

ORIGINAL

13-071

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT****RECEIVED****SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**

DEC 13 2013

HEALTH FACILITIES &
SERVICES REVIEW BOARD**This Section must be completed for all projects.****Facility/Project Identification**

Facility Name:	Central DuPage Hospital				
Street Address:	25 North Winfield Road				
City and Zip Code:	Winfield, IL 60190				
County:	Dupage	Health Service Area	VII	Health Planning Area:	A-05

Applicant /Co-Applicant Identification**[Provide for each co-applicant [refer to Part 1130.220].**

Exact Legal Name:	Central DuPage Hospital Association
Address:	25 North Winfield Road Winfield, IL 60190
Name of Registered Agent:	
Name of Chief Executive Officer:	Brian Lemon
CEO Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-1600

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:	Ms. Gretchen Parker
Title:	Senior Director, Strategic planning
Company Name:	Cadence Health
Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-4022
E-mail Address:	gretchen.parker@cadencehealth.org
Fax Number:	

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:	

**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:	Central DuPage Hospital		
Street Address:	25 North Winfield Road		
City and Zip Code:	Winfield, IL 60190		
County:	Dupage	Health Service Area	VII Health Planning Area: A-05

Applicant /Co-Applicant Identification

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

Exact Legal Name:	CDH-Delnor Health System a/k/a Cadence Health
Address:	25 North Winfield Road Winfield, IL 60190
Name of Registered Agent:	
Name of Chief Executive Officer:	Michael Vivoda
CEO Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-1600

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:	Ms. Gretchen Parker
Title:	Senior Director, Strategic Planning
Company Name:	Cadence Health
Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-4022
E-mail Address:	gretchen.parker@cadencehealth.org
Fax Number:	

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. Honey Jacobs Skinner
Title:	Partner
Company Name:	Sidley
Address:	1 East Dearborn Chicago, IL 60603
Telephone Number:	312/853-7577
E-mail Address:	mskinner@sidley.com
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:	

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:	Ms. Gretchen Parker
Title:	Senior Director, Strategic Planning
Company Name:	Cadence Health
Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-4022
E-mail Address:	gretchen.parker@cadencehealth.org
Fax Number:	

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Central DuPage Hospital Association
Address of Site Owner:	25 North Winfield Road Winfield, IL 60190
Street Address or Legal Description of Site:	25 North Winfield Road Winfield, IL 60190
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:	Central DuPage Hospital Association	
Address:	25 North Winfield Road Winfield, IL 60190	
☒ 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: ☐ Substantive ☒ Non-substantive	Part 1120 Applicability or Classification: [Check one only.] ☐ Part 1120 Not Applicable ☐ Category A Project ☒ Category B Project ☐ DHS or DVA Project
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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 applicants propose a limited-scope modernization program at Central DuPage Hospital, which is located at 25 North Winfield Road, in Winfield, Illinois. The primary purpose and focus of the clinical component of the project will be the addition of acute mental illness (AMI) beds to the hospital's existing AMI category of service. No other categories of service will be addressed. In addition, non-clinical space to be used primarily for physicians' offices, is included in the project, as discussed in ATTACHMENT 14. The project is limited to the renovation of existing space.

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

PROJECT COST and SOURCES of FUNDS

	Reviewable	Non-Reviewable	TOTAL
Project Cost:			
Preplanning Costs	\$ 171,500	\$ 73,500	\$ 245,000
Site Survey and Soil Investigation	-	-	-
Site Preparation	-	-	-
Off Site Work	-	-	-
New Construction Contracts	-	-	-
Modernization Contracts	9,081,503	3,642,523	12,724,026
Contingencies	510,645	240,330	750,975
Architectural/Engineering Fees	863,293	349,457	1,212,750
Consulting and Other Fees	140,000	60,000	200,000
Movable and Other Equipment (not in construction contracts)	913,100	372,500	1,285,600
Bond Issuance Expense (project related)	-	-	-
Net Interest Expense During Construction Period	-	-	-
Fair Market Value of Leased Space or Equipment	-	-	-
Other Costs to be Capitalized-Window Systems	1,200,600	599,400	1,800,000
Other Costs to be Capitalized- HVAC	1,465,200	734,800	2,200,000
TOTAL USES OF FUNDS	\$ 14,345,841	\$ 6,072,510	\$ 20,418,351
Sources of Funds:			
Cash and Securities	\$ 14,345,841	\$ 6,072,510	\$ 20,418,351
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$ 14,345,841	\$ 6,072,510	\$ 20,418,351

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 \$ _____.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

☐ None or not applicable

☐ Preliminary

☒ Schematics

☐ Final Working

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

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: Central DuPage Hospital			CITY: Winfield, IL		
REPORTING PERIOD DATES: From: January 1, 2012 to: December 31, 2012					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	233	15,189	61,592	None	233
Obstetrics	35	3,165	9,093	None	35
Pediatrics	10	1,390	3,650	None	10
Intensive Care	46	2,468	9,266	None	46
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	15	1,546	5,475*	+33	48
Neonatal Intensive Care	8	176	1,661	None	8
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	347	23,934	90,737	+33	380

*Does not include acute mental illness patients admitted to a medical/surgical unit due to a lack of AMI bed availability. Reported patient days represents 100% occupancy of 15-bed AMI unit.

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 CDH-Delnor Health System *
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.

Brian Lemon
SIGNATURE

Brian Lemon
PRINTED NAME
President, Central DuPage Hospital
EVP - Cadence Health
PRINTED TITLE

Michael Holtzhueter
SIGNATURE

Michael Holtzhueter
PRINTED NAME
Vice President Legal Affairs
General Counsel
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 10th day of December 2013

Susan M. Bove
Signature of Notary

Seal



*Insert EXACTLY as appearing

Notarization:
Subscribed and sworn to before me
this 10th day of December 2013

Susan M. Bove
Signature of Notary

Seal



CERTIFICATION

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

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

This Application for Permit is filed on the behalf of Central DuPage Hospital Association * 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.

Brian Lemon
SIGNATURE
Brian Lemon
PRINTED NAME
President Central DuPage Hospital
EVP - Cadence Health
PRINTED TITLE

Michael Holtzhuetter
SIGNATURE
Michael Holtzhuetter
PRINTED NAME
Vice President Legal Affairs
General Counsel
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 10th day of December 2013

Notarization:
Subscribed and sworn to before me
this 10th day of December 2013

Susan M. Bove
Signature of Notary
Seal
OFFICIAL SEAL
SUSAN M BOVE
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES: 10/01/16
*Insert EXACT COPY OF THIS SEAL IN APPLICATION

Susan M. Bove
Signature of Notary
Seal
OFFICIAL SEAL
SUSAN M BOVE
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES: 10/01/16

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 Board 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?
AMI	688	560	128	no

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	AMI	5,475 pt days			
YEAR 2	AMI		15,027 pt days	14,892 pt days	YES

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.

C. Criterion 1110.730 - Acute Mental Illness and Chronic Mental Illness

1. Applicants proposing to establish, expand and/or modernize Acute Mental Illness and Chronic Mental Illness category of service must submit the following information:
2. Indicate bed capacity changes by Service: Indicate # of beds changed by action(s):

Category of Service	# Existing Beds	# Proposed Beds
X Acute Mental Illness	15	48
☐ Chronic Mental Illness		

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

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.730(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.730(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.730(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.730(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.730(b)(5) - Planning Area Need - Service Accessibility	X		
1110.730(c)(1) - Unnecessary Duplication of Services	X		
1110.730(c)(2) - Maldistribution	X		
1110.730(c)(3) - Impact of Project on Other Area Providers	X		
1110.730(d)(1) - Deteriorated Facilities			X
1110.730(d)(2) - Documentation			X
1110.730(d)(3) - Documentation Related to Cited Problems			X
1110.730(d)(4) - Occupancy			X
1110.730(e)(1) - Staffing Availability	X	X	
1110.730(f) - Performance Requirements	X	X	X
1110.730(g) - Assurances	X	X	X
APPEND DOCUMENTATION AS ATTACHMENT-22, 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:**

\$20,418,351	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; 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.
\$20,418,351	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT 36, 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.

Not applicable, all capital expenditures will be funded through internal sources.

Financial Viability Waiver

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

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. 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
4. 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-37, 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

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 38, 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.

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									

XI. Safety Net Impact Statement**Not applicable, non-substantive project.****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)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

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

XI. Safety Net Impact Statement**Not applicable, non-substantive project.****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)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT 40, 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			
	2010	2011	2012
Net Patient Revenue	\$590,317,938	\$637,910,854	\$732,234,894
Amount of Charity Care (charges)	\$64,922,011	\$62,138,565	\$70,346,122
Cost of Charity Care	\$15,378,000	\$13,595,000	\$16,479,941

APPEND DOCUMENTATION AS **ATTACHMENT-41**, 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

CENTRAL DU PAGE HOSPITAL ASSOCIATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON AUGUST 05, 1958, 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 #: 1328701052

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 14TH day of OCTOBER A.D. 2013 .

Jesse White

SECRETARY OF STATE

Attachment 1



To all to whom these Presents Shall Come, Greeting:

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

CDH-DELNOR HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 03, 1980, 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 #: 1328701046

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 14TH day of OCTOBER A.D. 2013 .

Jesse White

SECRETARY OF STATE

Attachment 1

November 18, 2013

Illinois Health Facilities and
Services review Board
Springfield, Illinois

To Whom It May Concern:

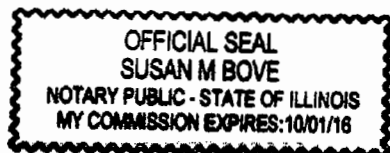
Please be advised that the Central DuPage Hospital site, located at 25 North Winfield Road in Winfield, Illinois, is owned by Central DuPage Hospital Association.

Sincerely,



Brian Lemon
President, Central DuPage Hospital

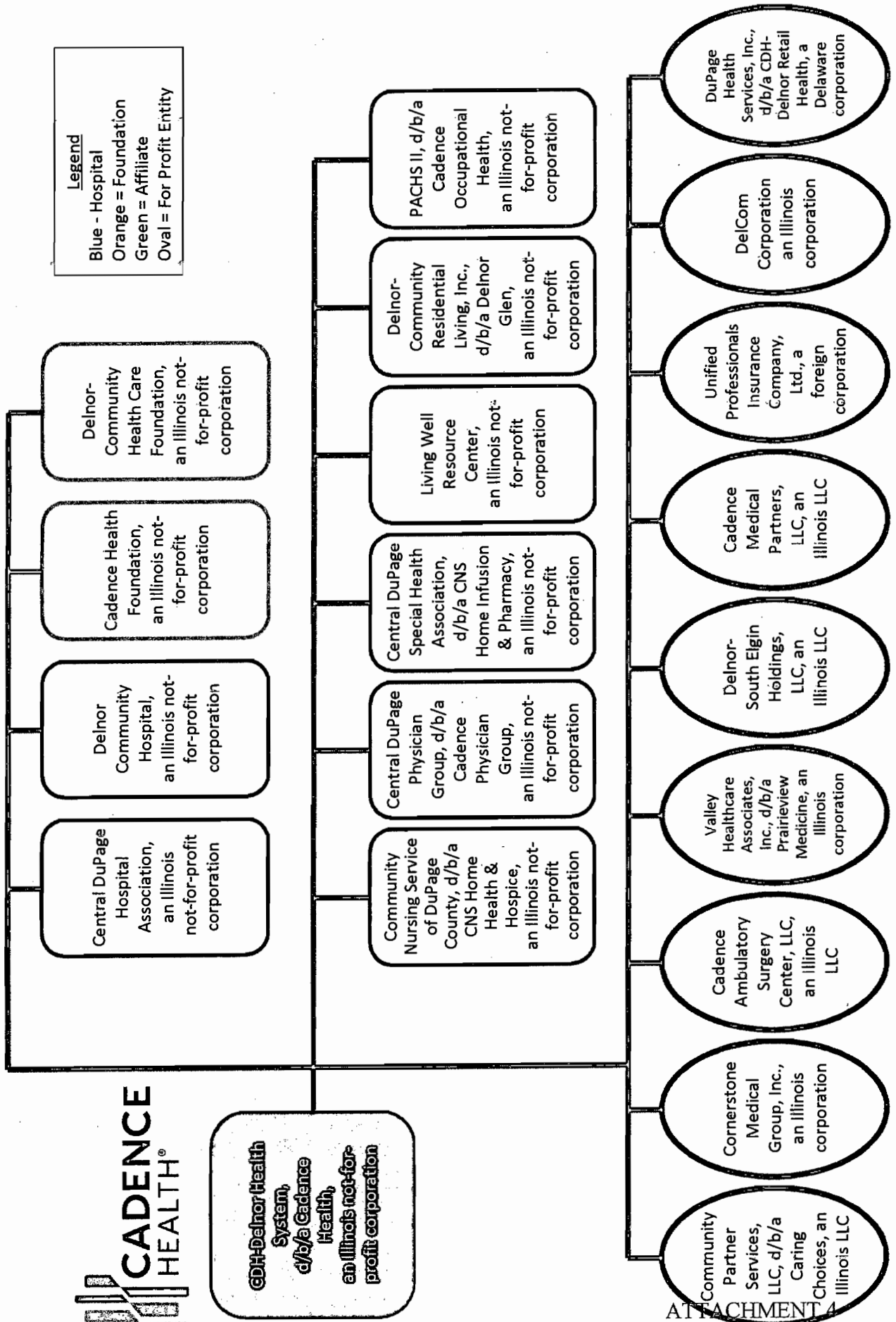
Notarized:





Legend

Blue - Hospital
 Orange = Foundation
 Green = Affiliate
 Oval = For Profit Entity



November 18, 2013

Illinois Health Facilities and
Services Review Board
Springfield, IL 62761

To Whom It May Concern:

I hereby attest that the site of Central DuPage Hospital is not located within a special flood hazard area, and that the proposed renovation on that site is consistent with Illinois Executive Order #2005-5.

Sincerely,



Brian Lemon
President, Central DuPage Hospital

25 North Winfield Road
Winfield, Illinois 60190
T. 630.933.1600

ATTACHMENT 5
impaired 630.933.4833
cdh.org

Stormwater Management

Winfield Township - DFIRM

These must be used for flood insurance ratings only, not for regulatory purposes.

[Home](#)

[Overview](#)

[About Us](#)

[Contact Information](#)

[E-Newsletter Signup](#)

[Floodplain Maps](#)

[Flood Map Sets](#)

FEMA DFIRM Maps

[Addison Township Map](#)

[Bloomingdale Township Map](#)

[Downers Grove North Township](#)

[Downers Grove South Township](#)

[Lisle Township Map](#)

[Wayne Township Map](#)

[Milton Township Map](#)

[Naperville Township Map](#)

[Winfield Township Map](#)

[York Township Map](#)

RFM Maps

[Floodplain Mapping Archives](#)

Natural Areas

News & Press Releases

Operations & Maintenance

Publications

Real Time Rain and Stream Gage Information

Stormwater Regulatory Services

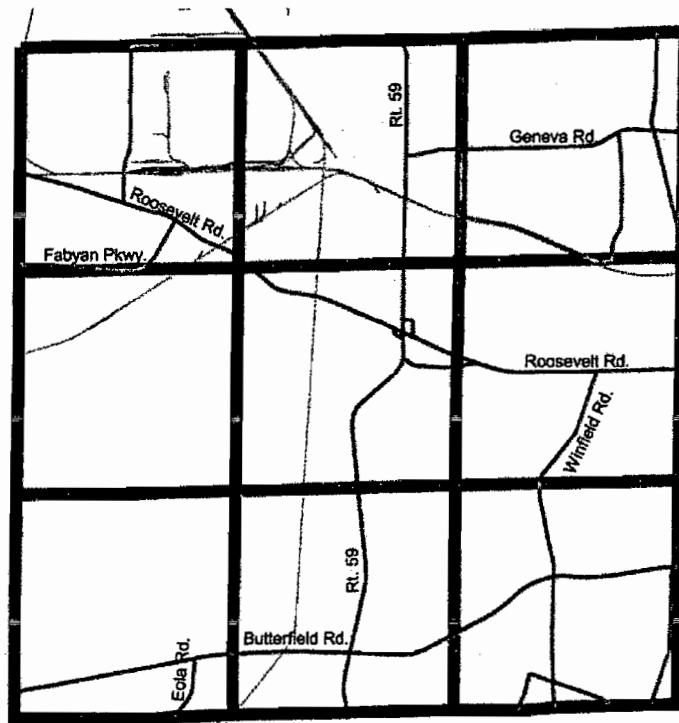
Stormwater FAQs

Useful Links

Water Quality

Watershed Management

FOIA



[Wayne Township](#)

[Bloomingdale Township](#)

[Addison Township](#)

[Winfield Township](#)

[Milton Township](#)

[York Township](#)

[Naperville Township](#)

[Lisle Township](#)

[Downers Grove Township North](#)

[Downers Grove Township South](#)

ATTACHMENT 5



Illinois Historic Preservation Agency

1 Old State Capitol Plaza, Springfield, IL 62701-1512

FAX (217) 782-8161

www.illinoishistory.gov

DuPage County
Winfield

CON - Interior Rehabilitation of North and Central Buildings, Central DuPage
Hospital
25 N. Winfield Road
IHPA Log #023110413

November 20, 2013

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

ATTACHMENT 6

PROJECT COSTS AND SOURCES OF FUNDS

Preplanning Costs	\$245,000
Site visits-\$80,000	
Evaluation of Alternatives-\$75,000	
Market and feasibility studies \$60,000	
Other/Misc.-\$25,000	
Modernization Contracts	\$12,724,026
Renovation of: 1) three vacant nursing units in the Center Building, which have been demolished to "shells" with only exterior walls and interior columns remaining, and 2) renovation of the existing 1 North AMI unit	
Contingencies	\$750,975
Estimated of renovation-related contingencies associated with above	
Architectural/Engineering Fees	\$1,212,750
Estimates of design-related fees- \$600,000	
Alternative site designs- \$100,000	
Window/systems evaluations-\$200,000	
Regulatory agency interaction-\$100,000	
Other/Misc.-\$212,750	
Consulting and Other Fees	\$120,000
CON-related costs-\$85,000	
Non-CON related fees and permits-\$40,000	
Equipment planning-\$35,000	
Other/Misc.-\$40,000	
Moveable Equipment	\$1,285,600
Please see attached list	
Other-Window Systems	\$1,800,000
Estimated cost of re-windowing the Center building with identical windows that are safe for and consistent with the contemporary design of acute mental illness units	
Other-HVAC	\$2,200,000
Estimate of the cost of equipment and installation for approximately 37,500 square feet on three floors of the Center Building. Those areas (3 rd , 4 th and 5 th floors) have been demolished to "shell", and are without systems.	

