#19-056

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects. ORIGINAL

Facility/Project Identification

Facility Name: Javon Bea Hospital – Rockton Avenue Campus	Establishment of Subacute Care Unit
Street Address:	2400 North Rockton Avenue
City and Zip Code:	Rockford, IL 61103
County: Winnebago	Health Service Area: I Health Planning Area: B-01

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

Exact Legal Name:	Javon Bea Hospital
Street Address:	2400 North Rockton Avenue
City and Zip Code:	Rockford, IL 61103
Name of Registered Agent:	Paul Van Den Heuvel
Registered Agent Street Address:	2400 North Rockton Avenue
Registered Agent City and Zip Code:	Rockford, IL 61103
Name of Chief Executive Officer:	Javon R. Bea
CEO Street Address:	2400 North Rockton Avenue
CEO City and Zip Code:	Rockford, IL 61103
CEO Telephone Number:	815/971-1060

RECEIVED
NOV 18 2019
HEALTH FACILITIES & SERVICES REVIEW BOARD

Type of Ownership of Applicants

- [X] Non-profit Corporation
- [ ] For-profit Corporation
- [ ] Limited Liability Company
- [ ] Partnership
- [ ] Governmental
- [ ] Sole Proprietorship
- [ ] Other

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

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

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Javon Bea Hospital – Rockton Avenue Campus Establishment of Subacute Care Unit			
Street Address:	2400 North Rockton Avenue		
City and Zip Code:	Rockford, IL 61103		
County: Winnebago	Health Service Area: I	Health Planning Area: B-01	

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

Exact Legal Name:	Mercy Health Corporation
Street Address:	2400 North Rockton Avenue
City and Zip Code:	Rockford, IL 61103
Name of Registered Agent:	Paul Van Den Heuvel
Registered Agent Street Address:	2400 North Rockton Avenue
Registered Agent City and Zip Code:	Rockford, IL 61103
Name of Chief Executive Officer:	Javon R. Bea
CEO Street Address:	2400 North Rockton Avenue
CEO City and Zip Code:	Rockford, IL 61103
CEO Telephone Number:	815/971-1060

Type of Ownership of Applicants

X	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

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

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

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

Post Permit Contact

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

Name:	Paul Van Den Heuvel
Title:	Vice President of Strategic and Legal Affairs
Company Name:	Javon Bea Hospital
Address:	2400 North Rockton Avenue Rockford, IL 61103
Telephone Number:	608/756-6158
E-mail Address:	pvandenheuvel@MHemail.org
Fax Number:	608/756-6236

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Javon Bea Hospital

Address of Site Owner: 2400 North Rockton Avenue Rockford, IL 61103

Street Address or Legal Description of the Site: 2400 North Rockton Avenue Rockford, IL 61103

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: Javon Bea Hospital

Address: 2400 North Rockton Avenue Rockford, IL 61103

X	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

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

Organizational Relationships

Provide (for each 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 1110.20 and Part 1120.20(b)]

Part 1110 Classification:

X 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.

The applicants propose the establishment of a small seventeen bed subacute unit, through the renovation of a currently-vacant former pediatrics unit on the third floor of the "B" wing of Javon Bea Hospital-Rockton Avenue Campus, located on the West Side of Rockford, and reflects Mercyhealth's continued commitment of investment in this legacy facility and the surrounding neighborhood.

The proposed subacute unit is one element of Mercyhealth's nationally-recognized vertically integrated system of care and is modeled on its long-standing Transitional Care Center in Janesville, Wisconsin, a CMS 5-star ranked facility. Caring for patients in this type of facility reduces expenses for government payors, results in better care coordination, and achieves better outcomes and patient satisfaction for at-risk patients.

Admission to the unit will routinely be limited to patients discharged from an acute care unit and in need of short-term care, prior to returning either to a private residence or being admitted to a long term care ("LTC") facility. At the time of discharge from a hospital acute care setting, many patients still require services that are only available in a hospital setting (e.g. diagnostic, dialysis, tracheotomy management, etc.). These patients are no longer acute enough to require or justify hospitalization, but are not medically ready to be discharged to rehabilitation hospitals, skilled nursing facilities, or their own home. Therefore, many of them "fall through the cracks" clinically speaking and would be better served at a lower cost in Mercyhealth's proposed subacute unit.

Patients residing in a LTC facility prior to admission to the hospital will generally not be admitted to the proposed unit, unless 1) requested by the LTC, 2) medically necessary for the patient, or 3) it is the expressed preference of the patient. The projected average length of stay on the unit is approximately 14 days, and patients with anticipated lengths of stay substantially longer will not be admitted to the unit.

The beds will operate under the hospital's IDPH license, and will be categorized as skilled care beds. As a result, and because skilled care is a HFSRB-designated category of service, the proposed project is classified as "substantive."

PROJECT COST AND SOURCES OF FUNDS

	Reviewable	Non-Reviewable	Total
Project Cost:			
Preplanning Costs	$ 65,000		$ 65,000
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	$ 3,265,625		$ 3,265,625
Contingencies	$ 249,000		$ 249,000
Architectural/Engineering Fees	$ 350,000		$ 350,000
Consulting and Other Fees	$ 250,000		$ 250,000
Movable and Other Equipment (not in construction contracts)	$ 350,000		$ 350,000
Net Interest Expense During Construction Period			
Fair Market Value of Leased Space or Equipment			
Other Costs to be Capitalized	$ 800,000		$ 800,000
Acquisition of Building or Other Property			
TOTAL USES OF FUNDS	**$ 5,329,625**		**$ 5,329,625**
Sources of Funds:			
Cash and Securities	$ 5,329,625		$ 5,329,625
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Fair Mkt Value of Relocated Equipment			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$ 5,329,625**		**$ 5,329,625**

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

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

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

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

Estimated start-up costs and operating deficit cost is $ 200,000.

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:

☐ None or not applicable ☐ Preliminary
X Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): _6 months post approval of CON__

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

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ 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
X 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:
X Cancer Registry
X APORS
X All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
X 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.**

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**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**.

FACILITY NAME: Javon Bea Hospital – Rockton Avenue Campus		**CITY: Rockford**			
REPORTING PERIOD DATES:		**From: January 1, 2018**	**to: December 31, 2018**		
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds****
Medical/Surgical	154	6,507	32,806		70
Obstetrics	20	2,485	6,775		
Pediatrics	12	803	2,168		
Intensive Care	30	1,737	5,117		4
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	20	593	3,521		20
Neonatal Intensive Care	52	577	15,159		
General Long Term Care				+17	17
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	288	12,702	65,546	+17	111

*Note: Data provided above is consistent with 2018 *Annual Hospital Questionnaire.* Consistent with CON Permit 15-038, the hospital has subsequently reduced its bed complement to include 70 Medical/Surgical, 4 Intensive Care, and 20 Acute Mental Illness beds.

**Note: Proposed Beds reflect the bed complement currently in operation, and consistent with the above note, plus the General Long Term Care beds addressed in this CON application.

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives 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 is filed on the behalf of Javon Bea Hospital *
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 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 fee required for this application is sent herewith or will be paid upon request.

SIGNATURE

Javon R. Bea
PRINTED NAME

President & CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 13th day of November

Priscilla Kay Abbott
Signature of Notary

Seal

OFFICIAL SEAL
PRISCILLA KAY ABBOTT
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Jan. 04, 2020

SIGNATURE

Paul Van Den Heuvel
PRINTED NAME

VP, Strategic & Legal Affairs
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 13th day of November

Priscilla Kay Abbott
Signature of Notary

Seal

OFFICIAL SEAL
PRISCILLA KAY ABBOTT
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Jan. 04, 2020

*Insert the EXACT legal name of the applicant

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives 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 is filed on the behalf of Mercy Health Corporation *
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 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 fee required for this application is sent herewith or will be paid upon request.

Javon R. Bea
SIGNATURE

Javon R. Bea
PRINTED NAME

President & CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 13th day of November

Priscilla Kay Abbott
Signature of Notary

Seal
OFFICIAL SEAL
PRISCILLA KAY ABBOTT
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Jan. 04, 2020

SIGNATURE

Paul Van Den Heuvel
PRINTED NAME

VP, Strategic & Legal Affairs
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 13th day of November

Priscilla Kay Abbott
Signature of Notary

Seal
OFFICIAL SEAL
PRISCILLA KAY ABBOTT
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Jan. 04, 2020

*Insert the EXACT legal name of the applicant

LONG-TERM CARE
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

DESCRIPTION OF PROJECT

Project Type

[Check one]	[check one]
X General Long-term Care	☐ Establishment of a new LTC facility
☐ Specialized Long-term Care	☐ Establishment of new LTC services
	☐ Expansion of an existing LTC facility or service
	☐ Modernization of an existing facility
	X Establishment of hospital service

Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done, **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.
Include: the number and type of beds involved; the actions proposed (establishment, expansion and/or modernization); the ESTIMATED total project cost and the funding source(s) for the project.

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.

1110.110(a) – Background of the Applicant

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 listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.

3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.

    a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.

    b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.

    c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.

    d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.

    e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.

4. 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.**

5. 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 1110.110(b) & (d)

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 1110.120 - 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**	**MEET STANDARD?**
YEAR 1					
YEAR 2					

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

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage (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:

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 IV - SERVICE SPECIFIC REVIEW CRITERIA

GENERAL LONG-TERM CARE

Criterion 1125.520 – Background of the Applicant

BACKGROUND OF APPLICANT

The applicant shall provide:

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.
3. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application. Please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.
4. 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.**
5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1125.530 - Planning Area Need

1. Identify the calculated number of beds needed (excess) in the planning area. See HFSRB website (http://hfsrb.illinois.gov) and click on "Health Facilities Inventories & Data".
2. Attest that the primary purpose of the project is to serve residents of the planning area and that at least 50% of the patients will come from within the planning area.
3. Provide letters from referral sources (hospitals, physicians, social services and others) that attest to total number of prospective residents (by zip code of residence) who have received care at existing LTC facilities located in the area during the 12-month period prior to submission of the application. Referral sources shall verify their projections and the methodology used, as described in Section 1125.540.

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

Criterion 1125.540 - Service Demand – Establishment of General Long Term Care

- **If the applicant is an existing facility wishing to establish this category of service or a new facility, #1 – 4 must be addressed. Requirements under #5 must also be addressed if applicable.**
- **If the applicant is not an existing facility and proposes to establish a new general LTC facility, the applicant shall submit the number of annual projected referrals.**

1. Document the number of referrals to other facilities, for each proposed category of service, for each of the latest two years. Documentation of the referrals shall include: resident/patient origin by zip code; name and specialty of referring physician or identification of another referral source; and name and location of the recipient LTC facility.

2. Provide letters from referral sources (hospitals, physicians, social services and others) that attest to total number of prospective residents (by zip code of residence) who have received care at existing LTC facilities located in the area during the 12-month period prior to submission of the application. Referral sources shall verify their projections and the methodology used.

3. Estimate the number of prospective residents whom the referral sources will refer annually to the applicant's facility within a 24-month period after project completion. Please note:

    - The anticipated number of referrals cannot exceed the referral sources' documented historical LTC caseload.

    - The percentage of project referrals used to justify the proposed expansion cannot exceed the historical percentage of applicant market share, within a 24-month period after project completion

    - Each referral letter shall contain the referral source's Chief Executive Officer's notarized signature, the typed or printed name of the referral source, and the referral source's address

4. Provide verification by the referral sources that the prospective resident referrals have not been used to support another pending or approved Certificate of Need (CON) application for the subject services.

5. **If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area** (as experienced annually within the latest 24-month period), the projected service demand shall be determined as follows:

    a. The applicant shall define the facility's market area based upon historical resident/patient origin data by zip code or census tract;

    b. Population projections shall be produced, using, as a base, the population census or estimate for the most recent year, for county, incorporated place, township or community area,by the U.S. Bureau of the Census or IDPH;

    c. Projections shall be for a maximum period of 10 years from the date the application is submitted;

    d. Historical data used to calculate projections shall be for a number of years no less than the number of years projected;

e. Projections shall contain documentation of population changes in terms of births, deaths and net migration for a period of time equal to or in excess of the projection horizon;

f. Projections shall be for total population and specified age groups for the applicant's market area, as defined by HFSRB, for each category of service in the application (see the HFSRB Inventory); and

g. Documentation on projection methodology, data sources, assumptions and special adjustments shall be submitted to HFSRB.

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

Criterion 1125.550 - Service Demand – Expansion of General Long-Term Care

The applicant shall document #1 **and** either #2 or #3:

1. Historical Service Demand

   a. An average annual occupancy rate that has equaled or exceeded occupancy standards for general LTC, as specified in Section 1125.210(c), for each of the latest two years.

   b. If prospective residents have been referred to other facilities in order to receive the subject services, the applicant shall provide documentation of the referrals, including completed applications that could not be accepted due to lack of the subject service and documentation from referral sources, with identification of those patients by initials and date.

2. Projected Referrals
   The applicant shall provide documentation as described in Section 1125.540(d).

3. **If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area** (as experienced annually within the latest 24-month period), the projected service demand shall be determined as described in Section 1125.540 (e).

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

Criterion 1125.560 - Variances to Computed Bed Need

Continuum of Care:

The applicant proposing a continuum of care project shall demonstrate the following:

1. The project will provide a continuum of care for a geriatric population that includes independent living and/or congregate housing (such as unlicensed apartments, high rises for the elderly and retirement villages) and related health and social services. The housing complex shall be on the same site as the health facility component of the project.

2. The proposal shall be for the purposes of and serve only the residents of the housing complex and shall be developed either after the housing complex has been established or as a part of a

total housing construction program, provided that the entire complex is one inseparable project, that there is a documented demand for the housing, and that the licensed beds will not be built first, but will be built concurrently with or after the residential units.

3. The applicant shall demonstrate that:

   a. The proposed number of beds is needed. Documentation shall consist of a list of available patients/residents needing the proposed project. The proposed number of beds shall not exceed one licensed LTC bed for every five apartments or independent living units;

   b. There is a provision in the facility's written operational policies assuring that a resident of the retirement community who is transferred to the LTC facility will not lose his/her apartment unit or be transferred to another LTC facility solely because of the resident's altered financial status or medical indigency; and

   c. Admissions to the LTC unit will be limited to current residents of the independent living units and/or congregate housing.

and shall be developed either after the housing complex has been established or as a part of a total housing construction program, provided that the entire complex is one inseparable project, that there is a documented demand for the housing, and that the licensed beds will not be built first, but will be built concurrently with or after the residential units.

3. The applicant shall demonstrate that:

   a. The proposed number of beds is needed. Documentation shall consist of a list of available patients/residents needing the proposed project. The proposed number of beds shall not exceed one licensed LTC bed for every five apartments or independent living units;

   b. There is a provision in the facility's written operational policies assuring that a resident of the retirement community who is transferred to the LTC facility will not lose his/her apartment unit or be transferred to another LTC facility solely because of the resident's altered financial status or medical indigency; and

   c. Admissions to the LTC unit will be limited to current residents of the independent living units and/or congregate housing.

Defined Population:

The applicant proposing a project for a defined population shall provide the following:

1. The applicant shall document that the proposed project will serve a defined population group of a religious, fraternal or ethnic nature from throughout the entire health service area or from a larger geographic service area (GSA) proposed to be served and that includes, at a minimum, the entire health service area in which the facility is or will be physically located.

2. The applicant shall document each of the following:

   a. A description of the proposed religious, fraternal or ethnic group proposed to be served;

   b. The boundaries of the GSA;

   c. The number of individuals in the defined population who live within the proposed GSA, including the source of the figures;

   d. That the proposed services do not exist in the GSA where the facility is or will be located;

   e. That the services cannot be instituted at existing facilities within the GSA in sufficient numbers to accommodate the group's needs. The applicant shall specify each proposed service that is not available in the GSA's existing facilities and the basis for determining why that service could not be provided.

   f. That at least 85% of the residents of the facility will be members of the defined population group. Documentation shall consist of a written admission policy insuring that the requirements of this subsection (b)(2)(F) will be met.

   g. That the proposed project is either directly owned or sponsored by, or affiliated with, the religious, fraternal or ethnic group that has been defined as the population to be served by the project. The applicant shall provide legally binding documents that prove ownership, sponsorship or affiliation.

