



STATE OF ILLINOIS  
**HEALTH FACILITIES AND SERVICES REVIEW BOARD**

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|                                                                                                                                                                                                                                                                                                                                                                                                                          |                                            |                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------|
| <b>DOCKET ITEM:</b><br>C-22 thru C-28                                                                                                                                                                                                                                                                                                                                                                                    | <b>BOARD MEETING:</b><br>December 16, 2014 | <b>EXEMPTION NUMBER:</b><br>E-043-014 thru E-049-014 |
| <b>EXEMPTION APPLICANT(S):</b><br>Alexian Brothers-AHS Midwest Region Health Co., Ascension Health, Adventist Health System Sunbelt Healthcare Corporation, Alexian Brothers Health, Adventist Hinsdale Hospital, Alexian Brothers Medical Center, Adventist Health System/Sunbelt, Adventist Bolingbrook Hospital, Adventist GlenOaks Hospital, Alexian Brothers Behavioral Health Hospital, St. Alexius Medical Center |                                            |                                                      |

**DESCRIPTION:** The applicants are proposing an affiliation between Adventist Health System Sunbelt Healthcare Corporation and Ascension Health through the establishment of a joint operating company that will manage and operate the seven hospitals. The operating entities/licensees and the owners of the site will not change as a result of this transaction. There is no cost to this transaction. The anticipated completion date is by or before April 1, 2015.

While there are seven hospitals involved in this transaction the State Board Staff has provided the State Board members with one report.

**WHY THE PROJECT IS BEFORE THE STATE BOARD:**

The applicants are before the State Board because the applicants are proposing a change in control of health care facilities as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).

**PUBLIC COMMENT:**

A public hearing was offered in regard to the proposed project, but none was requested. No letters of support or opposition were received by the State Board Staff.

## **STATE BOARD STAFF REPORT** **CHANGE OF OWNERSHIP EXEMPTIONS**

| Exemption # | Facility                             | City             | Beds | Fair Market Value |
|-------------|--------------------------------------|------------------|------|-------------------|
| E-043-014   | Alexian Brothers Medical Center      | Elk Grove        | 401  | \$289,665,000     |
| E-044-014   | Adventist Hinsdale Hospital          | Hinsdale         | 278  | \$330,756,560     |
| E-045-014   | Alexian Brothers Behavioral Health   | Hoffman Estates  | 141  | \$34,168,000      |
| E-046-014   | St. Alexius Medical Center           | Hoffman Estates  | 318  | \$329,317,000     |
| E-047-014   | Adventist GlenOaks Hospital          | Glendale Heights | 146  | \$59,103,760      |
| E-048-014   | Adventist LaGrange Memorial Hospital | LaGrange         | 205  | \$216,227,438     |
| E-049-014   | Adventist Bolingbrook Hospital       | Bolingbrook      | 138  | \$149,183,438     |

### **I. The Exemption Application**

The Illinois Health Facilities Planning Act defines a change of ownership as “a change in the person who has ownership or control of a health care facility’s physical plant and capital assets. A change in ownership is indicated by the following transactions: sale, transfer, acquisition, lease, change of sponsorship or other means of transferring control (20 ILCS 3960/3).

The Act also states “The State Board shall establish by regulation the procedures and requirements regarding issuance of exemptions. An exemption shall be approved when information required by the Board by rule is submitted. Projects eligible for an exemption, rather than a permit, include, but are not limited to, change of ownership of a health care facility. For a change of ownership of a health care facility between related persons, the State Board shall provide by rule for an expedited process for obtaining an exemption. In connection with a change of ownership, the State Board may approve the transfer of an existing permit without regard to whether the permit to be transferred has yet been obligated, except for permits establishing a new facility or a new category of service (20 ILCS 3960/6 (b)).

For the applicants to successfully address the exemption to permit for a change of ownership of a health care facility the applicants must provide the following information;

- The name and address of the health care facility;
- The name and address of the applicants;
- The Certificates of Good Standing for the applicants;
- The licensee and owner of the site of the health care facility;
- Outstanding permits issued by the Illinois Health Facilities and Services Review Board;
- Organizational Chart;
- The most recent Audited Financial Statements;
- Evidence of an “A” or better bond rating;
- The complete signed and dated transaction document;
- Contingency language that states the proposed change of ownership is subject to State Board approval; and
- Attestations as required by 77 IAC 1130.520

## **II. Findings**

- A. The State Board Staff finds the proposed change of ownership exemption applications to be in compliance with 77 IAC 1130.500 and 77 IAC 1130.520.

## **III. The Proposed Transaction**

The applicants are proposing an affiliation between Adventist Health System Sunbelt Healthcare Corporation ("Adventist") which "controls" four of the hospitals identified above and Ascension Health ("Ascension"), which "controls" three of the hospitals identified above. This affiliation will occur through a joint operating company that will manage and operate the seven hospitals.