EQUIPMENT BUDGET

3-CENTER	Q	Unit Cost	Total Cost
CONSULT ROOMS 1:			
Loveseat	1	\$1,200	\$1,200
Chairs	4	\$350	\$1,400
Table - side	1	\$250	\$250
PC	1	\$2,000	\$2,000
Phone	1	\$500	\$500
2 DR.S			
Loveseat:	1	\$1,200	\$1,200
Chairs:	3	\$350	\$1,050
Desk:	1	\$2,500	\$2,500
PC	1	\$2,000	\$2,000
Phone	1	\$500	\$500
3 GROUP:			
Table - round	1	\$250	\$250
Chairs	4	\$2,000	\$8,000
PC	1	\$2,000	\$2,000
Phone	1	\$500	\$500
4 INTAKE:			
Chairs	2	\$350	\$700
Desk	1	\$750	\$750
Table - round	1	\$250	\$250
PC	1	\$2,000	\$2,000
Phone	1	\$500	\$500
STAFF OFFICE:			
Chairs	3	\$350	\$1,050
Desks	9	\$2,500	\$22,500
Table - round	1	\$250	\$250
PC	1	\$2,000	\$2,000
Phone	1	\$500	\$500
GROUP 2:			
Tables 24X72 (Need to be able to move against walls for crafts/projects)	3	\$750	\$2,250
Chairs - stack	16	\$150	\$2,400
TV	1	\$1,200	\$1,200

EQUIPMENT BUDGET

LARGE GROUP:				
Chairs	10	\$150	\$1,500	
Chairs - lounge	6	\$350	\$2,100	
Tables	4	\$250	\$1,000	
Loveseat	1	\$1,200	\$1,200	
TV	1	\$1,200	\$1,200	
MANAGER:				
Chairs	3	\$250	\$750	
Desk	1	\$2,500	\$2,500	
PC	1	\$2,000	\$2,000	
Phone	1	\$500	\$500	
EXAM ROOM:				
Platform bed	1	\$1,700	\$1,700	
Stool	1	\$150	\$150	
Crash Cart	1	\$1,900	\$1,900	
Chair	2	\$150	\$300	
PC	1	\$2,000	\$2,000	
Phone	1	\$500	\$500	
LAUNDRY:				
Washer/Dryer-stacker	1	\$2,000	\$2,000	
WORK/CONF.:				
Desk	1	\$2,500	\$2,500	
Chair	1	\$350	\$350	
Table - Round	2	\$250	\$500	
Patient Belongings Lockers	16	\$200	\$3,200	
NURSES STATION:				
Chairs	6	\$350	\$2,100	
PC's	5	\$2,000	\$10,000	
Phone	5	\$500	\$2,500	
MED ROOM:				
Pyxis	1	\$7,500	\$7,500	
Fridge (med)	1	\$1,300	\$1,300	
Clean Utility Room				
Linen cart(s)	2	\$650	\$1,300	

EQUIPMENT BUDGET

Soiled Holding Room					
Linen cart(s)	2		\$650		\$1,300
Housekeeping closet					
Linen cart(s)	2		\$650		\$1,300
Staff bathroom					
Staff breakroom/lounge					
Fridge	1		\$1,000		\$1,000
Micro	1		\$500		\$500
Tables	2		\$250		\$500
Tables - side	2		\$250		\$500
Chairs	8		\$150		\$1,200
Loveseat	2		\$1,200		\$2,400
Desk	1		\$2,500		\$2,500
PC	1		\$2,000		\$2,000
Phone	1		\$500		\$500
WAITING:					
Storage lockers	10		\$200		\$2,000
Chairs	20		\$250		\$5,000
Loveseat	2		\$1,200		\$2,400
Lounge chair	2		\$350		\$700
Table - round	2		\$250		\$500
Table - sides	2		\$250		\$500
Desk	1		\$2,500		\$2,500
PC	1		\$2,000		\$2,000
Phone	1		\$500		\$500
PHYSICIAN OFFICES:					
Chairs	6		\$350		\$2,100
Desks	4		\$2,500		\$10,000
Loveseat	1		\$1,200		\$1,200
PC	4		\$2,000		\$8,000
Phones	4		\$500		\$2,000
KITCHEN:					
Micro	1		\$500		\$500
Fridge	1		\$1,200		\$1,200

EQUIPMENT BUDGET

OFFICE:					
Chairs	1	\$350		\$350	
Desk	1	\$2,500		\$2,500	
PC	1	\$2,000		\$2,000	
Phone	1	\$500		\$500	
LUNCHROOM:					
Table (large 4X4)	3	\$650		\$1,950	
(small 2X2)	2	\$200		\$400	
Loveseat	1	\$1,200		\$1,200	
TV	1	\$1,000		\$1,000	
Chairs	10	\$350		\$3,500	
GERI:					
Psych Beds	6	\$6,000		\$36,000	
Table - side	6	\$250		\$1,500	
Desk	6	\$1,500		\$9,000	
Chair	6	\$150		\$900	
Wardrobe	6	\$1,500		\$9,000	
ADULT/ACUTE/INTENSIVE					
Platform beds	5	\$2,500		\$12,500	
Psych beds	4	\$6,000		\$24,000	
Table - side	14	\$250		\$3,500	
Wardrobe	14	\$1,500		\$21,000	
Chairs	14	\$350		\$4,900	
Desk	14	\$1,500		\$21,000	
Other		\$30,000		\$30,000	
TOTAL					\$353,750
3-CENTER	Q	Unit Cost	Total Cost		
CONSULT ROOMS 1:					
Loveseat	1	\$1,200		\$1,200	
Chairs	4	\$350		\$1,400	
Table - side	1	\$250		\$250	
PC	1	\$2,000		\$2,000	
Phone	1	\$500		\$500	

EQUIPMENT BUDGET

CONSULT ROOMS 2:					
Loveseat	1	\$1,200		\$1,200	
Chairs	4	\$350		\$1,400	
Table - side	1	\$250		\$250	
PC	1	\$2,000		\$2,000	
Phone	1	\$500		\$500	
PHYSICIAN'S WORKROOM:				\$0	
Chairs	6	\$450		\$2,700	
Desks	3	\$2,500		\$7,500	
Table - round	1	\$2,500		\$2,500	
PC	1	\$2,000		\$2,000	
Phone	1	\$500		\$500	
STAFF LOUNGE:				\$0	
Tables	2	\$250		\$500	
Chairs	6	\$350		\$2,100	
Loveseat	1	\$1,200		\$1,200	
Lockers	40	\$200		\$8,000	
Fridge	1	\$1,000		\$1,000	
Microwave	1	\$800		\$800	
DEPARTMENT MANAGER:					
Chairs	2	\$350		\$700	
Desks	1	\$2,500		\$2,500	
PC	1	\$2,000		\$2,000	
Phone	1	\$500		\$500	
LUNCH/ACTIVITY/LG. GROUP					
Tables 3X6	4	\$450		\$1,800	
Chairs-stacking	18	\$150		\$2,700	
Chairs	4	\$350		\$1,400	
Lounge Chairs	4	\$450		\$1,800	
WAITING					
Chairs - side arms	4	\$2,000		\$8,000	
PC	1	\$250		\$250	
Phone	1	\$250		\$250	
Chairs	8	\$2,000		\$16,000	

EQUIPMENT BUDGET

Lockers	10	\$200	\$2,000	
Desk	1	\$750	\$750	
4 INTAKE:				
Chairs	2	\$350	\$700	
Desk	1	\$750	\$750	
Table - round	1	\$250	\$250	
PC	1	\$2,000	\$2,000	
Phone	1	\$500	\$500	
STAFF OFFICE:				
Chairs	3	\$350	\$1,050	
Desks	9	\$2,500	\$22,500	
Table - round	1	\$250	\$250	
PC	1	\$2,000	\$2,000	
Phone	1	\$500	\$500	
GROUP 2:				
Tables 24X72 (Need to be able to move against walls for crafts/projects)	3	\$750	\$2,250	
Chairs - stack	16	\$150	\$2,400	
TV	1	\$1,200	\$1,200	
LARGE GROUP:			\$0	
Chairs	10	\$150	\$1,500	
Chairs - lounge	6	\$350	\$2,100	
Tables	4	\$250	\$1,000	
Loveseat	1	\$1,200	\$1,200	
TV	1	\$1,200	\$1,200	
MANAGER:				
Chairs	3	\$250	\$750	
Desk	1	\$2,500	\$2,500	
PC	1	\$2,000	\$2,000	
Phone	1	\$500	\$500	
EXAM ROOM:				
Platform bed	1	\$1,700	\$1,700	
Stool	1	\$150	\$150	
Crash Cart	1	\$1,900	\$1,900	
Chair	2	\$150	\$300	

EQUIPMENT BUDGET

PC	1	\$2,000	\$2,000	
Phone	1	\$500	\$500	
LAUNDRY:				
Washer/Dryer-stacker	1	\$2,000	\$2,000	
WORK/CONF.:				
Desk	1	\$2,500	\$2,500	
Chair	1	\$350	\$350	
Table - Round	2	\$250	\$500	
Patient Belongings Lockers	16	\$200	\$3,200	
NURSES STATION:				
Chairs	6	\$350	\$2,100	
PC's	5	\$2,000	\$10,000	
Phone	5	\$500	\$2,500	
MED ROOM:				
Pyxis	1	\$7,500	\$7,500	
Fridge (med)	1	\$1,300	\$1,300	
Clean Utility Room				
Linen cart(s)	2	\$650	\$1,300	
Soiled Holding Room				
Linen cart(s)	2	\$650	\$1,300	
Housekeeping closet				
Linen cart(s)	2	\$650	\$1,300	
Staff bathroom			\$0	
			\$0	
			\$0	
ATTACHMENT				
Staff breakroom/lounge				
Fridge	1	\$1,000	\$1,000	
Micro	1	\$900	\$900	
Tables	2	\$250	\$500	
Tables - side	2	\$250	\$500	
Chairs	8	\$150	\$1,200	

EQUIPMENT BUDGET

Loveseat	2	\$1,200	\$2,400	
Desk	1	\$2,500	\$2,500	
PC	1	\$2,000	\$2,000	
Phone	1	\$500	\$500	
WAITING:				
Storage lockers				
Chairs	20	\$250	\$5,000	
Loveseat	2	\$1,200	\$2,400	
Lounge chair	2	\$350	\$700	
Table - round	2	\$250	\$500	
Table - sides	2	\$250	\$500	
Desk	1	\$2,500	\$2,500	
PC	1	\$2,000	\$2,000	
Phone	1	\$500	\$500	
PHYSICIAN OFFICES:				
Chairs	6	\$350	\$2,100	
Desks	4	\$2,500	\$10,000	
Loveseat	1	\$1,200	\$1,200	
PC	4	\$2,000	\$8,000	
Phones	4	\$500	\$2,000	
KITCHEN:			\$0	
Micro	1	\$500	\$500	
Fridge	1	\$1,200	\$1,200	
OFFICE:				
Chairs	1	\$350	\$350	
Desk	1	\$2,500	\$2,500	
PC	1	\$2,000	\$2,000	
Phone	1	\$500	\$500	
LUNCHROOM:				
Table (large 3X3)	5	\$650	\$3,250	
Loveseat	2	\$1,200	\$2,400	
TV	1	\$1,000	\$1,000	
Chairs	18	\$350	\$6,300	
GERI:				

EQUIPMENT BUDGET

Psych Beds	6	\$6,000	\$36,000	
Table - side	6	\$250	\$1,500	
Desk	6	\$1,500	\$9,000	
Chair	6	\$150	\$900	
Wardrobe	6	\$1,500	\$9,000	
ADULT/ACUTE/INTENSIVE				
Platform beds	5	\$2,500	\$12,500	
Psych beds	4	\$6,000	\$24,000	
Table - side	14	\$250	\$3,500	
Wardrobe	14	\$1,500	\$21,000	
Chairs	14	\$350	\$4,900	
Desk	14	\$1,500	\$21,000	
Other		\$38,000	\$38,000	
TOTAL				\$421,850
4-CENTER				
PT/OT	2	\$13,750	\$27,500	
Infusion Therapy	4	\$15,000	\$60,000	
Waiting/Reception				
Chairs & side tables		\$50,000	\$50,000	
Work stations	3	\$2,167	\$6,500	
Private offices	20	\$5,525	\$110,500	
Human Performance		\$75,000	\$75,000	
Exam & Treatment Rooms	20	\$2,125	\$42,500	
RN Station		\$27,000	\$27,000	
Conference room		\$20,000	\$20,000	
Other		\$41,000	\$41,000	
TOTAL				\$460,000
3-NORTH				
Miscellaneous replacement		\$50,000	\$50,000	
TOTAL				\$50,000
EQUIPMENT TOTAL				\$1,285,600

Cost Space Requirements

Dept./Area	Cost	Departmental Gross Square Feet		Amount of Proposed Total Square Feet		
		Existing	Proposed	New Const.	That is:	Vacated Space
Reviewable						
AMI/Psych	\$ 13,915,466	10,755	33,043		33,043	none
PT/Speech*	\$ 143,458		600		600	-
Infusion Ther.*	\$ 286,917		400		400	-
Total	\$ 14,345,841	10,755	34,043		34,043	
Non-Reviewable						
Physicians' Offices	\$ 4,554,383		11,320		11,320	
Staff Facilities	\$ 546,526		1,748		1,748	
Food Service	\$ 485,801		1,583		1,583	
IT	\$ 91,088		148		148	
Public Areas	\$ 303,626		843		843	
Housekeeping	\$ 60,725		235		235	
Storage	\$ 30,363		145		145	
Total	\$ 6,072,510		16,022		16,022	
Project Total	\$ 20,418,351		50,065		50,065	

*relates only to space in support of 4 Center physicians' offices

November 18, 2013

Ms. Courtney Avery
Administrator
Illinois Health Facilities
and Services Review Board
525 West Jefferson
Springfield, IL 62761

Dear Ms. Avery:

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

1. CDH-Delnor Health System d/b/a Cadence Health does not have any adverse actions against any facility owned and operated by the applicant during the three (3) year period prior to the filing of this application, and
2. CDH-Delnor Health System d/b/a Cadence Health authorizes the State Board and 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 Agency finds pertinent to this application.

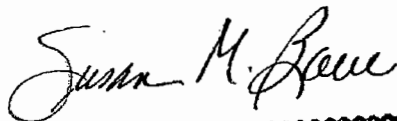
If we can in any way provide assistance to your staff regarding these assurances or any other issue relative to this application, please do not hesitate to call.

Sincerely,



Michael Vivoda
President & CEO

Notarization:



DISPLAY THIS PART IN A
CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN
IDENTIFICATION

State of Illinois **2120422**
Department of Public Health
 LICENSE PERMIT, CERTIFICATION, REGISTRATION
 CENTRAL DUPAGE HOSPITAL ASSOCIATION

EXPIRATION DATE 03/30/14	CATEGORY BBBD	ID NUMBER 0005744
-----------------------------	------------------	----------------------

GENERAL HOSPITAL
 EFFECTIVE: 03/31/13
 FULL LICENSE

02/02/13
 CENTRAL DUPAGE HOSPITAL ASSOCIATION
 25 N. WINFIELD ROAD
 WINFIELD IL 60190

FEE RECEIPT NO.

State of Illinois **2120422**
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 CAR HASBROUCKY, MD, FACP
 The State of Illinois
 Department of Public Health
 Issued under the authority of

EXPIRATION DATE 03/30/14	CATEGORY BBBD	ID NUMBER 0005744
-----------------------------	------------------	----------------------

GENERAL HOSPITAL
 EFFECTIVE: 03/31/13
 FULL LICENSE

BUSINESS ADDRESS
 CENTRAL DUPAGE HOSPITAL ASSOCIATION
 25 N. WINFIELD ROAD
 WINFIELD IL 60190

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



State of Illinois 2120421
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.

SAVANNA HOSPITAL, INC. 1984
DIRECTOR

EXPIRATION DATE	CATEGORY	ID NUMBER
01/30/14	0550	0002730
FULL LICENSE GENERAL HOSPITAL EFFECTIVE: 01/31/13		

BUSINESS ADDRESS

SAVANNA COMMUNITY HOSPITAL
300 MARSHALL ROAD
SAVANNA IL 61154

OFFICE COPY
AL 01/13

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

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 2120421
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

EXPIRATION DATE	CATEGORY	ID NUMBER
01/30/14	0550	0002730

FULL LICENSE
GENERAL HOSPITAL
EFFECTIVE: 01/31/13

SAVANNA COMMUNITY HOSPITAL
300 MARSHALL ROAD
SAVANNA IL 61154

FEE RECEIPT NO.



July 22, 2011

Luke McGuinness
CEO
Central DuPage Hospital
25 North Winfield Road
Winfield, IL 60190

Joint Commission ID #: 7444
Program: Behavioral Health Care Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance
Accreditation Activity Completed: 07/22/2011

Dear Mr. McGuinness:

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

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

Comprehensive Accreditation Manual for Behavioral Health Care

This accreditation cycle is effective beginning April 12, 2011. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

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

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

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

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

ATTACHMENT 11

4/5



July 22, 2011

Luke McGuinness
CEO
Central DuPage Hospital
25 North Winfield Road
Winfield, IL 60190

Joint Commission ID #: 7444
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance
Accreditation Activity Completed: 07/22/2011

Dear Mr. McGuinness:

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

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

• Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning April 16, 2011. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

Please visit Quality Check® on The Joint Commission web site for updated information related to your accreditation decision.

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

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

Sincerely,

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

ATTACHMENT 11



September 20, 2013

Robert Friedberg
Executive President
Delnor Community Hospital
300 Randall Road
Geneva, IL 60134

Joint Commission ID #: 5291
Program: Hospital Accreditation
Accreditation Activity: Unannounced Full
Event
Accreditation Activity Completed:
09/20/2013

Dear Mr. Friedberg:

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

With that goal in mind, your organization received Requirement(s) for Improvement during its recent survey. These requirements have been summarized in the Accreditation Report provided by the survey team that visited your organization.

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

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

Sincerely,

Mark G. Pelletier, RN, MS

Chief Operating Officer

Division of Accreditation and Certification Operations

ATTACHMENT 11

PURPOSE

The primary purpose of the proposed project is to address the demand for inpatient acute mental illness (AMI) services that Cadence Health has been unable to address due to a lack of AMI beds. This high demand reflects the increasing mental health admission rates experienced by hospital providers, nationwide.

Cadence Health, as a critical component of its ongoing planning process, participates with other healthcare organizations in conducting community health needs assessments within its service area in the far western suburbs. The most recent study found additional mental health services and support to be one of the priority needs of the communities served, citing rising growth in demand.

These needs were echoed in a stakeholder assessment conducted by Cadence Health as part of the process of developing the proposed project. Mental health professionals from a variety of community-based mental health services, including Centennial Counseling Center and Passages Counseling Center, as well as several local high schools and other community partners were contacted. They emphasized the need for expanded inpatient capacity for psychiatric patients that this project is designed to address. The mental health professionals identified a number of critical issues, such as Central DuPage Hospital's limited ability to admit patients, particularly adolescents, due to a lack of beds, the difficulties associated with follow-up care when a patient is admitted to a hospital program outside of their community, a rise in demand for services that mirrors national trends, the importance of access to care to prevent life threatening situations, and the need for an inpatient unit devoted exclusively to adolescents.

Similar comments are often heard from area psychiatrists, and are reflected in the letters from eighteen psychiatrists (please see ATTACHMENT 15), in which they identify nearly 950 patients that would have been admitted to an AMI bed at Central DuPage Hospital last year, had a bed been available.

Cadence Health operates two Hospitals: Central DuPage Hospital in Winfield, and Delnor Hospital in Geneva. Central DuPage Hospital (CDH) is authorized to operate fifteen AMI beds, and Delnor Hospital does not operate an AMI unit.

CDH's AMI unit operates at 100% occupancy, and the hospital routinely places selected AMI patients on medical/surgical units. (Reporting on the IDPH's *Annual Hospital Questionnaire* limits patients days to 100% occupancy. Please see discussion in ATTACHMENT 15 related to actual AMI patient days of care provided.) In addition, Cadence Health's hospitals transfer an extraordinary number of patients from their two Emergency Departments to other hospitals for admission to an AMI unit. Last, and as documented in this application, area mental health professionals routinely admit patients to other hospitals' AMI units because a bed is not available at CDH.

It is not anticipated that the proposed addition of AMI beds will have any substantive impact on the hospital's AMI patient origin; and the service will continue to primarily treat patients from west suburban DuPage County. The following table provides an analysis of CDH's YE June 30, 2013 AMI patient origin.

ALTERNATIVES

The proposed project involves the expanding of Central DuPage Hospital's commitment to the providing of acute mental illness services to the residents of the hospital's service area through the renovation of existing space within the hospital. Historical demand for inpatient AMI services, as provided by Central DuPage Hospital (CDH) has greatly exceeded the hospital's ability to admit patients. The proposed project expands that commitment from a single, fifteen-bed unit, to a total of 48 beds, to be located on three distinct age group-specific patient care units.

The existing 15-bed unit, occupying the 1-North patient care unit, will continue (with renovation and expansion to sixteen beds) to be used for AMI services, and designated as the hospital's adolescent AMI unit. In 2007 CDH received a Certificate of Need Permit to undertake a since-completed major campus modernization program, which included the construction of a new patient tower. That project included the maintaining of un-designated space vacated in the hospital's Center Building, and a condition was placed on that Permit, requiring CDH to receive IHFSRB approval prior to the re-use of that vacated space. As primary components of the proposed project, an 18-bed AMI unit will be located on the fifth floor and a 14-bed AMI unit will be located on the third floor of the Center Building, both of which are currently vacant, providing adult and older adult services, respectively.