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

Criterion 1125.570 - Service Accessibility

1. Service Restrictions

   The applicant shall document that **at least one** of the following factors exists in the planning area, as applicable:

   - The absence of the proposed service within the planning area;
   - Access limitations due to payor status of patients/residents, including, but not limited to, individuals with LTC coverage through Medicare, Medicaid, managed care or charity care;
   - Restrictive admission policies of existing providers; or
   - The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population.

2. Additional documentation required:

   The applicant shall provide the following documentation, as applicable, concerning existing restrictions to service access:

   a. The location and utilization of other planning area service providers;

   b. Patient/resident location information by zip code;

   c. Independent time-travel studies;

   d. Certification of a waiting list;

   e. Admission restrictions that exist in area providers;

   f. An assessment of area population characteristics that document that access problems exist;

   g. Most recently published IDPH Long Term Care Facilities Inventory and Data (see www.hfsrb.illinois.gov).

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

Criterion 1125.580 - Unnecessary Duplication/Maldistribution

1. The applicant shall provide the following information:
   a. A list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site;
   b. The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois); and
   c. The names and locations of all existing or approved LTC facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.
2. The applicant shall document that the project will not result in maldistribution of services.
3. The applicant shall document that, within 24 months after project completion, the proposed project:
   a. Will not lower the utilization of other area providers below the occupancy standards specified in Section 1125.210(c); and
   b. Will not lower, to a further extent, the utilization of other area facilities that are currently (during the latest 12-month period) operating below the occupancy standards.

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

Criterion 1125.590 - Staffing Availability

1. For each category of service, document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met.
2. Provide the following documentation:
   a. The name and qualification of the person currently filling the position, if applicable; and
   b. Letters of interest from potential employees; and
   c. Applications filed for each position; and
   d. Signed contracts with the required staff; or
   e. A narrative explanation of how the proposed staffing will be achieved.

APPEND DOCUMENTATION AS ATTACHMENT- 19, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.600 Bed Capacity

The maximum bed capacity of a general LTC facility is 250 beds, unless the applicant documents that a larger facility would provide personalization of patient/resident care and documents provision of quality care based on the experience of the applicant and compliance with IDPH's licensure standards (77 Ill. Adm. Code: Chapter I, Subchapter c (Long-Term Care Facilities)) over a two-year period.

APPEND DOCUMENTATION AS ATTACHMENT- 20, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.610 - Community Related Functions

The applicant shall document cooperation with and the receipt of the endorsement of community groups in the town or municipality where the facility is or is proposed to be located, such as, but not limited to, social, economic or governmental organizations or other concerned parties or groups. Documentation shall consist of copies of all letters of support from those organizations.

APPEND DOCUMENTATION AS ATTACHMENT- 21, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.620 - Project Size

The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards as stated in Appendix A of 77 Ill. Adm. Code 1125 (LTC rules), unless the additional GSF can be justified by documenting one of the following:

1. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
2. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix A;
3. The project involves the conversion of existing bed space that results in excess square footage.

APPEND DOCUMENTATION AS ATTACHMENT- 22, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.630 - Zoning

The applicant shall document **one** of the following:

1. The property to be utilized has been zoned for the type of facility to be developed;
2. Zoning approval has been received; or
3. A variance in zoning for the project is to be sought.

APPEND DOCUMENTATION AS ATTACHMENT- 23, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.640 - Assurances

1. The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in Section 1125.210(c) for each category of service involved in the proposal.

2. For beds that have been approved based upon representations for continuum of care (Section 1125.560(a)) or defined population (Section 1125.560(b)), the facility shall provide assurance that it will maintain admissions limitations as specified in those Sections for the life of the facility. To eliminate or modify the admissions limitations, prior approval of HFSRB will be required.

APPEND DOCUMENTATION AS ATTACHMENT- 24, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.650 - Modernization

1. If the project involves modernization of a category of LTC bed service, the applicant shall document that the bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:

   a. High cost of maintenance;

   b. non-compliance with licensing or life safety codes;

   c. Changes in standards of care (e.g., private versus multiple bed rooms); or

   d. Additional space for diagnostic or therapeutic purposes.

2. Documentation shall include the most recent:

   a. IDPH and CMMS inspection reports; and

   b. Accrediting agency reports.

3. Other documentation shall include the following, as applicable to the factors cited in the application:

   a. Copies of maintenance reports;

   b. Copies of citations for life safety code violations; and

   c. Other pertinent reports and data.

4. Projects involving the replacement or modernization of a category of service or facility shall meet or exceed the occupancy standards for the categories of service, as specified in Section 1125.210(c).

APPEND DOCUMENTATION AS ATTACHMENT- 25, 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)**

VI. 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]:**

_$5,329,625__	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
_____	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
_____	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the

	governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent; f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt; g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$5,329,625	**TOTAL FUNDS AVAILABLE**

APPEND DOCUMENTATION AS ATTACHMENT 33, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VII. 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 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

not applicable, funding is through internal sources

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

SECTION VIII.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	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. 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 36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE 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 37.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	2016	2017	2018
Inpatient	313	332	82
Outpatient	1720	2038	378
Total	**2033**	**2370**	**460**
Charity (cost in dollars)			
Inpatient	$731,425	$447,125	$493,290
Outpatient	$591,477	$657,124	$1,245,389
Total	$1,322,902	$1,104,249	$1,738,679
MEDICAID			
Medicaid (# of patients)	2016	2017	2018
Inpatient	3911	4770	4490
Outpatient	43081	46362	49411
Total	46992	51132	53901
Medicaid (revenue)			
Inpatient	$63,808,298	$77,974,985	$72,895,865
Outpatient	$21,971,736	$24,450,651	$24,740,328
Total	$85,780,034	$102,425,636	$97,636,193

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

SECTION X. 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 39.

CHARITY CARE			
	2016	2017	2018
Net Patient Revenue	**$369,089,652**	**$387,363,902**	**$357,923,621**
Amount of Charity Care (charges)	$5,167,586	$4,581,947	$7,592,487
Cost of Charity Care	$1,322,902	$1,104,249	$1,738,679

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

File Number 0215-546-0

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

JAVON BEA HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 15, 1883, 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* 2ND *day of* OCTOBER *A.D.* 2019 .

Authentication #: 1927502006 verifiable until 10/02/2020
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

ATTACHMENT 1

#19-056

File Number 6975-235-7

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

MERCY HEALTH CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 24, 2014, 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* 8TH *day of* NOVEMBER *A.D.* 2019 .

Authentication #: 1931200680 verifiable until 11/08/2020
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE ATTACHMENT 1

#19-056

Mercyhealth
A passion for making lives better.™

Corporate Office
3401 N Perryville Rd Ste 303
Rockford, IL 61114
MercyHealthSystem.org

November 13, 2019

Illinois Health Facilities and Services Review Board
525 West Jefferson Street
Springfield, Illinois 61114

To Whom It May Concern:

I hereby attest to the following:

The site of Javon Bea Hospital-Rockton Avenue Campus, located at 2400 North Rockton Avenue in Rockford, Illinois, is owned by Javon Bea Hospital.

The site of Javon Bea Hospital-Rockton Avenue Campus, located at 2400 North Rockton Avenue in Rockford, Illinois, is not located in a flood zone.

Sincerely,

Paul Van Den Heuvel
Vice President, Strategic & Legal Affairs

Subscribed and sworn to before me this
13th day of November, 2019.

OFFICIAL SEAL
PRISCILLA KAY ABBOTT
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Jan. 04, 2020

Priscilla Kay Abbott
Notary Public

ATTACHMENTS 2 AND 5

#19-056

File Number 0215-546-0

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

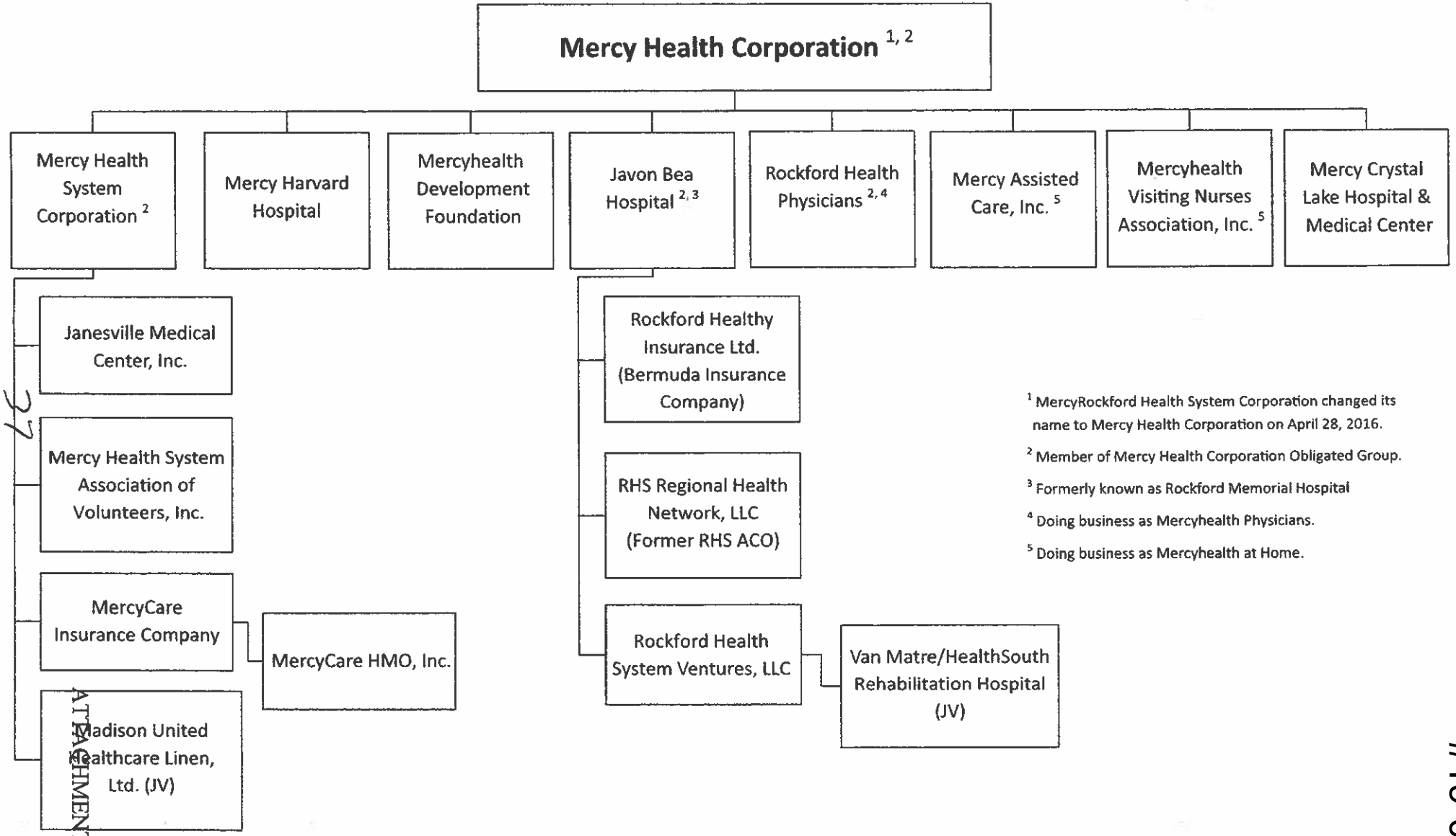
JAVON BEA HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 15, 1883, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 2ND *day of* OCTOBER *A.D.* 2019 .

Authentication #: 1927502006 verifiable until 10/02/2020
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

ATTACHMENT 3



27

ATTACHMENT 4

#19-056

#19-056

Mercyhealth
A passion for making lives better.™

Corporate Office
3401 N Perryville Rd Ste 303
Rockford, IL 61114
MercyHealthSystem.org

November 13, 2019

Illinois Health Facilities and Services Review Board
525 West Jefferson Street
Springfield, Illinois 61114

To Whom It May Concern:

I hereby attest to the following:

The site of Javon Bea Hospital-Rockton Avenue Campus, located at 2400 North Rockton Avenue in Rockford, Illinois, is owned by Javon Bea Hospital.

The site of Javon Bea Hospital-Rockton Avenue Campus, located at 2400 North Rockton Avenue in Rockford, Illinois, is not located in a flood zone.

Sincerely,

Paul Van Den Heuvel
Vice President, Strategic & Legal Affairs

Subscribed and sworn to before me this
13th day of November, 2019.

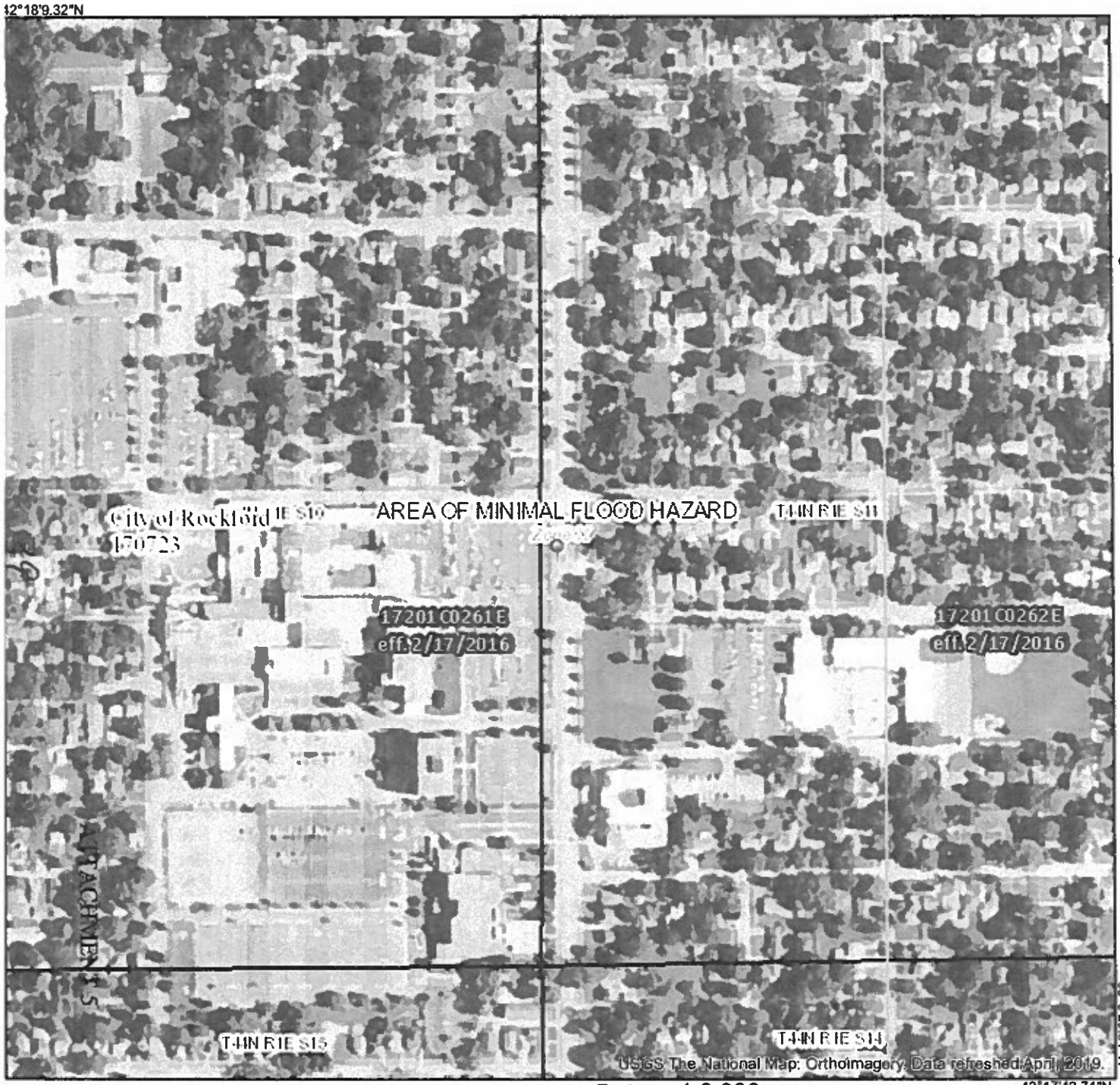
OFFICIAL SEAL
PRISCILLA KAY ABBOTT
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Jan. 04, 2020

