need or other eligibility requirements. In addition, all RHC hospitals will provide financial assistance/charity care discounts to eligible patients in connection with hospital emergency department and other medical services necessary to diagnose, treat or stabilize an emergency medical condition.



Resurrection Health Care

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- 5.2 Patient Responsibilities. RHC hospitals may condition receipt of charitable assistance under any Financial Assistance Program on a patient acting reasonably and in good faith, by providing the hospital, within 30 days after the hospital's request, with all reasonably-requested financial and other relevant information and documentation needed to determine the patient's eligibility for assistance, including cooperating with the hospital's financial counselors in applying for coverage under governmental programs, such as Medicaid, accident coverage, crime victims funds, and other public programs that may be available to pay for health care services provided to the patient. In addition, an RHC hospital may, in its discretion, choose not to provide Financial Assistance/Charity Care discounts to voluntarily uninsured individuals who with other household members are at least 50% owners of the business in which they work, if such business had gross receipts in the prior tax year of an amount that is greater than \$200,000.
- 5.3 Discretionary Extension of Financial Assistance. Each RHC hospital is authorized to extend the availability of its Financial Assistance Programs to residents of other Illinois counties, other U.S. states or foreign countries, including travelers or out-of-town visitors, based on reasonable, standardized criteria applicable to all patients of such hospital.
- 5.4 Conditions of Discretionary Financial Assistance Program Participation. For individuals other than those who are automatically eligible to participate in an RHC Financial Assistance Program as set forth in Section 5.1 above, RHC hospitals may, as they determine appropriate, condition the receipt of such financial assistance on disclosure by the patient's immediate relatives, host family or sponsoring organization of their financial information, sufficient to demonstrate ability or inability to pay or contribute to the costs of care for their relative or hosted guest. The hospital may further condition any discretionary grant of financial assistance on a contribution toward the costs of the patient's



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care and/or a guarantee of payment by such relatives, hosts or others (as applicable), in the event the patient fails to qualify for coverage through governmental or private insurance and the patient fails to pay the amounts for which s/he is responsible. The hospital may also take into consideration the availability of other options for the proposed patient to receive medical care.

6. Uninsured Patient Discounts

- 6.1 Charitable Need for Uninsured Patient Discount. RHC believes that a substantial portion of uninsured individuals who seek hospital care are uninsured involuntarily, due to financial need, and further, that because of their uninsured status and inability to pay, many uninsured individuals delay or refrain from seeking needed medical care. RHC also believes, based on the experience of its hospitals in asking patients to apply for Financial Assistance/Charity Care discounts, that due to privacy and other concerns many uninsured individuals with financial need will not provide sufficient information to enable RHC hospitals to verify the existence of financial need.
- 6.2 RHC Charitable Uninsured Patient Discount. Therefore, as part of their charitable commitment to the poor and underserved, RHC hospitals will provide a discount on hospital charges to all Uninsured Patients, irrespective of residency, location or any other criteria, equal to 25% of the hospital charge for which the Uninsured Patient is responsible. If an Uninsured Patient also qualifies for a discount under the hospital's Financial Assistance/Charity Care standards, the amount of such discount will be applied to the patient's charge after application of the uninsured discount. Such RHC uninsured patient discount will not apply to any patient who qualifies for a discount under the Illinois Uninsured Patient Discount Act.



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- 6.3 Discount Under Illinois Uninsured Patient Discount Act. To the extent required by law, RHC hospitals shall provide an alternative form of discount to uninsured Illinois residents with gross family income of up to 600% of the Federal Poverty Level, and the 25% uninsured discount methodology set forth above shall not apply to any portion of such patients' bill.
- 6.4 Eligibility for Additional Financial Assistance. Patients receiving a discount based on uninsured status, whether under the RHC Charitable Uninsured Discount or pursuant to the Illinois Uninsured Patient Act, shall be eligible for an additional financial assistance described in this policy, pursuant to the eligibility standards set forth herein.
7. Hospital Responsibilities for Communicating Availability of Financial Assistance/Charity Care and Other Charitable Assistance Programs
- 7.1 Communicating Availability of Financial Assistance/Charity Care Discounts. Each RHC hospital will maintain effective methods of communicating the availability of Financial Assistance/Charity Care discounts to all patients, in multiple appropriate media and in multiple appropriate languages. The mechanisms that the Hospital will use to communicate the availability of Financial Assistance/Charity Care will include, but are not limited to the following:
- 7.1.1 Signage. Signs shall be conspicuously posted in the admission, registration and other appropriate areas of the hospital stating that patients may be eligible for Financial Assistance/Charity Care discounts, and describing how to obtain more information, including identification of appropriate hospital representatives by title. Such signs shall be prepared