The three-unit, 48-bed program as proposed in this Application is believed by the applicants to be the most appropriate alternative available to Cadence Health, consistent with the goal of addressing the community's demand for increased accessibility to AMI services at CDH.

Three alternatives to the proposed project were identified, evaluated, and found to be either not feasible or inferior to the proposed project:

Alternative 1, Develop a Mental Health Building Off Campus

This alternative was dismissed because: 1) it would lose the benefits of the AMI units being located close to the CDH Emergency Department, 2) patients needing ancillary services (imaging, respiratory therapy, etc.) would need to be discharged, transported to and from the hospital, and readmitted and 3) IDPH licensure would require a separate hospital license, with that facility requiring many of the services available at both CDH and its sister facility, Delnor Hospital. Depending on the site chosen, accessibility could be similar to that of the proposed project, and the quality of care provided could also be similar to that of the proposed project. This alternative was quickly determined to be impractical, and therefore the cost of this alternative was not determined.

Alternative 2, Develop a Mental Health Pavilion on the CDH Campus

This alternative was dismissed due to a lack of sufficient space on the campus.

Alternative 3, Convert a Medical/Surgical Unit at Delnor Hospital into an AMI Unit

While this alternative could provide reasonable accessibility and quality of care similar to that of the proposed project, the configuration of the existing nursing units and the number of medical/surgical beds at the hospital make this alternative not feasible.

ZIP Code	Community	%	Cum. %
60187	Wheaton	11.3%	11.3%
60188	Carol Stream	11.3%	22.6%
60185	West Chicago	8.7%	31.3%
60137	Glen Ellyn	5.8%	37.1%
60189	Wheaton	5.4%	42.5%
60174	St. Charles	4.4%	46.9%
60555	Warrenville	4.1%	51.0%
60510	Batavia	3.6%	54.6%
60134	Geneva	3.0%	57.5%
60190	Winfield	2.8%	60.3%
60103	Bartlett	2.7%	63.0%
60139	Glendale Hts.	2.7%	65.7%
60148	Lombard	2.1%	67.8%
60133	Hanover Park	1.9%	69.7%
60108	Bloomington	1.7%	71.4%
60563	Naperville	1.5%	72.9%
60115	DeKalb	1.4%	74.3%
60181	Villa Park	1.3%	75.6%
	other, <1.0%	24.4%	100.0%

The goal of this project is to accommodate virtually all patients seeking an AMI bed at Central DuPage Hospital in an authorized AMI bed at CDH. The success in meeting this goal will be immediately measurable following the project's completion through both the reduction in AMI patients transferred elsewhere from Cadence Health's two Emergency Departments and through a significant reduction in the frequency with which physicians must be told that there is not a bed available at CDH for their patient.

SIZE

Acute mental illness (AMI) units will be located in renovated space on three floors of hospital. The size of the individual units, and therefore the square footage allocated to the service, is dictated by the sizes of the spaces available. The existing 15-bed general AMI unit located on the 1-North nursing unit will be converted to a 16-bed adolescent AMI unit. A 14-bed AMI unit focusing on older adults and higher acuity patients will be located on the third floor of the Center building, which is vacant, and an 18-bed adult AMI unit will be located on the fifth floor of the Center building, which is also vacant. Space that would allow contiguous AMI units could be made available only with the relocation of existing Medical/Surgical units, and doing so would add significantly to the project cost. In total, 33,043 of existing space will be used for the AMI service, all of which will be developed through the renovation.

The proposed specialty designation is in response to past operational difficulties CDH has had associated with the use of a single small unit for a patient population ranging in age from teenagers to older adults. Age group-designated units have also become the norm for most contemporary larger providers of AMI services. However, the physical limitations of available space at CDH and the need to locate AMI services on three separate floors, necessitates the development of redundant support space (three nurses stations, dictation areas, medications storage units, linen storage, etc.). The result of this required redundancy is additional square footage, and a higher square foot per bed figure than would be anticipated. No two units can be configured to accommodate the entire bed complement.

The space to be used for the AMI service has been programmed by Cadence Health's experienced design team, in concert with the mental health professionals that will be providing

care on the units. Included in the square footage identified above for each unit will be: patient rooms, clinical and non-clinical offices for the AMI staff, group therapy rooms, and all support spaces typically located on an AMI inpatient unit (nurses station, dictation area, pharmaceuticals storage, general storage, staff areas, etc.).

The vacant fourth floor of the Center building will be renovated. Offices of physicians associated with CDH's neurosciences program (non-clinical space) will occupy approximately 92% of the floor. To support those physicians' practices, and as a convenience to patients, a small (600sf) physical and speech therapy area and a small (400sf) infusion therapy area will also be located on 4-Center. Both of these areas are categorized as clinical space.

PROJECT SERVICES UTILIZATION

The applicants anticipate, based on the documentation provided in this ATTACHMENT, that Central DuPage Hospital's (CDH's) acute mental illness (AMI) category of service will reach the 85% target occupancy rate by the third quarter of the first year following the project's completion, and will continue to operate in excess of 85% occupancy, thereafter.

Applicant CDH-Delnor Health System (d/b/a Cadence Health) operates two hospitals in the far western suburbs, CDH and Delnor Hospital, with a great deal of commonality between the medical staffs of the two hospitals. Delnor Hospital does not operate an AMI service.

The manner in which data is required to be provided through the IDPH's *Annual Hospital Questionnaire (AHQ)*, and subsequently the IDPH's *Inventory* limits utilization/occupancy rates of a category of service to 100%. As a result of this anomaly (which was brought to the attention of IDPH staff in 2011), for each year, 2007 through 2012, CDH's occupancy rate for its AMI services has been identified in the *Inventory* as 100%. In fact, and because in practice, the hospital places a limited number of AMI patients on a medical/surgical unit when an AMI bed is not available, the IDPH's *Inventory* understates actual AMI patient days of care provided at CDH. During YE 8/31/13, based on a DRG-specific analysis, there were 97 such patients---patients that would have been admitted to an AMI bed, had one been available. (Note: In order to lend conservatism to projected utilization, these patients are not being used in support of the proposed 48 beds.) Further, though the *Inventory* does not account for AMI patient days of care provided on a medical/surgical unit, it "captures" all AMI admissions, regardless of whether the patient is admitted to the AMI unit, or not. As a result, the average length of stay (ALOS) calculated from the admission and patient day data appearing in the *Inventory* is artificially low. During the 12-month period identified above, the ALOS on the AMI unit was 7.33 days, while the ALOS for AMI patients admitted to a medical/surgical unit was 2.23 days. The overall ALOS for CDH patients with an AMI diagnosis, and who would have been admitted to an AMI

bed, had a bed been available, was 6.76 days (blended rate of the 7.33 day and 2.23 day ALOSs noted above).

As demonstrated through three sources, the historical demand for AMI services at CDH is sufficient to support all 48 of the proposed AMI beds, with those sources being:

1. Eighteen letters from physicians, documenting the number of patients they would have referred/admitted to CDH's AMI unit during the past year, had a bed been available,
2. Letters indicating the number of patients that were transferred to different AMI units from the CDH and Delnor Hospital Emergency Departments during the past year, that would have been admitted to CDH's AMI unit, had a bed been available, and
3. CDH's historical 2012 AMI patient days, as identified in the IDPH Inventory.

The 6.76 day ALOS identified above has been applied to the admission volumes identified in the physician and Emergency Department letters. The "projected" CDH AMI utilization, assuming that a sufficient number of beds are available, is summarized below:

1. 942 patients documented in the physician letters:	6,368 patient days
2. 584 patients documented in the ED letters:	3,945 patient days
3. 2012 patient days provided on AMI unit:	5,475 patient days
TOTAL:	15,788 patient days

Applying the IHFSRB's 85% target occupancy rate, the documented 15,788 projected AMI patient days of care support 51 beds, greater than the 48 beds proposed.

Name (print): ISRAR ABBASI

Specialty: Psychiatry

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred 130 psychiatric patients to the facilities identified below:

<u>Alexian Brothers Behavioral Hospital</u>	<u>80</u> patients
<u>Green Oaks Hospital</u>	<u>20</u> patients
<u>Mercy Hospital</u>	<u>20</u> patients
<u>McNeal Hospital</u>	<u>10</u> patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>Alexian Brothers Behavioral Health</u>	<u>80</u> patients
From: <u>Green Oaks Hospital</u>	<u>20</u> patients
From: <u>Mercy Hospital</u>	<u>20</u> patients
From: <u>McNeal Hospital</u>	<u>10</u> patients

I estimate that 100 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

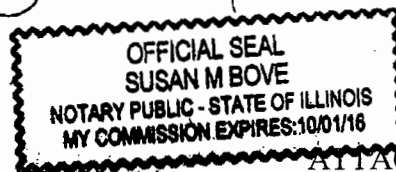
The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

ISRAR ABBASI

Notarized:

Susan M. Bove



ATTACHMENT 15

Name (print): SANESH ALAM MD

Specialty: PSYCHIATRY

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred >100 psychiatric patients to the facilities identified below:
(OTHER THAN CDH)

ALEXIAN BROS. BEHAVIORAL HEALTH >60 patients

GLEN OAKS HOSPITAL >20 patients

MAC NEAL HOSPITAL >5 patients

MERCY HOSPITAL >15 patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: ALEXIAN BROS. BEH. HEALTH >30 patients

From: GLEN OAKS HOSPITAL >10 patients

From: MAC NEAL HOSPITAL >3 patients

From: MERCY HOSPITAL >5 patients

I estimate that 80% of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

[Signature]

Notarized:

Kathleen L. Kregul



ATTACHMENT 15

Specialty: Psychiatry

During 2012 I admitted/referred 260 psychiatric patients to the facilities identified below:

59

Name (print): Fadima M. Haddi M.D.

Specialty: Psychiatry - Child & Adolescent

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred 745 psychiatric patients to the facilities identified below:

Provena Mercy Hospital, Aurora, IL > 30 patients
Linden Oaks Hospital, Naperville, IL > 15 patients
Alexian Brothers Behavioral Health, IL > 15 patients
Streamwood Hospital, IL > 15 patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: Provena Mercy Hospital > 25 patients
From: Linden Oaks Hospital > 15 patients
From: Alexian Brothers Behavioral Health > 5 patients
From: Streamwood Hospital > 10 patients

I estimate that 90 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

Fadima M. Haddi

Notarized:

Kathleen L. Kregul



ATTACHMENT 15

Name (print): NADEEM HUSSAIN

Specialty: PSYCHIATRY

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred > 50 psychiatric patients to the facilities identified below:

<u>Mexican Bros Behavioral Health</u>	<u>> 13</u> patients
<u>Uden Oaks Hospital</u>	<u>> 13</u> patients
<u>Glen Oaks Hospital</u>	<u>> 12</u> patients
<u>Mary Hospital</u>	<u>> 12</u> patients

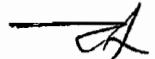
Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>Mexican Bros. Behavioral Health</u>	<u>> 10</u> patients
From: <u>Glen Uden Oaks Hospital</u>	<u>> 10</u> patients
From: <u>Glen Oaks Hospital</u>	<u>> 10</u> patients
From: <u>Mary Hospital</u>	<u>> 10</u> patients

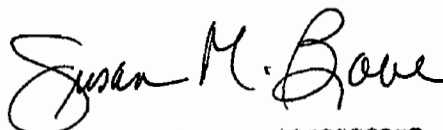
I estimate that 95 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

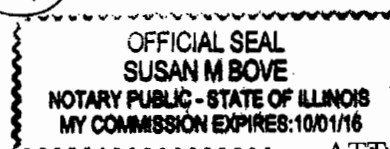
The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

 NADEEM HUSSAIN MD

Notarized:





ATTACHMENT 15

Name (print): Nina Jordania MD

Specialty: Psychiatry

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred ~100 psychiatric patients to the facilities identified below:

<u>Alexian</u>	<u>~80</u> patients
<u>Glen Oaks</u>	<u>~10</u> patients
<u>MacNeal</u>	<u>~5</u> patients
<u>Mercy</u>	<u>~5</u> patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>Alexian</u>	<u>~30</u> patients
From: <u>Glen Oaks</u>	<u>~10</u> patients
From: <u>MacNeal</u>	<u>~2</u> patients
From: <u>Mercy</u>	<u>~5</u> patients

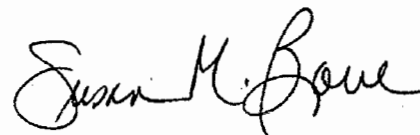
I estimate that 80 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,



Notarized:



ATTACHMENT 15

Name (print): Oren Levin, MDSpecialty: PsychiatryTO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred >12 psychiatric patients to the facilities identified below:

ST. JOSEPH HOSPITAL ELLEN IL 2 patients
Linden Oaks >5 patients
Cadence Health - Central DuPage Hospital >5 patients
_____ patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: ST JOSEPH HOSPITAL, ELLEN IL >2 patients
From: Linden Oaks >5 patients
From: _____ patients
From: _____ patients

I estimate that 90% of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

O. Levin

Notarized: Susan M. Bove
OREN I. LEVIN MD



ATTACHMENT 15

Name (print): Eric Nolan

Specialty: Child Psychiatry

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred 725 psychiatric patients to the facilities identified below:

<u>Alexian Brothers</u>	<u>710</u> patients
<u>Streamwood Behavioral Health</u>	<u>760</u> patients
<u>Linden Oaks / Edward</u>	<u>75</u> patients
_____	_____ patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>Alexian Bros</u>	<u>75</u> patients
From: <u>Streamwood Beh. Health</u>	<u>75</u> patients
From: <u>Linden Oaks</u>	<u>72</u> patients
From: _____	_____ patients

I estimate that 75 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

[Signature]

Notarized: Kathleen L. Kregul



ATTACHMENT 15

Name (print): CYNTHIA O'BRIEN MD

Specialty: PSYCHIATRY

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred 155 psychiatric patients to the facilities identified below:

<u>ALEXIAN BROS</u>	<u>85</u> patients
<u>GLEN OAKS HOSP</u>	<u>25</u> patients
<u>MERCY - PRESENCE</u>	<u>25</u> patients
<u>MAC NEAL</u>	<u>20</u> patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>ALEXIAN BROS.</u>	<u>85</u> patients
From: <u>GLEN OAKS HOSP.</u>	<u>25</u> patients
From: <u>MERCY - PRESENCE</u>	<u>25</u> patients
From: <u>MAC NEAL</u>	<u>20</u> patients

I estimate that 95% of the patients that I admitted in 2012 reside within 30 minutes of CDH.

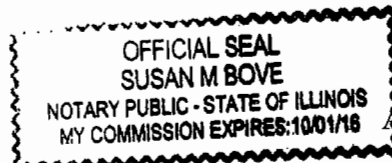
The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

Cynthia O'Brien

Notarized:

Susan M. Bove



ATTACHMENT 15

Name (print): Elliott Pae, M.D.

Specialty: Psychiatry

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred > 100 psychiatric patients to the facilities identified below:

<u>Alexian Brothers Behavioral Health</u>	<u>> 40</u> patients
<u>Linden Oaks Hospital</u>	<u>> 30</u> patients
<u>Mercy Hospital</u>	<u>> 20</u> patients
<u>Glen Oaks Hospital</u>	<u>> 10</u> patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>Alexian Brothers Behavioral Health</u>	<u>> 20</u> patients
From: <u>Linden Oaks Hospital</u>	<u>> 15</u> patients
From: <u>Mercy Hospital</u>	<u>> 10</u> patients
From: <u>Glen Oaks Hospital</u>	<u>> 5</u> patients

I estimate that 80 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

Elliott Pae, M.D.

Notarized:

Susan M. Bove



ATTACHMENT 15

Name (print): KEN PHILLIPS, MD

Specialty: PSYCHIATRY

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred 50 psychiatric patients to the facilities identified below:

LINDEN OAKS	30 patients
ALEXIAN CRS.	20 patients
	patients
	patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: ALEXIAN 20 patients

From: LINDEN OAKS 30 patients

From: _____ patients

From: _____ patients

I estimate that 90 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

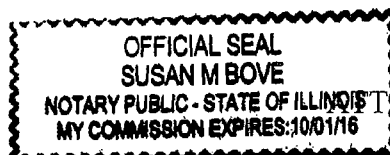
Sincerely,

Sincerely,

 Ken Phillips MD

Notarized:

Notarized: Juan M. Lopez 10/8/13



ACHMENT 15

67

Name (print): Georgina Srinivas Rao
Specialty: Psychiatry

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred 13 psychiatric patients to the facilities identified below:

<u>Alexian Brothers</u>	<u>5</u> patients
<u>Mercy Hospital</u>	<u>5</u> patients
<u>CDH</u>	<u>3</u> patients
_____	_____ patients

If the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>Alexian Brother</u>	<u>3</u> patients
From: <u>Mercy</u>	<u>5</u> patients
From: _____	_____ patients
From: _____	_____ patients

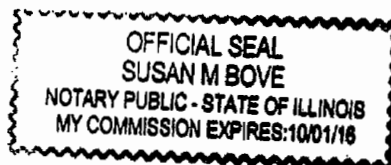
I estimate that 50% of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

[Signature]

Notarized: Susan M. Bove 10/8/12



Name (print): Nicholas Shea MD

Specialty: Psychiatrist

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred 5 psychiatric patients to the facilities identified below:

<u>UIC (no appropriate bed at CDH)</u>	<u>1</u> patient
<u>Rush (no appropriate bed at CDH)</u>	<u>1</u> patient
<u>Glen Oaks (CDH full)</u>	<u>2-3</u> patients
<u>Alexian (CDH full)</u>	<u>1</u> patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>UIC</u>	<u>1</u> patient
From: <u>Rush</u>	<u>1</u> patient
From: <u>Glen Oaks</u>	<u>2-3</u> patients
From: <u>Alexian</u>	<u>1</u> patient

I estimate that 95 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

Nicholas Shea MD

Notarized:

Susan M. Bove



ATTACHMENT 15

Name (print): SAIMA SABAH

Specialty: PSYCHIATRY

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred 100 psychiatric patients to the facilities identified below:

<u>ALEXIAN BROS</u>	<u>> 20</u> patients
<u>LINDEN OAKS</u>	<u>> 30</u> patients
<u>GOOD SAMARITAN</u>	<u>> 10</u> patients
<u>GLEN OAKS</u>	<u>> 40</u> patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>ALEXIAN BROS</u>	<u>> 20</u> patients
From: <u>LINDEN OAKS</u>	<u>> 30</u> patients
From: <u>GOOD SAMARITAN</u>	<u>> 10</u> patients
From: <u>GLEN OAKS</u>	<u>> 40</u> patients

I estimate that 85% of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

Saima Sabah MD.