Priscilla Kay Abbott
Notary Public

ATTACHMENTS 2 AND 5

National Flood Hazard Layer FIRMette

FEMA



Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

SPECIAL FLOOD HAZARD AREAS
- Without Base Flood Elevation (BFE) Zone A, V, A99
- With BFE or Depth Zone AE, AO, AH, VE, AR
- Regulatory Floodway

OTHER AREAS OF FLOOD HAZARD
- 0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X
- Future Conditions 1% Annual Chance Flood Hazard Zone X
- Area with Reduced Flood Risk due to Levee. See Notes. Zone X
- Area with Flood Risk due to Levee Zone D

OTHER AREAS
- NO SCREEN Area of Minimal Flood Hazard Zone X
- Effective LOMRs
- Area of Undetermined Flood Hazard Zone D

GENERAL STRUCTURES
- Channel, Culvert, or Storm Sewer
- Levee, Dike, or Floodwall

OTHER FEATURES
- 20.2 / 17.5 Cross Sections with 1% Annual Chance / Water Surface Elevation
- Coastal Transect
- Base Flood Elevation Line (BFE)
- Limit of Study
- Jurisdiction Boundary
- Coastal Transect Baseline
- Profile Baseline
- Hydrographic Feature

MAP PANELS
- Digital Data Available
- No Digital Data Available
- Unmapped

N

The pin displayed on the map is an approximate point selected by the user and does not represen an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 10/31/2019 at 10:26:59 AM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

#19-056

#19-056

Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

October 2, 2019

Illinois Dept. of Natural Resources
Illinois State Historic Preservation Office
ATTN: Review and Compliance/Old State Capitol
1 Natural Resources Way
Springfield, IL 62702-1271

RE: Proposed Internal Renovation
to Javon Bea Hospital-Rockton Avenue
2400 N. Rockton Avenue
Rockford, IL

To Whom It May Concern:

I am in the process of developing a Certificate of Need application, to be filed with the Illinois Health Facilities Services and Review Board, and I am in need of a determination of applicability from your agency.

The project involves the renovation of a currently vacant nursing unit on the hospital's third floor. The hospital is located in a residential area, as can be seen on the enclosed photographs, there do not appear to be any structures of historical significance near the site, and the project will have no impact on surrounding buildings.

I have enclosed a map to assist in the identification of the site.

A letter from your office, confirming that the Preservation Act is not applicable to this project would be greatly appreciated.

Should you have any questions, I may be reached at the phone number below.

Sincerely,

Jacob M. Axel
President

enclosures

ATTACHMENT 6

675 North Court, Suite 210
Palatine, Illinois 60067

Phone (847) 776-7101
Fax (847) 776-7004

PROJECT COSTS
and SOURCES OF FUNDS

PROJECT COSTS					
	Preplanning Costs				
			Feasibility Assessment	$ 40,000	
			Misc./Other	$ 25,000	
					$ 65,000
	Modernization				
			See ATTACHMENT 36, Cost/Space Table	$ 3,265,625	
					$ 3,265,625
	Contingency				
			Renovation Contingency	$ 249,000	
					$ 249,000
	Architectural & Engineering Fees				
			Design	$ 275,000	
			Project Monitoring	$ 20,000	
			Agency Interaction	$ 25,000	
			Misc./Other	$ 30,000	
					$ 350,000
	Consulting and Other Fees				
			CON-Related	$ 80,000	
			Permits and Fees	$ 40,000	
			Legal and Accounting	$ 20,000	
			Insurance	$ 15,000	
			Commissioning	$ 40,000	
			Misc./Other	$ 55,000	
					$ 250,000
	Moveable and Other Equipment				
			Patient Unit	$ 144,500	
			PT/OT/Speech Therapy	$ 205,500	
					$ 350,000
	Other Costs				
			Internal Demolition	$ 150,000	
			Air Handling System	$ 650,000	
					$ 800,000
		TOTAL PROJECT COST			**$ 5,329,625**
SOURCES OF FUNDS					
			Cash and Securities		$ 5,329,625
		TOTAL SOURCES OF FUNDS			**$ 5,329,625**

ATTACHMENT 7

Cost Space Requirements

		Gross Square Feet		Amount of Proposed Total Square Feet			
					That is:		Vacated
Dept./Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Space
Reviewable							
Subacute	$ 5,329,625		12,450		12,450		
Non-Reviewable							
none							
TOTAL	$ 5,329,625		12,450		12,450		

ATTACHMENT 9

Illinois Department of PUBLIC HEALTH

HF117278

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	I.D. NUMBER
12/31/2019		0002048

General Hospital

Effective: 01/05/2019

Javon Bea Hospital
dba Mercyhealth Hospital-Rockton Avenue
2400 N Rockton Avenue and 8201 East Riverside Boulevard

Rockford, IL 61103

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 5M 5/16

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2019

Lic Number 0002048

Date Printed 12/31/2018

Javon Bea Hospital
dba Mercyhealth Hospital-Rockton Ave
2400 N Rockton Avenue and 8201 Eas
Rockford, IL 61103

FEE RECEIPT NO.

4/3

ATTACHMENT 11

#19-056

#19-056

The Joint Commission

August 13, 2019

Javon R. Bea
President & CEO
Javon Bea Hospital
2400 North Rockton Avenue
Rockford , IL 61103

Joint Commission ID #: 7418
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of Standards Compliance
Accreditation Activity Completed : 8/13/2019

Dear Mr. Bea:

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

- **Comprehensive Accreditation Manual for Hospital**

This accreditation cycle is effective beginning March 18, 2017 and is customarily valid for up to 36 months. Please note, The Joint Commission reserves the right to shorten or lengthen the duration of the cycle.

Should you wish to promote your accreditation decision, please view the information listed under the 'Publicity Kit' link located on your secure extranet site, The Joint Commission Connect.

The Joint Commission will update your accreditation decision on Quality Check®.

Congratulations on your achievement.

Sincerely,

Mark Pelletier

Mark G.Pelletier, RN, MS
Chief Operating Officer and Chief Nurse Executive
Division of Accreditation and Certification Operations

ATTACHMENT 11

#19-056

Mercyhealth™
A passion for making lives better.™

Corporate Office
3401 N Perryville Rd Ste 303
Rockford, IL 61114
MercyHealthSystem.org

November 13, 2019

Illinois Health Facilities and Services Review Board
525 West Jefferson Street
Springfield, Illinois 61114

To Whom It May Concern:

I hereby certify that no adverse action has been taken against Mercy Health Corporation, or any of its IDPH-Licensed health care facilities, directly or indirectly, within three (3) years prior to the filing of this Application. For the purposes of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

I hereby authorize HFSRB and IDPH to access any documents which it finds necessary to verify any information submitted, including, but not limited to: official records of IDPH or other State agencies and the records of nationally recognized accreditation organizations.

Javon R. Bea
President/CEO

Subscribed and sworn to before me this
13th day of November, 2019

Priscilla Kay Abbott
Notary Public

OFFICIAL SEAL
PRISCILLA KAY ABBOTT
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Jan. 04, 2020

ATTACHMENT 11

PURPOSE OF PROJECT

The purpose of the proposed project is to ensure that patients are placed in the most appropriate treatment setting, based on their clinical needs. Specifically, the establishment of a subacute care unit will allow the transfer of certain patients from Mercyhealth acute care (typically Medical/Surgical) beds, to a short-term level of care appropriate to their needs. The proposed subacute care unit is one element of Mercyhealth's nationally-recognized vertically-integrated system of care, and is modeled on its long-standing Transitional Care Center in Janesville, Wisconsin, a CMS 5-star rated facility. Caring for patients in this setting will reduce expenses for government payors, reduce post-discharge Emergency Department visits and re-admissions, and result in better care coordination and patient satisfaction for at-risk patients. As such, the health care and well-being of the service area population will be improved.

Examples of the types of patients that will benefit from this level of care are medical patients with complications who may not need the skill level of a long term acute care hospital ("LTACH"), but require 24-hour physician oversight, patients requiring high-cost antibiotic therapy; patients with complex medical conditions and requiring chemotherapy, patients requiring the weaning off a ventilator; patients suffering from sepsis; patients requiring dialysis; patients requiring complex wound care; and patients with a secondary psychiatric diagnosis. The hospital's discharge planning department routinely has difficulties in the placement of these types of short-stay patients in skilled care facilities; they are in essence "falling through the cracks" clinically speaking. Patients who resided in a skilled nursing facility ("SNF") immediately prior to admission to the hospital for acute care, or patients typically admitted to a long term care hospital, will not be admitted to the proposed subacute care unit unless 1) requested by the SNF, 2) admission is medically necessary for the patient, or 3) it is the

expressed preference of the patient. The anticipated average length of stay for the proposed unit is 14 days, and lengths of stay exceeding three weeks will be rare.

As health systems and hospitals are required to assume greater responsibility for the management of a patient's hospitalization and the total cost of care (including that mandated by the Affordable Care Act and other federal programs), and as reimbursement for traditional skilled care facilities is changing, hospitals are experiencing a greater need to match patients' treatment setting to their clinical needs. In the case of Javon Bea Hospital, which experiences high occupancy rates, particularly mid-week, the ability to "free-up" Medical/Surgical beds sooner, is an additional benefit.

The applicants anticipate that the origin of patients to be transferred to the proposed subacute care unit will be very similar to the origin of patients transferred from Javon Bea Hospital to a skilled care facility for a short-term stay. An analysis of that patient origin, for the twelve-month period ending June 30, 2019, is provided in the table on the following page.

ZIP Code	City	%
61103	Rockford	12.8%
61101	Rockford	11.4%
61115	Machesney Park	6.6%
61102	Rockford	5.0%
61107	Rockford	4.4%
61114	Rockford	4.1%
61032	Freeport	3.8%
61088	Winnebago	3.8%
61111	Rockford	3.6%
61072	Rockton	3.5%
61109	Rockford	3.5%
61073	Roscoe	3.1%
61104	Rockford.	3.1%
61108	Rockford	3.1%
61063	Pecatonia	2.5%
60033	Harvard	2.2%
61071	Rock Falls	1.6%
61054	Mount Morris	1.3%
61080	South Beloit	1.3%
61065	Poplar Grove	1.2%
	other, under 1.0%	18.1%
		100.0%

ATTACHMENT 12

ALTERNATIVES

The applicants considered a number of alternatives to the establishment of a subacute care unit through the renovation of space at Javon Bea Hospital-Rockton Avenue Campus, none of which afforded the public with as great a level of accessibility, and the applicants with a cost-effective approach to addressing the purpose of the proposed project.

Consideration was given to transferring patients appropriate for subacute care to to Mercyhealth Transitional Care Center in Janesville, Wisconsin. This alternative was rejected because the vast majority of patients, as demonstrated by the origin of patients transferred from Javon Bea Hospital's two campuses to a long term care facility for subacute care (see ATTACMENT 12), reside in Winnebago county, and the transfer of patients to either of these facilities would significantly reduce patient and family accessibility. Additionally, the Janesville facility does not possess sufficient capacity to address the need, as documented in ATTACHMENT 15. Had this alternative been selected, waiting time for transfer would be lengthened, thereby increasing hospitalization costs, and the quality of care would be identical to that of the proposed project. This alternative was rejected, however, as a result of inferior accessibility and capacity issues.

Consideration was also given to the development of a subacute care unit through the construction of either an addition to Javon Bea Hospital-Riverside Campus or a freestanding facility on the hospital's campus. This alternative, while having quality of care and accessibility, and operating costs very similar to those of the proposed project, was rejected due to the capital cost that would be incurred.

Given the availability of space for the proposed service at Javon Bea Hospital-Rockton Avenue Campus, the opportunity to further invest in this legacy facility and Rockford's West Side, and the low capital cost associated with the required renovation, the proposed project is viewed by the applicants as the most reasonable approach to addressing the need for subacute care services.

SIZE OF PROJECT

The proposed square footage is necessary for the services to be provided, and is not excessive.

The subacute unit will be developed through the renovation of a former pediatrics unit on the third floor of the hospital's "B" wing. The space to be used is currently vacant. The former pediatrics unit will be divided primarily into two areas, one being the patient unit, and the other being a therapy area, in which physical, occupational and speech therapy will be provided to the unit's patients. The total square footage included in the project is dictated by the size of the former pediatrics unit, which is 12,450 dgsf. 11,875 dgsf will be used for the patient unit, to include patient rooms, common areas, a nursing station, and all other functions required by licensure. 575 dgsf will be used for the therapy area, with the vast majority of that space used jointly by the three therapy disciplines.

The patient unit, because IDPH does not have a subacute care classification for beds, is reviewed against the HFSRB standard for skilled care beds, that being 570 dgsf/bed. This project, however, and consistent with Section 1110.120a)2)D) qualifies for a waiver from the above standard because the size of the unit "involves the conversion of existing space that results in excess square footage." The HFSRB has no standard for the therapy areas included in the project.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Subacute Inpt. Unit (17)	11,875	9,690	2,185	NO*

*project qualifies for waiver of standard

ATTACHMENT 14

UTILIZATION

The proposed project has a very limited prospective patient population, that being Javon Bea Hospital ("JBH") patients no longer requiring inpatient acute care, but needing care that is often not accessible through local skilled care facilities/nursing homes. (Note: Patients residing in skilled care facilities at the time of admission to JBH will generally not be admitted to the proposed subacute care unit.)

The utilization projection presented in this ATTACHMENT is the result of 1) JBH's experience and difficulties in attempting to transfer patients having certain needs to area skilled care facilities, and 2) the experience of JBH's parent, Mercy Health Corporation ("Mercyhealth") in the successful operation of its CMS ranked 5-star transitional care facility, Mercyhealth Transitional Care Center in Janesville, Wisconsin.

The proposed subacute facility will be utilized by patients who have complex medical needs that may require immediate access to a physician and/or other specialized care providers on a 24-hour basis. Mercyhealth's goal is to provide a place for patients who are ready to be discharged from the hospital, but are not yet stable enough to receive care in a rehabilitation hospital, skilled nursing facility, or at home. The applicants aim to provide an integrated care center for complex patients until they are able to be safely discharged to one of these environments. Listed below are some of the key services Mercyhealth can provide to patients via its subacute unit that are not available in the other settings:

- Access to 24-hour respiratory therapy including providing non-invasive ventilator services

- Clinical specialists, including Cardiology, Neurology, Wound Care including negative pressure therapy, etc.
- Dialysis, for patients having complicated comorbidities
- Short-term rehabilitation for oncology patients having additional medical complications
- 24-hour physician oversight for patients unable to meet the required skill level for admission to a Long Term Acute Care Hospital
- Access to a wide variety of clinical specialists and diagnostics without having to leave the facility

The difficulties experienced by JBH discharge planners in transferring patients to clinically-appropriate facilities in the community result from issues such as:

- long term care facilities limiting the number of patients on IV antibiotics, having tracheostomies, or needing weaning from ventilators that they can care for simultaneously
- patients requiring dialysis
- patients requiring access to 24-hour respiratory therapy
- patients with complicated co-morbidities
- patients requiring diagnostic modalities, such as imaging
- patients needing to be monitored by certain medical specialists
- patients not yet able to tolerate three hours of daily therapy, therein delaying admission to a rehabilitation unit.

