

Original

12-096

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

## SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION NOV 21 2012

This Section must be completed for all projects.

HEALTH FACILITIES &  
SERVICES REVIEW BOARD**Facility/Project Identification**

Facility Name: Silver Cross Emergicare Center (Frankfort)		
Street Address: Corner of 93 <sup>rd</sup> Avenue & US Route 30		
City and Zip Code: Frankfort, Illinois 60432		
County: Will	Health Service Area: 009	Health Planning Area: 009

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

Exact Legal Name: Silver Cross Hospital & Medical Centers
Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
Name of Registered Agent: Paul Pawlak
Name of Chief Executive Officer: Paul Pawlak
CEO Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
Telephone Number: (815) 300-4965

**Type of Ownership of Applicant/Co-Applicant**

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

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

**Facility/Project Identification**

Facility Name: Silver Cross Emergicare Center (Frankfort)		
Street Address: Corner of 93 <sup>rd</sup> Avenue & US Route 30		
City and Zip Code: Frankfort, Illinois 60432		
County: Will	Health Service Area: 009	Health Planning Area: 009

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

Exact Legal Name: Silver Cross Health System
Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
Name of Registered Agent: Edward Green, Foley & Lardner LLP
Name of Chief Executive Officer: Paul Pawlak
CEO Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
Telephone Number: (815) 300-4965

**Type of Ownership of Applicant/Co-Applicant**

<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental	
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- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

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

**Primary Contact**

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

Name: Edward J. Green, Esq.
Title: Attorney
Company Name: Foley & Lardner LLP
Address: 321 North Clark Street, Suite 2800, Chicago, Illinois 60654
Telephone Number: (312) 832-4375
E-mail Address: <a href="mailto:egreen@foley.com">egreen@foley.com</a>
Fax Number: (312) 832-4700

**Additional Contact**

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

Name: Ruth Colby	
Title: Senior Vice President, Chief Strategy Officer	
Company Name: Silver Cross Hospital & Medical Centers	
Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451	
Telephone Number: (815) 300-7002	
E-mail Address: <a href="mailto:rcolby@silvercross.org">rcolby@silvercross.org</a>	
Fax Number: (815) 300-7047	

**Additional Contact**

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

Name: Sara Jackson	
Title: Director, Business Intelligence	
Company Name: Silver Cross Hospital & Medical Centers	
Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451	
Telephone Number: (815) 300-7544	
E-mail Address: <a href="mailto:sjackson@silvercross.org">sjackson@silvercross.org</a>	
Fax Number: (815) 300-7047	

**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: Sara Jackson
Title: Director, Business Intelligence
Company Name: Silver Cross Hospital & Medical Centers
Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
Telephone Number: (815) 300-7544
E-mail Address: sjackson@silvercross.org
Fax Number: (815) 300-7047

**Site Ownership**

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Silver Cross Hospital & Medical Centers
Address of Site Owner: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
Street Address or Legal Description of Site: Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.
APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Operating Identity/Licensee**

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name: Silver Cross Hospital & Medical Centers
Address: 1900 Silver Cross Boulevard, New Lenox, Illinois 60451
<input checked="" type="checkbox"/> Non-profit Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> For-profit Corporation <input type="checkbox"/> Governmental <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other
<ul style="list-style-type: none"> <li>o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.</li> <li>o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.</li> <li>o <b>Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.</b></li> </ul>
APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Organizational Relationships**

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Flood Plain Requirements**

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at [www.FEMA.gov](http://www.FEMA.gov) or [www.illinoisfloodmaps.org](http://www.illinoisfloodmaps.org). **This map must be in a readable format.** In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 (<http://www.hfsrb.illinois.gov>).

APPEND DOCUMENTATION AS ATTACHMENT -5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Historic Resources Preservation Act Requirements**

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**DESCRIPTION OF PROJECT****1. Project Classification**

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

<p>Part 1110 Classification:</p> <p><input checked="" type="checkbox"/> Substantive</p> <p><input type="checkbox"/> Non-substantive</p>	<p>Part 1120 Applicability or Classification: [Check one only.]</p> <p><input type="checkbox"/> Part 1120 Not Applicable</p> <p><input type="checkbox"/> Category A Project</p> <p><input checked="" type="checkbox"/> Category B Project</p> <p><input type="checkbox"/> DHS or DVA Project</p>
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## 2. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms, NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Silver Cross Health System (the "Health System") and Silver Cross Hospital and Medical Centers (the "Hospital," collectively with the Health System, the "Applicants" or "Silver Cross") seek authority from the Illinois Health Facilities & Services Review (the "Board") to establish a freestanding emergency center (the "FEC") at the corner of 93<sup>rd</sup> Avenue and U.S. Route 30 in Frankfort, Illinois (the "Project").

The FEC will be built according to hospital building standards (i.e., I-2 occupancy standards), as required by Section 518 of the Illinois Administrative Code, and will occupy 10,102 gross square feet of space. The FEC will contain four treatment rooms and will offer limited imaging services. The FEC will operate 24 hours per day, 7 days per week.

Pursuant to Section 32.5(a) of the Emergency Medical Services (EMS) Systems Act, 210 ILCS 50/32.5(a), (the "EMS Act"), the FEC will not hold itself out to the public as a full service hospital or a hospital emergency department, rather it will be marketed as the "Silver Cross EmergiCare Center." The FEC will: (1) offer comprehensive emergency treatment services; (2) provide on site ambulance services staffed with paramedics 24 hours per day, 7 days per week; and (3) maintain a fully integrated communications system with Silver Cross Hospital (the FEC's Resource Hospital). The FEC will become operational upon its licensure as a freestanding emergency center by the Illinois Department of Public Health ("IDPH").

### **Project Costs**

The total cost of the Project will be \$8,755,385.

### **Project Classification**

Pursuant to Section 1110.40(b) of the Illinois Administrative Code, the Project is considered Substantive because the development of the FEC constitutes the establishment of a new category of service. The Project is subject to review under Section 1100 and Section 1120 of the Illinois Administrative Code.

**Project Costs and Sources of Funds**

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

<b>Project Costs and Sources of Funds</b>			
<b>USE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Preplanning Costs	24,040	25,960	50,000
Site Survey and Soil Investigation	12,020	12,980	25,000
Site Preparation	736,874	795,726	1,532,600
Off Site Work			
New Construction Contracts	1,727,335	1,865,291	3,592,626
Modernization Contracts			
Contingencies	172,733	186,529	359,262
Architectural/Engineering Fees	205,493	221,906	427,399
Consulting and Other Fees	60,100	64,900	125,000
Movable or Other Equipment (not in construction contracts)	2,365,823	277,675	2,643,498
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>5,304,418</b>	<b>3,450,967</b>	<b>8,755,385</b>
<b>SOURCE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Cash and Securities	5,304,418	3,450,967	8,755,385
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>5,304,418</b>	<b>3,450,967</b>	<b>8,755,385</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

**Related Project Costs**

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

Land acquisition is related to project	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Purchase Price: \$	_____	
Fair Market Value: \$	_____	
The project involves the establishment of a new facility or a new category of service		
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, provide the dollar amount of all <b>non-capitalized</b> operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.		
Estimated start-up costs and operating deficit cost is <u>\$466,000</u> .		

**Project Status and Completion Schedules**

Indicate the stage of the project's architectural drawings:	
<input type="checkbox"/> None or not applicable	<input type="checkbox"/> Preliminary
<input checked="" type="checkbox"/> Schematics	<input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>January 31, 2015</u>	
Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):	
<input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed.	
<input type="checkbox"/> Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies	
<input checked="" type="checkbox"/> Project obligation will occur after permit issuance.	
APPEND DOCUMENTATION AS <u>ATTACHMENT-8</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

**State Agency Submittals**

Are the following submittals up to date as applicable: <u>Yes. All reports have been submitted.</u>
<input type="checkbox"/> Cancer Registry
<input type="checkbox"/> APORS
<input type="checkbox"/> All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
<input type="checkbox"/> All reports regarding outstanding permits
<b>Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.</b>

**Cost Space Requirements**

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
<b>REVIEWABLE</b>							
Freestanding Emergency Center (Clinical Portions)			4,857	4,857			
<b>NON REVIEWABLE</b>							
Freestanding Emergency Center (Non Clinical Portions)			5,245	5,245			
<b>TOTAL</b>			<b>10,102</b>	<b>10,102</b>			

APPEND DOCUMENTATION AS ATTACHMENT-9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Facility Bed Capacity and Utilization**

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available**. Include **observation days in the patient day totals for each bed service**. Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

<b>FACILITY NAME: Silver Cross Hospital**</b>		<b>CITY: 1900 Silver Cross Blvd., New Lenox, Illinois</b>			
<b>REPORTING PERIOD DATES: From: 10/01/2011 to: 9/30/2012</b>					
<b>Category of Service</b>	<b>Authorized Beds</b>	<b>Admissions</b>	<b>Patient Days</b>	<b>Bed Changes</b>	<b>Proposed Beds</b>
Medical/Surgical	185	11,325	48,795	0	185
Obstetrics	30	2,084	5,440	0	30
Pediatrics	8	302	1,103	0	8
Intensive Care	22	984	4,344	0	22
Comprehensive Physical Rehabilitation	24	437	5,388	0	24
Acute/Chronic Mental Illness	20	583	3,601	0	20
Neonatal Intensive Care	0	0	0	0	0
General Long Term Care	0	0	0	0	0
Specialized Long Term Care	0	0	0	0	0
Long Term Acute Care	0	0	0	0	0
Other (identify)	0	0	0	0	0
<b>TOTALS:</b>	<b>289</b>	<b>15,715</b>	<b>68,671</b>	<b>0</b>	<b>289</b>

\*\*Silver Cross moved from its Joliet Campus to its New Lenox Campus on February 26, 2012.

**CERTIFICATION**

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

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

**This Application for Permit is filed on the behalf of Silver Cross Hospital & Medical Centers\* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.**

  
SIGNATURE

  
SIGNATURE

Paul Pawlak  
PRINTED NAME

William Brownlow  
PRINTED NAME

President & CEO  
PRINTED TITLE

Senior VP Finance/CFO  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 8 day of November 2012

Notarization:  
Subscribed and sworn to before me  
this 8 day of November 2012

  
Signature of Notary

  
Signature of Notary



\*Insert EXACT legal name of the applicant

**CERTIFICATION**

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

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

**This Application for Permit is filed on the behalf of Silver Cross Health Systems\* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.**



SIGNATURE



SIGNATURE

Paul Pawlak

PRINTED NAME

William Brownlow

PRINTED NAME

President & CEO

PRINTED TITLE

Senior VP Finance/CFO

PRINTED TITLE

Notarization:

Subscribed and sworn to before me  
this 8 day of November 2012

Notarization:

Subscribed and sworn to before me  
this 8 day of November 2012



Signature of Notary



Signature of Notary



\*Insert EXACT legal name of the applicant

### SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

#### Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

##### BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

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

##### PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate.**

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

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

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

**ALTERNATIVES**

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

Alternative options **must** include:

- A) Proposing a project of greater or lesser scope and cost;
  - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
  - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
  - D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**
- 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

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

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

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

READ THE REVIEW CRITERION and provide the following information:

**SIZE OF PROJECT:**

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

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

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

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

**PROJECT SERVICES UTILIZATION:**

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

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

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

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

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

**UNFINISHED OR SHELL SPACE:**

Provide the following information:

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

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

**ASSURANCES:**

Submit the following:

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

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

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

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

Service	# Existing Key Rooms	# Proposed Key Rooms
<input type="checkbox"/>		
<input type="checkbox"/>		
<input type="checkbox"/>		

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

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
New Services or Facility or Equipment	(b) -	Need Determination - Establishment
Service Modernization	(c)(1) -	Deteriorated Facilities
		and/or
	(c)(2) -	Necessary Expansion
		PLUS
	(c)(3)(A) -	Utilization - Major Medical Equipment
		Or
	(c)(3)(B) -	Utilization - Service or Facility
<b>APPEND DOCUMENTATION AS ATTACHMENT-37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>		

**S. Freestanding Emergency Center Medical Services**

These criteria are applicable only to those projects or components of projects involving the freestanding emergency center medical services (FECMS) category of service.

**A. Criterion 1110.3230 – ESTABLISHMENT OF FREESTANDING EMERGENCY CENTER (MEDICAL SERVICES)**

Read the criterion and provide the following information:

1. Utilization – Provide the projected number of patient visits per day for each treatment station in the FEC based upon 24-hour availability, including an explanation of how the projection was determined.
2. The identification of the municipality of the FEC and FECMS and the municipality's population as reported by the most recently available U.S. Census Bureau data.
3. The identification of the hospital that owns or controls the FEC and the distance of the proposed FEC from that hospital, including an explanation of how that distance was calculated.
4. The identification of the Resource Hospital affiliated with the FEC, the distance of the proposed FEC from that Resource Hospital, (including an explanation of how that distance was calculated), and identification of that Resource Hospital's EMS system, including certification of the hospital's Resource Hospital status.
5. Certification signed by two authorized representative(s) of the applicant entity(s) that they have reviewed, understand and plan to comply with both of the following requirements:
  - A) The requirements of becoming a Medicare provider of freestanding emergency services; and
  - B) The requirements of becoming licensed under the Emergency Medical Services Systems Act [210 ILCS 50/32.5].
6. Area Need; Service to Area Residents - Document the proposed service area and projected patient volume for the proposed FEC:
  - A) Provide a map of the proposed service area, indicating the boundaries of the service area, and the total minutes travel time from the proposed site, indicating how the travel time was calculated.
  - B) Provide a list of the projected patient volume for the proposed FEC, categorized by zip code. Indicate what percentage of this volume represents residents from the proposed FEC's service area.
  - C) Provide either of the following:
    - a) Provide letters from authorized representatives of hospitals, or other FEC facilities, that are part of the Emergency Medical Services System (EMSS) for the defined service area, that contain patient origin information by zip code, (each letter shall contain a certification by the authorized representative that the representations contained in the letter are true and correct. A complete set of the letters with original notarized signatures shall accompany the application for permit), or
    - b) Patient origin information by zip code from independent data sources  
(e.g., Illinois Hospital Association CompData or IDPH hospital discharge data), based upon the patient's legal residence, for patients receiving services in the existing service area's facilities' emergency departments (EDs), verifying that at least 50% of the ED patients

**Freestanding Emergency Center Medical Services  
(continued)**

served during the last 12-month period were residents of the service area.

7. Area Need; Service Demand – Historical Utilization
  - A) Provide the annual number of ED patients that have received care at facilities that are located in the FEC's service area for the latest two-year period prior to submission of the application
  - B) Provide the estimated number of patients anticipated to receive services at the proposed FEC, including an explanation of how the projection was determined.
  
8. Area Need; Service Accessibility - Document the following (using supporting documentation as specified in accordance with the requirements of 77 IAC 1110.3230(b)(4)(B) Supporting Documentation):
  - i) The absence of the proposed ED service within the service area;
  - ii) The area population and existing care system exhibit indicators of medical care problems,
  - iii) All existing emergency services within the 30-minute normal travel time meet or exceed the utilization standard specified in 77 IAC 1100.
  
9. Unnecessary Duplication - Document that the project will not result in an unnecessary duplication by providing the following information:
  - A) A list of all zip code areas (in total or in part) that are located 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 population); and
  - C) The names and locations of all existing or approved health care facilities located within 30 minutes normal travel time from the project site that provide emergency medical services.
  
10. Unnecessary Maldistribution - Document that the project will not result in maldistribution of services by documenting the following:
  - A) Historical utilization (for the latest 12-month period prior to submission of the application) for existing ED departments within 30 minutes travel time of the applicant's site that is below the utilization standard established pursuant to 77 IAC 1100.800; or
  - B) Insufficient population to provide the volume or caseload necessary to utilize the ED services proposed by the project at or above utilization standards.
  
11. Unnecessary Duplication/Maldistribution – Document that, within 24 months after project completion, the proposed project will not lower the utilization of other service area providers below, or further below, the utilization standards specified in 77 Ill. Adm. Code 1100 (using supporting documentation in accordance with the requirements of 77 IAC 1110.3230(c)(4)).
  
12. Staffing Availability - Document that a sufficient supply of personnel will be available to staff the service (in accordance with the requirements of 1110.3230(e)).

**B. Criterion 1110.3230 – EXPANSION OF EXISTING FREESTANDING EMERGENCY CENTER MEDICAL SERVICES**

Read the criterion and provide the following information:

1. The identification of the municipality of the FEC and FECMS and the municipality's population as reported by the most recently available U.S. Census Bureau data.

**Freestanding Emergency Center Medical Services  
(continued)**

2. The identification of the hospital that owns or controls the FEC and the distance of the proposed FEC from that hospital, including an explanation of how that distance was calculated.
3. The identification of the Resource Hospital affiliated with the FEC, the distance of the proposed FEC from that Resource Hospital, (including an explanation of how that distance was calculated), and identification of that Resource Hospital's EMS system, including certification of the hospital's Resource Hospital status.
4. Provide copies of Medicare and EMS licensure, in addition to certification signed by two authorized representative(s) of the applicant entity(s), indicating that the existing FEC complies with both of the following requirements:
  - A) The requirements of being a Medicare provider of freestanding emergency services; and
  - B) The requirements of being licensed under the Emergency Medical Services Systems Act [210 ILCS 50/32.5].
5. Area Need; Service to Area Residents - Document the proposed service area and projected patient volume for the expanded FEC:
  - A) Provide a map of the proposed service area, indicating the boundaries of the service area, and the total minutes travel time from the expanded FEC, indicating how the travel time was calculated.
  - B) Provide a list of the historical (latest 12-month period) patient volume for the existing FEC, categorized by zip code, based on the patient's legal residence. Indicate what percentage of this volume represents residents from the existing FEC's service area, based on patient's legal residence.
6. Staffing Availability - Document that a sufficient supply of personnel will be available to staff the service (in accordance with the requirements of 1110.3230(e)).

**C. Criterion 1110.3230 – MODERNIZATION OF EXISTING FREESTANDING EMERGENCY CENTER MEDICAL SERVICES) CATEGORY OF SERVICE**

Read the criterion and provide the following information:

1. The historical number of visits (based on the latest 12-month period) for the existing FEC.
2. The identification of the municipality of the FEC and FECMS and the municipality's population as reported by the most recently available U.S. Census Bureau data.
3. The identification of the hospital that owns or controls the FEC and the distance of the proposed FEC from that hospital, including an explanation of how that distance was calculated.
4. The identification of the Resource Hospital affiliated with the FEC, the distance of the proposed FEC from that Resource Hospital, (including an explanation of how that distance was calculated), and identification of that Resource Hospital's EMS system, including certification of the hospital's Resource Hospital status.
5. Provide copies of Medicare and EMS licensure, in addition to certification signed by two authorized representative(s) of the applicant entity(s), indicating that the existing FEC complies with both of the following requirements:
  - A) The requirements of being a Medicare provider of freestanding emergency services; and
  - B) The requirements of being licensed under the Emergency Medical Services Systems Act [210 ILCS 50/32.5].

**Freestanding Emergency Center Medical Services  
(continued)**

6. Category of Service Modernization - Document that the existing treatment 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; high cost of maintenance, non-compliance with licensing or life safety codes, changes in standards of care, or additional space for diagnostic or therapeutic purposes. Documentation shall include the most recent IDPH Centers for Medicare and Medicaid Services (CMMS) Inspection reports, and Joint Commission on Accreditation of Healthcare Organizations reports. Other documentation shall include the following, as applicable to the factors cited in the application; copies of maintenance reports, copies of citations for life safety code violations, and other pertinent reports and data.

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

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

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

**VIII. - 1120.120 - Availability of Funds**

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

<b><u>\$8,755,385</u></b>	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.
<b><u>\$8,755,385</u></b>	<b>TOTAL FUNDS AVAILABLE</b>	

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

**IX. 1120.130 - Financial Viability**

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

**Financial Viability Waiver**

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-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

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

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

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

2. Variance

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

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

**X. 1120.140 - Economic Feasibility**

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

**A. Reasonableness of Financing Arrangements**

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

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
  - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
  - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

**B. Conditions of Debt Financing**

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

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

**C. Reasonableness of Project and Related Costs**

Read the criterion and provide the following:

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

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

**D. Projected Operating Costs**

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

**E. Total Effect of the Project on Capital Costs**

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

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

**XI. Safety Net Impact Statement**

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

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

**Safety Net Impact Statements shall also include all of the following:**

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

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

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			
Charity (cost In dollars)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			

Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

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

**XII. Charity Care Information**

Charity Care information MUST be furnished for ALL projects.

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

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

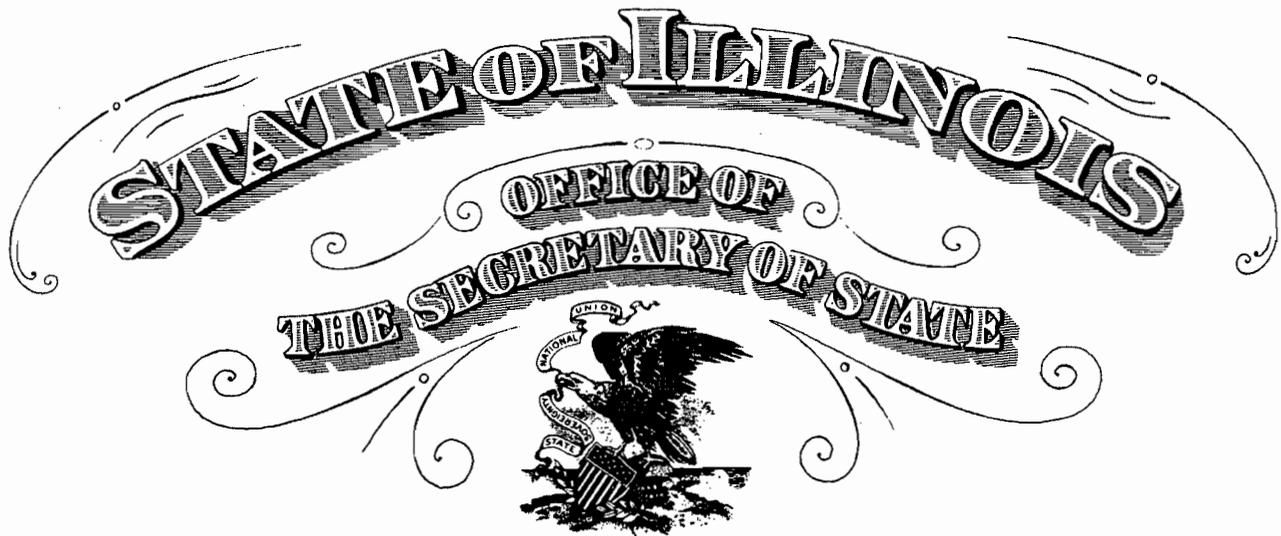
A table in the following format must be provided for all facilities as part of Attachment 44.

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

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

**Section I**  
**Attachment 1**  
**Applicant Identification**

The Certificates of Good Standing for Silver Cross Hospital & Medical Centers (the "Hospital") and Silver Cross Health System (the "System," and collectively with the Hospital, the "Applicants" or "Silver Cross") are attached at ATTACHMENT 1.



*To all to whom these Presents Shall Come, Greeting:*

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

SILVER CROSS HOSPITAL AND MEDICAL CENTERS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 16, 1891, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



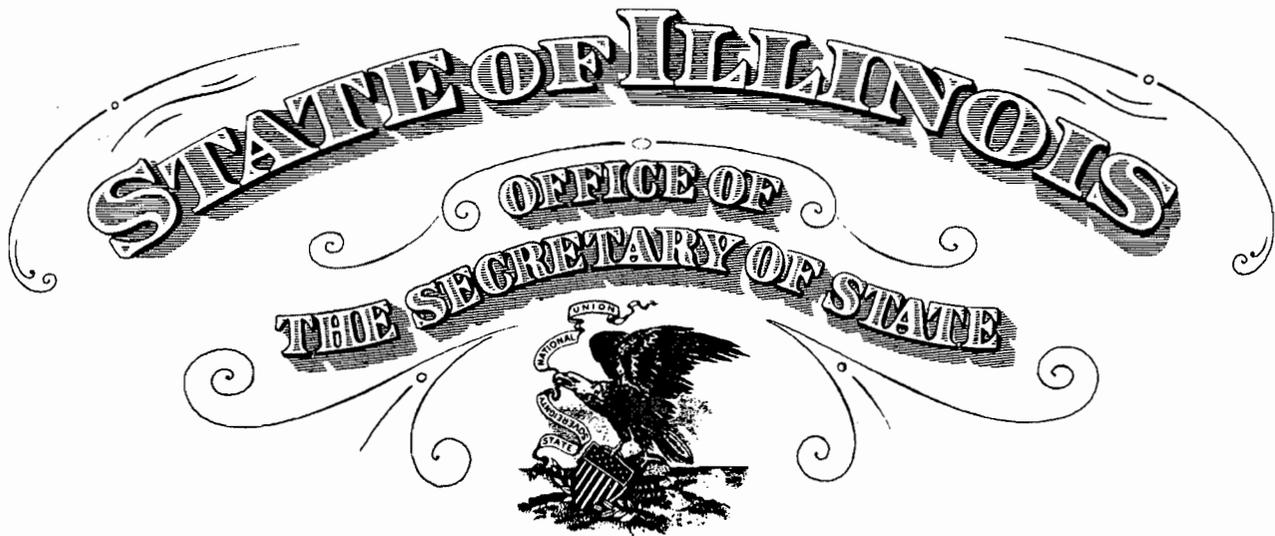
Authentication #: 1232400744

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

*In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 19TH day of NOVEMBER A.D. 2012 .*

*Jesse White*

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*

SILVER CROSS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 19, 1981, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1232400624

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

**In Testimony Whereof,** *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 19TH day of NOVEMBER A.D. 2012*

*Jesse White*

SECRETARY OF STATE

**Section I**  
**Attachment 2**  
**Site Ownership**

Silver Cross currently owns the site parcel (the "Site Parcel") upon which the FEC will sit. A Certification from William Brownlow setting forth Silver Cross' ownership in the Site Parcel and in support of this Criterion is attached at ATTACHMENT 2.

The legal description of the Site Parcel is as follows:

PARCEL 1:

THAT PART OF THE WEST FRACTION OF THE NORTHWEST FRACTIONAL QUARTER SOUTH OF THE INDIAN BOUNDARY LINE OF SECTION 23, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING WEST OF A LINE DRAWN FROM A POINT IN THE SOUTH LINE OF SAID WEST FRACTION OF THE NORTHWEST FRACTIONAL QUARTER THAT IS 330 FEET EAST OF THE SOUTHWEST CORNER THEREOF NORTH ACROSS SAID INDIAN BOUNDARY LINE TO A POINT THAT IS 3.32 CHAINS SOUTH AND 615.5 FEET EAST OF THE NORTHWEST CORNER OF THE NORTHWEST FRACTIONAL QUARTER NORTH OF THE INDIAN BOUNDARY LINE OF SECTION 23, AFORESAID; IN WILL COUNTY, ILLINOIS.

PARCEL 2:

THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER AND THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER NORTH AND SOUTH OF THE INDIAN BOUNDARY LINE OF SECTION 22, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN WILL COUNTY, ILLINOIS.

PARCEL 3:

THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER AND THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER NORTH AND SOUTH OF THE INDIAN BOUNDARY LINE OF SECTION 22, TOWNSHIP 35 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, EXCEPTING THEREFROM THAT PART CONVEYED TO THE PEOPLE OF THE STATE OF ILLINOIS, DEPARTMENT OF TRANSPORTATION BY TRUSTEE'S DEED RECORDED AS DOCUMENT R2005-172472, AND DESCRIBED AS FOLLOWS: THAT PART OF THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4 OF SECTION 22, TOWNSHIP 35 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING SOUTH OF THE INDIAN BOUNDARY LINE, DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHEAST CORNER OF THE SOUTHEAST 1/4 OF SAID NORTHEAST 1/4; THENCE NORTH 89 DEGREES 19 MINUTES 05 SECONDS WEST ALONG THE CENTER LINE OF LINCOLN HIGHWAY (U.S. ROUTE 30) 50.00 FEET TO A POINT OF BEGINNING; THENCE NORTH 89 DEGREES 19 MINUTES 05 SECONDS WEST, PARALLEL WITH SAID CENTER LINE, 351.29 FEET; THENCE NORTH 00 DEGREES 40 MINUTES 55 SECONDS EAST, AT RIGHT ANGLES TO SAID CENTER LINE, 42.04 FEET; THENCE SOUTH 89 DEGREES 19 MINUTES 05 SECONDS EAST, PARALLEL WITH SAID CENTER LINE, 201.29 FEET; THENCE NORTH 00 DEGREES 40 MINUTES 55 SECONDS EAST, AT RIGHT ANGLES TO SAID CENTER LINE, 20.00 FEET; THENCE SOUTH 89 DEGREES 19 MINUTES 05 SECONDS EAST, PARALLEL WITH SAID CENTER LINE, 150.00 FEET; THENCE SOUTH 00 DEGREES 40 MINUTES 55 SECONDS WEST, AT RIGHT ANGLES TO SAID CENTER LINE, 62.04 FEET TO THE POINT OF BEGINNING, IN WILL COUNTY, ILLINOIS.

PARCEL 4:

THAT PART OF THE SOUTHEAST QUARTER OF SECTION 22, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING NORTHWESTERLY OF THE INDIAN BOUNDARY LINE AND LYING NORTH OF THE CENTER LINE OF LINCOLN HIGHWAY, IN WILL COUNTY, ILLINOIS.

The Project will not encompass all of the land referenced above.

November 7, 2012

Mr. Michael Constantino  
Project Review Supervisor  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Re: Certification of Corporate Ownership of Site Parcel

Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, as follows:

1. Silver Cross Hospital and Medical Centers ("Silver Cross") owns the property located at the corner of 93<sup>rd</sup> Avenue and US Route 30 in Frankfort, Illinois (the "Site Parcel"), and legally described as follows:

PARCEL 1:

THAT PART OF THE WEST FRACTION OF THE NORTHWEST FRACTIONAL QUARTER SOUTH OF THE INDIAN BOUNDARY LINE OF SECTION 23, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING WEST OF A LINE DRAWN FROM A POINT IN THE SOUTH LINE OF SAID WEST FRACTION OF THE NORTHWEST FRACTIONAL QUARTER THAT IS 330 FEET EAST OF THE SOUTHWEST CORNER THEREOF NORTH ACROSS SAID INDIAN BOUNDARY LINE TO A POINT THAT IS 3.32 CHAINS SOUTH AND 615.5 FEET EAST OF THE NORTHWEST CORNER OF THE NORTHWEST FRACTIONAL QUARTER NORTH OF THE INDIAN BOUNDARY LINE OF SECTION 23, AFORESAID; IN WILL COUNTY, ILLINOIS.

PARCEL 2:

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PARCEL 3:

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ATTACHMENT  
2

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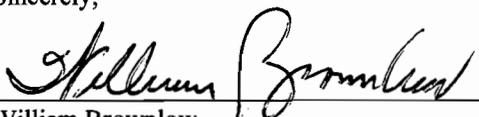
PARALLEL WITH SAID CENTER LINE, 201.29 FEET; THENCE NORTH 00 DEGREES 40 MINUTES 55 SECONDS EAST, AT RIGHT ANGLES TO SAID CENTER LINE, 20.00 FEET; THENCE SOUTH 89 DEGREES 19 MINUTES 05 SECONDS EAST, PARALLEL WITH SAID CENTER LINE, 150.00 FEET; THENCE SOUTH 00 DEGREES 40 MINUTES 55 SECONDS WEST, AT RIGHT ANGLES TO SAID CENTER LINE, 62.04 FEET TO THE POINT OF BEGINNING, IN WILL COUNTY, ILLINOIS.

PARCEL 4:

THAT PART OF THE SOUTHEAST QUARTER OF SECTION 22, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING NORTHWESTERLY OF THE INDIAN BOUNDARY LINE AND LYING NORTH OF THE CENTER LINE OF LINCOLN HIGHWAY, IN WILL COUNTY, ILLINOIS.

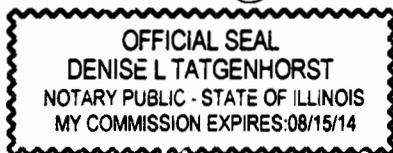
2. The proposed Silver Cross Emergicare Center in Frankfort, Illinois, will not encompass the entire Site Parcel referenced above.

Sincerely,

  
\_\_\_\_\_  
William Brownlow  
Senior Vice President/Finance  
Chief Financial Officer

SUBSCRIBED AND SWORN  
to before me this 8 day  
of November, 2012.

  
\_\_\_\_\_  
Notary Public



0033

**Section I**  
**Attachment 3**  
**Operating Entity/Licensee**

The Certificate of Good Standing for Silver Cross Hospital & Medical Centers is attached at ATTACHMENT 3.



**To all to whom these Presents Shall Come, Greeting:**

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

SILVER CROSS HOSPITAL AND MEDICAL CENTERS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 16, 1891, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1232400744

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

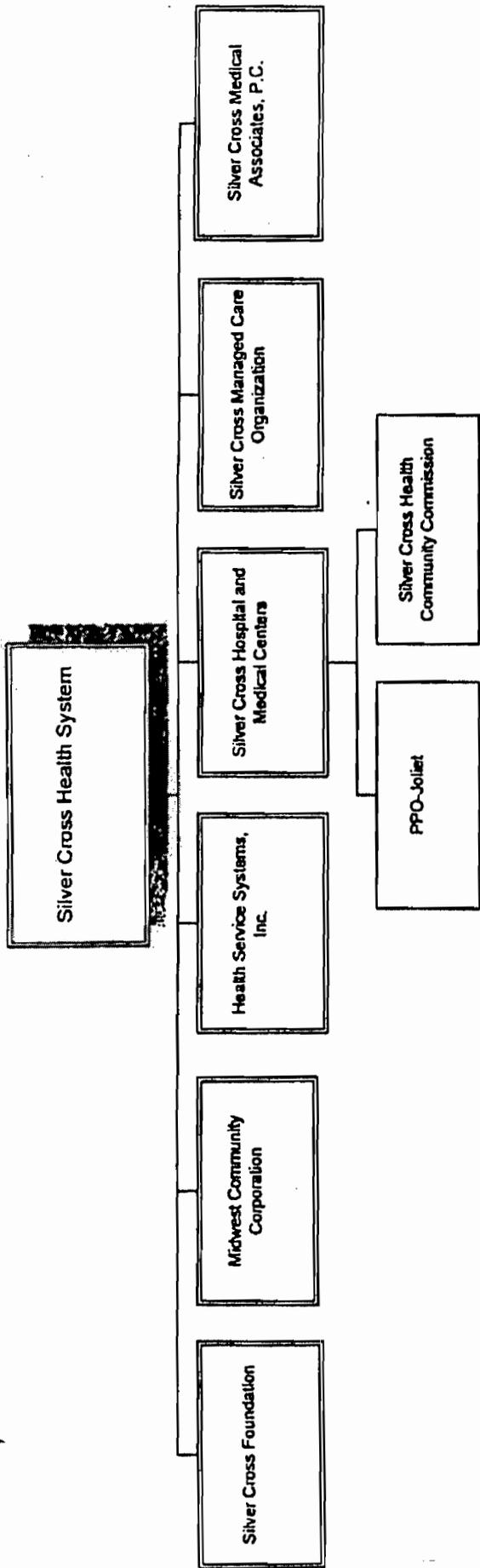
***In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 19TH day of NOVEMBER A.D. 2012 .***

*Jesse White*

SECRETARY OF STATE

**Section I**  
**Attachment 4**  
**Organizational Relationships**

The organizational chart for Silver Cross is attached at ATTACHMENT 4.



**Section I**  
**Attachment 5**  
**Flood Plain Requirements**

Attached at ATTACHMENT 5 is documentation from the Illinois Department of Natural Resources, Illinois State Water Survey, with respect to compliance with the Flood Plain requirements under Executive Order #5 (2006) (which superseded and replaced Executive Order #4 (1979)). An Affidavit from William Brownlow attesting to the fact that the Applicants will comply with Executive Order #5 (2006), to the extent Executive Order #5 (2006) is applicable, is also attached at ATTACHMENT 5.

ILLINOIS DEPARTMENT OF NATURAL RESOURCES  
OFFICE OF WATER RESOURCES  
2050 WEST STEARNS ROAD  
BARTLETT, IL 60103



# Illinois Department of Natural Resources

Rod R. Blagojevich, Governor

Sam Flood, Acting Director

July 28, 2006

Mr. Geoff Tryon  
Silver Cross Hospital  
1200 Maple Road  
Joliet, IL 60432

Dear Mr. Tryon:

Thank you for submitting the site plans and requesting a floodplain determination for the Medical Office Buildings located in the Village of Frankfort in order to ensure compliance with Illinois Executive Order 5.