Notarized:

Susan M. Bove

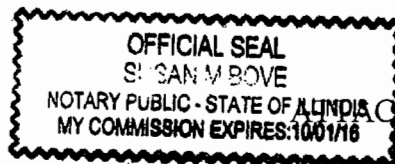


EXHIBIT 15

Name (print): Anoop Vermani MD

Specialty: Psychiatry

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred >95 psychiatric patients to the facilities identified below:

<u>Linden Oaks Hospital</u>	<u>>40</u> patients
<u>Alexian Brothers Behavioral Health</u>	<u>>25</u> patients
<u>Provena Mercy</u>	<u>>25</u> patients
<u>Northwestern Memorial Hospital</u>	<u>>5</u> patients

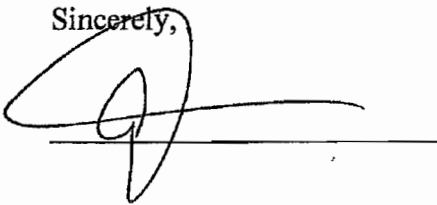
Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>Linden Oaks Hospital</u>	<u>>10</u> patients
From: <u>Alexian Brothers Behavioral Health</u>	<u>>10</u> patients
From: <u>Provena Mercy</u>	<u>>10</u> patients
From: _____	_____ patient

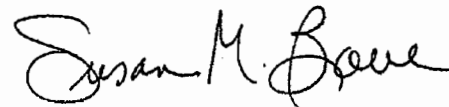
I estimate that 90 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,



Notarized:



ATTACHMENT 15

Name (print): Richard Wagner
Specialty: Psychiatry

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred 200 psychiatric patients to the facilities identified below:

Advocate Lutheran General 75 patients
Alexis Bros 25 patients
Centegra (Woodstock) 100 patients
_____ patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: Advocate Lutheran General 35 patients
From: Alex Bros 15 patients
From: Centegra (Woodstock) 50 patients
From: _____ patients

I estimate that 75% of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

Richard H Wagner MD

Notarized:

Susan M. Bove



ATTACHMENT 15

Oct. 9, 2013 5:35PM

CDH BEHAVIORAL HEALTH

No. 8153 P. 4

Name (print): Pauline K. Wieneck, M.D.Specialty: PsychiatryTO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred >30 psychiatric patients to the facilities identified below:

<u>Linden Oaks Hospital</u>	<u>>20</u> patients
<u>Glen Oaks Hospital</u>	<u>>10</u> patients
_____	_____ patients
_____	_____ patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: <u>Linden Oaks Hospital</u>	<u>>20</u> patients
From: <u>Glen Oaks Hospital</u>	<u>>10</u> patients
From: _____	_____ patients
From: _____	_____ patients

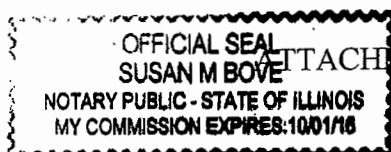
I estimate that 95 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

Pauline K. Wieneck

Notarized:

Susan M. Bove

ATTACHMENT 15

Name (print): Dan Wyma, MD
Specialty: Psychiatry

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital ("CDH").

During 2012 I admitted/referred ~120 psychiatric patients to the facilities identified below:

other than CDH
Alexion Brothers ~75 patients
Glen Oaks 15 patients
MacNeal 15 patients
Mercy 15 patients

Had the proposed additional beds been available to me at CDH during 2012, I estimate that I would have admitted/referred the following number of psychiatry patients to Central DuPage Hospital:

From: Alexion Brothers 40 patients
From: Glen Oaks 10 patients
From: MacNeal 5 patients
From: Mercy 5 patients

I estimate that 75 % of the patients that I admitted in 2012 reside within 30 minutes of CDH.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,

Dan Wyma, MD

Notarized:

Susan M. Bove 10/8/13



ATTACHMENT 15

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

I am the Medical Director of the Emergency Department at Central DuPage Hospital. Due to high occupancy issues, patients seen in our ED often need to be referred to another hospital for inpatient psychiatric care, and difficulties often arise in identifying a referral site.

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital.

During September 2012 through August 2013 our Emergency Department referred 1,362 patients to the facilities identified below for psychiatric inpatient care:

Central DuPage Hospital	798 patients
Linden Oaks Hospital	123 patients
Glen Oaks Hospital	95 patients
Streamwood Behavioral Health Center	71 patients
Alexian Brothers Behavioral Health Hospital	68 patients
Presence Mercy Hospital	61 patients
Advocate Good Samaritan Hospital	22 patients
MacNeal Hospital	22 patients
Presence St. Joseph's Hospital (Elgin)	15 patients
Riveredge Hospital	15 patients
Adventist Hinsdale Hospital	12 patients
Northwest Community Hospital	10 patients
Silver Cross Hospital	7 patients
Hartgrove Hospital	6 patients
Edward Hines, Jr. VA Hospital	6 patients
Lurie Children's Hospital	5 patients
Presence St. Joseph's (Joliet)	4 patients
Maryville Scott Nolan Center	4 patients
University of Illinois Hospital	3 patients
Presence Saints Mary and Elizabeth Medical Center	3 patients
Swedish Covenant Hospital	2 patients
Chicago Lakeshore Hospital	2 patients
Loretto Hospital	2 patients
Jackson Park Hospital	2 patients
Advocate Christ Medical Center	1 patient
Rush University Medical Center	1 patient
Chicago Read Mental Health Center	1 patient
Gottlieb Memorial Hospital	1 patient

If a sufficient number of psychiatry beds had been available at Central DuPage Hospital, I estimate that 90% of the patients referred to Linden Oaks, Glen Oaks and Streamwood, as well as all of the patients referred to the other hospitals would have been admitted to Central DuPage Hospital.

I estimate that 90-95% of the patients admitted/referred for inpatient psychiatric care between September 2012 and August 2013 lived within 30 minutes of Central DuPage Hospital.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

Sincerely,



Thomas Eiseman, MD
Medical Director, Emergency Department
Central DuPage Hospital

Notarized:



TO: Illinois Health Facilities Planning Board
Springfield, Illinois

I am the Medical Director of the Emergency Department at Delnor Hospital. Due to lack of an inpatient psychiatry unit on the hospital's campus, patients seen in our ED often need to be referred to another hospital for inpatient psychiatric care, and difficulties often arise in identifying a referral site.

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed expansion of the inpatient psychiatry program at Central DuPage Hospital.

Between September 2012 and August 2013 our Emergency Department referred 111 patients to the facilities identified below for psychiatric inpatient care:

Central DuPage Hospital	16 patients
Presence Mercy Hospital	35 patients
Linden Oaks Hospital	17 patients
Presence St. Joe's Elgin	13 patients
Streamwood Behavioral Health Center	11 patients
Alexian Brothers Behavioral Health Hospital	11 patients
Glen Oaks Hospital	7 patients
Chicago Lakeshore Hospital	1 patient

If a sufficient number of psychiatry beds had been available at Central DuPage Hospital, I estimate that 80% of the patients referred to Presence Mercy, Linden Oaks and Presence St. Joe's Elgin, as well as all of the patients referred to the other hospitals would have been admitted to Central DuPage Hospital.

I estimate that 50% of the patients admitted/referred for inpatient psychiatric care between September 2012 and August 2013 lived within 30 minutes of Central DuPage Hospital.

The information contained in this letter is true and correct, to the best of my information and belief, and the referenced patients have not been used to support another similar project.

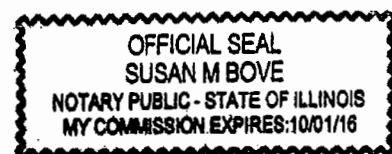
Sincerely,



Carlos G. Duarte, M.D., F.A.C.E.P.
Department Chairman & Medical Director
Delnor Hospital
300 Randall Road
Geneva, IL 60134

Notarized:





ATTACHMENT 15

November 18, 2013

Illinois Health Facilities
and Services Review Board
Springfield, Illinois 62761

To Whom It May Concern:

This letter is being written for inclusion in the Certificate of Need application addressing the expansion of Central DuPage Hospital's acute mental illness (AMI) category of service. Please be advised that it is my expectation and understanding that by the second year following the project's completion, the AMI service will be operating at the IHFSRB's target utilization rate, and that it will, at minimum, maintain that level of utilization thereafter.

Sincerely,



Brian Lemon
President, Central DuPage Hospital

Notarized:



SERVICE TO PLANNING AREA RESIDENTS

The primary purpose of the project will be to provide necessary health care to residents of the area. Central DuPage Hospital (CDH) is located in DuPage County/IDPH-designated Health Planning Area A-05.

CDH currently operates an acute mental illness (AMI) program, and there is not anticipated to be any substantial change to the program's patient origin as a result of the proposed project. The following table identifies all ZIP Code areas providing a minimum of 1.0% of the hospital's AMI unit's admissions during the 12-month period ending June 30, 2013; as evidence that 50%+ of the unit's historical admissions were from DuPage County. Of the eighteen ZIP Code areas that accounted for a minimum of 1.0% of the AMI unit's patients during the study period, thirteen (all except for 60174/St. Charles, 60510/Batavia, 60134/Geneva, 60133/Hanover Park, and 60115/DeKalb) of the areas are located in DuPage County, and those DuPage County ZIP Code areas accounted for 61.3% of the admissions to the AMI unit.

ZIP			Cum.
Code	Community	%	%
60187	Wheaton	11.3%	11.3%
60188	Carol Stream	11.3%	22.6%
60185	West Chicago	8.7%	31.3%
60137	Glen Ellyn	5.8%	37.1%
60189	Wheaton	5.4%	42.5%
60174	St. Charles	4.4%	46.9%
60555	Warrenville	4.1%	51.0%
60510	Batavia	3.6%	54.6%
60134	Geneva	3.0%	57.5%
60190	Winfield	2.8%	60.3%
60103	Bartlett	2.7%	63.0%
60139	Glendale Hts.	2.7%	65.7%
60148	Lombard	2.1%	67.8%
60133	Hanover Park	1.9%	69.7%
60108	Bloomington	1.7%	71.4%
60563	Naperville	1.5%	72.9%
60115	DeKalb	1.4%	74.3%
60181	Villa Park	1.3%	75.6%
	other, <1.0%	24.4%	100.0%

SERVICE DEMAND

The demand for inpatient acute mental illness (AMI) services provided by Central DuPage Hospital (CDH) has historically far surpassed the hospital's capacity to admit patients.

The manner in which data is required to be provided through the IDPH's *Annual Hospital Questionnaire (AHQ)*, and subsequently the IDPH's *Inventory* limits utilization/occupancy rates of a category of service to 100%. As a result of this anomaly (which was brought to the attention of IDPH staff in 2011), for each year, 2007 through 2012, CDH's occupancy rate for its AMI services has been identified in the *Inventory* as 100%. In fact, and because in practice, the hospital places a limited number of AMI patients on a medical/surgical unit when an AMI bed is not available, the IDPH's *Inventory* understates actual AMI patient days of care provided at CDH. During YE 8/31/13, based on a DRG-specific analysis, there were 97 such patients---patients that would have been admitted to an AMI bed, had one been available. Further, though the *Inventory* does not account for AMI patient days of care provided on a medical/surgical unit, it "captures" all AMI admissions, regardless of whether the patient is admitted to the AMI unit, or not. As a result, the average length of stay (ALOS) calculated from the admission and patient day data appearing in the *Inventory* is artificially low. During the 12-month period identified above, the ALOS on the AMI unit was 7.33 days, while the ALOS for AMI patients admitted to a medical/surgical unit was 2.23 days. The overall ALOS for CDH patients with an AMI diagnosis, and who would have been admitted to an AMI bed, had a bed been available, was 6.76 days (blended rate of the 7.33 day and 2.23 day ALOSs noted above).

As demonstrated through three sources, the historical demand for AMI services at CDH is sufficient to support all 48 of the proposed AMI beds, with those three sources being:

1. Eighteen letters (provided in ATTACHMENT 15) from physicians, documenting the number of patients they would have referred/admitted to CDH's AMI unit during the past year, had a bed been available,
2. Letters (provided in ATTACHMENT 15) indicating the number of patients that were transferred to different AMI units from the CDH and Delnor Hospital Emergency Departments during the past year, that would have been admitted to CDH's AMI unit, had a bed been available, and
3. CDH's historical 2012 AMI patient days, as identified in the IDPH Inventory.

As noted above, the AMI actual ALOS at CDH during YE 8/31/13 (total AMI patient days/total AMI admissions) was 6.76 days, and that actual ALOS has been applied to the admission volumes identified in the physician and Emergency Department letters. The "projected" CDH AMI utilization, assuming that a sufficient number of beds are available, is summarized below:

1. 942 patients documented in the physician letters:	6,368 patient days
2. 584 patients documented in the ED letters:	3,945 patient days
3. 2012 patient days provided on AMI unit:	5,475 patient days
TOTAL:	15,788 patient days

Applying the IHFSRB's 85% target occupancy rate, the documented 15,788 projected AMI patient days of care support 51 beds, greater than the 48 beds proposed.

As demonstrated through three sources, the historical demand for AMI services at CDH is sufficient to support all 48 of the proposed AMI beds, with those three sources being:

1. Eighteen letters (provided in ATTACHMENT 15) from physicians, documenting the number of patients they would have referred/admitted to CDH's AMI unit during the past year, had a bed been available,
2. Letters (provided in ATTACHMENT 15) indicating the number of patients that were transferred to different AMI units from the CDH and Delnor Hospital Emergency Departments during the past year, that would have been admitted to CDH's AMI unit, had a bed been available, and
3. CDH's historical 2012 AMI patient days, as identified in the IDPH Inventory.

As noted above, the AMI actual ALOS at CDH during YE 8/31/13 (total AMI patient days/total AMI admissions) was 6.76 days, and that actual ALOS has been applied to the admission volumes identified in the physician and Emergency Department letters. The "projected" CDH AMI utilization, assuming that a sufficient number of beds are available, is summarized below:

1. 942 patients documented in the physician letters:	6,368 patient days
2. 471 patients documented in the ED letters:	3,945 patient days
3. 2012 patient days provided on AMI unit:	5,475 patient days
TOTAL:	15,788 patient days

Applying the IHFSRB's 85% target occupancy rate, the documented 15,788 projected AMI patient days of care support 51 beds, greater than the 45 beds proposed.

AMI MODERNIZATION

Central DuPage Hospital currently operates one acute mental illness (AMI) unit, consisting of fifteen beds, which will continue in use. That unit is not functionally obsolete, but, as part of the proposed project, will undergo renovation to address normal “wear and tear” issues that result from use. All components of that unit’s (1-North) anticipated renovation are considered routine, and included in the identified project cost.

The 3-Center and 5-Center nursing units were originally designed and used as medical/surgical units, and are currently vacant, and all interior walls have been removed. These units will both require extensive renovation, including the construction of walls, the replacement of windows and the ceilings, systems (HVAC) replacement, and the installation of safeguards associated with the providing of a contemporary inpatient AMI environment.

The hospital’s AMI service has exceeded the applicable occupancy rate since at least 2006.

STAFFING AVAILABILITY

The proposed expanded acute mental illness (AMI) category of service will be staffed consistent with, and in many cases above, all licensure and Joint Commission requirements. The staff of the hospital's existing AMI unit will serve as the "core", and additional staff will be added as additional beds open (three separate inpatient units will be provided), and patient census increases. Most incremental/newly-hired staff will be in direct patient care positions (RNs, therapists, social workers, etc.), with the responsibilities of most current management staff being expanded over all three inpatient AMI units.

Central DuPage Hospital has traditionally had no difficulty in filling vacant patient care positions, including those on its AMI unit, and no difficulties are anticipated with the employee recruitment process associated with this project. The primary vehicle used in that process will be the placement of advertisements in professional journals, applicable online websites, and local newspapers.

PERFORMANCE REQUIREMENTS

The proposed acute mental illness category of service is being developed consistent with the standard of a minimum of twenty beds for services located within an MSA.

November 18, 2013

Illinois Health Facilities
and Services Review Board
Springfield, Illinois 62761

To Whom It May Concern:

This letter is being written for inclusion in the Certificate of Need application addressing the expansion of Central DuPage Hospital's acute mental illness (AMI) category of service. Please be advised that it is my expectation and understanding that by the second year following the project's completion, the AMI service will be operating at the IHFSRB's target utilization rate, and that it will, at minimum, maintain that level of utilization thereafter.

Sincerely,



Brian Lemon
President, Central DuPage Hospital

Notarized:





CDH/DELNOR HEALTH SYSTEM
d/b/a Cadence Health, and Affiliates

Consolidated Financial Statements and
Supplementary Information

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)



KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors
CDH/Delnor Health System (d/b/a Cadence Health):

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CDH/Delnor Health System, d/b/a Cadence Health, and Affiliates (the Corporations), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of CDH/Delnor Health System, d/b/a Cadence Health, and Affiliates as of June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As described in note 2(1) and note 3 to the consolidated financial statements, Cadence Health adopted the provisions of Accounting Standards Update 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*. As a result of this adoption, Cadence Health has presented on a separate line the provision for uncollectible accounts as a deduction from net patient service revenue and included enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. Our opinion is not modified with respect to the matter emphasized.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2013 supplementary information included in schedules 1 through 3 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 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 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

September 20, 2013

CDH/DELNOR HEALTH SYSTEM
d/b/a Cadence Health, and Affiliates

Consolidated Balance Sheets

June 30, 2013 and 2012

(In thousands)

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 13,570	5,914
Current portion of assets limited or restricted as to use	—	54
Receivables:		
Patient accounts, less allowance for doubtful accounts of \$85,191 and \$70,531	162,106	142,082
Estimated receivables under third-party reimbursement programs and other	48,943	59,583
Inventories	5,667	4,463
Prepaid expenses	20,713	19,857
Total current assets	<u>250,999</u>	<u>231,953</u>
Assets whose use is limited or restricted, net of current portion:		
By board for investment	1,233,098	1,195,413
Self-insurance trust	41,796	34,341
Held by trustee under debt agreements	4,627	10,445
Donor restricted	17,288	18,494
Total assets whose use is limited or restricted, net of current portion	<u>1,296,809</u>	<u>1,258,693</u>
Land, buildings, and equipment, net of accumulated depreciation and amortization	945,189	860,216
Other assets:		
Notes and advances receivable	24,532	67,917
Retirement plan assets	5,572	4,408
Goodwill	43,381	—
Investments in joint ventures and other assets	43,676	50,630
Total other assets	<u>117,161</u>	<u>122,955</u>
Total assets	<u>\$ 2,610,158</u>	<u>2,473,817</u>

See accompanying notes to consolidated financial statements

Liabilities and Net Assets	2013	2012
Current liabilities:		
Current installments of long-term debt	\$ 11,905	4,005
Long-term debt subject to short-term remarketing agreements	121,350	—
Accounts payable	42,522	41,448
Accrued liabilities:		
Salaries and wages	61,733	56,401
Pension	3,691	2,687
Interest	3,824	4,014
Other	42,022	37,798
Estimated payables under third-party reimbursement programs	114,340	103,120
Total current liabilities	401,387	249,473
Long-term debt, net of unamortized bond premiums and current installments	445,984	579,424
Retirement plan liabilities	5,572	4,408
Deferred revenue and other liabilities	93,690	112,999
Total liabilities	946,633	946,304
Net assets:		
Unrestricted	1,646,237	1,509,019
Temporarily restricted	11,763	13,011
Permanently restricted	5,525	5,483
Total net assets	1,663,525	1,527,513
Total liabilities and net assets	\$ 2,610,158	2,473,817

CDH/DELNOR HEALTH SYSTEM
d/b/a Cadence Health, and Affiliates

Consolidated Statements of Operations

Years ended June 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Net patient service revenue	\$ 1,132,430	1,021,735
Provision for uncollectible accounts	<u>(65,845)</u>	<u>(65,373)</u>
Net patient service revenues less provision for uncollectible accounts	1,066,585	956,362
Other revenue	<u>60,625</u>	<u>50,505</u>
Total revenue	<u>1,127,210</u>	<u>1,006,867</u>
Expenses:		
Salaries and wages	411,490	362,025
Employee benefits	84,507	79,549
Professional fees and purchased services	149,706	126,971
Supplies	165,520	156,287
Interest	28,877	29,214
Depreciation and amortization	94,286	77,646
Other	<u>69,219</u>	<u>66,973</u>
Total expenses	<u>1,003,605</u>	<u>898,665</u>
Revenue in excess of expenses	123,605	108,202
Nonoperating gains and losses:		
Investment return, unrestricted contributions, and other, net	84,651	(4,911)
Impairment of note receivable and joint venture investment	<u>(61,162)</u>	<u>—</u>
Revenue and gains in excess of expenses and losses	147,094	103,291
Other changes in unrestricted net assets:		
Change in net unrealized gains and losses on other-than-trading securities	(13,777)	(5,100)
Net assets released from restriction for the purchase of land, buildings, and equipment	<u>3,901</u>	<u>400</u>
Increase in unrestricted net assets	\$ <u><u>137,218</u></u>	<u><u>98,591</u></u>

See accompanying notes to consolidated financial statements.