Based on JBH's historical need to attempt to transfer patients that would qualify for admission to the proposed subacute care unit ("SCU"), as well as the experience of its transitional care facilities noted above, the following are the most common diagnoses and patient groupings that would benefit from the establishment of the proposed SCU:

- sepsis
- kidney disease/failure/infection
- neurological
- gastrointestinal
- heart disease/failure
- pneumonia
- respiratory care
- surgical complications

- stroke
- orthopedic fractures

Janesville data suggests that the diagnoses and patient groupings noted above constitute approximately 82% of SCU admissions.

Over the past two years, an average of 454 patients from the above-identified patient groupings have been transferred from JBH to area skilled care facilities, when a clinically-appropriate facility is available.

Based on the information provided above, JBH's FY2018 and FY2019 discharges, and a projected average length of stay of 14 days, consistent with that experienced at the Janesville SCU, the applicants project the following utilization and bed need:

total patients from 11 patient groupings above	454
75% to proposed SCU	341
patients, other than 11 groupings	76
projected admissions	417
average length of stay (days)	14
projected patient days	5,838
average daily census	15.99
bed need at 95% occupancy	17

UNNECESSARY DUPLICATION/MALDISTRIBUTION

There are 35 ZIP Codes located within seventeen miles of the applicant hospital, with that area having a 2018 population of 354,715 per ESRI. A listing of those ZIP Codes is attached.

Below is a listing of all facilities located within seventeen miles of the applicant hospital, providing skilled care beds:

Medina Nursing Center	Durand
East Bank Center	Loves Park
Alden Deebs Rehabilitation & HCC	Rockford
Alden Park Strathmoor	Rockford
Alpine Fireside Health center	Rockford
Amberwood Care Center	Rockford
Fairhaven Christen Retirement Ctr.	Rockford
Forest City Rehab. & Nursing Ctr.	Rockford
PA Peterson at the Citadel	Rockford
Presence Cor Mariae Center	Rockford
Presence St. Anne Center	Rockford
River Bluff Nursing Home	Rockford
Rock River Health Care	Rockford
Rosewood Care Center of Rockford	Rockford
Willows Health Center	Rockford
Fair Oaks Rehab & HCC	South Beloit
Generations at Neighbors	Byron
Pinecrest Manor	Mount Morris
Oregon Living & Rehab Center	Oregon
Polo Rehabilitation & HCC	Polo
Rochelle Community Hospital-SB	Rochelle
Rochelle Gardens Care Center	Rochelle
Rochelle Rehab & Healthcare Ctr.	Rochelle

ATTACHMENT 18LTC

Because the target patient population is so narrow, consisting only of patients clinically appropriate for discharge from the acute care setting, but in need of specialized services for a short period; the project will not result in a mal-distribution.

ZIP CODES TO GO

Your choice for accurate up to date ZIP code databases

Zip Code Radius Search

Enter a a zip code and a distance to find all of the zip codes within a fixed raius from the entered zip code.

Zip Code: Distance: in miles

Search

All Zip Codes within 17 miles of 61103

Zip Code	City	County	Zip Code Map
53511	Beloit, WI	Rock	View Map
61008	Belvidere, IL	Boone	View Map
61010	Byron, IL	Ogle	View Map
61011	Caledonia, IL	Boone	View Map
61016	Cherry Valley, IL	Winnebago	View Map
61020	Davis Junction, IL	Ogle	View Map
61024	Durand, IL	Winnebago	View Map
61052	Monroe Center, IL	Ogle	View Map
61063	Pecatonica, IL	Winnebago	View Map
61065	Poplar Grove, IL	Boone	View Map
61072	Rockton, IL	Winnebago	View Map
61073	Roscoe, IL	Winnebago	View Map
61077	Seward, IL	Winnebago	View Map
61079	Shirland, IL	Winnebago	View Map
61080	South Beloit, IL	Winnebago	View Map
61084	Stillman Valley, IL	Ogle	View Map
61088	Winnebago, IL	Winnebago	View Map
61101	Rockford, IL	Winnebago	View Map
61102	Rockford, IL	Winnebago	View Map
61103	Rockford, IL	Winnebago	View Map
61104	Rockford, IL	Winnebago	View Map
61105	Rockford, IL	Winnebago	View Map
61106	Rockford, IL	Winnebago	View Map
61107	Rockford, IL	Winnebago	View Map
61108	Rockford, IL	Winnebago	View Map
61109	Rockford, IL	Winnebago	View Map
61110	Rockford, IL	Winnebago	View Map
61111	Loves Park, IL	Winnebago	View Map
61112	Rockford, IL	Winnebago	View Map
61114	Rockford, IL	Winnebago	View Map
61115	Machesney Park, IL	Winnebago	View Map
61125	Rockford, IL	Winnebago	View Map

5-Digit ZIP Code Data

- ZIP Code Radius Search Script
- Zip Codes FAQ
- Privacy Policy

Zip Code Lookups

- Find ZIP Codes by City Name
- County Zip Code List
- ZIP Codes by State
- Zip Code Radius Search

Database Sample Data

ZIP Code Database Sample Data		
Bronze	Silver	Gold
Microsoft Access (.MDB)		
136 KB	116 KB	160 KB
Microsoft Excel (.XLS)		
16 KB	20 KB	30 KB
Comma Delimited ASCII (.CSV)		
2 KB	4 KB	8 KB

ATTACHMENT 18LTC

#19-056

61126	Rockford, IL	Winnebago	View Map
61130	Loves Park, IL	Winnebago	View Map
61131	Loves Park, IL	Winnebago	View Map
61132	Loves Park, IL	Winnebago	View Map

ATTACHMENT 18LTC

STAFFING

The applicants do not anticipate any unusual difficulties in staffing the proposed subacute unit, and as is the practice of the applicants, all licensure and accreditation-mandated staffing levels and requirements will be met, and in many cases exceeded. Projected staffing includes 23.7 nursing FTEs, 7.5 ancillary/therapy FTEs, and 3.0 management/administrative FTEs.

The unit's Medical Director will be Rani N. Rao, MD.

The primary avenues for attracting staff are anticipated to be intra-organization communication and newspaper and professional publication advertisements.

BED CAPACITY

The proposed subacute care unit's beds will be categorized by IDPH as skilled care beds. Seventeen beds will be provided, and the hospital's total number of approved beds will increase from 70 to 87 as a result. As such, the project and the hospital are in compliance with Section 1125.600.

COMMUNITY RELATED FUNCTION

This review criterion is not applicable to a project addressing the establishment of a skilled care category of service within a licensed hospital, per HFSRB staff.

ZONING

The proposed project is to be developed within Javon Bea Hospital, and as such, the site is zoned to accept an inpatient health care facility.

#19-056

Mercyhealth
A passion for making lives better.™

Corporate Office
3401 N Perryville Rd Ste 303
Rockford, IL 61114
MercyHealthSystem.org

November 13, 2019

Illinois Health Facilities and Services Review Board
525 West Jefferson Street
Springfield, Illinois 61114

To Whom It May Concern:

I hereby attest that Mercy Health Corporation fully anticipates that, by the second year of operation of the proposed subacute care unit at Javon Bea Hospital-Rockton Avenue Campus, the unit will achieve and maintain the occupancy standard specified in Section 1125.210(c).

Sincerely,

Paul Van Den Heuvel
Vice President, Strategic & Legal Affairs

Subscribed and sworn to before me this
13th day of November, 2019

Priscilla Kay Abbott
Notary Public

OFFICIAL SEAL
PRISCILLA KAY ABBOTT
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Jan. 04, 2020

ATTACHMENT 24LTC

Mercy Health Corporation

Rockford, Illinois

Consolidated Financial Statements and
Supplementary Information

Years ended June 30, 2019 and 2018

Mercyhealth

WIPFLI LLP
CPAs and Consultants

WIPFLI LLP

Independent Auditor's Report

Board of Directors
Mercy Health Corporation
Rockford, Illinois

We have audited the accompanying consolidated financial statements of Mercy Health Corporation, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mercy Health Corporation as of June 30, 2019 and 2018, and the results of its operations, changes in nets assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP
Milwaukee, Wisconsin

August 13, 2019

Mercy Health Corporation

Consolidated Balance Sheets

June 30, 2019 and 2018

Assets	(In Thousands) 2019	2018
Current assets:		
Cash and cash equivalents	$ 121,878	$ 195,359
Patient accounts receivable - Net	217,762	175,493
Supplies	33,111	24,492
Prepaid expenses	8,383	8,441
Current portion of assets limited as to use	9,264	8,821
Other receivables	18,591	27,544
Total current assets	408,989	440,150
Assets limited as to use, less current portion	731,743	774,074
Property and equipment - Net	870,707	760,712
Other assets:		
Investment in joint ventures	11,087	11,200
Other	15,552	15,486
Total other assets	26,639	26,686
TOTAL ASSETS	$ 2,038,078	$ 2,001,622

Liabilities and Net Assets	(In Thousands) 2019	2018
Current liabilities:		
Current maturities of long-term debt	$ 3,175	$ 6,500
Accounts payable	39,290	46,323
Due to third-party payors	26,366	27,649
Accrued salaries, wages, and payroll taxes	67,419	73,572
Other accrued expenses	46,110	52,360
Total current liabilities	182,360	206,404
Long-term liabilities:		
Long-term debt, less current maturities	696,526	702,876
Accrued liabilities under self-insurance program	61,151	64,834
Deferred compensation	66,484	58,703
Pension obligations	26,234	14,012
Accrued postretirement medical benefits	5,435	5,161
Other liabilities	1,251	1,903
Total long-term liabilities	857,081	847,489
Total liabilities	1,039,441	1,053,893
Net assets:		
Without donor restrictions	973,945	924,553
With donor restrictions	24,692	23,176
Total net assets	998,637	947,729
TOTAL LIABILITIES AND NET ASSETS	$ 2,038,078	$ 2,001,622

See accompanying notes to consolidated financial statements.

L-P

Mercy Health Corporation

Consolidated Statements of Operations

Years ended June 30, 2019 and 2018

	(In Thousands)	
	2019	2018
Revenue:		
Patient service revenue	1,029,787	971,764
Premium revenue	105,487	99,609
Other operating revenue	17,149	23,041
Total revenue	1,152,423	1,094,414
Expenses:		
Salaries and wages	574,253	536,218
Employee benefits	75,824	74,625
Professional fees and purchased services	116,790	112,679
Medical claims and capitation payments	28,816	21,983
Medical supplies, other supplies, and drugs	190,633	187,853
Insurance	10,938	4,948
Provider tax assessment	23,256	24,231
Other	37,331	35,868
Depreciation and amortization	60,893	51,497
Interest	19,436	11,340
Total expenses	1,138,170	1,061,242
Income from operations	14,253	33,172
Nonoperating income:		
Other	12,352	591
Investment income - Net	35,581	38,720
Total nonoperating income - Net	47,933	39,311
Excess of revenue over expenses	62,186	72,483
Other changes in net assets without donor restrictions:		
Changes in pension obligations other than pension expense and postretirement medical benefit adjustment	(12,816)	6,857
Other	22	(24)
Increase in net assets without donor restrictions	$ 49,392	$ 79,316

See accompanying notes to consolidated financial statements.

Mercy Health Corporation

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2019 and 2018

	(In Thousands)	
	2019	2018
Net assets without donor restrictions:		
Excess of revenue over expenses	$ 62,186	$ 72,483
Changes in pension obligations other than pension expense and postretirement medical benefit adjustment	(12,816)	6,857
Other	22	(24)
Increase in net assets without donor restrictions	49,392	79,316
Net assets with donor restrictions:		
Contributions	535	518
Investment income - Net	774	461
Net change in beneficial interest in trusts	355	-
Net assets released from restriction	(148)	(411)
Increase in net assets with donor restrictions	1,516	568
Change in net assets	50,908	79,884
Net assets at beginning	947,729	867,845
Net assets at end	$ 998,637	$ 947,729

See accompanying notes to consolidated financial statements.

Mercy Health Corporation

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

	(In Thousands) 2019	2018
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	$ 50,908	$ 79,884
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Equity gains in joint ventures	(4,331)	(4,098)
Changes in pension obligations other than pension expense and postretirement medical benefit adjustment	12,816	(6,857)
Net realized and unrealized gains and losses on investments	(30,975)	(33,990)
Depreciation and amortization	57,684	48,365
Loss on sale of property and equipment	3,186	173
Gain from insurance event	(18,381)	-
Changes in operating assets and liabilities:		
Patient accounts receivable	(42,269)	5,131
Supplies and other assets	(7,084)	(2,126)
Accounts payable	(7,033)	8,824
Accrued liabilities and other	(9,277)	10,472
Due to/from third-party payors	(1,283)	10,211
Net cash provided by operating activities	3,961	115,989
Cash flows from investing activities:		
Net decrease in assets limited as to use	72,863	225,605
Purchases of property and equipment	(174,085)	(286,634)
Proceeds from sale of property and equipment	11	15
Proceeds from insurance event	25,791	-
Proceeds received from joint ventures	4,444	4,766
Net cash used in investing activities	(70,976)	(56,248)
Net cash used in financing activities - Principal payments on long-term debt	(6,466)	(6,955)
Net increase (decrease) in cash and cash equivalents	(73,481)	52,786
Cash and cash equivalents at beginning	195,359	142,573
Cash and cash equivalents at end	$ 121,878	$ 195,359
Supplemental cash flow information:		
Cash paid for interest	$ 21,887	$ 31,763
Non-cash supplemental information:		
Capitalized interest	$ 9,582	$ 13,165

See accompanying notes to consolidated financial statements.

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 1: Summary of Significant Accounting Policies

Principles of Consolidation

Mercy Health Corporation (MHC) is a not-for-profit entity that serves as the parent corporation and supports the operations of its affiliated entities with the goal of providing integrated primary, secondary, and advanced tertiary medical and surgical services for the benefits of the residents of the combined service area.

Mercy Health Corporation consists of the following affiliated entities:

- Mercy Health System Corporation (MHSC), which operates a 240-bed hospital in Janesville, Wisconsin, and approximately 43 physician clinics in southern Wisconsin and northern Illinois; a skilled nursing facility (SNF) that operates as a subacute care unit of the hospital; Mercy Walworth Hospital and Medical Center (MWH), which operates a 25-bed hospital facility in Walworth County, Wisconsin; and MercyCare Insurance Company (MCIC), which is an indemnity insurance company that contracts with local employers. MCIC has a wholly owned subsidiary, MercyCare HMO, which operates as a health maintenance organization (HMO) under Wisconsin statutes. MCIC and MercyCare HMO contract for services with affiliates and other providers.
- Mercy Assisted Care, Inc. (MAC) operates Mercy Homecare, a supplier of durable medical equipment and coordinates home care and hospice services through nurses, physical therapists, and speech therapists.
- Mercy Harvard Hospital, Inc. (MHH) operates a hospital with 25 acute and 45 long-term care beds located in Harvard, Illinois. In 2017, the Illinois Health Planning and Review Board approved MHC's certificate of need application to build a micro-hospital in Crystal Lake, IL, allocating 13 of the 25 licensed beds of MHH to the development of the micro-hospital. The project is still going through the appeals and approval process.
- Javon Bea Hospital (JBH), previously Rockford Memorial Hospital, which operates a 94-bed hospital and a 194-bed hospital in Rockford, Illinois, provides inpatient, outpatient, and emergency care services to residents of Rockford, Illinois and the surrounding communities. Rockford Health System Ventures, LLC (RHSV) is a wholly owned subsidiary of JBH and was created to manage JBH's investments in joint ventures. RHS Regional Health Network (RRHN) is an accountable care organization (ACO); the ACO contract expired December 31, 2017. Rockford Health Insurance Ltd. (RHIL) is a wholly owned subsidiary of JBH, incorporated under the laws of Bermuda, and provides the affiliated entities with excess professional and general liability insurance.
- Rockford Health Physicians (RHPH) provides physician and ambulatory care services at several sites.
- Mercy Health Development Foundation (MHDF) is organized to promote education and scientific and charitable health care activities.
- Mercyhealth Visiting Nurses Association, Inc. (VNA) provides home health nursing services and rents medical equipment to residents of Rockford, Illinois and the surrounding communities.