In brief, Executive Order 5 requires that state agencies which plan, promote, regulate or permit activities, as well as those which administer grants or loans in the state's floodplain areas, must ensure that all projects meet the standards of the state floodplain regulations or the National Flood Insurance Program (NFIP) whichever is more stringent. These standards require that new or substantially improved buildings as well as other development activities be protected from damage by the 100-year flood. Furthermore Critical Facilities, which mean any facility which is critical to the health and welfare of the population and, if flooded, would create an added dimension to the disaster shall be located outside of the floodplain. Where this is not practicable, Critical Facilities shall be developed with the lowest floor elevation equal to or greater than the 500-year frequency flood elevation or structurally dry floodproofed to at least the 500-year frequency flood elevation. In addition, no construction activities in the floodplain may cause increases in flood heights or damages to other properties.

Based on the information you have provided, this parcel is located within a designated 100-year floodplain. Therefore, the parcel would fall under the floodplain development requirements of Executive Order 5.

If you have any questions, please contact me at 847-608-3100 ext. 2022 or email me at [John.Lentz@Illinois.gov](mailto:John.Lentz@Illinois.gov).

Sincerely,

John M. Lentz  
Floodplain Management Advisor

Enclosure: Executive Order 5



www.illinois.gov

State of Ill

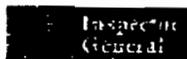
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**Governor's Executive Order**



**EXECUTIVE ORDER**

**NUMBER 5 (2006)**

**CONSTRUCTION ACTIVITIES IN SPECIAL FLOOD HAZARD AREAS**

**WHEREAS**, the State of Illinois has programs for the construction of buildings, facilities, roads, and other development projects and annually acquires and disposes of lands in floodplains; and

**WHEREAS**, federal financial assistance for the acquisition or construction of insurable structures in all Special Flood Hazard Areas requires State participation in the National Flood Insurance Program; and

**WHEREAS**, the Federal Emergency Management Agency has promulgated and adopted regulations governing eligibility of State governments to participate in the National Flood Insurance Program (44 C.F.R. 59-79), as presently enacted or hereafter amended, which requires that State development activities comply with specified minimum floodplain regulation criteria; and

**WHEREAS**, the Presidential Interagency Floodplain Management Review Committee has published recommendations to strengthen Executive Orders and State floodplain management activities;

**NOW THEREFORE**, , by virtue of the authority vested in me as Governor of the State of Illinois, it is hereby ordered as follows:

Mail Sta





1. For purpose of this Order:

A. "Critical Facility" means any facility which is critical to the health and welfare of the population and; if flooded, would create an added dimension to the disaster. Damage to these critical facilities can impact the delivery of vital services, can cause greater damage to other sectors of the community, or can put special populations at risk. The determination of Critical Facility will be made by each agency.

Examples of critical facilities where flood protection should be required include:  
Emergency Services Facilities (such as fire and police stations)  
Schools  
Hospitals  
Retirement homes and senior care facilities  
Major roads and bridges  
Critical utility sites (telephone switching stations or electrical transformers)  
Hazardous materials storage facilities (chemicals, petrochemicals, hazardous or toxic substances)

Examples of critical facilities where flood protection is recommended include:  
Sewage treatment plants  
Water treatment plants  
Pumping stations

B. "Development" or "Developed" means the placement or erection of structures (including manufactured homes) or earthworks; land filling, excavation or other alteration of the ground surface; installation of public utilities; channel modification; storage of materials or any other activity undertaken to modify the existing physical features of a floodplain.

C. "Flood Protection Elevation" means one foot above

the applicable base flood or 100-year frequency flood elevation.

- D. "Office of Water Resources" means the Illinois Department of Natural Resources, Office of Water Resources.
- E. "Special Flood Hazard Area" or "Floodplain" means an area subject to inundation by the base or 100-year frequency flood and shown as such on the most current Flood Insurance Rate Map published by the Federal Emergency Management Agency.
- F. "State Agencies" means any department, commission, board or agency under the jurisdiction of the Governor; any board, commission, agency or authority which has a majority of its members appointed by the Governor; and the Governor's Office.

2. All State Agencies engaged in any development within a Special Flood Hazard Area shall undertake such development in accordance with the following:

A. All development shall comply with all requirements of the National Flood Insurance Program (44 C.F.R. 59-79) and with all requirements of 92 Illinois Administrative Code Part 700 or 92 Illinois Administrative Code Part 708, whichever is applicable.

B. In addition to the requirements set forth in preceding Section A, the following additional requirements shall apply where applicable:

1. All new Critical Facilities shall be located outside of the floodplain. Where this is not practicable, Critical Facilities shall be developed with the lowest floor elevation equal to or greater than the 500-year frequency flood elevation or structurally dry floodproofed to at least the 500-year frequency flood elevation.

2. All new buildings shall be developed with the

State of Illinois - Rod Blagojevich, Governor

Page 4 of 5

lowest floor elevation equal to or greater than the Flood Protection Elevation or structurally dry floodproofed to at least the Flood Protection Elevation.

3. Modifications, additions, repairs or replacement of existing structures may be allowed so long as the new development does not increase the floor area of the existing structure by more than twenty (20) percent or increase the market value of the structure by fifty (50) percent, and does not obstruct flood flows. Floodproofing activities are permitted and encouraged, but must comply with the requirements noted above.
3. State Agencies which administer grants or loans for financing development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order.
4. State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order.
5. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.
6. The Office of Water Resources shall provide available flood hazard information to assist State Agencies in carrying out the responsibilities established by this Order. State Agencies which obtain new flood elevation, floodway, or encroachment data developed in conjunction with development or other activities covered by this Order shall submit such data to the Office of Water Resources for their review. If such flood hazard information is used in determining design

State of Illinois - Rod Blagojevich, Governor

Page 5 of 5

features or location of any State development, it must first be approved by the Office of Water Resources.

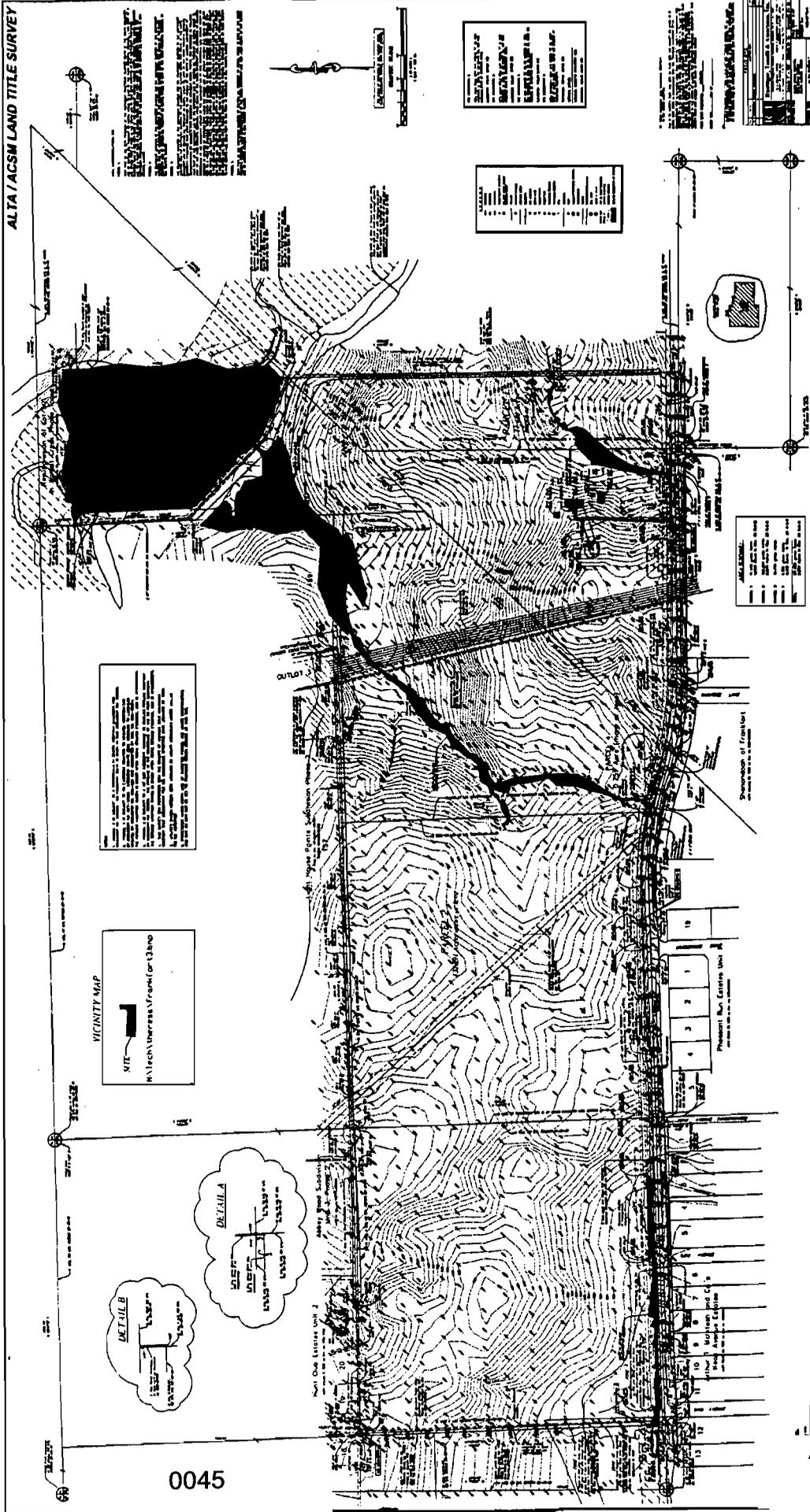
7. State Agencies shall work with the Office of Water Resources to establish procedures of such Agencies for effectively carrying out this Order.
8. Effective Date. This Order supersedes and replaces Executive Order Number 4 (1979) and shall take effect on the first day of.

Rod R. Blagojevich, Governor

Issued by Governor: March 7, 2006  
Filed with Secretary of State: March 7, 2006

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ALTA / ACSM LAND TITLE SURVEY



**VICINITY MAP**

**SITE**

811 Tech/Theresa Frankfort Blvd

**DETAIL B**

15.25' x 15.25'

15.25' x 15.25'

15.25' x 15.25'

**DETAIL A**

15.25' x 15.25'

15.25' x 15.25'

15.25' x 15.25'

0045



November 7, 2012

Mr. Michael Constantino  
Project Review Supervisor  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Re: Certification Re: Compliance with Illinois Executive Order #5

Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, as follows:

1. Silver Cross Hospital and Medical Centers ("Silver Cross") owns the property located at the corner of 93<sup>rd</sup> Avenue and US Route 30 in Frankfort, Illinois (the "Site Parcel"), and legally described as follows:

PARCEL 1:

THAT PART OF THE WEST FRACTION OF THE NORTHWEST FRACTIONAL QUARTER SOUTH OF THE INDIAN BOUNDARY LINE OF SECTION 23, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING WEST OF A LINE DRAWN FROM A POINT IN THE SOUTH LINE OF SAID WEST FRACTION OF THE NORTHWEST FRACTIONAL QUARTER THAT IS 330 FEET EAST OF THE SOUTHWEST CORNER THEREOF NORTH ACROSS SAID INDIAN BOUNDARY LINE TO A POINT THAT IS 3.32 CHAINS SOUTH AND 615.5 FEET EAST OF THE NORTHWEST CORNER OF THE NORTHWEST FRACTIONAL QUARTER NORTH OF THE INDIAN BOUNDARY LINE OF SECTION 23, AFORESAID; IN WILL COUNTY, ILLINOIS.

PARCEL 2:

THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER AND THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER NORTH AND SOUTH OF THE INDIAN BOUNDARY LINE OF SECTION 22, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN WILL COUNTY, ILLINOIS.

PARCEL 3:

THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER AND THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER AND THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER NORTH AND SOUTH OF THE INDIAN BOUNDARY LINE OF SECTION 22, TOWNSHIP 35 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, EXCEPTING THEREFROM THAT PART CONVEYED TO THE PEOPLE OF THE STATE OF ILLINOIS, DEPARTMENT OF TRANSPORTATION BY TRUSTEE'S DEED RECORDED AS

ATTACHMENT

5

0046

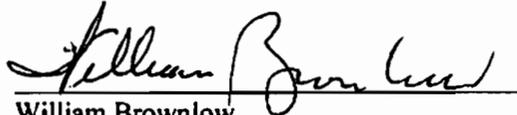
DOCUMENT R2005-172472, AND DESCRIBED AS FOLLOWS: THAT PART OF THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4 OF SECTION 22, TOWNSHIP 35 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING SOUTH OF THE INDIAN BOUNDARY LINE, DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHEAST CORNER OF THE SOUTHEAST 1/4 OF SAID NORTHEAST 1/4; THENCE NORTH 89 DEGREES 19 MINUTES 05 SECONDS WEST ALONG THE CENTER LINE OF LINCOLN HIGHWAY (U.S. ROUTE 30) 50.00 FEET TO A POINT OF BEGINNING; THENCE NORTH 89 DEGREES 19 MINUTES 05 SECONDS WEST, PARALLEL WITH SAID CENTER LINE, 351.29 FEET; THENCE NORTH 00 DEGREES 40 MINUTES 55 SECONDS EAST, AT RIGHT ANGLES TO SAID CENTER LINE, 42.04 FEET; THENCE SOUTH 89 DEGREES 19 MINUTES 05 SECONDS EAST, PARALLEL WITH SAID CENTER LINE, 201.29 FEET; THENCE NORTH 00 DEGREES 40 MINUTES 55 SECONDS EAST, AT RIGHT ANGLES TO SAID CENTER LINE, 20.00 FEET; THENCE SOUTH 89 DEGREES 19 MINUTES 05 SECONDS EAST, PARALLEL WITH SAID CENTER LINE, 150.00 FEET; THENCE SOUTH 00 DEGREES 40 MINUTES 55 SECONDS WEST, AT RIGHT ANGLES TO SAID CENTER LINE, 62.04 FEET TO THE POINT OF BEGINNING, IN WILL COUNTY, ILLINOIS.

PARCEL 4:

THAT PART OF THE SOUTHEAST QUARTER OF SECTION 22, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING NORTHWESTERLY OF THE INDIAN BOUNDARY LINE AND LYING NORTH OF THE CENTER LINE OF LINCOLN HIGHWAY, IN WILL COUNTY, ILLINOIS.

2. Silver Cross has reviewed and will comply with the development requirements of Illinois Executive Order #5 (2006), to the extent Illinois Executive Order #5 (2006) is applicable.

Sincerely,



William Brownlow  
Senior Vice President/Finance  
Chief Financial Officer

SUBSCRIBED AND SWORN  
to before me this 7 day  
of November, 2012.

  
Notary Public

**Section I**  
**Attachment 6**  
**Historic Resources Preservation Act Requirements**

Attached at ATTACHMENT 6 is documentation from the Illinois Historical Preservation Agency regarding compliance with the requirements of the Illinois Historic Resources Preservation Act.



**Illinois Historic  
Preservation Agency**

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • [www.illinois-history.gov](http://www.illinois-history.gov)

Will County  
Frankfort  
9000 W. Lincoln Hwy.  
IHFSRB  
CON - New Construction for Freestanding Health Care Facility

PLEASE REFER TO: IHPA LOG #006012306

November 19, 2012

Edward Green  
Foley & Lardner LLP  
321 N. Clark St., Suite 2800  
Chicago, IL 60654

Dear Mr. Green:

We have reviewed the documentation submitted for the referenced project(s) in accordance with 36 CFR Part 800.4. Based upon the information provided, no historic properties are affected. We, therefore, have no objection to the undertaking proceeding as planned.

Please retain this letter in your files as evidence of compliance with section 106 of the National Historic Preservation Act of 1966, as amended. This clearance remains in effect for two (2) years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you are an applicant, please submit a copy of this letter to the state or federal agency from which you obtain any permit, license, grant, or other assistance.

Sincerely,

*Anne E. Haaker*

Anne E. Haaker  
Deputy State Historic  
Preservation Officer

0049

ATTACHMENT

6

**Section I**  
**Attachment 7**  
**Project Costs & Sources of Funds**

Attached at ATTACHMENT 7 is the equipment summary for the Project.

FEC Equipment

Item	Quantity	Unit Cost	Extended Cost
Otoscope/Ophthalmoscope	6	\$1,200	\$7,200
Tono-pen Tonometer	1	\$3,848	\$3,848
Adult Scale	1	\$250	\$250
Pediatric Scale	1	\$400	\$400
IV Poles	6	\$250	\$1,500
EKG Machine	1	\$4,000	\$4,000
Vital Signs Monitor	1	\$3,095	\$3,095
Wheelchair	2	\$308	\$616
Telemetry Monitoring	5	\$14,425	\$72,125
Specialty Procedure Carts	4	\$1,285	\$5,140
Supply Carts	6	\$672	\$4,032
BAT Equipment	1	\$2,580	\$2,580
Defibrulator	1	\$15,780	\$15,780
Crash Cart	1	\$1,672	\$1,672
Exam Lights	5	\$3,392	\$16,960
Pyxis Main and Tower	1	\$38,277	\$38,277
Fax Machine	2	\$955	\$1,910
Copier	1	\$5,000	\$5,000
Blood Bank Refrigerator	1	\$3,977	\$3,977
Reagent Refrigerator	2	\$1,147	\$2,294
Nourishment Refrigerator	2	\$1,920	\$3,840
Ice & Water Machine	2	\$5,086	\$10,172
Computers	6	\$1,040	\$6,240
Printers	3	\$1,855	\$5,565
Switch, UPS, Racks, Patch Pnl	1	\$62,382	\$62,382
Carepoint EMS Workstation	1	\$33,030	\$33,030
Merci Radio & Antenna	1	\$15,178	\$15,178
Security & Access Control	1	\$38,760	\$38,760
Total Misc. Equipment Cost			\$365,823
<b>Imaging Equipment</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Extended Cost</b>
GE VCT64 CT Scanner	1	\$1,000,000	\$1,000,000
GE XR656 Gen'l Radiographic	1	\$500,000	\$500,000
GE XR220 Portable X-Ray	1	\$250,000	\$250,000
Siemens Acuson S2000	1	\$235,000	\$235,000
McKesson PACS Workstation	2	\$7,500	\$15,000
Total Imaging Equipment			\$2,000,000

FEC Furniture

Item	Quantity	Unit Cost	Extended Cost
Carts(stretchers)	6	\$4,820	\$28,920
Exam Room Stools	6	\$412	\$2,472
Visitor Chairs	6	\$250	\$1,500
Step Stool	1	\$250	\$250
Staff Chairs/Stools	10	\$585	\$5,850
Modular Nurse,Phy,Med Sta	1	\$39,781	\$39,781
Modular Exam Rm Casework	6	\$4,293	\$25,758
Modular Reception Desk	1	\$34,082	\$34,082
Modular Control Rm WkSta.	1	\$3,532	\$3,532
Waiting Room Seating	1	\$14,018	\$14,018
Artwork, Window Treatment		\$25,000	\$25,000
Interior Signage		\$8,000	\$8,000
Exterior Signage		\$40,000	\$40,000
<b>Total FEC Furniture</b>			<b>\$229,163</b>

Conference/Community Room

Item	Quantity	Unit Cost	Extended Cost
Conference Center Tables	30	\$370	\$11,100
Conference Center Chairs	60	\$150	\$9,000
Stack Chairs	40	\$100	\$4,000
Podium	1	\$682	\$682
Folding Tables	10	\$100	\$1,000
Artwork, Window Treatment		\$5,000	\$5,000
Interior Signage		\$2,000	\$2,000
<b>Total Conf. Ctr. Furniture</b>			<b>\$32,782</b>
Item	Quantity	Unit Cost	Extended Cost
Audio / Visual System	1	\$10,755	\$10,755
Computer	3	\$1,040	\$3,120
Printer	1	\$1,855	\$1,855
<b>Total Conf. Ctr. Equipment</b>			<b>\$15,730</b>
<b>Total Conference Ctr. FFE</b>			<b>\$48,512</b>

**Section III**  
**Attachment 11**  
**Background of the Applicants**

1. Silver Cross Hospital is a fully licensed, Medicare-certified, Joint Commission accredited, Illinois not-for-profit general hospital. Copies of the current licenses and Joint Commission accreditation for Silver Cross Hospital are attached at ATTACHMENT 11.

Silver Cross also owns and operates the Silver Cross Emergicare Center (Homer Glen) – a freestanding emergency center in Homer Glen, Illinois. A copy of the current license for the Silver Cross Emergicare Center (Homer Glen) is attached at ATTACHMENT 11.

2. On or about December 28, 2011, Silver Cross Hospital received a Statement of Deficiencies, Form CMS-2567 (the "Statement of Deficiencies"), from the Centers for Medicare & Medicaid Services ("CMS"), which was generated as a result of a Substantial Allegation Survey conducted by the Illinois Department of Public Health ("IDPH") between December 13, 2011 and December 19, 2011. The Statement of Deficiencies concerned an incident that happened at Silver Cross Hospital's old campus in Joliet on or about December 1, 2011. On or about January 3, 2012, Silver Cross Hospital submitted its Plan of Correction (the "Plan of Correction") to CMS and IDPH in response to the Statement of Deficiencies. CMS and IDPH accepted and approved Silver Cross Hospital's Plan of Correction and Silver Cross Hospital subsequently passed its follow-up survey and was found to be in full compliance with the Conditions of Participation for general acute care hospitals set forth at 42 C.F.R. Part 482.

Other than the matter described above, there have been no adverse actions taken against any facility owned or operated by Silver Cross Hospital or Silver Cross Health System during the three (3) years prior to the filing of this application. Letters certifying the above information are attached at ATTACHMENT 11.

3. Authorization letters granting access to the Board and the Illinois Department of Public Health ("IDPH") to verify information about the Applicants are attached at ATTACHMENT 11.

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION



**State of Illinois 2065080**  
**Department of Public Health**

**LICENSE, PERMIT, CERTIFICATION, REGISTRATION**

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

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

**CRAIG CONOVER, M.D.**  
**ACTING DIRECTOR**

EXPIRATION DATE <b>12/31/12</b>	CATEGORY <b>8680</b>	I.D. NUMBER <b>0002170</b>
<b>FULL LICENSE</b>		
<b>GENERAL HOSPITAL</b>		
<b>EFFECTIVE: 01/01/12</b>		

**BUSINESS ADDRESS**

**SILVER CROSS HOSPITAL**  
**1200 MAPLE STREET**

**JOLIET IL 60432**

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

**State of Illinois 2065080**  
**Department of Public Health**

**LICENSE, PERMIT, CERTIFICATION, REGISTRATION**

**SILVER CROSS HOSPITAL**

EXPIRATION DATE <b>12/31/12</b>	CATEGORY <b>8680</b>	I.D. NUMBER <b>0002170</b>
------------------------------------	-------------------------	-------------------------------

**FULL LICENSE**

**GENERAL HOSPITAL**

**EFFECTIVE: 01/01/12**

**11/08/11**

**SILVER CROSS HOSPITAL**  
**1200 MAPLE STREET**

**JOLIET IL 60432**

**FEE RECEIPT NO.**

# Silver Cross Hospital

Joliet, IL

has been Accredited by



## The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

### Hospital Accreditation Program

March 12, 2011

Accreditation is customarily valid for up to 36 months.

Isabel V. Hoverman, MD, MACP  
Chair, Board of Commissioners

Organization ID #: 7365  
Print/Reprint Date: 06/09/11

Mark R. Chassin, MD, FACP, MPP, MPH  
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at [www.jointcommission.org](http://www.jointcommission.org).



This reproduction of the original accreditation certificate has been issued for use in regulatory/payer agency verification of accreditation by The Joint Commission. Please consult Quality Check on The Joint Commission's website to confirm the organization's current accreditation status and for a listing of the organization's locations of care.

**State of Illinois 1756999**  
**Department of Public Health**

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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.

**LaMar Hasbrouck, M.D.**  
 Director

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

EXPIRATION DATE	CATEGORY	I.D. NUMBER
07/15/2013	BGBD	22001

**FULL LICENSE**  
**FREESTANDING EMERGENCY CENTER**

BUSINESS ADDRESS  
**SILVER CROSS EMERGICARE CENTER**  
 12701 W. 143RD STREET  
 HOMER GLEN, IL 60491

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

← DISPLAY THIS PART IN A  
 CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN  
 IDENTIFICATION

**State of Illinois 1756999**  
**Department of Public Health**

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

**SILVER CROSS EMERGICARE CENTER**

EXPIRATION DATE	CATEGORY	I.D. NUMBER
07/15/2013	BGBD	22001

**FULL LICENSE**  
**FREESTANDING EMERGENCY CENTER**

06/03/10  
**SILVER CROSS EMERGICARE CENTER**  
 12701 W. 143RD STREET  
 HOMER GLEN, IL 60491

FEE RECEIPT NO.

November 15, 2012

Mr. Michael Constantino  
Project Review Supervisor  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

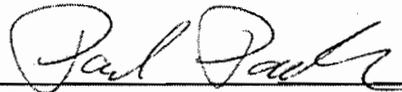
Dear Mr. Constantino:

Pursuant to 77 Ill. Admin. Code §§ 1110.230(a)(3)(A) and (B), I hereby certify the following:

1. On or about December 28, 2011, Silver Cross Hospital & Medical Centers (the "Hospital") received a Statement of Deficiencies, Form CMS-2567 (the "Statement of Deficiencies"), from the Centers for Medicare & Medicaid Services ("CMS"), which was generated as a result of a Substantial Allegation Survey conducted by the Illinois Department of Public Health ("IDPH") between December 13, 2011 and December 19, 2011. The Statement of Deficiencies concerned an incident that happened at the Hospital's old campus in Joliet on or about December 1, 2011. On or about January 3, 2012, the Hospital submitted its Plan of Correction (the "Plan of Correction") to CMS and IDPH in response to the Statement of Deficiencies. CMS and IDPH accepted and approved the Hospital's Plan of Correction and the Hospital subsequently passed its follow-up survey and was found to be in full compliance with the Conditions of Participation for general acute care hospitals set forth at 42 C.F.R. Part 482.

2. Other than the matter described above, there have been no adverse actions taken against any facility owned or operated by Silver Cross Health System during the three (3) years prior to the filing of this application.

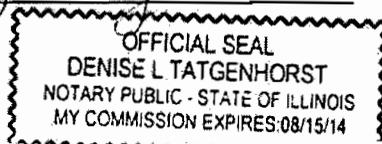
Sincerely,



By: Paul Pawlak  
President & CEO  
Silver Cross Health System

Subscribed and Sworn to before me  
this 15 day of November, 2012.

  
Notary Public



ATTACHMENT  
11

November 15, 2012

Mr. Michael Constantino  
Project Review Supervisor  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Mr. Constantino:

Pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the Illinois Health Facilities & Services Review Board (the "Board") and the Illinois Department of Public Health ("IDPH") to access all information necessary to verify any documentation or information submitted by Silver Cross Health System with this application. I further authorize the Board and IDPH to obtain any additional documentation or information which the Board or IDPH finds pertinent and necessary to process this application.

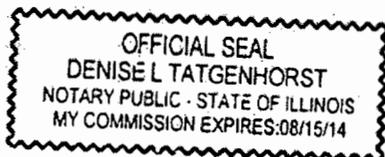
Sincerely,



By: Paul Pawlak  
President & CEO  
Silver Cross Health System

Subscribed and Sworn to before me  
this 15 day of November, 2012.

  
Notary Public



**ATTACHMENT**  
11

November 15, 2012

Mr. Michael Constantino  
Project Review Supervisor  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

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2. Other than the matter described above, there have been no adverse actions taken against any facility owned or operated by the Hospital during the three (3) years prior to the filing of this application.

Sincerely,



By: Paul Pawlak  
President & CEO  
Silver Cross Hospital & Medical Centers

Subscribed and Sworn to before me  
this 15 day of November, 2012.

  
Notary Public

**ATTACHMENT**  
11

November 15, 2012

Mr. Michael Constantino  
Project Review Supervisor  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Mr. Constantino:

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Sincerely,



By: Paul Pawlak  
President & CEO  
Silver Cross Hospital & Medical Centers

Subscribed and Sworn to before me  
this 15 day of November, 2012.



Notary Public



0061

**ATTACHMENT**  
11

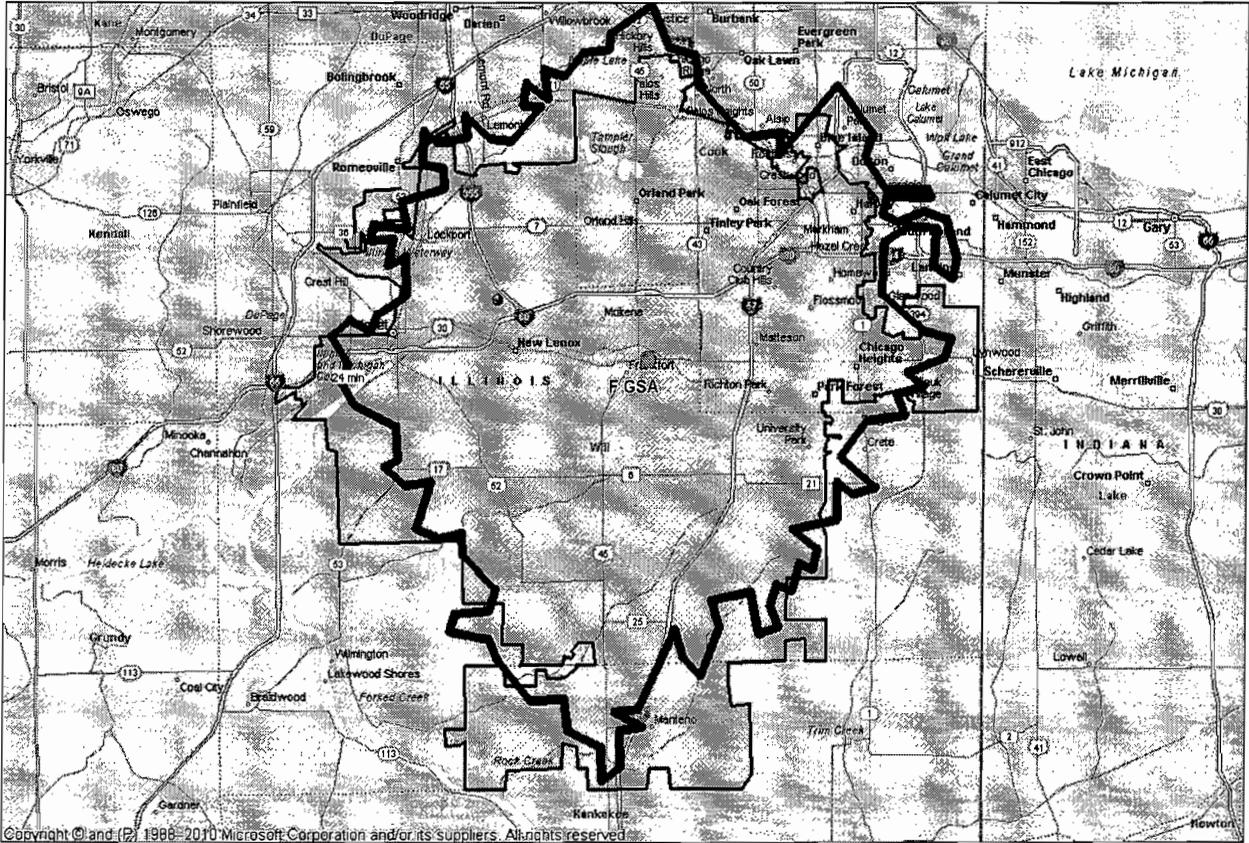
**Section III**  
**Attachment 12**  
**Purpose of Project**

**Purpose Statement**

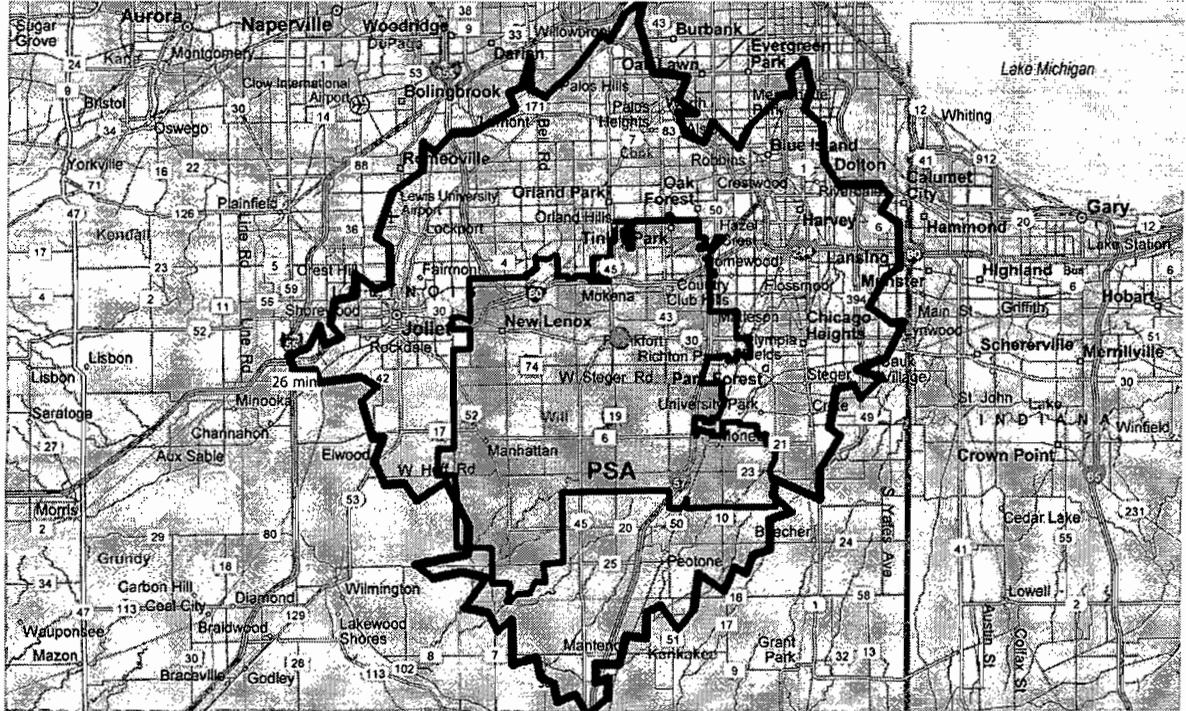
The Applicants are seeking permission from the Board to establish a freestanding emergency center at the corner of 93<sup>rd</sup> Avenue and US Route 30 in Frankfort, Illinois. If approved, the Project will improve access to emergency department services for the residents of Frankfort and surrounding communities.

**Supporting Statements & Documentation**

1. Silver Cross Hospital currently has 38 treatment rooms in its Emergency Department and 6 treatment rooms at its freestanding emergency center in Homer Glen (the "Homer Glen FEC"), for a total of 44 treatment rooms.
2. The proposed FEC will include four emergency treatment rooms. The State Norm for emergency treatment rooms is 2,000 patients per treatment room per year. The Applicants project that the FEC will receive 6,240 patients in 2016, the first full year after project completion. This equates to 3.12 treatment rooms, which rounds up to 4 treatment rooms.
3. The following map shows the: (1) location of the proposed FEC, (2) the geographic service area (the "GSA") of the proposed FEC, and (3) the target population area. The FEC's GSA is defined as the area within thirty minutes normal travel time of the proposed FEC. Normal travel times were estimated by applying the adjustment factor of 1.15 allowed under Section 1100.510 (d) Normal Travel Time Determinations for the Chicago Metropolitan region to the MapQuest travel time.



4. In addition to the GSA, the proposed FEC has defined a facility service area (the "FSA"). The FSA is much smaller than the GSA. The FSA is the area where most of the patients of the FEC will reside. A map showing the FSA is below.