CDH/DELNOR HEALTH SYSTEM
d/b/a Cadence Health, and Affiliates
Consolidated Statements of Changes in Net Assets
Years ended June 30, 2013 and 2012
(In thousands)

	<u>2013</u>	<u>2012</u>
Increase in unrestricted net assets	\$ 137,218	98,591
Temporarily restricted net assets:		
Contributions for specific purposes	7,827	6,749
Investment return	135	2
Net assets released from restriction and used for operations	(5,309)	(1,595)
Net assets released from restriction for the purchase of land, buildings, and equipment	<u>(3,901)</u>	<u>(400)</u>
(Decrease) increase in temporarily restricted net assets	<u>(1,248)</u>	<u>4,756</u>
Permanently restricted net assets:		
Contributions to be held in perpetuity	12	13
Investment return	<u>30</u>	<u>205</u>
Increase in permanently restricted net assets	<u>42</u>	<u>218</u>
Change in net assets	136,012	103,565
Net assets at beginning of year	<u>1,527,513</u>	<u>1,423,948</u>
Net assets at end of year	<u>\$ 1,663,525</u>	<u>1,527,513</u>

See accompanying notes to consolidated financial statements.

CDH/DELNOR HEALTH SYSTEM
d/b/a Cadence Health, and Affiliates
Consolidated Statements of Cash Flows
Years ended June 30, 2013 and 2012
(In thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities and gains and losses:		
Change in net assets	\$ 136,012	103,565
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains and losses:		
Depreciation and amortization	93,334	77,646
Amortization of net bond premiums	(112)	(148)
Provision for uncollectible accounts	65,845	65,373
Impairment of note receivable and joint venture investment	61,162	—
Impairment of equipment	952	—
Loss on write-off of deferred finance charges	—	263
Realized gains and losses and change in unrealized gains and losses on investments, net	(24,399)	15,664
Change in fair value of derivative instruments	(18,840)	27,255
Amortization of entrance fees	(459)	(504)
Net refunds of entrance fees	397	(223)
Restricted contributions and investment return	(8,004)	(6,969)
Net assets released from restriction and used for operations	5,309	1,595
Equity earnings in joint ventures, net of cash distributions received	(809)	(1,589)
Changes in assets and liabilities:		
Receivables, net	(75,229)	(123,639)
Inventories and prepaid expenses	(2,060)	1,684
Accounts payable, accrued liabilities, and other liabilities	12,201	11,964
Estimated payables under third-party reimbursement programs	11,220	16,045
Net cash provided by operating activities	<u>256,520</u>	<u>187,982</u>
Cash flows from investing activities:		
Purchases of assets whose use is limited or restricted	(2,138,726)	(1,293,135)
Proceeds from sales or maturities of assets whose use is limited or restricted	2,123,899	1,220,855
Acquisition of land, buildings, and equipment	(140,137)	(119,583)
Purchase of physician practices and ambulatory surgery center	(82,503)	—
Change in construction payables	—	(10,091)
Net change in other assets	(10,014)	(9,904)
Net cash used in investing activities	<u>(247,481)</u>	<u>(211,858)</u>
Cash flows from financing activities:		
Principal payments and defeasance of long-term debt	(4,078)	(202,048)
Proceeds from issuance of long-term debt	—	185,565
Net assets released from restriction and used for operations	(5,309)	(1,595)
Restricted contributions and investment return	8,004	6,969
Net cash used in financing activities	<u>(1,383)</u>	<u>(11,109)</u>
Net change in cash and cash equivalents	7,656	(34,985)
Cash and cash equivalents at beginning of period	5,914	40,899
Cash and cash equivalents at end of period	<u>\$ 13,570</u>	<u>5,914</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 29,067	29,197

See accompanying notes to consolidated financial statements.

CDH/DELNOR HEALTH SYSTEM

d/b/a Cadence Health, and Affiliates

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(1) CDH-Delnor Health System and Affiliates

The accompanying consolidated financial statements include the accounts of Cadence Health, which was incorporated to promote and encourage health and human services in the communities it serves, and the following affiliates (collectively referred to as the Corporations):

- Central DuPage Hospital Association (CDH), a not-for-profit acute care hospital. CDH provides inpatient, outpatient, and emergency care for residents in the Wheaton, Winfield, West Chicago, Glen Ellyn, and surrounding areas.
- Delnor-Community Hospital (Delnor Hospital), a charitable not-for-profit organization providing acute healthcare services primarily to the St. Charles, Geneva, Batavia, and Elburn, Illinois communities.
- Cadence Physician Group (CPG), a not-for-profit corporation that contracts with licensed physicians to provide medical services to patients, hospitals, affiliated group practices, or other medical care facilities.
- Community Nursing Service of DuPage County, Inc. d/b/a CNS Home Health (CNS), a not-for-profit corporation that provides home healthcare and hospice services.
- DuPage Health Services, Inc. (DHSI), a wholly owned for-profit subsidiary of Cadence Health. DHSI provides various physician support as well as other business activities in furtherance of the interests of DHSI and the Cadence Health healthcare delivery system.
- PAHCS II, d/b/a Central DuPage Business Health, a not-for-profit corporation that operates a business dedicated to the advancement and promotion of health for employees of companies within the communities served by Cadence Health and its affiliates.
- Central DuPage Special Health Association (Special Health), a not-for-profit corporation that operates a pharmaceutical distribution center serving the Corporations and their patients.
- Central DuPage Health Foundation (Foundation), a not-for-profit organizations that promotes and supports patient-centered services and programs of Cadence Health and its affiliates. As of July 1, 2012, the Foundation and the Delnor-Community Health Care Foundation merged to become the Cadence Health Foundation (Cadence Foundation).
- Delnor-Community Health Care Foundation (Delnor Foundation), a not-for-profit organization that exists principally to solicit, receive, and grant gifts and contributions for and on behalf of charitable service organizations. As of July 1, 2012, the financials of Delnor Foundation consist solely of the Delnor-Community Health and Wellness Center (Health and Wellness Center).
- DelCom Corporation (DelCom), an Illinois taxable for-profit organization that engages in for-profit healthcare and related ventures.
- Delnor-Community Residential Living, Inc. (Residential Living), d/b/a Delnor Glen, a not-for-profit organization that owns and operates a residential supportive living facility that includes 78 residential supportive living units and related facilities.

CDH/DELNOR HEALTH SYSTEM
d/b/a Cadence Health, and Affiliates
Notes to Consolidated Financial Statements
June 30, 2013 and 2012

- Living Well Cancer Resource Center (Living Well), a not-for-profit organization established in 2006 for the purpose of providing cancer support and wellness.
- Unified Professionals Insurance Company, Ltd. (UPIC) was incorporated as an Exempted Company under the Companies Law of the Cayman Islands on September 12, 2011. UPIC is licensed as an Unrestricted Class 'B' Insurer under Section 4(2) of the Cayman Islands' Insurance Law and is a wholly owned subsidiary of Cadence Health.
- Cadence Ambulatory Surgery Center (CASC) is an Illinois limited liability corporation that exists to provide orthopaedic surgical services throughout Chicago's western suburbs. The Corporations acquired CASC and OAD Orthopaedics, Ltd. in an asset purchase transaction on November 1, 2012 for \$82,503.

(2) Summary of Significant Accounting Policies

The following accounting policies, all of which conform to general practice within the healthcare industry, are utilized in presenting the consolidated financial statements:

(a) Presentation

The consolidated statements of operations include revenue and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of patient and residential care services are reported as gains 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 unrealized gains and losses on other-than-trading investment securities, equity transactions of unconsolidated joint ventures, and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purposes of acquiring such assets).

(b) Use of Estimates

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 consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, interest-bearing accounts at banks, overnight sweep investments, certain money market fund investments, and certain fixed income securities with maturities at date of purchase of three months or less.

(d) Assets Whose Use Is Limited or Restricted

Assets whose use is limited or restricted include: assets set aside by the boards of directors (the Boards) for investment purposes and future capital improvements, over which the Boards retain

CDH/DELNOR HEALTH SYSTEM

d/b/a Cadence Health, and Affiliates

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

control and may at their discretion subsequently use for any other purpose; assets held by a trustee under the self-insured professional and general liability program; assets held by trustees under the terms of bond indentures; and all donor-restricted investments. Assets limited or restricted as current liabilities in the accompanying consolidated balance sheet are classified as current assets to the extent they are expected to satisfy obligations classified as current liabilities in the accompanying consolidated balance sheets.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investments in a hedge fund are measured using estimates, appraisals, assumptions, and methods provided by external financial advisors and reviewed by the Corporations. Investment return (including realized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess of expenses and losses unless the income or loss is temporarily or permanently restricted by donors, in which case the investment return is recorded directly to temporarily or permanently restricted net assets. Changes in net unrealized gains and losses on investments are excluded from revenue and gains in excess of expenses and losses unless the investments are classified as trading securities. A decline in the market value of any other-than-trading security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is included in nonoperating losses and a new cost basis for the security is established. To determine whether an impairment is other than temporary, the Corporations consider whether they have the ability and intent to hold the investment until a market price recovery and consider whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.

(e) Inventories

Inventories consist primarily of supplies and are stated at the lower of cost (first-in, first-out) or market.

(f) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of depreciable assets using the straight-line method. Amortization of leasehold improvements is over the shorter of the useful lives of the assets or the respective lease terms. Interest cost is capitalized as a component of the cost of acquiring or constructing significant capital assets, including net interest cost incurred on borrowed funds during the period of construction.

(g) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually. In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-08, *Testing Goodwill for Impairment*, which provides an entity the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying

CDH/DELNOR HEALTH SYSTEM

d/b/a Cadence Health, and Affiliates

Notes to Consolidated Financial Statements

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amount prior to performing the two-step goodwill impairment test. If this is the case, the two-step goodwill impairment test is required. If it is more likely than not that the fair value of a reporting is greater than its carrying amount, the two-step goodwill impairment test is not required. The Corporations adopted this guidance in 2012.

If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, 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 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 amount, step two does not need to be performed.

The Corporation performs its annual impairment review of goodwill at June 30, 2013, and when a triggering event occurs between annual impairment tests. As of June 30, 2013, \$43,381 of goodwill has been recorded related to the CASC purchase transaction on November 1, 2012. For 2013, the Corporations performed a qualitative assessment of goodwill and determined that it is not more likely than not that the fair values of its reporting units are less than the carrying amounts. Accordingly, no impairment loss was recorded in 2013.

(h) Other Assets – Joint Ventures

The Corporations invest in various organizations that are not wholly owned or controlled by the Corporations. Investments in affiliates in which the Corporations have significant influence but does not control are reported on the equity method of accounting, which represents the Corporations' equity in the underlying net book value. The equity method of accounting is discontinued when the investment is reduced to zero unless the Corporations have guaranteed the obligations of the organization or are committed to provide additional capital support. There were no existing guarantees at June 30, 2013 or 2012.

(i) Derivative Instruments

The Corporations account for derivatives and hedging activities in accordance with Accounting Standards Codification (ASC) Topic 815, *Accounting for Derivative Instruments and Certain Hedging Activities*, as amended, which requires that all derivative instruments be recorded on the consolidated balance sheet at their respective fair values.

(j) Loss Reserves

The Corporations are self-insured for professional and general liability, workers' compensation, and employee health claims. The provisions for loss reserves include the ultimate cost for both reported losses and losses incurred, but not reported as of the respective consolidated balance sheet dates.

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The liability for loss reserves represents an estimate of the ultimate net cost of all such amounts that are unpaid at the balance sheet dates. The liability is based on projections and the historical claim experience of the Corporations and gives effect to estimates of trends. Although management believes that the estimate of the liability for claims is reasonable, it is possible that the Corporations' actual incurred claims will not conform to the assumptions' inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary from the liability for unpaid claims included in the accompanying consolidated financial statements.

(k) Donor-Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets at June 30, 2013 principally represent amounts restricted for the purpose of acquiring long-lived assets or for operations.

The Corporations' 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. The Corporations have adopted the provisions of ASC Subtopic 958, *Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*. ASC Subtopic 958 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 UPMIFA. ASC Subtopic 958 also enhances disclosures related to both donor-restricted and board-designated endowment funds, whether or not the organization is subject to UPMIFA (note 15).

(l) Net Patient Service Revenues

Net patient 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 and policy discounts. 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.

Effective July 1, 2012, the Corporations adopted the provisions of FASB ASU No. 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 No. 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 must 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 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 entity's policies for recognizing revenue and assessing bad debts (note 3). 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 provision for uncollectible accounts on the accompanying consolidated statements of operations for the years

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ended June 30, 2013 and 2012 have been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the retrospective application of ASU No. 2011-07.

(m) Charity Care

The Corporations provide care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue, since the Corporations do not pursue collection of such amounts. In 2013, the Corporations adopted a presumptive charity care policy that assesses self pay accounts to determine if patients who have not applied for charity would qualify for charity care. The Corporations had not changed their charity care or uninsured discount policies during fiscal year 2012.

(n) Electronic Health Record Incentive Program

The Electronic Health Record (EHR) Incentive Program (the Program) provides incentive payments to eligible hospitals and professionals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. The Corporations account for the Program using the grant model. The Corporations apply the "ratable recognition" approach, which states that the grant income can be recognized ratably over the entire EHR reporting period once the "reasonable assurance" income recognition threshold of IAS 20 is met. For the year ended June 30, 2013, the Corporations recognized \$6,061 as other revenue related to EHR incentives, which have been received or are expected to be received based on certifications prepared by management under the appropriate guidelines for stage 1 attestation.

(o) Gifts, Bequests, and Grants

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unrestricted contributions are reported as nonoperating gains. Contributions are reported as either temporarily or permanently restricted support 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 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 restriction. Net assets released from restriction for operating purposes are included with other revenue. 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.

(p) Revenues and Gains in Excess of Expenses and Losses

The consolidated statements of operations include revenues and gains in excess of expenses and losses. Changes in unrestricted net assets that are excluded from revenues and gains in excess of expenses and losses, consistent with industry practice, include: contributions of land, building, and equipment (including assets acquired using contributions that by donor restrictions or grants were to be used for the purpose of acquiring such assets); changes in unrealized gains and losses on

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other-than-trading securities; and nonreciprocal transfers to affiliate for other than goods and services.

(q) Functional Expenses

The Corporations incur expenses for the provision of healthcare services and related general and administrative activities.

(r) Income Taxes

Cadence Health, CDH, CPG, CNS, PAHCS II, Special Health, Foundation, Delnor Hospital, Delnor Foundation, Residential Living, and Living Well are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. UPIC is exempt from all local income, profit, and capital gains taxes under Cayman Islands tax concession law.

DelCom is an Illinois 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 tax 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.

DelCom's tax effects of temporary differences that give rise to significant portions of the deferred tax assets at June 30, 2013 are primarily the result of net operating loss carryforwards. At June 30, 2013, DelCom had net operating loss carryforwards for federal and state income tax purposes of \$4,637, which expire at various future dates through 2020. These net operating loss carryforwards give rise to a deferred tax asset before valuation allowance of approximately \$1,169.

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some portion or all of the deferred tax assets will 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 losses and future projections over the period in which the deferred tax assets are deductible, management believes it more likely than not that DelCom will not realize the majority of the benefits of these deductible differences. Accordingly, the deferred tax assets attributable to these net operating loss carryforwards not realized at June 30, 2013 have been fully reserved in the accompanying consolidated financial statements due to the uncertainty of realization.

The Corporations apply 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, the Corporations must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the

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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. As of June 30, 2013, the Corporations do not have any liabilities for unrecognized tax benefits.

Provisions for unrelated business income federal and state taxes of \$9,873 and \$8,710 for the years ended June 30, 2013 and 2012, respectively, are included within nonoperating gains and losses in the consolidated statements of operations. There are no significant deferred income taxes, deferred tax assets, or deferred tax liabilities attributable to unrelated business activities as of June 30, 2013 or 2012.

(s) Fair Value

The Corporations apply the provisions of ASC Subtopic 820-10, *Fair Value Measurement – Overall*, 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 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 (note 7).

In conjunction with the adoption of ASC Subtopic 820-10, the Corporations adopted the measurement provisions of ASU No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in money market funds that do not have readily determinable fair values. This guidance amends ASC Subtopic 820-10 and allows for the estimation of the fair value of investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

The Corporations have adopted the provisions of ASC Subtopic 825-10, *The Fair Value Option for Financial Assets and Financial Liabilities*. ASC Subtopic 825-10 gives the Corporations the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Since adoption and through June 30, 2012, the Corporations' management has not elected to measure any additional eligible financial assets or financial liabilities at fair value.

(t) Reclassification

Certain 2012 amounts have been reclassified to conform to the 2013 consolidated financial statement presentation, including a reclassification of provision for uncollectible accounts in the consolidated statements of operations that decreases net patient service revenues and decreases expenses by \$65,373 as a result of adopting ASU 2011-07.

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(3) Net Patient Service Revenue

The Corporations have agreements with third-party payors that provide for payments at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare – Inpatient acute care, outpatient, and home health services rendered to Medicare program beneficiaries are paid at prospectively determined 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 Corporations' classification of patients under the prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

The Corporations are reimbursed for certain other services and costs based upon fee schedules and other reimbursement methodologies. The Corporations are reimbursed for certain services at a tentative rate with final settlement determined after submission of annual reimbursement reports by the Corporations and audits thereof by the Medicare fiscal intermediary. The Corporations' Medicare reimbursement reports through June 30, 2010 have been audited by the Medicare fiscal intermediary.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates and fee schedules, respectively. Medicaid payment methodologies and rates for services are based on the amount of funding available to the State of Illinois Medicaid program.

On December 4, 2008, the State of Illinois (the State) approved an assessment program to assist in the financing of its Medicaid program for the State's fiscal years ended June 30, 2009 through June 30, 2013. Renewal for the period July 1, 2013 to December 31, 2014 has been approved by the State. 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. The Corporations have included their assessment of \$15,405 for both years ended June 30, 2013 and 2012, within professional fees and purchased services 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. The Corporations have included their additional reimbursement of \$14,801 and \$15,338 for the years ended June 30, 2013 and 2012, respectively, within net patient service revenue in the accompanying consolidated statements of operations.

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

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. For the years ended June 30, 2013 and 2012, the consolidated statement of operations includes \$5,649 and \$6,432,

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respectively, of net favorably determined retroactive settlements and changes in prior estimates for third-party settlements and allowances. 2012 includes \$4,214 related to a retroactive settlement from Medicare for fiscal years 2007 – 2011 related to the settlement of the Rural Floor Budget Neutrality Adjustment Appeal.

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, the Corporations analyze their past history and identify trends for each of their major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Corporations analyze contractually due amounts and provide an allowance for doubtful accounts and a provision for bad debts, if necessary (e.g., for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes patients without insurance), the Corporations record a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporations' allowance for uncollectible accounts for self-pay patients decreased from 98.5% of self-pay accounts receivable at June 30, 2012, to 96.5% of self-pay accounts receivable at June 30, 2013. In addition, the Corporations' self-pay write-offs increased \$472 from \$65,373 for fiscal year 2012 to \$65,845 for fiscal year 2013. The Corporations do not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

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The Corporations recognize gross patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporations recognize revenue on the basis of their standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Corporations' uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporations record a significant provision for bad debts related to uninsured patients in the period the services are provided. Gross patient service revenue is recognized in the period from these major payor sources, as follows:

	<u>2013</u>	<u>2012</u>
Medicare	\$ 1,313,737	1,148,442
Medicaid	324,490	282,134
Managed care/commercial	1,783,647	1,557,699
Self-pay	55,237	53,113
Other	11,458	12,133
Gross patient service revenues	<u>\$ 3,488,569</u>	<u>3,053,521</u>

(4) Charity Care

The Corporations maintain records to identify and monitor the level of charity care they provide. These records include the amount of charges forgone for services and supplies furnished under their charity care policies, the estimated cost of these services and supplies, and equivalent service statistics. CDH, Delnor Hospital, and CNS also consider the difference between the cost of providing services to Medicaid and Medicare patients and residents and the amounts reimbursed by Medicaid and Medicare as charity care. Since these entities do not expect payment for charity care services, charges related to charity care services are not recorded as revenue.