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 1: Summary of Significant Accounting Policies (Continued)

Principles of Consolidation (Continued)

The accompanying consolidated financial statements include the accounts and operations of MHC, including MHSC, MAC, MHH, JBH, RHPH, MHDF, VNA, and their wholly owned subsidiaries (collectively the "Corporation"). All significant intercompany accounts and transactions have been eliminated in consolidation. The Corporation eliminates patient service revenue generated from employees participating in the self-insured health plan.

Financial Statement Presentation

The Corporation follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The Corporation considers critical accounting estimates to be those that require more significant judgments which include the valuation of accounts receivable, estimated third-party settlements, reserves for losses and expenses related to self-insurance for employee health care claims and malpractice claims, valuation of the pension liability and postretirement medical benefits, and reserves for unpaid claims for participants in MCIC and MercyCare HMO insurance programs.

Cash and Cash Equivalents

Highly liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents, excluding assets limited as to use and amounts held by the pension plans.

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivables and Credit Policy

Patient accounts receivable is reported at the amount that reflects the consideration to which the Corporation expects to be entitled, in exchange for providing patient care services. Patient accounts receivable are recorded in the accompanying balance sheets net of contractual adjustments and implicit price concessions which reflects management's estimate of the transaction price. The Corporation estimates the transaction price based on, negotiated contractual agreements, historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions and is recorded through a reduction of gross revenue and a credit to patient accounts receivable.

The Corporation does not have a policy to charge interest on past due accounts.

Inventories

Inventories are valued at the lower of cost, determined using the average cost method, or net realizable value.

Investments, Assets Limited as to Use, and Investment Income

Investments, including assets limited as to use, are measured at fair value in the accompanying consolidated balance sheets. Investments have been designated as trading securities. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in nonoperating income in the accompanying consolidated statements of operations, unless the income is restricted by donor or law. Realized gains and losses are determined by specific identification. Investment related expenses are included with investment income.

Assets limited as to use include assets the Board of Directors has designated for future capital improvements and expansion over which the Board retains control and may at its discretion subsequently use for other purposes, amounts set aside for compensation agreements and for professional liability programs, amounts set aside for regulatory requirements and compliance, assets held by a trustee under bond indenture agreements, and assets designated to fund donor restrictions, except interests in beneficial trusts, which are recorded in other assets. Amounts required to meet current liabilities have been classified as current assets.

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

GAAP specifies a three-tier fair value hierarchy, which prioritizes the inputs used in estimating fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exits, therefore, requiring an entity to develop its own assumptions.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost. Interest and other costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Any investment return on those borrowed funds reduces the amount of costs that are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Leasehold improvements are amortized over the shorter period of the estimated useful life or the remaining term of the lease. Estimated useful lives range from 2 to 25 years for land improvements, 5 to 20 years for leasehold improvements, 5 to 40 years for building and improvements, and 3 to 20 years for equipment.

Unamortized Debt Issuance Costs and Bond Premiums

Bond issuance costs and original issue premiums related to the issuance of long-term debt are netted against long-term debt and amortized over the life of the related debt using the effective interest method. This amortization is included with interest expense in the accompanying consolidated statements of operations.

Asset Retirement Obligation

ASC Topic 410-20, *Accounting for Conditional Asset Retirement Obligation*, clarifies when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered ASC Topic 410-20, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Corporation may settle the obligation is unknown and cannot be estimated. As a result, management cannot reasonably estimate the liability related to these asset retirement activities as of June 30, 2019 and 2018.

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 1: Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an impairment has occurred, a loss will be recognized. See Note 6 for further discussion on impairment losses.

Net Assets

Net assets without donor restrictions are those not subject to donor-imposed stipulations and includes those expendable resources which have been designated for special use by the Board of Directors. Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific time period or purpose, or have been restricted by donors to be maintained by the Corporation in perpetuity.

Self-Insurance

Accrued liabilities under self-insurance programs include estimates of the ultimate cost for known claims as well as incurred but not reported claims as of the consolidated balance sheet dates.

Patient Service Revenue

Patient care service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue from performance obligations satisfied over time is recognized based on actual charges incurred. Generally, performance obligations satisfied over time relate to patients receiving inpatient hospital acute care services, and sub-acute care services. For these services the Corporation measures the performance obligation from admission to the point when there are no further services required for the patient, which is generally at the time of discharge. For outpatient services provided at hospitals, clinics, and home health and sub-acute services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. In the case of these outpatient services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time.

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

Because the Corporation's performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Corporation uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The Corporation used the following factors to develop portfolios: major payor classes, type of service (i.e. inpatient, outpatient, clinic), and geographic location. Using historical collection trends and other analyzes, the Corporation evaluated the accuracy of its estimate and determined that recognizing revenue by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach was used.

The Corporation determines the transaction price, which involves significant estimates and judgement, based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation's policy, and implicit price concessions provided to patients. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Corporation determines its estimate of implicit price concessions based on its historical collection experience for each patient portfolio based on payor class, service type and geographic location.

The Corporation has agreements with third-party payors that typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Government Payors

Prospective Payment

Medicare - Inpatient hospital acute care services are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient, clinic, home health, and subacute care services are reimbursed primarily on a prospective payment methodology based upon a patient classification system or fixed fee schedules.

Medicaid - Inpatient and outpatient services are reimbursed primarily based upon prospectively determined rates. Clinic services are reimbursed primarily on a fixed fee schedule.

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

Cost-Reimbursed

MHH and MWH are critical access hospitals (CAH). Under the CAH designation, inpatient and outpatient hospital services rendered to Medicare and Wisconsin Medicaid beneficiaries are paid based upon a cost-reimbursement methodology.

Other Payors

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

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Because of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon the Corporation. The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Corporation has not been notified by the RAC of any potential significant reimbursement adjustments. In addition, the contracts the Corporation has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2019 and 2018. Medicare and Medicaid cost reports have been settled through June 30, 2016 for MHSC and JBH, through June 30, 2014 for MHH, and through June 30, 2013 for MWH.

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2019 and 2018, was not significant.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients. The Corporation's policy is to provide a discount from established charges to uninsured patients. This policy did not change in 2019 and 2018.

The estimated amount of consideration from patients and third-party payors have not been adjusted for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

All incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

Premium Revenue and Claims Payable

Premiums are billed monthly for coverage in the following month and are recognized as revenue in the month for which insurance protection is provided. Claims payable, included in other accrued expenses in the accompanying consolidated balance sheets, are determined using statistical analyses and represent estimates of the ultimate net cost of all reported and unreported claims that are unpaid at the end of each accounting period. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the liabilities for claims are adequate. The estimates are reviewed periodically, and as adjustments to these liabilities become necessary, such adjustments are reflected in current operations. The Corporation has recorded a provision for claims payable of $11,856 and $12,702 at June 30, 2019 and 2018, respectively.

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 1: Summary of Significant Accounting Policies (Continued)

Hospital Assessments

Wisconsin state regulations require eligible hospitals to pay the state an annual assessment. The assessment period is the state's fiscal year, which runs from July 1 to June 30. The assessment is based on each Wisconsin hospital's gross revenues, as defined. The revenue generated from the assessment is to be used, in part, to increase overall reimbursement under the Wisconsin Medicaid program.

The state of Illinois has a hospital assessment program to improve Medicaid reimbursement for Illinois hospitals and access to hospital services for qualifying patients. The program requires Illinois hospitals to pay an assessment based on inpatient and outpatient utilization factors, primarily on occupied bed days and revenue, respectively. The funds raised from the assessments are matched by the federal government and distributions are made to hospitals based on certain factors, including Medicaid inpatient and outpatient utilization.

Provider tax assessments and payments are recognized in the period to which they apply and are included in the accompanying consolidated statements of operations.

Excess of Revenue Over Expenses

The accompanying consolidated statements of operations and changes in net assets include excess of revenue over expenses, which is considered the operating indicator. Changes in net assets without donor restrictions, which are excluded from the operating indicator, include changes in pension obligations other than pension expense and postretirement medical benefit adjustment, permanent transfer of assets to and from affiliates for other than goods and services, and contributions of long-lived assets.

Pension Costs

The Corporation recognizes the service cost component of net periodic benefit costs as employee benefits expense within operating expenses in the accompanying consolidated statements of operations. The other components of net periodic benefit cost are recognized within the nonoperating section of the consolidated statements of operations.

Charity Care

The Corporation provides care to patients who meet criteria under its charity care policy without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The estimated cost of providing care to patients under the Corporation's charity care policy is calculated by multiplying the ratio of cost to gross charges for the Corporation times the gross uncompensated charges associated with providing charity care. The cost to provide the Corporation's charity care was approximately $4,496 and $5,730 in 2019 and 2018, respectively.

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 1: Summary of Significant Accounting Policies (Continued)

Promises to Give

Unconditional promises to give cash and other assets to the Corporation 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 deemed unconditional. The gifts are reported as with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Corporation, except MCIC and HMO is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Corporation is also exempt from state income taxes on related income.

Federal and state income taxes are paid on nonexempt unrelated business income in accordance with the Code.

MCIC and MercyCare HMO are taxable entities for both federal and Wisconsin income tax purposes and file returns on a calendar year basis. Deferred income taxes have been provided under the asset and liability method. Deferred tax assets and liabilities are determined based upon the difference between the financial statement and tax basis of assets and liabilities, as measured by the enacted tax rates which are to be in effect when these differences are expected to reverse. Income tax expense is not significant in relation to the accompanying consolidated financial statements.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standard Update (ASU) No. 2016-02, *Leases*. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. This guidance requires all leases (except immaterial leases and leases less than one yearin duration) to be reflected on the balance sheet as assets and liabilities. The Corporation is currently evaluating the impact the adoption of ASU 2016-02 will have on its consolidated financial statements and disclosures.

Subsequent Events

Subsequent events have been evaluated through August 13, 2019, which is the date the consolidated financial statements were issued.

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 2: Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in ASU 2014-09 is that an entity should 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 or services. The Corporation adopted this guidance as of July 1, 2018. The Corporation applied Topic 606 on a retrospective basis and elected the practical expedient in paragraph FASB ASC 606-10-65-1(f)3), under which the Corporation does not disclose the aggregate amount of the transaction price allocated to the remaining performance obligations referred to above that are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. The implementation of this ASU resulted in a change in bad debt presentation, which is reported as an operating expense, rather than a net patient service revenue deduction. Under this ASU, management's initial estimate of the transaction price includes implicit price concessions, which were previously reported as provision for bad debts. The following consolidated financial statements line items as of and for the year ended June 30, 2018, were affected by the adoption of this guidance:

	As Previously Reported	As Restated	Effect of Change
Patient service revenue (net of contractual allowances and discounts	$ 1,020,036	$ -	$ (1,020,036)
Provision for bad debts	(48,272)	-	48,272
Patient service revenue	$ -	$ 971,764	$ 971,764

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the Corporation's year ended June 30, 2019, and was applied retrospectively to these comparative financial statements. Net assets as of June 30, 2018, were restated by combining the temporarily restricted net assets of $14,757 and permanently restricted net assets of $8,419 into net assets with donor restrictions of $23,176. The Corporation has elected under the ASU's adoption guidance to omit the liquidity and statement of functional expenses disclosures for the year ended June 30, 2018.

82

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 3: Patient Accounts Receivable

Patient accounts receivable consisted of the following at June 30:

	2019	2018
Patient accounts receivable	$ 589,730	$ 509,989
Less: Contractual adjustments and implicit price concessions	371,968	334,496
Total	$ 217,762	$ 175,493

Note 4: Assets Limited as to Use

The composition of assets limited as to use was as follows at June 30:

	2019	2018
Held by trustee under bond indenture agreements	$ 2,566	$ 136,158
Held by Treasurer of State of Wisconsin for regulatory requirements	4,835	5,208
Donor-restricted and endowment funds	11,494	10,840
Internally designated:		
Deferred compensation	66,575	58,708
Expansion and capital improvements	554,509	476,306
Professional liability	71,010	67,301
Regulatory compliance	30,018	28,374
Total assets limited as to use	741,007	782,895
Less: Current portion	9,264	8,821
Assets limited as to use, less current portion	$ 731,743	$ 774,074

Investment income on cash equivalents, investments, and assets limited as to use, consiisted of the following:

	2019	2018
Interest and dividends	$ 4,606	$ 4,730
Realized gain on sale of investments	28,747	15,329
Change in net unrealized gains and losses on investments	2,228	18,661
Investment income - Net	$ 35,581	$ 38,720

Note 4: Assets Limited as to Use (Continued)

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Note 5: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value, including assets held in the Corporation's defined benefit retirement plans (Note 9).

Cash equivalents: Valued at cost which approximates fair value.

Money market funds: Valued using a net asset value (NAV) of $1.

Marketable equity securities: Valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Corporation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held are deemed to be actively traded.

U.S. government and agency obligations, municipal obligations, corporate obligations, and foreign obligations: Valued using the closing price reported in the active market in which the individual security is traded, or using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Intermediate and short-term fixed fund: Valued using NAV as a practical expedient. There are no commitments or redemption notice periods.

Common trust funds and limited liability company: Valued at the NAV of units of the separate account or fund. The NAV, as provided by the issuer/trustee, is used as a practical expedient in estimating fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. There were no funding commitments associated with these investments, and the investments can be redeemed continuously with up to a 15-day notice period.

Limited partnerships and limited liability companies: Valued based on the fair value of the underlying assets within the partnership as provided by the investment issuer. The values are then independently assessed by a third party. There were no funding commitments associated with the partnerships, and partnership units can be redeemed continuously with up to a 15-day notice period.

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 5: Fair Value Measurements (Continued)

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

The following tables sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of June 30:

2019	Level 1	Level 2	Level 3	Total
Assets limited as to use:				
Cash equivalents and money market funds	$ -	$ 1,736	$ -	$ 1,736
U.S. government and agency obligations	-	13,945	-	13,945
Corporate obligations	-	5,636	-	5,636
Foreign obligations	-	584	-	584
Mutual funds:				
Fixed income	100,366	-	-	100,366
U.S. equities	59,469	-	-	59,469
Foreign and emerging market funds	9,888	-	-	9,888
Limited partnership and limited liability companies - Fixed income	-	231,275	-	231,275
Common trust funds using NAV as an expedient - Domestic equity (b)				318,108
Total assets limited as to use	$ 169,723	$ 253,176	$ -	$ 741,007

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 5: Fair Value Measurements (Continued)

2018	Level 1	Level 2	Level 3	Total
Assets limited as to use:				
Cash equivalents and money market funds	$ -	$ 79,775	$ -	$ 79,775
U.S. government and agency obligations	-	38,810	-	38,810
Corporate obligations	-	67,155	-	67,155
Foreign obligations	-	10,728	-	10,728
Mutual funds:				
Fixed income	77,086	-	-	77,086
U.S. equities	117,474	-	-	117,474
Foreign and emerging market funds	26,567	-	-	26,567
Marketable equity securities	61,519	-	-	61,519
Limited partnership and limited liability companies:				
Fixed income	-	73,215	-	73,215
International equity	-	19,058	-	19,058
Limited liability company using NAV as an expedient - Fixed income (a)				39,854
Common trust funds using NAV as an expedient - Domestic equity (b)				171,654
Total assets limited as to use	$ 282,646	$ 288,741	$ -	$ 782,895

(a) Invests primarily in investment-grade fixed income securities, including obligations issued or guaranteed by the U.S. Government and agency obligations, corporate securities, and other fixed income. The objective is to outperform the Barclays Intermediate Government/Credit Index.