5. A list of the zip codes comprising the FSA and GSA is set forth below.

Proposed GSA Zip Codes	City/Town	Proposed FEC Facility Service Area	2012 Estimated Population	2017 Projected Population	5-Year % Change	CAGR (2012-2017)
60406	Blue Island		25,581	25,369	-0.8%	-0.2%
60411	Chicago Heights		57,338	56,056	-2.2%	-0.5%
60421	Elwood		4,149	4,369	5.3%	1.0%
60422	Flossmoor		9,718	9,691	-0.3%	-0.1%
60423	Frankfort	FEC FSA	32,274	35,866	11.1%	2.1%
60426	Harvey		29,001	27,608	-4.8%	-1.0%
60428	Markham		12,212	12,330	1.0%	0.2%
60429	Hazel Crest		15,467	15,365	-0.7%	-0.1%
60430	Homewood		20,167	20,199	0.2%	0.0%
60432	Joliet		21,958	22,464	2.3%	0.5%
60433	Joliet		17,205	17,296	0.5%	0.1%
60436	Joliet		18,565	18,995	2.3%	0.5%
60441	Lockport		38,654	42,409	9.7%	1.9%
60442	Manhattan	FEC FSA	10,509	11,905	13.3%	2.5%
60443	Matteson	FEC FSA	21,788	23,711	8.8%	1.7%
60445	Midlothian		25,870	25,810	-0.2%	0.0%
60448	Mokena	FEC FSA	25,027	27,218	8.8%	1.7%
60449	Monee	FEC FSA	9,803	10,913	11.3%	2.2%
60451	New Lenox	FEC FSA	35,248	38,516	9.3%	1.8%
60452	Oak Forest		27,711	27,600	-0.4%	-0.1%
60461	Olympia Fields		5,049	5,223	3.4%	0.7%
60462	Orland Park		39,367	39,718	0.9%	0.2%
60463	Palos Heights		14,359	14,603	1.7%	0.3%
60464	Palos Park		9,850	10,195	3.5%	0.7%
60465	Palos Hills		17,728	17,769	0.2%	0.0%
60466	Park Forest		21,937	21,662	-1.3%	-0.3%
60467	Orland Park		26,763	28,512	6.5%	1.3%
60468	Peotone		6,151	6,559	6.6%	1.3%
60471	Richton Park		13,526	13,958	3.2%	0.6%
60477	Tinley Park	FEC FSA	39,076	39,638	1.4%	0.3%
60478	Country Club Hills		16,534	16,757	1.3%	0.3%
60484	University Park		7,522	7,934	5.5%	1.1%
60487	Tinley Park	FEC FSA	26,597	28,556	7.4%	1.4%
60491	Homer Glen		23,979	25,456	6.2%	1.2%
60950	Manteno		12,649	13,784	9.0%	1.7%
<b>SUBTOTAL Proposed Geographic Service Area</b>			<b>739,332</b>	<b>764,014</b>	<b>3.3%</b>	<b>0.7%</b>
<b>SUBTOTAL Proposed Facility Service Area</b>			<b>200,322</b>	<b>216,323</b>	<b>8.0%</b>	<b>1.5%</b>

6. The FEC is necessary because Silver Cross has been experiencing strong demand for its Emergency Department services. Said Emergency Department demand has increased markedly most recently -- increasing by more than 6.8% since Silver Cross moved from its Joliet campus to its new campus in New Lenox in February of 2012.

7. The percentage of the patients coming to Silver Cross' Emergency Department from the proposed FSA has grown even faster in the past 2 years. In 2010, patients in the FSA represented 17% of the Emergency Department volume at Silver Cross; now patients in the FSA account for nearly 23% of the Emergency Department volume.

8. In the last 12 months, 15,932 patients came to Silver Cross' Emergency Department from the proposed FEC's FSA alone. The numbers of patients from the FSA has been growing at a much faster rate than for the GSA as a whole.

### PATIENT ORIGIN – TOTAL ED VOLUME

PATIENT ORIGIN	FY10	FY11	FY12
	TOTAL	TOTAL	TOTAL
TOTAL	67294	66705	68395
TOTAL FROM PROPOSED FEC GSA	57042	56422	57719
PERCENT FROM PROPOSED FEC FSA	84.8%	84.6%	84.4%
TOTAL FROM PROPOSED FEC FSA	11456	12279	15932
PERCENT FROM PROPOSED FEC FSA	17.0%	18.4%	23.3%

9. Silver Cross' market share of emergency patients from the proposed FSA has also grown. More specifically, Silver Cross has had the largest share of the emergency department volume from the FSA among all providers and that share has increased from 22.6% for the year ending June 2010 to 27.4% for the year ending June 2012. Meaning, Silver Cross has been capturing an ever greater share of the FSA patient population and must act now to meet those demands.

### PROPOSED FEC FACILITY SERVICE AREA/MARKET SHARE

YEAR ENDING JUNE	SILVER CROSS (HOSP + FEC)	ST JAMES (OF)	ST JAMES (CH)	ADVOCATE SOUTH SUB	INGALLS	PALOS	METROSOUTH
2010	22.6%	16.8%	2.9%	8.1%	12.7%	15.7%	0.9%
2011	23.7%	16.3%	3.2%	8.4%	11.8%	15.1%	0.8%
2012	27.4%	16.2%	2.9%	7.9%	12.3%	14.0%	1.0%

Source: Illinois Hospital Association, COMPdata. Data includes ambulatory emergency department and admits from the emergency department

10. Based on current demand trends, Silver Cross is projecting that more than 91,340 patients will visit its Emergency Department and the Homer Glen FEC by 2016.

11. The State Norm for emergency treatment rooms is 2,000 patients per treatment room per year. 91,340 divided by 2,000 equals 45.67. So, Silver Cross is projecting that it will need no less than 46 emergency treatment rooms by the year 2016 at its Emergency Department and the Homer Glen FEC – which is greater than the number of emergency treatment rooms available at those locations.

**PROJECTED ENTERPRISE WIDE ED VISITS**

MEASURE	2013	2014	2015	2016
Total Emergency Department Visits	75043	80124	85548	91340
Justified Treatment Bays (rounded up)	38	41	43	46

12. Thus, without the establishment of the proposed FEC, Silver Cross will exceed the existing capacity of its Emergency Department and the Homer Glen FEC by 2016.

13. Given the historical performance of the Homer Glen FEC, Silver Cross believes that the majority of the patients from the FSA that currently present to Silver Cross' Emergency Department and to the Homer Glen FEC will choose to use the proposed FEC instead. More specifically, Silver Cross is projecting that 6,240 patients will visit the proposed FEC in 2016 (i.e., the first full year following the scheduled opening date for the proposed FEC).

14. Projected visits for the proposed FEC are set forth in the following table:

PROPOSED FEC FACILITY SERVICE AREA ZIP CODE	PROJECTED 2016 CASES			PROJECTED 2016 – DISTRIBUTED TO PROPOSED FEC	
	SCH HOSP ED	SCH HOMER GLEN FEC	TOTAL ED&FEC	SHIFT TO PROPOSED FEC	VISITS
60423	2308	276	2584	70.0%	1809
60442	1617	94	1711	20.0%	342
60443	74	22	96	95.0%	91
60448	2663	504	3167	30.0%	950
60449	173	23	196	95.0%	186
60451	6066	448	6514	15.0%	977
60477	542	377	919	35.0%	322
60487	531	214	745	35.0%	261
<b>SUBTOTAL FROM PROPOSED FEC FACILITY SERVICE AREA</b>	<b>13974</b>	<b>1958</b>	<b>15932</b>	<b>79.1%</b>	<b>4938</b>
<b>INMIGRATION</b>				<b>20.9%</b>	<b>1302</b>
<b>TOTAL PROPOSED FEC</b>					<b>6240</b>

15. Applying the State Norm for emergency treatment rooms, 6,240 projected visits translate into a need for 3.12 emergency treatment rooms, which rounds up to 4 emergency treatment rooms.

16. Letters of support for the Project are attached at ATTACHMENT 12.

17. See Criterion 1110.320 for further support for this Criterion.



October 31, 2012

Courtney R. Avery  
Administrator  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

RE: Proposed Silver Cross Freestanding Emergency Center (Frankfort)

Dear Ms. Avery:

I am writing to you in support of the Frankfort FEC that is being proposed by Silver Cross Hospital.

In my role as Director of the Silver Cross EMSS, I recognize that there is a need for additional emergency services to help keep pace with the growing populations in our area. I know that current hospital-based emergency departments are rapidly reaching and surpassing available capacity. An FEC in Frankfort will be very helpful in offsetting some of the overcrowding that we have experienced at our local hospital emergency rooms. And, given an option, I would anticipate that most of the residents in Frankfort would choose to go to a facility located much closer to home.

I encourage the Illinois Health Facilities & Services Review Board to vote in favor of this project. Thank you for the opportunity to voice my support.

Sincerely,

Lonnie Polhemus RN, MSN, NREMT-P  
Director  
Silver Cross Emergency Medical Services System



**SILVER CROSS**  
HEALTH SERVICE SYSTEMS, INC.

1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 2, 2012

Courtney R. Avery  
Administrator  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

RE: Proposed Silver Cross Freestanding Emergency Center (Frankfort)

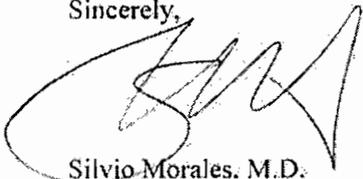
Dear Ms. Avery:

I am writing to you to voice my support for Silver Cross Hospital's plans to develop a Freestanding Emergency Center at 93<sup>rd</sup> Avenue and Route 30 in Frankfort.

In my role as Department Chair for Emergency Services at Silver Cross Hospital – which includes the hospital's Freestanding Emergency Center in Homer Glen – I can attest that there is a need for the proposed FEC in Frankfort. The numbers of patients seeking treatment from our hospital ED and our existing Homer Glen FEC that live in around Frankfort have been growing dramatically. Three years ago roughly 17% of our patients came from that area to seek treatment at our emergency department – today more than 23% of our emergency department patients are coming from that area. Given growth from that area, we are projecting that we will be operating above current capacity within the next few years.

I encourage the Illinois Health Facilities & Services Review Board to vote in favor of this project. Thank you for the opportunity to voice my support.

Sincerely,



Silvio Morales, M.D.

**ATTACHMENT**  
12

0068

*The way you should be treated.*

October 31, 2012

Courtney R. Avery  
Administrator  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

RE: Proposed Silver Cross Freestanding Emergency Center (Frankfort)

Dear Ms. Avery:

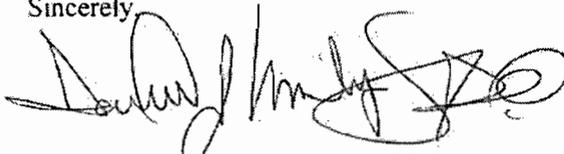
In my role as the Medical Director for the Silver Cross Emergency Medical Services, I see a need for making emergency services more accessible directly within our communities. Establishing an FEC in Frankfort will give residents of that area greater access to emergency care and services that are much closer to home.

In my role as a physician in Emergency Services at Silver Cross Hospital and our Homer Glen FEC, I can also attest from firsthand experience that there has been and continues to be a need for the proposed FEC in Frankfort. The numbers of patients visiting both the hospital's and Homer Glen's Emergency Department from that area has been averaging around 20% per year over the last three years. Given the high numbers of patients from that area, we are projecting that we will be operating above current capacity within the next few years.

We are expecting that 100% of the projected volume at the Frankfort FEC will come from our existing patient population that is already coming to us from that area. Given that, we don't expect any other emergency department to be negatively impacted by the proposed FEC. However, if our FEC in Frankfort is not approved, it will negatively impact our existing emergency services at our other two sites tremendously. Without the Frankfort FEC, both our new ED at our replacement hospital and our Homer Glen FEC will become quickly undersized.

I encourage the Illinois Health Facilities & Services Review Board to vote in favor of this project. Thank you for the opportunity to voice my support.

Sincerely



David J. Mikolajczak, D.O., FACOEP  
Medical Director  
Silver Cross Emergency Medical Services System

0069



HEDGES CLINIC, S.C.

222 Colorado Avenue  
Frankfort, Illinois 60423  
(815) 469-2123 (708) 479-2277  
Fax: (815) 469-2149

36-2746681

Family Medicine

M. DEMAERTELAERE, D.O.  
JULIE LIMON, M.D.  
LINDSEY MULTACK, D.O.  
C. UDOVICH, M.D.

Courtney R. Avery  
Administrator  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

Pediatrics / Adolescent Medicine

AILEEN DONAUSKY, M.D.  
K. JAIN, M.D.

Internal Medicine

Gastroenterology  
O. HORODYSKY, M.D.

Re: Proposed Silver Cross Hospital-Freestanding Emergency Center (Frankfort)

Pediatrics / Adult Medicine

S.J. ANTONINI, M.D.

Dear Ms. Avery

Administration

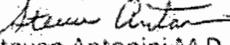
F.J. SCHIBLI  
C. LESIAK

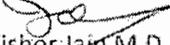
Hedges Clinic S.C. supports Silver Cross Hospital's plans to develop a Freestanding Emergency Center (FEC) at 93<sup>rd</sup> Avenue and Route 30 in Frankfort.

Since our namesake physician started practicing in Frankfort in 1908 we have grown consistently to serve our community. Now a multispecialty clinic, we offer expanded hours and urgent care but still have noticed an increased demand for higher level of acuity services that may be only served by an Emergency Center. Hedges Clinic has worked closely with Silver Cross Hospital for decades improving patient care in our community. We believe that the majority of our patient population has come to rely, trust and prefer in the superior care that Silver Cross has offered at their hospital and emergency facilities. The Hedges physicians also have confidence in Silver Cross Hospital running a free-standing emergency center due to our experiences with the Homer Glenn FEC.

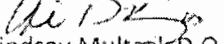
We encourage the Illinois Health Facilities and Service Review Board to vote in favor of Silver Cross Hospital's application for a FEC in Frankfort. Thank you for the opportunity to voice our support.

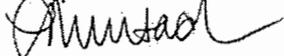
Sincerely,

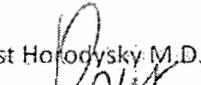
  
Steven Antonini M.D.

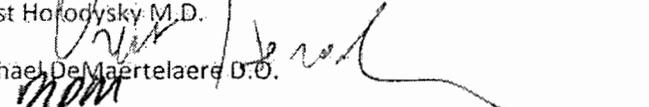
  
Kishor Jain M.D.

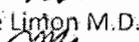
Aileen Donausky M.D.

  
Lindsay Multack D.O.



  
Orest Horodysky M.D.

  
Michael DeMaertelaere D.O.

  
Julie Linton M.D.

  
Christopher Udovich M.D.



# Frankfort Fire Protection District

November 7, 2012

**STATION #1**  
Administrative Offices

333 W. Nebraska Street  
Frankfort, IL 60423  
(815) 469-1700  
(815) 469-8377 Fax

**STATION #2**

20260 S. Graceland Lane  
Frankfort, IL 60423  
(815) 469-1720

**STATION #3**

Training Center  
24420 S. LaGrange Road  
Frankfort, IL 60423  
(815) 464-0333

**STATION #4**

7990 W. Steger Road  
Frankfort, IL 60423  
(815) 464-4808

**STATION #5**

21901 S. Wolf Road  
Frankfort, IL 60423  
(815) 469-5168

[www.frankfortfire.org](http://www.frankfortfire.org)

Courtney R. Avery  
Administrator  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

RE: Proposed Silver Cross Freestanding Emergency Center (Frankfort)

Dear Ms. Avery:

I am writing to you in support of Silver Cross Hospital's plans to develop a Freestanding Emergency Center at 93<sup>rd</sup> Avenue and Route 30 in Frankfort.

In my role as Fire Chief of The Frankfort Fire Protection District, I can attest from firsthand experience in the field that there has been and continues to be a need for the proposed FEC in Frankfort. Our ambulance runs from areas in and around Frankfort to Silver Cross Hospital and the hospital's FEC in Homer Glen have been growing over the last few years. There is a growing need for more hospital-level emergency services in that area. Silver Cross Hospital's extensive experience in running a successful FEC in Homer Glen also makes them an excellent provider for similar services in Frankfort.

I encourage the Illinois Health Facilities & Services Review Board to vote in favor of this project. Thank you for the opportunity to voice my support.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Grady III".

Chief James M. Grady III  
Frankfort Fire Protection District

File: SC-letter-support

**Section III**  
**Attachment 13**  
**Criterion 1110.230(c), Alternatives to Proposed Project**

The Applicants considered four alternatives before electing to file this Application. As discussed below, the three alternatives reviewed with respect to this Project included: (1) the “do nothing” alternative; (2) construct an FEC at another location; (3) expand the existing Emergency Department at Silver Cross; or (4) move forward with the establishment of the proposed FEC in Frankfort.

**Alternative No. 1: Do Nothing/Maintain the Status Quo**

As set forth herein, Silver Cross is going to exceed the existing capacity of its Emergency Department and the Homer Glen FEC by 2016. That will mean increased wait times and lower patient satisfaction. Because additional capacity is needed to meet the growing demand for emergency services at Silver Cross, the “do nothing” alternative was rejected.

**Alternative No. 2: Construct an FEC at Another Location**

The Applicants also considered building an FEC at another location. Three factors mitigated against this option.

First and foremost, the patients coming to Silver Cross’ Emergency Department from the identified FSA have been the fastest growing segment of users of the Emergency Department. In 2010, patients in the FSA represented 17% of the Emergency Department volume at Silver Cross; now patients in the FSA account for nearly 23% of the Emergency Department volume. In the last 12 months, 15,932 patients came to Silver Cross’ Emergency Department from the proposed FEC’s FSA alone. The numbers of patients from the FSA has been growing at a much faster rate than for the GSA as a whole. The site of the proposed FEC in Frankfort literally allows Silver Cross to “center the service to the demand” and provide emergency services closer to its patients.

Secondly, there is a hard deadline in the recently amended Emergency Medical Services Act that requires an operator to file a certificate of need for a proposed FEC prior to January 1, 2014. That is less than 13 months away. If Silver Cross opted to build in a new location other than the proposed site (which Silver Cross already owns), Silver Cross would have to go into the market, find an acceptable piece of land, acquire the land, and then start the process of sizing the FEC depending on the location. It is highly unlikely that Silver Cross could accomplish all of that prior to January 1, 2014.

Third, and this is related to the second point, Silver Cross already owns the land upon which the proposed FEC will sit. It is less expensive for Silver Cross to develop the subject parcel of land than to acquire an acceptable, substitute parcel of land.

**Alternative #3: Expand Silver Cross' Replacement Hospital**

The Applicants also considered an expansion of the Emergency Department at Silver Cross. In addition to being very expensive, an expansion of the Emergency Department would not “center the service to the demand” and bring emergency services closer to the fastest growing set of users of the Emergency Department. Also, Silver Cross literally just moved into its new hospital space and there is a strong desire to have a “period of calm” so the patients, doctors and staff can get accustomed to the new hospital and truly enjoy the therapeutic and healing benefits of Silver Cross’ state of the art healthcare facility (without the stresses and strains caused by construction.)

**Alternative #4: Establish the Frankport FEC**

The Applicants chose this option for several reasons. First, Silver Cross already owns the land. Second, the proposed FEC in Frankfort literally allows Silver Cross to “center the service to the demand” and provide emergency services closer to its patients. Third, the establishment of the FEC will lead to shorter wait times and higher patient satisfaction in the Emergency Department at Silver Cross, which will translate into higher patient satisfaction. Finally, this option allows Silver Cross to meet the January 1, 2014 deadline for FECs.

Alternative	Concerns/Issues	Estimated Cost
Alternative 1: Do Nothing	If the Applicants “do nothing,” Silver Cross is going to exceed the existing capacity of its Emergency Department and the Homer Glen FEC by 2016. That will mean increased wait times and lower patient satisfaction.	Apparent cost to Applicants: \$0.  Cost to patients: Longer wait times and lower patient satisfaction in the Emergency Department at Silver Cross.
Alternative 2: Construct an FEC at another location.	The patients coming to Silver Cross’ Emergency Department from the identified FSA have been the fastest growing segment of users of the Emergency Department. The site of the proposed FEC in Frankfort literally allows Silver Cross to “center the service to the demand” and provide emergency services closer to its patients. Failure to build in the FSA will lead to lower utilization at the FEC and will not relieve the impending excess demand for emergency services at Silver Cross.  There is a hard deadline of January 1, 2014 to file a certificate of need for a proposed FEC. It will take too long for Silver Cross to find an alternative site.  Third, and this is related to the second point,	Cost to Applicants: Cost of land plus the very real possibility that the Applicants will not meet the January 1, 2014 deadline.  Cost to patients: Longer wait times and lower patient satisfaction in the Emergency Department at Silver Cross if Silver Cross cannot meet the January 1, 2014.  Emergency services

	Silver Cross already owns the land upon which the proposed FEC will sit. It is less expensive for Silver Cross to develop the subject parcel of land than to acquire an acceptable, substitute parcel of land.	will not be centered to the demand.
Alternative 3: Expand Emergency Department at Silver Cross	Expensive. Patients, doctors and staff will not be able to fully enjoy the new Silver Cross Hospital and truly enjoy the therapeutic and healing benefits of Silver Cross' new state of the art healthcare facility (without the stresses and strains caused by construction.)	Cost to Applicants: Expensive construction and related stresses and strains of construction on the brand new Silver Cross Hospital.  Costs to Patients: Patients in FSA will have to travel for emergency services.
Alternative 4: Move forward with the establishment of the proposed FEC in Frankfort.	Silver Cross already owns the land. The proposed FEC in Frankfort literally allows Silver Cross to "center the service to the demand" and provide emergency services closer to its patients. Shorter wait times and higher patient satisfaction in the Emergency Department at Silver Cross. Shorter wait times and higher patient satisfaction at the FEC. Silver Cross meets the January 1, 2014 deadline.	Chosen option. Best option for patient care and financial considerations.

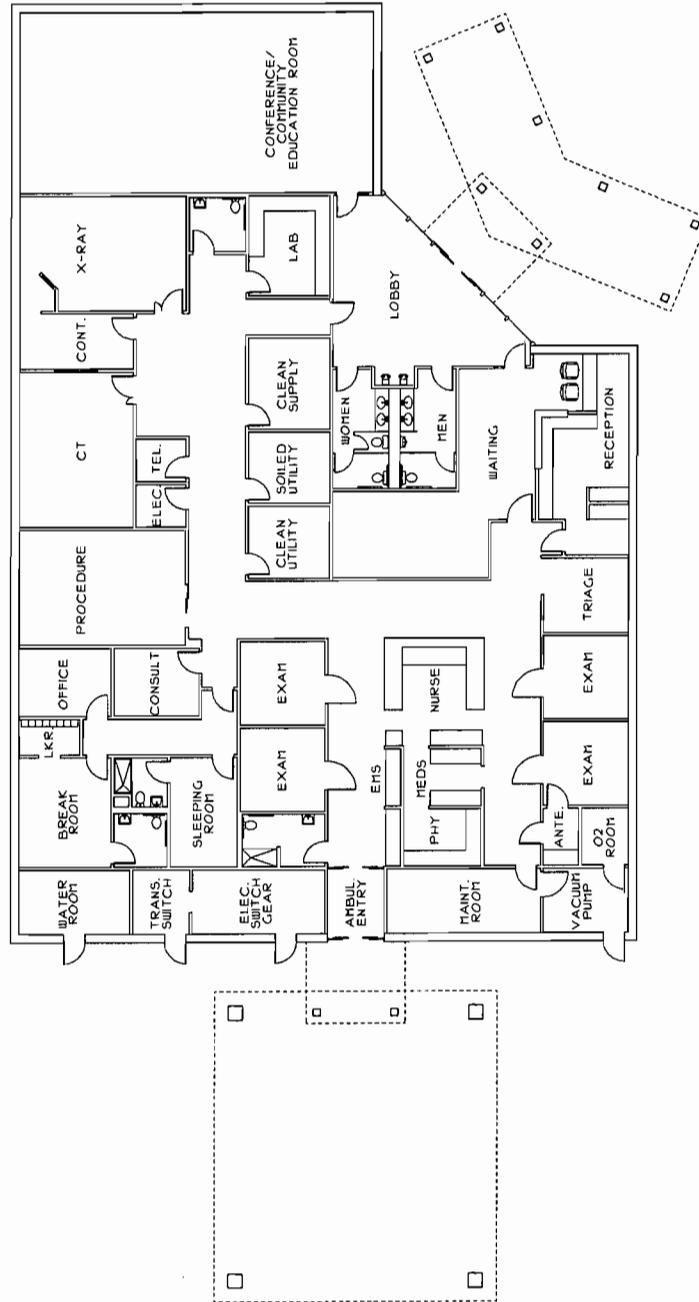
**Section IV**  
**Project Scope, Utilization, and Unfinished/Shell Space**  
**Criterion 1110.234(a), Size of Project**

The proposed FEC will include four emergency treatment rooms and will also contain certain limited imaging equipment (specifically, a CT and an x-ray machine) within the four walls of the FEC to provide needed imaging services for the FEC patients. The floor plan for the FEC is attached as ATTACHMENT 14.

The following chart summarizes the sizing analysis of the clinical and non-clinical portions of the FEC:

Sizing Analysis					
Department/Area	Rooms Proposed	Proposed GSF	State Standard GSF	Difference GSF	Meets State Standard?
Freestanding Emergency Center	Clinical Portions (i.e., Triage Room, Exam Rooms, Procedure Room) exclusive of Imaging Space	3,783	1,170 GSF Per Treatment Room  4*1,170 = 4,680	897 GSF Below State Norm	Yes
	CT Room & Control Center (Clinical)	587	1,800 GSF Per CT	1,213 GSF Below State Norm	Yes
	X-Ray Room (Clinical)	487	1,300 GSF Per X-Ray	813 GSF Below State Norm	Yes
	Non-Clinical Portions (i.e., Toilets, Staff Lounge, Staff Lockers, Waiting Area, Offices, Storage, Conference Room)	5,245	No Standard	N/A	N/A
<b>Total</b>		10,102			N/A

SILVER CROSS HOSPITAL  
 FREESTANDING EMERGENCY CENTER (FEC)  
 FRANKFORT, ILLINOIS



PROPOSED FLOOR PLAN 10/02/2007



**Criterion 1110.234(b), Project Services Utilization**

The proposed FEC will include four emergency treatment rooms and will also contain certain limited imaging equipment (specifically, a CT and an x-ray machine) within the four walls of the FEC to provide needed imaging services for the FEC patients.

The following chart summarizes the utilization analysis for the reviewable services and imaging equipment in the FEC for the first 2 years following the opening of the FEC:

Year	Service or Proposed Piece of Equipment	Projected Number of Patients	Projected Utilization	State Utilization Standard	Meets State Sizing Standard?
2016	Four (4) Treatment Rooms	6,240	6,240	2,000 Per Treatment Room  $6,240/2000 = 3.12$ Which Rounds Up to 4	Yes. Projected Utilization Meets State Norm.
2016	One (1) CT	6,240	971	7,000 Scans Per CT  $971/7,000 = 0.14$ Which Rounds Up to 1	Yes. Projected Utilization Meets State Norm.
2016	One (1) X-Ray	6,240	2,911	8,000 Scans Per X-Ray  $2,911/8,000 = 0.36$ Which Rounds Up to 1	Yes. Projected Utilization Meets State Norm.
2017	Four (4) Treatment Rooms	6,665	6,665	2,000 Per Treatment Room  $6,665/2,000 = 3.33$ Which Rounds Up to 4	Yes. Projected Utilization Meets State Norm.
2017	One (1) CT	6,665	1,038	7,000 Scans Per CT  $1,038/7,000 = 0.15$ Which Rounds Up to 1	Yes. Projected Utilization Meets State Norm.
2017	One (1) X-Ray	6,665	3,109	8,000 Scans Per X-Ray  $3,109/8,000 = 0.39$ Which Rounds Up to 1	Yes. Projected Utilization Meets State Norm.

The Applicants modeled the projected demand for imaging services at the FEC by reviewing the historical demand for imaging services at the Homer Glen FEC. More specifically, 39.2% of the

Homer Glen patients in fiscal year 2012 that visited the Homer Glen FEC needed an X-ray. And if a patient needed an X-ray, 1.19 X-rays (on average) were ordered. 13.9% of the Homer Glen patients in fiscal year 2012 that visited the Homer Glen FEC needed a CT scan. And if a patient needed a CT scan, 1.12 CT scans (on average) were ordered. The following table summarizes the imaging projections/calculations for the Project.

Diagnostic Test	Percentage of Homer Glen FEC Visits That Need a Test (FY 12)	Homer Glen FEC Tests If Ordered Per Patient (FY12)	Projected Frankfort FEC Visits	Frankfort FEC Visits That Will Need a Test	Frankfort FEC Projected Number of Tests
X-ray	39.2%	1.19	6,240 (YR 2016)	$6,240 \times 0.392 = 2,446$ (YR 2016)	$2,446 \times 1.19 = 2,911$ (YR 2016)
CT	13.9%	1.12	6,240 (YR 2016)	$6,240 \times 0.139 = 867$ (YR 2016)	$867 \times 1.12 = 971$ (YR 2016)
X-ray	39.2%	1.19	6,665 (YR 2017)	$6,665 \times 0.392 = 2,613$ (YR 2017)	$2,613 \times 1.19 = 3,109$ (YR 2017)
CT	13.9%	1.12	6,665 (YR 2017)	$6,665 \times 0.139 = 926$ (YR 2017)	$926 \times 1.12 = 1,038$ (YR 2017)

**Section VII**  
**Specific Service Review Criteria**  
**Clinical Service Areas Other Than Categories of Service**  
**New Imaging Equipment**  
**Criterion 1110.3030**

The Applicants are also proposing to include certain limited imaging equipment within the four walls of the FEC to provide needed imaging services for the FEC patients.

See Criterion 1110.234 for a full discussion of the imaging equipment that will be included in the FEC.

**Section VII**  
**Specific Service Review Criteria**  
**Freestanding Emergency Centers**  
**Criterion 1110.3230, Part 1**

1. **Utilization.** The FEC will include four treatment stations. The State Norm for emergency rooms is 2,000 patients per treatment station per year. The Applicants project the FEC will receive 6,240 patients in 2016, the first full year after project completion. This equates to 3.12 treatment stations, which rounds up to 4 treatment stations. Accordingly, this criterion is met.

The projected patient volume was calculated by analyzing the visits to the Hospital's Emergency Department and the Homer Glen FEC, growth rates, and patient origin data for the most recent three year period. Of particular importance is the fact that the Hospital's Emergency Department has seen its number of visits increase by more than 6.8% since the Hospital moved from its Joliet campus to its new campus in New Lenox in February of 2012. And the percentage of hospital ED patients coming from the proposed facility service area has also grown from 17% in 2010 to more than 23% in 2012.

Total visits for the most recent three year period for Silver Cross' Emergency Department and the Homer Glen FEC are provided in the table below:

**PATIENT ORIGIN – TOTAL ED VOLUME**  
 Ambulatory ED Visits + ED Admits (SCH ED & Homer FEC)

PROPOSED FEC FACILITY SERVICE AREA ZIP CODE	FY10	FY11	FY12
	TOTAL	TOTAL	TOTAL
60423	1641	1910	2584
60442	1537	1562	1711
60443	74	82	96
60448	2160	2351	3167
60449	122	148	196
60451	5184	5180	6514
60477	435	660	919
60487	303	386	745
<b>SUBTOTAL</b>	<b>11456</b>	<b>12279</b>	<b>15932</b>
ALL OTHER COMBINED	55838	54426	52463
<b>TOTAL (all zips)</b>	<b>67294</b>	<b>66705</b>	<b>68395</b>

The Applicants also evaluated market share and analyzed patient origin data by zip code for the most recent three years for the proposed service area.

Silver Cross' market share of emergency patients from the proposed FSA has grown from 22.6% for the year ending June 2010 to 27.4% for the year ending June 2012. And Silver Cross has the largest share of emergency department visits that come from the proposed FSA.

**PROPOSED FEC FACILITY SERVICE AREA**

YEAR ENDING JUNE	SILVER CROSS (HOSP + FEC)	ST JAMES (OF)	ST JAMES (CH)	ADVOCATE SOUTH SUB	INGALLS	PALOS	METROSOUTH
2010	22.6%	16.8%	2.9%	8.1%	12.7%	15.7%	0.9%
2011	23.7%	16.3%	3.2%	8.4%	11.8%	15.1%	0.8%
2012	27.4%	16.2%	2.9%	7.9%	12.3%	14.0%	1.0%

Source: Illinois Hospital Association, COMPdata. Data includes ambulatory emergency department and admits from the emergency department

The Applicants based the projected FEC visits on the number of patients from the proposed FEC's FSA currently visiting the Hospital's Emergency Department and the Hospital's freestanding emergency center. Projected emergency visits for the FEC are set forth in the table below:

PROPOSED FEC FACILITY SERVICE AREA ZIP CODE	PROJECTED 2016 CASES			PROJECTED 2016 – DISTRIBUTED TO PROPOSED FEC	
	SCH HOSP ED	SCH HOMER GLEN FEC	TOTAL ED&FEC	SHIFT TO PROPOSED FEC	VISITS
60423	2308	276	2584	70.0%	1809
60442	1617	94	1711	20.0%	342
60443	74	22	96	95.0%	91
60448	2663	504	3167	30.0%	950
60449	173	23	196	95.0%	186
60451	6066	448	6514	15.0%	977
60477	542	377	919	35.0%	322
60487	531	214	745	35.0%	261
<b>SUBTOTAL FROM PROPOSED FEC FACILITY SERVICE AREA</b>	<b>13974</b>	<b>1958</b>	<b>15932</b>	<b>79.1%</b>	<b>4938</b>
<b>IN-MIGRATION</b>				<b>20.9%</b>	<b>1302</b>
<b>TOTAL PROPOSED FEC</b>					<b>6240</b>

The in-migration rate assumed the projection model for the proposed FEC above was based on historical patterns seen at the Homer Glen FEC.

**Section VII**  
**Specific Service Review Criteria**  
**Freestanding Emergency Centers**  
**Criterion 1110.3230, Part 2**

2. **Municipality Identification.** Section 32.5(a)(1)(A) of the Emergency Medical Services (EMS) Systems Act (the "EMS Act") requires a freestanding emergency center to be located "in a municipality with a population of 50,000 or fewer inhabitants." The FEC will be located in the Village of Frankfort. According to the U.S. Census Bureau, Frankfort had an estimated population of 17,782 people in 2010. Accordingly, this criterion is met.

**Section VII**  
**Specific Service Review Criteria**  
**Freestanding Emergency Centers**  
**Criterion 1110.3230, Part 3**

3. **Identification of Hospital Owning the FEC.** Section 32.5(a)(1)(B) of the EMS Act requires a freestanding emergency center to be located "within 50 miles of the hospital that owns or controls the FEC." The proposed FEC will be owned by Silver Cross Hospital and Medical Centers. The proposed FEC is located 11.6 miles or 18.4 minutes normal travel time from Silver Cross Hospital. Accordingly, this criterion is met.

Travel time and distance were obtained from MapQuest. Normal travel times were estimated by applying the adjustment factor of 1.15 allowed under Section 1100.510(d) Normal Travel Time Determinations for the Chicago Metropolitan region to the MapQuest travel time.

**Section VII**  
**Specific Service Review Criteria**  
**Freestanding Emergency Centers**  
**Criterion 1110.3230, Part 4**

4. **Identification of Resource Hospital.** Section 32.5(a)(1)(C) of the EMS Act requires a freestanding emergency center to be located "within 50 miles of the Resource Hospital affiliated with the FEC as part of the EMS System." The Resource Hospital affiliated with the proposed FEC is Silver Cross Hospital. The proposed FEC is located 11.6 miles or 18.4 minutes normal travel time from Silver Cross Hospital. Accordingly, this criterion is met.

Travel time and distance were obtained from MapQuest. Normal travel times were estimated by applying the adjustment factor of 1.15 allowed under Section 1100.510 (d) Normal Travel Time Determinations for the Chicago Metropolitan region to the MapQuest travel time.

The Will/Grundy EMS System includes the following hospitals:

<b>Resource Hospital:</b>	Silver Cross Hospital and Medical Centers
<b>Associate Hospitals:</b>	Provena Saint Joseph Medical Center
	Morris Hospital
	St. James Hospital & Health Center
	Advocate South Suburban Hospital
	Adventist Bolingbrook Hospital
<b>Participating Hospital:</b>	Palos Community Hospital

Certification of Silver Cross' Resource Hospital status is attached at ATTACHMENT 38.



Pat Quinn, Governor  
LaMar Hasbrouck, MD, MPH, Director

422 South Fifth Street, Fourth Floor • Springfield, Illinois 62701-1824 • [www.idph.state.il.us](http://www.idph.state.il.us)

October 31, 2012

Lonnie Polhemus, RN, BSN, NREMT-P  
EMS System Coordinator, Silver Cross EMS System  
1900 Silver Cross Boulevard  
New Lenox, Illinois 60451

Dear Mr. Polhemus,

Please accept this letter as formal acknowledgment by the Illinois Department of Public Health, EMS and Highway Safety Division, that Silver Cross EMS System, System #0710, is an EMS System within the State of Illinois.

If you have any question, please contact me at 217-785-2080.

Sincerely,

A handwritten signature in black ink that reads "Jack Fleeharty".