Alexian Brothers-AHS Midwest Region Health Company or AB-AMCO is the new joint operating company. It is a domestic corporation, incorporated under the laws of State of Illinois on September 26, 2014. It has complied with all the provisions of the General Not for Profit Corporation Act of the State of Illinois, and is in good standing as a domestic corporation in the State of Illinois. Alexian Brothers-AHS Midwest Region Health Co. has Adventist Midwest Health and Alexian Brothers Health System as its sole corporate members.

Both Alexian Brothers Health System and AHS Midwest Region Health Company will contribute approximately \$200K apiece to the new joint operating company. All assets of the seven hospitals will remain titled to the seven hospitals. There will be no change in licensee/operating entity or owners of the site of the seven hospitals. No indebtedness of the hospitals will be transferred to the joint operating company.

Adventist and Alexian will have equal representation on the joint operating Board of Directors. The Board will have among its powers to appoint the CEO, adopt annual operating budget, adopt a strategic plan, approve capital expenditures sell assets and incur debt. The CEO of the joint operating company is Mark A. Frey, current President and CEO of Alexian Brothers Health.

Both Ascension and Adventist hospitals will continue to operate within their respective religious codes and directives. Through the affiliation agreement, Adventist and Ascension will delegate certain management and operational responsibilities to the joint operating company of the individual hospitals. Among the management functions and responsibilities retained by Adventist and Ascension will be the ability to ensure the maintaining of the individual hospitals' religious characteristics and the continued segregation of existing tax-exempt bond financing.

The Alexian Hospitals are obligated to comply with the Ascension mission, canonical and civil legal obligations. Direct abortions, euthanasia and assisted suicide will not be permitted by any of the Alexian Hospitals. Adventist Hospitals are obligated to comply with the tenets of the Seventh Day Adventist Church.

The joint operating company will not be involved in providing, overseeing, managing, or directing any procedures or practices that are prohibited by the *Ethical and Religious Directives for Catholic Health Care Services* as approved, issued and amended from time to time, by the United States Conference of Catholic Bishops and are not subject to interpretation by the joint operating company. No revenues earned by or expenses incurred by any Adventist Hospital for procedures or practices prohibited by the Directives shall be included in the calculation of free cash flow. In addition, no funds related to procedures or practices prohibited by the Directives will be paid to joint operating company or flow through the joint operating company.

The **presumptive split** will be the basis upon which Adventist and Alexian share in the free cash flow and divide the AB-AMCO Assets upon dissolution. Free cash flow is defined as Adventist's and Alexian's net income plus depreciation, amortization, interest expense, income tax expense, system fees and non operating investment loss minus non operating investment income. The presumptive split is 63% Alexian and 37% Adventist.

Alexian and Adventist will continue to fund **capital expenditures** to maintain the operations of all hospitals consistent with past practices.

The applicants provided the following certifications and attestations:

1. That no adverse action has been taken against by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by the applicants directly or indirectly, within three years preceding the filing of this application of change of ownership exemption,
2. Affirm that the applicants intend to maintain ownership and control of the Facilities for a minimum of three years.
3. Affirm that the Facilities will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the change of ownership transaction, and affirm that the compliant charity care policy will remain in effect for a two-year period following the change of ownership transaction.
4. Affirm that the failure to complete the project in accordance with the applicable provisions of Section 1130.500(d) no later than 24 months from the date of exemption approval (or by later date established by the Illinois Health Facilities and Services Review Board upon a finding that the project has proceeded with due diligence) and failure to comply with the material change requirements of this Section will invalidate the exemption,
5. Attest that the for projects for which Permits have been issued have been completed, are obligated, or will be completed or altered in accordance with the provisions of this Section.
6. Attest that the categories of service and number of beds reflected in the Inventory of Health Care Facilities will not substantially change for at least 12 months following the project's complete date

The applicants have three permits outstanding:

- Permit 12-078 Adventist Hinsdale Hospital to establish a cancer institute at 421 East Ogden Avenue at a cost of approximately \$48 million. The completion date is June 30, 2015.
- Permit 13-073 Adventist LaGrange Hospital to establish a 16 bed comprehensive physical rehabilitation category of service at a cost of approximately \$2.7 million. The completion date is February 28, 2015
- Permit #13-074 Adventist Hinsdale Hospital to discontinue a 15 bed comprehensive physical rehabilitation category of service. The completion date is February 28, 2015.