(b) Invests primarily in stock or shares of ownership of U.S. companies. The objective is to replicate, over an extended period of time, broad measures of the United States large and small-capitalization index markets.

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 6: Property and Equipment

Property and equipment consisted of the following at June 30:

	2019	2018
Land	$ 39,981	$ 39,752
Land improvements	22,877	18,986
Leasehold improvements	4,829	4,824
Buildings and improvements	883,169	482,592
Equipment	696,370	587,486
Total property and equipment	1,647,226	1,133,640
Less - Accumulated depreciation	798,719	744,870
Net depreciated value	848,507	388,770
Construction in progress	22,200	371,942
Total	$ 870,707	$ 760,712

Amounts in construction in progress at June 30, 2019, relate to routine capital projects for renovating and updating the Corporation's facilities. Amounts in construction in progress at June 30, 2018, relate to construction of a 194-bed hospital and ambulatory care building and medical office building in Rockford, Illinois (Riverside Project), routine capital projects for renovating and updating the Corporation's facilities, and computer software. The Riverside Project was completed in January of 2019.

In June 2018, JBH incurred water damage to the main level of the hospital. The water damage impacted clinical service offerings, including but not limited to radiation oncology, infusion, endoscopy, pharmacy, and laboratory. It also impacted support services including the data center and medical records, as well as other administrative functions. The estimated impairment related to this event is $3,100, which is the net book value of damaged equipment and building improvements. The damaged equipment and building improvements had a cost of $8,600 and accumulated depreciation of $5,500. The Corporation is insured for property damage, except for a deductible of $100. Coverage under the Corporation's policy is replacement value, and business interruption. The replacement value of the damaged equipment and building improvements exceeded the impairment loss. Insurance proceeds for this claim collected through June 30, 2019 is $25,800. At June 30, 2018, the Corporation recorded a receivable for $7,500 related to the estimated impairment loss at that time plus remediation costs to date. In 2019, the Corporation recorded the remaining amount of $18,300 as a non-operating gain. The Corporation is still in negotiations with the insurer for additional settlements; however, these amounts cannot be estimated.

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 7: Investment in Joint Ventures

The Corporation's investment in joint ventures is recorded on an equity basis. The related income or loss is included in the accompanying consolidated statements of operations as other operating revenue. The investment in joint ventures consisted of: a 27% ownership interest in KSB/RMHSC Partnership (KSB), which owned and leased a medical office building that disolved in 2018, a 50% ownership interest in VanMatre Encompass Health Rehabilitation Hospital (VanMatre), which provides inpatient and outpatient rehabilitation services, and a 15% ownership interest in Madison Health Linen, which provides laundry services to medical facilities.

The recorded investments at June 30, 2019 and 2018, as well as the related income reported in 2019 and 2018, was as follows:

	Joint Venture Investment at June 30, 2019	Joint Venture Income (Loss) 2019	Joint Venture Investment at June 30, 2018	Joint Venture Income (Loss) 2018
KSB	$ -	$ -	$ -	$ 17
VanMatre	9,839	4,349	9,913	4,109
Madison Health Linen	1,248	(39)	1,287	(28)
Total	$ 11,087	$ 4,310	$ 11,200	$ 4,098

The financial position of VanMatre as of and for the years ended June 30, 2019 and 2018 was as follows:

	2019	2018
Balance sheet:		
Assets	$ 25,001	$ 21,421
Liabilities	5,323	1,572
Equity	19,678	19,849
Income statement:		
Patient and other revenues	31,314	30,471
Operating expenses	(21,748)	(21,415)
Management fees	(868)	(838)
Net income	$ 8,698	$ 8,218

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 8: Long-Term Debt

Long-term debt consisted of the following at June 30:

	2019	2018
Illinois Finance Authority (IFA) Revenue Bonds, Series 2016, fixed rates, maturing at varying amounts beginning 2021 continuing through 2047	$ 475,020	$ 475,020
Wisconsin Health and Educational Facilities Authority (WHEFA) Revenue Bonds, Series 2012, fixed rates, maturing at varying amounts beginning 2018 continuing through 2039	163,860	166,755
WHEFA Revenue Bonds, Series 2010A, fixed rates	-	2,230
Equipment loans and other	146	1,487
Totals	639,026	645,492
Plus - Unamortized bond premiums	65,458	68,985
Less - Current maturities	(3,175)	(6,500)
Less - Unamortized debt issuance costs	(4,783)	(5,101)
Long-term portion	$ 696,526	$ 702,876

In May 2016, the Corporation replaced its two previous obligated groups with the Mercy Health Corporation Obligated Group (the "Obligated Group"), which includes MHC, MHSC, JBH, and RHPH. Under the terms of the Mercy Health Corporation Obligated Group Master Trust Indenture, all outstanding debt under the Indenture, including debt issued under the previous obligated groups, is the general, joint, and several obligations of the members of the Obligated Group.

In May 2016, the Obligated Group issued its IFA Series 2016 Revenue Bonds with a total principal value of $475,020 and a net premium of $66,566. The IFA Series 2016 Revenue Bonds were issued with fixed rates that range from 1.50% to 5.00% at June 30, 2019. Principal payments are due annually beginning in 2021, with final payment due in December 2046. The proceeds from the IFA Series 2016 Revenue Bonds were used to refund previous bonds, finance costs of acquiring, constructing, renovating, and equipping its facilities, including a 194-bed hospital and ambulatory care building in Rockford, Illinois. The IFA Series 2016 Bonds were issued pursuant to a Bond Trust Indenture by and between IFA and U.S. Bank National Association ("U.S. Bank"), as bond trustee, with the proceeds loaned to the Obligated Group pursuant to a Loan Agreement by and between the Obligated Group and IFA. The IFA Series 2016 Bonds were also issued pursuant to a Master Trust Indenture between the Obligated Group and U.S. Bank as Master Trustee. The Obligated Group is liable for all obligations under the Loan Agreement.

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 8: Long-Term Debt (Continued)

The bond indenture agreements require the creation of funds to be held by a trustee for payment of construction costs and bond principal and interest. These funds, which are not available for general purposes, are classified as assets limited as to use in the accompanying consolidated balance sheets. In addition, the bond agreements require maintenance of certain debt service coverage ratios, limit additional borrowings, and require compliance with various other restrictive covenants.

In May 2012, the Obligated Group issued its WHEFA Series 2012 Revenue Bonds with a total principal value of $169,475 and a net premium of $11,030. The proceeds from the WHEFA Series 2012 Revenue Bonds were used to refund previous bonds, and finance costs of acquiring, constructing, renovating, and equipping its facilities. The WHEFA Series 2012 Revenue Bonds were issued with fixed rates that range from 4.38% to 5.00% at June 30, 2019. Principal payments are due annually with final payment due in June 2039.

The Series 2016 and 2012 Bonds are secured by mortgages for the hospitals in the Obligated Group along with future revenues of the Obligated Group.

In December 2014, the Corporation entered into a $10,000 lease line of credit agreement for medical equipment. The credit line may be accessed for a period of one year with rental factors determined at the time of each equipment acquisition. As of June 30, 2019, the Corporation has no outstanding balance on this line of credit.

Scheduled payments of principal on long-term debt at June 30, 2019, including current maturities, are summarized as follows:

2020	$	3,175
2021		3,612
2022		12,570
2023		13,180
2024		13,850
Thereafter		592,639
Total	$	639,026

Note 9: Retirement Plans

The Corporation has a defined benefit noncontributory retirement plan (Mercy Pension) which covers employees of MHSC, MAC, and MHH who work more than 1,000 hours annually, in addition to meeting certain eligibility requirements as specified in the plan document. The plan was frozen effective December 31, 2016. The participation in the plan and the plan's benefits were frozen as of the effective date and benefits ceased to accrue for plan participants resulting in a curtailment at December 31, 2016. Due to the plan being frozen, a settlement expense was triggered resulting in an acceleration of the recognition of prior service costs. All assets of the plan are held in a separate bank-administered trust. The funding policy is to contribute amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 (ERISA), as determined by an actuary. The Corporation contributed $3,500 to the plan in 2019 and 2018. The Corporation expects to incur income of $1,934 for fiscal year 2020.

The Corporation also sponsors a noncontributory defined benefit pension plan (Rockford Pension) which covered substantially all full-time employees and regular part-time employees of JBH, RFPH, RMDF and VNA until the plan was frozen in 2003. At that time, employees either elected to stay within the defined benefit pension plan or opt into the defined contribution plan. No new participants were allowed to join the plan after 2003. Effective March 19, 2012, the plan's benefits were frozen and benefits ceased to accrue for plan participants resulting in a curtailment at December 31, 2011. Pension benefits are determined based upon employee earnings, social security benefits, covered compensation, and years of service. The funding policy is to contribute annually the amount required to be funded under provisions of ERISA, as determined by an actuary. The Corporation contributed $0 and $2,735 to the defined benefit pension plan in 2019 and 2018, respectively. The Corporation expects to incur income of $539 for fiscal year 2020.

Defined Benefit Post Retirement Medical Plan

The Corporation sponsors a post retirement medical plan with plan changes that were effective January 1, 2004. The defined benefit post retirement medical plan provides medical benefits for salaried and non-salaried employees of JBH and RHPH hired before January 1, 2004. The post retirement medical plan is noncontributory and is unfunded, other than amounts resulting from the timing of deposits to pay benefits. The Corporation recognizes the expected cost of these post retirement benefits during the years the employees render service. Post retirement benefit expense is allocated among the participating entities as determined by an actuary. The expected expense in fiscal year 2019 is anticipated to be minimal for this plan.

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 9: Retirement Plans (Continued)

The following table provides further information about the plans as of and for the years ended June 30:

	Mercy Pension		Rockford Pension		Post Retirement Medical	
	2019	2018	2019	2018	2019	2018
Change in accumulated in benefit obligation:						
Accumulated benefit obligation at beginning of period	$ 123,195	$ 132,580	$ 81,848	$ 92,851	$ 5,716	$ 4,115
Service cost	-	-	-	-	557	257
Interest cost	4,852	4,842	3,058	3,128	212	112
Settlements	-	-	-	(9,461)	-	-
Benefits paid	(12,640)	(11,688)	(10,204)	(1,076)	(703)	(627)
Actuarial (gains) losses	13,027	(2,539)	9,827	(3,594)	252	1,859
Accumulated benefit obligation at end of period	128,434	123,195	84,529	81,848	6,034	5,716
Change in assets:						
Fair value of assets at beginning of period	117,265	119,238	73,766	77,784	-	-
Actual return on assets	9,133	6,215	5,909	3,784	-	-
Employer contributions	3,500	3,500	-	2,735	703	627
Settlements	-	-	-	(9,461)	-	-
Benefits paid	(12,640)	(11,688)	(10,204)	(1,076)	(703)	(627)
Fair value of assets at end of period	117,258	117,265	69,471	73,766	-	-
Funded status	$ (11,176)	$ (5,930)	$ (15,058)	$ (8,082)	$ (6,034)	$ (5,716)
Accumulated benefit obligation at end of period	$ 128,434	$ 123,195	$ 84,529	$ 81,848	$ 6,034	$ 5,716

92

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 9: Retirement Plans (Continued)

Amounts recognized in the accompanying consolidated balance sheets at June 30, consisted of the following:

	Mercy Pension		Rockford Pension		Post Retirement Medical	
	2019	2018	2019	2018	2019	2018
Current liability - Other accrued expenses	$ -	$ -	$ -	$ -	$ 599	$ 555
Long-term liability - Pension obligations	11,176	5,930	15,058	8,082	5,435	5,161
Total	$ 11,176	$ 5,930	$ 15,058	$ 8,082	$ 6,034	$ 5,716
Total net assets:						
Prior service cost	$ -	$ -	$ -	$ -	$ -	$ 69
Net actuarial loss	30,849	23,079	26,597	22,333	2,606	3,318
Total amount recognized in net assets	$ 30,849	$ 23,079	$ 26,597	$ 22,333	$ 2,606	$ 3,387

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 9: Retirement Plans (Continued)

Pension expense for 2019 and 2018 was comprised of the following:

	Mercy Pension		Rockford Pension		Post Retirement Medical	
	2019	2018	2019	2018	2019	2018
Pension expense:						
Service cost	$ -	$ -	$ -	$ -	$ 557	$ 257
Interest cost	4,852	4,842	3,058	3,128	212	112
Expected return on assets	(6,925)	(7,960)	(3,775)	(4,223)	-	-
Amortization of prior service cost	-	-	-	-	(69)	(141)
Amortization of unrecognized actuarial (gain) loss	303	299	524	624	(459)	(945)
Settlement charges	2,746	2,041	2,904	2,889	-	-
Total pension expense (income)	976	(778)	2,711	2,418	241	(717)
Other changes in assets and benefit obligations recognized in other changes in net assets:						
Net actuarial loss (gain)	10,819	(794)	7,693	(3,155)	253	1,859
Amortization of unrecognized actuarial (loss) gain	(303)	(299)	(524)	(624)	459	945
Recognition due to settlements	(2,746)	(2,041)	(2,904)	(2,889)	-	-
Amortization of prior service cost	-	-	-	-	69	141
Total recognized in other changes in net assets	7,770	(3,134)	4,265	(6,668)	781	2,945
Total recognized as pension expense and other changes in net assets	$ 8,746	$ (3,912)	$ 6,976	$ (4,250)	$ 1,022	$ 2,228

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 9: Retirement Plans (Continued)

Weighted average assumptions used at June 30, 2019 and 2018, the measurement dates, in developing the projected benefit obligation are as follows:

	Mercy Pension		Rockford Pension		Post Retirement Medical	
	2019	2018	2019	2018	2019	2018
Discount rate for obligation	3.30 %	4.20 %	3.40 %	4.00 %	2.85 %	3.90 %
Discount rate for net periodic cost (July 1 - September 30)	4.20 %	3.75 %	4.00 %	3.50 %	3.90 %	2.95 %
Discount rate for net periodic cost (October 1 - December 31)	4.25 %	3.75 %	4.05 %	3.45 %	3.90 %	2.95 %
Discount rate for net periodic cost (January 1 - March 31)	3.85 %	3.95 %	3.60 %	3.35 %	3.90 %	2.95 %
Discount rate for net periodic cost (April 1 - June 30)	3.30 %	3.95 %	3.40 %	3.75 %	3.90 %	2.95 %
Expected long-term return on plan assets	5.75 %	6.00 %	5.75 %	5.62 %	N/A	N/A

To develop the expected long-term rate of return on assets assumptions, the Corporation considered the historical returns and future expectations for returns in each asset class, as well as targeted allocation percentages within the plans' portfolios.

The Corporation intends to provide an appropriate range of investment options that span the risk/return spectrum. The investment options allow for an investment portfolio consistent with the plans' circumstances, goals, time horizons, and tolerance for risk. The pension plans' asset allocations are as follows at June 30:

	Mercy Pension		Rockford Pension	
	2019	2018	2019	2018
Asset category:				
Cash equivalents	1 %	2 %	5 %	4 %
Equity securities, equity mutual funds, and equity limited partnerships	-	-	-	40
Fixed income, fixed income mutual funds, and intermediate and short-term fixed funds	-	-	-	56
Common trust funds:				
Fixed income	57	57	55	-
Domestic equity	18	18	26	-
International equity	19	18	14	-
International real estate	5	5	-	-
Total	100 %	100 %	100 %	100 %

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 9: Retirement Plans (Continued)

The following tables set forth by level, within the fair value hierarchy, the Corporation's plan assets at fair value as of June 30:

2019	Level 1	Level 2	Level 3	Total
Cash equivalents	$ -	$ 4,713	$ -	$ 4,713
Mutual funds:				
Equity	-	-	-	-
Fixed income	-	-	-	-
Common trust funds using NAV as an expedient:				
Fixed income (b)				105,102
Domestic equity (c)				39,000
International equity (d)				31,822
International real estate (e)				6,092
Total	$ -	$ 4,713	$ -	$ 186,729

2018	Level 1	Level 2	Level 3	Total
Cash equivalents	$ -	$ 4,907	$ -	$ 4,907
Marketable equity securities	10,967	-	-	10,967
Mutual funds:				
Equity	14,663	-	-	14,663
Fixed income	5,774	-	-	5,774
U.S. government and agency obligations	-	6,154	-	6,154
Corporate obligations	-	10,879	-	10,879
Limited Partnerhip - International equities	-	3,483	-	3,483
Intermediate and short-term fixed income funds using NAV as an expedient (a)				18,832
Common trust funds using NAV as an expedient:				
Fixed income (b)				66,548
Domestic equity (c)				21,629
International equity (d)				21,169
International real estate (e)				6,026
Total	$ 31,404	$ 25,423	$ -	$ 191,031

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 9: Retirement Plans (Continued)

(a) Invests in a variety of intermediate and short-term bonds or asset-backed securities. The objective is to add value through overlooked or inefficiently priced issues.