Jack Fleeharty, RN, EMT-P  
Division Chief  
EMS and Highway Safety

JF:lh

cc: David J. Mikolajczak, DO, FACOEP, EMS Medical Director  
Shannon Wilson, RN, BSN, MS, REMSC  
EMS System Plan #0710



STATE OF ILLINOIS  
DEPARTMENT OF PUBLIC HEALTH

JOYCE C. LASHOF, M.D.  
DIRECTOR

May 15, 1975

Mr. Keyton Nixon, Administrator  
Silver Cross Hospital  
1200 Maple Road  
Joliet, Illinois 60432

Dear Mr. Nixon:

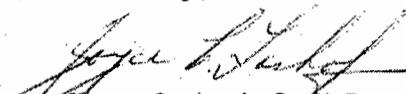
Silver Cross Hospital's proposal to become the Resource Center for the Joliet area has been reviewed. It appears that much effort was involved in developing this proposal. All should be commended in attempting to provide this service to the rural community--it may prove to be quite challenging.

With the revisions that were made, the project proposal is now approved. However, with the revisions, the Joliet program service area now extends into the boundaries of the Southwest Chicago A.H.E.S. planning agency and South Cook County A.H.E.S. planning agency. Please submit letters of acknowledgment of the Joliet program to my office. Operation of the program will be contingent upon receipt of these letters. However, the men who have been trained can still be tested.

When the commitments are made at St. Joseph Hospital to become an Associate Hospital in the Joliet program, a proposal to do so, in compliance with the guidelines, must be submitted to the Department of Public Health for approval.

Congratulations and best wishes as the Joliet program begins.

Sincerely,

  
Joyce C. Lashof, M.D.  
Director

cc: Irving Rudman, M.D.  
Stephen Hessel, M.D.

0086

APPROVED EMS RESOURCE HOSPITAL

*Silver Cross Hospital*  
*Joliet, Illinois*

is duly recognized by the Illinois Department of Public Health,  
Division of Emergency Medical Services and Highway Safety as an  
EMS Resource Hospital as of this date May, 1975.

*[Signature]*  
Director, Illinois Department  
of Public Health

*[Signature]*  
Chief, Division of Emergency  
Medical Services and Highway  
Safety

0087

**Section VII**  
**Specific Service Review Criteria**  
**Freestanding Emergency Centers**  
**Criterion 1110.3230, Part 5**

5. **Certification of Medicare Provider Status and Compliance with the Licensure Requirements of the EMS Act.** Attached at ATTACHMENT 38 is a letter from Paul Pawlak, President and Chief Executive Officer of Silver Cross Health System and Silver Cross Hospital and Medical Centers and William Brownlow, Senior Vice President of Finance and Chief Financial Officer of Silver Cross Health System and Silver Cross Hospital and Medical Centers, setting forth the required certifications that the Applicants have reviewed, understand and plan to comply with: (1) the requirements of becoming a Medicare provider of freestanding emergency services and (2) the requirements of becoming licensed under the EMS Act.

November 15, 2012

Mr. Michael Constantino  
Project Review Supervisor  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Re: Certification of Compliance with Medicare & Emergency Medical Services Systems Act

Dear Mr. Constantino:

Pursuant to 77 Ill. Admin. § 1110.3230(a)(6), and as it pertains to the establishment of a freestanding emergency center at the corner of 93<sup>rd</sup> Avenue and US Route 30 in Frankfort, Illinois, I hereby certify that Silver Cross Hospital & Medical Centers has reviewed, understands, and plans to comply with: (1) the requirements of becoming a Medicare provider of freestanding emergency services; and (2) the requirements of becoming licensed under the Emergency Medical Services Systems Act, 210 ILCS 50/32.5.

Sincerely,



Paul Pawlak  
President and CEO  
Silver Cross Hospital & Medical Centers



William Brownlow  
Senior Vice President Finance/CFO  
Silver Cross Hospital & Medical Centers

Subscribed and Sworn to before me  
this 15 day of November, 2012

  
Notary Public

Subscribed and Sworn to before me  
this 15 day of November, 2012

  
Notary Public

November 15, 2012

Mr. Michael Constantino  
Project Review Supervisor  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Re: Certification of Compliance with Medicare & Emergency Medical Services Systems Act

Dear Mr. Constantino:

Pursuant to 77 Ill. Admin. § 1110.3230(a)(6), and as it pertains to the establishment of a freestanding emergency center at the corner of 93<sup>rd</sup> Avenue and US Route 30 in Frankfort, Illinois, I hereby certify that Silver Cross Health System has reviewed, understands, and plans to comply with: (1) the requirements of becoming a Medicare provider of freestanding emergency services; and (2) the requirements of becoming licensed under the Emergency Medical Services Systems Act, 210 ILCS 50/32.5.

Sincerely,



Paul Pawlak  
President and CEO  
Silver Cross Health System



William Brownlow  
Senior Vice President Finance/CFO  
Silver Cross Health System

Subscribed and Sworn to before me  
this 15 day of November, 2012

  
Notary Public

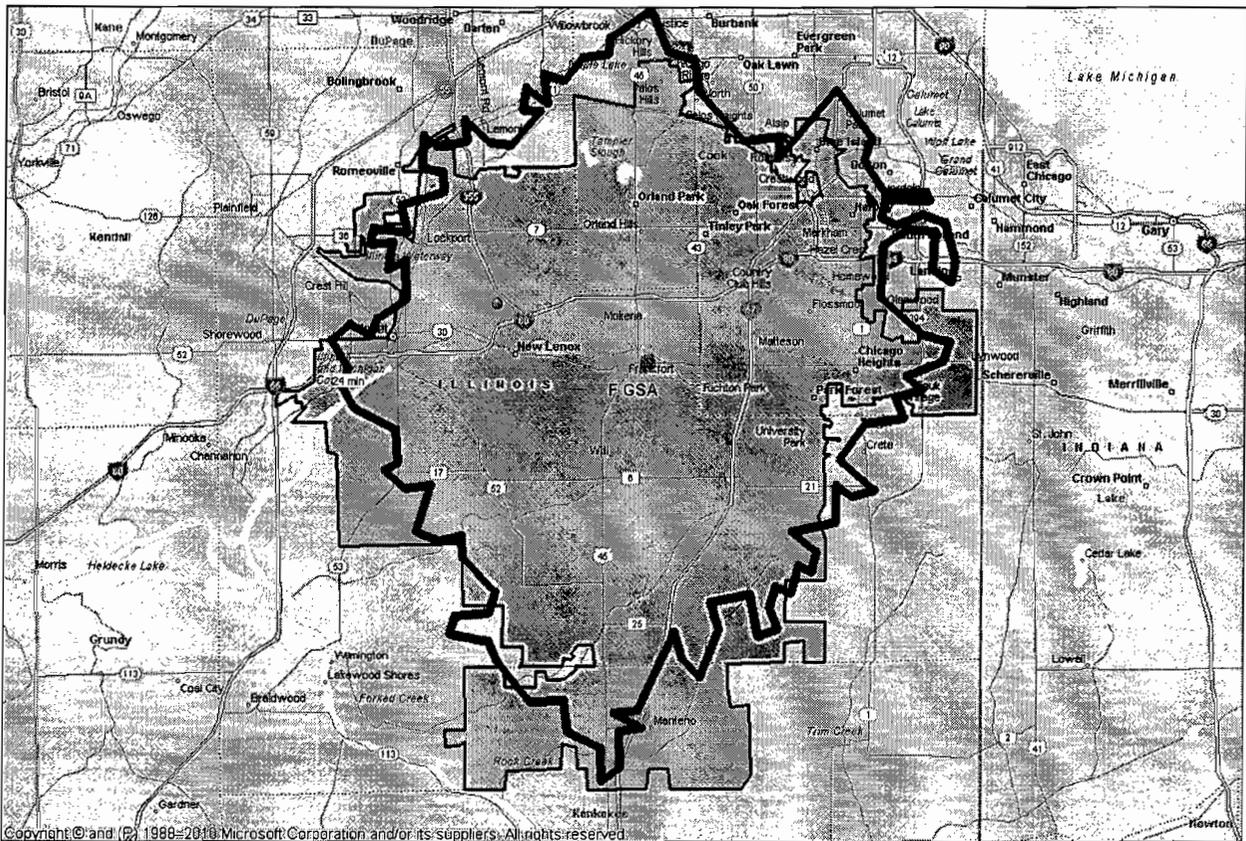
Subscribed and Sworn to before me  
this 15 day of November, 2012

  
Notary Public

**Section VII**  
**Specific Service Review Criteria**  
**Freestanding Emergency Centers**  
**Criterion 1110.3230, Part 6**

**6. Area Need; Service to Residents.**

(A) A map showing the GSA for the proposed FEC, which is comprised of zip codes located within 30 minutes normal travel time from the proposed FEC is set forth below. Estimated travel times of zip codes from the proposed FEC site were obtained from MapQuest. Normal travel times were estimated by applying the adjustment factor of 1.15 allowed under Section 1100.510 (d) Normal Travel Time Determinations for the Chicago Metropolitan region to the MapQuest travel time.



(B) The table set forth below provides historical visits to Silver Cross' Emergency Department over the past three years and the annual rate of change over that time.

**PATIENT ORIGIN – TOTAL ED VOLUME**

Ambulatory ED Visits + ED Admits (SCH ED & Homer FEC)

PROPOSED FEC FACILITY SERVICE AREA ZIP CODE	FY10	FY11	FY12	ANNUAL CHANGE
	TOTAL	TOTAL	TOTAL	
60423	1641	1910	2584	28.7%
60442	1537	1562	1711	5.7%
60443	74	82	96	14.9%
60448	2160	2351	3167	23.3%
60449	122	148	196	30.3%
60451	5184	5180	6514	12.8%
60477	435	660	919	55.6%
60487	303	386	745	72.9%
<b>SUBTOTAL PROPOSED FEC FSA</b>	<b>11456</b>	<b>12279</b>	<b>15932</b>	<b>19.5%</b>
<b>ALL OTHER COMBINED</b>	<b>55838</b>	<b>54426</b>	<b>52463</b>	
<b>TOTAL</b>	<b>67294</b>	<b>66705</b>	<b>68395</b>	<b>0.8%</b>

Projected Emergency Department visits for 2013 through 2016 are included in the following table.

YEAR	PROJECTED VISITS (HOSP-BASED ED)	PROJECTED VISITS (HG FEC)	TOTAL PROJECTED ED VISITS
2013	63253	11790	75043
2014	67534	12589	80124
2015	72106	13443	85548
2016	76987	14354	91340

The following table highlights the projected visits from the proposed FEC's FSA zip codes. Roughly 80% of the patient visits to the FEC will come from the designated FSA (but it is projected that 100% will be coming from Silver Cross' existing Emergency Department patient population).

PROPOSED FEC FACILITY SERVICE AREA ZIP CODE	PROJECTED 2016 CASES			PROJECTED 2016 - DISTRIBUTED TO PROPOSED FEC	
	SCH HOSP ED	SCH HOMER GLEN FEC	TOTAL ED&FEC	SHIFT TO PROPOSED FEC	VISITS
60423	2308	276	2584	70.0%	1809
60442	1617	94	1711	20.0%	342
60443	74	22	96	95.0%	91
60448	2663	504	3167	30.0%	950
60449	173	23	196	95.0%	186
60451	6066	448	6514	15.0%	977
60477	542	377	919	35.0%	322
60487	531	214	745	35.0%	261
<b>SUBTOTAL FROM PROPOSED FEC FACILITY SERVICE AREA</b>	<b>13974</b>	<b>1958</b>	<b>15932</b>	<b>79.1%</b>	<b>4938</b>
INMIGRATION				20.9%	1302
<b>TOTAL PROPOSED FEC</b>					<b>6240</b>

(C) Section 1110.230(b)(2)(A) of the Planning Board's rules requires an applicant to "document that at least 50% of the projected patient volume will be residents of the GSA." Data presented in the previous table indicates that nearly 80% of the projected patient volume that will be using the proposed FEC will be coming from the designated facility service area zip codes which fall within the larger geographic service area (within 30 minutes normal travel time of the proposed facility).

**Section VII  
Specific Service Review Criteria  
Freestanding Emergency Centers  
Criterion 1110.3230, Part 7**

**7. Area Need; Service Demand – Historical Utilization.**

(A) The annual number of emergency department patients that received care at facilities located in the proposed FEC's GSA for the last three years is provided in the table below:

PROVIDER	VISITS (2009)	VISITS (2010)	VISITS (2011)
Franciscan Alliance, Inc. (St. James-Olympia Fields) <sup>1</sup>	33525	34026	35877
Advocate South Suburban Hospital <sup>1</sup>	46187	44347	44104
Franciscan Alliance, Inc. (St. James-Chicago Heights) <sup>1</sup>	39266	41160	43087
Ingalls Memorial Hospital <sup>1</sup>	44200	45803	47290
Palos Community Hospital <sup>1</sup>	49122	48358	47699
Blue Island Hospital Company, LLC (MetroSouth) <sup>1</sup>	43287	43131	44989
<b>SUBTOTAL VISITS FROM NON-SCH AREA PROVIDERS</b>	<b>255587</b>	<b>256825</b>	<b>263046</b>
<b>SILVER CROSS<sup>2</sup></b>	<b>58094</b>	<b>65373</b>	<b>67494</b>
<b>TOTAL VISITS FROM AREA PROVIDERS</b>	<b>313681</b>	<b>322198</b>	<b>330540</b>

<sup>1</sup> Annual Hospital Questionnaires (based on calendar year data)

<sup>2</sup> includes Homer Glen FEC

(B) The projected number of patient visits for the first full year after project completion (2016) is 6,240.

PROPOSED FEC FACILITY SERVICE AREA ZIP CODE	PROJECTED 2016 CASES			PROJECTED 2016 – DISTRIBUTED TO PROPOSED FEC	
	SCH HOSP ED	SCH HOMER GLEN FEC	TOTAL ED&FEC	SHIFT TO PROPOSED FEC	VISITS
60423	2308	276	2584	70.0%	1809
60442	1617	94	1711	20.0%	342
60443	74	22	96	95.0%	91
60448	2663	504	3167	30.0%	950
60449	173	23	196	95.0%	186
60451	6066	448	6514	15.0%	977
60477	542	377	919	35.0%	322
60487	531	214	745	35.0%	261
<b>SUBTOTAL FROM PROPOSED FEC FACILITY SERVICE AREA</b>	<b>13974</b>	<b>1958</b>	<b>15932</b>	<b>79.1%</b>	<b>4938</b>
<b>INMIGRATION</b>				<b>20.9%</b>	<b>1302</b>
<b>TOTAL PROPOSED FEC</b>					<b>6240</b>

**Section VII**  
**Specific Service Review Criteria**  
**Freestanding Emergency Centers**  
**Criterion 1110.3230, Part 8**

8. **Area Need; Service Accessibility.**

As set forth herein, the Applicants have demonstrated that demand for emergency services will exceed capacity in the coming years. Specifically, without the establishment of the proposed FEC, the Applicants anticipate that by 2016, Silver Cross' Emergency Department and the Homer Glen FEC will exceed capacity by 3,340 visits.

Projected 2016 total enterprise Emergency Department visits = 91,340 visits

Existing treatment rooms = 44

Silver Cross Emergency Department treatment rooms = 38

Homer Glen FEC treatment rooms = 6

Estimated capacity (stations X 2000 visits/treatment room) = 88,000 visits

91,340-88,000 = 3,340 visits over capacity.

**Section VII  
Specific Service Review Criteria  
Freestanding Emergency Centers  
Criterion 1110.3230, Part 9**

**9. Unnecessary Duplication.**

(A) & (B) As set forth herein, the Project will not result in unnecessary duplication of services as the projected caseload for the proposed FEC can be justified entirely by the Hospital's existing patient population.

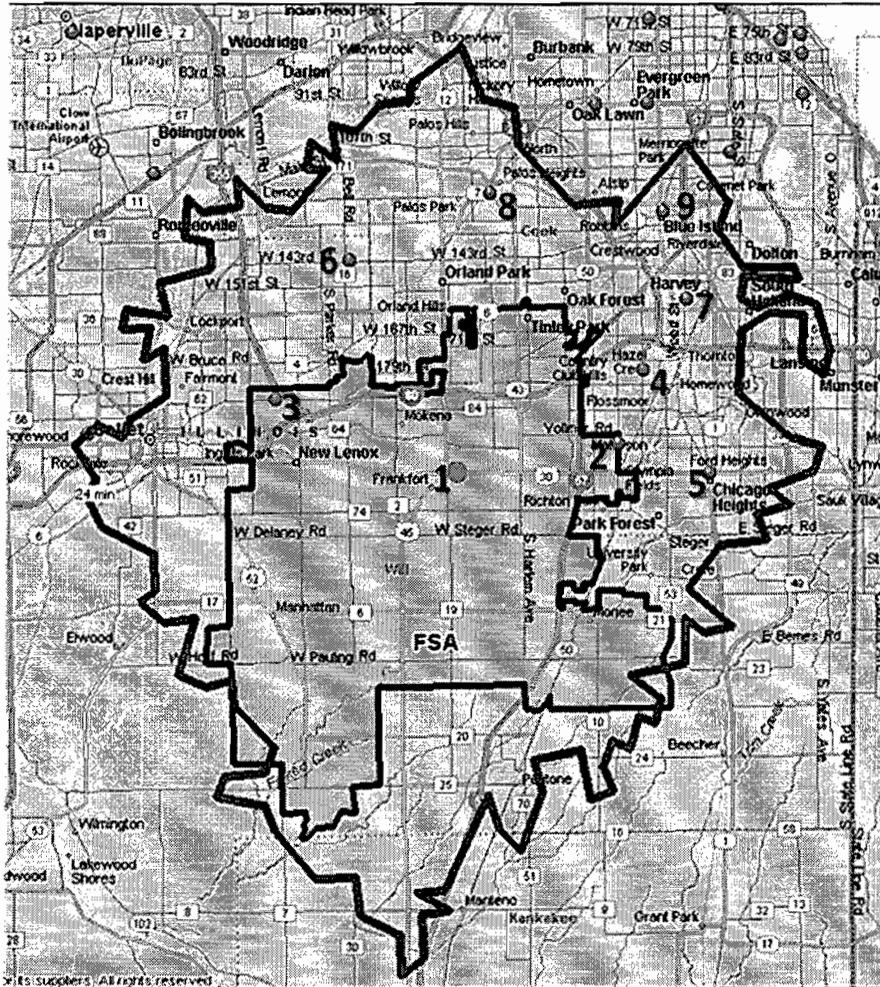
The estimated and projected population for the zip codes located within 30 minutes normal travel time of the proposed FEC is provided in the table set forth below:

Proposed GSA Zip Codes	City/Town	Proposed FEC Facility Service Area	2012 Estimated Population	2017 Projected Population	5-Year % Change	CAGR (2012-2017)
60406	Blue Island		25,581	25,369	-0.8%	-0.2%
60411	Chicago Heights		57,338	56,056	-2.2%	-0.5%
60421	Elwood		4,149	4,369	5.3%	1.0%
60422	Flossmoor		9,718	9,691	-0.3%	-0.1%
60423	Frankfort	FEC FSA	32,274	35,866	11.1%	2.1%
60426	Harvey		29,001	27,608	-4.8%	-1.0%
60428	Markham		12,212	12,330	1.0%	0.2%
60429	Hazel Crest		15,467	15,365	-0.7%	-0.1%
60430	Homewood		20,167	20,199	0.2%	0.0%
60432	Joliet		21,958	22,464	2.3%	0.5%
60433	Joliet		17,205	17,296	0.5%	0.1%
60436	Joliet		18,565	18,995	2.3%	0.5%
60441	Lockport		38,654	42,409	9.7%	1.9%
60442	Manhattan	FEC FSA	10,509	11,905	13.3%	2.5%
60443	Matteson	FEC FSA	21,788	23,711	8.8%	1.7%
60445	Midlothian		25,870	25,810	-0.2%	0.0%
60448	Mokena	FEC FSA	25,027	27,218	8.8%	1.7%
60449	Monee	FEC FSA	9,803	10,913	11.3%	2.2%
60451	New Lenox	FEC FSA	35,248	38,516	9.3%	1.8%
60452	Oak Forest		27,711	27,600	-0.4%	-0.1%
60461	Olympia Fields		5,049	5,223	3.4%	0.7%
60462	Orland Park		39,367	39,718	0.9%	0.2%
60463	Palos Heights		14,359	14,603	1.7%	0.3%
60464	Palos Park		9,850	10,195	3.5%	0.7%
60465	Palos Hills		17,728	17,769	0.2%	0.0%
60466	Park Forest		21,937	21,662	-1.3%	-0.3%
60467	Orland Park		26,763	28,512	6.5%	1.3%
60468	Peotone		6,151	6,559	6.6%	1.3%
60471	Richton Park		13,526	13,958	3.2%	0.6%
60477	Tinley Park	FEC FSA	39,076	39,638	1.4%	0.3%
60478	Country Club Hills		16,534	16,757	1.3%	0.3%
60484	University Park		7,522	7,934	5.5%	1.1%
60487	Tinley Park	FEC FSA	26,597	28,556	7.4%	1.4%
60491	Homer Glen		23,979	25,456	6.2%	1.2%
60950	Manteno		12,649	13,784	9.0%	1.7%
<b>SUBTOTAL Proposed Geographic Service Area</b>			<b>739,332</b>	<b>764,014</b>	<b>3.3%</b>	<b>0.7%</b>
<b>SUBTOTAL Proposed Facility Service Area</b>			<b>200,322</b>	<b>216,323</b>	<b>8.0%</b>	<b>1.5%</b>

The GSA has a total estimated population of 739,332 people in 2012 and is projected to grow by 3.3% over the next five years.

The FSA has a total estimated population of 200,322 people in 2012 and is projected to grow by 8.0% over the next five years.

(C) The name and location of all existing approved health care facilities located within 30 minutes normal travel time from the proposed FEC is provided in the map and the table below:



#	PROVIDER	ADDRESS	CITY	MILES	MAPQUEST TRAVEL TIME	ADJUSTED NORMAL TRAVEL TIME
1	Proposed Frankfort FEC	93rd Ave & Rt 30	Frankfort			
2	Franciscan Alliance, Inc. (St. James-Olympia Fields)	20201 South Crawford Avenue	Olympia Fields	7.82	13	15.0
3	Silver Cross Hospital	1900 Silver Cross Blvd	New Lenox	11.59	16	18.4
4	Advocate South Suburban Hospital	17800 S. Kedzie Avenue	Hazel Crest	11.06	18	20.7
5	Franciscan Alliance, Inc. (St. James-Chicago Heights)	1423 Chicago Road	Chicago Heights	10.44	19	21.9
6	Silver Cross Emergicare Center	12701 West 143rd Street	Homer Glen	12.85	21	24.2
7	Ingalls Memorial Hospital	One Ingalls Drive	Harvey	15.60	23	26.5
8	Palos Community Hospital	12251 South 80th Street	Palos Heights	13.56	24	27.6
9	Blue Island Hospital Company, LLC (MetroSouth)	12935 South Gregory Street	Blue Island	18.64	26	29.9

**Section VII**  
**Specific Service Review Criteria**  
**Freestanding Emergency Centers**  
**Criterion 1110.3230, Part 10**

10. **Unnecessary Maldistribution.**

The Project will not result in unnecessary maldistribution of services since the total projected patient volume for the FEC will come entirely from the Hospital's existing patient population. ***Therefore, the Applicants fully anticipate that no other provider will be impacted by the proposed FEC.***

**Section VII**  
**Specific Service Review Criteria**  
**Freestanding Emergency Centers**  
**Criterion 1110.3230, Part 11**

**11. Unnecessary Duplication/Maldistribution.**

The project will not result in unnecessary maldistribution of services because the total projected patient volume for the proposed FEC will come entirely from the Hospital's existing patient population. Therefore, the Applicants fully anticipate that no other provider will be impacted by the proposed FEC and that future utilization will not be lowered.

In fact, it is anticipated that the only facilities that will be impacted will be the Hospital and the Hospital's other freestanding emergency center in Homer Glen. For the fiscal year ended 2012, roughly 84% of the Hospital's Emergency Department patients came from the proposed FEC's GSA and 23% of the patients came from the proposed FEC's FSA. Moreover, over the past three years a growing number of Emergency Department patients have come from the GSA and the FSA, which is further evidence of the increasing demand for emergency services by residents of the GSA and FSA.

**PATIENT ORIGIN – TOTAL ED VOLUME**

PATIENT ORIGIN	FY10	FY11	FY12
	TOTAL	TOTAL	TOTAL
TOTAL	67294	66705	68395
TOTAL FROM PROPOSED FEC GSA	57042	56422	57719
PERCENT FROM PROPOSED FEC FSA	84.8%	84.6%	84.4%
TOTAL FROM PROPOSED FEC FSA	11456	12279	15932
PERCENT FROM PROPOSED FEC FSA	17.0%	18.4%	23.3%

In the last 12 months, 15,932 patients came to the Hospital's Emergency Department from the proposed FEC's FSA alone. The numbers of patients from the FSA has been growing at a much faster rate than for the GSA as a whole.

As discussed throughout this Application, the Hospital has experienced a tremendous increase in emergency department visits (6.8%) since it opened its replacement hospital in New Lenox. This growth is expected to continue for the foreseeable future. The Hospital's projected Emergency Department visits are set forth in the table below:

**PROJECTED ENTERPRISE WIDE ED VISITS**

MEASURE	2013	2014	2015	2016
Total Emergency Department Visits	75043	80124	85548	91340
Justified Treatment Bays (rounded up)	38	41	43	46

The Applicants anticipate that projected patients from the proposed facility service area will be directed to the proposed FEC. The Applicants assume that the majority of the patients from the FSA that currently present to the Hospital's Emergency Department and to the Hospital Freestanding Emergency Center in Homer Glen will choose to use the proposed FEC instead. Accordingly, the Applicants based the projected FEC visits on the number of patients from the proposed FEC's FSA currently visiting the Hospital's Emergency Department and Homer Glen FEC. Projected Emergency Department visits for the proposed FEC are set forth in the table below:

PROPOSED FEC FACILITY SERVICE AREA ZIP CODE	PROJECTED 2016 CASES			PROJECTED 2016 – DISTRIBUTED TO PROPOSED FEC	
	SCH HOSP ED	SCH HOMER GLEN FEC	TOTAL ED&FEC	SHIFT TO PROPOSED FEC	VISITS
60423	2308	276	2584	70.0%	1809
60442	1617	94	1711	20.0%	342
60443	74	22	96	95.0%	91
60448	2663	504	3167	30.0%	950
60449	173	23	196	95.0%	186
60451	6066	448	6514	15.0%	977
60477	542	377	919	35.0%	322
60487	531	214	745	35.0%	261
<b>SUBTOTAL FROM PROPOSED FEC FACILITY SERVICE AREA</b>	<b>13974</b>	<b>1958</b>	<b>15932</b>	<b>79.1%</b>	<b>4938</b>
INMIGRATION				20.9%	1302
<b>TOTAL PROPOSED FEC</b>					<b>6240</b>

Based upon the Applicants' projection, the proposed FEC will reach utilization within the first full year after opening (in 2016).

As stated throughout this Application, the entire projected patient visit volume for 2016 will come from the number of patients that the Hospital is projected to treat from the FSA (15,932). **As a result, no other hospital emergency department will be affected by the opening of the FEC in Frankfort.**

Pursuant to Section 1110.3230(c)(4) of the Planning Board's rules, request for emergency department utilization was sent to all area hospitals providing emergency services within 30 minutes travel time from the proposed FEC. Copies of the impact letters sent to all facilities within 30 minutes travel time of the proposed FEC currently providing emergency services is attached as ATTACHMENT 38. The below table lists each hospital within 30 minutes travel time of the proposed FEC along with the number of emergency department treatment stations, volume for 2011 (per Annual Hospital Questionnaires) and the utilization per treatment room.

#### AREA PROVIDER UTILIZATION

PROVIDER	STATIONS (2011)	2011 VISITS / STATION	2011 UTILIZATION
Franciscan Alliance, Inc. (St. James-Olympia Fields) <sup>1</sup>	24	1494.88	74.7%
Advocate South Suburban Hospital <sup>1</sup>	25	1764.16	88.2%
Franciscan Alliance, Inc. (St. James-Chicago Heights) <sup>1</sup>	22	1958.50	97.9%
Ingalls Memorial Hospital <sup>1</sup>	31	1525.48	76.3%
Palos Community Hospital <sup>1</sup>	20	2384.95	119.2%
Blue Island Hospital Company, LLC (MetroSouth) <sup>1</sup>	27	1666.26	83.3%
<b>SUBTOTAL NON-SCH AREA PROVIDERS</b>	<b>149</b>	<b>1765.41</b>	<b>88.3%</b>
<b>SILVER CROSS<sup>2</sup></b>	<b>32</b>	<b>2109.19</b>	<b>105.5%</b>
<b>TOTAL AREA PROVIDERS</b>	<b>181</b>	<b>1826.19</b>	<b>91.3%</b>

<sup>1</sup> 2011 Annual Hospital Questionnaire (calendar year 2011)

<sup>2</sup> includes Homer Glen FEC (2011 stations are for the hospital ED before moving to New Lenox)



November 9, 2012

VIA CERTIFIED MAIL

Mr. Richard Heim  
President  
Advocate South Suburban Hospital  
17800 South Kedzie Avenue  
Hazel Crest, IL 60429-0989

Dear Mr. Heim:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois (the "Project"). The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application and ask for your assessment of the impact the Project will have on the utilization of your emergency department.

In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. The number of treatment stations in your emergency department.
2. Patient origin information by zip code, based on the patient's legal residence, for patients who have received services in your emergency department during each of the previous two (2) years, ending September 30, 2012.
3. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please provide your assessment of the impact (if any) that the Project will have on the utilization of your emergency department and return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility will not experience an adverse impact in utilization from the project. . . [and/or that the existing facility] has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

**ATTACHMENT**

**38**

Attachment



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

VIA CERTIFIED MAIL

Mr. Seth Warren  
President/CEO  
Franciscan St. James Health/Chicago Heights  
1423 Chicago Road  
Chicago Heights, IL 60411-3400

Dear Mr. Warren:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois (the "Project"). The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application and ask for your assessment of the impact the Project will have on the utilization of your emergency department.

In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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3. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please provide your assessment of the impact (if any) that the Project will have on the utilization of your emergency department and return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility will not experience an adverse impact in utilization from the project. . . [and/or that the existing facility] has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

**ATTACHMENT**  
**38**

Attachment

0104



November 9, 2012

VIA CERTIFIED MAIL

Mr. Seth Warren  
President/CEO  
Franciscan St. James Health/Olympia Fields  
20201 South Crawford Avenue  
Olympia Fields, IL 60461-1080

Dear Mr. Warren:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois (the "Project"). The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application and ask for your assessment of the impact the Project will have on the utilization of your emergency department.

In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. The number of treatment stations in your emergency department.
2. Patient origin information by zip code, based on the patient's legal residence, for patients who have received services in your emergency department during each of the previous two (2) years, ending September 30, 2012.
3. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please provide your assessment of the impact (if any) that the Project will have on the utilization of your emergency department and return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility will not experience an adverse impact in utilization from the project. . . [and/or that the existing facility] has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

ATTACHMENT  
38

Attachment



November 9, 2012

VIA CERTIFIED MAIL

Mr. Kurt Johnson  
President & CEO  
Ingalls Memorial Hospital  
One Ingalls Drive  
Harvey, IL 60426-3558

Dear Mr. Johnson:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois (the "Project"). The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application and ask for your assessment of the impact the Project will have on the utilization of your emergency department.

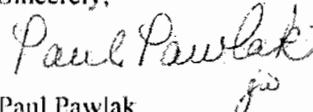
In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. The number of treatment stations in your emergency department.
2. Patient origin information by zip code, based on the patient's legal residence, for patients who have received services in your emergency department during each of the previous two (2) years, ending September 30, 2012.
3. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please provide your assessment of the impact (if any) that the Project will have on the utilization of your emergency department and return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility will not experience an adverse impact in utilization from the project. . . [and/or that the existing facility] has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,



Paul Pawlak  
President and CEO

ATTACHMENT  
38

Attachment



November 9, 2012

VIA CERTIFIED MAIL

Enrique Beckmann, M.D., PhD  
President & Chief Medical Officer  
MetroSouth Medical Center  
12935 South Gregory Street  
Blue Island, IL 60406-2428

Dear Dr. Beckmann:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois (the "Project"). The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1.110.3230 of the Board's rules, we are providing you with notice of our application and ask for your assessment of the impact the Project will have on the utilization of your emergency department.

In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. The number of treatment stations in your emergency department.
2. Patient origin information by zip code, based on the patient's legal residence, for patients who have received services in your emergency department during each of the previous two (2) years, ending September 30, 2012.
3. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please provide your assessment of the impact (if any) that the Project will have on the utilization of your emergency department and return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility will not experience an adverse impact in utilization from the project. . . [and/or that the existing facility] has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

ATTACHMENT  
38

Attachment



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

VIA CERTIFIED MAIL

Sister Margaret Wright  
President  
Palos Community Hospital  
12251 South 80th Avenue  
Palos Heights, IL 60463-1256

Dear Sister Margaret:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois (the "Project"). The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application and ask for your assessment of the impact the Project will have on the utilization of your emergency department.

In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. The number of treatment stations in your emergency department.
2. Patient origin information by zip code, based on the patient's legal residence, for patients who have received services in your emergency department during each of the previous two (2) years, ending September 30, 2012.
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Please provide your assessment of the impact (if any) that the Project will have on the utilization of your emergency department and return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility will not experience an adverse impact in utilization from the project. . . [and/or that the existing facility] has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

ATTACHMENT  
38

Attachment

**Section VII  
Specific Service Review Criteria  
Freestanding Emergency Centers  
Criterion 1110.3230, Part 12**

**12. Staffing Availability**

Pursuant Section 1110.3230(e) of the Planning Board's rules, a request for staffing information was sent to all area hospitals providing emergency services within 60 minutes normal travel time of the proposed FEC. A list of the hospitals sent that request for information is contained in the following table. Copies of staffing availability letters sent to all facilities within sixty minutes travel time from the proposed FEC currently providing emergency services and copies of the certified mail receipts are attached as ATTACHMENT 38.

**AREA HOSPITAL VACANCY RATES**

Facility Name	ED Type	Annual Vacancy Rate	Staffing Shortage (Yes if >= 10%)	Letter Received
Adventist Bolingbrook Hospital	Comprehensive			
Adventist GlenOaks Hospital	Comprehensive			
Adventist Hinsdale Hospital	Comprehensive			
Adventist La Grange Memorial Hospital	Comprehensive			
Advocate Christ Medical Center & Hope Children's Hospital	Comprehensive			
Advocate Good Samaritan Hospital	Comprehensive			
Advocate Illinois Masonic Medical Center	Comprehensive			
Advocate Trinity Hospital	Comprehensive			
Ann & Robert H. Lurie Children's Hosp of Chicago	Comprehensive			
Central DuPage Hospital	Comprehensive			
Edward Hospital	Comprehensive			
Edward Plainfield Emergency Center	Comprehensive			
Elmhurst Memorial Hospital	Comprehensive			
Hartgrove Behavioral Health System	Comprehensive			
Holy Cross Hospital	Comprehensive			
Jackson Park Hospital & Medical Center	Comprehensive			
John H. Stroger, Jr. Hospital of Cook Co.	Comprehensive			
La Rabida Children's Hospital	??			
Little Company of Mary Hospital	Comprehensive			
Loyola Gottlieb Memorial Hospital	Comprehensive			
Loyola University Medical Center	Comprehensive			
MacNeal Hospital	Comprehensive			
Marianjoy Rehabilitation Hospital & Clinics	Comprehensive			
Mercy Hospital & Medical Center	Comprehensive			
Morris Hospital & Healthcare Ctrs	Comprehensive			

### AREA HOSPITAL VACANCY RATES

Facility Name	ED Type	Annual Vacancy Rate	Staffing Shortage (Yes if >= 10%)	Letter Received
Mount Sinai Hospital	Comprehensive			
Northwestern Memorial Hospital	Comprehensive			
Norwegian American Hospital	Comprehensive			
Provena Saint Joseph Medical Center	Comprehensive			
Provena St. Mary's Hospital	Comprehensive			
Provident Hospital of Cook County	Comprehensive			
Rehabilitation Institute of Chicago	Comprehensive			
Riveredge Hospital	Comprehensive			
Riverside Medical Center	Comprehensive			
RML Chicago	Comprehensive			
Roseland Community Hospital	Comprehensive			
Rush Oak Park Hospital	Comprehensive			
Rush University Medical Center	Comprehensive			
Rush-Copley Medical Center	Comprehensive			
Sacred Heart Hospital	Comprehensive			
Saint Joseph Hospital	Comprehensive			
South Shore Hospital	Comprehensive			
St. Bernard Hospital	Comprehensive			
Sts. Mary & Elizabeth Medical Ctr/St. Elizabeth	Comprehensive			
Sts. Mary & Elizabeth Medical Ctr/St. Mary	Comprehensive			
University of Chicago Medical Center	Comprehensive			
University of Illinois Hospital & Health Sciences	Comprehensive			
West Suburban Medical Center	Comprehensive			
Westlake Hospital	Comprehensive			

The Hospital has been experiencing very favorable vacancy rates for staff subject to licensing by the Department of Financial and Professional Regulation in the Emergency Department. Over the past year, the vacancy rate has averaged below 3%. Thus, the Applicants will have available personnel to staff the FEC. Indeed, the Applicants intend to transfer staff from its Hospital to the FEC.