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in English, Spanish, and any other language that is the primary language of at least 5% of the patients served by the hospital annually.

- 7.1.2 Provision of Financial Assistance Materials to Uninsured Patients. RHC hospitals will provide a summary of its Financial Assistance Programs and a Financial Assistance application to all persons receiving hospital care that it identifies as Uninsured Patients at the time of in-person registration, admission, or such later time at which the patient is first identified as an Uninsured Patient. For patients presenting in the Emergency Department, all RHC hospitals will provide such Financial Assistance materials at such time and in such manner as is consistent with their obligations under EMTALA to assess and stabilize the patient before making inquiry of the patient's ability to pay.
- 7.1.3 Brochures. Brochures, information sheets and/or similar forms of written communication regarding the hospital's Financial Assistance/Charity Care policy shall be maintained in appropriate areas of the hospital (e.g., the Emergency Department, organized registration areas, and the Business Office) stating in at least English, Spanish and Polish, that the hospital offers Financial Assistance/Charity Care discounts, and describing how to obtain more information.
- 7.1.4 Website. Each RHC's section of the Resurrection Health Care website must include: a notice in a prominent place that financial assistance is available at the hospital; a description of the financial assistance application process; and a copy of the RHC hospital financial assistance application form.



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7.1.5 Billing Notices. Each RHC hospital shall include a note on or with the Hospital bill and/or statement regarding the hospital's Financial Assistance/Charity Care program, and how the patient may apply for consideration under this program.

7.1.6 Financial Counselors. Each RHC hospital shall have one or more financial counselors whose contact information is listed or provided with other information concerning the hospital's Financial Assistance/Charity Care discount program, who are available to discuss eligibility and other questions concerning the program, and to provide assistance with applications.

8. Communication with Patients Regarding Eligibility Determination for Financial Assistance/Charity Care.

8.1 Notification of Determination. When an RHC hospital has made a determination that a patient's bill will be discounted or adjusted in whole or in part based on a determination of financial need, the hospital will notify the patient of such eligibility determination, and that there will be no further collection action taken on the discounted portion of the patient's bill.

8.2 Changes in Patient Financials Circumstances. Adverse changes on the patient's financial circumstances may result in an increase in any Financial Assistance/Charity Care discount provided by the hospital. Under no condition, however, would adverse or other changes in a patient's financial circumstances affect the hospital's continuation of any ongoing treatment during an episode of care.



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9. Application of Financial Assistance/Charity Care Determination to Past-Due Bills.
When a patient has been granted a discount on his or her bill under the hospital's Financial Assistance/Charity Care program, the hospital will automatically apply a similar discount or adjustment to all other outstanding patient bills. The hospital will advise the patient of such adjustment of prior accounts, and that the hospital will forego any further attempted to collect the amounts written off on such accounts.
10. Updating Prior Financial Need Determinations
 - 10.1 Effective Time of Financial Assistance Qualification Determination. A determination of a patient's household income in connection with the patient's qualification for any form of Financial Assistance under this Policy will remain in effect the patient's entire episode of care, provided that if an episode of care continues for more than thirty (30) days, the hospital may request the patient to re-verify or supplement household income information or other eligibility information as the hospital reasonably deems appropriate, including cooperating with the hospital financial counselor to re-evaluate the patient's potential eligibility for coverage under Medicaid or other governmental programs and for the hospital's Financial Assistance/Charity Care program.
 - 10.2 Re-Verification Within Six Months. When a patient (or the member of the household of a patient) who has received a determination of financial need under an RHC hospital's Financial Assistance/Charity Care program subsequently receives or applies for care from the same or any other RHC hospital more than 30 days but less than 6 months later, the hospital shall request appropriate information necessary to update the patient's or prospective patient's Financial Assistance/Charity Care application and re-verify the prior financial need determination. Hospital Financial Counselors will work with the patient to make the updating process as convenient as possible while assuring accuracy of