#### IV. The Facilities

**Adventist LaGrange Memorial Hospital** is a 205 bed acute hospital in LaGrange, Illinois. The 205-bed facility provides outpatient and inpatient primary care, trauma care and wellness services. The hospital also provides cardiac catheterization services and open heart surgery. Table One outlines the utilization and payor source for Adventist LaGrange Memorial Hospital for the years 2011-2013.

| TABLE ONE<br>Adventist LaGrange Memorial Hospital |     |               |               |               |               |                  |
|---------------------------------------------------|-----|---------------|---------------|---------------|---------------|------------------|
| Category of Service                               |     | 2011          | 2012          | 2013          | Average       |                  |
| Medical Surgical Beds                             | 165 | 55.20%        | 52.40%        | 48.70%        | 52.10%        |                  |
| Intensive Care Beds                               | 27  | 79.00%        | 75.90%        | 76.70%        | 77.20%        |                  |
| Obstetrics                                        | 13  | 34.00%        | 29.70%        | 27.80%        | 30.50%        |                  |
| Total Beds                                        | 205 |               |               |               |               |                  |
|                                                   |     | 2011          | 2012          | 2013          | Average       | 3 year average % |
| Medicare                                          |     | \$63,303,538  | \$68,158,247  | \$65,557,169  | \$65,672,985  | 39.97%           |
| Medicaid                                          |     | \$10,966,846  | \$11,710,150  | \$13,696,375  | \$12,124,457  | 7.38%            |
| Other Public                                      |     | \$3,619,189   | \$833,559     | \$250,247     | \$1,567,665   | 0.95%            |
| Private Insurance                                 |     | \$80,309,469  | \$76,862,468  | \$74,969,529  | \$77,380,489  | 47.10%           |
| Private Pay                                       |     | \$9,123,091   | \$2,387,116   | \$11,134,590  | \$7,548,266   | 4.59%            |
| Charity Care                                      |     | \$1,694,861   | \$2,387,116   | \$2,057,319   | \$2,046,432   | 1.25%            |
| Total                                             |     | \$167,322,133 | \$159,951,540 | \$165,607,910 | \$164,293,861 | 100.00%          |

**Adventist Bolingbrook Hospital** is a 138 bed acute hospital in Bolingbrook, Illinois. The 138 bed facility provides outpatient and inpatient primary care and wellness services. The hospital also provides cardiac catheterization services. Table Two outlines the utilization and payor source for Adventist Bolingbrook Hospital for the years 2011-2013.

| TABLE TWO<br>Adventist Bolingbrook Hospital |     |              |               |               |               |                  |
|---------------------------------------------|-----|--------------|---------------|---------------|---------------|------------------|
| Category of Service                         |     | 2011         | 2012          | 2013          | Average       |                  |
| Medical Surgical Beds                       | 106 | 44.50%       | 42.80%        | 48.70%        | 45.33%        |                  |
| Intensive Care Beds                         | 12  | 54.30%       | 47.60%        | 76.70%        | 59.53%        |                  |
| Obstetrics                                  | 20  | 35.50%       | 35.40%        | 27.80%        | 32.90%        |                  |
| Total Beds                                  | 138 |              |               |               |               |                  |
|                                             |     | 2011         | 2012          | 2013          | Average       | 3 year average % |
| Medicare                                    |     | \$24,885,572 | \$27,197,491  | \$29,621,100  | \$27,234,721  | 25.55%           |
| Medicaid                                    |     | \$10,237,401 | \$10,006,713  | \$12,857,945  | \$11,034,020  | 10.35%           |
| Other Public                                |     | \$1,767,251  | \$1,056,943   | \$483,499     | \$1,102,564   | 1.03%            |
| Private Insurance                           |     | \$21,115,283 | \$56,731,151  | \$61,975,343  | \$46,607,259  | 43.72%           |
| Private Pay                                 |     | \$19,831,747 | \$21,722,548  | \$20,286,883  | \$20,613,726  | 19.34%           |
| Charity Care                                |     | \$3,644,118  | \$4,345,538   | \$3,568,713   | \$3,852,790   | 3.61%            |
| Total                                       |     | \$77,837,254 | \$116,714,846 | \$125,224,770 | \$106,592,290 | 100.00%          |

**Adventist GlenOaks Hospital** is a 146 bed acute care hospital in Glendale Heights, Illinois. The 146 bed facility provides outpatient and inpatient primary care and wellness services. The hospital also provides cardiac catheterization services. Table Three outlines the utilization and payor source for Adventist GlenOaks Hospital for the years 2011-2013.

| TABLE THREE<br>Adventist GlenOaks Hospital |    |              |              |              |              |                  |
|--------------------------------------------|----|--------------|--------------|--------------|--------------|------------------|
| Category of Service                        |    | 2011         | 2012         | 2013         | Average      |                  |
| Medical Surgical Beds                      | 60 | 40.30%       | 35.20%       | 39.70%       | 38.40%       |                  |
| Intensive Care Beds                        | 10 | 78.00%       | 71.10%       | 68.20%       | 72.43%       |                  |
| Obstetrics                                 | 15 | 18.40%       | 15.30%       | 16.90%       | 16.87%       |                  |
| Total Beds                                 | 85 |              |              |              |              |                  |
|                                            |    | 2011         | 2012         | 2013         | Average      | 3 year average % |
| Medicare                                   |    | \$22,845,626 | \$23,993,369 | \$25,093,975 | \$23,977,657 | 27.00%           |
| Medicaid                                   |    | \$25,405,332 | \$25,858,802 | \$26,811,303 | \$26,025,146 | 29.30%           |
| Other Public                               |    | \$1,856,881  | \$336,214    | \$185,175    | \$792,757    | 0.89%            |
| Private Insurance                          |    | \$23,403,421 | \$22,452,365 | \$23,156,280 | \$23,004,022 | 25.90%           |
| Private Pay                                |    | \$13,140,004 | \$15,217,182 | \$16,687,778 | \$15,014,988 | 16.91%           |
| Charity Care                               |    | \$2,844,370  | \$3,664,547  | \$4,166,899  | \$3,558,605  | 4.01%            |