13. **Concluding Statement.**

That all said, this Project is, in effect, a service enhancement for the residents of Frankfort and the surrounding communities.



November 9, 2012.

Via Certified Mail

Mr. Rick Mace  
Chief Executive Officer  
Adventist Bolingbrook Hospital  
500 Remington Blvd  
Bolingbrook, IL 60440

Dear Mr. Mace:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment.

ATTACHMENT

38



November 9, 2012

**Via Certified Mail**

Mr. Bruce Christian  
Chief Executive Officer  
Adventist GlenOaks Hospital  
701 Winthrop Avenue  
Glendale Heights, IL 60139-1403

Dear Mr. Christian:

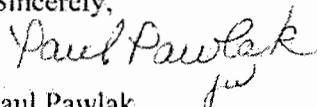
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Sincerely,  
  
Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**  
38



**SILVER CROSS**  
HOSPITAL

1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

Via Certified Mail

Mr. Michael Goebel  
VP & Chief Executive Officer  
Adventist Hinsdale Hospital  
120 North Oak Street  
Hinsdale, IL 60521-3829

Dear Mr. Goebel:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38



SILVER CROSS  
HOSPITAL

1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

Via Certified Mail

Mr. Lary Davis  
Regional SVP/CEO  
Adventist La Grange Memorial Hospital  
5101 South Willow Springs Road  
La Grange, IL 60525-2679

Dear Mr. Davis:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38



November 9, 2012

Via Certified Mail

Mr. Kenneth Lukhard  
President  
Advocate Christ Medical Center & Hope Children's Hospital  
4440 West 95th Street  
Oak Lawn, IL 60453-2699

Dear Mr. Lukhard:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

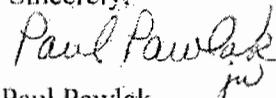
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Sincerely,

  
Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**  
38

0115



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. David Fox  
President  
Advocate Good Samaritan Hospital  
3815 Highland Avenue  
Downers Grove, IL 60515-1590

Dear Mr. Fox:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**  
38



November 9, 2012

**Via Certified Mail**

Ms. Susan Nordstrom Lopez  
President  
Advocate Illinois Masonic Medical Center  
836 West Wellington Avenue  
Chicago, IL 60657-5147

Dear Ms. Nordstrom Lopez:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

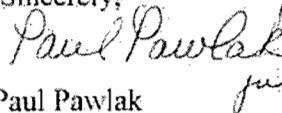
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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

  
Paul Pawlak

President and CEO

Attachment

ATTACHMENT

38

0117



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Jonathan Bruss  
President  
Advocate Trinity Hospital  
2320 East 93rd Street  
Chicago, IL 60617-3983

Dear Mr. Bruss:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

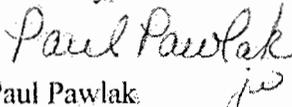
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Sincerely,

  
Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38



November 9, 2012

**Via Certified Mail**

Mr. Patrick Magoon  
President & CEO  
Ann & Robert H. Lurie Children's Hosp of Chicago  
225 East Chicago Avenue  
Chicago, IL 60611-2605

Dear Mr. Magoon:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**  
38



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

Via Certified Mail

Ms. Pam Davis  
President & CEO  
Edward Hospital  
801 South Washington Street  
Naperville, IL 60540-7430

Dear Ms. Davis:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

  
Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0120



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012.

**Via Certified Mail**

Mr. W. Peter Daniels  
President & CEO  
Elmhurst Memorial Hospital  
155 E. Brush Hill Road  
Elmhurst, IL 60126

Dear Mr. Daniels:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**  
38



1980 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Brian Lemon  
President  
Central DuPage Hospital  
25 North Winfield Road  
Winfield, IL 60190-1295

Dear Mr. Lemon:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

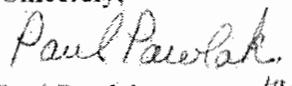
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Sincerely,

  
Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Steven Airhart  
Chief Executive Officer  
Hartgrove Behavioral Health System  
5730 West Roosevelt Road  
Chicago, IL 60644

Dear Mr. Airhart:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment.

**ATTACHMENT**  
38

0123



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Wayne Lerner, DPH  
President & CEO  
Holy Cross Hospital  
2701 West 68th Street  
Chicago, IL 60629-1883

Dear Dr. Lerner:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

William Dorsey, M.D.  
Chairman of the Board and CEO  
Jackson Park Hospital & Medical Center  
7531 Stony Island Avenue  
Chicago, IL 60649-3993

Dear Dr. Dorsey:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38



November 9, 2012

Via Certified Mail

Ms. Carol Schneider  
Chief Operating Officer  
John H. Stroger, Jr. Hospital of Cook Co.  
1901 West Harrison Street  
Chicago, IL 60612

Dear Ms. Schneider:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

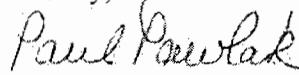
In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

  
Paul Pawlak  
President and CEO *pe*

Attachment

ATTACHMENT

38



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Ms. Brenda Wolf  
President & CEO  
La Rabida Children's Hospital  
East 65th Street at Lake Michigan  
Chicago, IL 60649-1395

Dear Ms. Wolf:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

**38**

0127



November 9, 2012

**Via Certified Mail**

Mr. Ken Fishbain  
Chief Operating Officer  
Loyola Gottlieb Memorial Hospital  
701 West North Avenue  
Melrose Park, IL 60160-1612

Dear Mr. Fishbain:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

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38

0128



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Larry Goldberg  
President & CEO  
Loyola University Medical Center  
2160 South First Avenue  
Maywood, IL 60153-5599

Dear Mr. Goldberg:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0129



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Scott Steiner  
Interim CEO  
MacNeal Hospital  
3249 South Oak Park Avenue  
Berwyn, IL 60402-0715

Dear Mr. Steiner:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**  
38



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

Via Certified Mail

Ms. Kathleen Yosko  
President & CEO  
Marianjoy Rehabilitation Hospital & Clinics  
26 W 171 Roosevelt Road  
Wheaton, IL 60187

Dear Ms. Yosko:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

- I. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0131



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • [www.silvercross.org](http://www.silvercross.org)

November 9, 2012

**Via Certified Mail**

Mr. Mark Steadham  
President & Chief Executive Officer  
Morris Hospital & Healthcare Ctrs  
150 West High Street  
Morris, IL 60450-1463

Dear Mr. Steadham:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012.

**Via Certified Mail**

Mr. Alan Channing  
President & CEO  
Mount Sinai Hospital  
California Avenue at 15th Street  
Chicago, IL 60608-1797

Dear Mr. Channing:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

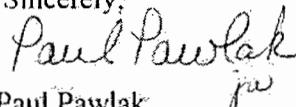
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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

  
Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38

0133



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Dean Harrison  
President & CEO  
Northwestern Memorial Hospital  
251 East Huron Street  
Chicago, IL 60611

Dear Mr. Harrison:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0134



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Jose Sanchez  
President/CEO  
Norwegian American Hospital  
1044 North Francisco Avenue  
Chicago, IL 60622-2794

Dear Mr. Sanchez:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38

0135



**SILVER CROSS**  
HOSPITAL

1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012.

**Via Certified Mail**

Ms. Beth Hughes  
President & CEO  
Provena Saint Joseph Medical Center  
333 North Madison Street  
Joliet, IL 60435-6595

Dear Ms. Hughes:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

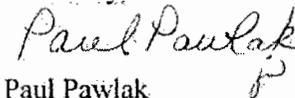
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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

  
Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38



November 9, 2012

**Via Certified Mail**

Ms. Amy LaFine  
President & CEO  
Provena St. Mary's Hospital  
500 West Court Street  
Kankakee, IL 60901-3661

Dear Ms. LaFine:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38

0137



November 9, 2012

Via Certified Mail

Ramanathan Raju, MD  
Chief Executive Officer  
Provident Hospital of Cook County  
500 East 51st Street  
Chicago, IL 60615-2494

Dear Dr. Raju:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0138



November 9, 2012

Via Certified Mail

Joanne Smith, M.D.  
President & CEO  
Rehabilitation Institute of Chicago  
345 East Superior Street  
Chicago, IL 60611-4496

Dear Dr. Smith:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**  
38

0139



**SILVER CROSS**  
HOSPITAL

1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

Via Certified Mail

Ms. Carey Carlock  
Chief Executive Officer  
Riveredge Hospital  
8311 West Roosevelt Road  
Forest Park, IL 60130-2529

Dear Ms. Carlock:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment:

**ATTACHMENT**

38

0140



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Phillip Kambic  
President & CEO  
Riverside Medical Center  
350 North Wall Street  
Kankakee, IL 60901-2901

Dear Mr. Kambic:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38

0141



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. James Prister  
President & CEO  
RML Chicago  
3435 West Van Buren Street  
Chicago, IL 60624-3359

Dear Mr. Prister:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38



November 9, 2012

**Via Certified Mail**

Ms. Dian Powell  
President and Chief Executive Officer  
Roseland Community Hospital  
45 West 111th Street  
Chicago, IL 60628-5296

Dear Ms. Powell:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

- I. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**  
38



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Bruce Elegant, FACHE  
President & CEO  
Rush Oak Park Hospital  
520 South Maple Avenue  
Oak Park, IL 60304-1022

Dear Mr. Elegant:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak *pe*  
President and CEO

Attachment

**ATTACHMENT**

38

0144



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

Via Certified Mail

Larry Goodman, M.D.  
CEO  
Rush University Medical Center  
1653 West Congress Parkway  
Chicago, IL 60612-3864

Dear Dr. Goodman:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

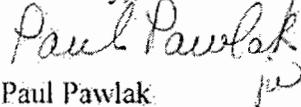
In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

  
Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0145



November 9, 2012

Via Certified Mail

Mr. Barry Finn  
President & CEO  
Rush-Copley Medical Center  
2000 Ogden Avenue  
Aurora, IL 60504

Dear Mr. Finn:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38



SILVER CROSS  
HOSPITAL

1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Edward Novak  
President & CEO  
Sacred Heart Hospital  
3240 West Franklin Boulevard  
Chicago, IL 60624-1511

Dear Mr. Novak:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

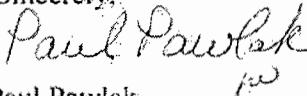
In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

  
Paul Pawlak  
President and CEO

Attachment

ATTACHMENT  
38

0147



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Roberta Luskin-Hawk, M.D.  
EVP/CEO  
Saint Joseph Hospital  
2900 North Lake Shore Drive  
Chicago, IL 60657-6275

Dear Dr. Luskin-Hawk:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 11.10.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

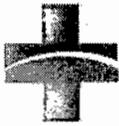
Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38



November 9, 2012

Via Certified Mail

Ms. Margaret McDermott  
EVP & CEO  
Sts. Mary & Elizabeth Medical Ctr/St. Elizabeth  
1431 North Claremont Avenue  
Chicago, IL 60622-1791

Dear Ms. McDermott:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0149



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Ms. Margaret McDermott  
EVP & CEO  
Sts. Mary & Elizabeth Medical Ctr/St. Mary  
2233 West Division Street  
Chicago, IL 60622-3087

Dear Ms. McDermott:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

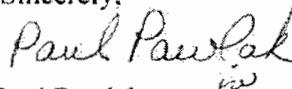
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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

  
Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

38

0150



November 9, 2012

Via Certified Mail

Kenneth Polonsky, MD  
Dean & EVP of Medical Affairs  
University of Chicago Medical Center  
5841 S Maryland Ave, M/C 1000  
Chicago, IL 60637-1470

Dear Dr. Polonsky:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0151



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Bryan Becker  
Interim Associate, VP Prof. Practice & Hosp Operat  
University of Illinois Hospital & Health Sciences  
1740 W Taylor St., Ste. 1400, M/C 693  
Chicago, IL 60612-7236

Dear Mr. Becker:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

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If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**  
38

0152



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Mr. Jack Cleary  
CEO  
West Suburban Medical Center  
3 Erie Court  
Oak Park, IL 60302-2599

Dear Mr. Cleary:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0153



November 9, 2012

Via Certified Mail

Mr. William Brown, FACHE  
Chief Executive Officer  
Westlake Hospital  
1225 West Lake Street  
Melrose Park, IL 60160-4039

Dear Mr. Brown:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0154



November 9, 2012

**Via Certified Mail**

Mr. Dennis Reilly  
Little Company of Mary Hospital  
2800 West 95th Street  
Evergreen Park, IL 60805

Dear Mr. Reilly:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

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Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0155



November 9, 2012.

**Via Certified Mail**

Sister Sheila Lyne, RSM  
Mercy Hospital & Medical Center  
2525 South Michigan Avenue  
Chicago, IL 60616

Dear Sister Sheila:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1.110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

**38**



November 9, 2012

**Via Certified Mail**

Mr. Jesus Ong  
South Shore Hospital  
8012 South Crandon Avenue  
Chicago, IL 60617

Dear Mr. Ong:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

**38**

0157



1900 Silver Cross Blvd. • New Lenox, IL 60451  
(815) 300-1100 • www.silvercross.org

November 9, 2012

**Via Certified Mail**

Sister Elizabeth Van Straten, RHSJ  
St. Bernard Hospital  
326 West 64th Street  
Chicago, IL 60621

Dear Sister Elizabeth:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

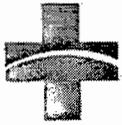
Paul Pawlak  
President and CEO

Attachment

**ATTACHMENT**

**38**

0158



November 9, 2012

Via Certified Mail

Edward Plainfield Emergency Center  
24600 W. 127th Street  
Plainfield, IL 60585

To Whom It May Concern:

I am writing on behalf of Silver Cross Health System and Silver Cross Hospital & Medical Centers to inform you that we are in the process of preparing an application to the Illinois Health Facilities & Services Review Board (the "Board") for a permit to establish a freestanding emergency center (the "Silver Cross Freestanding Emergency Center") at the corner of 93rd Avenue & US Route 30 in Frankfort, Illinois. The Silver Cross Freestanding Emergency Center will include four (4) treatment rooms.

In accordance with Section 1110.3230 of the Board's rules, we are providing you with notice of our application. In addition, and as required by the Board's rules, we are respectfully requesting that you provide us with the following information concerning your emergency department on the attached affidavit:

1. Indicate whether your emergency department has experienced a staffing shortage within the twelve (12) month period ending September 30, 2012. A staffing shortage is defined as an average vacancy rate of more than ten percent (10%) for budgeted full-time equivalent staff positions for health care workers subject to licensing by the Illinois Department of Financial and Professional Regulation.

Please return the completed affidavit directly to me within fifteen (15) days of the receipt of this letter. Please note that the Board's rules state as follows: "Failure by an existing facility to respond to the applicant's request for information within the prescribed fifteen day response period shall constitute an assumption that the existing facility has not experienced staffing vacancy rates in excess of 10%."

If you have any questions about this letter or the attached affidavit, please feel free to contact Sara Jackson, our Director of Business Intelligence, at 815-300-7544, or our counsel, Edward J. Green of Foley & Lardner LLP, at 312-832-4375.

Sincerely,

Paul Pawlak  
President and CEO

Attachment

ATTACHMENT

38

0159

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 Street, Apt. No., or PO Box No.: RML Chicago  
 3435 West Van Buren Street  
 City, State, ZIP+4: Chicago, IL 60624-3359

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 Street, Apt. No., or PO Box No.: Riverside Medical Center  
 350 North Wall Street  
 City, State, ZIP+4: Kankakee, IL 60901-2901

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Sent To: Carey Carlock  
 Street, Apt. No., or PO Box No.: Riveredge Hospital  
 8311 West Roosevelt Road  
 City, State, ZIP+4: Forest Park, IL 60130-2529

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 Street, Apt. No., or PO Box No.: Rehabilitation Institute of Chicago  
 345 East Superior Street  
 City, State, ZIP+4: Chicago, IL 60611-4496

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 Street, Apt. No., or PO Box No.: Roseland Community Hospital  
 45 West 111th Street  
 City, State, ZIP+4: Chicago, IL 60628-5296

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Sent To: Bruce Elegant  
 Street, Apt. No., or PO Box No.: Rush Oak Park Hospital  
 520 South Maple Avenue  
 City, State, ZIP+4: Oak Park, IL 60304-1022

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 Street, Apt. No., or PO Box No.: Provident Hospital of Cook County  
 500 East 51st Street  
 City, State, ZIP+4: Chicago, IL 60615-2494

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Sent To: Sister Margaret Wright  
 Street, Apt. No., or PO Box No.: Palos Community Hospital  
 12251 South 80th Avenue  
 City, State, ZIP+4: Palos Heights, IL 60463-1256

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 Street, Apt. No., or PO Box No.: Provena St. Mary's Hospital  
 500 West Court Street  
 City, State, ZIP+4: Kankakee, IL 60901-3661

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 Street, Apt. No., or PO Box No.: Norwegian American Hospital  
 1044 North Francisco Avenue  
 City, State, ZIP+4: Chicago, IL 60622-2794

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 Street, Apt. No., or PO Box No.: Provena Saint Joseph Medical Center  
 333 North Madison Street  
 City, State, ZIP+4: Joliet, IL 60435-6595

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Sent To: Dean Harrison  
 Street, Apt. No., or PO Box No.: Northwestern Memorial Hospital  
 251 East Huron Street  
 City, State, ZIP+4: Chicago, IL 60611

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 Mount Sinai Hospital  
 California Avenue at 15th Street  
 Chicago, IL 60608-1797

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 Morris Hospital & Healthcare Ctrs  
 150 West High Street  
 Morris, IL 60450-1463

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 MetroSouth Medical Center  
 12935 South Gregory Street  
 Blue Island, IL 60406-2428

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 Marianjoy Rehabilitation Hospital & Clinics  
 26 W. 171 Roosevelt Road  
 Wheaton, IL 60187

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 City, State, ZIP+4

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 MacNeal Hospital  
 3249 South Oak Park Avenue  
 Berwyn, IL 60402-0715

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Sent to: Larry Goldberg  
 Loyola University Medical Center  
 2160 South First Avenue  
 Maywood, IL 60153-5599

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 City, State, ZIP+4

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Sent To: Ken Fishbain  
 Street, Apt. No., or PO Box No.: Loyola Gottlieb Memorial Hospital  
 701 West North Avenue  
 City, State, ZIP+4: Melrose Park, IL 60160-1612

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Sent To: William Dorsey  
 Street, Apt. No., or PO Box No.: Jackson Park Hospital & Medical Center  
 7531 Stony Island Avenue  
 City, State, ZIP+4: Chicago, IL 60649-3993

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Sent To: Brenda Wolf  
 Street, Apt. No., or PO Box No.: La Rabida Children's Hospital  
 East 65th Street at Lake Michigan  
 City, State, ZIP+4: Chicago, IL 60649-1395

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 Street, Apt. No., or PO Box No.: Ingalls Memorial Hospital  
 One Ingalls Drive  
 City, State, ZIP+4: Harvey, IL 60426-3558

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 Street, Apt. No., or PO Box No.: John H. Stroger, Jr. Hospital of Cook Co.  
 1901 West Harrison Street  
 City, State, ZIP+4: Chicago, IL 60612

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Sent To: Wayne Lerner  
 Street, Apt. No., or PO Box No.: Holy Cross Hospital  
 2701 West 68th Street  
 City, State, ZIP+4: Chicago, IL 60629-1883

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Sent To: Steven Airhart  
 Street, Apt. No., or PO Box No.: Hartgrove Behavioral Health System  
 5730 West Roosevelt Road  
 City, State, ZIP+4: Chicago, IL 60644

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Sent To: W. Peter Daniels  
 Street, Apt. No., or PO Box No.: Elmhurst Memorial Hospital  
 155 E. Brush Hill Road  
 City, State, ZIP+4: Elmhurst, IL 60126

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Sent To: Seth Warren  
 Street, Apt. No., or PO Box No.: Franciscan St. James Health/Olympia Fields  
 20201 South Crawford Avenue  
 City, State, ZIP+4: Olympia Fields, IL 60461-1080

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Sent To: Pam Davis  
 Street, Apt. No., or PO Box No.: Edward Hospital  
 801 South Washington Street  
 City, State, ZIP+4: Naperville, IL 60540-7430

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Sent To: Seth Warren  
 Street, Apt. No., or PO Box No.: Franciscan St. James Health/Chicago Heights  
 1423 Chicago Road  
 City, State, ZIP+4: Chicago Heights, IL 60411-3400

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Sent To: Brian Lemon  
 Street, Apt. No., or PO Box No.: Central DuPage Hospital  
 25 North Winfield Road  
 City, State, ZIP+4: Winfield, IL 60190-1295

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Sent To Patrick Magoon  
Ann & Robert H. Lurie Children's Hosp of Chicago  
225 East Chicago Avenue  
Chicago, IL 60611-2605

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Sent To Jonathan Bruss  
Advocate Trinity Hospital  
2320 East 93rd Street  
Chicago, IL 60617-3983

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Advocate South Suburban Hospital  
17800 South Kedzie Avenue  
Hazel Crest, IL 60429-0989

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Sent To Susan Nordstrom Lopez  
Advocate Illinois Masonic Medical Center  
836 West Wellington Avenue  
Chicago, IL 60657-5147

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Sent To David Fox  
Advocate Good Samaritan Hospital  
3815 Highland Avenue  
Downers Grove, IL 60515-1590

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Sent To Kenneth Lukhard  
Advocate Christ Medical Center & Hope Children's Hospital  
4440 West 95th Street  
Oak Lawn, IL 60453-2699

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Sent To: Lary Davis  
Adventist La Grange Memorial Hospital  
5101 South Willow Springs Road  
La Grange, IL 60525-2679

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Sr Rick Mace  
Adventist Bolingbrook Hospital  
500 Remington Blvd  
Bolingbrook, IL 60440

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Sent To: Michael Goebel  
Adventist Hinsdale Hospital  
120 North Oak Street  
Hinsdale, IL 60521-3829

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Sent To: Barry Finn  
Rush-Copley Medical Center  
2000 Ogden Avenue  
Aurora, IL 60504

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Adventist GlenOaks Hospital  
701 Winthrop Avenue  
Glendale Heights, IL 60139-1403

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Sent To: Larry Goodman  
Rush University Medical Center  
1653 West Congress Parkway  
Chicago, IL 60612-3864

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Sent To Edward Novak  
 Street, Apt. No., or PO Box No. Sacred Heart Hospital  
 3240 West Franklin Boulevard  
 City, State, ZIP+4 Chicago, IL 60624-1511

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Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Kenneth Polonsky  
 Street, Apt. No., or PO Box No. University of Chicago Medical Center  
 5841 S Maryland Ave, M/C 1000  
 City, State, ZIP+4 Chicago, IL 60637-1470

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Sent To William Brown  
 Street, Apt. No., or PO Box No. Westlake Hospital  
 1225 West Lake Street  
 City, State, ZIP+4 Melrose Park, IL 60160-4039

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Sent To Bryan Becker  
 Street, Apt. No., or PO Box No. University of Illinois Hospital & Health Sciences  
 1740 W Taylor St., Ste. 1400, M/C 693  
 City, State, ZIP+4 Chicago, IL 60612-7236

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Sent To Edward Plainfield Emergency Center  
 Street, Apt. No., or PO Box No. 24600 W. 127th Street  
 City, State, ZIP+4 Plainfield, IL 60585

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Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Sister Elizabeth Van Straten  
 Street, Apt. No., or PO Box No. St. Bernard Hospital  
 326 West 64th Street  
 City, State, ZIP+4 Chicago, IL 60621

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Total Postage & Fees	\$	

Sent To: Margaret McDermott  
 Sts. Mary & Elizabeth Medical Ctr/St. Mary  
 Street, Apt. No., or PO Box No.: 2233 West Division Street  
 City, State, ZIP+4: Chicago, IL 60622-3087

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Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To: Dennis Reilly  
 Little Company of Mary Hospital  
 Street, Apt. No., or PO Box No.: 2800 West 95th Street  
 City, State, ZIP+4: Evergreen Park, IL 60805

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Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To: Roberta Luskin-Hawk  
 Saint Joseph Hospital  
 Street, Apt. No., or PO Box No.: 2900 North Lake Shore Drive  
 City, State, ZIP+4: Chicago, IL 60657-6275

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7009 0820 0000 9426 1376

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Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To: Jesus Ong  
 South Shore Hospital  
 Street, Apt. No., or PO Box No.: 8012 South Crandon Avenue  
 City, State, ZIP+4: Chicago, IL 60617

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Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To: Margaret McDermott  
 Sts. Mary & Elizabeth Medical Ctr/St. Elizabeth  
 Street, Apt. No., or PO Box No.: 1431 North Claremont Avenue  
 City, State, ZIP+4: Chicago, IL 60622-1791

PS Form 3800, August 2006 See Reverse for Instructions

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Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To: Jack Cleary  
 West Suburban Medical Center  
 Street, Apt. No., or PO Box No.: 3 Erie Court  
 City, State, ZIP+4: Oak Park, IL 60302-2599

PS Form 3800, August 2006 See Reverse for Instructions

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Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent to: Sister Shella Lyne  
 Street, Apt. No., or PO Box No.: Mercy Hospital & Medical Center  
 2525 South Michigan Avenue  
 City, State, ZIP+4: Chicago, IL 60616

PS Form 3800, August 2008 See Reverse for Instructions

**Section VIII**  
**Availability of Funds**  
**Criterion 1120.120**

Silver Cross will be funding this Project with cash and cash equivalents. William Brownlow's Affidavit of Available Funds in support of this Criterion is attached at ATTACHMENT 39. Silver Cross' most recent audited financial statements are also attached at ATTACHMENT 39 and show that Silver Cross was holding more than \$114,058,000 in cash, cash equivalents, available invested funds, and funds specifically directed for capital improvements, as of its last audited financial statement (September 30, 2011). Thus, Silver Cross has sufficient cash available to fund this Project.

November 8, 2012

Mr. Michael Constantino  
Project Review Supervisor  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Re: Criterion 1120.120(a) Available Funds Certification

Dear Mr. Constantino:

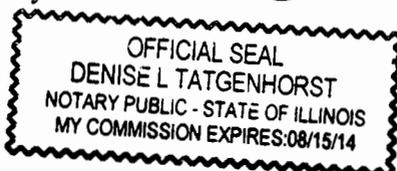
I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1120.120(a), that Silver Cross Health System and Silver Cross Hospital and Medical Centers (collectively, "Silver Cross") have sufficient and readily accessible cash and cash equivalents to fund the obligations of Silver Cross set forth in the Certificate of Need Application for the "Silver Cross Emergicare Center (Frankfort)" Project.

Sincerely,

  
\_\_\_\_\_  
William Brownlow  
Senior Vice President/Finance  
Chief Financial Officer

SUBSCRIBED AND SWORN  
to before me this 8 day  
of November, 2012.

  
\_\_\_\_\_  
Notary Public



ATTACHMENT  
39

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidated Financial Statements and Schedules

September 30, 2011 and 2010

(With Independent Auditors' Report Thereon)



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

## Independent Auditors' Report

The Boards of Trustees  
Silver Cross Health System  
and Affiliates:

We have audited the accompanying consolidated balance sheets of Silver Cross Health System and Affiliates as of September 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Silver Cross Health System and Affiliates' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

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

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 through 3 is presented for purposes of additional analysis of the 2011 consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual organizations. The 2011 consolidating information has been subjected to the auditing procedures applied in the audit of the 2011 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 consolidated financial statements taken as a whole.

**KPMG LLP**

January 16, 2012

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG Network")

0173

ATTACHMENT  
39

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidated Balance Sheets

September 30, 2011 and 2010

(Amounts in thousands)

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Current assets:		
Cash and cash equivalents	\$ 25,609	22,422
Short-term investments	9,106	9,091
Assets whose use is limited or restricted, required for current liabilities	5,274	49
Patient accounts receivable, net of estimated uncollectibles of \$13,208 in 2011 and \$12,608 in 2010	30,417	27,663
Other receivables	1,539	3,182
Inventory of supplies, at lower of cost (first-in, first-out) or market value	203	176
Prepaid expenses and other	2,321	2,399
Total current assets	74,469	64,982
Assets whose use is limited or restricted, excluding assets required for current liabilities:		
By board for capital improvements and other	79,343	78,108
By board for self-insurance	18,815	23,631
Under bond indenture agreements – held by trustee	49,184	126,323
Pledges receivable	1,880	2,476
Donor-restricted investments	7,298	8,969
	156,520	239,507
Land, buildings, and equipment, net	450,874	339,216
Other assets:		
Land held for sale	25,205	26,012
Other long-term assets	1,049	1,324
Deferred finance charges and other	5,754	6,192
Total assets	\$ 713,871	677,233

See accompanying notes to consolidated financial statements.

<b>Liabilities and Net Assets</b>	<u>2011</u>	<u>2010</u>
Current liabilities:		
Current installments of long-term debt	\$ 4,815	3,770
Accounts payable	13,006	9,951
Accrued salaries and wages	15,255	13,750
Accrued expenses	6,294	6,124
Estimated payables under third-party reimbursement programs	20,540	21,727
Total current liabilities	<u>59,910</u>	<u>55,322</u>
Construction payables	11,417	7,753
Estimated self-insured professional and general liability claims	18,091	19,535
Long-term debt, excluding current installments, and unamortized bond discounts and premiums	398,943	378,598
Other long-term liabilities	891	891
Total liabilities	<u>489,252</u>	<u>462,099</u>
Commitments and contingent liabilities		
Net assets:		
Unrestricted	215,441	203,689
Temporarily restricted	3,871	6,014
Permanently restricted	5,307	5,431
Total net assets	<u>224,619</u>	<u>215,134</u>
Total liabilities and net assets	<u>\$ 713,871</u>	<u>677,233</u>

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidated Statements of Operations  
Years ended September 30, 2011 and 2010  
(Amounts in thousands)

	<b>2011</b>	<b>2010</b>
Revenue:		
Net patient service revenue	\$ 244,661	238,316
Other revenue	31,752	29,394
Total revenue	276,413	267,710
Expenses:		
Salaries and wages	89,521	86,888
Payroll taxes and fringe benefits	29,867	27,088
General and administrative	58,096	58,163
Supplies	46,750	47,022
Provision for bad debts	13,916	13,931
Depreciation	14,992	15,941
Interest	7,160	6,960
Total expenses	260,302	255,993
Income from operations before accelerated depreciation on existing hospital facility	16,111	11,717
Accelerated depreciation on existing hospital facility	10,078	10,078
Income from operations	6,033	1,639
Nonoperating gains (losses)		
Investment income, net	4,446	6,709
Other, net	(770)	150
Total nonoperating gains, net	3,676	6,859
Revenue and gains in excess of expenses and losses	9,709	8,498
Other changes in unrestricted net assets:		
Net assets released from restriction for land, building, and equipment acquisitions financed by temporarily restricted net assets	2,043	96
Increase in unrestricted net assets	\$ 11,752	8,594

See accompanying notes to consolidated financial statements.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2011 and 2010

(Amounts in thousands)

	<u>2011</u>	<u>2010</u>
Increase in unrestricted net assets	\$ 11,752	8,594
Temporarily restricted net assets:		
Contributions for specific purposes	552	3,435
Net realized and unrealized gains and losses on temporarily restricted investments	(13)	64
Net assets released from restriction for operating purposes	(639)	(33)
Net assets released from restriction for land, building, and equipment acquisitions	<u>(2,043)</u>	<u>(96)</u>
Increase (decrease) in temporarily restricted net assets	<u>(2,143)</u>	<u>3,370</u>
Permanently restricted net assets:		
Contributions	20	—
Net realized and unrealized gains and losses on permanently restricted investments	<u>(144)</u>	<u>110</u>
Increase (decrease) in permanently restricted net assets	<u>(124)</u>	<u>110</u>
Change in net assets	9,485	12,074
Net assets at beginning of year	<u>215,134</u>	<u>203,060</u>
Net assets at end of year	<u>\$ 224,619</u>	<u>215,134</u>

See accompanying notes to consolidated financial statements.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidated Statements of Cash Flows  
Years ended September 30, 2011 and 2010

(Amounts in thousands)

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 9,485	12,074
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,056	15,967
Accelerated depreciation on existing hospital facility	10,078	10,078
Provision for bad debts	13,916	13,931
Equity earnings in joint ventures, net of cash distributions received	—	255
Gain on sale of investment in joint venture	—	(316)
Contribution of land	884	—
Permanently restricted contributions	(20)	—
Net realized and unrealized gains and losses on permanently and temporarily restricted investments	157	(174)
Net realized and unrealized gains and losses on unrestricted investments	(400)	(2,251)
Changes in assets and liabilities:		
Patient accounts receivable	(16,670)	(12,060)
Other assets	2,162	(969)
Estimated payables under third-party reimbursement programs	(1,187)	314
Accounts payable, accrued expenses, and other liabilities	3,286	(2,610)
Net cash provided by operating activities	36,747	34,239
Cash flows from investing activities:		
Acquisition of land, buildings, and equipment	(137,612)	(143,185)
Proceeds from sale of land held for sale	846	—
Development of land held for sale	(39)	(74)
Change in construction payables	3,664	(319)
Net change in assets whose use is limited or restricted	78,005	86,982
Net change in short-term investments	(15)	(46)
Proceeds from sale or dissolution of joint ventures	275	1,256
Net cash used in investing activities	(54,876)	(55,386)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	25,000	—
Repayments of long-term debt	(3,457)	(3,274)
Payments for deferred financing costs	(247)	—
Permanently restricted contributions	20	—
Net cash provided by (used in) financing activities	21,316	(3,274)
Net increase (decrease) in cash and cash equivalents	3,187	(24,421)
Cash and cash equivalents at beginning of year	22,422	46,843
Cash and cash equivalents at end of year	\$ 25,609	22,422
Supplemental disclosures of cash flow information:		
Cash paid for interest, exclusive of income or loss on interest rate swap agreements and net of amounts capitalized	\$ 7,193	7,324
Noncash transaction – contribution of land	884	—

See accompanying notes to consolidated financial statements.

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**(1) Organization and Purposes**

Silver Cross Health System (Health System) was incorporated during 1981 for charitable, educational, and scientific purposes to support health and human services by providing management assistance, and in all other relevant ways. The accompanying consolidated financial statements include the accounts of the Health System and the following affiliates, which it controls (collectively referred to as the Corporations):

- Silver Cross Hospital and Medical Centers (Hospital), a not-for-profit acute care hospital of which the Health System is the sole member.
- Silver Cross Foundation (Foundation), a not-for-profit corporation of which the Health System is the sole member, which is dedicated to the advancement of healthcare in Will, Grundy, South Cook, and DuPage counties in Illinois.
- Health Service Systems, Inc. (HSSI), a wholly owned subsidiary of the Health System, which was incorporated to provide administrative and management services to its affiliates and other businesses.
- Midwest Community Real Estate Corporation (MCREC), a not-for-profit corporation of which the Health System is the sole member, which was incorporated to establish and maintain healthcare centers and other facilities for the benefit of the Health System and its affiliates.
- Silver Cross Managed Care Organization (SCMCO), a not-for-profit corporation of which the Health System is the sole member, which was incorporated to provide alternative forms of healthcare delivery services.
- Silver Cross Medical Associates, Inc. (SCMA), a not-for-profit corporation that operates medical practices in Joliet and surrounding areas. MCREC serves as the sole and exclusive manager and administrator for all matters relating to the operations of SCMA, including, but not limited to, the financial and management operations of SCMA. In January 2011, the assets, liabilities, and operations at SCMA were transferred to HSSI.

On July 1, 2008, the Hospital received approval from the Illinois Health Facilities Planning Board to construct a replacement hospital facility on a parcel of land owned by the Hospital in New Lenox, Illinois. The replacement hospital facility is anticipated to have 289 licensed and staffed beds and is currently expected to be completed and ready for use in February 2012. The cost of the replacement hospital facility is expected to be approximately \$375 million, funding for which will be from the Series 2009 and 2010 Bonds (note 9), existing cash and investments, proceeds from the sale of land held for sale, charitable contributions, and cash generated from operations.