(b) Invests primarily in high yield, high-risk debt securities. The objective is to achieve a high level of current income by investing in a diversified portfolio of debt securities.

(c) See Note 5

(d) Invests in the SSgA Daily MSCI ACWI ex USA Index Non-Lending Fund, which directly or indirectly invests in securities of foreign companies included in the MSCI ACWI Ex-U.S. Index. The objective is to replicate the total return of the MSCI ACWI Ex-U.S. Index.

(e) Invests primarily in companies engaged in the real estate industry. The objective is to outperform, over an extended period of time, broad measures of the global real estate securities market.

The Corporation expects to contribute $7,000 to the pension plans and $599 to the postretirement medical benefit plan in fiscal 2020.

Benefit payments are expected to be paid as follows:

	Mercy Pension	Rockford Pension	Post Retirement Medical
2020	$ 12,431	$ 9,433	$ 599
2021	11,022	6,342	711
2022	10,123	6,026	750
2023	9,804	5,803	798
2024	9,616	5,810	784
Years 2025 through 2029	43,259	25,847	4,101

The Corporation also participates in various defined contribution plans covering substantially all employees. The Corporation recognized expense of $19,150 and $22,329 in 2019 and 2018, respectively, related to these plans.

The Corporation also sponsors deferred compensation programs covering certain physicians, officers, and other highly compensated individuals. Investments designated for deferred compensation and corresponding liabilities totaled approximately $66,600 and $58,700 at June 30, 2019 and 2018, respectively, and are included in the accompanying consolidated balance sheets as assets limited as to use and deferred compensation liability.

Mercy Health Corporation

Notes to Consolidated Financial Statements (In Thousands)

Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2019	2018
Restricted for donor purposes:		
Educational programs	$ 447	$ 413
Care for the indigent	1,324	1,113
Capital purchases	9	9
Other purposes	1,313	1,174
Restricted as to time	12,941	12,048
Restricted in perpetuity, earnings from which to be used for the following:		
Care for the indigent	3,225	3,006
Education and other purposes	5,433	5,413
Total	$ 24,692	$ 23,176

Note 11: Patient Service Revenue

The composition of patient care service revenue based on service lines and payors of the Corporation for the years ended June 30, are as follows:

	2019		
	Inpatient	Outpatient	Total
Payors:			
Medicare	$ 107,575	$ 188,922	$ 296,497
Medicaid	58,606	66,277	124,883
Other third-party payors	136,248	436,700	572,948
Uninsured patients	3,780	31,679	35,459
Total	$ 306,209	$ 723,578	$ 1,029,787

	2018		
	Inpatient	Outpatient	Total
Payors:			
Medicare	$ 111,347	$ 184,986	$ 296,333
Medicaid	78,644	60,973	139,617
Other third-party payors	105,880	397,249	503,129
Uninsured patients	5,912	26,773	32,685
Total	$ 301,783	$ 669,981	$ 971,764

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 11: Patient Service Revenue (Continued)

The Corporation's practice is to assign a patient to the primary payor and not reflect other secondary insurance or patient responsibility balances such as copays and deductibles as self-pay. Therefore, the payors listed above contain patient responsibility components.

Note 12: Insurance

The Corporation has established a professional liability self-insurance program for Illinois hospitals, clinics, and physicians on a claims-made basis. Insurance coverage provides for a self-insured limit of $3,000 for each incident with up to a $9,000 aggregate limit each year. The Corporation retains the first of $1,000 of self-insurance exposure for each incident with the next $2,000 layer covered by RHIL. Excess professional liability insurance is purchased from multiple third-party carriers to provide coverage above the self-insured and captive layers.

MHSC, MHH, and MAC purchase separate professional liability insurance for Wisconsin hospital, clinic, and physician claims. Insurance coverage is provided up to $1,000 per medical incident and $3,000 per policy year. The entities retain the first $250 per medical incident and have a $750 annual aggregate deductible limit. Coverage for any loss amounts in excess of these amounts is maintained through mandatory participation in the Wisconsin Injured Patients and Families Compensation Fund.

The Corporation has provided reserves for potential professional liability claims for services provided to patients through June 30, 2019, which have not yet been asserted.

The internally designated investments and self-insurance reserves recorded in the accompanying consolidated balance sheets at June 30, were as follows:

	2019	2018
Assets:		
Current portion of assets limited as to use	$ 8,000	$ 8,000
Internally designated assets limited as to use	63,010	59,301
Total	$ 71,010	$ 67,301
Liabilities:		
Other accrued expenses	$ 8,000	$ 8,000
Accrued liabilities under self-insurance program	61,151	64,834
Total	$ 69,151	$ 72,834

The Corporation has self-funded health benefit plans covering substantially all of it employees and their dependents. A liability of $5,566 and $9,648 for estimated claims, including claims incurred but not yet reported, has been recorded in other accrued expenses in the accompanying consolidated balance sheets as of June 30, 2019 and 2018, respectively.

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 13: Functional Expenses

The Corporation provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, 2019 are as follows:

	Health Care Services	General and Administrative	Fund-raising	Total
Salaries and wages	$ 476,283	$ 97,797	$ 173	$ 574,253
Employee benefits	61,673	13,089	62	74,824
Professional fees and purchased services	97,762	18,842	186	116,790
Supplies	154,348	36,270	15	190,633
Utilities	10,684	2,325	-	13,009
Other	70,972	16,350	1,010	88,332
Depreciation and amortization	50,208	10,685	-	60,893
Interest	15,927	3,509	-	19,436
Total	$ 937,857	$ 198,867	$ 1,446	$ 1,138,170

The financial statements report certain categories of expenses that are attributable to one or more supporting functions of the Corporation. Salaries and wages, employee benefits, professional fees and purchased services, supplies, utilites, and other expenses are allocated by function based on the department assigned. Depreciation and interest are allocated based on square footage.

Note 14: Liquidity

As part of Corporation's liquidity management, it invests cash in excess of daily requirements in a variety of investment vehicles. These funds, included in expansion and capital improvments within assets limited as to use, are considered available for operational or capital needs. Though these funds, at the discretion of the Board of Directors, could be released immediately, these funds are not considered available under the Corporation's liquidity management. At June 30, 2019, the balance of these funds was $554,509.

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled debt service payments, and capital items, were as follows:

Financial assets:	
Cash and cash equivalents	$ 121,878
Patient accounts receivable - Net	217,762
Total	$ 339,640

Mercy Health Corporation
Notes to Consolidated Financial Statements (In Thousands)

Note 15: Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to credit risk consist principally of accounts receivable and cash deposits in excess of insured limits in financial institutions.

The mix of receivables from patients and third-party payors is a follows at June 30:

	2019	2018
Medicare	27 %	26 %
Medicaid	24	25
Other third-party payors	41	33
Patients	8	16
Total	100 %	100 %

The Corporation maintains depository relationships with area financial institutions that exceeded federally insured limits at June 30, 2019 and 2018. The Corporation regularly monitors cash balances along with the financial condition of the financial institutions to minimize this potential risk.

Note 16: Reclassification

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 classifications.

WIPFLi LLP

Independent Auditor's Report on Supplementary Information

Board of Directors
Mercy Health Corporation
Rockford, Illinois

We have audited the consolidated financial statements of Mercy Health Corporation ("the Corporation") as of and for the years ended June 30, 2019 and 2018, and our report thereon dated August 13, 2019, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheets, statements of operations, and statements of changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Wipfli LLP

Wipfli LLP
Milwaukee, Wisconsin

August 13, 2019

Mercy Health Corporation

Consolidating Balance Sheet (In Thousands)

June 30, 2019

Assets	Mercy Health Corporation	Mercy Health System Corporation	Javon Bea Hospital	Rockford Health Physicians	Elimination	Obligated Group	Non-Obligated Group	Elimination	Consolidated
Current assets:									
Cash and cash equivalents	$ 6,763	$ 84,336	$ 16,508	$ 336	$ -	$ 107,943	$ 13,935	$ -	121,878
Patient accounts receivable - Net	-	102,538	96,271	14,982	-	213,791	9,908	(5,937)	217,762
Supplies	-	13,443	16,853	806	-	31,102	2,009	-	33,111
Prepaid expenses	-	5,984	2,375	(169)	-	8,190	193	-	8,383
Current portion of assets limited as to use	-	-	8,000	-	-	8,000	1,264	-	9,264
Other receivables	-	3,900	5,855	2,132	-	11,887	7,542	(838)	18,591
Due from related party	391	3,905	7,734	4,919	(11,383)	5,566	38	(5,604)	-
Total current assets	7,154	214,106	153,596	23,006	(11,383)	386,479	34,889	(12,379)	408,989
Assets limited as to use, less current portion	420,489	109,815	133,350	12,160	-	675,814	55,929	-	731,743
Property and equipment - Net	-	247,285	516,364	93,576	-	857,225	13,482	-	870,707
Other assets:									
Due from related parties, less current portion	704,085	-	-	-	(697,733)	6,352	-	(6,352)	-
Investment in affiliates and joint ventures	-	17,277	10,339	-	-	27,616	-	(16,529)	11,087
Other	-	-	5,794	1,399	-	7,193	13,550	(5,191)	15,552
Total other assets	704,085	17,277	16,133	1,399	(697,733)	41,161	13,550	(28,072)	26,639
TOTAL ASSETS	$ 1,131,728	$ 588,483	$ 819,443	$ 130,141	$ (709,116)	$ 1,960,679	$ 117,850	$ (40,451)	$ 2,038,078

1 of 3

ATTACHMENT 33

#19-056

Mercy Health Corporation

Consolidating Balance Sheet (In Thousands) (Continued)

June 30, 2019

Liabilities and Net Assets	Mercy Health Corporation	Mercy Health System Corporation	Javon Bea Hospital	Rockford Health Physicians	Elimination	Obligated Group	Non-Obligated Group	Elimination	Consolidated
Current liabilities:									
Current maturities of long-term debt	$ 3,045	$ 130	$ -	$ -	$ -	$ 3,175	$ -	$ -	$ 3,175
Accounts payable	8	16,715	16,490	3,881	-	37,094	3,034	(838)	39,290
Due to third-party payors	-	2,886	22,158	-	-	25,044	1,322	-	26,366
Accrued salaries, wages, and payroll taxes	(262)	36,973	20,547	6,721	-	63,979	3,440	-	67,419
Other accrued expenses	2,569	11,481	7,405	4,418	-	25,873	26,174	(5,937)	46,110
Due to related parties	9,324	105	1,881	34	(11,383)	(39)	5,643	(5,604)	-
Total current liabilities	14,684	68,290	68,481	15,054	(11,383)	155,126	39,613	(12,379)	182,360
Long-term liabilities:									
Long-term debt, less current maturities	701,293	(1,432)	(3,280)	-	-	696,581	(55)	-	696,526
Accrued liabilities under self-insurance program	-	17,120	23,050	17,770	-	57,940	3,211	-	61,151
Deferred compensation	-	51,279	3,045	12,160	-	66,484	-	-	66,484
Pension obligations	-	11,176	13,336	1,306	-	25,818	416	-	26,234
Accrued postretirement medical benefits	-	-	4,725	605	-	5,330	105	-	5,435
Other liabilities	-	-	991	160	-	1,151	100	-	1,251
Due to related parties, less current portion	-	181,636	516,106	-	(697,733)	9	6,343	(6,352)	-
Total long-term liabilities	701,293	259,779	557,973	32,001	(697,733)	853,313	10,120	(6,352)	857,081
Total liabilities	715,977	328,069	626,454	47,055	(709,116)	1,008,439	49,733	(18,731)	1,039,441
Net assets:									
Without donor restrictions	415,751	260,414	180,647	83,086	-	939,898	50,576	(16,529)	973,945
With donor restrictions	-	-	12,342	-	-	12,342	17,541	(5,191)	24,692
Total net assets	415,751	260,414	192,989	83,086	-	952,240	68,117	(21,720)	998,637
TOTAL LIABILITIES AND NET ASSETS	$ 1,131,728	$ 588,483	$ 819,443	$ 130,141	$ (709,116)	$ 1,960,679	$ 117,850	$ (40,451)	$ 2,038,078

See Independent Auditor's Report on Supplementary Information.

104

ATTACHMENT 33

#19-056

Mercy Health Corporation

Consolidating Statement of Operations (In Thousands)

Year Ended June 30, 2019

	Mercy Health Corporation	Mercy Health System Corporation	Javon Bea Hospital	Rockford Health Physicians	Elimination	Obligated Group	Non-Obligated Group	Elimination	Consolidated
Revenue:									
Patient service revenue	-	593,201	388,720	101,339	(37,902)	1,045,358	54,209	(69,780)	1,029,787
Premium revenue	-	-	-	-	-	-	105,487	-	105,487
Other operating revenue (expense)	-	(335)	24,193	53,524	(63,427)	13,955	3,564	(370)	17,149
Total revenue	-	592,866	412,913	154,863	(101,329)	1,059,313	163,260	(70,150)	1,152,423
Expenses:									
Salaries and wages	-	287,623	135,004	124,345	3,088	550,060	24,193	-	574,253
Employee benefits	3,238	63,080	27,287	16,603	(38,375)	71,833	4,013	(22)	75,824
Professional fees and purchased services	42	45,288	88,492	39,663	(66,309)	107,176	10,197	(583)	116,790
Medical claims and capitation payments	-	-	-	-	-	-	98,061	(69,245)	28,816
Medical supplies, other supplies, and drugs	34	116,964	57,274	8,178	-	182,450	8,255	(72)	190,633
Insurance	14	4,270	1,630	4,312	-	10,226	712	-	10,938
Provider tax assessment	-	10,233	12,242	-	-	22,475	781	-	23,256
Other	121	3,565	16,830	3,715	267	24,498	13,061	(228)	37,331
Depreciation and amortization	-	26,096	26,218	6,130	-	58,444	2,449	-	60,893
Interest	33	8,237	10,861	-	-	19,131	305	-	19,436
Total expenses	3,482	565,356	375,838	202,946	(101,329)	1,046,293	162,027	(70,150)	1,138,170
Income (loss) from operations	(3,482)	27,510	37,075	(48,083)	-	13,020	1,233	-	14,253
Nonoperating income (expense):									
Other	-	(4,529)	13,362	(251)	-	8,582	186	3,584	12,352
Investment income - Net	21,214	1,990	9,544	-	-	32,748	2,833	-	35,581
Total nonoperating income (expense) - Net	21,214	(2,539)	22,906	(251)	-	41,330	3,019	3,584	47,933
Excess (deficiency) of revenue over expenses	17,732	24,971	59,981	(48,334)	-	54,350	4,252	3,584	62,186
Other changes in net assets without donor restrictions:									
Changes in pension obligations other than pension expense and postretirement medical benefit adjustment	-	(7,795)	(4,739)	(81)	-	(12,615)	(201)	-	(12,816)
Transfers (to) from affiliates	-	6,132	(95,134)	95,134	-	6,132	(6,132)	-	-
Other	-	25	(410)	-	-	(385)	20	387	22
Increase in net assets without donor restrictions	$ 17,732	$ 23,333	$ (40,302)	$ 46,719	$ -	$ 47,482	$ (2,061)	$ 3,971	$ 49,392

See Independent Auditor's Report on Supplementary Information.