| TABLE THREE<br>Adventist GlenOaks Hospital |  |              |              |              |              |         |
|--------------------------------------------|--|--------------|--------------|--------------|--------------|---------|
| Total                                      |  | \$86,651,264 | \$87,857,932 | \$91,934,511 | \$88,814,569 | 100.00% |

**Adventist Hinsdale Hospital** is a 278 bed acute hospital located at 120 North Oak Street, Hinsdale, Illinois. The 278 bed facility provides outpatient and inpatient primary care and wellness services. The hospital also provides cardiac catheterization services and open heart surgery. Table Four outlines the utilization and payor source for Adventist Hinsdale Hospital for the years 2011-2013.

| TABLE FOUR<br>Adventist Hinsdale Hospital |     |               |               |               |               |         |
|-------------------------------------------|-----|---------------|---------------|---------------|---------------|---------|
| Category of Service                       |     | 2011          | 2012          | 2013          | Average       |         |
| Medical Surgical Beds                     | 131 | 70.30%        | 66.20%        | 63.70%        | 66.73%        |         |
| Pediatric                                 | 19  | 15.20%        | 12.80%        | 12.00%        | 13.33%        |         |
| Intensive Care Beds                       | 45  | 36.60%        | 33.10%        | 27.90%        | 32.53%        |         |
| Obstetrics                                | 37  | 42.90%        | 48.20%        | 49.50%        | 46.87%        |         |
| Neonatal                                  | 14  | 37.70%        | 22.20%        | 36.90%        | 32.27%        |         |
| Acute Mental Illness                      | 17  | 86.00%        | 87.10%        | 79.00%        | 84.03%        |         |
| Rehabilitation                            | 15  | 69.20%        | 83.10%        | 76.00%        | 76.10%        |         |
| Total Beds                                | 278 |               |               |               |               |         |
|                                           |     | 2011          | 2012          | 2013          | Average       |         |
| Medicare                                  |     | \$83,492,903  | \$90,361,339  | \$89,775,365  | \$87,876,536  | 29.73%  |
| Medicaid                                  |     | \$22,123,207  | \$20,336,306  | \$22,028,409  | \$21,495,974  | 7.27%   |
| Other Public                              |     | \$3,128,595   | \$1,542,258   | \$367,386     | \$1,679,413   | 0.57%   |
| Private Insurance                         |     | \$177,523,129 | \$167,468,072 | \$167,809,209 | \$170,933,470 | 57.83%  |
| Private Pay                               |     | \$12,715,279  | \$13,090,811  | \$14,906,729  | \$13,570,940  | 4.59%   |
| Charity Care                              |     | \$2,377,086   | \$2,795,788   | \$3,086,667   | \$2,753,180   | 0.93%   |
| Total                                     |     | \$298,983,113 | \$292,798,786 | \$294,887,098 | \$295,556,332 | 100.00% |

**St. Alexius Medical Center** is a 318 bed acute hospital located at 1555 North Barrington Road, Hoffman Estates. The 318 bed facility provides outpatient and inpatient primary care and wellness services. The hospital also provides cardiac catheterization services and open heart surgery. Table Five outlines the utilization and payor source for St. Alexius Medical Center.

| TABLE FIVE<br>St Alexius Medical Center |      |        |        |        |         |  |
|-----------------------------------------|------|--------|--------|--------|---------|--|
| Category of Service                     | Beds | 2011   | 2012   | 2013   | Average |  |
| Medical Surgical Beds                   | 212  | 73.70% | 72.10% | 72.50% | 72.77%  |  |
| Pediatric                               | 17   | 73.80% | 74.40% | 71.40% | 73.20%  |  |
| Intensive Care Beds                     | 35   | 55.70% | 53.80% | 47.20% | 52.23%  |  |