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information. The hospital shall consider the patient's (or prospective patient's) eligibility for Financial Assistance/Charity Care based on current income and assets, and other objective information obtained by the hospital relating to financial need, such as credit reports, new W-2s, tax returns or other data.

10.3 New Application Requirements. If more than six (6) months has expired since a patient's Financial Assistance eligibility determination, the patient must submit a new Financial Assistance application.

11. Financial Assistance/Charity Care Determinations Required Prior to Non-Emergency Services. RHC hospitals will make all reasonable efforts to expedite the evaluation of patients for eligibility for coverage under governmental programs and otherwise for Financial Assistance/Charity Care. Such evaluations must generally be made by an RHC hospital prior to provision of non-emergency hospital services. Persons who have come to a RHC hospital emergency department seeking care for a potential emergency medical condition will first receive a medical screening exam conducted in compliance with the Emergency Medical Treatment and Active Labor Act, as amended (EMTALA) and all care needed to stabilize any emergency medical condition, prior to an evaluation for coverage eligibility under governmental programs or Financial Assistance/Charity Care.

12. Staff Training and Understanding of Hospital Financial Assistance/Charity Care Program

12.1 General Program Knowledge. Employed staff of each RHC hospitals shall be trained, at the levels appropriate to their job function, with respect to the availability of the Financial Assistance/Charity Care discount program offered by such hospital for the benefit of poor and underserved members of such hospital's community.

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- 12.2 Specific Program Knowledge. Hospital staff who regularly interact with patients, including all staff in each hospital's Patient Financial Services, Patient Access and Registration departments will understand the hospital's Financial Assistance/Charity Care discount program, and be able to either accurately answer questions or direct questions regarding such programs to financial counselors or other contact persons.
- 12.3 Annual Training. All Patient Financial Services and Access department staff, and other applicable staff shall attend an annual in-service on the RHC hospital Financial Assistance/Charity Care discount program for RHC hospitals, which will be prepared and supervised by the RHC Finance Division, in consultation with the RHC Office of Legal Affairs, the System Compliance Officer and hospital senior management.
13. Collection Activity
- 13.1 General. All RHC hospitals shall engage in reasonable collection activities for collection of the portions of bills for which patients are responsible after application of any Financial Assistance/Charity Care discount, uninsured patient discount, insurance allowances and payment and other applicable adjustments.
- 13.2 Cessation of Collection Efforts on Discounted Amounts. No RHC hospital will engage in or direct collections activity with respect to any discounts on health care charges provided as a result of a determination of eligibility under the hospital's Financial Assistance/Charity Care program, unless it is later determined that the patient omitted relevant information relating to actual income or available assets, or provided false information regarding financial need or other eligibility



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criteria. Balances remaining after financial assistance discounts are applied will be subject to reasonable collection activity, consistent with this Policy.

- 13.3 Use of Reasonable Legal Processes to Enforce Patient Debt. Reasonable legal process, including the garnishment of wages, may be taken by any RHC Hospital to collect any patient debt remaining after any adjustment or discount for Financial Assistance/Charity Care, uninsured status or other reason, under the following circumstances:

13.3.1 For Uninsured Patients:

- The hospital has given the patient the opportunity to assess the accuracy of the hospital's bill;
- The hospital has given the Uninsured Patient the opportunity to apply for Financial Assistance/Charity Care and/or (a) a reasonable payment plan, or (b) a discount for which the patient is eligible pursuant to the Illinois Patient Uninsured Discount Act;
- The hospital has given the Uninsured Patient at least 60 days after discharge or receipt of services to apply for Financial Assistance/Charity Care;
- If the patient has indicated, and the hospital is able to verify, that the patient is unable to pay the full amount due in one payment, the hospital has offered the patient a reasonable payment plan;
- If the hospital and patient have entered into a reasonable payment plan, the patient has failed to make payments when due; and
- There is objective evidence that the patient's household income and/or assets are sufficient to meet his or her financial obligation to the hospital.