Upon completion and relocation of Hospital operations to the replacement hospital facility, the Health System may continue to own some facilities and provide medically related services at its current hospital location. Such facilities and services could possibly include a primary care health center, urgent care services, and medical offices. The Health System may also continue to use certain facilities at the existing Hospital campus to house various administrative and support functions, post-relocation. The Health System's Board of Trustees and management, with input from constituents of the local community, are

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currently evaluating all possible alternative uses for the existing Hospital campus post-relocation. During January 2011, the Health System donated approximately 2 acres of land with a book value of \$884 on the existing Hospital campus to an unrelated Federally Qualified Health Center (FQHC) as part of its commitment to the community to make health services available at the existing campus post-relocation.

The Corporations engage in transactions in the ordinary course of business with organizations with which members of management and the boards of directors are affiliated. Such transactions are conducted at arm's length and fully disclosed to the respective members of management and boards of directors.

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

**(2) Summary of Significant Accounting Policies**

Significant accounting policies of the Corporations that conform to general practice within the healthcare industry are as follows:

- The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- The consolidated statements of operations include revenue and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as gains and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).
- Assets whose use is limited or restricted include: assets set aside by the Corporations' boards of directors for future capital improvements, self-insurance funding, and for other purposes over which the boards retain control and may at their discretion use for other purposes; assets designated by the Foundation's board of directors for endowment development purposes; assets held by a trustee and limited as to use in accordance with the requirements of bond indenture agreements; pledges receivable; and temporarily and permanently restricted investments. Assets whose use is limited required for current liabilities are reported as current assets.
- Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess of expenses and losses unless the income or loss is restricted by donors, in which case the investment income is recorded directly to temporarily or permanently restricted net assets. Investment income of unrestricted investments is reported as nonoperating gains. Unrealized gains and losses of permanently and temporarily restricted investments are recorded directly to permanently and temporarily restricted net assets.

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

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

- The Corporations have adopted the provisions of ASC Topic 825, *Financial Instruments*. ASC Topic 825 gives the Corporations the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. The Corporations' management did not elect to measure any additional eligible financial assets or financial liabilities at fair value.
- The Corporations consider demand deposits with banks, cash on hand, and all highly liquid debt instruments (including repurchase agreements) purchased with terms of three months or less to be cash and cash equivalents, excluding those instruments classified as assets whose use is limited or restricted.
- Except as otherwise disclosed, the carrying value of all financial instruments of the Corporations approximates fair value.
- Land, buildings, and equipment are stated at cost, or if donated, at fair value at date of donation. Depreciation is provided over the estimated useful lives of depreciable assets and is computed on the straight-line method.
- Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. Given the replacement hospital development project described in note 1, the Corporations evaluated existing Hospital campus land, buildings, and equipment for impairment. The estimated undiscounted cash flows expected to be generated by the Hospital prior to the date of relocation to the replacement hospital facility, inclusive of a terminal fair value estimate of existing Hospital campus land, buildings, and equipment which will not continue to be utilized as administrative offices or in the ongoing delivery of medical services to the community, were

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estimated to be in excess of the carrying value of land, buildings, and equipment which will not be utilized by the Hospital post-relocation. Accordingly, no impairment charge was recognized by the Hospital in 2011 or 2010 related to the replacement hospital project. However, the replacement hospital project resulted in the Hospital increasing its annualized depreciation charges on buildings and equipment by approximately \$10.1 million for both fiscal years 2011 and 2010 and subsequent periods through date of relocation. Although the ultimate use and redeployment of existing campus land, buildings, and equipment post-relocation has not been determined, management anticipates that any remaining net book value of such land, buildings, and equipment at the date of hospital relocation will be recognized as a contribution expense in the event that such land, buildings, and equipment are transferred to an unrelated not-for-profit or governmental entity for the betterment and use of the local community. The transfer of land in 2011 to the FQHC (note 1) with a book value of \$884 has been recognized as contribution expense within other nonoperating gains (losses) in the accompany consolidated financial statements.

- All legal obligations, including those under the doctrine of promissory estoppel, associated with the retirement of tangible long-lived assets are recognized when incurred using management's best estimate of fair value. Management uses a discount rate of 3%, which approximates its credit adjusted risk-free rate, to estimate fair value of its asset retirement obligations at the measurement date.
- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions are reported as direct additions to permanently or temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restriction. Temporarily restricted net assets used for operating purposes are included in other operating revenue to the extent expended during the period. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Donor-restricted contributions whose restrictions are met within the same year as received are reported directly within the consolidated statements of operations.
- Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets include the Hospital's interest in a charitable remainder trust. Investment income of the charitable remainder trust is distributable within specified limits to an unrelated party. All other temporarily restricted net assets are restricted primarily for land, building, and equipment acquisitions at both September 30, 2011 and 2010.
- Permanently restricted net assets represent beneficial interest in perpetual trusts and donor-restricted contributions, the principal amount of which may not be expended. Permanently restricted net assets include the Foundation's interest in a charitable remainder trust. Investment income of the charitable remainder trust is distributable within specified limits to an unrelated party. Based upon donor intentions, investment income earned on permanently restricted net assets is reported as either

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nonoperating investment income or as a direct addition to temporarily restricted net assets. Unrealized and realized gains and losses are recorded directly to permanently restricted net assets.

- The Corporations apply ASC Topic 958, *Not-for-Profit Entities*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). ASC Topic 958 also enhances disclosures related to both donor-restricted and board-designated endowment funds (note 14).
- Provisions for estimated self-insured professional, general liability, workers' compensation, and employee healthcare risks include estimates of the ultimate cost of both reported losses and losses incurred but not reported as of the respective consolidated balance sheet dates.
- The Corporations account for derivatives and hedging activities in accordance with ASC Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated balance sheets at their respective fair values.

For all hedging relationships, the Corporations formally document the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities on the consolidated balance sheets. Derivatives not linked to specific assets and liabilities on the consolidated balance sheets are carried at fair value in the consolidated balance sheets and changes in fair value are recognized as a component of interest expense in the consolidated statements of operations.

The Corporations also formally assess, both at the hedge's inception and on a quarterly basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded as other changes in unrestricted net assets to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash flow hedge is reported as a component of interest expense in the consolidated statements of operations.

The Corporations discontinue hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, or management determines that designation of the derivative as a hedging instrument is no longer appropriate. In situations in which hedge accounting is discontinued, the Corporations will continue to carry the derivative at its fair value in the consolidated balance sheets and recognize any subsequent changes in its fair value as an expense component in the consolidated statements of operations.

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- Provisions for estimated self-insured professional, general liability, workers' compensation, and employee healthcare risks include estimates of the ultimate cost of both reported losses and losses incurred but not reported as of the respective consolidated balance sheet dates.
- Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Those adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.
- Deferred finance charges and unamortized bond discounts and premiums are amortized using the straight-line method over the periods the related obligations are outstanding.
- The Health System, the Hospital, MCREC, the Foundation, and SCMA are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. A provision for income taxes has not been recorded for HSSI, as there are net operating losses of approximately \$19,578 available for carryforward, which expire at various future dates through 2031. SCMCO is a not-for-profit corporation, which is subject to federal and state income taxes. A provision for income taxes has not been recorded for SCMCO, as there are net operating losses of approximately \$843 available for carryforward, which expire at various future dates through 2026. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Deferred tax assets attributable to net operating loss carryforwards have been offset in their entirety by valuation allowances at both September 30, 2011 and 2010.
- The Corporations account for tax positions in accordance with ASC Topic 740, *Income Taxes*. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's financial statements and how the values of these positions are determined. The Corporations do not have any liabilities recognized for uncertain tax positions.
- The Corporations incur expenses for the provision of healthcare services and related general and administrative activities.
- Certain prior year amounts have been reclassified to conform to the 2011 consolidated financial statement presentation, including a reclassification of net realized losses on sale of investments in the 2010 consolidated statement of cash flows that increased operating activities and decreased investing activities by \$14.
- In August 2010, the FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure* (ASU 2010-23). ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosures purposes and that cost can be identified as direct and indirect costs of providing charity

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care. The adoption of ASU 2010-23 will be effective for the Corporations beginning in fiscal year 2012.

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

Other significant accounting policies are set forth in the consolidated financial statements and in the following notes.

**(3) Third-Party Reimbursement Programs**

The Hospital, HSSI, SCMCO, and SCMA (collectively referred to as the Providers) have agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs principally represent the differences between the Providers' billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other contracted third-party payors; the difference between the Providers' billings at list price and the allocated cost of services provided to Medicaid patients; and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement methodologies with major third-party payors follows:

**(a) Medicare**

The Hospital is paid for inpatient acute care, outpatient, rehabilitative, and home health services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospital's classification of patients under the prospective payment systems and the appropriateness of patient admissions are subject to validation reviews.

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For certain services rendered to Medicare beneficiaries, the Providers' reimbursement is based upon cost or other reimbursement methodologies. The Providers are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Medicare reimbursement reports through September 30, 2006 have been audited and final settled by the Medicare fiscal intermediary.

**(b) Medicaid**

The Hospital is paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the State of Illinois Medicaid program, and any such changes could have a significant effect on the Hospital's revenues.

The State of Illinois (the State) has an assessment program to assist in the financing of its Medicaid program, which expires on June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. Included within net patient service revenue are the Hospital's assessments of \$7,060 and its additional Medicaid reimbursement of \$15,216, for the years ended September 30, 2011 and 2010. Additionally, the Hospital recognized \$850 of Medicaid stimulus funds in 2011, the year the stimulus program was approved by CMS, related to 2010 and 2009.

For the State fiscal years ending June 30, 2012 and June 30, 2011, hospitals within the State were required to remit payment to the State of Illinois Medicaid program pursuant to an accelerated payment schedule beginning in July of the fiscal year. During the year ended September 30, 2011, the Hospital paid assessments of \$1,765 and received additional Medicaid reimbursement of \$3,804 relating to the Hospital's fiscal year 2012, which are recorded within estimated payables under third-party reimbursement programs in the accompanying 2011 consolidated balance sheet. During the year ended September 30, 2010, the Hospital paid assessments of \$3,494 and received additional Medicaid reimbursement of \$7,534 relating to the Hospital's fiscal year 2011, which are recorded within estimated payables under third-party reimbursement programs in the accompanying 2010 consolidated balance sheet.

**(c) Blue Cross**

The Hospital also participates as a provider of healthcare services under a reimbursement agreement with Blue Cross. The provisions of this agreement stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the Hospital and a review by Blue Cross. The Blue Cross reimbursement reports for September 30, 2010 and prior years have been reviewed by Blue Cross.

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**(d) Other**

The Providers have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements is negotiated by the Providers and includes prospectively determined rates-per-discharge, discounts from established charges, capitation, and prospectively determined per diem rates.

SCMCO is involved in various risk-based contracts with managed care organizations. Under these arrangements, SCMCO receives capitation payments based on the demographic characteristics of covered members in exchange for providing all primary care physician services, as well as certain outpatient diagnostic and specialist physician services. Additionally, SCMCO is eligible for incentive payments based on favorable utilization experience. Capitation revenue related to risk-based contracts totaled approximately \$20,177 and \$19,514 for 2011 and 2010, respectively, and is included with other revenue in the accompanying consolidated statements of operations. Pursuant to risk-based contracts, SCMCO estimates its liability for covered medical claims, including claims incurred but not reported as of the consolidated balance sheet dates, based upon historical costs incurred and payment processing experience. This liability approximated \$1,762 and \$1,895 at September 30, 2011 and 2010, respectively, and is included with accounts payable in the accompanying consolidated balance sheets.

Net patient service revenue for the years ended September 30, 2011 and 2010 include approximately \$86 and \$750, respectively, of favorable retrospectively determined prior year settlements with third-party payors.

A summary of the Providers' utilization percentages based upon gross patient service revenue follows:

	<u>2011</u>	<u>2010</u>
Medicare	42.4%	41.9%
Medicaid	12.4	12.3
Managed care	37.1	37.7
Other	8.1	8.1
	<u>100.0%</u>	<u>100.0%</u>

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**(4) Concentration of Credit Risk**

The Providers grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of September 30, 2011 and 2010 follows:

	<b>2011</b>	<b>2010</b>
Medicare	28.1%	30.3%
Medicaid	18.9	12.3
Blue Cross	7.8	7.2
Managed care	17.7	23.0
Patients	21.1	20.7
Other	6.4	6.5
	100.0%	100.0%

**(5) Charity Care**

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. In addition, reimbursement for services provided to Medicaid program beneficiaries is substantially less than the cost to the Hospital for providing these services.

The Hospital maintains records of the amount of charges forgone and related cost for services and supplies furnished under its charity care policy, as well as the estimated differences between the cost of services provided to Medicaid patients and the reimbursement under that program. The following information measures the level of charity care provided and unreimbursed cost under the Medicaid program during 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Charity care costs for non-Medicaid patients	\$ 8,008	8,006
Excess of cost over reimbursement for services provided to Medicaid patients (1)	3,228	5,103

(1) Net impact of Medicaid assessment program has been allocated to each year based upon the State's fiscal year

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**(6) Investments**

The Corporations report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. A summary of the composition of the Corporations' investment portfolio at September 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 929	978
Certificates of deposit/repurchase agreements	23,039	39,693
Money market funds	49,167	76,482
Common stock	2,270	3,621
Mutual funds	36,843	59,422
U.S. Treasury securities	3,635	6,219
Corporate bonds and notes	27,203	34,746
U.S. agency securities	21,324	19,347
Asset-backed securities	4,610	5,663
	<u>\$ 169,020</u>	<u>246,171</u>

Investments are reported in the accompanying consolidated balance sheets at September 30 as follows:

	<u>2011</u>	<u>2010</u>
Short-term investments	\$ 9,106	9,091
Assets whose use is limited or restricted:		
Required for current liabilities	5,274	49
By board for capital improvements and other	79,343	78,108
By board for self-insurance	18,815	23,631
Under bond indenture agreements – held by trustee	49,184	126,323
Donor-restricted investments	7,298	8,969
	<u>\$ 169,020</u>	<u>246,171</u>

The composition of investment return on the Corporations' investment portfolio for 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividend income, net of fees and expenses	\$ 5,441	8,428
Net realized losses on sale of investments	(1,155)	(14)
Net change in unrealized gains and losses during the holding period	1,398	2,439
	<u>\$ 5,684</u>	<u>10,853</u>

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The Corporations have designated all unrestricted investments to be trading securities. Investment return is included in the accompanying consolidated financial statements for the years ended September 30, 2011 and 2010 as follows:

	<b>2011</b>	<b>2010</b>
Nonoperating gains – investment income, net	\$ 4,446	6,709
Net realized and unrealized gains and losses on temporarily restricted investments	(13)	64
Net realized and unrealized gains and losses on permanently restricted investments	(144)	110
Interest earnings offset against capitalized interest cost	1,395	3,970
	\$ 5,684	10,853

The Corporations invest in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

**(7) Fair Value Measurements**

**(a) Fair Value of Financial Instruments**

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated third-party payor settlements.
- Assets whose use is limited or restricted: Fair values are estimated based on prices provided by its investment managers and custodian banks. Common stocks, quoted mutual funds, and direct U.S. government obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, certain American Depository Receipts, U.S. agency securities, money market funds, and repurchase agreements are measured using observable market inputs. The carrying value equals fair value.
- Interest rate swap agreements: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Corporations. The carrying value equals fair value.

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- Beneficial interest in perpetual trusts: The assets held by third-party trustees are comprised of common stock, quoted mutual funds, money market funds, corporate bonds and notes, U.S. agency securities, and U.S. Treasury notes. The Corporation uses quoted market prices or other observable market inputs to estimate the fair value of its beneficial interests.
- Fair value of fixed rate long-term debt is estimated based on market indications for the same or similar debt issues.

**(b) Fair Value Hierarchy**

The Corporations apply the provisions of ASC Subtopic 820-10 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporations have the ability to access at the measurement date. Level 1 investments include cash, common stock, quoted mutual funds, and U.S. Treasury securities.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 investments include certificates of deposit, repurchase agreements, money market funds, corporate bonds and notes, and beneficial interest in perpetual trusts.
- Level 3 inputs are unobservable inputs for the asset or liability. The Corporations have no Level 3 investments as of September 30, 2011 and 2010.

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

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(Amounts in thousands)

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Cash and cash equivalents:	\$			
Cash	9,049	9,049	—	—
Certificates of deposit and repurchase agreements	16,298	—	16,298	—
Money market funds	262	—	262	—
Short-term investments:				
Certificates of deposit and repurchase agreements	2,107	—	2,107	—
Money market funds	6,999	—	6,999	—
Assets whose use is limited or restricted, required for current liabilities:				
Money market funds	5,274	—	5,274	—
Assets whose use is limited or restricted, excluding assets required for current liabilities:				
By board for capital improvements and other:				
Cash	917	917	—	—
Certificates of deposit and repurchase agreements	1,991	—	1,991	—
Money market funds	19,880	—	19,880	—
Common stock	1,599	1,599	—	—
Mutual funds	33,213	33,213	—	—
U.S. Treasury securities	2,537	2,537	—	—
Corporate bonds and notes	7,061	—	7,061	—
U.S. agency securities	10,123	—	10,123	—
Asset-backed securities	2,022	—	2,022	—
By board for self-insurance:				
Money market funds	6,785	—	6,785	—
Corporate bonds and notes	8,917	—	8,917	—
U.S. agency securities	3,113	—	3,113	—
Under bond indenture agreements – held by trustee:				
Cash	2	2	—	—

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	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit and repurchase agreements	\$ 18,611	—	18,611	—
Money market funds	10,010	—	10,010	—
U.S. Treasury securities	755	755	—	—
Corporate bonds and notes	9,556	—	9,556	—
U.S. agency securities	7,662	—	7,662	—
Asset-backed securities	2,588	—	2,588	—
Donor-restricted investments:				
Cash	10	10	—	—
Certificates of deposit and repurchase agreements	330	—	330	—
Money market funds	219	—	219	—
Common stock	671	671	—	—
Mutual funds	3,630	3,630	—	—
U.S. Treasury securities	343	343	—	—
Corporate bonds and notes	1,669	—	1,669	—
U.S. agency securities	426	—	426	—
Total	<u>\$ 194,629</u>	<u>52,726</u>	<u>141,903</u>	<u>—</u>
Liabilities:				
Interest rate derivatives	\$ 14	—	14	—

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Cash and cash equivalents:	\$			
Cash	6,538	6,538	—	—
Certificates of deposit and repurchase agreements	15,624	—	15,624	—
Money market funds	260	—	260	—
Short-term investments:				
Certificates of deposit and repurchase agreements	2,107	—	2,107	—
Money market funds	6,984	—	6,984	—
Assets whose use is limited or restricted, required for current liabilities:				
Money market funds	49	—	49	—
Assets whose use is limited or restricted, excluding assets required for current liabilities:				
By board for capital improvements and other:				
Cash	917	917	—	—
Money market funds	993	—	993	—
Common stock	2,260	2,260	—	—
Mutual funds	54,718	54,718	—	—
U.S. Treasury securities	5,314	5,314	—	—
Corporate bonds and notes	7,591	—	7,591	—
U.S. agency securities	4,144	—	4,144	—
Asset-backed securities	2,171	—	2,171	—
By board for self-insurance:				
Money market funds	2,830	—	2,830	—
Corporate bonds and notes	11,928	—	11,928	—
U.S. agency securities	8,873	—	8,873	—

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	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Under bond indenture agreements – held by trustee:				
Certificates of deposit and repurchase agreements	\$ 36,797	—	36,797	—
Money market funds	65,626	—	65,626	—
U.S. Treasury securities	716	716	—	—
Corporate bonds and notes	13,777	—	13,777	—
U.S. agency securities	5,915	—	5,915	—
Asset-backed securities	3,492	—	3,492	—
Donor-restricted investments:				
Cash	61	61	—	—
Common stock	1,361	1,361	—	—
U.S. Treasury securities	189	189	—	—
Mutual funds	4,704	4,704	—	—
Corporate bonds and notes	1,450	—	1,450	—
U.S. agency securities	415	—	415	—
Certificates of deposit and repurchase agreements	789	—	789	—
Total	<u>\$ 268,593</u>	<u>76,778</u>	<u>191,815</u>	<u>—</u>
Liabilities:				
Interest rate derivatives	\$ 63	—	63	—

**(8) Land, Buildings, and Equipment**

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

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 31,661	—	32,518	—
Land improvements	5,522	4,149	5,480	3,953
Buildings, building improvements, and fixed equipment	186,599	142,100	185,590	124,758
Major movable equipment	111,845	83,458	110,288	77,433
Construction in progress	344,954	—	211,484	—
	<u>\$ 680,581</u>	<u>229,707</u>	<u>545,360</u>	<u>206,144</u>

The Corporations are currently engaged in various construction and renovation projects, principally the construction of a new hospital replacement facility as discussed in note 1. The Corporations have a guaranteed maximum price contract for the construction of the building of the new hospital replacement

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facility of \$250,942. As of September 30, 2011, potential remaining payments under the guaranteed maximum price contract approximated \$13,301. Interest cost is capitalized as a component cost of significant capital projects, net of any interest income earned on unexpended project-specific borrowed funds. During the year ended September 30, 2011, the Corporations capitalized \$17,160 of net interest cost, which is comprised of \$18,555 of interest cost less \$1,395 of interest earned on unexpended bond proceeds. During the year ended September 30, 2010, the Corporations capitalized \$14,405 of net interest cost, which is comprised of \$18,375 of interest cost less \$3,970 of interest earned on unexpended bond proceeds.

**(9) Long-Term Debt**

A summary of long-term debt at September 30, 2011 and 2010 follows:

	2011	2010
Illinois Finance Authority Revenue Bonds, Series 2009, at fixed effective interest rates of 6.75% to 7.25%, depending upon date of maturity through August 15, 2044	\$ 260,000	260,000
Illinois Finance Authority Revenue Refunding Bonds, Series 2008A, at fixed effective interest rates of 5.00% to 5.82%, depending upon date of maturity through August 15, 2030	84,890	85,495
Illinois Finance Authority Revenue Bonds, Series 2005A, at fixed effective interest rates from 4.00% to 5.25%, depending upon date of maturity through August 15, 2020	17,035	18,580
Illinois Finance Authority Fixed Rate Revenue Bonds, Series 2005C, at fixed effective interest rates of 2.85% to 5.58%, depending on date of maturity through August 15, 2025.	17,600	18,625
Illinois Finance Authority Revenue Refunding Bonds, Series 1999, at fixed effective interest rates of 5.43% to 5.65%, depending on date of maturity through 2019	5,785	6,380
Illinois Finance Authority Revenue Refunding Bonds, Series 2010A, at a variable interest rate (effective rate 1.19% at September 30, 2011) maturing in fiscal year 2014	15,000	—

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	2011	2010
Illinois Finance Authority Revenue Refunding Bonds, Series 2010B, at a variable interest rate (effective rate 1.36% at September 30, 2011) maturing in fiscal year 2016	\$ 10,000	—
Total long-term debt	410,310	389,080
Less:		
Current installments	4,815	3,770
Unamortized net bond discounts and premiums	6,552	6,712
Long-term debt, excluding current installments, and unamortized bond discounts and premiums	\$ 398,943	378,598

The Hospital and the Health System (collectively known as the Obligated Group) entered into an Amended and Restated Master Trust Indenture (Master Trust Indenture) dated as of June 1, 1996, as subsequently supplemented and amended. The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The Master Trust Indenture requires members of the Obligated Group to make principal and interest payments on notes issued for their benefit as well as other Obligated Group members, if the other members are unable to make such payments. The Master Trust Indenture requires the Obligated Group comply with financial and other covenant requirements, including making deposits with the bond trustees for payment of principal and interest when due on the individual series of bonds. The Obligated Group pledged a security interest in their gross revenues as collateral on borrowings under the Master Trust Indenture. The Obligated Group also maintains a debt service reserve fund with the bond trustees for the benefit of the Series 2008A and Series 2009 bonds. The Obligated Group has executed mortgages on the real estate and improvements of the existing Hospital campus and the replacement facility campus (note 1). Upon relocation of Hospital operations to the replacement facility campus, the Master Trustee will release the mortgage on the existing Hospital campus real estate and improvements.

On December 8, 2005, the Illinois Finance Authority issued fixed rate revenue bonds, Series 2005A, and auction rate revenue bonds, Series 2005B, Series 2005C, and Series 2005D (collectively referred to as the Series 2005 bonds) in the aggregate amount of \$124,640 on behalf of the Hospital. A portion of the proceeds from the Series 2005 bond issuance was used to advance refund the outstanding revenue bonds Series 2002A and Series 2002B, and to advance refund portions of the revenue refunding bonds Series 1999 and the revenue bonds Series 1996. The remaining proceeds were used for the purposes of acquiring real property, constructing various healthcare facilities, providing debt service reserve funds, and paying issuance costs. On August 14, 2008, the Hospital converted the Series 2005C auction rate revenue bonds to fixed rate revenue bonds. Principal on the Series 2005A and 2005C bonds is payable on August 15th annually. Interest on the Series 2005A and Series 2005C bonds is payable semiannually. Payment of principal and interest when due on the Series 2005 bonds is guaranteed under a municipal bond insurance policy. The municipal bond insurer requires the Obligated Group to comply with financial and other covenant requirements.

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On June 18, 2008, the Illinois Finance Authority issued fixed rate revenue refunding bonds, Series 2008A in the aggregate amount of \$86,660 on behalf of the Hospital. A portion of the proceeds from the Series 2008A bond issuance was used to advance refund the Series 2005B and Series 2005D auction rate revenue bonds (Prior Bonds). The remaining proceeds were used for the purposes of establishing a debt service reserve fund and to pay certain expenses incurred in connection with the issuance of the Series 2008A bonds and refunding of the Prior Bonds. Principal on the Series 2008A bonds is due annually. Interest on the Series 2008A bonds is payable semiannually.

On May 28, 2009, the Illinois Finance Authority issued fixed rate revenue bonds, Series 2009 in the aggregate amount of \$260,000 on behalf of the Hospital. The proceeds from the Series 2009 bond issuance will be used to acquire, construct, renovate, and equip certain health facilities, including, but not limited to, the construction of the replacement hospital facility. A portion of the proceeds was used for the purposes of establishing a debt service reserve fund and to pay certain expenses incurred in connection with the issuance of the Series 2009 bonds.

On December 27, 2010, the Illinois Finance Authority issued variable rate revenue bonds, Series 2010A and Series 2010B (collectively referred to as the Series 2010 bonds), in the aggregate amount of \$25,000 on behalf of the Hospital. The proceeds of the offering were used to finance or reimburse the Hospital for a portion of the costs associated with the construction of the replacement hospital facility. Principal is payable on the Series 2010 bonds annually, with balloon payments of \$13,970 in fiscal year 2014 and \$8,640 in fiscal year 2016. Interest on the Series 2010A bonds is variable based on 68% of the sum of one-month LIBOR plus 150 basis points and is payable monthly. Interest on the Series 2010B bonds is variable based on 68% of the sum of one-month LIBOR plus 175 basis points and is payable monthly. If the Hospital chooses to extend the debt beyond the dates of the balloon payments, the interest rates will be reset by the lenders at a rates not to exceed 12%.

At September 30, 2011 and 2010, the fair value of total long-term debt was approximately \$426,531 and \$430,970, respectively. Fair value was estimated using quoted market prices based upon the Obligated Group's current borrowing rates for similar types of long-term debt securities.

Scheduled annual principal payments on long-term debt for the ensuing five years are as follows:

Year:		
2012	\$	4,815
2013		5,150
2014		18,830
2015		5,095
2016		13,640
Thereafter		362,780
	\$	<u>410,310</u>

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**(10) Derivative Instruments and Hedging Activities**

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

***2002 Interest Rate Basis Swap Agreement***

During 2002, the Hospital entered into an interest rate basis swap agreement. Under this agreement, the Hospital receives a variable rate of return, based upon 68.75% of the three-month USD-LIBOR-BBA rate on a notional amount of \$15,000, and is obligated to pay the financial institution a variable rate of return, based upon the weekly SIFMA Municipal Swap Index rate, on the same notional amount. The 2002 interest rate basis swap agreement has a maturity date of February 6, 2014.

The 2002 basis interest rate swap does not meet the criteria to qualify for hedge accounting; accordingly, the fair value of the interest rate basis swap derivative instrument is recognized within the consolidated balance sheets with changes in the fair value of the derivative instrument reported within income from operations. Payments equal to the differential between the amounts due to and due from the financial institution are computed and exchanged quarterly. The differential to be paid or received under the interest rate basis swap agreement is recognized within interest expense on a current basis. The net interest rate differential received (paid) by the Hospital as a result of the 2002 interest rate basis swap agreement during 2011 and 2010 of approximately \$1 and \$(4), respectively, has been included as a reduction (addition) to interest expense in the accompanying consolidated statements of operations. Fair value of the interest rate basis swap agreement was a liability of \$14 and \$63 at September 30, 2011 and 2010, respectively, and is included in accrued expenses in the accompanying consolidated balance sheets. The change in fair value of the interest rate basis swap agreement of \$49 in 2011 and \$81 in 2010 has been recorded as a reduction to interest expense. Fair value of the interest rate basis swap agreement was estimated using a discounted present value methodology and current projected interest rates.

***2005B Basis Swap Agreements***

The Hospital previously maintained interest rate basis swap agreements (Basis Swaps) with two commercial banks, which were originally related to the Series 2005B bonds. During 2010, the Hospital terminated the Basis Swap agreements. The Hospital was not required to make any settlement payments to the counterparties for the termination of the Basis Swaps. The change in fair value and settlement gains of

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the Basis Swaps of \$263 in 2010 have been recorded as a reduction of interest expense as the Basis Swaps did not qualify for hedge accounting.

**(11) Pension Plans**

The Health System, HSSI, and the Hospital sponsor various voluntary, defined contribution, and money purchase pension plans for all qualified full-time employees. Benefits for individual employees are the amounts that can be provided by the sums contributed and accumulated for each individual employee. The Health System, HSSI, and the Hospital recognized expense under the terms of the plans in the amount of \$3,872 and \$3,633 for 2011 and 2010, respectively. The Health System, HSSI, and the Hospital fund the plans on a current basis.

The Health System also sponsors several supplemental retirement plans. Eligibility for these plans is limited to specified employees. The supplemental plans are defined benefit plans and are not qualified plans under Section 401 of the Code. The Health System has recognized expense under the terms of these supplemental retirement plans in the amount of \$820 and \$756 for 2011 and 2010, respectively. Amounts owed to specified employees under the supplemental retirement plans are included in accrued salaries and wages.

**(12) Self-Insured Risks**

***Professional and General Liability***

The Corporations maintain a self-insurance program for professional and general liability coverage. The self-insurance program includes varying levels of self-insured retention and excess malpractice insurance coverage purchased from commercial insurance carriers. In connection with the self-insurance program, the Corporations have engaged the services of a professional actuarial consultant to assist in the estimation of self-insurance provisions and claim liability reserves.

Provisions for estimated self-insured professional and general liability claims of \$396 in 2011 and \$1,924 in 2010 are included in general and administrative expenses in the accompanying consolidated statements of operations. It is the opinion of management that the estimated professional and general liabilities accrued at September 30, 2011 and 2010 are adequate to provide for the ultimate cost of potential losses resulting from pending or threatened litigation; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. The Corporations have also designated attorneys to handle legal matters relating to malpractice and general liability claims. No portion of the accrual for estimated self-insured professional and general liability claims has been reported as a current liability. The liability for estimated self-insured professional and general liability claims has been discounted at 3% as of September 30, 2011 and 2010, respectively.

***Workers' Compensation***

The Health System, HSSI, and the Hospital maintain a self-insurance program for workers' compensation coverage. This program limits the self-insured retention to \$500 per occurrence. Coverage from commercial insurance carriers is maintained for claims in excess of the self-insured retention. Provisions

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for workers' compensation claims amounted to \$2,178 and \$1,362 for 2011 and 2010, respectively, and are included in payroll taxes and fringe benefits expense. Management believes the estimated self-insured workers' compensation claims liability at September 30, 2011 and 2010 is adequate to cover the ultimate liability; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved.

***Healthcare***

The Health System, HSSI, and the Hospital also have a program of self-insurance for employee healthcare coverage. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits. Provisions for employee healthcare claims amounted to \$15,162 and \$13,634 for 2011 and 2010, respectively, and are included with payroll taxes and fringe benefits expense. It is the opinion of management that the estimated healthcare costs accrued at September 30, 2011 and 2010 are adequate to provide for the ultimate liability; however, final payouts as claims are paid may vary significantly from estimated claim liabilities.

**(13) Investment in Joint Ventures**

***Orland Park Surgical Center, L.L.C.***

On January 15, 2001, the Hospital became a founding member of Orland Park Surgical Center, L.L.C. (the Center) whose purpose was to develop and operate an ambulatory surgery center in Orland Park, Illinois. During 2010, the Hospital exercised its option to terminate its participation in the Center and redeem 100% of its membership units. In exchange for its membership units, the Hospital will receive a total payment of approximately \$1,098, which will be received in four equal annual payments beginning on January 7, 2010. The Hospital recorded a gain of \$316 on the termination of its participation in the Center within 2010 other operating revenue.

***SCHCI, L.L.C.***

The Hospital was a founding member of SCHCI, L.L.C. (SCHCI) whose purpose was to provide cardiovascular services jointly with a physician group and began operations in 2004. During 2010, the Hospital received approval from the Illinois Health Facilities Planning Board for discontinuance of SCHCI operations, which occurred effective December 18, 2009.

Pursuant to the SCHCI operating agreement, profits and losses are allocated to the members in accordance with the proportion of their membership units to the aggregate membership units of SCHCI, of which the Hospital held a 49.5% interest through the date of dissolution. Distributions are payable by SCHCI at the discretion of the Center's management board to the extent of the availability of net cash flows as defined in the agreement.

The Hospital accounted for its investment in SCHCI using the equity method of accounting through the date of dissolution. The Hospital included its proportional share of SCHCI net income (loss) of \$(112) in 2010 as other operating revenue. The Hospital received cash distributions from SCHCI of \$982 in 2010.

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(Amounts in thousands)

***Wilmington Building Partnership***

On June 1, 2007, MCREC sold property, including a parcel of land and a medical office building, located in Wilmington, Illinois to Harris N.A. Concurrently with the sale of property, MCREC became a founding member of the Wilmington Building Partnership (Wilmington) whose purpose is to lease the medical office building. Harris N.A. serves as the trustee for Wilmington. MCREC provided Wilmington with an initial \$500 equity contribution during 2007, which satisfied the capital contribution provisions of the operating agreement. Pursuant to the operating agreement, profits and losses are allocated to the members in accordance with the proportion of their membership units to the aggregate membership units of Wilmington, of which MCREC holds a 50% interest. Effective July 1, 2007, Harris N.A. entered into an agreement with a physician to lease the medical office building.

MCREC accounts for its investment in Wilmington on the equity method of accounting; however, MCREC has not recognized its proportional share of Wilmington income in the accompanying consolidated statements of operations. Wilmington net income was \$46 in 2011 and \$42 in 2010. Wilmington made cash distributions of \$42 in 2011 and \$38 in 2010, which have been recorded within other operating revenue. As of and for the years ended September 30, 2011 and 2010, respectively, Wilmington had total assets and members' equity of \$1,061 and \$1,054. The carrying value of MCREC's investment in Wilmington of \$500 at September 30, 2011 and 2010 is included in other long-term assets in the accompanying consolidated balance sheets.

**(14) Endowments**

The Corporations apply the guidance in ASC Topic 958 on the net asset classification and disclosures for funds subject to an enacted version of UPMIFA to its donor-restricted endowment funds.

The Corporations have donor-restricted endowment funds (collectively referred to as the Funds), the principal of which may not be expended. The interest and dividend income from investment of the Funds is to be used for a variety of purposes consistent with the intent of the donor. The interest and dividend income earned on the Funds are transferred to temporarily restricted net assets until appropriated for expenditure by the Corporations. All other changes in the Funds, including unrealized and realized gains and losses, are recorded directly to the Funds, which are classified as permanently restricted net assets.

The Corporations also have beneficial interests in trusts (collectively referred to as the Trusts). The Corporations have recorded their share of the principal of the Trusts as permanently restricted net assets. Distributions from the Trusts are recorded within unrestricted net assets if unrestricted; otherwise, they are classified as temporarily restricted net assets until appropriated for expenditure.