| <b>TABLE FIVE</b><br><b>St Alexius Medical Center</b> |     |               |               |               |               |         |
|-------------------------------------------------------|-----|---------------|---------------|---------------|---------------|---------|
| Obstetrics                                            | 38  | 65.40%        | 65.30%        | 68.70%        | 66.47%        |         |
| Neonatal                                              | 16  | 81.50%        | 41.20%        | 43.40%        | 55.37%        |         |
| Acute Mental Illness                                  | 0   | 0.00%         | 0.00%         | 0.00%         | 0.00%         |         |
| Rehabilitation                                        | 0   | 0.00%         | 0.00%         | 0.00%         | 0.00%         |         |
| Total Beds                                            | 318 |               |               |               |               |         |
|                                                       |     | 2011          | 2012          | 2013          | Average       |         |
| Medicare                                              |     | \$81,999,308  | \$74,956,008  | \$70,143,762  | \$75,699,693  | 24.40%  |
| Medicaid                                              |     | \$37,740,659  | \$31,582,258  | \$30,602,903  | \$33,308,607  | 10.74%  |
| Other Public                                          |     | \$6,449       | \$747,354     | \$737,924     | \$497,242     | 0.16%   |
| Private Insurance                                     |     | \$172,281,543 | \$193,935,106 | \$193,215,973 | \$186,477,541 | 60.11%  |
| Private Pay                                           |     | \$35,189,121  | \$3,837,274   | \$3,680,438   | \$14,235,611  | 4.59%   |
| Charity Care                                          |     | \$9,172,583   | \$7,802,501   | \$9,550,872   | \$8,841,985   | 2.85%   |
| Total                                                 |     | \$327,217,080 | \$305,058,000 | \$298,381,000 | \$310,218,693 | 100.00% |

**Alexian Brothers Behavioral Health** is a 141 bed psychiatric hospital located at 1650 Moon Lake Boulevard, Hoffman Estates. Table Six outlines the utilization and payor source for Alexian Brothers Behavioral Health.

| <b>TABLE SIX</b><br><b>Alexian Brothers Behavioral Health</b> |      |              |              |              |              |         |
|---------------------------------------------------------------|------|--------------|--------------|--------------|--------------|---------|
|                                                               | Beds | 2011         | 2012         | 2013         | Average      |         |
| Category of Service                                           |      |              |              |              |              |         |
| Acute Mental Illness                                          | 141  | 91.3%        | 92.6%        | 92.0%        | 91.97%       |         |
| Total Beds                                                    | 141  |              |              |              |              |         |
|                                                               |      | 2011         | 2012         | 2013         | Average      |         |
| Medicare                                                      |      | \$16,466,442 | \$16,577,749 | \$16,821,978 | \$16,622,056 | 26.10%  |
| Medicaid                                                      |      | \$1,264,792  | \$1,729,632  | \$1,107,028  | \$1,367,151  | 2.15%   |
| Other Public                                                  |      | \$231,474    | \$111,436    | \$320,373    | \$221,094    | 0.35%   |
| Private Insurance                                             |      | \$41,164,152 | \$43,075,786 | \$44,001,793 | \$42,747,244 | 67.12%  |
| Private Pay                                                   |      | \$2,786,685  | \$2,830,976  | \$2,585,931  | \$2,734,531  | 4.29%   |
| Charity Care                                                  |      | \$637,704    | \$631,328    | \$588,008    | \$619,013    | 0.97%   |
| Total                                                         |      | \$61,913,545 | \$64,325,579 | \$64,837,103 | \$63,692,076 | 100.00% |

**Alexian Brothers Medical Center** is a 401 bed acute care hospital located at 800 Biesterfield Road, Elk Grove Village. Alexian Brothers Medical Center also provides cardiac catheterization service and open heart surgery. Table Seven outlines the utilization and payor source for Alexian Brothers Medical Center.



| TABLE SEVEN<br>Alexian Brothers Medical Center |     |               |               |               |               |         |
|------------------------------------------------|-----|---------------|---------------|---------------|---------------|---------|
|                                                |     | 2011          | 2012          | 2013          | Average       |         |
| Category of Service                            |     |               |               |               |               |         |
| Medical Surgical Beds                          | 224 | 83.50%        | 79.50%        | 82.00%        | 81.67%        |         |
| Pediatric                                      | 16  | 0.00%         | 0.00%         | 14.20%        | 4.73%         |         |
| Intensive Care Beds                            | 36  | 72.50%        | 63.90%        | 57.40%        | 64.60%        |         |
| Obstetrics                                     | 28  | 71.10%        | 72.00%        | 58.10%        | 67.07%        |         |
| Acute Mental Illness                           | 25  | 0.00%         | 0.00%         | 0.00%         | 0.00%         |         |
| Rehabilitation                                 | 72  | 86.20%        | 89.40%        | 83.30%        | 86.30%        |         |
| Total Beds                                     | 401 |               |               |               |               |         |
|                                                |     | 2011          | 2012          | 2013          | Average       |         |
| Medicare                                       |     | \$138,954,852 | \$148,312,702 | \$164,099,417 | \$150,455,657 | 34.07%  |
| Medicaid                                       |     | \$13,043,194  | \$19,160,661  | \$20,731,601  | \$17,645,152  | 4.00%   |
| Other Public                                   |     | \$722,514     | \$734,770     | \$743,061     | \$733,448     | 0.17%   |
| Private Insurance                              |     | \$254,494,098 | \$264,180,062 | \$273,932,364 | \$264,202,175 | 59.83%  |
| Private Pay                                    |     | \$10,537,342  | \$6,469,805   | \$8,551,557   | \$8,519,568   | 1.93%   |
| Charity Care                                   |     | \$8,316,485   | \$7,133,313   | \$8,335,947   | \$7,928,582   | 1.80%   |
| Total                                          |     | \$417,752,000 | \$438,858,000 | \$468,058,000 | \$441,556,000 | 100.00% |