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13.3.2 For Insured Patients:

- The hospital has provided the patient the opportunity, for at least 30 days after the date of the initial bill, to request a reasonable payment plan for the portion of the bill for which the patient is responsible;
- If the patient requests a reasonable payment plan, and fails to agree to a plan within 30 days after such request; and
- If the hospital and patient have entered into a reasonable payment plan, the patient has failed to make payments when due.

13.4 Residential Liens. No RHC hospital will place a lien on the primary residence of a patient who has been determined to be eligible for Financial Assistance/Charity Care, for payment of the patient's undiscounted balance due. Further, consistent with long-standing RHC policy, in no case will any RHC provider execute a lien by forcing the sale or foreclosure of the primary residence of any patient to pay for any outstanding medical bill.

13.5 No Use of Body Attachments. In accordance with long-standing practice, no RHC hospital will use body attachment to require any person, whether receiving Financial Assistance/Charity Care discounts or not, to appear in court.

13.6 Collection Agency Referrals. RHC hospitals will ensure that all collection agencies used to collect patient bills promptly refer any patient who indicates financial need, or otherwise appears to qualify for Financial Assistance/Charity Care discounts, to a financial counselor to determine if the patient is eligible for such a charitable discount.

Other Community Benefits

Listed below are "Other Community Benefits". These are benefits that are not detailed in the Annual Non-Profit Hospital Community Benefits Plan Report Instructions.

Our Other Community Benefits category includes Community Building Activities and Community Benefit Operations. The Internal Revenue Service (IRS) 990 Schedule H instructions and The Catholic Health Association publication, *A Guide for Planning and Reporting Community Benefit*, both identify these categories in their materials.

Listed below is the detail associated with these categories.

COMMUNITY BUILDING ACTIVITIES

Community-building activities include programs that, while not directly related to health care, provide opportunities that address the root causes of health problems, such as poverty, homelessness, and environmental problems. These activities support community assets by offering the expertise and resources of the healthcare organization. This category includes such activities as:

- Physical Improvements and Housing
- Economic Development
- Community Support
- Environmental Improvements
- Leadership Development and Leadership Training for Community Members
- Coalition Building
- Community Health Improvement Advocacy
- Workforce Development

Community Building is documented on Part II of the IRS 990 Schedule H.

COMMUNITY BENEFIT OPERATIONS

Community benefit operations include costs associated with dedicated staff and community health needs and/or assets assessment, as well as other costs associated with community benefit strategy and operations. This category includes such items as:

- Dedicated Staff
- Community Health Needs/Health Assets Assessment
- Other Resources (e.g. cost of fundraising for community benefit activities, cost of grant writing for community benefit, cost of plan development)

Community Benefit Operations is documented on Part I 7e of the IRS 990 Schedule H.

Audited Financial Statements

Attached are the Resurrection Health Care and Affiliates 2011 consolidated financial statements for dates July 1, 2011 through December 31, 2011.

Please Note:

The 2011 IRS Schedule H instructions were used to determine the cost to charge ratio. This ratio was then used in determining Charity and Medicaid costs.

IRS Schedule H Instructions were also used in determining the Medicare shortfall, due to the timing of this report, the 2010 Medicare cost report was used in the Medicare calculation.

Per the IRS Schedule H instructions Bad Debts are no longer reported at cost. Reporting specifics for Bad Debts are not indicated in the Community Benefit Act.

Annual Non Profit Hospital Community Benefits Plan Report

Hospital or Hospital System: Provena Health

Mailing Address: 19065 Hickory Creek Drive, Suite 300 Mokena, IL 60448
(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: 01 / 01 / 11 through 12 / 31 / 11 Taxpayer Number: 36-3366652
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.