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The activity of the Funds and Trusts for the year ended September 30, 2011 is as follows:

	<u>Total</u>	<u>Donor- restricted endowment funds</u>	<u>Beneficial interest in trusts</u>
Beginning fair value	\$ 5,431	581	4,850
Current year contributions	20	20	—
Income:			
Interest and dividends	191	16	175
Realized gains, net	242	2	240
Unrealized losses, net	(340)	(10)	(330)
Disbursements:			
Fees and expenses	(46)	(6)	(40)
Assets released from restriction	(191)	(16)	(175)
Ending fair value	<u>\$ 5,307</u>	<u>587</u>	<u>4,720</u>

The activity of the Funds and Trusts for the year ended September 30, 2010 is as follows:

	<u>Total</u>	<u>Donor- restricted endowment funds</u>	<u>Beneficial interest in trusts</u>
Beginning fair value	\$ 5,321	575	4,746
Current year contributions	—	—	—
Income:			
Interest and dividends	163	5	158
Realized gains, net	106	6	100
Unrealized gains, net	28	13	15
Disbursements:			
Fees and expenses	(24)	(13)	(11)
Transfers to temporarily restricted net assets	(163)	(5)	(158)
Ending fair value	<u>\$ 5,431</u>	<u>581</u>	<u>4,850</u>

The historical cost basis of the Funds was approximately \$584 and \$564 at September 30, 2011 and 2010, respectively. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies as of September 30, 2011 or 2010.

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(Amounts in thousands)

**(15) Contingencies**

***Medicare Reimbursement***

The Hospital recognized approximately \$84,340 of net patient service revenue during 2011 from services provided to Medicare beneficiaries. Federal legislation routinely includes provisions to modify Medicare payments to healthcare providers. Changes in Medicare reimbursement as a result of the CMS implementation of the provisions of Medicare legislation and other healthcare reform initiatives may have an adverse effect on the Hospital's net patient service revenues.

***Litigation***

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

***Regulatory Investigations***

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

***Tax Exemption for Sales Tax and Property Tax***

The Corporations are exempt from sales tax and property tax based on their not-for-profit status. In 2011, the State of Illinois has challenged this status with many healthcare providers in the State and at least four providers have had their property tax exemption revoked on all or part of their campuses. Management is actively monitoring these issues to assess the impact on the Corporations. The Corporations have not been notified of any revocation of tax exemption for sales or property taxes and, accordingly, no provision has been made in the accompanying consolidated financial statements for state sales or property taxes.

**(16) Subsequent Events**

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ACS Topic 855, *Subsequent Events*, the Corporations evaluated subsequent events after the consolidated balance sheet date of September 30, 2011 through January 16, 2012, which was the date the financial statements were available to be issued.

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Consolidating Schedule — Balance Sheet Information  
September 30, 2011  
(Amounts in thousands)

Assets	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
<b>Current assets:</b>									
Cash and cash equivalents	721	515	13,798	100	100	10,375	—	—	25,609
Short-term investments	—	—	9,106	—	—	—	—	—	9,106
Assets whose use is limited or restricted, required for current liabilities	—	—	5,274	—	—	—	—	—	5,274
Patient accounts receivable, net	731	191	30,226	—	—	—	—	—	30,417
Due from affiliates	335	179	22,339	2,174	336	—	—	(25,580)	—
Other receivables	—	—	308	—	260	457	—	—	1,539
Inventory of supplies	—	—	203	—	—	—	—	—	203
Prepaid expenses and other	200	16	2,074	3	27	1	—	—	2,321
<b>Total current assets</b>	<b>1,987</b>	<b>901</b>	<b>83,328</b>	<b>2,277</b>	<b>723</b>	<b>10,833</b>	<b>—</b>	<b>(25,580)</b>	<b>74,469</b>
<b>Assets whose use is limited or restricted, excluding assets required for current liabilities</b>									
By board for capital improvements and other	917	—	78,426	—	—	—	—	—	79,343
By board for self-insurance	18,815	—	—	—	—	—	—	—	18,815
Under bond indenture agreements — held by trustee	—	—	49,184	—	—	—	—	—	49,184
Pledges receivable	—	—	1,880	—	—	—	—	—	1,880
Donor-restricted investments	—	—	7,064	234	—	—	—	—	7,298
<b>Total land, buildings, and equipment, net</b>	<b>19,732</b>	<b>—</b>	<b>136,554</b>	<b>234</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>156,520</b>
<b>Other assets:</b>									
Due from affiliates	7,108	—	409,527	—	34,239	—	—	—	450,874
Land held for sale	—	—	24,216	—	—	—	—	(31,744)	—
Investments	22,650	—	25,205	—	—	—	—	—	25,205
Other long-term assets	—	—	549	—	500	—	—	—	1,049
Deferred finance charges and other	—	—	5,754	—	—	—	—	—	5,754
<b>Total assets</b>	<b>\$ 59,005</b>	<b>901</b>	<b>685,133</b>	<b>2,511</b>	<b>35,462</b>	<b>10,833</b>	<b>—</b>	<b>(79,974)</b>	<b>713,871</b>

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidating Schedule — Balance Sheet Information  
September 30, 2011  
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
<b>Liabilities and Net Assets</b>									
Current liabilities:									
Current installments of long-term deb	—	—	4,815	—	—	—	—	—	4,815
Accounts payable	841	14	4,921	—	—	7,230	—	—	13,006
Accrued salaries and wages	3,614	98	11,543	—	—	—	—	—	15,255
Accrued expenses	9	—	3,588	—	2,697	—	—	—	6,294
Estimated payables under third-party reimbursement programs	—	—	20,540	—	—	—	—	—	20,540
Due to affiliates	20,860	2,771	—	1,927	—	22	—	(25,580)	—
Total current liabilities	25,324	2,883	45,407	1,927	2,697	7,252	—	(25,580)	59,910
Construction payables	—	—	11,417	—	—	—	—	—	11,417
Estimated self-insured professional and genera liability claims	18,091	—	—	—	—	—	—	—	18,091
Long-term debt, excluding current installments and unamortized bond discounts and premiums:	—	—	398,943	—	—	—	—	—	398,943
Due to affiliates	—	—	—	—	31,744	—	—	(31,744)	—
Other long-term liabilities:	—	—	891	—	—	—	—	—	891
Total liabilities	43,415	2,883	456,658	1,927	34,441	7,252	—	(57,324)	489,252
Net assets (deficit):									
Unrestricted	15,590	(1,982)	219,531	350	1,021	3,581	—	(22,650)	215,441
Temporarily restricted	—	—	3,871	—	—	—	—	—	3,871
Permanently restricted	—	—	5,073	234	—	—	—	—	5,307
Total net assets (deficit)	15,590	(1,982)	228,475	584	1,021	3,581	—	(22,650)	224,619
Total liabilities and net assets	59,005	901	685,133	2,511	35,462	10,833	—	(79,974)	713,871

See accompanying independent auditors' report.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidating Schedule—Statement of Operations Information  
Year ended September 30, 2011  
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
Revenue:									
Net patient service revenue	—	678	247,425	—	—	—	144	(3,586)	244,661
Other revenue	8,095	488	3,775	—	3,196	25,094	234	(9,130)	31,752
Total revenue	8,095	1,166	251,200	—	3,196	25,094	378	(12,716)	276,413
Expenses:									
Salaries and wages	5,149	1,003	83,630	—	—	—	238	(499)	89,521
Payroll taxes and fringe benefit	1,491	86	28,277	—	—	—	13	—	29,867
General and administrative	2,001	624	40,200	—	2,565	24,820	103	(12,217)	58,096
Supplies	—	5	46,745	—	—	—	—	—	46,750
Provision for bad debts	—	69	13,823	—	—	—	24	—	13,916
Depreciation	826	156	12,604	—	1,406	—	—	—	14,992
Interest	—	—	7,160	—	—	—	—	—	7,160
Total expenses	9,467	1,943	232,439	—	3,971	24,820	378	(12,716)	260,302
Income (loss) from operations before accelerated depreciation on existing hospital facility	(1,372)	(777)	18,761	—	(775)	274	—	—	16,111
Accelerated depreciation on existing hospital facility	—	—	10,078	—	—	—	—	—	10,078
Income (loss) from operations	(1,372)	(777)	8,683	—	(775)	274	—	—	6,033
Nonoperating gains (losses)	95	—	4,351	—	—	—	—	—	4,446
Investment income, net	—	—	(799)	2	27	—	—	—	(770)
Other, net	95	—	3,552	2	27	—	—	—	3,676
Total nonoperating gains, net	(1,277)	(777)	12,235	2	(748)	274	—	—	9,709
Revenue and gains in excess (deficient) of expenses and losses	—	—	2,107	(2,107)	—	—	—	—	—
Other changes in unrestricted net assets:									
Transfers to affiliated organizations	—	—	2,043	—	—	—	—	—	2,043
Net assets released from restriction for land, building, and equipment acquisitions financed by temporarily restricted net assets	—	—	—	—	—	—	—	—	—
Increase (decrease) in unrestricted net assets	(1,277)	(777)	16,385	(2,105)	(748)	274	—	—	11,752

See accompanying independent auditors' report.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidating Schedule—Changes in Net Assets Information  
Year ended September 30, 2011  
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
Increase (decrease) in unrestricted net assets	\$ (1,277)	(777)	16,385	(2,105)	(748)	274	—	—	11,752
Temporarily restricted net assets:									
Contributions for specific purposes	—	—	552	—	—	—	—	—	552
Net realized and unrealized gains and losses on temporarily restricted investments	—	—	(13)	—	—	—	—	—	(13)
Net assets released from restriction for operating purposes	—	—	(639)	—	—	—	—	—	(639)
Net assets released from restriction for land, building and equipment acquisitions	—	—	(2,043)	—	—	—	—	—	(2,043)
Decrease in temporarily restricted net assets	—	—	(2,143)	—	—	—	—	—	(2,143)
Permanently restricted net assets:									
Contributions	—	—	20	—	—	—	—	—	20
Net realized and unrealized gains and losses on permanently restricted investments	—	—	(129)	(15)	—	—	—	—	(144)
Decrease in permanently restricted net assets	—	—	(109)	(15)	—	—	—	—	(124)
Change in net assets	(1,277)	(777)	14,133	(2,120)	(748)	274	—	—	9,485
Net assets at beginning of year	16,867	(1,205)	214,342	2,704	1,769	3,307	—	(22,650)	215,134
Net assets (deficit) at end of year	\$ 15,590	(1,982)	228,475	584	1,021	3,581	—	(22,650)	224,619

See accompanying independent auditors' report.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidated Financial Statements and Schedules

September 30, 2010 and 2009

(With Independent Auditors' Report Thereon)



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

## Independent Auditors' Report

The Boards of Trustees  
Silver Cross Health System  
and Affiliates:

We have audited the accompanying consolidated balance sheets of Silver Cross Health System and Affiliates as of September 30, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Silver Cross Health System and Affiliates' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Silver Cross Health System and Affiliates as of September 30, 2010 and 2009, and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 through 3 is presented for purposes of additional analysis of the 2010 consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual organizations. The 2010 consolidating information has been subjected to the auditing procedures applied in the audit of the 2010 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 consolidated financial statements taken as a whole.

**KPMG LLP**

January 19, 2011

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidated Balance Sheets

September 30, 2010 and 2009

(Amounts in thousands)

<b>Assets</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 22,422	46,843
Short-term investments	9,091	9,045
Assets whose use is limited or restricted, required for current liabilities	49	39
Patient accounts receivable, net of estimated uncollectibles of \$12,608 in 2010 and \$11,574 in 2009	27,664	29,534
Other receivables	3,182	1,852
Inventory of supplies, at lower of cost (first-in, first-out) or market value	176	180
Prepaid expenses and other	<u>2,399</u>	<u>2,359</u>
Total current assets	<u>64,983</u>	<u>89,852</u>
<b>Assets whose use is limited or restricted, excluding assets required for current liabilities:</b>		
By board for capital improvements and other	78,108	73,883
By board for self-insurance	23,631	24,446
Under bond indenture agreements – held by trustee	126,326	217,781
Pledges receivable	2,476	460
Donor-restricted investments	<u>8,965</u>	<u>7,504</u>
	<u>239,506</u>	<u>324,074</u>
Land, buildings, and equipment, net	339,216	222,050
<b>Other assets:</b>		
Land held for sale	26,012	25,938
Other long-term assets	1,324	2,519
Deferred finance charges and other	<u>6,192</u>	<u>6,798</u>
Total assets	<u>\$ 677,233</u>	<u>671,231</u>

See accompanying notes to consolidated financial statements.

<b>Liabilities and Net Assets</b>	<u>2010</u>	<u>2009</u>
Current liabilities:		
Current installments of long-term debt	\$ 3,770	3,585
Accounts payable	9,951	12,469
Accrued salaries and wages	13,750	13,164
Accrued expenses	6,124	5,932
Estimated payables under third-party reimbursement programs	21,727	21,413
Total current liabilities	<u>55,322</u>	<u>56,563</u>
Construction payables	7,753	8,072
Estimated self-insured professional and general liability claims	19,535	20,142
Long-term debt, excluding current installments and unamortized bond discounts and premiums	378,598	382,240
Other long-term liabilities	891	1,154
Total liabilities	<u>462,099</u>	<u>468,171</u>
Commitments and contingent liabilities		
Net assets:		
Unrestricted	203,689	195,095
Temporarily restricted	6,014	2,644
Permanently restricted	5,431	5,321
Total net assets	<u>215,134</u>	<u>203,060</u>
Total liabilities and net assets	<u>\$ 677,233</u>	<u>671,231</u>

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidated Statements of Operations  
Years ended September 30, 2010 and 2009

(Amounts in thousands)

	2010	2009
Revenue:		
Net patient service revenue	\$ 238,316	228,219
Other revenue	29,394	30,291
Total revenue	267,710	258,510
Expenses:		
Salaries and wages	86,888	84,834
Payroll taxes and fringe benefits	27,088	25,399
General and administrative	58,163	62,274
Supplies	47,022	41,336
Provision for bad debts	13,931	11,996
Depreciation	15,941	15,857
Interest	6,960	6,572
Total expenses	255,993	248,268
Income from operations before accelerated depreciation on existing hospital facility	11,717	10,242
Accelerated depreciation on existing hospital facility	10,078	9,924
Income from operations	1,639	318
Nonoperating gains:		
Investment income, net	6,709	1,213
Unrestricted contributions and other, net	150	168
Total nonoperating gains, net	6,859	1,381
Revenue and gains in excess of expenses and losses	8,498	1,699
Other changes in unrestricted net assets:		
Net assets released from restriction for land, building, and equipment acquisitions financed by temporarily restricted net assets	96	474
Increase in unrestricted net assets	\$ 8,594	2,173

See accompanying notes to consolidated financial statements.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2010 and 2009

(Amounts in thousands)

	<b>2010</b>	<b>2009</b>
Increase in unrestricted net assets	\$ 8,594	2,173
Temporarily restricted net assets:		
Contributions for specific purposes	3,435	830
Net realized and unrealized gains and losses on temporarily restricted investments	64	(9)
Net assets released from restriction for operating purposes	(33)	(67)
Net assets released from restriction for land, building, and equipment acquisitions	(96)	(474)
Increase in temporarily restricted net assets	3,370	280
Permanently restricted net assets:		
Net realized and unrealized gains and losses on permanently restricted investments	110	(54)
Change in net assets	12,074	2,399
Net assets at beginning of year	203,060	200,661
Net assets at end of year	\$ 215,134	203,060

See accompanying notes to consolidated financial statements.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidated Statements of Cash Flows  
Years ended September 30, 2010 and 2009

(Amounts in thousands)

	<b>2010</b>	<b>2009</b>
Cash flows from operating activities:		
Change in net assets	\$ 12,074	2,399
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,967	15,945
Accelerated depreciation on existing hospital facility	10,078	9,924
Provision for bad debts	13,931	11,996
Equity earnings in joint ventures, net of cash distributions received	255	(77)
Gain on sale of investment in joint venture	(316)	—
Net realized and unrealized gains and losses on permanently and temporarily restricted investments	(174)	63
Change in net unrealized gains and losses on unrestricted investments	(2,265)	746
Changes in assets and liabilities:		
Patient accounts receivable	(12,061)	(13,622)
Other assets	(969)	1,765
Estimated payables under third-party reimbursement programs	314	6,530
Accounts payable, accrued expenses, and other liabilities	(2,610)	(73)
Net cash provided by operating activities	34,224	35,596
Cash flows from investing activities:		
Acquisition of land, buildings, and equipment	(143,185)	(74,650)
Acquisition and development of land held for sale	(74)	(418)
Change in construction payables	(319)	5,000
Net change in assets whose use is limited or restricted	86,997	(198,011)
Net change in short-term investments	(46)	(2,204)
Proceeds from sale or dissolution of joint ventures	1,256	—
Net cash used in investing activities	(55,371)	(270,283)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	252,872
Repayments of long-term debt	(3,274)	(3,299)
Payments for deferred financing costs	—	(3,938)
Net cash (used in) provided by financing activities	(3,274)	245,635
Net (decrease) increase in cash and cash equivalents	(24,421)	10,948
Cash and cash equivalents at beginning of year	46,843	35,895
Cash and cash equivalents at end of year	\$ 22,422	46,843
Supplemental disclosure of cash flow information:		
Cash paid for interest, exclusive of income or loss on interest rate swap agreements and net of amounts capitalized	\$ 7,324	7,644

See accompanying notes to consolidated financial statements.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

(Amounts in thousands)

**(1) Organization and Purposes**

Silver Cross Health System (Health System) was incorporated during 1981 for charitable, educational, and scientific purposes to support health and human services by providing management assistance, and in all other relevant ways. The accompanying consolidated financial statements include the accounts of the Health System and the following affiliates, which it controls (collectively referred to as the Corporations):

- Silver Cross Hospital and Medical Centers (Hospital), a not-for-profit acute care hospital of which the Health System is the sole member.
- Silver Cross Foundation (Foundation), a not-for-profit corporation of which the Health System is the sole member, which is dedicated to the advancement of healthcare in Will, Grundy, South Cook, and DuPage counties in Illinois.
- Health Service Systems, Inc. (HSSI), a wholly owned subsidiary of the Health System, which was incorporated to provide administrative and management services to its affiliates and other businesses.
- Midwest Community Real Estate Corporation (MCREC), a not-for-profit corporation of which the Health System is the sole member, which was incorporated to establish and maintain healthcare centers and other facilities for the benefit of the Health System and its affiliates.
- Silver Cross Managed Care Organization (SCMCO), a not-for-profit corporation of which the Health System is the sole member, which was incorporated to provide alternative forms of healthcare delivery services.
- Silver Cross Medical Associates, Inc. (SCMA), a not-for-profit corporation that operates medical practices in Joliet and surrounding areas. MCREC serves as the sole and exclusive manager and administrator for all matters relating to the operations of SCMA, including, but not limited to, the financial and management operations of SCMA.

On July 1, 2008, the Hospital received approval from the Illinois Health Facilities Planning Board to construct a replacement hospital facility on a parcel of land owned by the Hospital in New Lenox, IL. The replacement hospital facility is anticipated to have 289 licensed and staffed beds and is currently expected to be completed and ready for use in early 2012. The cost of the replacement hospital facility is expected to be approximately \$375 million; funding for which will be from the Series 2009 Bonds (note 9); existing cash and investments; proceeds from the sale of land held for sale; additional incurrence of debt; and cash generated from operations.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

(Amounts in thousands)

Upon completion and relocation of Hospital operations to the replacement hospital facility, the Health System may continue to own some facilities and provide medically related services at its current hospital location. Such facilities and services could possibly include a primary care health center, urgent care services, and medical offices. The Health System's Board of Trustees and management, with input from constituents of the local community, are currently evaluating all possible alternative uses for the existing Hospital campus post-relocation. During January 2011, the Health System donated approximately 2 acres of land on the existing campus to an unrelated Federally Qualified Health Center as part of its commitment to the community to make health services available at the existing campus post-relocation.

The Corporations engage in transactions in the ordinary course of business with organizations with which members of management and the boards of directors are affiliated. Such transactions are conducted at arm's length and fully disclosed to the respective members of management and boards of directors.

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

**(2) Summary of Significant Accounting Policies**

Significant accounting policies of the Corporations that conform to general practice within the healthcare industry are as follows:

- The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- The consolidated statements of operations include revenue and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as gains and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).
- Assets whose use is limited or restricted include: assets set aside by the Corporations' boards of directors for future capital improvements, self-insurance funding, and for other purposes over which the boards retain control and may at their discretion use for other purposes; assets designated by the Foundation's board of directors for endowment development purposes; assets held by a trustee and limited as to use in accordance with the requirements of bond indenture agreements; pledges receivable; and temporarily and permanently restricted investments. Assets whose use is limited required for current liabilities are reported as current assets.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

(Amounts in thousands)

- Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess of expenses and losses unless the income or loss is restricted by donors, in which case the investment income is recorded directly to temporarily or permanently restricted net assets. Investment income of unrestricted investments is reported as nonoperating gains. Unrealized gains and losses of permanently and temporarily restricted investments are recorded directly to permanently and temporarily restricted net assets.
- The Corporations apply the provisions of Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 7).
- The Corporations have adopted the provisions of ASC Topic 825, *The Fair Value Option for Financial Assets and Financial Liabilities*. ASC Topic 825 gives the Corporations the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. The Corporations' management did not elect to measure any additional eligible financial assets or financial liabilities at fair value and as a result, adoption of ASC Topic 825 did not have an effect on the results of operations or financial position of the Corporations.
- The Corporations consider demand deposits with banks, cash on hand, and all highly liquid debt instruments (including repurchase agreements) purchased with terms of three months or less to be cash and cash equivalents, excluding those instruments classified as assets whose use is limited or restricted.
- Except as otherwise disclosed, the carrying value of all financial instruments of the Corporations approximates fair value.
- Land, buildings, and equipment are stated at cost, or if donated, at fair value at date of donation. Depreciation is provided over the estimated useful lives of depreciable assets and is computed on the straight-line method.
- Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. Given the replacement hospital development project described in note 1, the

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

(Amounts in thousands)

Corporations evaluated existing Hospital campus land, buildings, and equipment for impairment. The estimated undiscounted cash flows expected to be generated by the Hospital prior to the date of relocation to the replacement hospital facility, inclusive of a terminal fair value estimate of existing Hospital campus land, buildings, and equipment which will not be utilized at the replacement hospital or in the ongoing delivery of medical services to the community, were estimated to be in excess of the carrying value of land, buildings, and equipment which will not be utilized by the Hospital post-relocation at September 30, 2010 and 2009. Accordingly, no impairment charge was recognized by the Hospital in 2010 or 2009 related to the replacement hospital project. However, the replacement hospital project resulted in the Hospital increasing its depreciation charges on buildings and equipment by approximately \$10.1 million and \$9.9 million for fiscal 2010 and 2009, respectively, and subsequent periods through date of relocation. Although the ultimate use and redeployment of existing campus land, buildings, and equipment post-relocation has not been determined, management anticipates that any remaining net book value of such land, buildings, and equipment at the date of hospital relocation will be recognized as a contribution expense in the event that such land, buildings, and equipment are transferred to an unrelated not-for-profit or governmental entity for the betterment and use of the local community.

- All legal obligations, including those under the doctrine of promissory estoppel, associated with the retirement of tangible long-lived assets are recognized when incurred using management's best estimate of fair value. Management uses a discount rate of 3%, which approximates its credit adjusted risk-free rate, to estimate fair value of its asset retirement obligations at the measurement date.
- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions are reported as direct additions to permanently or temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restriction. Temporarily restricted net assets used for operating purposes are included in other operating revenue to the extent expended during the period. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Donor-restricted contributions whose restrictions are met within the same year as received are reported directly within the consolidated statements of operations.
- Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets include the Hospital's interest in a charitable remainder trust. Investment income of the charitable remainder trust is distributable within specified limits to an unrelated party. All other temporarily restricted net assets are restricted primarily for land, building, and equipment acquisitions at both September 30, 2010 and 2009.
- Permanently restricted net assets represent beneficial interest in perpetual trusts and donor-restricted contributions, the principal amount of which may not be expended. Permanently restricted net assets

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include the Foundation's interest in a charitable remainder trust. Investment income of the charitable remainder trust is distributable within specified limits to an unrelated party. Investment income earned on permanently restricted net assets, to the extent it is restricted by a donor for a specific purpose, is recorded as a direct addition to temporarily restricted net assets. All other investment income on permanently restricted net assets is recorded directly to permanently restricted net assets unless specified otherwise by the donor.

- The Corporations apply ASC Topic 958, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. ASC Topic 958 also enhances disclosures related to both donor-restricted and board-designated endowment funds (note 14).
- Provisions for estimated self-insured professional, general liability, workers' compensation, and employee healthcare risks include estimates of the ultimate cost of both reported losses and losses incurred but not reported as of the respective consolidated balance sheet dates.
- The Corporations account for derivatives and hedging activities in accordance with ASC Topic 815, *Accounting for Derivative Instruments and Hedging Activities*, which requires that all derivative instruments be recorded on the consolidated balance sheets at their respective fair values.

For all hedging relationships, the Corporations formally document the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This process includes linking all derivatives that are designated as cash-flow hedges to specific assets and liabilities on the consolidated balance sheets. Derivatives not linked to specific assets and liabilities on the consolidated balance sheets are carried at fair value in the consolidated balance sheets and changes in fair value are recognized as a component of interest expense in the consolidated statements of operations.

The Corporations also formally assess, both at the hedge's inception and on a quarterly basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded as other changes in unrestricted net assets to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash-flow hedge is reported as a component of interest expense in the consolidated statements of operations.

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The Corporations discontinue hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, or management determines that designation of the derivative as a hedging instrument is no longer appropriate. In situations in which hedge accounting is discontinued, the Corporations will continue to carry the derivative at its fair value in the consolidated balance sheets and recognize any subsequent changes in its fair value as an expense component in the consolidated statements of operations.

- Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Those adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.
- Deferred finance charges and unamortized bond discounts and premiums are amortized using the straight-line method over the periods the related obligations are outstanding.
- The Health System, the Hospital, MCREC, the Foundation, and SCMA are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. A provision for income taxes has not been recorded for HSSI as there are net operating losses of approximately \$17,886 available for carryforward, which expire at various future dates through 2023. SCMCO is a not-for-profit corporation, which is subject to federal and state income taxes. A provision for income taxes has not been recorded for SCMCO as there are net operating losses of approximately \$943 available for carryforward, which expire at various future dates through 2023. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Deferred tax assets attributable to net operating loss carryforwards have been offset in their entirety by valuation allowances at both September 30, 2010 and 2009.
- The Corporations account for tax positions in accordance with ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's financial statements and how the values of these positions are determined. ASC Topic 740 had no impact on the consolidated financial statements.
- The Corporations incur expenses for the provision of healthcare services and related general and administrative activities.
- Certain prior year amounts have been reclassified to conform to the 2010 consolidated financial statement presentation.

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Other significant accounting policies are set forth in the consolidated financial statements and in the following notes.

**(3) Third-Party Reimbursement Programs**

The Hospital, HSSI, SCMCO, and SCMA (collectively referred to as the Providers) have agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs principally represent the differences between the Providers' billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other contracted third-party payors; the difference between the Providers' billings at list price and the allocated cost of services provided to Medicaid patients; and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement methodologies with major third-party payors follows:

**(a) Medicare**

The Hospital is paid for inpatient acute care, outpatient, rehabilitative, and home health services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospital's classification of patients under the prospective payment systems and the appropriateness of patient admissions are subject to validation reviews.

For certain services rendered to Medicare beneficiaries, the Providers' reimbursement is based upon cost or other reimbursement methodologies. The Providers are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Medicare reimbursement reports through September 30, 2006 have been audited and final settled by the Medicare fiscal intermediary.

**(b) Medicaid**

The Hospital is paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the State of Illinois Medicaid program, and any such changes could have a significant effect on the Hospital's revenues.

The State of Illinois (the State) has an assessment program to assist in the financing of its Medicaid program, which expires on June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. Included within net patient service revenue are the Hospital's

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assessments of \$7,060 and \$8,735 and its additional Medicaid reimbursement of \$15,216 and \$18,855, for the years ended September 30, 2010 and 2009, respectively. Also included in the Hospital's fiscal year 2009 net patient service revenue is approximately \$2,000 of net incremental Medicaid reimbursement related to the Illinois Hospital Assessment Program for the quarter ended September 30, 2008.

For the State fiscal year ending June 30, 2011, hospitals within the State are required to remit payment to the State of Illinois Medicaid program pursuant to an accelerated payment schedule beginning in July 2010. During the year ended September 30, 2010, the Hospital paid assessments of \$3,494 and received additional Medicaid reimbursement of \$7,534 relating to the Hospital's fiscal year 2011, which are recorded within estimated payables under third-party reimbursement programs in the accompanying consolidated 2010 balance sheet.

**(c) Blue Cross**

The Hospital also participates as a provider of healthcare services under a reimbursement agreement with Blue Cross. The provisions of this agreement stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the Hospital and a review by Blue Cross. The Blue Cross reimbursement reports for September 30, 2009 and prior years have been reviewed by Blue Cross.

**(d) Other**

The Providers have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements is negotiated by the Providers and includes prospectively determined rates-per-discharge, discounts from established charges, capitation, and prospectively determined per diem rates.

SCMCO is involved in various risk-based contracts with managed care organizations. Under these arrangements, SCMCO receives capitation payments based on the demographic characteristics of covered members in exchange for providing all primary care physician services, as well as certain outpatient diagnostic and specialist physician services. Additionally, SCMCO is eligible for incentive payments based on favorable utilization experience. Capitation revenue related to risk-based contracts totaled approximately \$19,514 and \$18,846 for 2010 and 2009, respectively, and is included with other revenue in the accompanying consolidated statements of operations. Pursuant to risk-based contracts, SCMCO estimates its liability for covered medical claims, including claims incurred but not reported as of the consolidated balance sheet dates, based upon historical costs incurred and payment processing experience. This liability approximated \$1,895 and \$1,942 at September 30, 2010 and 2009, respectively, and is included with accounts payable in the accompanying consolidated balance sheets.

Net patient service revenue for the years ended September 30, 2010 and 2009 include approximately \$750 and \$0, respectively, of favorable retrospectively determined prior year settlements with third-party payors.

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A summary of the Providers' utilization percentages based upon gross patient service revenue follows:

	<b>2010</b>	<b>2009</b>
Medicare	41.9%	41.9%
Medicaid	12.3	12.9
Managed care	37.7	36.8
Other	8.1	8.4
	100.0%	100.0%

**(4) Concentration of Credit Risk**

The Providers grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of September 30, 2010 and 2009 follows:

	<b>2010</b>	<b>2009</b>
Medicare	30.3%	30.2%
Medicaid	12.3	15.7
Blue Cross	7.2	7.0
Managed care	23.0	19.1
Patients	20.7	21.8
Other	6.5	6.2
	100.0%	100.0%

**(5) Charity Care**

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. In addition, reimbursement for services provided to Medicaid program beneficiaries is substantially less than the cost to the Hospital for providing these services.

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The Hospital maintains records of the amount of charges forgone and related cost for services and supplies furnished under its charity care policy, as well as the estimated differences between the cost of services provided to Medicaid patients and the reimbursement under that program. The following information measures the level of charity care provided and unreimbursed cost under the Medicaid program during 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Charity care costs for non-Medicaid patients	\$ 8,006	7,459
Excess of cost over reimbursement for services provided to Medicaid patients (1)	5,103	3,744

(1) Net impact of Medicaid assessment program has been allocated to each year based upon the State's fiscal year

**(6) Investments**

The Corporations report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. A summary of the composition of the Corporations' investment portfolio at September 30, 2010 and 2009 follows:

	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	\$ 978	1,253
Certificates of deposit/repurchase agreements	39,693	156,764
Money market funds	76,482	57,019
Common stock	3,621	4,222
Mutual funds	59,422	44,154
U.S. Treasury securities	6,219	26,978
Corporate bonds and notes	59,755	42,308
	\$ 246,170	332,698

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Investments are reported in the accompanying consolidated balance sheets at September 30 as follows:

	<u>2010</u>	<u>2009</u>
Short-term investments	\$ 9,091	9,045
Assets whose use is limited or restricted:		
Required for current liabilities	49	39
By board for capital improvements and other	78,108	73,883
By board for self-insurance	23,631	24,446
Under bond indenture agreements – held by trustee	126,326	217,781
Donor-restricted investments	8,965	7,504
	<u>\$ 246,170</u>	<u>332,698</u>

The composition of investment return on the Corporations' investment portfolio for 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Interest and dividend income, net of fees and expenses	\$ 8,518	3,073
Net realized losses on sale of investments	(14)	(166)
Net change in unrealized gains and losses during the holding period	2,349	(548)
	<u>\$ 10,853</u>	<u>2,359</u>

The Corporations have designated all unrestricted investments to be trading securities. Investment return is included in the accompanying consolidated financial statements for the years ended September 30, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Nonoperating gains – investment income, net	\$ 6,709	1,213
Net realized and unrealized gains and losses on temporarily restricted investments	64	(9)
Net realized and unrealized gains and losses on permanently restricted investments	110	(54)
Interest earnings offset against capitalized interest cost	3,970	1,209
	<u>\$ 10,853</u>	<u>2,359</u>

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The Corporations invest in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

**(7) Fair Value Measurements**

**(a) Fair Value of Financial Instruments**

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated third-party payor settlements.
- Assets whose use is limited or restricted: Fair values are estimated based on prices provided by its investment managers and custodian banks. Common stocks, quoted mutual funds, and direct U.S. government obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, certain American Depository Receipts, U.S. agency securities, money market funds, and repurchase agreements are measured using other observable inputs. The carrying value equals fair value.
- Interest rate swap agreements: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Corporations. The carrying value equals fair value.
- Beneficial interest in perpetual trusts: The assets held by third-party trustees, comprised of money market funds, corporate bonds and notes, U.S. government obligations, and U.S. Treasury notes are observable inputs used by the Corporations to estimate the fair value of its beneficial interests.
- Fair value of fixed rate long-term debt is estimated based on market indications for the same or similar debt issues.

**(b) Fair Value Hierarchy**

The Corporations adopted ASC Subtopic 820-10 on October 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporations have the ability to access at the measurement date. Level 1 investments include cash, common stock, quoted mutual funds, and U.S. Treasury securities.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 investments include certificates of deposit, repurchase agreements, money market funds, corporate bonds and notes, and beneficial interest in perpetual trusts.
- Level 3 inputs are unobservable inputs for the asset or liability. The Corporations have no Level 3 investments as of September 30, 2010 and 2009.

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

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 22,422	6,538	15,884	—
Short-term investments	9,091	—	9,091	—
Assets whose use is limited or restricted, required for current liabilities	49	—	49	—
Assets whose use is limited or restricted, excluding assets required for current liabilities:				
By board for capital improvements and other	78,108	63,209	14,899	—
By board for self-insurance	23,631	—	23,631	—
Under bond indenture agreements – held by trustee	126,326	716	125,610	—
Donor-restricted investments	4,115	3,277	838	—
Beneficial interest in perpetual trusts	4,850	—	4,850	—
Total	<u>\$ 268,592</u>	<u>73,740</u>	<u>194,852</u>	<u>—</u>
<b>Liabilities:</b>				
Interest rate derivatives	\$ 63	—	63	—

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The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2009:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 46,843	1,390	45,453	—
Short-term investments	9,045	—	9,045	—
Assets whose use is limited or restricted, required for current liabilities	39	—	39	—
Assets whose use is limited or restricted, excluding assets required for current liabilities:				
By board for capital improvements and other	73,883	50,148	23,735	—
By board for self-insurance	24,446	—	24,446	—
Under bond indenture agreements – held by trustee	217,781	1,299	216,482	—
Donor-restricted investments	2,758	1,427	1,331	—
Beneficial interest in perpetual trusts	4,746	—	4,746	—
Total	<u>\$ 379,541</u>	<u>54,264</u>	<u>325,277</u>	<u>—</u>
<b>Liabilities:</b>				
Interest rate derivatives	\$ 407	—	407	—

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**(8) Land, Buildings, and Equipment**

A summary of land, buildings, and equipment at September 30, 2010 and 2009 follows:

	2010		2009	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 32,518	—	32,518	—
Land improvements	5,480	3,953	5,385	3,761
Buildings, building improvements, and fixed equipment	185,590	124,758	183,399	106,778
Major movable equipment	110,288	77,433	102,898	69,989
Construction in progress	211,484	—	78,378	—
	\$ 545,360	206,144	402,578	180,528

The Corporations are currently engaged in various construction and renovation projects, principally the construction of a new hospital replacement facility as discussed in note 1. The Corporations have a guaranteed maximum price contract for the construction of the building of the new hospital replacement facility of \$250,942. As of September 30, 2010, potential remaining payments under the guaranteed maximum price contract approximated \$90,258. Interest cost is capitalized as a component cost of significant capital projects, net of any interest income earned on unexpended project-specific borrowed funds. During the year ended September 30, 2010, the Corporations capitalized \$14,405 of net interest cost, which is comprised of \$18,375 of interest cost less \$3,970 of interest earned on unexpended bond proceeds. During the year ended September 30, 2009, the Corporations capitalized \$5,073 of net interest cost, which is comprised of \$6,282 of interest cost less \$1,209 of interest earned on unexpended bond proceeds.