## V. The Applicants

**Alexian Brothers-AHS Midwest Region Health Company**, is a domestic corporation, incorporated under the laws of State of Illinois on September 26, 2014, appears to have complied with all the provisions of the General Not for Profit Corporation Act of the State of Illinois, and is in good standing as a domestic corporation in the State of Illinois. Alexian Brothers-AHS Midwest Region Health Co. has Adventist Midwest Health and Alexian Brothers Health System as its sole corporate members.

**Adventist Health System Sunbelt Healthcare Corporation d/b/a Adventist Health System** is a not-for-profit healthcare corporation that operates and controls hospitals, nursing homes and philanthropic foundations. The affiliated hospitals, nursing homes and philanthropic foundations are operated or controlled through their by-laws, governing board appointments or operating agreements by Healthcare Corporation. The System's 43 hospitals, 16 nursing homes and philanthropic foundations operate in 10 states Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Tennessee, Texas and Wisconsin. Table Eight outlines the financial data for Adventist Health System for the CY 2013 and 2012. Table Nine outlines the financial information for the four hospitals subject to this change of ownerships. Adventist Health System Sunbelt Healthcare Corporation, was incorporated in Florida and licensed to conduct affairs in the State of Illinois on April 28, 1997, and must conduct all affairs in this state under the assumed name of Adventist Health System, appears to have complied with all the provisions of the

General Not for Profit Corporation Act of this state, and is a foreign corporation in good standing and authorized to conduct affairs in the State of Illinois.

**Moody's Investors Service** has assigned a “Aa2” rating to Adventist Health System/Sunbelt Obligated Group's Series 2014E fixed rate hospital revenue bonds to be issued through the Colorado Health Facilities Authority. The action reflects a rating upgrade from Aa3.

| <b>TABLE EIGHT</b><br><b>Adventist Health System</b><br><b>Audited Financial Information</b><br><b>In thousands (000)</b><br><b>December 31,</b> |              |              |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                                                                  | <b>2013</b>  | <b>2012</b>  |
| Cash                                                                                                                                             | \$966,141    | \$654,893    |
| Current Assets                                                                                                                                   | \$5,711,434  | \$5,066,359  |
| Total Assets                                                                                                                                     | \$11,708,294 | \$10,645,095 |
| Current Liabilities                                                                                                                              | \$1,424,876  | \$1,277,318  |
| LT Debt                                                                                                                                          | \$3,400,199  | \$3,050,405  |
| Total Liabilities                                                                                                                                | \$5,387,886  | \$4,889,188  |
| Revenue                                                                                                                                          | \$7,597,799  | \$7,346,597  |
| Operating Expenses                                                                                                                               | \$7,097,420  | \$6,834,127  |
| Operating Income                                                                                                                                 | \$500,379    | \$512,470    |
| Excess of Revenues over Expenses                                                                                                                 | \$578,818    | \$504,958    |

| <b>TABLE NINE</b><br><b>Unaudited Financial information for the Four Adventist Hospitals</b><br><b>CY 2013</b> |                                   |                                      |                                   |                                   |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
|                                                                                                                | Adventist<br>LaGrange<br>Hospital | Adventist<br>Bolingbrook<br>Hospital | Adventist<br>GlenOaks<br>Hospital | Adventist<br>Hinsdale<br>Hospital |
|                                                                                                                | 2013                              | 2013                                 | 2013                              | 2013                              |
| Revenue                                                                                                        | \$148,528,267                     | \$101,592,561                        | \$80,204,581                      | \$283,408,293                     |
| Operating Expenses                                                                                             | \$135,976,267                     | \$94,250,594                         | \$79,001,359                      | \$248,963,131                     |
| EBITDA                                                                                                         | \$12,552,000                      | \$8,451,936                          | \$1,203,222                       | \$32,819,061                      |
| Net Income                                                                                                     | (\$5,012,869)                     | (\$3,901,219)                        | (\$1,674,924)                     | \$7,675,677                       |

**Adventist Health System/Sunbelt, Inc.,** incorporated in Florida and licensed to conduct affairs in the State of Illinois on April 28, 1997, appears to have complied with all the provisions of the General Not for Profit Corporation Act of the State of Illinois, is a foreign corporation in good standing and authorized to conduct affairs in the State of Illinois.

