

17-007

[ORIGINAL

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

Original

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

RECEIVED

FEB 15 2017

Facility/Project Identification

Facility Name: Pana Community Hospital		
Street Address: 101 East Ninth Street		
City and Zip Code: Pana 62557		
County: Christian	Health Service Area: 3	Health Planning Area: E-01

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: Pana Community Hospital Association
Street Address: 101 East Ninth Street
City and Zip Code: Pana 62557
Name of Registered Agent: Katrina J. Casner
Registered Agent Street Address: 101 East Ninth Street
Registered Agent City and Zip Code: Pana 62557
Name of Chief Executive Officer: Katrina J. Casner
CEO Street Address: 101 East Ninth Street
CEO City and Zip Code: Pana 62557
CEO Telephone Number: 217.562.6313

Type of Ownership of Applicants

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

- Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
- Partnerships must provide the name of the state in which they are 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]

Name: Edward Clancy
Title: Attorney
Company Name: Nixon Peabody LLP
Address: 70 West Madison Street, Suite 3500, Chicago, Illinois 60602
Telephone Number: 312.977.4487
E-mail Address: eclancy@nixonpeabody.com
Fax Number: 844.556.0737

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

Name: Jena Grady
Title: Attorney
Company Name: Nixon Peabody LLP
Address: 70 West Madison Street, Suite 3500, Chicago, Illinois 60602
Telephone Number: 312.977.4487
E-mail Address: jgrady@nixonpeabody.com
Fax Number: 844.556.0737

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: Katrina J. Casner
Title: President and CEO
Company Name: Pana Community Hospital
Address: 101 East Ninth Street, Pana, Illinois 62577
Telephone Number: 217.562.6313
E-mail Address: tcasner@panahospital.com
Fax Number:

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Pana Community Hospital Association
Address of Site Owner: 101 East Ninth Street, Pana, Illinois 62577
Street Address or Legal Description of the Site: Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, 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: Pana Community Hospital Association	
Address: 101 East Ninth Street, Pana, Illinois 62577	
<input checked="" type="checkbox"/> Non-profit Corporation <input type="checkbox"/> For-profit Corporation <input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Partnership <input type="checkbox"/> Governmental <input type="checkbox"/> Sole Proprietorship
<input type="checkbox"/> Other	
<ul style="list-style-type: none"> 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 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 #2006-5 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 #2006-5 (<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

2. Narrative Description

In the space below, provide 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.

Pana Community Hospital Association (the "Applicant") d.b.a. Pana Community Hospital (the "Hospital") proposes to complete planned additions and renovations to its existing facility. The current facility is located at 101 E. 9th Street, Pana, Illinois.

The Hospital is a 25-bed Critical Access Hospital ("CAH") designated as a necessary provider of health services by the The Illinois Department of Public Health. It became a CAH in November 2004. The Hospital's market area is designated both a physician shortage area and a health professional shortage area.

The addition and renovation projects are broken down into two phases. Phase I of the projects includes a three story addition with a basement. This addition will house a new dining room, additional kitchen space, a conference room, materials management storage and office space in the basement. The first floor of this addition will house a new laboratory, additional space for diagnostic imaging, cardiopulmonary services and clinical managers' offices. The second floor of this addition will house a relocated surgery suite and the third floor will be a penthouse for all the necessary mechanical equipment needed to service this new addition. As part of phase I there will be renovations to the existing kitchen and dining room, the former laboratory and the former surgery suite.

Phase II of the project includes an addition to the front of the existing hospital that will house an urgent care center and a new main entrance. As part of phase II, the existing patient financial services and health information management office will be renovated.

This is a non-substantive project in that it does not propose to establish a new category of service or a new health care facility as defined by the Planning Act.

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	7,616	6,769	14,385
Site Survey and Soil Investigation	8,172	7,264	15,436
Site Preparation	1,051,627	934,679	1,986,306
Off Site Work			
New Construction Contracts	5,466,742	4,858,804	10,325,546
Modernization Contracts	1,900,057	1,688,758	3,588,815
Contingencies	512,796	455,769	968,565
Architectural/Engineering Fees	837,597	744,451	1,582,048
Consulting and Other Fees	457,743	406,839	864,582
Movable or Other Equipment (not in construction contracts)	445,035	395,544	840,579
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)	84,710	75,290	160,000
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	10,772,095	9,574,167	20,346,262
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	6,271,868	5,574,394	11,846,262
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	4,500,228	3,999,772	8,500,000
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	10,772,095	9,574,167	20,346,262
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

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	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Purchase Price: \$	_____	
Fair Market Value: \$	_____	
The project involves the establishment of a new facility or a new category of service <input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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 \$ <u>N/A</u>		

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.	
Indicate the stage of the project's architectural drawings:	
<input type="checkbox"/> None or not applicable	<input type="checkbox"/> Preliminary
<input checked="" type="checkbox"/> Schematics	<input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>December 2019</u>	
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):	
<input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed.	
<input type="checkbox"/> Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies	
<input checked="" type="checkbox"/> Financial Commitment 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 [Section 1130.620(c)]

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 **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (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.**

See Attachment 9.

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 the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is 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**.

Pana Community Hospital		CITY: Pana 62557			
FACILITY NAME:					
REPORTING PERIOD DATES:		From: January 1, 2015 to: December 31, 2015			
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	22	292	964	0	
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify) Swing Beds	N/A	32	355	0	
TOTALS:	22	324	1,319	0	

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 Pana Community 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.

Katrina Casner
SIGNATURE

Katrina J. Casner
PRINTED NAME

President and CEO
PRINTED TITLE

Carol Schramm
SIGNATURE

Carol Schramm
PRINTED NAME

Board Chairman
PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this 10th day of January 2017

Kelly S. Reed
Signature of Notary

Seal

*Insert EXACT legal name of the applicant



Notarization:

Subscribed and sworn to before me
this 10th day of January 2017

Kelly S. Reed
Signature of Notary

Seal



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.

Background

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 that the information was 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.

Criterion 1110.230 – Purpose of the Project, and Alternatives**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 relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the 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 the age and condition of the project site, as well as 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 Staff 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 and it shall include the basis used for determining the space and the methodology applied.**
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 and certified by the facility's Medical Director.
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.
 - c. The project involves the conversion of existing space that results in excess square footage.
 - d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

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

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

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

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

UNFINISHED OR SHELL SPACE: Not Applicable - There is no shell space

Provide the following information:

1. Total gross square footage (GSF) 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 is 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: Not Applicable - There is no shell space

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.

SECTION VI. SERVICE SPECIFIC REVIEW CRITERIA

This Section is applicable to all projects proposing the establishment, expansion or modernization of categories of service that are subject to CON review, as provided in the Illinois Health Facilities Planning Act [20 ILCS 3960]. It is comprised of information requirements for each category of service, as well as charts for each service, indicating the review criteria that must be addressed for each action (establishment, expansion, and modernization). After identifying the applicable review criteria for each category of service involved, read the criteria and provide the required information **APPLICABLE TO THE CRITERIA THAT MUST BE ADDRESSED:**

A. Criterion 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care

1. Applicants proposing to establish, expand and/or modernize the Medical/Surgical, Obstetric, Pediatric and/or Intensive Care categories 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
<input type="checkbox"/> Medical/Surgical		
<input type="checkbox"/> Obstetric		
<input type="checkbox"/> Pediatric		
<input type="checkbox"/> Intensive Care		

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

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.530(c)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.530(c)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.530(c)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.530(c)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.530(c)(5) - Planning Area Need - Service Accessibility	X		
1110.530(d)(1) - Unnecessary Duplication of Services	X		
1110.530(d)(2) - Maldistribution	X	X	
1110.530(d)(3) - Impact of Project on Other Area Providers	X		
1110.530(e)(1), (2), and (3) - Deteriorated Facilities			X
1110.530(e)(4) - Occupancy			X

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.530(f) - Staffing Availability	X	X	
1110.530(g) - Performance Requirements	X	X	X
1110.530(h) - Assurances	X	X	
APPEND DOCUMENTATION AS <u>ATTACHMENT 19</u> , 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)

VII. 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]:

\$ 11,846,262	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;
\$ 8,500,000	d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:
	1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
	2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
	3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
	4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
	5) For any option to lease, a copy of the option, including all terms and conditions.

_____	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$ 20,346,262	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

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

Financial Viability Waiver

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 35**, 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.

	Historical 3 Years			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.

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 36**, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 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

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

SECTION X. 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 PROJECTS AND PROJECTS TO DISCONTINUE STATE-OWNED HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

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 40.

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 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI. CHARITY CARE INFORMATION

Charity Care information **MUST** be furnished for **ALL** projects [1120.20(c)].

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 41.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

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

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

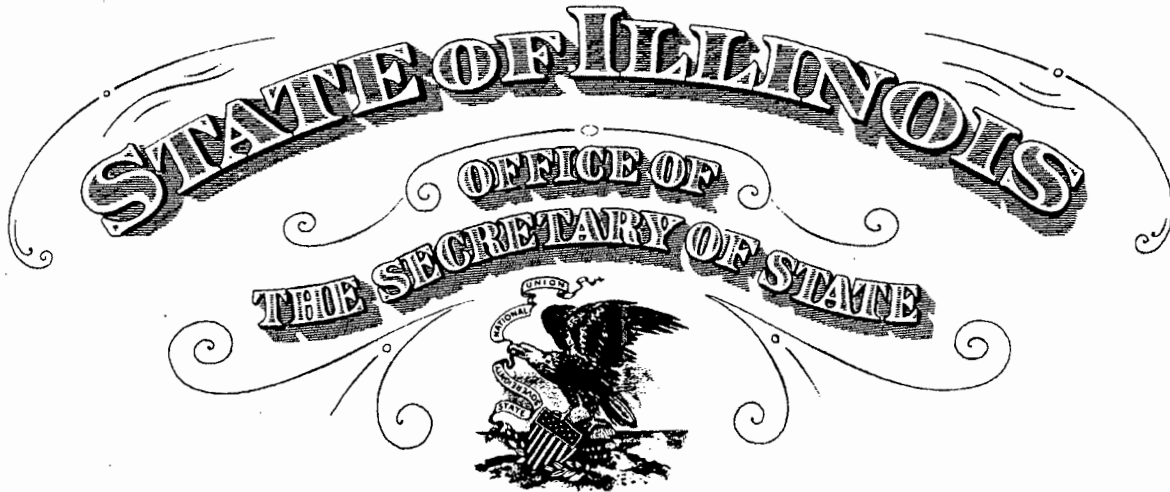
INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	24-25
2	Site Ownership	26-28
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	29-30
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	31
5	Flood Plain Requirements	32-33
6	Historic Preservation Act Requirements	34-35
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17	Assurances for Unfinished/Shell Space	
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Applicant's – Certificate of Good Standing

The Applicant is an Illinois not-for-profit corporation. Applicant attaches its certificate of good standing.

File Number

4622-367-5



To all to whom these Presents Shall Come, Greeting:

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

PANA COMMUNITY HOSPITAL ASSOCIATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON FEBRUARY 08, 1966, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



***In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 6TH
day of FEBRUARY A.D. 2017 .***

Jesse White

SECRETARY OF STATE

Authentication #: 1703701930 verifiable until 02/06/2018
Authenticate at: <http://www.cyberdriveillinois.com>

Site Ownership or Control

Applicant attaches the deed for the property on which the Hospital is located, showing that it owns the site.

This Indenture Witnesseth,

that the Grantor
HUBER MEMORIAL HOSPITAL OF THE SISTERS OF MISERICORDE, a not-for-profit

~~was~~ corporation created and existing under and by virtue of the
laws of the State of Illinois duly authorized to transact business in the State
of Illinois for the consideration of Four Hundred Fifty Thousand & no/100
Dollars and pursuant to authority given by the Board of Directors of said corporation,

CONVEYS and WARRANTS unto PANA COMMUNITY HOSPITAL ASSOCIATION, a not-for-profit corporation created and existing under and by virtue of the laws of the State of Illinois duly authorized to transact business in the State of Illinois,
of the City of Pana, County of Christian
State of Illinois, the following described Real Estate, to wit:

A part of the Southeast Quarter of Section 21, Township 11 North, Range 1 East of the Third Principal Meridian, bounded as follows: Commencing to measure from the southeast corner of said Section 21 and measuring west along the south line of Section 21 and measuring west along the south line of Section 566.4 feet; thence measuring north on a line parallel with the east line of said Section 868 feet to a point which is the southeast corner of said tract and the place of beginning, and thence running north parallel with the east line of said Section 606.75 feet to the south line of Ninth Street in the City of Pana; thence North 78 degrees and 41 minutes west along the south line of said Ninth Street 417.68 feet; thence south 704.55 feet to a point 852 feet north of the south line of said Section and due west of the place of beginning; thence east 409.7 feet to the place of beginning, containing 6.18 acres, EXCEPT coal and other mineral rights as previously conveyed or reserved

"Exempt under provisions of Paragraph B
 Section 4, Real Estate Transfer Tax Act."
 6/20/67
 [Signature]
 [Signature]
 [Signature]

situate in the County of Christian in the State of Illinois

IN WITNESS WHEREOF, said Grantor has caused its corporate seal to be hereto affixed, and
has caused its name to be signed to these presents by its

Secretary, this 20th day of June A. D. 19 67

HUBER MEMORIAL HOSPITAL OF THE SISTERS
OF MISERICORDE

By

Sister St. Alfred, M. Adams

President.

Attest:

Sister St. Bridget, M. Adams

Secretary.



STATE OF ILLINOIS
COUNTY OF CHRISTIAN

ss.

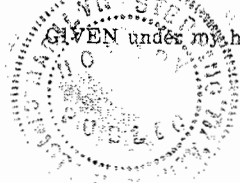
I, the undersigned a Notary Public

in and for said county, in the State aforesaid, DO HEREBY CERTIFY that Sister St. Alfred, s.m.

personally known to me to be the President of the HUBER MEMORIAL HOSPITAL OF THE
SISTERS OF MISERICORDE
corporation, and Sister St. Bridget, s.m. personally known to me to be the

Secretary of said corporation, and personally known to me to be the same persons whose names are
subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged
that as such President and Secretary, they signed and delivered the said instrument
as President and Secretary of said corporation, and caused the corporate seal of
said corporation to be affixed thereto, pursuant to authority, given by the Board of Directors
of said corporation as their free and voluntary act, and as the free and voluntary act and deed of said
corporation for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 20th day of June A. D. 1957



Charles Hall
Notary Public

Warranty Deed

CORPORATION TO INDIVIDUAL

HUBER MEMORIAL HOSPITAL
OF THE SISTERS OF
MISERICORDE

To

PANA COMMUNITY HOSPITAL
ASSOCIATION

Microfilm
Edition

STATE OF ILLINOIS } SS No. 74-15194
CHRISTIAN COUNTY }
Filed for record on the 11th day
of October A. D. 1974
9:00 o'clock A. M.