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**(9) Long-Term Debt**

A summary of long-term debt at September 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Illinois Finance Authority Revenue Bonds, Series 2009, at fixed effective interest rates of 6.75% to 7.25%, depending upon date of maturity through August 15, 2044	\$ 260,000	260,000
Illinois Finance Authority Revenue Refunding Bonds, Series 2008A, at fixed effective interest rates of 5.00% to 5.82%, depending upon date of maturity through August 15, 2030	85,495	86,095
Illinois Finance Authority Revenue Bonds, Series 2005A, at fixed effective interest rates from 4.00% to 5.25%, depending upon date of maturity through August 15, 2020	18,580	20,050
Illinois Finance Authority Fixed Rate Revenue Bonds, Series 2005C, at fixed effective interest rates of 2.85% to 5.58%, depending on date of maturity through August 15, 2025.	18,625	19,575
Illinois Finance Authority Revenue Refunding Bonds, Series 1999, at fixed effective interest rates of 5.43% to 5.65%, depending on date of maturity through 2019	<u>6,380</u>	<u>6,945</u>
Total long-term debt	389,080	392,665
Less:		
Current installments	3,770	3,585
Unamortized net bond discounts and premiums	<u>6,712</u>	<u>6,840</u>
Long-term debt, excluding current installments, and unamortized bond discounts and premiums	<u>\$ 378,598</u>	<u>382,240</u>

The Hospital and the Health System (collectively known as the Obligated Group) entered into an Amended and Restated Master Trust Indenture (Master Trust Indenture) dated as of June 1, 1996, as subsequently supplemented and amended. The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The Master Trust Indenture requires members of the Obligated Group to make principal and interest payments on notes issued for their benefit as well as other Obligated Group members, if the other members are unable to make such payments. The Master Trust Indenture requires the Obligated Group comply with financial and other covenant requirements, including making deposits with the bond trustees for payment of principal and interest when due on the individual series of bonds. The Obligated Group pledged a security interest in their gross revenues as collateral on borrowings under the Master Trust Indenture. The Obligated Group also maintains a debt service reserve fund with the bond trustees for the benefit of the Series 2008A and

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Series 2009 bonds. The Obligated Group has executed mortgages on the real estate and improvements of the existing Hospital campus and the replacement facility campus (note 1). Upon relocation of Hospital operations to the replacement facility campus, the Master Trustee will release the mortgage on the existing Hospital campus real estate and improvements.

On December 8, 2005, the Illinois Finance Authority issued fixed rate revenue bonds, Series 2005A, and auction rate revenue bonds, Series 2005B, Series 2005C, and Series 2005D (collectively referred to as the Series 2005 bonds) in the aggregate amount of \$124,640 on behalf of the Hospital. A portion of the proceeds from the Series 2005 bond issuance was used to advance refund the outstanding revenue bonds Series 2002A and Series 2002B, and to advance refund portions of the revenue refunding bonds Series 1999 and the revenue bonds Series 1996. The remaining proceeds were used for the purposes of acquiring real property, constructing various healthcare facilities, providing debt service reserve funds, and paying issuance costs. On August 14, 2008, the Hospital converted the Series 2005C auction rate revenue bonds to fixed rate revenue bonds. Principal on the Series 2005A and 2005C bonds is payable on August 15th annually. Interest on the Series 2005A and Series 2005C bonds is payable semiannually. Payment of principal and interest when due on the Series 2005 bonds is guaranteed under a municipal bond insurance policy.

On June 18, 2008, the Illinois Finance Authority issued fixed rate revenue refunding bonds, Series 2008A in the aggregate amount of \$86,660 on behalf of the Hospital. A portion of the proceeds from the Series 2008A bond issuance was used to advance refund the Series 2005B and Series 2005D auction rate revenue bonds (Prior Bonds). The remaining proceeds were used for the purposes of establishing a debt service reserve fund and to pay certain expenses incurred in connection with the issuance of the Series 2008A bonds and refunding of the Prior Bonds. Principal on the Series 2008A bonds is due annually. Interest on the Series 2008A bonds is payable semiannually.

On May 28, 2009, the Illinois Finance Authority issued fixed rate revenue bonds, Series 2009 in the aggregate amount of \$260,000 on behalf of the Hospital. The proceeds from the Series 2009 bond issuance will be used to acquire, construct, renovate, and equip certain health facilities, including, but not limited to, the construction of the replacement hospital facility. A portion of the proceeds was used for the purposes of establishing a debt service reserve fund and to pay certain expenses incurred in connection with the issuance of the Series 2009 bonds.

At September 30, 2010 and 2009, the fair value of total long-term debt was approximately \$430,970 and \$416,595, respectively. Fair value was estimated using quoted market prices based upon the Obligated Group's current borrowing rates for similar types of long-term debt securities.

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Scheduled annual principal payments on long-term debt for the ensuing five years are as follows:

Year:		
2011	\$	3,770
2012		3,960
2013		4,295
2014		4,520
2015		4,755
Thereafter		<u>367,780</u>
	\$	<u><u>389,080</u></u>

On December 27, 2010, the Illinois Finance Authority issued variable rate revenue bonds, Series 2010A and Series 2010B (collectively referred to as the Series 2010 bonds), in the aggregate amount of \$25,000 on behalf of the Hospital. The proceeds of the offering were used to finance or reimburse the Hospital for a portion of the costs associated with the construction of the replacement hospital.

**(10) Derivative Instruments and Hedging Activities**

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

***2002 Interest Rate Swap Agreement***

During 2002, the Hospital entered into an interest rate swap agreement to convert portions of its fixed rate debt portfolio from a fixed to variable rate. Under this agreement, the Hospital receives a variable rate of return, based upon 68.75% of the three-month USD-LIBOR-BBA rate on a notional amount of \$15,000, and is obligated to pay the financial institution a variable rate of return, based upon the weekly SIFMA Municipal Swap Index rate, on the same notional amount. The 2002 interest rate swap agreement has a maturity date of February 6, 2014.

The 2002 interest rate swap does not meet the criteria to qualify for hedge accounting; accordingly, the fair value of the interest rate swap derivative instrument is recognized within the consolidated balance sheets with changes in the fair value of the derivative instrument reported within income from operations.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Notes to Consolidated Financial Statements

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(Amounts in thousands)

Payments equal to the differential between the amounts due to and due from the financial institution are computed and exchanged quarterly. The differential to be paid or received under the interest rate swap agreement is recognized within interest expense on a current basis. The net interest rate differential (paid) received by the Hospital as a result of the 2002 interest rate swap agreement during 2010 and 2009 of approximately \$(4) and \$60, respectively, has been included as an (addition) reduction to interest expense in the accompanying consolidated statements of operations. Fair value of the interest rate swap agreement was a liability of \$63 and \$144 at September 30, 2010 and 2009, respectively, and is included in accrued expenses in the accompanying consolidated balance sheets. The change in fair value of the interest rate swap agreement of \$81 in 2010 and \$36 in 2009 has been recorded as a reduction to interest expense. Fair value of the interest rate swap agreement was estimated using a discounted present value methodology and current projected interest rates.

***2005B Basis Swap Agreements***

The Hospital previously maintained interest rate basis swap agreements (Basis Swaps) with two commercial banks, which were originally related to the Series 2005B bonds. During 2010, the Hospital terminated the Basis Swap agreements. The Hospital was not required to make any settlement payments to the counterparties for the termination of the Basis Swaps. Fair value of the Basis Swaps was a liability of \$263 at September 30, 2009, and is included in other long-term liabilities in the accompanying 2009 consolidated balance sheet. The change in fair value and settlement gains of the Basis Swaps of \$263 in 2010 and \$161 in 2009 have been recorded as a reduction of interest expense as the Basis Swaps did not qualify for hedge accounting.

**(11) Pension Plans**

The Health System, HSSI, and the Hospital sponsor various voluntary, defined contribution, and money purchase pension plans for all qualified full-time employees. Benefits for individual employees are the amounts that can be provided by the sums contributed and accumulated for each individual employee. The Health System, HSSI, and the Hospital recognized expense under the terms of the plans in the amount of \$3,633 and \$3,383 for 2010 and 2009, respectively. The Health System, HSSI, and the Hospital fund the plans on a current basis.

The Health System also sponsors several supplemental retirement plans. Eligibility for these plans is limited to specified employees. The supplemental plans are defined benefit plans and are not qualified plans under Section 401 of the Code. The Health System has recognized expense under the terms of these supplemental retirement plans in the amount of \$756 and \$519 for 2010 and 2009, respectively. Amounts owed to specified employees under the supplemental retirement plans are included in accrued salaries and wages.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

(Amounts in thousands)

**(12) Self-Insured Risks**

***Professional and General Liability***

The Corporations maintain a self-insurance program for professional and general liability coverage. The self-insurance program includes varying levels of self-insured retention and excess malpractice insurance coverage purchased from commercial insurance carriers. In connection with the self-insurance program, the Corporations have engaged the services of a professional actuarial consultant to assist in the estimation of self-insurance provisions and claim liability reserves.

Provisions for estimated self-insured professional and general liability claims of \$1,924 in 2010 and \$5,023 in 2009 are included in general and administrative expenses in the accompanying consolidated statements of operations. It is the opinion of management that the estimated professional and general liabilities accrued at September 30, 2010 and 2009 are adequate to provide for the ultimate cost of potential losses resulting from pending or threatened litigation; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. The Corporations have also designated attorneys to handle legal matters relating to malpractice and general liability claims. No portion of the accrual for estimated self-insured professional and general liability claims has been reported as a current liability. The liability for estimated self-insured professional and general liability claims has been discounted at 3% as of September 30, 2010 and 2009, respectively.

***Workers' Compensation***

The Health System, HSSI, and the Hospital maintain a self-insurance program for workers' compensation coverage. This program limits the self-insured retention to \$500 per occurrence. Coverage from commercial insurance carriers is maintained for claims in excess of the self-insured retention. Provisions for workers' compensation claims amounted to \$1,362 and \$1,981 for 2010 and 2009, respectively, and are included in payroll taxes and fringe benefits expense. Management believes the estimated self-insured workers' compensation claims liability at September 30, 2010 and 2009 is adequate to cover the ultimate liability; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved.

***Healthcare***

The Health System, HSSI, and the Hospital also have a program of self-insurance for employee healthcare coverage. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits. Provisions for self-insured employee healthcare claims amounted to \$13,634 and \$12,142 for 2010 and 2009, respectively, and are included with payroll taxes and fringe benefits expense. It is the opinion of management that the estimated healthcare costs accrued at September 30, 2010 and 2009 are adequate to provide for the ultimate liability; however, final payouts as claims are paid may vary significantly from estimated claim liabilities.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

(Amounts in thousands)

**(13) Investment in Joint Ventures**

***Orland Park Surgical Center, L.L.C.***

On January 15, 2001, the Hospital became a founding member of Orland Park Surgical Center, L.L.C. (the Center) whose purpose was to develop and operate an ambulatory surgery center in Orland Park, Illinois. During 2010, the Hospital exercised its option to terminate its participation in the Center and redeem 100% of its membership units. In exchange for its membership units, the Hospital will receive a total payment of approximately \$1,098, which will be received in four equal annual payments beginning on January 7, 2010. The Hospital recorded a gain of \$316 on the termination of its participation in the Center within 2010 other operating revenue.

Prior to the termination of its joint venture interests, the Hospital accounted for its investment in the Center on the equity method of accounting. The Hospital included its proportional share of the Center's net income of \$85 in 2009 within other operating revenue. The Hospital received cash distributions from the Center of \$181 in 2009. As of and for the year ended September 30, 2009, the Center had total assets of \$3,606, members' equity of \$2,261, revenue of \$7,291, and net income of \$174. The carrying value of the Hospital's investment in the Center of \$782 is included in other long-term assets at September 30, 2009.

***SCHCI, L.L.C.***

The Hospital was a founding member of SCHCI, L.L.C. (SCHCI) whose purpose was to provide cardiovascular services jointly with a physician group and began operations in 2004. During 2010, the Hospital received approval from the Illinois Health Facilities Planning Board for discontinuance of SCHCI operations, which occurred effective December 18, 2009.

Pursuant to the SCHCI operating agreement, profits and losses are allocated to the members in accordance with the proportion of their membership units to the aggregate membership units of SCHCI, of which the Hospital held a 49.5% interest through the date of dissolution. Distributions are payable by SCHCI at the discretion of the Center's management board to the extent of the availability of net cash flows as defined in the agreement.

The Hospital accounted for its investment in SCHCI using the equity method of accounting through the date of dissolution. The Hospital included its proportional share of SCHCI net income (loss) of \$(112) and \$569 in 2010 and 2009, respectively, as other operating revenue. The Hospital received cash distributions from SCHCI of \$982 and \$396 in 2010 and 2009, respectively. As of and for the year ended September 30, 2009, SCHCI had total assets of \$2,872, members' equity of \$2,499, revenue of \$3,223, and net income of \$1,245. SCHCI had a net loss of \$(225) for the year ended September 30, 2010. The carrying value of the Hospital's investment in SCHCI of \$1,237 is included in other long-term assets at September 30, 2009.

***Wilmington Building Partnership***

On June 1, 2007, MCREC sold property, including a parcel of land and a medical office building, located in Wilmington, Illinois to Harris N.A. Concurrently with the sale of property, MCREC became a founding member of the Wilmington Building Partnership (Wilmington) whose purpose is to lease the medical

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

(Amounts in thousands)

office building. Harris N.A. serves as the trustee for Wilmington. MCREC provided Wilmington with an initial \$500 equity contribution during 2007, which satisfied the capital contribution provisions of the operating agreement. Pursuant to the operating agreement, profits and losses are allocated to the members in accordance with the proportion of their membership units to the aggregate membership units of Wilmington, of which MCREC holds a 50% interest. Effective July 1, 2007, Harris N.A. entered into an agreement with a physician to lease the medical office building.

MCREC accounts for its investment in Wilmington on the equity method of accounting; however, MCREC has not recognized its proportional share of Wilmington income in the accompanying consolidated statements of operations. Wilmington net income was \$42 in 2010 and \$60 in 2009. Wilmington made cash distributions of \$38 in 2010 and \$114 in 2009, which have been recorded within other operating revenue. As of and for the years ended September 30, 2010 and 2009, respectively, Wilmington had total assets and members' equity of \$1,054 and \$1,046. The carrying value of MCREC's investment in Wilmington of \$500 at September 30, 2010 and 2009 is included in other long-term assets in the accompanying consolidated balance sheets.

**(14) Endowments**

The Corporations apply the guidance in ASC Topic 958 on the net asset classification and disclosures for funds subject to an enacted version of UPMIFA to its donor-restricted endowment funds.

The Corporations have donor-restricted endowment funds (collectively referred to as the Funds), the principal of which may not be expended. The interest and dividend income from investment of the Funds is to be used for a variety of purposes consistent with the intent of the donor. The interest and dividend income earned on the Funds are transferred to temporarily restricted net assets until appropriated for expenditure by the Corporations. All other changes in the Funds, including unrealized and realized gains and losses, are recorded directly to the Funds, which are classified as permanently restricted net assets.

The Corporations also have beneficial interests in trusts (collectively referred to as the Trusts). The Corporations have recorded their share of the principal of the Trusts as permanently restricted net assets. Distributions from the Trusts are recorded within unrestricted net assets if unrestricted; otherwise they are classified as temporarily restricted net assets until appropriated for expenditure.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

(Amounts in thousands)

The activity of the Funds and Trusts for the year ended September 30, 2010 is as follows:

	<u>Total</u>	<u>Donor- restricted endowment funds</u>	<u>Beneficial interest in trusts</u>
Beginning fair value	\$ 5,321	575	4,746
Current year contributions	—	—	—
Income:			
Interest and dividends	163	5	158
Realized gains, net	106	6	100
Unrealized gains, net	28	13	15
Disbursements:			
Fees and expenses	(41)	(3)	(38)
Transfers to temporarily restricted net assets	(146)	(15)	(131)
Ending fair value	<u>\$ 5,431</u>	<u>581</u>	<u>4,850</u>

The activity of the Funds and Trusts for the year ended September 30, 2009 is as follows:

	<u>Total</u>	<u>Donor- restricted endowment funds</u>	<u>Beneficial interest in trusts</u>
Beginning fair value	\$ 5,375	584	4,791
Current year contributions	—	—	—
Income:			
Interest and dividends	182	6	176
Realized losses, net	(253)	(25)	(228)
Unrealized gains, net	212	29	183
Disbursements:			
Fees and expenses	(51)	(19)	(32)
Assets released from restriction	(144)	—	(144)
Ending fair value	<u>\$ 5,321</u>	<u>575</u>	<u>4,746</u>

The historical cost basis of the Funds was approximately \$564 and \$564 at September 30, 2010 and 2009, respectively. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies as of September 30, 2010 or 2009.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

(Amounts in thousands)

**(15) Contingencies**

***Medicare Reimbursement***

The Hospital recognized approximately \$83,964 of net patient service revenue during 2010 from services provided to Medicare beneficiaries. Federal legislation routinely includes provisions to modify Medicare payments to healthcare providers. Changes in Medicare reimbursement as a result of the CMS implementation of the provisions of Medicare legislation and other health care reform initiatives may have an adverse effect on the Hospital's net patient service revenues.

***Litigation***

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

***Regulatory Investigations***

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

**(16) Subsequent Events**

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ACS Topic 855, *Subsequent Events*, the Corporations evaluated subsequent events after the consolidated balance sheet date of September 30, 2010 through January 19, 2011, which was the date the financial statements were available to be issued.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidating Schedule – Balance Sheet Information  
September 30, 2010  
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
<b>Assets</b>									
Current assets:									
Cash and cash equivalents	\$ 934	258	13,124	103	531	7,465	7	—	22,422
Short-term investments	—	—	9,091	—	—	—	—	—	9,091
Assets whose use is limited or restricted, required for current liabilities:	—	—	49	—	—	—	—	—	49
Patient accounts receivable, net	629	773	26,891	—	—	—	—	—	27,664
Due from affiliates	300	372	22,380	2,350	250	—	350	(26,331)	—
Other receivables	—	28	1,917	—	244	693	—	—	3,182
Inventory of supplies	—	—	176	—	—	—	—	—	176
Prepaid expenses and other	180	1	2,067	3	26	1	121	—	2,399
Total current assets	2,043	1,432	75,695	2,456	1,051	8,159	478	(26,331)	64,983
Assets whose use is limited or restricted, excluding assets required for current liabilities	—	—	—	—	—	—	—	—	—
By board for capital improvements and other	917	—	77,191	—	—	—	—	—	78,108
By board for self-insurance	23,631	—	—	—	—	—	—	—	23,631
Under bond indenture agreements – held by trustee	—	—	126,326	—	—	—	—	—	126,326
Pledges receivable	—	—	2,476	—	—	—	—	—	2,476
Donor-restricted investments	—	—	8,717	248	—	—	—	—	8,965
Land, buildings, and equipment, net	24,548	—	214,710	248	—	—	—	—	239,506
Other assets:	7,924	169	295,931	—	35,192	—	—	—	339,216
Due from affiliates	6,034	—	26,151	—	—	—	—	(32,185)	—
Land held for sale	—	—	26,012	—	—	—	—	—	26,012
Investments	22,650	—	—	—	—	—	—	(22,650)	—
Other long-term assets	—	—	824	—	500	—	—	—	1,324
Deferred finance charges and other	—	—	6,192	—	—	—	—	—	6,192
Total assets	\$ 63,199	1,601	645,515	2,704	36,743	8,159	478	(81,166)	677,233

Current assets:  
Cash and cash equivalents  
Short-term investments  
Assets whose use is limited or restricted, required for current liabilities:  
Patient accounts receivable, net  
Due from affiliates  
Other receivables  
Inventory of supplies  
Prepaid expenses and other

Assets whose use is limited or restricted, excluding assets required for current liabilities  
By board for capital improvements and other  
By board for self-insurance  
Under bond indenture agreements – held by trustee  
Pledges receivable  
Donor-restricted investments

Land, buildings, and equipment, net  
Other assets:  
Due from affiliates  
Land held for sale  
Investments  
Other long-term assets  
Deferred finance charges and other

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidating Schedule — Balance Sheet Information  
September 30, 2010  
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
<b>Liabilities and Net Assets</b>									
Current liabilities:									
Current installments of long-term deb	—	—	3,770	—	—	—	—	—	3,770
Accounts payable	716	14	4,390	—	—	4,831	—	—	9,951
Accrued salaries and wages	3,471	93	10,094	—	—	—	92	—	13,750
Accrued expenses	9	6	3,320	—	2,789	—	—	—	6,124
Estimated payables under third-party reimbursement programs:									
Due to affiliates	—	—	21,727	—	—	—	—	—	21,727
	22,601	2,693	630	—	—	21	386	(26,331)	—
Total current liabilities	26,797	2,806	43,931	—	2,789	4,852	478	(26,331)	55,322
Construction payables	—	—	7,753	—	—	—	—	—	7,753
Estimated self-insured professional and genera liability claims:	19,535	—	—	—	—	—	—	—	19,535
Long-term debt, excluding current installments and unamortized bond discounts and premium:	—	—	378,598	—	—	—	—	—	378,598
Due to affiliates	—	—	—	—	32,185	—	—	(32,185)	—
Other long-term liabilities:	—	—	891	—	—	—	—	—	891
Total liabilities	46,332	2,806	431,173	—	34,974	4,852	478	(58,516)	462,099
Net assets (deficit)	16,867	(1,205)	203,146	2,455	1,769	3,307	—	(22,650)	203,689
Unrestricted	—	—	6,014	—	—	—	—	—	6,014
Temporarily restricted	—	—	5,182	249	—	—	—	—	5,431
Permanently restricted	—	—	—	—	—	—	—	—	—
Total net assets (deficit)	16,867	(1,205)	214,342	2,704	1,769	3,307	—	(22,650)	215,134
Total liabilities and net assets	\$ 63,199	\$ 1,601	\$ 645,515	\$ 2,704	\$ 36,743	\$ 8,159	\$ 478	\$ (81,166)	\$ 677,233

See accompanying independent auditors' report.

**SILVER CROSS HEALTH SYSTEM AND AFFILIATES**

Consolidating Schedule – Statement of Operations Information  
Year ended September 30, 2010  
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
<b>Revenue:</b>									
Net patient service revenue	8,073	399	240,581	—	—	—	963	(3,627)	238,316
Other revenue	—	(105)	3,314	—	3,127	23,343	1,087	(9,445)	29,394
Total revenue	8,073	294	243,895	—	3,127	23,343	2,050	(13,072)	267,710
<b>Expenses:</b>									
Salaries and wages	4,368	397	81,368	—	—	—	1,100	(345)	86,888
Payroll taxes and fringe benefits	1,540	163	25,300	—	—	—	85	—	27,088
General and administrative	1,971	907	41,322	—	2,739	23,200	751	(12,727)	58,163
Supplies	—	43	46,979	—	—	—	—	—	47,022
Provision for bad debts	—	1	13,816	—	—	—	114	—	13,931
Depreciation	822	96	13,615	—	1,408	—	—	—	15,941
Interest	—	—	6,960	—	—	—	—	—	6,960
Total expenses	8,701	1,607	229,360	—	4,147	23,200	2,050	(13,072)	255,993
Income (loss) from operations before accelerated depreciation on existing hospital facility	(628)	(1,313)	14,535	—	(1,020)	143	—	—	11,717
Accelerated depreciation on existing hospital facility	—	—	10,078	—	—	—	—	—	10,078
Income (loss) from operations	(628)	(1,313)	4,457	—	(1,020)	143	—	—	1,639
<b>Nonoperating gains:</b>									
Investment income, net	721	—	5,988	—	—	—	—	—	6,709
Unrestricted contributions and other, net	14	—	129	3	4	—	—	—	150
Total nonoperating gains, net	735	—	6,117	3	4	—	—	—	6,859
Revenue and gains in excess (deficient) of expenses and losses	107	(1,313)	10,574	3	(1,016)	143	—	—	8,498
<b>Other changes in unrestricted net assets:</b>									
Net assets released from restriction for land, building, and equipment acquisitions financed by temporarily restricted net assets	—	—	96	—	—	—	—	—	96
Increase (decrease) in unrestricted net assets	107	(1,313)	10,670	3	(1,016)	143	—	—	8,594

See accompanying independent auditors' report.

**SILVER CROSS HEALTH SYSTEM  
AND AFFILIATES**

Consolidating Schedule — Changes in Net Assets Information  
Year ended September 30, 2010  
(Amounts in thousands)

	Silver Cross Health System	Health Service Systems, Inc.	Silver Cross Hospital and Medical Centers	Silver Cross Foundation	Midwest Community Real Estate Corporation	Silver Cross Managed Care Organization	Silver Cross Medical Associates, Inc.	Eliminations	Consolidated
Increase (decrease) in unrestricted net assets	\$ 107	(1,313)	10,670	3	(1,016)	143	—	—	8,594
Temporarily restricted net assets:									
Contributions for specific purposes	—	—	3,435	—	—	—	—	—	3,435
Net realized and unrealized gains and losses on temporarily restricted investments	—	—	64	—	—	—	—	—	64
Net assets released from restriction for operating purposes	—	—	(33)	—	—	—	—	—	(33)
Net assets released from restriction for land, building, and equipment acquisition:	—	—	(96)	—	—	—	—	—	(96)
Increase in temporarily restricted net assets	—	—	3,370	—	—	—	—	—	3,370
Permanently restricted net assets:									
Net realized and unrealized gains and losses on permanently restricted investments	—	—	104	6	—	—	—	—	110
Change in net assets	107	(1,313)	14,144	9	(1,016)	143	—	—	12,074
Net assets at beginning of year	16,760	108	200,198	2,695	2,785	3,164	—	(22,650)	203,060
Net assets (deficit) at end of year	\$ 16,867	(1,205)	214,342	2,704	1,769	3,307	—	(22,650)	215,134

See accompanying independent auditors' report.

**Section IX**  
**Financial Feasibility**  
**Financial Viability**  
**Criterion 1120.130**

Silver Cross will be funding its obligations under the Project from internal sources – specifically cash and cash equivalents. Thus, Silver Cross is entitled to a financial viability waiver pursuant to Criterion 1120.130(a)(1). William Brownlow's Financial Viability Waiver Certification support of this Criterion is attached at ATTACHMENT 40.

November 8, 2012

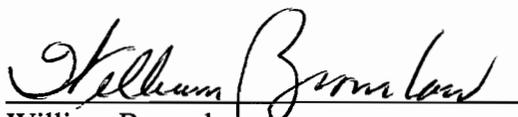
Mr. Michael Constantino  
Project Review Supervisor  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Re: Criterion 1120.130(a) Financial Viability Waiver Certification

Dear Mr. Constantino:

I hereby certify, under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin. Code § 1120.130(a), that Silver Cross Health System and Silver Cross Hospital and Medical Centers (collectively, Silver Cross”) will fund the obligations of Silver Cross set forth in the Certificate of Need Application for the “Silver Cross Emergicare Center (Frankfort)” Project from internal sources – specifically, cash and cash equivalents.

Sincerely,



William Brownlow  
Senior Vice President/Finance  
Chief Financial Officer

SUBSCRIBED AND SWORN  
to before me this 8 day  
of November, 2012.

  
Notary Public



0246

ATTACHMENT  
40

**Section X**  
**Economic Feasibility**  
**Criterion 1120.140**

**Criterion 1120.140(a), Reasonableness of Financing Arrangements**

Silver Cross has satisfied this Criterion because Silver Cross will be funding the Project with cash and cash equivalents. William Brownlow's Affidavit of Available Funds in support of this Criterion is attached at ATTACHMENT 39.

**Criterion 1120.140(c), Reasonableness of Project and Related Costs**

1. The construction and contingency cost per gross square foot for the clinical portions of the Project is \$391.20. The clinical portions of the Project encompass 4,857 gross square feet. The construction and contingency costs for the clinical portions of the Project total \$1,900,068.

**COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE  
(CLINICAL PORTIONS OF PROJECT)**

Department (list below)	A		B		C		D		E		F		G		H		Total Cost (Clinical Portions Only) (G + H)
	Cost/Square Foot		Gross Sq. Ft. (Clinical Portions Only)		Gross Sq. Ft.		Const. \$ (Clinical Portions Only) (A x C)		Mod. \$ (B x E)								
	NEW	MOD	NEW	CIRC	MOD	CIRC											
Freestanding Emergency Center	\$391.20	---	4,857		---	---							\$1,900,068	---		\$1,900,068	
Construction Total	\$355.64	---	4,857		---	---							\$1,727,335	---		\$1,727,335	
Contingencies	\$35.56	---	4,857		---	---							\$172,733	---		\$172,733	
<b>Construction &amp; Contingencies Total</b>	<b>\$391.20</b>	<b>---</b>	<b>4,857</b>		<b>---</b>	<b>---</b>							<b>\$1,900,068</b>	<b>---</b>		<b>\$1,900,068</b>	

2. The Applicants will incur the following costs in completing this Project.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$24,040	\$25,960	\$50,000
Site Survey and Soil Investigation	\$12,020	\$12,980	\$25,000
Site Preparation	\$736,874	\$795,726	\$1,532,600
Off Site Work			
New Construction Contracts	\$1,727,335	\$1,865,291	\$3,592,626
Modernization Contracts			
Contingencies	\$172,733	\$186,529	\$359,262
Architectural/Engineering Fees	\$205,493	\$221,906	\$427,399
Consulting and Other Fees	\$60,100	\$64,900	\$125,000
Movable or Other Purchased Equipment (not in construction contracts)	\$2,365,823	\$277,675	\$2,643,498
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>\$5,304,418</b>	<b>\$3,450,967</b>	<b>\$8,755,385</b>

The Applicants recognize that certain of the above components exceed the Section 1120 norms. The following chart and below discussion explain any such deviations from the Section 1120 norms.

Project Item	Project Cost (Clinical Parts Only)	Section 1120 Norm	Project Cost Compared to Section 1120 Norm
Preplanning Costs	\$24,040	1.8% * (Construction Costs + Contingencies + Equipment) = 1.8%* (1,727,335+172,733+ 2,365,823) = 1.8%* 4,265,891 = \$76,786	Below Section 1120 Norm.
Site Survey, Soil Investigation and Site Preparation	\$748,894	5% * (Construction Costs + Contingencies) = 5%* (1,727,335+172,733) = 5%* 1,900,068 = \$95,003	Above Section 1120 Norm. See below discussion.
Construction Contracts and Contingencies  Note: Midpoint of project construction will occur in 2014  Note: Construction per GSF is calculated at the hospital rate because the FEC is being built to hospital standards	\$1,727,335+172,733 = \$1,900,068  \$1,900,068/4,857 GSF = \$391.20 per GSF	\$380 per gross square foot (inflated at 3% per year until midpoint of project construction in 2014) = \$380* (1.03)*(1.03) = \$403.14 per gross square foot	Below Section 1120 Norm.  Construction Contracts and Contingencies are only \$391.20 per gross square foot
Contingencies	\$172,733	10% * (Construction Costs) = 10% * \$1,727,335= \$172,733	At Section 1120 Norm.  Contingencies are 10% of Construction Costs.
Architectural and Engineering Fees  Note: A/E fees are calculated at the hospital rate because the FEC is being built to hospital standards	\$205,493	5.94% to 8.92% * (Construction Costs + Contingencies) = 5.94% to 8.92% * (\$1,727,335+172,733)= 5.94% to 8.92%* (\$1,900,068) = \$112,864.03 to \$169,486.06	Above Section 1120 Norm.  See below discussion.
Consulting and Other Fees	\$60,100	No Section 1120 Norm	Reasonable as compared to other approved projects.
Purchased Equipment	\$2,365,823	No Section 1120 Norm	Reasonable as compared to other approved projects.

As set forth above, this Project has two components that exceed the Section 1120 norms. The other components are at or below the Section 1120 norms.

The Site Survey, Soil Investigation and Site Preparation component exceeds the Section 1120 norm because of three significant factors. First, the Applicants have to pay the Village of Frankfort to build a road to the Project – because one does not currently exist. Second, the site itself has significant water detention issues which will require greater than normal excavation and landscaping costs. More specifically, the Applicants will have to drain the land (on a permanent basis) and create a detention pond. Third, the Village of Frankfort has significant ordinance requirements in regards to aesthetics. For example, the Applicants will have to create a separate enclosure for a dumpster.

The Architectural and Engineering Fees also exceed the Section 1120 norm because of the added engineering fees associated with addressing all of the Site Preparation issues. When viewed in the aggregate, Architectural and Engineering Fees are approximately 7.76% of the Site Survey, Soil Investigation and Site Preparation, Construction and Contingencies.

**Criterion 1120.140(d), Projected Operating Costs**

The projected operating costs for the FEC in the first full fiscal year when the Project achieves target utilization (2016) are as follows:

Total Operating Expenses:      \$2,028,000

Depreciation Expense:            \$0

Bad Debt Expense:                \$0

Estimated Number of Visits: 6,240

Proj. Operating Costs =  $\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Bad Debt Expense}}{\text{Estimated Number of Visits}}$

Proj. Operating Costs = \$2,028,000/6,240

Proj. Operating Costs = \$325 per Visit

The remaining parts of this Project are not subject to this Criterion.

**Criterion 1120.140(e), Total Effect of the Project On Capital Costs**

Total Projected Annual Capital Costs in Target Utilization Year (2016) = \$0

Total Projected Annual Capital Costs Per Visit = \$0

**Section XI**  
**Safety Net Impact Statement**

1. Silver Cross believes that the proposed FEC will have no negative impact on essential safety net services. In fact, it is expected that the Project will improve essential safety net services because Medicaid and Medicare patients will have greater access to emergency department services.

2. The following chart sets forth the amount of charity care provided by Silver Cross in the last three fiscal years (as reported by Silver Cross on its Annual Hospital Questionnaires.)

	FY 2009	FY 2010	FY 2011
Number of Inpatient Charity Care Patients	1,051	1,007	876
Number of Outpatient Charity Care Patients	3,266	3,097	4,224
Total Number of Charity Care Patients	4,317	4,104	5,100
Inpatient Charity Care Charges	\$14,585,000	\$15,145,000	\$13,774,000
Outpatient Charity Care Charges	\$ 9,785,000	\$11,433,000	\$13,924,000
Total Charity Care Charges	\$24,370,000	\$26,578,000	\$27,698,000
Inpatient Cost of Charity Care	\$4,475,400	\$4,803,600	\$4,723,540
Outpatient Cost of Charity Care	\$2,983,600	\$3,202,400	\$3,282,460
Total Cost of Charity Care	\$7,459,000	\$8,006,000	\$8,006,000

3. The following chart sets forth the amount of care provided to Medicaid patients by Silver Cross in the last three fiscal years (as reported by Silver Cross on its Annual Hospital Questionnaires).

	FY 2009	FY 2010	FY 2011
Number of Inpatient Medicaid Patients	2,818	2,609	2,283
Number of Outpatient Medicaid Patients	33,756	33,324	33,762
Total Number of Medicaid Patients	36,574	35,933	36,045
Net Inpatient Medicaid Revenues	\$14,297,000	\$12,578,000	\$13,035,000
Net Outpatient Medicaid Revenues	\$12,469,000	\$11,358,000	\$11,159,000
Total Net Medicaid Revenues	\$26,766,000	\$23,936,000	\$24,194,000

4. The following chart sets forth the amount of care provided to self-pay patients by Silver Cross in the last three fiscal years.

	FY 2009	FY 2010	FY 2011
Number of Inpatient Self-Pay Patients	247	230	179
Number of Outpatient Self-Pay Patients	8,436	8,845	8,945
Total Number of Self-Pay Patients	8,683	9,075	9,124
Inpatient Self-Pay Revenues	\$908,000	\$973,000	\$1,462,000
Outpatient Self-Pay Revenues	\$9,447,000	\$8,520,000	\$9,817,000
Total Self-Pay Revenues	\$10,355,000	\$9,493,000	\$11,279,000

**Section XII**  
**Charity Care Information**

Silver Cross' charity care for the last three audited fiscal years is set forth below:

Silver Cross Charity Care			
	FY 2009	FY 2010	FY 2011
Total Net Patient Revenue	\$227,744,000	\$240,581,000	\$247,425,000
Amount of Charity Care (Charges)	\$24,370,000	\$26,578,000	\$27,698,000
Cost of Charity Care	\$7,459,000	\$8,006,000	\$8,006,000
Cost of Charity Care/Total Net Patient Ratio	3.3%	3.3%	3.2%

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

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