**Adventist Hinsdale Hospital**, a domestic corporation, incorporated under the laws of this State on November 01, 1904, appears to have complied with all the provisions of the General Not for Profit Corporation Act of the State of Illinois is in good standing as a domestic corporation in the State of Illinois.

**Ascension Health**, incorporated in Missouri and was licensed to conduct affairs in the State of Illinois on June 27, 2011, appears to have complied with all the provisions of the General Not for Profit Corporation Act of this State of Illinois. Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is the sole corporate member and parent organization of Ascension Health, a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Health Ministries, located in 23 states and the District of Columbia. **Fitch Ratings** has affirmed the AA+ bond rating for Ascension Health Alliance (Ascension) through various conduit issuing authorities. Table Ten outlines the financial position of the Ascension Health.

| <b>TABLE TEN</b><br><b>Ascension Health</b><br><b>June 30</b><br><b>(in thousands)</b><br><b>audited</b> |              |              |
|----------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                          | 2014         | 2013         |
| Cash                                                                                                     | \$618,418    | \$753,555    |
| Current Assets                                                                                           | \$4,622,537  | \$4,781,290  |
| Total Assets                                                                                             | \$31,298,863 | \$30,047,371 |
| Current Liabilities                                                                                      | \$5,014,449  | \$5,353,769  |
| Long Term Debt                                                                                           | \$4,994,913  | \$5,278,304  |
| Total Liabilities                                                                                        | \$12,323,726 | \$12,918,744 |
|                                                                                                          |              |              |
| Net Patient Revenue                                                                                      | \$19,193,307 | \$16,326,684 |
| Total Revenue                                                                                            | \$20,149,720 | \$16,536,898 |
| Expenses                                                                                                 | \$19,386,269 | \$16,017,377 |
| Income from Operations                                                                                   | \$605,791    | \$451,162    |
| Excess of Revenues over Expenses                                                                         | \$2,056,405  | \$3,198,112  |

**Alexian Brothers Health System**, a domestic corporation, was incorporated under the laws of the State of Illinois on October 03, 1983, appears to have complied with all the provisions of the General Not for Profit Corporation Act of this state is in good standing as a domestic corporation in the State of Illinois. Table Eleven outlines the financial position of Alexian Brothers Health System and the four hospitals involved with this change of ownership.

| <b>TABLE ELEVEN</b><br><b>Alexian Brothers Health System</b><br><b>June 30, 2013</b><br><b>(in thousands)</b><br><b>Audited</b> |                                                             |                                            |                                          |                                       |                                                         |
|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------|------------------------------------------|---------------------------------------|---------------------------------------------------------|
|                                                                                                                                 | Alexian<br>Brothers<br>Health<br>System and<br>Subsidiaries | Alexian<br>Brothers<br>Hospital<br>Network | Alexian<br>Brothers<br>Medical<br>Center | Saint<br>Alexius<br>Medical<br>Center | Alexian<br>Brothers<br>Behavioral<br>Health<br>Hospital |
| Cash                                                                                                                            | \$7,185                                                     | \$0                                        | \$18,673                                 | \$18,776                              | \$2,285                                                 |
| Current Assets                                                                                                                  | \$151,473                                                   | \$33,383                                   | \$76,378                                 | \$64,303                              | \$10,156                                                |
| Total Assets                                                                                                                    | \$1,236,123                                                 | \$129,213                                  | \$289,665                                | \$329,317                             | \$34,168                                                |
| Current Liabilities                                                                                                             | \$213,321                                                   | \$141,702                                  | \$98,930                                 | \$82,340                              | \$11,171                                                |
| Long Term Debt                                                                                                                  | \$482,216                                                   | \$0                                        | \$0                                      | \$0                                   | \$0                                                     |
| Total Liabilities                                                                                                               | \$795,967                                                   | \$141,702                                  | \$111,382                                | \$90,111                              | \$12,954                                                |
|                                                                                                                                 |                                                             |                                            |                                          |                                       |                                                         |
| Net Patient Revenue                                                                                                             | \$955,369                                                   | \$0                                        | \$442,484                                | \$337,066                             | \$68,140                                                |
| Total Revenue                                                                                                                   | \$993,567                                                   | \$100,328                                  | \$437,363                                | \$326,715                             | \$71,968                                                |
| Expenses                                                                                                                        | \$949,919                                                   | \$94,440                                   | \$412,617                                | \$298,638                             | \$69,651                                                |
| Income from Operations                                                                                                          | \$41,486                                                    | \$4,478                                    | \$24,746                                 | \$28,077                              | \$2,317                                                 |
| Excess of Revenues over Expenses                                                                                                | \$64,900                                                    | \$4,478                                    | \$25,024                                 | \$28,157                              | \$2,302                                                 |