In addition, these entities also report the cost associated with services provided to the community and other uncompensated costs as charity care. The following information presents the level of charity care at cost and other uncompensated costs provided during the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Costs of free care provided to non-Medicaid and non-Medicare patients	\$ 22,483	20,649
Excess of cost over reimbursement for services provided to Medicaid patients	29,139	30,715
Excess of cost over reimbursement for services provided to Medicare patients	72,759	59,453
Community services provided, at cost	6,364	6,209
	<u>\$ 130,745</u>	<u>117,026</u>

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(5) Concentrations of Credit Risk

The Corporations grant credit without collateral to their patients and residents, most of whom reside locally and are generally insured under third-party payor agreements. The mix of receivables from patients, residents, and third-party payors at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Medicare	17%	17%
Medicaid	17	22
Managed care/commercial	42	41
Self-pay	23	20
Other	1	—
	<u>100%</u>	<u>100%</u>

A summary of the Corporations' Medicare, Medicaid, and managed care/contracted payor utilization percentages based upon gross patient service revenue for the years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Medicare	38%	38%
Medicaid	9	9
Managed care/commercial	51	51
Other	2	2
	<u>100%</u>	<u>100%</u>

(6) Investments

Investments are reported in the accompanying consolidated balance sheets as assets whose use is limited or restricted and retirement plan assets. A summary of the composition of the Corporations' investment portfolio at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Corporate bonds and notes	\$ 678,401	620,806
Government and agency securities	15,574	37,006
Mutual funds and common stocks	452,245	537,784
Alternative limited partnership investments, at cost	—	16,480
Hedge fund – Grosvenor multi strategy fund	131,353	—
Short-term securities and money market funds	24,808	51,079
Total assets whose use is limited or restricted and retirement plan assets	<u>\$ 1,302,381</u>	<u>1,263,155</u>

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The composition of investment return on the Corporations' investment portfolios for the years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 24,833	26,546
Net realized gains on sale of investments	19,974	8,620
Net change in unrealized gains and losses during the holding period	<u>4,590</u>	<u>(24,077)</u>
Investment return	\$ <u>49,397</u>	<u>11,089</u>

Changes in unrealized gains and losses during the holding period are included with nonoperating gains and losses for that portion of the investment portfolios that management has designated as trading securities. All other changes in unrealized gains and losses during the holding period are attributable to other-than-trading securities and, accordingly, are excluded from the determination of revenue and gains in excess of expenses and losses. Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Investment return, unrestricted contributions, and other, net	\$ 62,988	15,926
Change in net unrealized losses on other-than-trading securities	(13,777)	(5,100)
Temporarily restricted net assets:		
Investment return	135	2
Permanently restricted net assets:		
Investment return	30	205
Interest income capitalized as part of construction in progress	<u>21</u>	<u>56</u>
Total investment return	\$ <u>49,397</u>	<u>11,089</u>

Gross unrealized losses on other-than-trading investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2013 and 2012 were as follows:

	<u>2013</u>					
	<u>Less than 12 months</u>		<u>12 Months or longer</u>		<u>Total</u>	
	<u>Fair value</u>	<u>Unrealized losses</u>	<u>Fair value</u>	<u>Unrealized losses</u>	<u>Fair value</u>	<u>Unrealized losses</u>
Corporate bonds and notes	\$ 331,731	(6,099)	16,058	(115)	347,789	(6,214)
Government and agency securities	80	—	—	—	80	—
Total	\$ <u>331,811</u>	<u>(6,099)</u>	<u>16,058</u>	<u>(115)</u>	<u>347,869</u>	<u>(6,214)</u>

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	2012					
	Less than 12 months		12 Months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate bonds and notes	\$ 105,034	(190)	5,307	(5)	110,341	(195)
Government and agency securities	14,153	(7)	—	—	14,153	(7)
Total	\$ 119,187	(197)	5,307	(5)	124,494	(202)

The decline in fair value of corporate bonds and notes is primarily attributable to changes in interest rates and the market's perception of credit quality. The Corporations have the intent and ability to hold these investments until a market price recovery or maturity, and therefore, these investments are not considered other-than-temporarily impaired.

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by the Corporations 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, receivables, inventories, prepaid expenses, accounts payable, accrued liabilities, and estimated payables under third-party reimbursement programs.
- Assets whose use is limited or restricted: Fair values are estimated based on prices provided by its investment managers, custodian banks, and valuations provided by an independent investment reporting service. 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. Corporate bonds, notes, certain American Depository Receipts, and U.S. agency securities are measured using other observable inputs. The carrying value equals fair value.
- The Corporations have a hedge fund investment for which quoted market prices are not available. The hedge fund investment is the Grosvenor multistrategy fund. The estimated fair value of this hedge fund investment includes estimates, appraisals, assumptions, and methods provided by external financial advisors and reviewed by the Corporations.
- The investment objective of the Grosvenor multistrategy fund is to achieve equity type returns with reduced volatility and risk. This is achieved through a diversified portfolio targeting allocations of long strategies and low volatility strategies.
- 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 netting agreements, adjusted to

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reflect nonperformance risk of both the counterparty and the Corporations. 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

The Corporations apply ASC Subtopic 820-10 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 financial statements on a recurring basis. 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 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 the Corporations have the ability to access at the measurement date. Level 1 assets include cash and cash equivalents, common stock, quoted mutual funds, and direct U.S. government obligations.
- Level 2 inputs 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 2 assets include corporate bonds, notes, American Depository Receipts and U.S. agency securities, and nonquoted mutual funds.
- Level 3 inputs are unobservable inputs for the asset or liability.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. There were no transfers between Level 1, Level 2, or Level 3 for the fiscal year ended June 30, 2013.

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

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The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2013:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 13,570	13,570	—	—
Assets whose use is limited or restricted:				
Corporate bonds and notes	678,401	—	678,401	—
Government and agency securities	15,574	11,615	3,959	—
Mutual funds and common stocks	447,831	447,831	—	—
Short-term securities and money market funds	23,933	23,933	—	—
Hedge fund	131,353	—	—	131,353
Retirement plan assets:				
Mutual funds and common stocks	4,414	4,414	—	—
Short-term securities and money market funds	<u>875</u>	<u>875</u>	<u>—</u>	<u>—</u>
Total assets whose use is limited or restricted and retirement plan assets	<u>1,302,381</u>	<u>488,668</u>	<u>682,360</u>	<u>131,353</u>
Total	<u>\$ 1,315,951</u>	<u>502,238</u>	<u>682,360</u>	<u>131,353</u>
Liabilities:				
Interest rate derivatives	\$ 38,478	—	38,478	—

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The table below sets forth a summary of changes in the fair value of the Corporations' Level 3 assets for the year ended June 30, 2013:

	Level 3 assets Year ended June 30, 2013
Balance, beginning of year	\$ 13
Purchases	120,010
Total net gains (losses)	11,343
Sales	(13)
Balance, end of year	<u>\$ 131,353</u>

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2012:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 5,914	5,914	—	—
Assets whose use is limited or restricted:				
Corporate bonds and notes	620,806	—	620,806	—
Government and agency securities	36,006	18,337	17,669	—
Mutual funds and common stocks	534,640	534,640	—	—
Short-term securities and money market funds	50,815	50,815	—	—
Retirement plan assets:				
Government and agency securities	1,000	1,000	—	—

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	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Mutual funds and common stocks	\$ 3,144	3,131	—	13
Short-term securities and money market funds	<u>264</u>	<u>264</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 1,252,589</u>	<u>614,101</u>	<u>638,475</u>	<u>13</u>
Liabilities:				
Interest rate derivatives	\$ 57,318	—	57,318	—

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Corporations. The Corporations consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Corporations' perceived risk of that instrument. The Corporations' 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.

(c) Alternative Investments

During fiscal year 2012, the Corporations evaluated alternative investments carried under the cost method of accounting for impairment on an annual basis. These investments were considered to be impaired whenever events or changes in circumstances indicated the carrying amount of an investment may not be recoverable from future cash flows. Recoverability of these investments was measured by a comparison of the carrying amount of an investment to future cash flows expected to be generated by the investment. When such investments were considered to be impaired, the impairment loss recognized was measured by the amount by which the carrying value of the investment exceeded the fair value of the investment. The Corporations did not recognize any impairment charges during the year ended June 30, 2012 related to cost basis investments. The carrying and estimated fair value of cost basis investments at June 30, 2012 were \$16,480 and \$16,887, respectively. During fiscal year 2013, the Corporations sold the investment realizing a gain of approximately \$800 included in investment return, unrestricted contributions, and other, net in the accompanying consolidated statements of operations.

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As of August 1, 2012, the Corporations organized Cadence Alternative Investments, L.P. (CAI). CAI is sponsored and managed by Grosvenor Capital Management, L.P. The investment objective of the CAI multistrategy fund is to achieve equity type returns with reduced volatility and risk. This is achieved through a diversified portfolio targeting allocations of long strategies and low volatility strategies. The Corporations have no contractual commitments to fund CAI. The Corporations have the ability to withdraw from CAI all or any portion of its capital at any time. Withdrawal payments will be made as promptly as possible, subject to the liquidity provisions of the funds that make up CAI and Grosvenor's ability to continue to manage the fund's portfolio in accordance with the fund's investment objectives and guidelines.

(8) Derivative Instruments

The Corporations have interest rate related derivative instruments to manage exposure on debt instruments. By using derivative financial instruments to hedge exposures to changes in interest rates, the Corporations are exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the Corporations, which creates credit risk for the Corporations. When the fair value of a derivative contract is negative, the Corporations owe the counterparty, and therefore, it does not possess credit risk. The Corporations minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The Corporations' management also mitigates risk through periodic reviews of its derivative positions in the context of their total blended cost of capital.

In an effort to lower its overall cost of capital on long-term debt, the Corporations maintain four interest rate swap agreements, which have the effect of changing the variable rate on a portion of the long-term debt to a fixed rate. The notional amounts under the interest rate swap agreements are reduced over the term of the agreements. Under the first agreement, the Corporations receive 67% of three-month USD-LIBOR-BBA on a notional amount of \$63,513 every month, and make payments at an annual fixed rate of 3.518% through November 1, 2038. This agreement gives the swap counterparty a one-time option to cancel the swap at fair value on November 1, 2017, after which, if unexercised, the swap will remain outstanding through its stated expiration. Under the second agreement, the Corporations receive 67% of three-month USD-LIBOR-BBA on a notional amount of \$63,513 every month, and make payments at an annual fixed rate of 3.818% through November 1, 2038. Under the third agreement, the Corporations receive 67% of LIBOR on a notional amount of \$35,000 every month, and make payments at an annual fixed rate of 4.180% through May 1, 2032. Under the fourth agreement, the Corporations receive 67% of LIBOR on a notional amount of \$29,100 every month, and make payments at an annual fixed rate of 2.890% through May 4, 2033. Under all four swap agreements, the Corporations retain the right to cancel either or both in whole or in part at any time for cash at settlement value.

The interest rate swap agreements were not designated as cash flow hedge instruments by the Corporations, and therefore, changes in the fair value of the interest rate swap agreements of \$18,840 and \$(27,255) for the years ended June 30, 2013 and 2012, respectively, were recognized as gains (losses) within nonoperating gains and losses: investment return, unrestricted contributions, and other, net in the

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accompanying consolidated statements of operations. The fair value of the interest rate swap liability of \$38,478 and \$57,318 at June 30, 2013 and 2012, respectively, is included with deferred revenue and other long-term liabilities in the accompanying consolidated balance sheets. Total net payments made by the Corporations under the swap agreements totaled \$6,705 and \$6,743 for the years ended June 30, 2013 and 2012 are reported within interest expense in the accompanying consolidated statements of operations. There were no collateral postings required on the swaps at June 30, 2013 or 2012.

(9) Investment in Joint Ventures

The Corporations have joint venture and operating partnership investment interests in ambulatory surgical facilities, fitness centers, and other health-related businesses that are accounted for using the equity method. The following is a summary of financial information as of and for the years June 30, 2013 and 2012 relating to equity method joint ventures:

	<u>2013</u>	<u>2012</u>
Current assets	\$ 21,960	20,492
Current liabilities	<u>11,637</u>	<u>13,018</u>
Working capital	10,323	7,474
Property and equipment, net	39,787	40,660
Other long-term assets	229	331
Long-term liabilities	<u>5,357</u>	<u>6,094</u>
Net assets	<u>\$ 44,982</u>	<u>42,371</u>
Revenues	\$ 50,670	48,688
Expenses	<u>38,631</u>	<u>36,130</u>
Excess of revenues over expenses	<u>\$ 12,039</u>	<u>12,558</u>

The carrying value of equity method joint venture investments of \$16,359 and \$15,550 at June 30, 2013 and 2012, respectively, is included with investments in joint ventures and other assets in the accompanying consolidated balance sheets. Net equity earnings from these investments amounted to \$4,485 and \$5,053 during the years ended June 30, 2013 and 2012, respectively, and is included with nonoperating gains and losses in the accompanying consolidated statements of operations. The Corporations received cash distributions from such joint ventures of \$3,676 and \$3,464, respectively, for the years ended June 30, 2013 and 2012.

In 2009, Cadence Health entered into a joint venture with ProCure Treatment Centers, Inc. and certain radiation oncologists that sought to build, equip, and operate a proton beam therapy center (the Proton Beam Venture). Cadence Health provided initial capital contributions of \$10,000 to the Proton Beam Venture during 2009. Cadence Health has an approximate 12.2% effective equity interest in the Proton Beam Venture, which is accounted for under the cost method. The proton beam venture became operational during 2011. Subsequent to June 30, 2013, Cadence Health increased its investment in the Proton Beam Venture to 81.25%. The carrying value of Cadence Health's initial capital contribution was adjusted to fair value of \$1,277 as of June 30, 2013 in consideration of the subsequent investment increase,

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resulting in a loss of \$8,723, which is included in impairment of note receivable and joint venture investment in the accompanying 2013 consolidated statement of operations. The \$1,277 carrying value of the Proton Beam Venture as of June 30, 2013 is included with investments in joint ventures and other assets.

Simultaneously with its investment, Cadence Health also provided a \$40,000 loan to ProCure Treatment Centers, Inc. to support the development and construction of the proton beam therapy center. The loan is evidenced by an unsecured note receivable and accrues interest at a rate per annum of 14% over the term, which is approximately 12 years. Interest on the note is accrued and added to the outstanding note receivable balance for the first four years. Interest is due and payable semiannually after the fourth year. Principal and accrued interest payments are due at the maturity of the note receivable. Cadence Health recognized approximately \$9,394 and \$8,278 in accrued interest income on the note receivable for the years ended June 30, 2013 and 2012, respectively, which is included in nonoperating gains in the accompanying consolidated statements of operations. Subsequent to June 30, 2013, Cadence Health increased its investment in the Proton Beam Venture. The carrying value of the loan was adjusted to fair value as of June 30, 2013 in the consolidated balance sheets resulting in a loss of \$52,439, which is included in impairment of note receivable and joint venture investment in the accompanying 2013 consolidated statement of operations. Included in notes and advances receivable at June 30, 2013 and 2012 are \$22,360 and \$65,405, respectively, of total outstanding principal and accrued interest amounts related to the note receivable.

In support of its efforts to develop a broader oncology presence, Cadence Health purchased a parcel of land for \$8,215 on which the proton beam therapy center and a cancer treatment center were constructed. Cadence Health entered into a ground lease agreement with ProCure Management, LLC to lease the land on which the proton beam therapy center operates. The initial term of the ground lease is 50 years with the option to renew for two 20-year periods. For the years ended June 30, 2013 and 2012, Cadence Health recognized \$1,152 and \$432, respectively, of rental income under the land lease, which is included in other revenue in the accompanying consolidated statements of operations.

(10) Other Revenue – Entrance Fees and Revenue Recognition

Residential Living recognizes revenue from residents through service fees, monthly assessments, and amortization of entrance fees. Service fees and monthly assessments are recognized as revenue in the period in which they relate. Residents also pay entrance fees, which can be all or partially refundable as determined by the resident's length of occupancy. Resident refunds limited to the extent of reoccupancy proceeds are included in deferred revenue. Refundable entrance fees are amortized to revenue using the straight-line method over the estimated useful life of the residents' townhomes. Nonrefundable portions of entrance fees are included in deferred revenue from entrance fees and are amortized to revenue using the straight-line method over the actuarially determined remaining life expectancies of the residents. Amortization of entrance fees amounted to \$459 and \$504 for the years ended June 30, 2013 and 2012, respectively, which is included in other revenue in the accompanying consolidated statements of operations. Gross refundable entrance fees at June 30, 2013 and 2012 amounted to \$5,907 and \$5,969, respectively, and are included in deferred revenue and other liabilities in the accompanying consolidated balance sheets.

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(11) Land, Buildings, and Equipment

A summary of land, buildings, and equipment as of June 30, 2013 and 2012 is as follows:

	2013		2012	
	Cost	Accumulated depreciation and amortization	Cost	Accumulated depreciation and amortization
Land	\$ 41,948	—	35,520	—
Land improvements	48,132	(27,335)	46,373	(24,952)
Leasehold improvements	17,203	(9,922)	13,318	(8,143)
Buildings and building service equipment	961,027	(317,001)	898,198	(275,585)
Major movable equipment	483,918	(312,491)	419,596	(273,377)
Construction in progress	59,710	—	29,268	—
	<u>\$ 1,611,938</u>	<u>(666,749)</u>	<u>1,442,273</u>	<u>(582,057)</u>

Construction in progress at June 30, 2013 consists primarily of costs for various construction and renovation projects. Significant contractual commitments outstanding at June 30, 2013 on construction projects approximate \$26,648.

Interest cost is capitalized as a component cost of significant capital projects, net of any interest income earned on unexpended project-specific borrowed funds. During the years ended June 30, 2013 and 2012, the Corporations capitalized \$727 and \$1,246, respectively, of interest cost. Gross interest costs capitalized during the years ended June 30, 2013 and 2012 were \$748 and \$1,302, respectively, which were offset by \$21 and \$56, respectively, of investment income on borrowed funds held by the bond trustee.

The Corporations evaluate 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. Included in depreciation and amortization for the year ended June 30, 2013 is \$952 related to the impairment of certain equipment. No impairments of long-lived assets were recognized during the year ended June 30, 2012.

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The Corporations lease medical office buildings to physicians and other healthcare providers under various operating lease arrangements. Rental income recognized under the terms of operating leases amounted to \$8,796 and \$9,017 for the years ended June 30, 2013 and 2012, respectively, and is included with other revenue in the accompanying consolidated statements of operations. Future minimum rental payments receivable under noncancelable operating leases as of June 30, 2012 are as follows:

2014	\$	7,417
2015		6,572
2016		4,760
2017		2,949
2018		2,243
Thereafter		2,690
	\$	<u>26,631</u>

The Corporations lease office space and equipment under various operating lease agreements. Rental expense recognized under the terms of operating leases amounted to \$7,347 and \$6,568 for the years ended June 30, 2013 and 2012, respectively, and is included with other expense in the accompanying consolidated statements of operations. Future minimum rental commitments under noncancelable office space operating leases as of June 30, 2013 are as follows:

2014	\$	6,077
2015		5,271
2016		4,192
2017		3,449
2018		2,744
Thereafter		9,306
	\$	<u>31,039</u>

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(12) Long-Term Debt

A summary of long-term debt at June 30, 2013 and 2012 is as follows.