Charles Hall
Recorder

Ideal Legal Blank Co., Harrisburg, Ill.

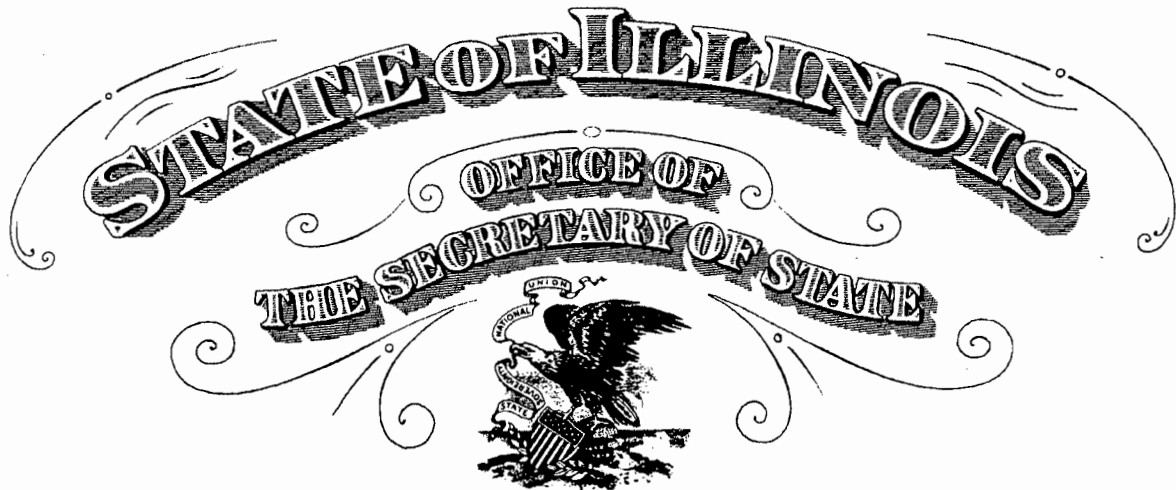
Wm. H. Bowling

Operating Identity/ Licensee – Certificate of Good Standing

Pana Community Hospital Association is the licensee of and operates the Hospital. The Association is an Illinois not-for-profit corporation. As a not-for-profit corporation, no one has any ownership of the Association. Applicant attaches the Association's certificate of good standing.

File Number

4622-367-5



To all to whom these Presents Shall Come, Greeting:

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

PANA COMMUNITY HOSPITAL ASSOCIATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON FEBRUARY 08, 1966, 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 #: 1703701930 verifiable until 02/06/2018

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

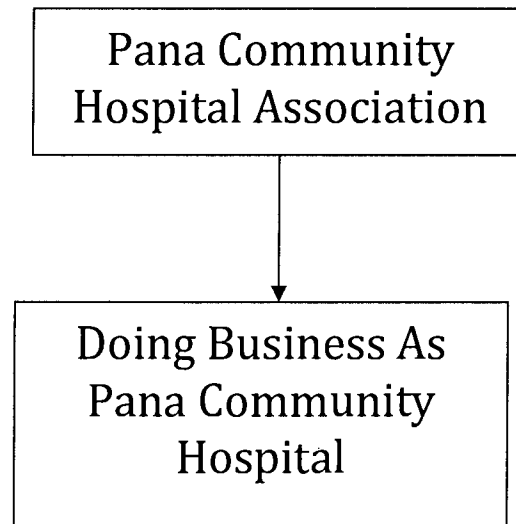
***In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 6TH
day of FEBRUARY A.D. 2017 .***

Jesse White

SECRETARY OF STATE

Organizational Relationships – Organizational Chart

The following organizational chart shows the corporate organization of Applicant.

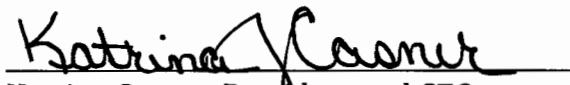


Flood Plain Requirements

Applicant attaches a copy of the relevant flood plain map from FEMA's website. The map shows that the proposed site is not in a flood plain area and that it complies with the requirements of Illinois Executive Order # 2006-5.


Attestation

To the best of my knowledge, I attest that the proposed project is not in a flood plain area.



Katrina Casner, President and CEO
Pana Community Hospital Association

Subscribed and sworn to before me this 23rd day of January 2017



Signature of Notary

Seal



FEMA Flood Map Service Center: Search By Address

Enter an address, place, or coordinates: ?

101 e ninth st pana, il

Search



The buttons below let you view and print the selected flood map, download the flood map image, open an interactive flood map (if available), or expand the search to all products to view effective, preliminary, pending, or historic maps, and risk products for the community. The locator map shows flood map boundaries in your area of interest. You can choose a new flood map by clicking elsewhere on the locator map or entering a new location in the search box.

Search Results—Products for PANA, CITY OF

The flood map for the selected area is number **17021C0450D**, effective on **06/16/2011** ?



VIEW MAP



SAVE MAP



INTERACTIVE MAP

Show all products for this area



Letters of Map Change ?

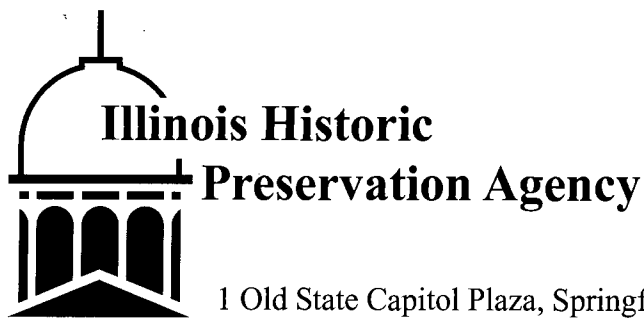
- Revisions (0)
- Amendments (0)
- Revalidations (0)

Locator Map



Illinois Historic Preservation Agency Formal Determination

Applicant attaches the Illinois Historic Preservation Agency's formal determination letter. The letter states that the proposed project complies with the requirements of the Illinois Historic Resources Preservation Act.



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

FAX (217) 524-7525

www.illinoishistory.gov

Christian County

Pana

CON - New Addition and Rehabilitation, Phase I and II - Pana Community Hospital

101 E. 9th St.

IHPA Log #004011117

January 26, 2017

Jena Grady

Nixon Peabody LLP

70 W. Madison St., Suite 3500

Chicago, IL 60602-4224

Dear Ms. Grady:

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 David Halpin, Cultural Resources Manager, at 217/785-4998.

Sincerely,

Rachel Leibowitz, Ph.D.

Deputy State Historic

Preservation Officer

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Project Costs/ Source of Funds

Project Costs and Sources of Funds

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	7,616	6,769	14,385
Site Survey and Soil Investigation	8,172	7,264	15,436
Site Preparation	1,051,627	934,679	1,986,306
Off Site Work			
New Construction Contracts	5,466,742	4,858,804	10,325,546
Modernization Contracts	1,900,057	1,688,758	3,588,815
Contingencies	512,796	455,769	968,565
Architecture/Engineering Fees	837,597	744,451	1,582,048
Consulting and Other Fees	457,743	406,839	864,582
Contractor Fees & Insurance			
Movable or Other Equipment (not in construction contracts)	445,035	395,544	840,579
Communications System and Structured Cabling			158,129
Security System, Devices, Access Control and Video Surveillance			124,890
Furniture			239,560
Surgical Booms, Lights and Miscellaneous Equipment			318,000
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)	84,710	75,290	160,000
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
Total Uses of Funds	10,772,095	9,574,167	20,346,262
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	6,271,868	5,574,394	11,846,262
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	4,500,228	3,999,772	8,500,000
Leases (fair market value)			
Government Appropriations			
Grants			
Other Funds and Sources			
Total Sources of Funds	10,772,095	9,574,167	20,346,262

Project Status and Completion Schedule

The applicable information is contained on page 6 of the Application. There is no additional information.

Cost Space Requirements

Department/ Area	Cost	Gross Square Feet		Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Mod'n	As Is	Vacated Space
Reviewable (Clinical Space)							
Surgical Operating Suite	\$2,926,287	985	1,977	1,977	0	0	0
Post-Anesthesia Recovery Phase I	\$290,408	215	654	654	0	0	0
Post-Anesthesia Recovery Phase II	\$570,604	181	1,285	1,285	0	0	0
Laboratory	\$892,540	881	1,809	1,365	444	0	0
Mammography	\$132,228	158	268	268	0	0	0
Bone Density	\$76,969	90	156	156	0	0	0
Nuclear Medicine	\$422,785	238	451	301	150	0	0
Ultrasound	\$312,068	223	575	575	0	0	0
Cardiopulmonary	\$389,579	873	987	626	361	0	0
Urgent Care	\$286,313	0	829	829	0	0	0
Emergency	\$603,315	3,084	2,821	185	834	1802	0
Total Clinical	\$6,903,096	6,928	11,812	8,221	1,789	1,802	0
Non-reviewable (Non-clinical Space)							
Cafeteria	\$273,534	400	942	942	0	0	0
Kitchen	\$867,577	1,331	2,689	1,941	748	0	0
Materials Management	\$226,286	863	1,795	1,594	0	201	0
Patient Registration	\$170,742	445	882	240	642	0	0
Patient Financial Services	\$327,543	1,044	1,692	0	1,692	0	0

Health Information Management	\$77,433	371	862	0	400	462	0
Public/ Waiting Areas	\$1,629,199	8,575	15,584	4,994	3,422	7,168	0
Staff Support Areas	\$1,043,415	7,518	11,410	3,968	1,422	6,020	0
Storage	\$527,193	2,117	6,258	3,016	1,069	2,173	0
Mechanical	\$867,706	2,170	6,012	3,842	0	2,170	0
Elevator/ Stairs/ HVAC System	\$495,574	1,979	4,379	2,400	0	1,979	0
Electrical/IT	\$230,364	582	1,602	1,020	0	582	0
Core & Shell	\$6,706,600						
Total Non-clinical	\$13,443,166	27,395	54,107	23,957	9,395	20,755	0
TOTAL SPACE	\$20,346,262	34,323	65,919	32,178	11,184	22,557	0

The type of gross square footage reported above is departmental gross square footage (DGSF).

As part of this project, the existing surgical suite and surgery waiting room will be reallocated as office space for the Patient Financial Services Department and the Health Information Management Department after the new surgical suite is approved to provide services. The former Patient Financial Services Department offices and Health Information Management Department office will be reallocated as additional patient registration space, nursing office space, storage space and public restrooms.

Also as part of this project, the existing Laboratory office and Phlebotomy room will be reallocated as patient waiting area space, after the construction of the new Laboratory, Phlebotomy and manager offices is complete.

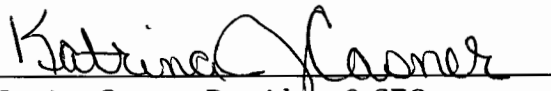
Background of the Applicant

Applicant attaches its Affidavit regarding the background of the Applicant and a copy of its license and accreditation.

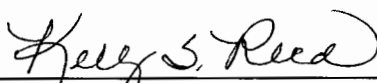
Background of the Applicant

In connection with Applicant's application for a Certificate of Need, Applicant provides the following information regarding its background.

1. Applicant neither owns nor operates any other health care facility.
2. In accordance with 77 Ill. Admin. Code §1110.230, I certify that neither Medicare, Medicaid, nor any State or Federal regulatory authority has taken any adverse action against Applicant or any health care facility it owns or operates, during the 3 years before the filing of this Certificate of Need application; and
3. In accordance with 77 Ill. Admin. Code §1110.230, I authorize the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to access information in order to verify any documentation or information Applicant submits in response to the requirements of Section 1110.230 or to obtain any documentation or information related to this Certificate of Need application.
4. Applicant has not submitted more than one application for permit within the last calendar year.


Katrina Casner, President & CEO
Pana Community Hospital Association

Subscribed and sworn to before me this 31st day of January 2017



Signature of Notary

Seal





AMERICAN OSTEOPATHIC ASSOCIATION

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

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

March 17, 2016

Katrina J. Casner
Chief Executive Officer
Pana Community Hospital
101 E Ninth Street
Pana, IL 62557

Dear Ms. Casner:

The American Osteopathic Association's Bureau of Healthcare Facilities Accreditation (BHFA) reviewed the triennial Deficiency Assessment Report for your Critical Access Hospital and granted Full Accreditation with resurvey within 3 years and does recommend that the Centers for Medicare and Medicaid Services Regional Office (CMS, RO) approve continued deemed status for:

Pana Community Hospital
101 E. Ninth Street
Pana, IL 62557

Program: Critical Access Hospital

CCN # 141341

HFAP ID: 173178

Triennial Survey Dates: 01/18/2016 – 01/19/2016

Plan(s) of Correction Received: 03/01/2016

Effective Date of Accreditation: 04/09/2016 – 04/09/2019

Pana Community Hospital Rehab / Wellness
Center
101 E. Ninth Street
Pana, IL 62557

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

Pana Community Hospital has Swing Beds and was surveyed under those standards. The facility did not meet the requirements for this unit. Standard level deficiencies were identified as not compliant. However, the facility came back into compliance with their Plan of Correction.

Pana Community Hospital does not have a DPU Rehab Unit or a DPU Psych Unit and was not surveyed under those standards.

This accreditation decision was reached on March 10, 2016 by the BHFA's Executive Committee.