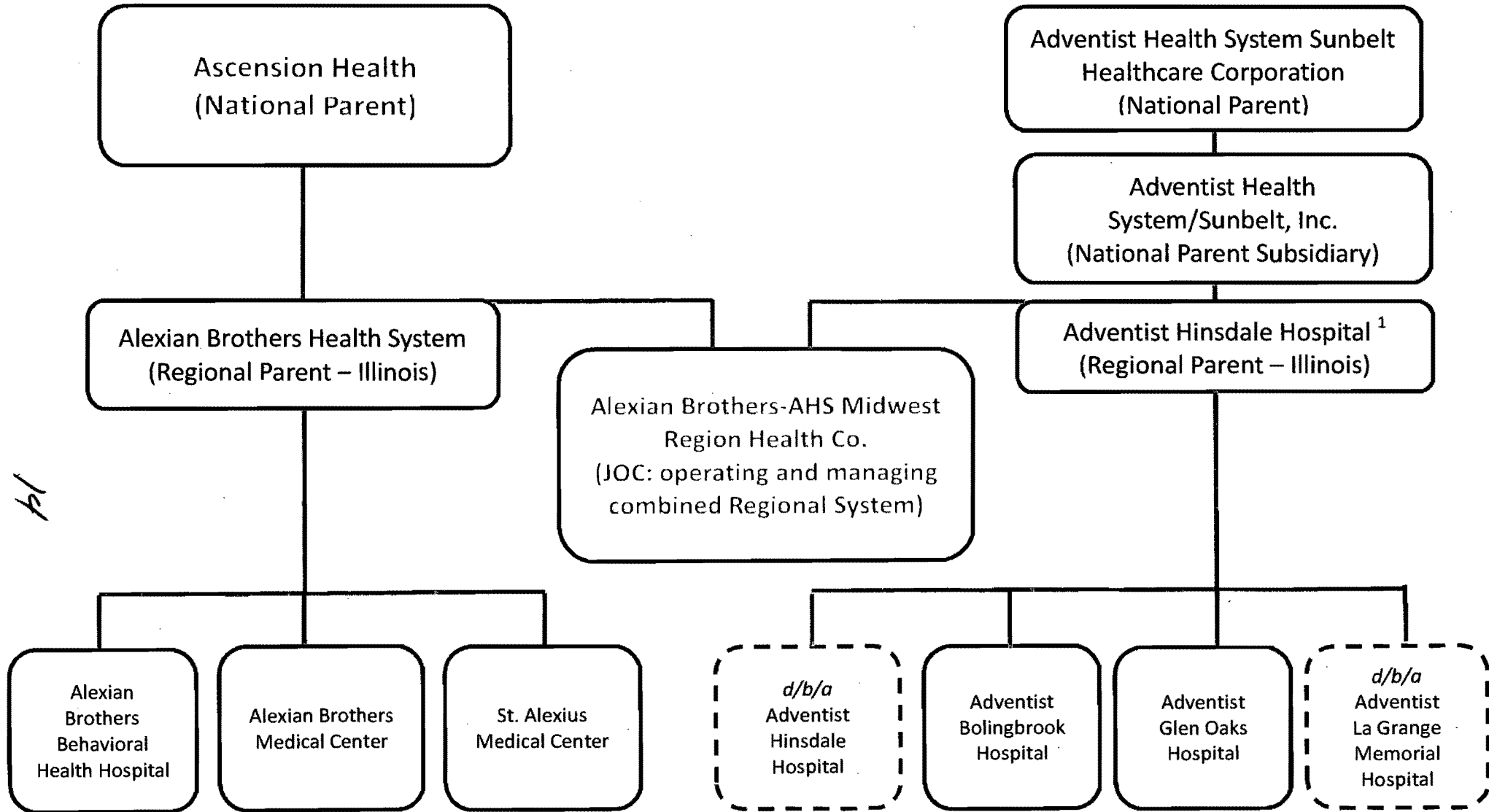
**Alexian Brothers Medical Center**, was incorporated in Texas and licensed to conduct affairs in the State of Illinois on August 02, 1971, appears to have complied with all the provisions of the General Not for Profit Corporation Act of this State is a foreign corporation in good standing and authorized to conduct affairs in the State of Illinois.

Adventist Bolingbrook Hospital, Adventist GlenOaks Hospital, Alexian Brothers Behavioral Health Hospital, and St. Alexius Medical Center are also considered co-applicants on this change of ownership.

## **VI. Other Information**

Separate Certificate of Exemption Applications has been simultaneously filed for each of the seven hospitals. Attached to this report is the organizational chart post approval.

## Proposed Ascension - Adventist Joint Operating Company



= legal entity

= operating division of legal entity

<sup>1</sup> Once regulatory approval is obtained, the legal entity "Adventist Hinsdale Hospital" will change its name to "Adventist Midwest Health" and will establish "Adventist Hinsdale Hospital" and "Adventist La Grange Memorial Hospital" as d/b/a's for the licensed health care facilities it operates.