<u>Hospital Name</u>	<u>Address</u>	<u>FEIN #</u>
<u>Provena Covenant Medical Center</u>	<u>1400 West Park St., Urbana, IL</u>	<u>36-4195126</u>
<u>Provena Mercy Medical Center</u>	<u>1325 N. Highland Ave., Aurora, IL</u>	<u>36-4195126</u>
<u>Provena Saint Joseph Hospital</u>	<u>77 N. Airlite St., Elgin, IL</u>	<u>36-4195126</u>
<u>Provena Saint Joseph Medical Center</u>	<u>333 N. Madison St., Joliet, IL</u>	<u>36-4195126</u>
<u>Provena St. Mary's Hospital</u>	<u>500 W. Court Street, Kankakee, IL</u>	<u>36-4195126</u>
<u>Provena United Samaritans Medical Center</u>	<u>812 N. Logan Ave., Danville IL</u>	<u>36-4195126</u>

1. **ATTACH Mission Statement:** Page 6

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:** Page 11

The reporting entity must provide its 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.....\$ 34,081,846

ATTACH Charity Care Policy: Page 267

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:
See instructions for completing Section 4 of the Annual Non Profit Hospital Community Benefits Plan Report.

Community Benefit Type

Language Assistant Services	\$ 886,769
Government Sponsored Indigent Health Care	\$ 88,871,148
Donations	\$ 973,024
Volunteer Services	
a) Employee Volunteer Services	\$ 24,201
b) Non-Employee Volunteer Services	\$ 287,397
c) Total (add lines a and b)	\$ 311,598
Education	\$ 4,696,689
Government-sponsored program services	\$ 0
Research	\$ 193,337
Subsidized health services	\$ 8,484,407
Bad debts	\$ 117,627,189
Other Community Benefits	\$ 1,749,609

Attach a schedule for any additional community benefits not detailed above. Page 4

5. **ATTACH Audited Financial Statements for the reporting period.** Page 285

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.

Sandra Bruce/President & CEO

Name/Title (Please Print)

Sandra Bruce

Signature

Angela M. Haggard/

System Service Line VP Medicaid & Community Health Strategy

Name of Person Completing Form

angela.haggard@provena.org

Electronic / Internet Mail Address

773-792-5150

Phone: Area Code / Telephone No.

6/22/12

Date.

708-478-7841

Phone: Area Code / Telephone No.

708-478-6332

FAX: Area Code / FAX No.

4. Other Community Benefits

Listed below are "Other Community Benefits". These are benefits that are not detailed in the Annual Non-Profit Hospital Community Benefits Plan Report Instructions.

Our Other Community Benefits category includes Community Building Activities and Community Benefit Operations. The Internal Revenue Service (IRS) 990 Schedule H instructions and The Catholic Health Association publication, *A Guide for Planning and Reporting Community Benefit*, both identify these categories in their materials.

Listed below is the detail associated with these categories.

COMMUNITY BUILDING ACTIVITIES

Community-building activities include programs that, while not directly related to health care, provide opportunities that address the root causes of health problems, such as poverty, homelessness, and environmental problems. These activities support community assets by offering the expertise and resources of the healthcare organization. This category includes such activities as:

- Physical Improvements and Housing
- Economic Development
- Community Support
- Environmental Improvements
- Leadership Development and Leadership Training for Community Members
- Coalition Building
- Community Health Improvement Advocacy
- Workforce Development

Community Building is documented on Part II of the IRS 990 Schedule H.

COMMUNITY BENEFIT OPERATIONS

Community benefit operations include costs associated with dedicated staff and community health needs and/or assets assessment, as well as other costs associated with community benefit strategy and operations. This category includes such items as:

- Dedicated Staff
- Community Health Needs/Health Assets Assessment
- Other Resources (e.g. cost of fundraising for community benefit activities, cost of grant writing for community benefit, cost of plan development)

Community Benefit Operations is documented on Part I 7e of the IRS 990 Schedule H.

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

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