Sincerely,

Stephen A. Martin, Jr., PhD, MPH
AAHHS/HFAP President and CEO

SAM/CDC

c: Sherri Morgan-Johnson, RN, BSN, MHSA, Nurse Consultant
Region V, CMS

Page 42



**Illinois Department of
PUBLIC HEALTH**

HF111989

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:

Nirav D. Shah, M.D., J.D.
Director

Issued under the authority of
the Illinois Department of
Public Health

EXPIRATION DATE	CATEGORY	L.O. NUMBER
12/31/2017		0001776
Critical Access Hospital		
Effective: 01/01/2017		

Pana Community Hospital
101 East Ninth Street
Pana, IL 62557

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Pana Community Hospital

101 East Ninth Street
Pana, IL 62557

FEE RECEIPT NO.

Purpose of the Project

1. How the project will provide health services to improve the health care or well-being of the market area population it serves.

Pana Community Hospital (the "Hospital") was designated a Critical Access Hospital in November of 2004 and is considered a necessary provider of health services by Illinois Department of Public Health. The purpose of the project is to improve the physical plant and facilities of the Hospital and improve the quality of care for patients in the Hospital's service area. The project will allow the Hospital to continue to serve its market area population in a larger and more modern facility with improved patient flow, updated design of outpatient service areas, and updated mechanical systems. This modernization of the Hospital will preserve the health status and well-being of the population that it serves.

The project is limited to the modernization of the existing Hospital with additions and renovations. The existing space has become crowded and has not been renovated to any significant degree since 1976 in some parts of the building and 1955 in others.

2. Define the planning area or market area, or other, per the applicant's definition.

The majority of patients using the Hospital reside in parts of four adjacent counties in central Illinois. These counties are Christian, Shelby, Fayette and Montgomery. The Hospital defines its service area to include the following Cities/ZIP Codes:

Pana - 62557	Assumption - 62510	Owaneco - 62555
Tower Hill - 62571	Lakewood - 62438	Oconeel - 62553
Herrick - 62431	Cowden - 62422	Ramsey - 62080
Rosamond - 62083	Ohlman - 62076	Nokomis - 62075

The Hospital's market/service area has a population of 20,475 according to the U.S. Census Bureau 2010 Census.

3. Identify the existing problems or issues that the Hospital needs to address, as applicable and appropriate for the project.

The existing problems that will be corrected with this proposed project are the following:

- a. The existing laboratory that was last remodeled in 1976 is not large enough for newer laboratory equipment and there is not enough space to add any additional laboratory equipment to allow for expanded lab test offerings. The laboratory manager and phlebotomy function are not directly connected to the current laboratory space.
- b. In the current facilities, outpatient services are not centralized.

- c. The existing surgical suite was designed and renovated in 1976 when the majority of surgical cases were inpatient cases. Its design and layout are not optimal for outpatient surgical cases done by the Hospital. In 2015, Pana Community Hospital's surgical cases were 99% outpatient cases.
- d. The diagnostic imaging department must house two of its services in the Hospital's Medical Mall because there is not enough space in the department to provide them there.
- e. The existing physical plant does not have enough space to provide urgent care services. The Emergency Department experiences overload volumes that could be alleviated if only true emergencies were handled in the Emergency Department and non-emergencies were handled in an urgent care center.
- f. The Hospital's existing kitchen and cafeteria do not have an appropriate layout to prepare and serve food to patients, patient families, the public or employees in an efficient and effective manner.
- g. Patient registration functions are currently not performed in private registration offices.
- h. The existing building does not allow for Materials Management to be housed in the same location, it is currently split between three locations.
- i. The Hospital struggles with HVAC issues every season change, especially in patient areas like the existing surgery suite, diagnostic imaging department and laboratory.

4. Cite the sources that support the above responses.

As part of the Hospital's strategic plan as prepared by its governing Board of Directors, Management staff was directed to work with an architect/engineering firm and a Construction Management firm to develop an overall plan for the hospital. Farnsworth Group, Normal, Illinois is the architect/engineer firm and O'Shea Builders is the construction manager being utilized for each respective service. These qualified consultants utilized national, local, as well as state databases, codes and regulations to develop the MFP to identify and then address the existing problems noted above.

5. Detail how the project will address or improve the identified needs and the population's health status or well-being.

- a. The overall (phase I and phase II) proposed project will address the identified needs and existing problems of the physical plant and facilities by taking a long narrow building and making it more square in shape. This will allow for better patient and staff flow and wayfinding as well as

provide much-needed space for the departments of the Hospital that have become overcrowded.

- b. The overall project will address the need to modernize the physical plant and facilities that have not seen significant renovations since 1955 and 1976.
- c. Phase I of the proposed project will address the identified needs by creating additional space for a new surgical suite designed for outpatient surgery flow and processes, centralizing outpatient services. Phase I also includes creating new space for the laboratory, diagnostic imaging such as mammography and bone density, cardiopulmonary, materials management and dietary departments.
- d. Phase II of the proposed project will address the identified needs by creating additional space to provide urgent care services, improved access to the Hospital building, and a contemporary waiting area with private registration offices.
- e. The need to address ongoing HVAC issues is also incorporated into this proposed project with a new mechanical penthouse. This new penthouse will serve both the existing building and the new additions.

The Hospital has been providing care to Pana residents and the surrounding smaller communities since May 12, 1914. This project will greatly improve the physical plant and facilities that our services are provided in allowing us to continue to positively impact the area population's health status and well-being.

6. Provide goals with quantified and measurable objectives, with specific timeframes, in relation to achieving the stated goals.

Goal 1 – Provide centralized outpatient services with better flow and wayfinding for patients, families and staff. This goal will be achieved by August 2019, the anticipated project completion date.

Goal 2 – Provide modern, central location for perioperative and operative services. This goal will be achieved by August 2019, the anticipated project completion date.

Goal 3 – Provide urgent care services. This goal will be achieved by December 2019, after project completion, development of staffing model and appropriate policies and procedures.

Goal 4 – Provide for easier access for patients to the Hospital's main entrance. This goal will be achieved by August 2019, the anticipated project completion date.

Goal 5 – Our overall goal is to modernize our Hospital to provide our rural community with a facility that is accessible providing a full range of healthcare services in

an environment that fosters quality patient care and a positive working environment. This goal will be achieved by August 2019, the anticipated project completion date and will be measured by satisfaction surveys and quality metrics with before and after comparisons.

Alternatives

Since the Applicant is only modifying the Hospital to modernize the existing facility with additions and renovations, the options are very limited.

1. Do nothing
2. A Project of lesser scope
3. Pursue a merger or joint venture
4. Replacement (establish a new hospital) on a new site
5. Modernize the existing facility

[See attached Comparison Chart.]

Alternatives

Alternative	Incremental Cost	Patient Access	Quality	Financial Benefits	Summary of Overall Reasons For Acceptance/Rejection
Do nothing	Cost: \$0 Alternative Option presents no cost to Applicant in the short term but may result in higher costs in the future when physical plant and facility improvements will be necessary to prevent closure.	Alternative Option limits patient access to hospital services made unavailable due to space limitations.	Alternative Option results in reduction in quality to the degree existing facilities are not modern.	Alternative Option does not result in greater financial benefit to any stakeholders (patients, the State, Applicant).	Alternative was rejected due to its inability to address significant issues related to the Hospital's physical plant and facilities.
A Project of lesser scope	Cost: ≈ \$11.6m	Alternative Option would result in a smaller increase in patient access when compared to the proposed project.	Alternative Option would likely result in a lower overall increase in quality when compared to the proposed project.	Alternative Option does not result in greater financial benefit to any stakeholders (patients, the state, Applicant) when compared to the proposed project.	Alternative was rejected due to its inability to address all issues identified as needing correction.

Pursue a merger or joint venture	Unknown	No other local Hospital provider is available to pursue merger or joint venture.	Unknown, there is no local merger/joint venture partner.	Unknown.	Alternative was rejected due to there being no local merger/joint venture partner.
Replacement (establish a new hospital) on a new site.	Cost: ≈ \$52m	Alternative option would likely result in the same increase in patient access as the proposed project.	Alternative option would likely result in the same increase in quality as the proposed project.	Alternative option does not result in greater financial benefit to any stakeholders (patients, the state, Applicant).	Alternative was rejected, there would likely be no increase in either patient access or quality over the proposed project, this alternative is more costly and there has already been significant investments in other buildings on the Hospital's existing campus.
Modernize the existing facility	Cost: \$20.3m The Chosen Alternative represents the lowest total cost of the alternatives discussed above and addresses all issues and problems identified with the existing physical plant and facilities.	The Chosen Alternative provides immediate and improved access to hospital services for residents of Pana Community Hospital's Service Area.	The Chosen Alternative increases quality by providing Pana Community Hospital's patients and residents with health services in more modern and contemporary healthcare surroundings.	The Chosen Alternative provides the greatest financial benefit – modernized facilities provide for improved operations and market growth.	Alternative was accepted; All physical plant and facility issues have been addressed with this option at the lowest possible cost with the highest increases in patient access and quality.

Size of the Project

The proposed amount of physical space for the Project is 11,812 departmental gross square feet of clinical space. Applicant's determination of square footage includes all functional areas of the project.

The areas in the Hospital having an identified space standard in the Board's rules are the following: Surgical Operating Suite, Post-Anesthesia Recovery Phase I, Post-Anesthesia Recovery Phase II, Mammography, Bone Density, Nuclear Medicine, Ultrasound, and Emergency Department. The amount of physical space for the Project is necessary and not excessive.

Size of Project				
Department/Service	Proposed DGSF	State Standard (DGSF)	Difference (DGSF)	Met Standard?
Clinical				
Surgical Operating Suite (Class C)	1,977 (1,187 for 2 Operating Rooms)	2,750 DGSF/ Operating Room * 2 Operating Rooms = 5,500 DGSF	-4,313	Yes
Post-Anesthesia Recovery Phase I*	654 (165 for 2 Recovery Stations)	180 DGSF/ Recovery Station * 2 Recovery Stations = 360 DGSF	-195	Yes
Post-Anesthesia Recovery Phase II**	1,285 (506 for 6 Recovery Stations)	400 DGSF/ Recovery Station * 6 Recovery Stations = 2,400 DGSF	-1,894	Yes
Laboratory	1,809	N/A	N/A	N/A
Mammography	268	900 DGSF/Unit	-632	Yes
Bone Density***	156	1,300 DGSF/Unit	-1,144	Yes
Nuclear Medicine	451	1,600 DGSF/Unit	-1,149	Yes
Ultrasound	575	900	-325	Yes

		DGSF/Unit		
Cardiopulmonary	987	N/A	N/A	N/A
Urgent Care	829	N/A	N/A	N/A
Emergency Department****	2,821 (990 for 5 Treatment Stations)	900 DGSF/ Treatment Station * 5 Treatment Stations = 4,950 DGSF	-3,960	Yes
Non Clinical				
Cafeteria	942	N/A	N/A	N/A
Kitchen	2,689	N/A	N/A	N/A
Materials Management	1,795	N/A	N/A	N/A
Patient Registration	882	N/A	N/A	N/A
Patient Financial Services	1,692	N/A	N/A	N/A
Health Information Management	862	N/A	N/A	N/A
Public/Waiting Areas	15,584	N/A	N/A	N/A
Staff Support Areas	11,410	N/A	N/A	N/A
Storage	6,258	N/A	N/A	N/A
Mechanical	6,012	N/A	N/A	N/A
Elevator/Stairs/HVAC System	4,379	N/A	N/A	N/A
Electrical/IT	1,602	N/A	N/A	N/A

* Proposed Post-Anesthesia Recovery Phase I includes two patients rooms.

** Proposed Post-Anesthesia Recovery Phase II includes six patient rooms.

*** Part of Fluoroscopy/Tomography/Other X-ray procedures as defined by 77 Ill. Adm. Code 1100.220.

**** Proposed Emergency Room modifications includes three examination rooms and two trauma rooms.

Specifically to address 77 Ill. Adm. Code 1110.234(c), the proposed departmental gross square footage is necessary and appropriate for Cardiopulmonary, Laboratory, and Urgent Care as determined by the Master Facility Plan. The proposed laboratory will provide 928 additional square feet which will the Hospital to have more modern laboratory equipment and allow the laboratory to connect to Phlebotomy. The proposed Cardiopulmonary will provide additional 114 square feet and will provide stress tests near nuclear imaging and

provide a cardiopulmonary lab space. The proposed Urgent Care will reduce utilization of the Emergency Department.

Project Services Utilization

The only portion of the Project with more than one unit and having an identified utilization standard in the Board's rules is the Surgical Operating Suite (Class C). Under 77 Illinois Administrative Code 1110, APPENDIX B, utilization numbers are not applicable for the establishment of single units.

Utilization					
	Dept./ Service	Historical Utilization/ Patient Days, etc.*	Projected Utilization	State Standard	Met Standard?
Year 1 (2019)	Surgical Operating Suite (Class C)	1, 114 hrs	1,544 hrs	1,500 hrs/Operating Room	Yes
Year 2 (2020)	Surgical Operating Suite (Class C)	1, 114 hrs	1,590 hrs	1,500 hrs/ Operating Room	Yes

*The Historical Utilization is for patients who received surgical services in the Hospital in 2016.

The Hospital's existing surgical operating suite consists of two operating rooms and the proposed project surgical operating suite includes two operating rooms. Once the new surgical suite is complete, the existing operating rooms will be reallocated to office space for the Patient Financial Services Department leaving the Hospital with the same number of operating rooms as before the proposed project.

These projections are based upon actual growth experienced by the Hospital in its surgical department over the last several years. The Hospital has made specific efforts to grow its Surgical Services by hiring a general surgeon in 2012 and contracting with an orthopedic surgeon in 2016. We expect the growth we have seen (as displayed in the table below) to continue, at a reduced rate over time and eventually leveling out approximately two years after project completion.

Year	Hours	Growth % over previous year	
2013	652		actual
2014	820	26%	actual
2015	871	6%	actual
2016	1,114	28%	actual
2017	1,337	20%	projected
2018	1,470	10%	projected
2019	1,544	5%	projected
2020	1,590	3%	projected

Category of Service Modification

1110.530(e)(1), (e)(2), and (e)(3): The project does not involve the modernization of a category of hospital-bed service. Therefore, these criteria are not applicable to this Application.

1110.530(e)(4): The project does not involve the modernization of a category of hospital-bed service. Therefore, this criterion is not applicable to this Application.