/DS

ATTACHMENT 33

#19-056

Mercy Health Corporation

Consolidating Statement of Changes in Net Assets (In Thousands)

Year Ended June 30, 2019

	Mercy Health Corporation	Mercy Health System Corporation	Javon Bea Hospital	Rockford Health Physicians	Elimination	Obligated Group	Non-Obligated Group	Elimination	Consolidated
Net assets without donor restrictions:									
Excess (deficiency) of revenue over expenses	$ 17,732	$ 24,971	$ 59,981	$ (48,334)	$ -	$ 54,350	$ 4,252	$ 3,584	$ 62,186
Changes in pension obligations other than pension expense and postretirement medical benefit adjustment	-	(7,795)	(4,739)	(81)	-	(12,615)	(201)	-	(12,816)
Transfers (to) from affiliates	-	6,132	(95,134)	95,134	-	6,132	(6,132)	-	-
Other	-	25	(410)	-	-	(385)	20	387	22
Increase (decrease) in net assets without donor restrictions	17,732	23,333	(40,302)	46,719	-	47,482	(2,061)	3,971	49,392
Net assets with donor restrictions:									
Contributions	-	-	-	-	-	-	535	-	535
Investment income - Net	-	-	601	-	-	601	173	-	774
Net change in beneficial interest in trusts	-	-	725	-	-	725	355	(725)	355
Net assets released from restriction	-	-	-	-	-	-	(148)	-	(148)
Increase in net assets with donor restrictions	-	-	1,326	-	-	1,326	915	(725)	1,516
Change in net assets	17,732	23,333	(38,976)	46,719	-	48,808	(1,146)	3,246	50,908
Net assets at beginning	398,019	237,081	231,965	36,367	-	903,432	69,263	(24,966)	947,729
Net assets at end	$ 415,751	$ 260,414	$ 192,989	$ 83,086	$ -	$ 952,240	$ 68,117	$ (21,720)	$ 998,637

See Independent Auditor's Report on Supplementary Information.

106

ATTACHMENT 33

#19-056

Mercy Health Corporation

Consolidating Balance Sheet (In Thousands)

June 30, 2018

Assets	Mercy Health Corporation	Mercy Health System Corporation	Javon Bea Hospital	Rockford Health Physicians	Elimination	Obligated Group	Non-Obligated Group	Elimination	Consolidated
Current assets:									
Cash and cash equivalents	$ 3,387	$ 102,936	$ 70,868	$ 1,180	$ -	$ 178,371	$ 16,988	$ -	$ 195,359
Patient accounts receivable - Net	-	104,992	56,034	14,778	-	175,804	10,071	(10,382)	175,493
Supplies	-	13,648	8,176	783	-	22,607	1,885	-	24,492
Prepaid expenses	14	5,203	2,859	180	-	8,256	185	-	8,441
Current portion of assets limited as to use	-	-	8,000	-	-	8,000	821	-	8,821
Other receivables	-	4,000	16,237	1,618	-	21,855	8,603	(2,914)	27,544
Due from related party	2,415	10,470	1,173	561	(12,531)	2,088	(86)	(2,002)	-
Total current assets	5,816	241,249	163,347	19,100	(12,531)	416,981	38,467	(15,298)	440,150
Assets limited as to use, less current portion	401,475	53,979	256,056	9,453	-	720,963	53,111	-	774,074
Property and equipment - Net	-	258,321	437,486	51,223	-	747,030	13,682	-	760,712
Other assets:									
Due from related parties, less current portion	712,563	-	-	-	(705,550)	7,013	-	(7,013)	-
Investment in affiliates and joint ventures	-	20,901	10,799	-	-	31,700	-	(20,500)	11,200
Other	-	-	5,356	1,401	-	6,757	13,195	(4,466)	15,486
Total other assets	712,563	20,901	16,155	1,401	(705,550)	45,470	13,195	(31,979)	26,686
TOTAL ASSETS	$ 1,119,854	$ 574,450	$ 873,044	$ 81,177	$ (718,081)	$ 1,930,444	$ 118,455	$ (47,277)	$ 2,001,622

ATTACHMENT 33

#19-056

Mercy Health Corporation

Consolidating Balance Sheet (In Thousands) (Continued)

June 30, 2018

Liabilities and Net Assets	Mercy Health Corporation	Mercy Health System Corporation	Javon Bea Hospital	Rockford Health Physicians	Elimination	Obligated Group	Non-Obligated Group	Elimination	Consolidated
Current liabilities:									
Current maturities of long-term debt	$ 5,125	$ 864	$ 511	$ -	$ -	$ 6,500	$ -	$ -	$ 6,500
Accounts payable	95	16,789	25,169	3,165	-	45,218	2,243	(1,138)	46,323
Due to third-party payors	-	2,957	21,875	-	-	24,832	2,817	-	27,649
Accrued salaries, wages, and payroll taxes	-	38,544	20,235	11,461	-	70,240	3,332	-	73,572
Other accrued expenses	2,590	19,876	9,094	4,082	-	35,642	27,062	(10,344)	52,360
Due to related parties	6,160	20	6,321	-	(12,531)	(30)	2,032	(2,002)	-
Total current liabilities	13,970	79,050	83,205	18,708	(12,531)	182,402	37,486	(13,484)	206,404
Long-term liabilities:									
Long-term debt, less current maturities	707,865	(1,468)	(3,455)	-	-	702,942	(66)	-	702,876
Accrued liabilities under self-insurance program	-	20,923	26,582	14,948	-	62,453	4,195	(1,814)	64,834
Deferred compensation	-	46,434	2,816	9,453	-	58,703	-	-	58,703
Pension obligations	-	5,930	7,294	583	-	13,807	205	-	14,012
Accrued postretirement medical benefits	-	-	4,011	956	-	4,967	194	-	5,161
Other liabilities	-	-	1,567	162	-	1,729	174	-	1,903
Due to related parties, less current portion	-	186,500	519,059	-	(705,550)	9	7,004	(7,013)	-
Total long-term liabilities	707,865	258,319	557,874	26,102	(705,550)	844,610	11,706	(8,827)	847,489
Total liabilities	721,835	337,369	641,079	44,810	(718,081)	1,027,012	49,192	(22,311)	1,053,893
Net assets:									
Without donor restrictions	398,019	237,081	220,949	36,367	-	892,416	52,637	(20,500)	924,553
With donor restrictions	-	-	11,016	-	-	11,016	16,626	(4,466)	23,176
Total net assets	398,019	237,081	231,965	36,367	-	903,432	69,263	(24,966)	947,729
TOTAL LIABILITIES AND NET ASSETS	$ 1,119,854	$ 574,450	$ 873,044	$ 81,177	$ (718,081)	$ 1,930,444	$ 118,455	$ (47,277)	$ 2,001,622

See Independent Auditor's Report on Supplementary Information.

ATTACHMENT 33

#19-056

Mercy Health Corporation

Consolidating Statement of Operations (In Thousands)

Year Ended June 30, 2018

	Mercy Health Corporation	Mercy Health System Corporation	Javon Bea Hospital	Rockford Health Physicians	Elimination	Obligated Group	Non-Obligated Group	Elimination	Consolidated
Revenue:									
Patient service revenue	-	584,757	357,865	88,445	(36,588)	994,479	47,146	(69,861)	971,764
Premium revenue	-	-	-	-	-	-	99,609	-	99,609
Other operating revenue (expense)	-	(134)	29,425	53,738	(62,992)	20,037	3,419	(415)	23,041
Total revenue	-	584,623	387,290	142,183	(99,580)	1,014,516	150,174	(70,276)	1,094,414
Expenses:									
Salaries and wages	-	280,181	118,278	112,757	2,772	513,988	22,230	-	536,218
Employee benefits	3,131	65,941	25,621	12,625	(36,972)	70,346	4,300	(21)	74,625
Professional fees and purchased services	31	43,069	85,471	41,038	(65,636)	103,973	8,959	(253)	112,679
Medical claims and capitation payments	-	-	-	-	-	-	91,351	(69,368)	21,983
Medical supplies, other supplies, and drugs	4	116,485	57,382	7,150	-	181,021	7,192	(360)	187,853
Insurance	14	7,819	(2,797)	(975)	-	4,061	887	-	4,948
Provider tax assessment	-	9,189	14,418	-	-	23,607	624	-	24,231
Other	122	5,791	16,089	3,036	256	25,294	10,848	(274)	35,868
Depreciation and amortization	-	26,382	17,302	5,230	-	48,914	2,583	-	51,497
Interest	63	8,451	2,490	-	-	11,004	336	-	11,340
Total expenses	3,365	563,308	334,254	180,861	(99,580)	982,208	149,310	(70,276)	1,061,242
Income (loss) from operations	(3,365)	21,315	53,036	(38,678)	-	32,308	864	-	33,172
Nonoperating income (expense):									
Other	-	1,009	(641)	(59)	-	309	618	(336)	591
Investment income	26,433	62	9,160	-	-	35,655	3,065	-	38,720
Total nonoperating income (expense)	26,433	1,071	8,519	(59)	-	35,964	3,683	(336)	39,311
Excess (deficiency) of revenue over expenses	23,068	22,386	61,555	(38,737)	-	68,272	4,547	(336)	72,483
Other changes in net assets without donor restrictions:									
Changes in pension obligations other than pension expense and postretirement medical benefit adjustment	-	3,134	3,692	(30)	-	6,796	61	-	6,857
Transfers (to) from affiliates	-	-	(50,685)	50,685	-	-	-	-	-
Other	-	-	(465)	-	-	(465)	-	441	(24)
Increase in net assets without donor restrictions	$ 23,068	$ 25,520	$ 14,097	$ 11,918	$ -	$ 74,603	$ 4,608	$ 105	$ 79,316

See Independent Auditor's Report on Supplementary Information.

109

ATTACHMENT 33

#19-056

Mercy Health Corporation

Consolidating Statement of Changes in Net Assets (In Thousands)

Year Ended June 30, 2018

	Mercy Health Corporation	Mercy Health System Corporation	Javon Bea Hospital	Rockford Health Physicians	Elimination	Obligated Group	Non-Obligated Group	Elimination	Consolidated
Net assets without donor restrictions:									
Excess (deficiency) of revenue over expenses	$ 23,068	$ 22,386	$ 61,555	$ (38,737)	$ -	$ 68,272	$ 4,547	$ (336)	$ 72,483
Changes in pension obligations other than pension expense and postretirement medical benefit adjustment	-	3,134	3,692	(30)	-	6,796	61	-	6,857
Transfers (to) from affiliates	-	-	(50,685)	50,685	-	-	-	-	-
Other	-	-	(465)	-	-	(465)	-	441	(24)
Increase in net assets without donor restrictions	23,068	25,520	14,097	11,918	-	74,603	4,608	105	79,316
Net assets with donor restrictions:									
Contributions	-	-	-	-	-	-	518	-	518
Investment income - Net	-	-	325	-	-	325	136	-	461
Net change in beneficial interest in trusts	-	-	428	-	-	428	-	(428)	-
Net assets released from restriction	-	-	-	-	-	-	(411)	-	(411)
Increase in net assets with donor restrictions	-	-	753	-	-	753	243	(428)	568
Change in net assets	23,068	25,520	14,850	11,918	-	75,356	4,851	(323)	79,884
Net assets at beginning	374,951	211,561	217,115	24,449	-	828,076	64,412	(24,643)	867,845
Net assets at end	$ 398,019	$ 237,081	$ 231,965	$ 36,367	$ -	$ 903,432	$ 69,263	$ (24,966)	$ 947,729

See Independent Auditor's Report on Supplementary Information.

110

ATTACHMENT 33

#19-056

#19-056

Mercyhealth
A passion for making lives better.

Corporate Office
3401 N Perryville Rd Ste 303
Rockford, IL 61114
MercyHealthSystem.org

November 13, 2019

Illinois Health Facilities and Services Review Board
525 West Jefferson Street
Springfield, Illinois 61114

To Whom It May Concern:

The proposed financing of the project addressed in this Certificate of Need application is reasonable and appropriate.

The total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received receipts and funded depreciation.

Sincerely,

James Nemeth
Vice President, Finance/CFO-Physician Services

Subscribed and sworn to before me this
13th day of November, 2019.

Priscilla Kay Abbott
Notary Public

OFFICIAL SEAL
PRISCILLA KAY ABBOTT
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Jan. 04, 2020

ATTACHMENTS 36

///

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	Cost/Sq. Ft.		DGSF		DGSF		New Const. $	Modernization $	Total Costs
	New	Mod.	New	Circ.	Mod.	Circ.	(A x C)	(B x E)	(G + H)
Reviewable									
Subacute Patient Unit		$ 275.00			11,875			$ 3,265,625	$ 3,265,625
PT/OT/Speech Therapy		$ 275.00			575			$ 158,125	$ 158,125
					12,450			$ 3,423,750	$ 3,423,750
Contingency		$ 20.00						$ 249,000	$ 249,000
		$ 295.00						$ 3,672,750	$ 3,672,750
Non-Reviewable									
none									
PROJECT TOTAL		$ 295.00			12,450			$ 3,672,750	$ 3,672,750

112

ATTACHMENT 36

#19-056

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

Javon Bea Hospital*

2nd Year Following Project Completion

Projected Adj. Pt. Days:	718,606,000	
	11,083	64,837

Year 2 OPERATING COST per ADJUSTED PATIENT DAY (Subacute Care Unit)

Salaries & Benefits		$2,483,074
Medical Supplies		$80,752
		$2,563,826
per Adjusted Patient Day:	$	39.54

Year 2 OPERATING COST per ADJUSTED PATIENT DAY (Javon Bea Hospital)

Salaries & Benefits		$118,899,000
Medical Supplies		$399,090,000
		$517,989,000
per Adjusted Patient Day:	$	7,989.14

YEAR 2 CAPITAL COST per ADJUSTED PATIENT DAY (Javon Bea Hospital)

Interest, Dep. & Amort	$	58,832,000
per Patient Day:	$	907.39

*Javon Bea Hospital Rockton-Avenue Campus and Javon Bea Hospital-Riverside Campus

SAFETY NET IMPACT STATEMENT

The proposed project, that being the establishment of a subacute care unit, will have no negative impact on safety net services provided by Javon Bea Hospital or though its parent, Mercy Health Corporation, nor will it have any impact on the community's safety net services.

Through the proposed project, the applicants are further supporting their commitment to the West Side of Rockford.

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	33
2	Site Ownership	35
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	36
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	37
5	Flood Plain Requirements	38
6	Historic Preservation Act Requirements	40
7	Project and Sources of Funds Itemization	41
8	Financial Commitment Document if required	
9	Cost Space Requirements	42
10	Discontinuation	
11	Background of the Applicant	43
12	Purpose of the Project	46
13	Alternatives to the Project	49
14	Size of the Project	51
15	Project Service Utilization	53
16	Unfinished or Shell Space	
17	Assurances for Unfinished/Shell Space	
	Service Specific:	
18	LTC-Unnecessary Duplication/Maldistribution	56
19	LTC-Staffing	60
20	LTC-Bed Capacity	61
21	LTC-Community Related Functions	62
22	Cardiac Catheterization	
23	LTC-Zoning	63
24	LTC-Assurances	64
25	Selected Organ Transplantation	
26	Kidney Transplantation	
27	Subacute Care Hospital Model	
28	Community-Based Residential Rehabilitation Center	
29	Long Term Acute Care Hospital	
30	Clinical Service Areas Other than Categories of Service	
31	Freestanding Emergency Center Medical Services	
32	Birth Center	
	Financial and Economic Feasibility:	
33	Availability of Funds	65
34	Financial Waiver	
35	Financial Viability	
36	Economic Feasibility	111
37	Safety Net Impact Statement	31 &114
38	Charity Care Information	32