	<u>2013</u>	<u>2012</u>
CDH Master Trust Indenture obligations:		
Revenue bonds, Series 2011A with interest at a variable rate determined monthly, due by annual mandatory redemption through November 1, 2038, effective interest rate of 0.70% and 3.45% as of June 30, 2013 and 2012, respectively	\$ 61,925	62,735
Revenue bonds, Series 2011B with interest at a variable rate determined monthly, due by annual mandatory redemption through November 1, 2038, effective interest rate of 1.10% and 3.94% as of June 30, 2013 and 2012, respectively	61,925	62,740
Revenue bonds, Series 2009 with interest at various fixed rates averaging 5.25% and maturing on various dates beginning November 1, 2014 through November 1, 2039	90,000	90,000
Revenue bonds, Series 2009B with interest at various fixed rates averaging 5.36% and maturing on various dates beginning November 1, 2013 through November 1, 2039	240,000	240,000
Delnor Master Trust Indenture obligations:		
Revenue bonds, Series 2011C with interest at a variable rate determined monthly, due by annual mandatory redemption through November 1, 2038, effective interest rate of 0.93% and 1.09% as of June 30, 2013 and 2012, respectively	58,160	58,415
Fixed-rate revenue bonds, Series 2003A, maturing on various dates between 2009 and 2023, in principal amounts ranging from \$625 to \$2,525; interest rate of 5.00%	17,750	19,875
Fixed-rate revenue bonds, Series 2003B, maturing on various dates between 2024 and 2032, in principal amounts ranging from \$25 to \$900; interest rate of 5.25%	6,150	6,150

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	<u>2013</u>	<u>2012</u>
Fixed-rate revenue bonds, Series 2003C, maturing on various dates between 2032 and 2033, in principal amounts ranging from \$625 to \$4,575; interest rate of 5.25%	\$ 5,200	5,200
Fixed-rate revenue bonds, Series 2002A, maturing on various dates between 2020 and 2022, in principal amounts ranging from \$1,850 to \$2,200; interest rate of 5.25%	6,000	6,000
Fixed-rate revenue bonds, Series 2002B, maturing on various dates between 2022 and 2025, in principal amounts ranging from \$400 to \$2,450; interest rate of 5.25%	6,000	6,000
Fixed-rate revenue bonds, Series 2002C, maturing on various dates between 2025 and 2027, in principal amounts ranging from \$1,600 to \$2,700; interest rate of 5.25%	6,000	6,000
Fixed-rate revenue bonds, Series 2002D, maturing on various dates between 2027 and 2032, in principal amounts ranging from \$1,050 to \$3,450; interest rate of 5.25%	17,000	17,000
Delnor Foundation – South Elgin Holding Mortgage, interest at 5.75%, matures October 1, 2014	1,794	1,867
Total long-term debt	577,904	581,982
Less current installments of long-term debt	11,905	4,005
Less long-term debt subject to short-term remarketing agreements	121,350	—
Plus unamortized net bond premiums	1,335	1,447
Long-term debt, net of unamortized bond premiums and current installments	\$ <u>445,984</u>	<u>579,424</u>

Cadence Health and CDH, collectively referred to as the CDH Obligated Group, entered into a Master Trust Indenture (CDH Master Trust Indenture) dated as of May 1, 2000. The purpose of the CDH Master Trust Indenture is to provide a mechanism to be able to issue promissory notes and other evidences of indebtedness in order to secure the financing or refinancing of facilities and for other lawful proper corporate purposes. The CDH Master Trust Indenture provides for other legal entities in the future to participate with Cadence Health and CDH in a Credit Group for the payment of obligations and the performance of all covenants contained therein. The Credit Group consists of the CDH Obligated Group and any affiliate Cadence Health designates as a Credit Group member. All notes issued under the CDH Master Trust Indenture are the joint and several obligations of each member of the CDH Obligated Group. The CDH Master Trust Indenture requires CDH Obligated Group members to cause Credit Group members to make payments on notes issued by other members of the CDH Obligated Group if such other members are unable to satisfy their obligations under the CDH Master Trust Indenture. No other Cadence Health affiliates are currently designated as Credit Group members.

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In December 2011, Cadence Health paid off the remaining outstanding Series 2000A-1 and Series 2000A-2 Bonds.

On August 5, 2011, the Illinois Finance Authority issued \$63,575 of Series 2011A Bonds and \$63,575 of Series 2011B Bonds on behalf of Cadence Health. In connection with the issuance of the Series 2011A Bonds and 2011B Bonds, Cadence Health redeemed the then-outstanding Series 2004A Bonds. The Series 2011A and Series 2011B bonds are secured by direct note obligations issued under the CDH Master Trust Indenture. The Series 2011A Bonds are subject to a mandatory tender on November 1, 2013. The Series 2011B Bonds are subject to a mandatory tender on April 1, 2014. The Series 2011A and Series 2011B Bonds bear interest at variable rates.

On November 18, 2009, the Illinois Finance Authority issued \$240,000 of Series 2009B Bonds on behalf of Cadence Health. The Series 2009B Bonds are secured by a direct note obligation issued under the CDH Master Trust Indenture. The Series 2009B Bonds bear interest at effective rates ranging from 2.94% to 5.63% depending on the date of maturity. These fixed-rate bonds were issued at an overall premium from face value totaling \$1,070, which is being amortized ratably using the effective-interest method over the life of the bonds.

On May 6, 2009, the Illinois Finance Authority issued \$90,000 of Series 2009 Bonds on behalf of Cadence Health. The Series 2009 bonds are secured by a direct note obligation issued under the CDH Master Trust Indenture. The Series 2009 Bonds bear interest at effective rates ranging from 3.18% to 5.50% depending on the date of maturity. These fixed-rate bonds were issued at an overall discount from face value totaling \$1,605, which is being amortized ratably using the effective-interest method over the life of the bonds.

Delnor Hospital entered into a Master Trust Indenture (Delnor Master Trust Indenture) dated as of May 15, 1989. The purpose of the Delnor Master Trust Indenture is to provide a mechanism to be able to issue promissory notes and other evidences of indebtedness in order to secure the financing or refinancing of facilities and for other lawful proper corporate purposes.

On August 24, 2011, the Illinois Finance Authority issued \$58,415 of Series 2011C Bonds on behalf of Delnor Hospital. In connection with the issuance of the Series 2011C Bonds, Delnor Hospital redeemed the then-outstanding Series 2008A Bonds. The Series 2011C Bonds are secured by direct note obligations issued under the Delnor Master Trust Indenture. The Series 2011C Bonds are subject to a mandatory tender on July 1, 2015. The Series 2011C Bonds bear interest at a variable rate.

On May 23, 2008, the Illinois Health Facilities Authority remarketed the Series 2003 Bonds as Fixed Rate Revenue Bonds (Series 2003 Remarketed Bonds) in the aggregate amount of \$39,050 on behalf of the Hospital. Principal and interest payments on the Series 2003 Remarketed Bonds are guaranteed by a bond insurance policy. The bonds are secured by Delnor Hospital's unrestricted receivables.

On May 23, 2008, the Illinois Health Facilities Authority remarketed the Series 2002 Bonds as Fixed Rate Revenue Bonds (Series 2002 Remarketed Bonds) in the aggregate amount of \$35,000 on behalf of Delnor Hospital. Principal and interest payments on the Series 2002 Remarketed Bonds are guaranteed by a bond insurance policy. The bonds are secured by Delnor Hospital's unrestricted receivables.

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Deferred finance charges consist of underwriter fees and other issuance costs. Deferred finance charges are amortized using the bonds outstanding method over the periods in which the related obligations are expected to be outstanding.

At June 30, 2013, the fair value of the Series 2009 and Series 2009B fixed-rate bonds was \$94,783 and \$256,307, respectively. The recorded carrying amount of the Series 2009 and Series 2009B fixed-rate bonds was \$88,746 (net of unamortized discount) and \$240,865 (net of unamortized premium), respectively.

At June 30, 2012, the fair value of the Series 2009 and Series 2009B fixed-rate bonds was \$98,153 and \$266,386, respectively. The recorded carrying amount of the Series 2009 and Series 2009B fixed-rate bonds was \$88,662 (net of unamortized discount) and \$240,921 (net of unamortized premium), respectively.

At June 30, 2013, the fair values of the Series 2002 A-D and Series 2003 A-C fixed-rate bonds were \$36,778 and \$31,150, respectively. The recorded carrying amount of the Series 2002A-D and Series 2003A-C fixed-rate bonds was \$35,650 (net of amortized premium) and \$32,301 (net of amortized premium), respectively.

At June 30, 2012, the fair values of the Series 2002 A-D and Series 2003 A-C fixed-rate bonds were \$37,956 and \$34,360, respectively. The recorded carrying amount of the Series 2002A-D and Series 2003A-C fixed-rate bonds was \$35,702 (net of amortized premium) and \$32,388 (net of amortized premium), respectively.

At June 30, 2013 and 2012, the fair value of the Corporations' variable rate long-term debt approximated recorded amounts.

The Corporation's unsecured variable rate bonds, Series 2011A and 2011B, while subject to a long-term amortization period, may be put to the Corporation at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within a maximum of 12 months after June 30, 2013, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheets. Management believes the likelihood of a material amount of bonds being put to the Corporation is remote. However, to address this possibility, the Corporation has taken steps to provide various sources of liquidity, including assessing alternate sources of financing, including lines of credit and/or unrestricted assets as a source of self-liquidity.

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Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to the Corporations and a corresponding draw being made on the underlying credit facility, if available, are as follows:

Year ending June 30:	
2014	\$ 133,255
2015	11,039
2016	70,170
2017	10,675
2018	11,305
Thereafter	341,460
	<u>\$ 577,904</u>

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the master trust indentures are as follows:

Year ending June 30:	
2014	\$ 11,905
2015	13,539
2016	12,300
2017	12,850
2018	13,500
Thereafter	513,810
	<u>\$ 577,904</u>

Cadence Health is a limited partner in HealthTrack Sports & Wellness, LP, an Illinois limited partnership that owns and operates a sports and fitness facility located in Glen Ellyn, Illinois (HealthTrack). Cadence Health's affiliate DuPage Health Services, Inc. (DHSI) is a member of the limited liability company that serves as general partner of the limited partnership. Cadence Health guarantees one-half of the debt and interest rate swaps of HealthTrack. As of June 30, 2013 and 2012, there was \$3,403 and \$3,650, respectively, of debt outstanding at HealthTrack, of which Cadence Health has guaranteed \$1,701 and \$1,825, respectively. HealthTrack has a fixed payor interest rate swap to hedge its exposure to fluctuations in interest rates. The swap had a liability of \$473 and \$657 at June 30, 2013 and 2012, respectively, \$236 and \$329 of which was subject to the Cadence Health guaranty. There is no collateral posting requirement on the swap. Cadence Health has not been required to make any payment pursuant to this bank guaranty.

Cadence Health is a member with a one-third ownership interest in Bloomingdale Life Time Fitness, LLC, an Illinois limited liability company that owns a sports and fitness facility located in Bloomingdale, Illinois (Lifetime). Cadence Health guarantees one-third of the debt and interest rate swaps of Lifetime. As of June 30, 2013 and 2012, there was \$5,335 and \$6,475 of debt outstanding at Lifetime, of which Cadence Health has guaranteed \$1,778 and \$2,158, respectively. Cadence Health has not been required to make any payment pursuant to its guaranty.

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During 2010, Cadence Health sold its senior care and living facilities. Pursuant to the terms of the sale agreement, Cadence Health agreed to provide certain liquidity and guarantees of buyer acquisition debt and obligations subsequent to the date of sale. Cadence Health also guaranteed certain long-term debt of the senior care facilities assumed by the buyer. Pursuant to these terms, Cadence Health deposited \$6,400 in escrow accounts for the benefit of the senior lender in the event the buyer does not make scheduled debt service payments or comply with specified debt covenants. Such escrow amounts are included with assets whose use is limited – funds held by trustees. Of this amount, \$2,500 has been released from escrow, reducing the guaranty to \$3,900.

(13) Employee Retirement Plans

Cadence Health sponsors a defined-contribution retirement plan (the Plan) that covers substantially all employees of CDH, Cadence Physician Group, CNS, PAHCS II, Special Health, and CDFoundation. The Plan was amended June 1, 2012 to also cover substantially all employees of Delnor Hospital and Residential Living. The Plan is a money purchase defined-contribution plan qualified under Section 401 of the Code. Other significant provisions of the Plan are as follows:

- **Contributions** – For calendar years 2012 and 2013, the contributions are based on each employee's length of service as follows: 1 to 9 years – 2% contribution; and 10 or more years – 3% contribution. The Corporations fund the Plan annually for the plan year ended December 31.
- **Qualification** – To qualify for the Plan, employees must complete one year of employment, be at least 21 years of age, and provide a minimum of 1,000 hours of annual service.
- **Vesting** – Prior to January 1, 2002, employees vested in the Plan over a seven-year period. From January 1, 2002 to May 31, 2012, the vesting period was reduced to a six-year period. Effective June 1, 2012 the vesting period was reduced to a three-year cliff vesting schedule. Forfeited employer contributions revert back to the Corporations.

Effective July 1, 1999, Cadence Health and participating affiliates adopted a matched savings plan under Section 403(b) of the Code (the 403(b) Plan). The 403(b) Plan was updated June 1, 2012 to cover substantially all employees of Delnor Hospital and Residential Living. The 403(b) Plan is a defined-contribution plan and significant provisions of the 403(b) Plan are as follows:

- **Contributions** – Employees contribute to the 403(b) Plan through salary reductions specified in the participant's salary reduction agreement. Cadence Health and affiliates, at their sole discretion, may make matching contributions to the 403(b) Plan equal to a defined percentage of the participant's contributions for participants who have earned one year of service.
- **Qualification** – Employees are immediately eligible to participate in the 403(b) Plan upon employment and after submitting a signed salary reduction agreement. Effective January 1, 2010, all eligible new employees are auto-enrolled in the 403(b) Plan at a 4% contribution level.
- **Vesting** – Employees are fully vested in their participant contributions to the 403(b) Plan. Prior to January 1, 2002, employer contributions vested over a seven-year period. From January 1, 2002 to May 31, 2012, the vesting period was reduced to a six-year period. Effective June 1, 2012, the

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vesting period was reduced to a three-year cliff vesting schedule. Forfeited employer contributions revert back to Cadence Health and its affiliates.

The Corporations make contributions to the Plan and the 403(b) Plan equal to amounts accrued for pension expense. Pension expense of \$12,870 and \$10,781 for the years ended June 30, 2013 and 2012, respectively, has been recognized under the terms of the Plan and the 403(b) Plan and is included with employee benefits expense in the accompanying consolidated statements of operations.

Cadence Health also sponsors deferred compensation programs to supplement the income of participating individuals during retirement or following separation from the organization. Eligibility for the plans is restricted to specified executives or as defined by the Internal Revenue Service for certain "highly paid" employees. The deferred compensation plans are not qualified retirement plans under Section 401 of the Code. Contributions to the plans are stipulated in the plan documents and involve various methodologies depending on the plan. These range from use of an actuarial analysis based on compensation, an annual sum approved at the Board's discretion or salary deferrals as elected by the participants. Cadence Health has recorded \$29 and \$179 of pension expense during the years ended June 30, 2013 and 2012, respectively, under provisions of the deferred compensation plans. Amounts accrued for the benefit of the specified participants under the plans are reflected as retirement plan liabilities in the noncurrent liabilities section of the accompanying consolidated balance sheets.

Prior to June 1, 2012, Delnor Hospital and Residential Living maintained defined-contribution plans covering substantially all full-time employees of Delnor Hospital and Residential Living. Contributions were 2% of each covered employee's salary and a matching portion of 50% of the employee's contribution up to a maximum of 4% of individual earnings. The total cost of these plans was \$1,858 for the eleven-month period ended May 31, 2012 and is included in employee benefits expense in the accompanying consolidated statements of operations. These plans were funded on a current basis.

DelCom maintains a 401(k) plan for the employees of DelCom. DelCom matches contributions up to 4% of the employee's contribution. The total cost of this plan was \$64 and \$81 for the years ended June 30, 2013 and 2012, respectively, and is included in employee benefits expense in the accompanying consolidated statements of operations. This plan is funded on a current basis.

(14) Self-Insurance

(a) Professional and General Liability

Effective April 16, 1979, CDH had entered into a contractual agreement with the Illinois Provider Trust (IPT), a self-insurance administrator that, through its risk-sharing provisions, provided CDH with insurance coverage for medical, professional, and comprehensive general liability exposure. CDH ceased participation in IPT effective July 1, 1999. CDH obtained various levels of primary and excess insurance coverage from IPT on an occurrence basis while a participant in the program prior to July 1, 1999. IPT is a multihospital trust formed pursuant to the provisions of the Illinois Religious and Charitable Risk Pooling Act. Hospitals participating in IPT are obligated to make additional contributions necessary for maintaining trust assets at a level adequate to support anticipated disbursements as defined in the trust agreement. This obligation continues beyond the period of participation in the trust.

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For the period July 1, 1999 through August 12, 2002, CDH obtained coverage from commercial insurance carriers for all professional and general liability claims. For the period July 1, 1999 through August 12, 2001, coverage was occurrence-based; and for the period August 13, 2001 through August 12, 2002, such coverage was on a claims-made basis. The commercial carrier, which provided coverage for the period July 1, 1999 through June 30, 2000, is insolvent and CDH does not expect the carrier to be able to pay claims for contracted coverage limits. Effective August 13, 2002, CDH elected to again participate in the IPT. Professional liability coverage, as well as excess coverage obtained from the IPT, was on a claims-made basis whereas general liability continued on an occurrence basis.

As of January 1, 2006, CDH terminated its participation in IPT and became self-insured for all its professional and general liability claims made on or subsequent to that date. CDH had procured excess liability coverage from commercial carriers on a claims-made basis to insure those claims that may exceed the stated self-insured retention amount. A self-insurance trust fund was maintained for anticipated claims that may be payable from the retained amount based on an actuarial review of historical and industry claims patterns. CDH utilizes the services of a professional consultant for actuarial evaluations of self-insured funding requirements. CDH has designated attorneys to handle legal matters relating to medical, professional, and comprehensive general liability matters. The CDH professional and general liability insurance program also provides coverage to other Cadence Health affiliates, excluding affiliates that merged with CDHealth on April 1, 2011. The Corporations recognize a provision for the ultimate cost of claims reported that fall within the self-insured retention, cost of claims not insured, and estimates of claims incurred but not reported as of the respective consolidated balance sheet dates for uninsured exposures.

Delnor Hospital was under a contractual agreement with IPT for its medical, professional, and comprehensive general liability exposures. Coverage obtained from IPT was provided on an occurrence basis through December 31, 2004. Effective January 1, 2005, IPT began providing primary insurance coverage on a claims-made basis. Excess coverage was provided through IPT on a claims-made basis. General liability coverage was on an occurrence basis. As of July 1, 2011, Delnor Hospital terminated its participation in IPT and coverages were merged into the CDH-Delnor Self-Insured Trust for all its medical, professional, and comprehensive general liability claims made on or subsequent to that date.

On September 12, 2011, UPIC was created. UPIC is a wholly owned subsidiary of Cadence Health and is licensed as an Unrestricted Class "B" Insurer under Section 4(2) of the Cayman Islands' Insurance Law.

Effective October 1, 2011, UPIC issued a retrospectively rated prior acts liability policy providing medical professional liability coverage to specified physicians employed by Cadence Health and its affiliates with each insured having limits of liability of \$1,000 per claim and \$3,000 in the annual aggregate. The policy has no expiration date because the coverage remains in effect until the limits are exhausted or until all claims have closed.

Effective January 1, 2012, UPIC issued a retrospectively rated claims made primary hospital professional and general liability policy (Primary Policy) with limits of \$2,000 per incident with no

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aggregate for professional and patient general liability. Coverage for nonpatient general liability and employee benefits liability is provided at limits of \$1,000 per claim and \$3,000 in the annual aggregate.

Effective January 1, 2012, UPIC issued a direct buffer policy with limits of \$3,000 per claim and \$3,000 in the annual aggregate excess of the Primary Policy for professional and patient general liability claims only.

Effective January 1, 2012, under a loss portfolio transfer agreement UPIC assumed the outstanding liabilities related to the hospital professional and general liability policies previously included under CDH-Delnor Self Insured Trust for incidents occurring between August 13, 2010 and December 31, 2011 that were reported prior to December 31, 2011. As consideration for the assumption, CDH-Delnor Self Insured Trust assets of an actuarially determined amount, representing loss reserves on December 31, 2011 were transferred to UPIC.

The provision for claims incurred but not reported at June 30, 2012 is actuarially determined using factors including Cadence Health's and specific industry experience. The estimated outstanding professional and general claims liability of \$47,496 and \$42,962 at June 30, 2013 and 2012, respectively, is included with deferred revenue and other long-term liabilities in the accompanying consolidated balance sheets. Included in other expense are provisions of \$8,082 and \$12,831 for professional and general liability program expenses for the years ended June 30, 2013 and 2012, respectively. No portion of the professional and general claims liability is reported within current liabilities, as the amount expected to be paid within one year of the consolidated balance sheet is not determinable.