Bed Capacity Minimum

1110.530(g): The project does not involve the modernization of a category of hospital-bed service. Therefore, these criteria are not applicable to this Application.

Assurances

1110.530(g): The project does not involve the modernization of a category of hospital-bed service. Therefore, these criteria are not applicable to this Application.

Clinical Service Areas other than Category of Service

Background of the Applicant (1110.3030(b)(1) & (3)) (See Attachment 19)

Deteriorated Facilities (1110.3030(d)(1)) and/or Necessary Expansion (1110.3030(d)(2)), PLUS Utilization – Major Medical Equipment (1110.3030(d)(3)(A)) or Utilization – Service or Facility (1110.3030(d)(3)(B)) (See Attachment 19)

Availability of Funds

Available financial resources, which equal or exceed the estimated total project cost and any related project costs through the following sources, as applicable:

\$11,846,262	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 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;
\$_____	<p>b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated timetable of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.</p>
\$_____	<p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p>
\$8,500,000	<p>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:</p> <ol style="list-style-type: none"> 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.
\$_____	<p>e) Governmental Appropriations – a copy of the appropriation Act or</p>

	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 the 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 Applicant will use for the project.
\$20,346,262	TOTAL FUNDS AVAILABLE

Audited financial statements are provided in Appendix 1. Letter regarding debt financing follows this page.



FIRST NATIONAL BANK OF PANA



January 30, 2017

Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson 2nd Floor
Springfield, Illinois 62761

**Re: Application for Certificate of Need Permit - Master Facility Plan
Additions and Renovations - Pana Community Hospital**

Dear Ms. Avery:

I write to notify you that First National Bank of Pana has approved Pana Community Hospital (PCH) for a loan of up to \$8,500,000 to assist with the project costs related to building additions and renovations for PCH. The proposed loan will be for a term of 5 years with an amortization period of 20 years. The interest rate will be fixed for the initial 5 years based on the 5 year Treasury plus a spread of 200 basis points. For each additional 5 year term, the interest rate will be fixed at a spread of 200 basis points above the 5 year Treasury.

This letter is applicable only to the First National Bank of Pana's loan to Pana Community Hospital in relation to its application for certificate of need permit for Master Facility Plan Additions and Renovations.

If you require further information, please contact me or John Livesay at (217) 562-3961.

Sincerely,

T. Matthew Beavers, President & CEO

Applicants' Signature

Signed and Sworn To before me this 31st day of January, 2017

Notary



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PANA FACILITY
306 SOUTH LOCUST ST.
PANA, ILLINOIS 62557-0288
PH. 217-562-3961

ASSUMPTION FACILITY
215 SOUTH BUSINESS 51
ASSUMPTION, ILLINOIS 62510
PH. 217-226-3600

TAYLORVILLE FACILITY
600 WEST SPRESSER ST.
TAYLORVILLE, ILLINOIS 62568
PH. 217-287-2003

BLUE MOUND FACILITY
202 N. SAINT MARIE ST.
BLUE MOUND, ILLINOIS 62513
PH. 217-692-2157

Financial Viability Ratios

	Category A or Category B (last 3 years)			Category B (Projected)
	2013	2014	2015	2020
Current Ratio	6.4	4.7	9.4	5.7
Net Margin Percentage	11.2%	6.8%	14.1%	5.4%
Percent Debt to Total Capitalization	N/A	N/A	N/A	7.0%
Projected Debt Service Coverage	N/A	N/A	N/A	11.3
Days Cash on Hand	315.1	348.4	371.2	220.7
Cushion Ratio	N/A	N/A	N/A	47.4

Financial Viability Ratios are calculated from the Application's 2013-2015 audited financial statements* which are provided in Appendix 1.

	2013	2014	2015	2020
Current Assets	15,567,058	18,936,363	21,854,035	17,998,000
Current Liabilities	2,444,915	4,031,114	2,325,933	3,143,000
Net Income	2,147,892	1,277,641	3,124,041	1,395,000
Net Operating Revenues	19,131,524	18,880,482	22,107,793	25,832,000
Long-Term Debt	-0-	-0-	-0-	2,797,000
Net Assets	21,455,175	22,732,815	25,856,856	37,000,000
Depreciation	1,301,172	1,299,700	1,327,035	1,690,000
Amortization	-0-	-0-	-0-	-0-
Principal Payments	-0-	-0-	-0-	141,000
Interest Expense	-0-	-0-	-0-	146,000
Cash	9,762,576	11,471,031	12,992,754	13,618,000
Investments	2,756,997	2,911,230	4,991,225	283,000
Board Designated Funds	1,284,973	1,288,135	-0-	-0-
Operating Expense	17,293,687	17,716,459	19,011,643	24,681,000

* Dollar amounts in the above table for 2013-2015 are from the Pana Community Hospital Association column in the consolidating financial statements found at the end of the attached audited financial statements in Appendix 1.

Reasonableness of Financing Arrangement

A. Reasonableness of Financing Arrangements

See attached certifications.

B. Conditions of Debt Financing

See attached certifications.

C. Reasonableness of Project Costs

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)	
Surgical Operating Suite	1,370.21		1977	22%	0	0%	2,708,908	-	2,708,908
Post- Anesthesia Recovery Phase I	411.06		654	53%	0	0%	268,835	-	268,835
Post- Anesthesia Recovery Phase II	411.06		1285	44%	0	0%	528,216	-	528,216
Laboratory	452.00	471.30	1365	0%	444	0%	616,980	209,257	826,237
Mammo- graphy	456.74		268	0%	0	0%	122,406	-	122,406
Bone Density	456.74		156	0%	0	0%	71,251	-	71,251
Nuclear Medicine	861.00	881.45	301	0%	150	0%	259,161	132,217	391,378
Ultrasound	502.41		575	0%	0	0%	288,886	-	288,886
Cardio- pulmonary	360.00	374.74	626	30%	361	0%	225,360	135,280	360,640
Urgent Care	319.72		829	28%	0	0%	265,045	-	265,045
Emergency	525.00	553.21	185	10%	834	39%	97,125	461,373	558,498
Cafeteria	280.53		942	35%	0	0%	264,260	-	264,260
Kitchen	310.00	316.11	1941	0%	748	0%	601,710	236,453	838,163

Materials Management	137.15		1594	0%	0	0%	218,614	-	218,614
Patient Registration	179.00	190.02	240	0%	642	0%	42,960	121,992	164,952
Patient Financial Services		187.02	0	0%	1692	25%	-	316,439	316,439
Medical Records		187.02	0	0%	400	8%	-	74,808	74,808
Public/ Waiting Areas	184.98	190.00	4994	86%	3422	56%	923,784	650,180	1,573,964
Staff Support Areas	184.16	195.00	3968	31%	1422	22%	730,750	277,290	1,008,040
Storage	120.00	137.89	3016	0%	1069	0%	361,920	147,399	509,319
Mechanical	218.19		3842	0%	0	0%	838,288	-	838,288
Elevator/ Stairs/ HVAC System	199.49		2400	76%	0	0%	478,772	-	478,772
Electrical/ IT	218.19		1020	0%	0	0%	222,554	-	222,554
Core & Shell	201.36		0	0%	0	0%	6,479,224	-	6,479,224
Contingency	N/A	N/A	N/A	N/A	N/A	N/A	695,728	272,837	968,565
Total	8,359	3,684	32,178		11,184		17,310,737	3,035,525	20,346,262

D. Projected Operating Costs (2019)

Projected Operating Costs	Total Cost	Treatments	Cost/ Treatment
Personnel	3,898,467	11,012	354.02
Medical Supplies	615,666	11,012	55.91
Other Supplies	247,267	11,012	22.45
Medical Director Fees	-0-	11,012	-0-
Rent	-0-	11,012	-0-
Management Fee	-0-	11,012	-0-
Other	3,095,320	11,012	281.09

Total Projected Operating Costs	7,856,720	11,012	713.47
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E. Total Effect of the Project on Capital Costs

	Total Cost	Treatments	Cost/ Treatment
Total Effect of the Project on Capital Costs	1,192,305	11,012	108.27

Pana Community Hospital Association

In accordance with 77 Ill. Admin. Code § 1120.140, I attest that:

- A. The total estimated project costs and related costs will be funded in part by borrowing because a portion 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;
- B. The selected form of debt financing for the project will be at the lowest net cost available.

Katrina Casner

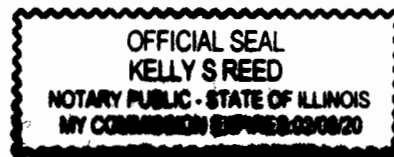
Katrina Casner, President and CEO
Pana Community Hospital Association

Subscribed and sworn to before me this 2nd day of February 2017

Kelly S. Reed

Signature of Notary

Seal



Charity Care

The chart below indicates the amount of charity care the Hospital provided for the latest 3 audited fiscal years, amount of charity care based on charges, the cost of charity care, and the ratio of that charity care cost to net patient revenue.

CHARITY CARE			
	2013	2014	2015
Net Patient Revenue	18,692,874	17,912,768	21,020,333
Amount of Charity Care (Charges)	632,533	1,024,361	386,830
Cost of Charity Care	294,821	421,290	159,633
Ratio of Charity Care	1.58%	2.35%	.76%

The chart below indicates the amount of Medicaid patients that were provided care at the Hospital and the Medicaid revenue for the latest 3 audited fiscal years.

MEDICAID			
# of Patients	2013	2014	2015
IP	19	17	14
OP	5,874	6,838	6,999
Total	5,893	6,855	7,013
Medicaid Revenue	2013	2014	2015
IP	116,532	83,621	69,034
OP	3,160,928	3,111,863	3,537,073
Total	3,277,460	3,195,484	3,606,107

In addition to the provision of financial charity care to patients, in the form of care provided for which the Applicant does not expect payment from either patient or a third party payer, Applicant also plays an important role in the surrounding areas. As provided in the attached Hospital's Internal Revenue Service Form 990, Schedule H first page, for 2013 through 2015 in as provided in Appendix 2, the Hospital provides significant services to its surrounding community as seen.

Applicant's Audited Financial Reports

Attached are the Hospital's audited financial report for years 2012 through 2015.

**Pana Community Hospital Association
and Subsidiary**

Auditor's Report and Consolidated Financial Statements
December 31, 2013 and 2012

**Pana Community Hospital Association
and Subsidiary**

December 31, 2013 and 2012

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Consolidated Financial Statements

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Statements of Operations and Changes in Net Assets.....	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

Board of Directors
Pana Community Hospital Association and Subsidiary
Pana, Illinois

We have audited the accompanying consolidated financial statements of Pana Community Hospital Association and Subsidiary (the "Hospital"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations and 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 Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's 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 auditor's 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 Hospital'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 Hospital'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 qualified audit opinion.

Board of Directors
Pana Community Hospital Association and Subsidiary
Page 2

Basis for Qualified Opinion

The Hospital's consolidated financial statements do not include the effects of consolidating Pana Community Hospital Foundation, which is an entity under the control of the Hospital. In our opinion, consolidation of the Foundation's financial statements is required for the Hospital's financial statements to conform with accounting principles generally accepted in the United States of America. If consolidated, the Hospital's December 31, 2013 and 2012, net assets would be increased by \$2,034,189 and \$1,663,959, respectively, and the 2013 and 2012 change in net assets would be increased by \$370,230 and \$289,694, respectively.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pana Community Hospital Association and Subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

St. Louis, Missouri
April 7, 2014

Pana Community Hospital Association and Subsidiary

Consolidated Balance Sheets December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 9,969,651	\$ 5,157,836
Certificates of deposit	1,587,716	1,507,039
Short-term investments	886,693	246,972
Patient accounts receivable, net of allowance; 2013 - \$4,109,000, 2012 - \$3,152,000	2,908,396	3,626,689
Supplies	304,409	298,766
Electronic health records incentive program receivable	-	2,039,212
Prepaid expenses and other	150,301	159,417
Total current assets	<u>15,807,166</u>	<u>13,035,931</u>
Assets Limited As To Use		
Internally designated	<u>1,284,973</u>	<u>1,283,522</u>
Investments		
Cash surrender value of life insurance	51,695	50,000
Certificates of deposit	230,893	105,233
Debt securities	-	397,988
	<u>282,588</u>	<u>553,221</u>
Property and Equipment, At Cost		
Land and land improvements	483,904	324,657
Buildings and leasehold improvements	9,247,062	9,137,907
Equipment	8,305,076	8,151,796
Construction in progress	179,249	81,767
	18,215,291	17,696,127
Less accumulated depreciation	<u>10,842,806</u>	<u>9,657,321</u>
	<u>7,372,485</u>	<u>8,038,806</u>
Total assets	<u>\$ 24,747,212</u>	<u>\$ 22,911,480</u>

	2013	2012
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 524,821	\$ 491,175
Accrued expenses	942,669	779,603
Deferred revenue	461,708	461,708
Estimated amounts due to third-party payers	516,374	547,402
Total current liabilities	2,445,572	2,279,888
 Deferred Revenue	 846,465	 1,308,174
Total liabilities	3,292,037	3,588,062
 Net Assets		
Unrestricted	21,455,175	19,323,418
Total liabilities and net assets	\$ 24,747,212	\$ 22,911,480

Pana Community Hospital Association and Subsidiary

Consolidated Statements of Operations and Changes in Net Assets Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	\$ 21,650,209	\$ 19,502,377
Provision for uncollectible accounts	<u>(2,864,383)</u>	<u>(2,683,910)</u>
Net patient service revenue less provision for uncollectible accounts	18,785,826	16,818,467
Other	<u>439,052</u>	<u>477,647</u>
Total unrestricted revenues, gains and other support	<u>19,224,878</u>	<u>17,296,114</u>
Expenses		
Salaries and wages	7,758,808	7,360,229
Employee benefits	1,911,459	1,679,830
Purchased services and professional fees	2,034,982	2,066,205
Supplies and other	4,396,755	3,685,452
Depreciation	<u>1,301,172</u>	<u>1,310,065</u>
Total expenses	<u>17,403,176</u>	<u>16,101,781</u>
Operating Income	<u>1,821,702</u>	<u>1,194,333</u>
Other Income		
Investment return	133,608	66,059
Contributions	<u>176,447</u>	<u>46,802</u>
Total other income	<u>310,055</u>	<u>112,861</u>
Increase in Unrestricted Net Assets	2,131,757	1,307,194
Net Assets, Beginning of Year	<u>19,323,418</u>	<u>18,016,224</u>
Net Assets, End of Year	<u><u>\$ 21,455,175</u></u>	<u><u>\$ 19,323,418</u></u>

Pana Community Hospital Association and Subsidiary

Consolidated Statements of Cash Flows Years Ended December 31, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	\$ 2,131,757	\$ 1,307,194
Items not requiring operating cash flow		
Depreciation	1,301,172	1,310,065
(Gain) loss on disposal of property and equipment	9,959	(2,528)
Changes in		
Patient accounts receivable, net	718,293	569,614
Estimated amounts due from and to third-party payers	(31,028)	359,458
Accounts payable and accrued expenses	196,712	(156,503)
Supplies	(5,643)	36,263
Deferred revenue	(461,709)	1,769,882
Other current assets	2,048,328	(2,042,137)
Net cash provided by operating activities	<u>5,907,841</u>	<u>3,151,308</u>
Investing Activities		
Purchase of investments and certificates of deposit	(2,699,960)	(2,674,402)
Proceeds from disposition of investments	2,248,744	2,638,948
Purchase of property and equipment	(645,810)	(699,111)
Proceeds from disposition of property and equipment	1,000	3,050
Net cash used in investing activities	<u>(1,096,026)</u>	<u>(731,515)</u>
Increase in Cash and Cash Equivalents	4,811,815	2,419,793
Cash and Cash Equivalents, Beginning of Year	<u>5,157,836</u>	<u>2,738,043</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 9,969,651</u></u>	<u><u>\$ 5,157,836</u></u>

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Pana Community Hospital Association and Subsidiary (the "Hospital") primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Pana, Illinois and surrounding communities. It also operates a home health agency in the same geographic area. Quad County Home Medical Supplies and Equipment, Inc., a wholly-owned subsidiary of the Hospital, is a for-profit entity that provides durable medical equipment for sale and rent.

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital and its wholly-owned subsidiary, Quad County Home Medical Supplies and Equipment, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation. The accounts and transactions of Pana Community Hospital Foundation are not included in these consolidated financial statements. As the entities are under common control they should be consolidated to present these financial statements in accordance with generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2013 and 2012, cash equivalents consisted primarily of money market accounts.

At December 31, 2013, the Hospital's cash accounts exceeded federally insured limits by approximately \$2,580,000.

Investments and Investment Return

Certificates of deposit are short term in nature and are carried at cost which approximates fair value. Investments in debt securities (corporate and municipal bonds) are carried at fair value. Mutual funds are carried at fair value. Investment return consists of interest and dividend income and was \$151,039 and \$66,059 for the years ended December 31, 2013 and 2012, respectively.

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Assets Limited as to Use

Assets limited as to use include assets set aside by the board of directors for future capital improvements over which the board retains control and may at its discretion subsequently use for other purposes.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer 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 Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers 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 both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for uncollectible accounts 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 or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Hospital's allowance for doubtful accounts for self-pay patients was 86 percent and 78 percent at December 31, 2013 and 2012, respectively. In addition, the Hospital's write-offs increased approximately \$169,000 from approximately \$2,876,000 for the year ended December 31, 2012, to approximately \$3,045,000 for the year ended December 31, 2013. Both increases were the result of negative trends experienced in the collection of amounts from self-pay patients in 2013.

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Critical access hospitals (CAHs) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare share fraction, which includes a 20 percent incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Hospital is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes the incentive payment revenue ratably over the remaining useful life of the EHR technology purchased, starting at the point when management was reasonably assured meaningful use was achieved. Management believes the incentive payment represents an adjustment to the rates paid to CAHs for ongoing services to Medicare beneficiaries and there is an implicit expectation to use technology to provide improved patient services.

During the year ended 2012, the Hospital's total incentive payment was \$2,039,000 which was recorded as a current receivable. The amount was received in 2013. The amount is being amortized over the remaining useful life of the EHR technology which is a period of approximately five years. The Hospital has recorded amortized revenue of \$602,433 and \$269,330 during the years ended 2013 and 2012, which is included in net patient service revenue in the statement of operations. The unamortized portion of the incentive payment was \$1,308,193 and \$1,769,882 as of December 31, 2013 and 2012, respectively, and is recorded as deferred revenue.

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land and land improvements	5 - 15 years
Buildings and leasehold improvements	5 - 40 years
Equipment	5 - 20 years

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Long-lived Asset Impairment

The Hospital evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2013 and 2012.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$278,000 and \$221,000 in 2013 and 2012, respectively. The cost of charity care provided is determined by computing a ratio of cost (total operating expenses) to gross charges and then multiplying that ratio by the gross uncompensated care charges associated with providing care to charity patients.

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. The gifts are reported as either temporarily or permanently restricted support. 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 as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Receipt of contributions which are conditional are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Professional Liability Claims

The Hospital recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in Note 6.

Self Insurance

The Hospital has elected to self-insure certain costs related to employee health. Costs resulting from noninsured losses are charged to income when incurred. The Hospital has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to \$85,000.

Income Taxes

The Hospital is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income. Quad County Home Medical Supplies and Equipment, Inc. is a taxable entity.

The Hospital files tax returns in the U.S. federal jurisdiction and the state of Illinois. With a few exceptions, the Hospital is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

Affordable Care Act Compliance

As part of the Affordable Care Act, hospitals exempt from the tax under Code Section 501(c)(3) of the Internal Revenue Code are required to comply with the new requirements under new Code Section 501(r). Code Section 501(r) requires exempt hospitals prepare and implement a community health needs assessment, implement a financial assistance policy, implement an emergency care policy, limit charges to individuals eligible for financial assistance and refrain from certain collection actions for patients that may qualify for financial assistance. Failure to comply with these requirements could result in a hospital not being recognized as exempt under Code Section 501(c)(3). The IRS has not issued guidance on how they intend to enforce the

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

provisions related to Code Section 501(r). The Hospital believes it has taken reasonable steps to comply with Code Section 501(r) and has recorded no provision relative to the Hospital's compliance or non-compliance with Code Section 501(r). However, this could change materially in the near-term.

Note 2: Net Patient Service Revenue

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Hospital has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include:

Medicare. The Hospital is reimbursed for inpatient and outpatient services on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through December 31, 2009.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a fee schedule methodology.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended December 31, 2013 and 2012, respectively, was approximately:

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

	2013	2012
Medicare	\$ 8,346,000	\$ 7,510,000
Medicaid	2,887,000	1,987,000
Other third-party payers	7,412,000	7,225,000
Patients	3,005,000	2,780,000
	<u>\$ 21,650,000</u>	<u>\$ 19,502,000</u>

Illinois Hospital Medicaid Assessment Program

The state of Illinois enacted legislation that provides for an assessment program intended to qualify for federal matching funds under the Illinois Medicaid program. Under the hospital assessment program, each hospital is assessed taxes based on that hospital's adjusted gross hospital revenue. The assessments in part fund additional Medicaid payments. The legislation provides that none of the assessment funds are to be collected and no additional Medicaid payments are to be paid until the program receives the required federal government approval through the Centers for Medicare and Medicaid Services.

In October 2013, the U.S. Centers for Medicare and Medicaid Services notified the Illinois Department of Healthcare and Family Services of its approval of the Enhanced Hospital Assessment Program effective July 1, 2012, which is anticipated to generate an additional annual net benefit for Illinois hospitals under the Hospital Assessment Program. The annual net benefit to the Hospital due to the approval of this program is approximately \$468,500.

The effects of these programs in the consolidated statements of operations and changes in net assets for years ended December 31, 2013 and 2012, are as follows:

	2013	2012
Additional Medicaid payments included in net patient service revenue	<u>\$ 1,578,813</u>	<u>\$ 529,860</u>
Taxes assessed and included in supplies and other expenses	<u>\$ 379,723</u>	<u>\$ 60,491</u>

The hospital assessment program contains a sunset provision effective December 31, 2014, and there is no assurance the program will not be discontinued or materially modified.

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Note 3: Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2013 and 2012, was:

	2013	2012
Medicare	17%	9%
Medicaid	17%	30%
Other third-party payers	41%	32%
Patients	25%	29%
	<u>100%</u>	<u>100%</u>

Note 4: Assets Limited as to Use

Assets limited as to use include:

	2013	2012
Internally designated for capital acquisition		
Certificates of deposit	\$ 1,272,433	\$ 1,267,638
Interest receivable	12,540	15,884
	<u>\$ 1,284,973</u>	<u>\$ 1,283,522</u>

Note 5: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2013 and 2012:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013				
Investments				
Certificates of deposit	\$ 3,091,042	\$ -	\$ 3,091,042	\$ -
Mutual funds				
Small cap funds	\$ 37,564	\$ 37,564	\$ -	\$ -
Mid cap funds	\$ 106,988	\$ 106,988	\$ -	\$ -
Large cap funds	\$ 100,458	\$ 100,458	\$ -	\$ -
International funds	\$ 81,351	\$ 81,351	\$ -	\$ -
Corporate debt securities	\$ 511,108	\$ -	\$ 511,108	\$ -
Municipal bond	\$ 49,224	\$ -	\$ 49,224	\$ -
December 31, 2012				
Investments				
Certificates of deposit	\$ 2,879,910	\$ -	\$ 2,879,910	\$ -
Corporate debt securities	\$ 596,434	\$ -	\$ 596,434	\$ -
Municipal bond	\$ 48,526	\$ -	\$ 48,526	\$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2013.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics, pricing models or discounted cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. The Hospital did not hold any Level 3 investments at December 31, 2013 and 2012.

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 6: Professional Liability Claims

The Hospital purchases medical malpractice insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered.

Based upon the Hospital's claims experience, an accrual has not been made for the Hospital's estimated medical malpractice costs. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	2013	2012
Health care services	\$ 11,830,719	\$ 10,927,384
General and administrative	5,572,457	5,174,397
	<u>\$ 17,403,176</u>	<u>\$ 16,101,781</u>

Note 8: Pension Plan

The Hospital has a defined-contribution pension plan covering substantially all full-time employees with one year of service. The Hospital matches 50 percent of participants' contributions up to 4 percent of covered compensation. Pension expense was \$172,283 and \$159,341 for the years ended December 31, 2013 and 2012, respectively.

Note 9: Related Party Transactions

Pana Community Hospital Foundation (the "Foundation") is under common control of the Hospital. The Hospital authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions.

The Foundation's contributions to the Hospital amounted to \$176,447 and \$46,802 for the years ended December 31, 2013 and 2012, respectively.

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

The Foundation's assets, liabilities and net assets and results of operations as of and for the years ended December 31, 2013 and 2012, are summarized below:

	2013	2012
Assets, principally cash and investments	\$ 2,043,652	\$ 1,676,655
Liabilities and net assets		
Accrued expenses	9,463	12,696
Net assets		
Unrestricted	1,721,820	1,336,482
Temporarily restricted	312,369	327,477
Total net assets	2,034,189	1,663,959
Total liabilities and net assets	\$ 2,043,652	\$ 1,676,655
Revenues, gains and other support	\$ 572,985	\$ 395,464
Expenses	202,755	105,770
Excess of revenues over expenses	\$ 370,230	\$ 289,694

Note 10: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2.

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in Notes 1 and 6.

Pana Community Hospital Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Admitting Physicians

Four of the Hospital's admitting Physicians comprise approximately 37 percent of the Hospital's net patient service revenue during 2013.

Note 11: Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The governor of the state of Illinois has currently indicated it will participate in the Medicaid expansion program.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Hospital's net patient service revenue. Additionally, it is possible the Hospital will experience payment delays and other operational challenges during PPACA's implementation.

Note 12: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

	Pana Health			
	Hospital	Services	Eliminations	Consolidated
Assets				
Current Assets:				
Cash and cash equivalents	9,762,576	207,075	-	9,969,651
Current - CD	1,587,716	-	-	1,587,716
Current - Short-term Investments	886,693	-	-	886,693
Patient accounts receivable, net of allowance	2,886,658	21,738	-	2,908,396
Supplies	295,614	8,795	-	304,409
Electronic Medical Records Incentive Receivable	-	-	-	-
Prepaid expenses and other	147,801	2,500	-	150,301
Total current assets	15,567,058	240,108	-	15,807,166
Assets limited as to use	1,284,973	-	-	1,284,973
Investments				
Annuity	51,695	-	-	51,695
Long Term CD	230,893	-	-	230,893
Long Term debt securities	-	-	-	-
Investment in subsidiary	(36,063)	-	36,063	-
Due to PCH/from PHS	289,670	(289,670)	-	-
Property and Equipment, At Cost:				
Land and land improvements	483,904	-	-	483,904
Buildings and leasehold improvements	9,184,610	62,452	-	9,247,062
Major Moveable Equipment	8,227,075	78,001	-	8,305,076
Construction in progress	179,249	-	-	179,249
	18,074,838	140,453	-	18,215,291
Less accumulated depreciation and amortization	10,716,509	126,297	-	10,842,806
Property and Equipment	7,358,329	14,156	-	7,372,485
Total assets	24,746,555	(35,406)	36,063	24,747,212
Current Liabilities				
Accounts payable	524,164	657	-	524,821
Accrued expenses	942,669	-	-	942,669
Deferred revenue	461,708	-	-	461,708
Estimated amounts due to third party payers	516,374	-	-	516,374
Total current liabilities	2,444,915	657	-	2,445,572
Deferred Revenue	846,465	-	-	846,465
Total liabilities	3,291,380	657	-	3,292,037
Net Assets				
Unrestricted	21,455,175	(36,063)	36,063	21,455,175
Total Net Assets	21,455,175	(36,063)	36,063	21,455,175
Total liabilities and net assets	24,746,555	(35,406)	36,063	24,747,212

	2013			
	Health			
	Hospital	Services	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support				
Net patient service revenue	21,557,809	113,245	(20,845)	21,650,209
Provision for uncollectible accounts	(2,864,935)	552	-	(2,864,383)
Net patient service revenue	18,692,874	113,797	(20,845)	18,785,826
Other	438,650	402	-	439,052
Total Revenues	19,131,524	114,199	(20,845)	19,224,878
Expenses				
Salaries and wages	7,678,740	80,068	-	7,758,808
Employee benefits	1,911,459	-	-	1,911,459
Purchased services and professional fees	2,034,982	-	-	2,034,982
Depreciation	1,299,993	1,179	-	1,301,172
Supplies and other	4,368,513	49,087	(20,845)	4,396,755
Total Expenses	17,293,687	130,334	(20,845)	17,403,176
Operating Income (Loss)	1,837,837	(16,135)	-	1,821,702
Other Income (Expense)				
Interest Income	133,608	-	-	133,608
Contributions	176,447	-	-	176,447
	310,055	-	-	310,055
Increase (Decrease) in Unrestricted Net Assets	2,147,892	(16,135)	-	2,131,757



PANA COMMUNITY HOSPITAL ASSOCIATION
AND SUBSIDIARIES
Pana, Illinois

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014



CliftonLarsonAllen

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pana Community Hospital Association and Subsidiaries
Pana, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Pana Community Hospital Association and Subsidiaries (the Hospital) which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.