(b) Workers' Compensation

The Corporations maintain self-insurance programs for workers' compensation coverage. Accrued workers' compensation claims of \$6,714 and \$6,570 at June 30, 2013 and 2012, respectively, are included with deferred revenue and other long-term liabilities in the accompanying consolidated balance sheets. The provision for claims incurred but not reported at June 30, 2013 and 2012 is actuarially determined using factors including the Corporations' historical and industry-specific experience. Provisions for the self-insured workers' compensation claims of \$2,451 and \$3,431 for the years ended June 30, 2013 and 2012, respectively, are included in employee benefits expense as the best estimate of workers' compensation insurance costs. Coverage from commercial insurance carriers is maintained for claims in excess of self-insured retention levels. No portion of the workers' compensation claims liability is reported within current liabilities, as the amount expected to be paid within one year of the consolidated balance sheet is not determinable.

(c) Healthcare

The Corporations also participate in a program of self-insurance for employee healthcare coverage. Accrued health claims of \$3,932 and \$3,959 at June 30, 2013 and 2012, respectively, are included with other accrued liabilities in the accompanying consolidated balance sheets. Provisions for self-insured employee healthcare claims amounted to \$35,949 and \$34,603 for the years ended June 30, 2013 and 2012, respectively, are included in employee benefits expense in the

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accompanying consolidated statements of operations. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits.

The Corporations are self-insured for employee dental coverage. Accrued dental claims of approximately \$156 and \$246 at June 30, 2013 and 2012, respectively, are included with other accrued liabilities in the accompanying consolidated balance sheets. Provisions for self-insured employee dental claims amounted to \$1,890 and \$1,878 for the years ended June 30, 2013 and 2012, respectively, and are included in employee benefits expense in the accompanying consolidated statements of operations.

(15) Endowments

The Corporations comply with the provisions of ASC Topic 958. ASC Topic 958 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) and also required disclosures about endowments funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation established two donor-restricted endowment funds (collectively referred to as the Funds), the principal of which may not be expended. The interest and dividend income and realized gains from the fund established in 1973 and the fund established in 2001 are utilized for CDH operations and a physician services program, respectively. The Funds are classified in permanently restricted net assets in the consolidated balance sheets at June 30, 2013 and 2012.

The Funds' activity for the years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Beginning fair value	\$ 5,483	5,265
Current year contributions	12	13
Investment income:		
Interest and dividends	30	210
Unrealized gains (losses), net	<u>—</u>	<u>(5)</u>
Ending fair value	<u>\$ 5,525</u>	<u>5,483</u>

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 June 30, 2013 and 2012.

(16) Physician Loans

Delnor Hospital has line-of-credit agreements with physicians under guidelines approved by the board of directors. The agreements are extended to physicians where a community need is identified. The agreements have a maximum term of two years. Under the terms of the loan agreements, Delnor Hospital will provide partial forgiveness of the principal and interest owed for every year the physician serves the community up to four years after the initial term of the agreement. At June 30, 2013 and 2012,

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approximately \$511 and \$707, respectively, of physician loans due within one year were recorded as other current assets in the accompanying consolidated balance sheets. At June 30, 2013 and 2012, approximately \$0 and \$726, respectively, of physician loans due after one year were recorded as other assets in the accompanying consolidated balance sheets.

(17) Commitments and Contingencies

(a) *Litigation*

The Corporations are involved in litigation 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 Corporations' financial position or results from operations.

(b) *Regulatory Investigations*

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Corporations are subject to these regulatory efforts. Management is currently unaware of any regulatory matters that will result in a material adverse effect on the Corporations' financial position or results from operations.

(c) *Investment Risks and Uncertainties*

The Corporations invest 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, 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 balance sheet.

(d) *Charity Care Legislation*

Effective June 14, 2012, the Governor of Illinois signed into law *Public Act 97-0688*, which creates new standards for state income tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. The Corporations began certifying in 2013, and have not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

(e) *The Patient Protection and Affordable Care Act and Other Enacted Legislation*

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (often referred to, collectively, as the Affordable Care Act of the healthcare reform law), was signed into law on March 23, 2010. The statute will change how healthcare services are delivered and reimbursed through a variety of mechanisms. The law contains stronger antifraud enforcement provisions and provides additional funding for enforcement activity.

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On May 6, 2011 the Centers for Medicare and Medicaid Services issued the final rule establishing a hospital value-based purchasing program (VBP) for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2013, value-based incentive payments will be made based upon a provider's achievement of or improvement in a set of clinical and quality measures designed to foster improved clinical outcomes. The VBP will start with a 1% reduction in Medicare inpatient payments in federal fiscal year 2013 that will increase annually by 0.25% up to 2% of payments by federal fiscal year 2017. These value based incentives will be withheld and redistributed based on the hospital performance. The Corporations continue to monitor the impact of this and other legislation as these regulations become finalized and placed into action.

(18) Subsequent Events

The Corporations evaluated events and transactions through September 20, 2013 the date the consolidated financial statements were issued, noting no subsequent events requiring recording or disclosure, except for the acquisition on August 30, 2013 of the increased investment in the Proton Beam Venture to 81.25% as noted in note 9.

CDH/DELNOR HEALTH SYSTEM
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Consolidating Balance Sheet Information

June 30, 2013

(In thousands)

Assets	Cadence Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor-Community Hospital	Cadence Physician Group	Community Nursing Service of DuPage County, Inc.	DuPage Health Services, Inc.
Current assets:								
Cash and cash equivalents	\$ 750	2,690	—	3,440	183	876	218	157
Receivables:								
Patient accounts less allowance for doubtful accounts	71	114,539	—	114,610	28,035	14,835	2,559	20
Estimated receivables under third-party reimbursement programs and other	44,013	47,402	(22,696)	68,719	1,816	516	—	—
Inventories	—	2,133	—	2,133	3,426	—	—	—
Prepaid expenses	10,261	10,097	—	20,358	189	2	3	—
Total current assets	55,095	176,861	(22,696)	209,260	33,649	16,229	2,780	177
Assets whose use is limited or restricted:								
By board for investment	679,079	331,633	—	1,010,712	189,660	—	8,021	—
Self-insurance trust	—	—	—	—	—	—	—	—
Held by trustee under debt agreements	3,593	—	—	3,593	1,034	—	—	—
Donor restricted	—	—	—	—	210	—	—	—
Total assets whose use is limited or restricted	682,672	331,633	—	1,014,305	190,904	—	8,021	—
Land, buildings, and equipment, net of accumulated depreciation and amortization	200,903	539,928	—	740,831	165,429	9,058	855	607
Other assets:								
Notes and advances receivable	24,538	8,530	—	33,068	2,991	1,544	8	—
Retirement plan assets	5,289	—	—	5,289	283	—	—	—
Goodwill	—	—	—	—	—	1,326	—	—
Investments in joint ventures and other assets	34,347	575	—	34,922	1,759	9,908	453	219
Total other assets	64,174	9,105	—	73,279	5,033	12,778	461	219
Total assets	\$ 1,002,844	1,057,527	(22,696)	2,037,675	395,015	38,065	12,117	1,003

See accompanying independent auditors' report.

PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	DeNor- Community Health Care Foundation	DeCom Corporation	DeNor- Community Residential Living, Inc.	Living Well Cancer Resource Center	Unified Professionals Insurance Corporation	Cadence Medical Partners	Cadence Ambulatory Surgery Center	Eliminations	Consolidated
1	1,511	91	1,454	3,641	1,269	660	75	—	(6)	—	13,570
881	169	—	(3)	—	—	—	—	—	1,000	—	162,106
26	87	3,055	380	602	94	128	5,677	—	—	(32,157)	48,943
—	64	—	44	—	—	—	—	—	—	—	5,667
—	—	—	—	161	—	—	677	—	—	(677)	20,713
908	1,831	3,146	1,875	4,404	1,363	788	6,429	—	994	(32,834)	250,999
—	1,627	22,062	—	—	932	84	—	—	—	—	1,233,098
—	—	—	—	—	—	—	41,796	—	—	—	41,796
—	—	15,367	—	—	—	1,711	—	—	—	—	4,627
—	1,627	37,429	—	—	932	1,795	41,796	—	—	—	17,288
—	—	—	—	—	—	—	—	—	—	—	1,296,809
245	30	23	7,801	16	14,220	5,170	—	—	904	—	945,189
—	—	3	—	—	1,078	111	—	—	—	(14,271)	24,532
—	—	—	—	—	—	—	—	—	—	—	5,572
—	—	—	—	—	—	—	—	—	42,055	—	43,381
—	—	7	—	4,690	—	—	—	—	1,575	(9,857)	43,676
—	—	10	—	4,690	1,078	111	—	—	43,630	(24,128)	117,161
1,153	3,488	40,608	9,676	9,110	17,593	7,864	48,225	—	45,528	(56,962)	2,610,158

CDH/DELNOR HEALTH SYSTEM
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Consolidating Balance Sheet Information

June 30, 2013
(In thousands)

	Cadence Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor Community Hospital	Cadence Physician Group	Community Nursing Service of DuPage County, Inc.	DuPage Health Services, Inc.
Liabilities and Net Assets								
Current liabilities:								
Current installments of long-term debt	\$ 9,432	—	—	9,432	2,473	—	—	—
Long-term debt subject to short-term remarketing agreements	121,350	—	—	121,350	—	—	—	—
Accounts payable	24,324	35,429	(22,696)	37,057	18,907	1,871	497	—
Accrued liabilities:								
Salaries and wages	57,152	—	—	57,152	—	4,438	—	—
Pension	3,691	—	—	3,691	—	—	—	—
Interest	3,333	—	—	3,333	491	—	—	—
Other	19,258	20,274	—	39,532	929	323	234	24
Estimated payables under third-party reimbursement programs	—	86,655	—	86,655	23,205	—	49	—
Total current liabilities	238,540	142,358	(22,696)	358,202	46,005	6,632	780	24
Long-term debt, net of unamortized bond premiums and current installments	324,502	—	—	324,502	121,482	—	—	—
Retirement plan liabilities	5,289	—	—	5,289	283	—	—	—
Deferred revenue and other liabilities	42,606	—	—	42,606	11,098	—	—	—
Total liabilities	610,937	142,358	(22,696)	730,599	178,868	6,632	780	24
Net assets:								
Unrestricted	391,867	906,639	—	1,298,506	212,976	29,889	11,329	979
Temporarily restricted	40	8,530	—	8,570	3,171	1,544	8	—
Permanently restricted	—	—	—	—	—	—	—	—
Total net assets	391,907	915,169	—	1,307,076	216,147	31,433	11,337	979
Total liabilities and net assets	\$ 1,002,844	\$ 1,057,527	(22,696)	2,037,675	\$ 395,015	\$ 38,065	\$ 12,117	\$ 1,003

See accompanying independent auditors' report.

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PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	DeNor- Community Health Care Foundation	DeCom Corporation	DeNor- Community Residential Living, Inc.	Living Well Cancer Resource Center	Unified Professionals Insurance Corporation	Cadence Medical Partners	Cadence Ambulatory Surgery Center	Eliminations	Consolidated
—	—	—	—	—	—	—	—	—	—	—	11,905
311	50	1,115	360	158	148	17	8,576	5	13	(26,563)	121,350
20	—	123	—	—	—	—	—	—	—	—	42,522
—	—	—	—	—	—	—	—	—	—	—	61,733
—	—	—	—	—	—	—	—	—	—	—	3,691
—	—	4	394	157	425	—	—	—	—	—	3,824
—	131	—	—	—	—	—	—	—	4,300	—	42,022
331	181	1,242	754	315	573	17	8,576	5	4,313	(26,563)	114,340
—	—	—	—	—	—	—	—	—	—	—	401,387
—	—	—	—	—	—	—	—	—	—	—	445,984
—	—	265	554	—	5,907	—	39,529	—	—	(6,269)	5,572
331	181	1,507	1,308	315	6,480	17	48,105	5	4,313	(32,832)	93,690
822	3,307	23,735	8,368	8,795	10,035	6,025	120	(5)	41,215	(9,859)	1,646,237
—	—	9,841	—	—	1,078	1,822	—	—	—	(14,271)	11,763
—	—	5,525	—	—	—	—	—	—	—	—	5,525
822	3,307	39,101	8,368	8,795	11,113	7,847	120	(5)	41,215	(24,130)	1,663,525
1,153	3,488	40,608	9,676	9,110	17,593	7,864	48,225	—	45,528	(56,962)	2,610,158

CDH/DELNOR HEALTH SYSTEM
d/b/a Cadence Health, and Affiliates

Consolidating Statement of Operations Information

Year ended June 30, 2013

(In thousands)

	Cadence Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor-Community Hospital	Cadence Physician Group	Community Nursing Service of DuPage County, Inc.	DuPage Health Services, Inc.
Net patient service revenue	\$ 1,551	804,305	—	805,856	199,606	98,605	16,090	158
Provision for uncollectible accounts	361	46,136	—	46,497	15,433	3,409	16	7
Net patient service revenue less provision for uncollectible accounts	1,190	758,169	—	759,359	184,173	95,196	16,074	151
Other revenue	150,165	24,948	(95,046)	80,067	3,621	6,129	735	—
Total revenue	151,355	783,117	(95,046)	839,426	187,794	101,325	16,809	151
Expenses:								
Salaries and wages	45,447	194,606	—	240,053	60,141	88,554	10,241	435
Employee benefits	8,188	45,336	—	53,524	13,887	12,523	2,264	39
Professional fees and purchased services	54,476	70,336	—	124,812	20,769	2,676	718	24
Supplies	2,763	115,953	—	118,716	29,225	13,801	1,114	24
Interest	22,861	—	—	22,861	6,016	—	—	—
Depreciation and amortization	17,773	57,258	—	75,031	12,572	4,197	267	124
Other	26,610	114,833	(95,046)	46,397	36,310	23,309	2,517	103
Total expenses	178,118	598,322	(95,046)	681,39#	178,920	145,060	17,121	749
Revenue in excess (deficient) of expenses	(26,763)	184,795	—	158,032	8,874	(43,735)	(312)	(598)
Nonoperating gains and losses:								
Investment return, unrestricted contributions and other, net	59,238	(710)	—	58,528	22,598	(2,949)	573	8
Impairment of note receivable and joint venture investment	(61,162)	—	—	(61,162)	—	—	—	—
Revenue and gains in excess (deficient) of expenses and losses	(28,687)	184,085	—	155,398	31,472	(46,684)	261	(590)
Other changes in unrestricted net assets:								
Change in net unrealized gains and losses on other-than-trading securities	(4,719)	(8,391)	—	(13,110)	(84)	—	(163)	—
Net assets released from restriction for the purchase of land, buildings, and equipment	3,400	501	—	3,901	—	—	—	—
Equity transfers among affiliates	86,401	(184,014)	—	(97,613)	168	59,345	(57)	—
Increase (decrease) in unrestricted net assets	\$ 56,395	(7,819)	—	48,576	31,556	12,661	41	(590)

See accompanying independent auditors' report.

CDH/DELNOR HEALTH SYSTEM
d/b/a Cadence Health, and Affiliates

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2013

(In thousands)

	Cadence Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	DeNor-Community Hospital	Cadence Physician Group	Community Nursing Service of DuPage County, Inc.	DuPage Health Services, Inc.
Increase (decrease) in unrestricted net assets	\$ 56,395	(7,819)	—	48,576	31,556	12,661	41	(590)
Temporarily restricted net assets:								
Contributions for specific purposes	—	—	—	—	—	—	—	—
Investment return	—	—	—	—	—	—	—	—
Net assets released from restriction and used for operations	—	—	—	—	—	—	—	—
Change in net interest of Cadence Foundation	40	8,530	—	8,570	4	1,544	8	—
Transfer of restricted net assets	—	—	—	—	—	—	—	—
Net assets released from restriction used for the purchase of land, buildings, and equipment	—	—	—	—	—	—	—	—
Increase (decrease) in temporarily restricted net assets	40	8,530	—	8,570	4	1,544	8	—
Permanently restricted net assets:								
Contributions to be held in perpetuity	—	—	—	—	—	—	—	—
Investment return	—	—	—	—	—	—	—	—
Increase in permanently restricted net assets	—	—	—	—	—	—	—	—
Change in net assets	56,435	711	—	57,146	31,560	14,205	49	(590)
Net assets at beginning of year	335,472	914,458	—	1,249,930	184,587	17,228	11,288	1,569
Net assets at end of year	\$ 391,907	\$ 915,169	—	\$ 1,307,076	\$ 216,147	\$ 31,433	\$ 11,337	\$ 979

See accompanying independent auditors' report.

PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	Delnor- Community Health Care Foundation	DelCom Corporation	Delnor- Community Residential Living, Inc.	Living Well Cancer Resource Center	Unified Professionals Insurance Corporation	Cadence Medical Partners	Cadence Ambulatory Surgery Center	Eliminations	Consolidated
163	311	17,580	(15,917)	982	448	(140)	—	(5)	41,215	337	137,218
—	—	6,568	—	—	—	1,259	—	—	—	—	7,827
—	—	135	—	—	—	—	—	—	—	—	135
—	—	(4,159)	—	—	—	(1,150)	—	—	—	—	(5,309)
—	—	—	—	—	58	(57)	—	—	—	(10,127)	—
—	—	4,280	(4,392)	—	—	112	—	—	—	—	—
—	—	(3,901)	—	—	—	—	—	—	—	—	(3,901)
—	—	2,923	(4,392)	—	58	164	—	—	—	(10,127)	(1,248)
—	—	12	—	—	—	—	—	—	—	—	12
—	—	30	—	—	—	—	—	—	—	—	30
—	—	42	—	—	—	—	—	—	—	—	42
163	311	20,545	(20,309)	982	506	24	—	(5)	41,215	(9,790)	136,012
659	2,996	18,556	28,677	7,813	10,607	7,823	120	—	—	(14,340)	1,527,513
822	3,307	39,101	8,368	8,795	11,113	7,847	120	(5)	41,215	(24,130)	1,663,525



November 18, 2013

Illinois Health Facilities and
Services Review Board
Springfield, IL 62761

To Whom It May Concern:

I hereby attest that all capital costs associated with the expansion of Central DuPage Hospital's acute mental illness service will be funded through cash, and that no debt will be incurred to fund that expansion.

Sincerely,

A handwritten signature in cursive script that reads "Brian Lemon".

Brian Lemon
President, Central DuPage Hospital

25 North Winfield Road
Winfield, Illinois 60190
T. 630.933.1600
TTY for the Hearing
impaired 630.933.4833
cdh.org

ATTACHMENT 39A

PROJECT OPERATING COSTS
and
TOTAL EFFECT OF THE PROJECT ON OPERATING COSTS

Central DuPage Hospital
Inpatient AMI
2017

Adjusted Patient Days:	<u>\$381,335,608</u>	
	\$3,878	98,327

Operating Expense per Adjusted Patient Day:

	AMI	Hospital
salaries/benefits	\$7,976,000	\$495,997,000
medical supplies	<u>\$232,600</u>	<u>\$165,520,000</u>
	\$8,208,600	\$661,517,000
 TOTAL	 \$83.48	 \$6,727.72

Capital Expense per Adjusted Patient Day:	\$1,252.58
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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	DGSF	Circ.		Mod.	DGSF	Circ.		Const. \$ (A x C)		Mod. \$ (B x E)		Costs (G + H)	
Reviewable																		
AMI/Psych		\$	267.50						33,043						\$	8,839,003	\$	8,839,003
PT/Speech		\$	242.50						600						\$	145,500	\$	145,500
Infusion Ther.		\$	242.50						400						\$	97,000	\$	97,000
contingency		\$	15.00												\$	510,645	\$	510,645
Total		\$	281.77						34,043						\$	9,592,148	\$	9,592,148
Non-Reviewable																		
Physicians' Offices		\$	242.50						11,320						\$	2,745,100	\$	2,745,100
Staff Facilities		\$	180.00						1,748						\$	314,640	\$	314,640
Food Service		\$	180.00						1,583						\$	284,940	\$	284,940
IT		\$	197.50						148						\$	29,230	\$	29,230
Public Areas		\$	237.50						843						\$	200,213	\$	200,213
Housekeeping		\$	180.00						235						\$	42,300	\$	42,300
Storage		\$	180.00						145						\$	26,100	\$	26,100
contingency		\$	15.00												\$	240,330	\$	240,330
		\$	242.35						16,022						\$	3,882,853	\$	3,882,853
Project Total		\$	269.15						50,065						\$	13,475,000	\$	13,475,000

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