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PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 13,184,544	\$ 11,790,588
Certificates of Deposit	2,913,367	1,624,492
Investments	4,012,994	3,145,455
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts of \$1,442,770 and \$3,515,920	3,185,475	3,438,941
Other Receivables	-	360,256
Supplies Inventory	373,521	359,214
Prepaid Expenses and Other Assets	196,418	221,852
Total Current Assets	<u>23,866,319</u>	<u>20,940,798</u>
ASSETS LIMITED AS TO USE		
Investments Temporarily Restricted	260,106	265,718
Internally Designated	-	1,288,135
Total Assets Limited as to Use	<u>260,106</u>	<u>1,553,853</u>
LONG-TERM ASSETS		
Certificates of Deposit	-	10,004
Other Assets	22,525	22,020
Total Long-Term Assets	<u>22,525</u>	<u>32,024</u>
PROPERTY AND EQUIPMENT		
Land and Land Improvements	560,315	511,645
Buildings and Leasehold Improvements	9,666,001	9,390,732
Equipment	9,105,284	8,901,129
Construction in Progress	129,514	247,850
	<u>19,461,114</u>	<u>19,051,356</u>
Less Accumulated Depreciation	13,095,241	12,098,705
Total Property and Equipment, Net	<u>6,365,873</u>	<u>6,952,651</u>
Total Assets	<u><u>\$ 30,514,823</u></u>	<u><u>\$ 29,479,326</u></u>

See accompanying Notes to Consolidated Financial Statements.

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	2015	2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 549,772	\$ 546,366
Accrued Expenses	1,133,580	1,101,893
Estimated Liabilities, Third-Party Payors	257,824	1,923,239
Deferred Revenue	384,757	461,708
Total Current Liabilities	2,325,933	4,033,206
 LONG-TERM LIABILITIES		
Deferred Revenue, Net of Current Portion	-	384,757
Total Liabilities	2,325,933	4,417,963
 NET ASSETS		
Unrestricted Net Assets	27,928,784	24,795,645
Temporarily Restricted Net Assets	260,106	265,718
Total Net Assets	28,188,890	25,061,363
Total Liabilities and Net Assets	\$ 30,514,823	\$ 29,479,326

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS		
OPERATING REVENUE		
Patient Service Revenue	\$ 22,648,975	\$ 20,223,614
(Net of Contractual Allowances and Discounts)		
Provision for Bad Debts	<u>(1,487,330)</u>	<u>(2,184,899)</u>
Net Patient Service Revenue	21,161,645	18,038,715
Other Revenue	1,025,383	959,312
Loss on Sale of Equipment	(40,200)	-
Contributions	61,139	91,862
Net Assets Used for Satisfaction of Time or Purpose Restriction	<u>90,480</u>	<u>70,754</u>
Total Operating Revenue	22,298,447	19,160,643
OPERATING EXPENSES		
Salaries and Wages	8,531,308	8,088,058
Employee Benefits	2,159,930	1,950,912
Purchased Services	2,423,894	2,083,995
Supplies, Drugs, Food and Other	4,611,188	4,308,378
Depreciation and Amortization	1,331,378	1,303,283
Insurance	<u>109,034</u>	<u>104,482</u>
Total Operating Expenses	19,166,732	17,839,108
INCOME FROM OPERATIONS	3,131,715	1,321,535
OTHER INCOME		
Other Investment Income	<u>250,509</u>	<u>235,283</u>
EXCESS OF REVENUE OVER EXPENSE	3,382,224	1,556,818
OTHER INCREASE (DECREASE) IN NET ASSETS		
Unrealized Gain (Loss) on Investments	<u>(249,085)</u>	<u>55,810</u>
Increase in Unrestricted Net Assets	3,133,139	1,612,628
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	84,868	24,103
Net Assets Used for Satisfaction of Time or Purpose Restriction	<u>(90,480)</u>	<u>(70,754)</u>
Decrease in Temporarily Restricted Net Assets	<u>(5,612)</u>	<u>(46,651)</u>
INCREASE IN NET ASSETS	3,127,527	1,565,977
Net Assets - Beginning of Year	<u>25,061,363</u>	<u>23,495,386</u>
NET ASSETS - END OF YEAR	<u>\$ 28,188,890</u>	<u>\$ 25,061,363</u>

See accompanying Notes to Consolidated Financial Statements.

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PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 3,127,527	\$ 1,565,977
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided by Operating Activities and Gains and Losses:		
Depreciation and Amortization	1,331,378	1,303,283
Loss on Sale of Equipment	40,200	-
Provision for Bad Debts	1,487,330	2,184,899
Unrealized (Gain) Loss on Investments	249,085	(55,810)
Effects of Changes in Operating Assets and Liabilities:		
Patient Accounts Receivable	(1,233,864)	(2,715,444)
Other Receivables	360,256	(360,256)
Supplies Inventory	(14,307)	(54,805)
Prepaid and Other Current Assets	25,434	(70,252)
Accounts Payable and Accrued Expenses	35,093	177,329
Estimated Liabilities, Third-Party Payors	(1,665,415)	1,406,865
Deferred Revenue	(461,708)	(461,708)
Net Cash Provided by Operating Activities	3,281,009	2,920,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(788,249)	(876,581)
Proceeds on Sale of Equipment	3,449	-
Purchases of Investments, Certificates of Deposit and		
Assets Whose Use is Limited	(2,464,377)	(787,643)
Sales and Maturities of Investments, Certificates of Deposit and		
Assets Whose Use is Limited	1,362,124	483,630
Net Cash Used by Investing Activities	(1,887,053)	(1,180,594)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,393,956	1,739,484
Cash and Cash Equivalents - Beginning of Year	11,790,588	10,051,104
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,184,544</u>	<u>\$ 11,790,588</u>

See accompanying Notes to Consolidated Financial Statements.

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PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pana Community Hospital Association (PCH) is a nonprofit acute care hospital. PCH was incorporated in 1966 in the state of Illinois and provides inpatient, outpatient and emergency care services to residents of Pana, Illinois and surrounding communities and also operates a home health agency in the same geographic area. Admitting physicians are primarily practitioners in the local area.

Quad County Home Medical Supplies and Equipment, Inc., (QCHM) is a for-profit corporation. QCHM was incorporated in 1986 in the state of Illinois and provides durable medical equipment for sale and rent. QCHM is a wholly-owned subsidiary of PCH.

Pana Community Hospital Foundation (PCHF) is a nonprofit corporation. PCHF was incorporated in 1992 in the state of Illinois and whose mission and activities are for charitable, educational and scientific purposes and to support and encourage health care services through providing financial and fundraising assistance to PCH. The Foundation's revenues and support are derived primarily from contributions and fundraising activities principally in Pana, Illinois and surrounding communities.

Principles of Consolidation

The consolidated financial statements include the accounts of PCH, QCHM and PCHF (collectively, the Hospital). All significant intercompany balances and transactions have been eliminated in the consolidation.

Basis of Presentation

The Hospital classifies its net assets into three categories, which are unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are reflective of revenues and expenses associated with the primary operating activities of the Hospital and are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Hospital and/or the passage of time. The Hospital's temporarily restricted net assets consist of contributions primarily available to support departmental operations of the Hospital. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations and changes in net assets as net assets used for satisfaction of time or purpose restriction.

Permanently restricted net assets are subject to donor-imposed stipulations requiring that they be maintained permanently by the Hospital while earnings may be appropriated for operations. The Hospital had no permanently restricted net assets at December 31, 2015 and 2014.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the accompanying consolidated financial statements includes, but is not limited to the determination of the net patient accounts receivable, settlements with third-party payors, the evaluation of long-lived assets for possible impairment and the accrual for professional liability claims and health insurance. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would be material to the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all liquid investments having original maturities of three months or less, excluding assets limited as to use by board designation.

Throughout the year, the Hospital may have amounts on deposit with financial institutions in excess of those insured by the FDIC. The Hospital has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. At December 31, 2015 and 2014, the Hospital's cash accounts exceeded federally insured limits and collateral pledged by financial institutions by approximately \$2,890,802 and \$2,897,000, respectively.

Patient Accounts Receivable, Provision for Doubtful Accounts and Estimated Third-Party Payor Settlements

The collection of receivables from third-party payors and patients is the Hospital's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided by third-party payors.

Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables. Management estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each payor type. Patient receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable, Provision for Doubtful Accounts and Estimated Third-Party Payor Settlements (Continued)

The past due status of receivables is determined on a case-by-case basis depending on the payor responsible. Interest is generally not charged on past due accounts.

Receivables or payables related to estimated settlements on various payor contracts, primarily Medicare, are reported as estimated third-party payor settlements. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental health care coverage could affect the Hospital's collection of accounts receivable, cash flows and results of operations.

Receivables related to the Medicaid Hospital Assessment Program, if any, are included in other receivables on the balance sheet.

Assets Limited as to Use

Assets limited as to use include donor designated assets for the purpose of supporting operations of the Hospital and internally designated assets set aside by the board of directors for which the board retains control and may at its discretion subsequently use for any purposes. At December 31, 2014, all board designated assets were certificates of deposit and were designated for capital acquisitions. In June 2015, the board of directors approved the removal of such designations and therefor these funds are no longer limited as to use.

Investments, Certificates of Deposit and Investment Return

Investments and certificates of deposit are reported at fair value as discussed in more detail in Note 9. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

Donated investments are reported at fair value at the date of receipt, which is then treated as cost.

Investments are regularly evaluated for impairment. The Hospital considers factors affecting the investee, factors affecting the industry the investee operates within, and general debt and equity market trends. The Hospital considers the length of time an investment's fair value has been below the carrying value, the near-term prospects for recovery to carrying value, and the intent and ability to hold the investment until maturity or market recovery is realized. If and when a determination is made that a decline in fair value below the cost basis is other than temporary, the related investment is written down to its estimated fair value and included in increase in unrestricted net assets as a component of investment income.

Investment securities in general are exposed to risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the consolidated balance sheets and the consolidated statements of operations and changes in net assets.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supplies Inventory

Supplies inventory is stated at the lower of cost or market, cost determined on a first-in, first-out (FIFO) basis of accounting.

Property and Equipment

Property and equipment acquisitions of at least \$2,000 and a life of more than one year are recorded at cost. Costs of maintenance and repairs are charged to expense when incurred, while costs of renewals and betterments are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset, which ranges from 3 to 40 years, and is computed using the straight-line method.

Gifts of long-lived assets such as land and buildings are reported as unrestricted support, and are excluded from income from operations. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Long-lived Asset Impairment

Management evaluates its long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future cash flows. Measurement of the amount of the impairment, if any, may be based on independent appraisals, established market values of comparable assets or estimates of future discounted cash flows expected to result from the use and disposition of the assets. The estimates of these future cash flows are based on assumptions and projections believed by management to be reasonable. These subjective judgments take into account assumptions about revenue and expense growth rates, patient volumes, changes in payor mix, regulations and other factors.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Contributions

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts 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 statement of operations and changes in net assets as net assets used for satisfaction of time or purpose restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements. Bequests are recognized when the probate court declares the will valid.

In-Kind Contributions

In addition to receiving cash contributions, the Hospital receives in-kind contributions from various donors. It is the policy of the Hospital to record the estimated fair value of certain in-kind donations as an expense in the financial statement and similarly increase contribution revenue by a like amount. No in-kind contributions were received for the years ended December 31, 2015 and 2014.

Income from Operations

The consolidated statement of operations and changes in net assets includes an intermediate measure of operations, income from operations, which represents the activity of the ongoing operations. Other income and expense excluded from operating income consists primarily of nonrecurring transactions and transactions that are outside of the Hospital's primary activities.

Excess of Revenue over Expenses

The consolidated statement of operations and changes in net assets includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include change in unrealized gains and losses on investments other than trading securities, transfers of net assets from temporarily restricted net assets to be used for long-term purposes and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Self Insurance

The Hospital has elected to self-insure certain costs related to employee health. Costs resulting from noninsured losses are charged to income when incurred. The Hospital has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to \$85,000.

Advertising

The Hospital expenses advertising costs as incurred.

Donated Services

A number of volunteers have donated services to the Hospital's program services and fundraising activities during the year; however, the value of these donated services is not reflected in the consolidated financial statements since the services do not require specialized skills.

Income Taxes

PCH and PCHF are nonprofit corporations and have been recognized as tax-exempt pursuant to Sec. 501(c)(3) of the Internal Revenue Code and have been classified as other than a private foundation. QCHM is a taxable organization and files a C corporation income tax return.

PCH and PCHF file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions include such matters as the following: the tax exempt status of the entity and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990T and both PCH and PCHF have appropriately filed a Form 990T. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. At December 31, 2015 and 2014, there were no unrecognized tax benefits identified or recorded. Presently, there are no ongoing income tax audits or unresolved disputes with the tax authorities that the Organization currently files or has filed with.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

The Hospital is exposed to various risks of loss from lawsuits; theft of, damage to, and destruction of assets; business interruption; errors and omissions; medical malpractice; employee injuries and illnesses; natural disasters and employee accident benefits. The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. See Note 7 for a further description of the professional liability insurance.

Regulatory Investigation

The U.S. Department of Justice, other federal agencies and the Illinois Department of Public Aid routinely conduct regulatory investigations and compliance audits of health care providers. The Hospital is subject to these regulatory efforts. See Note 11 for further description of the Regulatory Investigation.

New Accounting Pronouncements:

Revenue from Contracts with Customers (Accounting Standards Update (ASU) No. 2014-09) – ASU 2014-09, issued in May 2014, requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services and disclose sufficient information to enable the financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016. In August 2015, the FASB issued ASU 2014-14 which defers the effective date to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Hospital is evaluating the effect this guidance will have on its consolidated financial statements.

Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (Accounting Standards Update (ASU) No. 2015-03) – ASU 2015-03, issued in April 2015, requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Hospital is evaluating the effect this guidance will have on its consolidated financial statements.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between Hospital's billings at list price and the amounts reimbursed by Medicare, Medicaid, Blue Cross, and certain other third-party payors; any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. Contractual adjustments under third-party reimbursement programs are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined. A summary of the basis of reimbursement with major third-party payors follows:

Medicare

The Hospital is designated as a critical access hospital. This designation provides for inpatient, outpatient, and swing bed services to be reimbursed on a cost basis methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. For the year ending December 31, 2015, net patient service revenue was decreased by approximately \$645,000 as a result of a liability recorded due to changes in cost report estimates relating to the years ending December 31, 2009 through December 31, 2013. The Hospital paid the liability in 2015. The Hospital's Medicare cost reports have been tentatively settled by the Medicare fiscal intermediary through December 31, 2014. Changes as a result of the Centers for Medicare and Medicaid Services implementation of the provision of the future Medicare legislation may have an adverse effect on the Hospital's net patient service revenue.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates. Both inpatient and outpatient rates are not subject to retroactive adjustment. Inpatient payment rates vary according to a patient classification system that is based on clinical diagnostic and other factors. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the Medicaid Program.

Revenue from the Medicare and Medicaid programs accounted for approximately 49% and 23% of the Hospital's gross patient service revenue for the year ended December 31, 2015 and approximately 49% and 21% of the Hospital's gross patient service revenue for the year ended December 31, 2014. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)

Blue Cross

Services rendered to Blue Cross subscribers are reimbursed under the terms of a contract based on a set percentage of charges methodology. Revenue from Blue Cross programs accounted for approximately 11% and 9% of the Hospital's gross patient service revenue for the years ended December 31, 2015 and 2014, respectively.

Managed Care Organizations

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The Federal Centers for Medicare & Medicaid Services (CMS) have approved state of Illinois (State) legislation for a Medicaid Hospital Assessment Program (Program). Under the Program, the Hospital received additional Medicaid reimbursement from the State and paid a related assessment tax. The Program has been extended through June 30, 2018. The net effect on income from operations for the years ended December 31, 2015 and 2014 was an increase of approximately \$1,275,000 and \$1,141,000, respectively.

A summary of patient service revenue and revenue adjustments for the years ended December 31 is as follows:

	2015	2014
Gross Patient Service Revenue	\$ 46,198,942	\$ 42,741,528
Contractual Adjustments:		
Medicare	12,207,697	12,215,341
Medicaid	8,305,944	7,132,529
Other	3,036,326	3,170,044
Provision for Bad Debts	1,487,330	2,184,899
Total Adjustments	<u>25,037,297</u>	<u>24,702,813</u>
Net Patient Service Revenue	<u>\$ 21,161,645</u>	<u>\$ 18,038,715</u>

Electronic Health Record Incentive Program

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Hospital continuing to meet the escalating meaningful use criteria.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)

Electronic Health Record Incentive Program (Continued)

During the year ended December 31, 2012, the Hospital demonstrated meaningful use and therefore was awarded approximately \$2,039,000 which was received in 2013. This amount is being amortized over the remaining useful life of the EHR technology which is a period of approximately five years. The Hospital has recorded amortized revenue of \$384,757 and \$461,708 relating to the 2012 award during the years ended December 31, 2015 and 2014, respectively, which is included in Other Revenue in the consolidated statements of operations and changes in net assets. The unamortized portion of the 2012 award was \$384,757 and \$846,465 as of December 31, 2015 and 2014, respectively, and is recorded as deferred revenue on the consolidated statement of financial position. The Hospital received additional EHR awards in 2015 and 2014 totaling approximately \$395,304 and \$218,830, respectively, which is included in other revenue in the consolidated statement of operations and changes in net assets.

NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Hospital's accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts, provision for bad debts and provision for charity. 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 Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts, provision for bad debts and charity for expected uncollectible deductibles and co-insurances. For receivables associated with self-pay patients, the Hospital records a provision for bad debts and charity in the period of service on the basis of its past experience, which indicates 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 Hospital's allowance for doubtful accounts as a percentage of gross accounts receivable decreased by 19% in 2015 from 2014. This decrease is primarily attributed to a decrease in self pay receivables. Additionally, the Hospital made provisions for uncollectible accounts of approximately \$1,739,000 and had recoveries on accounts written off of \$254,000. The Hospital did not change its charity care or uninsured discount policies during 2015.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 4 CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. The Hospital provides 100% charity care to patients whose income level is below 150% of the Federal Poverty Level. For patients whose income level is between 150% and 250% of the Federal Poverty Level, the percentage of assistance is based upon a sliding scale. The Hospital uses cost as the measurement basis for charity care disclosure purposes with the cost being identified as the direct and indirect costs of providing the charity care. Charity care includes the amount of costs forgone for services and supplies furnished under its charity care policy and was approximately \$125,000 and \$445,000 for the years ended December 31, 2015 and 2014, respectively. Charity care cost was determined on the application of the associated cost-to-charge ratios.

NOTE 5 CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 is as follows:

	2015	2014
Medicare	20 %	13 %
Medicaid	29	38
Other Third-Party Payors	26	14
Patients	25	35
Total	<u>100 %</u>	<u>100 %</u>

NOTE 6 FUNCTIONAL EXPENSES

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	2015	2014
Health Care Services	\$ 12,899,024	\$ 11,952,481
General and Administrative	6,253,592	5,878,048
Fundraising	14,116	8,579
Total	<u>\$ 19,166,732</u>	<u>\$ 17,839,108</u>

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 7 PROFESSIONAL LIABILITY CLAIMS

The Hospital purchases medical malpractice insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. Insurance coverage is renewed annually February 1 and is currently arranged through January 31, 2017.

Based upon the Hospital's claims experience, an accrual has not been made for the Hospital's estimated medical malpractice costs. It is reasonably possible that this estimate could change materially in the near term.

NOTE 8 DEFINED CONTRIBUTION PLAN

The Hospital has a defined-contribution plan covering substantially all employees. The Hospital matches 50% of employees' contributions up to 4% of covered compensation. The Hospital's expense under this plan was \$230,311 and \$184,147 for the years ended December 31, 2015 and 2014, respectively.

NOTE 9 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Certificates of Deposit – Certificates of deposit are valued at original cost plus accrued interest in the statement of financial position which approximates fair value.

Investments and Assets Limited as to Use – Equity securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy. The carrying amount approximates fair value.

Debt securities consisting of municipal securities and government agency debt obligations are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality and type. Such debt securities are generally classified within Level 2 of the valuation hierarchy. The carrying amount approximates fair value.

Fair Value Measurements

In determining fair value, the Hospital uses various valuation approaches within the GAAP fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 9 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurements (Continued)

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. GAAP defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2015:

	Total Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Certificates of Deposit	\$ 2,913,367	\$ -	\$ 2,913,367	\$ -
Mutual Funds:				
Small Cap Funds	314,354	314,354	-	-
Mid Cap Funds	582,096	582,096	-	-
Large Cap Funds	1,664,077	1,664,077	-	-
International Funds	470,691	470,691	-	-
Equity Fund:				
Consumer	12,553	12,553	-	-
Financials	423,280	-	-	423,280
Other	12,099	12,099	-	-
Securities	617,105	-	617,105	-
Common Stock	41,276	41,276	-	-
Real Estate	34,592	34,592	-	-
Annuity	100,977	-	-	100,977
Municipal Bond	-	-	-	-
Total	<u>\$ 7,186,467</u>	<u>\$ 3,131,738</u>	<u>\$ 3,530,472</u>	<u>\$ 524,257</u>

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 9 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurements (Continued)

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2014:

	Total Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Certificates of Deposit	\$ 2,922,631	\$ -	\$ 2,922,631	\$ -
Mutual Funds:				
Small Cap Funds	421,721	421,721	-	-
Mid Cap Funds	385,940	385,940	-	-
Large Cap Funds	1,203,351	1,203,351	-	-
International Funds	168,372	168,372	-	-
Equity Fund:				
Consumer	9,456	9,456	-	-
Financials	423,280	-	-	423,280
Other	6,858	6,858	-	-
Securities	648,788	-	648,788	-
Real Estate	40,017	-	-	40,017
Annuity	53,445	-	-	53,445
Municipal Bond	49,945	-	49,945	-
Total	<u>\$ 6,333,804</u>	<u>\$ 2,195,698</u>	<u>\$ 3,621,364</u>	<u>\$ 516,742</u>

Details of changes to Level 3 assets are as follows:

	Equity Securities- Financials	Real Estate Investment Trust	Annuity
Balance - January 1, 2015	\$ 423,280	\$ 40,017	\$ 53,445
Total Sales	-	(40,017)	(53,445)
Total Purchases	-	-	100,080
Total Unrealized Gains Relating to Instruments Still Held at Reporting Date	-	-	897
Balance - December 31, 2015	<u>\$ 423,280</u>	<u>\$ -</u>	<u>\$ 100,977</u>

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 9 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurements (Continued)

Details of changes to Level 3 assets are as follows:

	Equity Securities- Financials	Real Estate Investment Trust	Annuity
Balance - January 1, 2014	\$ 358,160	\$ 52,451	\$ 51,695
Total Sales	-	(15,242)	-
Total Unrealized Gains Relating to Instruments Still Held at Reporting Date	65,120	2,808	1,750
Balance - December 31, 2014	<u>\$ 423,280</u>	<u>\$ 40,017</u>	<u>\$ 53,445</u>

Losses of \$249,085 and gains of \$55,810 are included in increase in net assets for 2015 and 2014 are attributable to the change in unrealized gains or losses relating to investments held at December 31, 2015 and 2014, respectively.

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

The Hospital has \$260,106 and \$265,718 in temporarily restricted net assets at December 31, 2015 and 2014, respectively, which are restricted based on donor stipulations that the contributions be used for specific purposes. The restrictions expire when the assets are utilized for the intended purpose and during 2015 and 2014, \$90,480 and \$70,754, respectively, was released.

NOTE 11 OTHER CONTINGENCIES

Litigation

The Hospital from time to time is subject to various lawsuits that have arisen in the ordinary course of business. Although the ultimate outcome of these suits cannot be determined at this time, it is the opinion of management that the disposition of such lawsuits will not have a material adverse effect on the Hospital's financial condition.

Regulatory Compliance

In February 2016 a validation survey was conducted by the Illinois Department of Public Health (IDPH) and based upon the Centers for Medicare & Medicaid Services (CMS) review of the survey findings, notification was received in March 2016 from CMS that the Hospital was not in compliance with the Medicare Condition of Participation for critical access hospitals and as a result the Hospital's agreement with Medicare was subject to termination. The Hospital's plan of correction was submitted and accepted by IDPH and CMS and as a result the Hospital has received an extension of the termination date to July 2018. The extension is subject to periodic reviews and inspections by IDPH and CMS to ensure that the correction plan is being followed. The Hospital anticipates that once the correction plan is fully implemented CMS will rescind the termination. Management believes the corrective action plan will not significantly impact the Hospital's operations.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 12 PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to \$1,331,378 and \$1,303,283, respectively.

Construction of a building, improvements, and various equipment acquisitions were in progress at December 31, 2015 and 2014. The following schedules present a summary of the budget and actual expenditures at December 31, 2015 and 2014, and the anticipated construction and acquisition expenditures to complete the projects:

	2015		
	Budget	Expenditures as of December 31	Estimated Expenditures to Complete
Assets and Equipment Acquisition in Progress:			
Quady County Building Project	\$ 285,000	\$ 100,388	\$ 184,612
Other Projects	35,413	29,126	6,287
Total	<u>\$ 320,413</u>	<u>\$ 129,514</u>	<u>\$ 190,899</u>

	2014		
	Budget	Expenditures as of December 31	Estimated Expenditures to Complete
Assets and Equipment Acquisition in Progress:			
Ramsey Clinic Building	\$ 376,000	\$ 204,389	\$ 171,611
Med Surgery Remodel	120,000	16,471	103,529
Other Projects	41,020	26,990	14,030
Total	<u>\$ 537,020</u>	<u>\$ 247,850</u>	<u>\$ 289,170</u>

NOTE 13 SUBSEQUENT EVENTS

Management evaluated subsequent events through September 6, 2016, the date the financial statements were available to be issued.

Subsequent to year-end, the board of directors has approved a major renovation and expansion plan for the Hospital and entered into contracts with the architect and construction manager. The anticipated approximate total cost of the plan is \$19 million and is planned to be financed with approximately \$14.3 million of cash, \$3.2 million in long-term debt and \$1.5 million from a capital campaign. The plan will be implemented in phases. The pre-construction phase primarily relates to the plan of correction accepted by CMS and IDPH and includes a new generator and sprinkling system at an approximate cost of \$1.5 million (see note 11). The anticipated final completion date of the remaining phases is planned for 2020.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 13 SUBSEQUENT EVENTS (CONTINUED)

Effective June 6, 2016, pursuant to the terms and conditions of an asset acquisition agreement and real estate purchase agreements, the Hospital acquired a 100% interest in substantially all of the assets of a physician group. The physician group was engaged in the business of providing healthcare services for patients in Pana, Illinois and surrounding communities. The total purchase price is \$297,000 and was financed with cash.

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	Pana Community Hospital Association	Pana Community Hospital Foundation	Quad County Home Medical Supplies and Equipment, Inc.	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 12,992,754	\$ 92,474	\$ 99,316	\$ -	\$ 13,184,544
Certificates of Deposit	2,828,793	84,574	-	-	2,913,367
Investments	2,162,432	1,850,562	-	-	4,012,994
Patient Accounts Receivable, Less Allowance for Uncollectible					
Accounts of \$1,442,770	3,152,502	-	32,973	-	3,185,475
Supplies Inventory	361,421	-	12,100	-	373,521
Prepaid Expenses and Other Assets	180,814	12,698	2,906	-	196,418
Due from Affiliate	175,319	-	-	(175,319)	-
Total Current Assets	21,854,035	2,040,308	147,295	(175,319)	23,866,319
ASSETS LIMITED AS TO USE					
Investments Temporarily Restricted	-	260,106	-	-	260,106
Total Assets Limited as to Use	-	260,106	-	-	260,106
LONG-TERM ASSETS					
Investment in Quad County Home Medical Supplies and Equipment, Inc.	(2,386)	-	-	2,386	-
Other Assets	-	22,525	-	-	22,525
Total Long-Term Assets	(2,386)	22,525	-	2,386	22,525
PROPERTY AND EQUIPMENT					
Land and Land Improvements	560,315	-	-	-	560,315
Buildings and Leasehold Improvements	9,666,001	-	-	-	9,666,001
Equipment	9,035,538	43,673	26,073	-	9,105,284
Construction in Progress	129,514	-	-	-	129,514
Less Accumulated Depreciation	19,391,368	43,673	26,073	-	19,461,114
	13,060,228	34,578	435	-	13,095,241
Total Property and Equipment, Net	6,331,140	9,095	25,638	-	6,365,873
Total Assets	\$ 28,182,799	\$ 2,332,034	\$ 172,933	\$ (172,933)	\$ 30,514,823

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PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2015

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable
 Accrued Expenses
 Estimated Liabilities, Third-Party Payors
 Due to Affiliate
 Deferred Revenue
 Total Current Liabilities

	Pana Community Hospital Association	Pana Community Hospital Foundation	Quad County Home Medical Supplies and Equipment, Inc.	Eliminations	Consolidated
	\$ 549,772	\$ -	\$ -	\$ -	\$ 549,772
	1,133,580	-	-	-	1,133,580
	257,824	-	-	-	257,824
	-	-	175,319	(175,319)	-
	384,757	-	-	-	384,757
	<u>2,325,933</u>	<u>-</u>	<u>175,319</u>	<u>(175,319)</u>	<u>2,325,933</u>

LONG-TERM LIABILITIES

Deferred Revenue, Net of Current Portion
 Total Liabilities

	-	-	-	-	-
	<u>2,325,933</u>	<u>-</u>	<u>175,319</u>	<u>(175,319)</u>	<u>2,325,933</u>

NET ASSETS

Capital Stock
 Unrestricted Net Assets
 Temporarily Restricted Net Assets
 Total Net Assets

	-	-	35,000	(35,000)	-
	25,856,856	2,071,928	(37,386)	37,386	27,928,784
	-	260,106	-	-	260,106
	<u>25,856,856</u>	<u>2,332,034</u>	<u>(2,386)</u>	<u>2,386</u>	<u>28,188,890</u>
	\$ 28,182,789	\$ 2,332,034	\$ 172,933	\$ (172,933)	\$ 30,514,823

Total Liabilities and Net Assets

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS						
	Pana Community Hospital Association	Pana Community Hospital Foundation	Quad County Home Medical Supplies and Equipment, Inc.	Eliminations	Consolidated	
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 11,471,031	\$ 154,270	\$ 165,287	\$ -	\$ 11,790,588	
Certificates of Deposit	1,540,168	84,324	-	-	1,624,492	
Investments	1,371,062	1,774,393	-	-	3,145,455	
Patient Accounts Receivable, Less Allowance for Uncollectible						
Accounts of \$3,515,920	3,418,227	-	20,714	-	3,438,941	
Other Receivables	360,256	-	-	-	360,256	
Supplies Inventory	349,762	-	9,452	-	359,214	
Prepaid Expenses and Other Assets	199,619	15,999	6,234	-	221,852	
Due from Affiliate	226,238	-	-	(226,238)	-	
Total Current Assets	18,936,363	2,028,966	201,687	(226,238)	20,940,798	
ASSETS LIMITED AS TO USE						
Investments Temporarily Restricted	-	265,718	-	-	265,718	
Internally Designated	1,288,135	-	-	-	1,288,135	
Total Assets Limited as to Use	1,288,135	265,718	-	-	1,553,853	
LONG-TERM ASSETS						
Investment in Quad County Home Medical Supplies and Equipment, Inc.	(13,666)	-	-	13,666	-	
Certificates of Deposit	10,004	-	-	-	10,004	
Other Assets	-	22,020	-	-	22,020	
Total Long-Term Assets	(3,662)	22,020	-	13,666	32,024	
PROPERTY AND EQUIPMENT						
Land and Land Improvements	511,645	-	-	-	511,645	
Buildings and Leasehold Improvements	9,328,280	-	62,452	-	9,390,732	
Equipment	8,779,455	43,673	78,001	-	8,901,129	
Construction in Progress	247,850	-	-	-	247,850	
	18,867,230	43,673	140,453	-	19,051,356	
Less Accumulated Depreciation	11,939,380	31,849	127,476	-	12,098,705	
Total Property and Equipment, Net	6,927,850	11,824	12,977	-	6,952,651	
Total Assets	\$ 27,148,686	\$ 2,328,548	\$ 214,664	\$ (212,572)	\$ 29,479,326	

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2014

LIABILITIES AND NET ASSETS

	Pana Community Hospital Association	Pana Community Hospital Foundation	Quad County Home Medical Supplies and Equipment, Inc.	Eliminations	Consolidated
CURRENT LIABILITIES					
Accounts Payable	\$ 544,274	\$ -	2,092	\$ -	\$ 546,366
Accrued Expenses	1,101,893	-	-	-	1,101,893
Estimated Liabilities, Third-Party Payors Due to Affiliate	1,923,239	-	-	-	1,923,239
Deferred Revenue	-	-	226,238	(226,238)	-
Total Current Liabilities	461,708	-	-	-	461,708
	4,031,114	-	228,330	(226,238)	4,033,206
LONG-TERM LIABILITIES					
Deferred Revenue, Less Current	384,757	-	-	-	384,757
Total Liabilities	4,415,871	-	228,330	(226,238)	4,417,963
NET ASSETS					
Capital Stock	-	-	35,000	(35,000)	-
Unrestricted Net Assets/Retained Earnings (Deficit)	22,732,815	2,062,830	(48,666)	48,666	24,795,645
Temporarily Restricted Net Assets	-	265,718	-	-	265,718
Total Net Assets	22,732,815	2,328,548	(13,666)	13,666	25,061,363
Total Liabilities and Net Assets	\$ 27,148,686	\$ 2,328,548	\$ 214,664	\$ (212,572)	\$ 29,479,326

(27)

PANA COMMUNITY HOSPITAL ASSOCIATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015

	Pana Community Hospital Association	Pana Community Hospital Foundation	Quad County Home Medical Supplies and Equipment, Inc.	Eliminations	Consolidated
UNRESTRICTED NET ASSETS					
OPERATING REVENUE					
Patient Service Revenue (Net of Contractual Allowances and Discounts)	\$ 22,502,666	\$ -	\$ 176,285	\$ (29,976)	\$ 22,648,975
Provision for Bad Debts	(1,482,333)	-	(4,997)	-	(1,487,330)
Net Patient Service Revenue	21,020,333	-	171,288	(29,976)	21,161,645
Other Revenue	1,025,383	-	-	-	1,025,383
Loss on Sale of Asset	(28,403)	-	(11,797)	-	(40,200)
Contributions	90,480	61,139	-	(90,480)	61,139
Net Assets Used for Satisfaction of Time or Purpose Restriction	-	90,480	-	-	90,480
Total Operating Revenue	22,107,793	151,619	159,491	(120,456)	22,298,447
OPERATING EXPENSES					
Salaries and Wages	8,449,601	-	81,707	-	8,531,308
Employee Benefits	2,159,930	-	-	-	2,159,930
Purchased Services	2,423,894	-	-	-	2,423,894
PCH Support	-	90,480	-	(90,480)	-
Supplies, Drugs, Food and Other	4,543,484	32,773	64,907	(29,976)	4,611,188
Depreciation and Amortization	1,327,035	2,729	1,614	-	1,331,378
Insurance	107,699	1,335	-	-	109,034
Total Operating Expenses	19,011,643	127,317	148,228	(120,456)	19,166,732
INCOME FROM OPERATIONS	3,096,150	24,302	11,263	-	3,131,715
OTHER INCOME					
Other Investment Income	141,285	109,207	17	-	250,509
EXCESS OF REVENUE OVER EXPENSE	3,237,435	133,509	11,280	-	3,382,224
OTHER INCREASE IN NET ASSETS					
Net Gain on Investment in Quad County Home Medical Supplies	11,280	-	-	(11,280)	-
Unrealized Gain (Loss) on Investments	(124,674)	(124,411)	-	-	(249,085)
Increase (Decrease) in Unrestricted Net Assets	3,124,041	9,098	11,280	(11,280)	3,133,139
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	84,868	-	-	84,868
Net Assets Used for Satisfaction of Time or Purpose Restriction	-	(90,480)	-	-	(90,480)
Decrease in Temporarily Restricted Net Assets	-	(5,612)	-	-	(5,612)
INCREASE IN NET ASSETS	3,124,041	3,486	11,280	(11,280)	3,127,527
Net Assets - Beginning of Year	22,732,815	2,328,548	(13,666)	13,666	25,061,363
NET ASSETS - END OF YEAR	<u>\$ 25,856,856</u>	<u>\$ 2,332,034</u>	<u>\$ (2,386)</u>	<u>\$ 2,386</u>	<u>\$ 28,188,890</u>

Applicant's Internal Revenue Service Form 990 Schedule H – December 31,
2013, 2014 and 2015

Attached is the first page of the Applicant's Internal Revenue Service Form 990, Schedule H, for the last three years.

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

- ▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**
▶ **Attach to Form 990. ▶ See separate instructions.**
▶ **Information about Schedule H (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No. 1545-0047

2013

Open to Public Inspection

Name of the organization

PANA COMMUNITY HOSPITAL ASSOCIATION

Employer identification number

37-6062326

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	<input checked="" type="checkbox"/>	
b If "Yes," was it a written policy?	<input checked="" type="checkbox"/>	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year. a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing free care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input checked="" type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	<input checked="" type="checkbox"/>	
b Did the organization use FPG as a factor in determining eligibility for providing discounted care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input checked="" type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	<input checked="" type="checkbox"/>	
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	<input checked="" type="checkbox"/>	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	<input checked="" type="checkbox"/>	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	<input checked="" type="checkbox"/>	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		<input checked="" type="checkbox"/>
6a Did the organization prepare a community benefit report during the tax year?		<input checked="" type="checkbox"/>
b If "Yes," did the organization make it available to the public?		

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			294,821.		294,821.	1.70
b Medicaid (from Worksheet 3, column a)			3,862,529.	3,277,460.	585,069.	3.38
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			4,157,350.	3,277,460.	879,890.	5.08
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			31,199.	520.	30,679.	.18
f Health professions education (from Worksheet 5)			71,767.		71,767.	.41
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total Other Benefits			102,966.	520.	102,446.	.59
k Total. Add lines 7d and 7j.			4,260,316.	3,277,980.	982,336.	5.67

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule H (Form 990) 2013

JSA 3E1284 1.000

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.

▶ Attach to Form 990.

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OMB No. 1545-0047

2014

Open to Public
Inspection

Name of the organization

PANA COMMUNITY HOSPITAL ASSOCIATION

Employer identification number

37-6062326

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	<input checked="" type="checkbox"/>	
b If "Yes," was it a written policy?	<input checked="" type="checkbox"/>	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year.		
<input checked="" type="checkbox"/> Applied uniformly to all hospital facilities		
<input type="checkbox"/> Applied uniformly to most hospital facilities		
<input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing free care?	<input checked="" type="checkbox"/>	
If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care:		
<input type="checkbox"/> 100% <input checked="" type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
b Did the organization use FPG as a factor in determining eligibility for providing discounted care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care:	<input checked="" type="checkbox"/>	
<input type="checkbox"/> 200% <input checked="" type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	<input checked="" type="checkbox"/>	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	<input checked="" type="checkbox"/>	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	<input checked="" type="checkbox"/>	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		<input checked="" type="checkbox"/>
6a Did the organization prepare a community benefit report during the tax year?		<input checked="" type="checkbox"/>
b If "Yes," did the organization make it available to the public?		<input checked="" type="checkbox"/>

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
Means-Tested Government Programs						
a Financial Assistance at cost (from Worksheet 1)			686,741.	0.	686,741.	3.44%
b Medicaid (from Worksheet 3, column a)			3,795,338.	3,195,484.	599,854.	3.01%
c Costs of other means-tested government programs (from Worksheet 3, column b)			0.	0.		
d Total Financial Assistance and Means-Tested Government Programs			4,482,079.	3,195,484.	1,286,595.	6.45%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			32,078.	100.	31,978.	.16%
f Health professions education (from Worksheet 5)			75,658.	0.	75,658.	.38%
g Subsidized health services (from Worksheet 6)			0.	0.		
h Research (from Worksheet 7)			0.	0.		
i Cash and in-kind contributions for community benefit (from Worksheet 8)			0.	0.		
j Total Other Benefits			107,736.	100.	107,636.	.54%
k Total Add lines 7d and 7j			4,589,815.	3,195,584.	1,394,231.	6.99%

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

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OMB No. 1545-0047

2015

Open to Public
Inspection

Name of the organization

PANA COMMUNITY HOSPITAL ASSOCIATION

Employer identification number

37-6062326

Part I Financial Assistance and Certain Other Community Benefits at Cost

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b If "Yes," was it a written policy?	<input checked="" type="checkbox"/>	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year.		
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<input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing free care?	<input checked="" type="checkbox"/>	
If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care:		
<input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
b Did the organization use FPG as a factor in determining eligibility for providing discounted care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care:	<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
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Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			431,234.		431,234.	2.10%
b Medicaid (from Worksheet 3, column a)			4,356,232.	3,606,107.	750,125.	3.66%
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			4,787,466.	3,606,107.	1,181,359.	5.76%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			43,969.		43,969.	.21%
f Health professions education (from Worksheet 5)			52,384.		52,384.	.26%
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total Other Benefits			96,353.		96,353.	.47%
k Total. Add lines 7d and 7j			4,883,819.	3,606,107.	1,277,712.	6.23%