

ORIGINAL

13-062
RECEIVED

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SEP 24 2013

HEALTH FACILITIES &
SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Alexian Brothers Medical Center		
Street Address:	800 Biesterfield Road		
City and Zip Code:	Elk Grove Village, IL 60007		
County:	Cook	Health Service Area	VII Health Planning Area: A-07

Applicant /Co-Applicant Identification

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

Exact Legal Name:	Alexian Brothers Medical Center		
Address:	800 Biesterfield Road Elk Grove Village, IL 60007		
Name of Registered Agent:			
Name of Chief Executive Officer:	John Werrbach		
CEO Address:	800 Biesterfield Road Elk Grove Village, IL 60007		
Telephone Number:	847/437-5500		

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

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

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

Primary Contact

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

Name:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court Suite 210
Telephone Number:	Palatine, IL 60067
E-mail Address:	jacobmaxel@msn.com
Fax Number:	847/776-7004

Additional Contact

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

Name:	
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

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

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Alexian Brothers Medical Center		
Street Address:	800 Biesterfield Road		
City and Zip Code:	Elk Grove Village, IL 60007		
County:	Cook	Health Service Area	VII Health Planning Area: A-07

Applicant /Co-Applicant Identification

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

Exact Legal Name:	Alexian Brothers Health System
Address:	3040 West Salt Creek Lane Arlington Heights, IL 60005
Name of Registered Agent:	
Name of Chief Executive Officer:	Mark A. Frey, President and CEO
CEO Address:	3040 West Salt Creek Lane Arlington Heights, IL 60005
Telephone Number:	847/818-5100

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

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

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

Primary Contact

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

Name:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court Suite 210
Telephone Number:	Palatine, IL 60067
E-mail Address:	jacobmaxel@msn.com
Fax Number:	847/776-7004

Additional Contact

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

Name:	
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

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

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Alexian Brothers Medical Center		
Street Address:	800 Biesterfield Road		
City and Zip Code:	Elk Grove Village, IL 60007		
County:	Cook	Health Service Area	VII Health Planning Area: A-07

Applicant /Co-Applicant Identification

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

Exact Legal Name:	Ascension Health
Address:	4600 Edmundson Road, St. Louis, Missouri 63134
Name of Registered Agent:	
Name of Chief Executive Officer:	Robert J. Henkel, President and CEO
CEO Address:	4600 Edmundson Road, St. Louis, Missouri 63134
Telephone Number:	314/733-8000

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

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

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

Primary Contact

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

Name:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court Suite 210
Telephone Number:	Palatine, IL 60067
E-mail Address:	jacobmaxel@msn.com
Fax Number:	847/776-7004

Additional Contact

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

Name:
Title:
Company Name:
Address:
Telephone Number:
E-mail Address:
Fax Number:

Post Permit Contact

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

Name:	John Werrbach
Title:	President/CEO
Company Name:	Alexian Brothers Medical Center
Address:	800 Biesterfield Road Elk Grove Village, IL 60007
Telephone Number:	847/437-5500
E-mail Address:	jwerrbach@alexian.net
Fax Number:	

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Alexian Brothers Medical Center
Address of Site Owner:	800 Biesterfield Road Elk Grove Village, IL 60007
Street Address or Legal Description of Site:	800 Biesterfield Road Elk Grove Village, IL 60007
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:	Alexian Brothers Medical Center				
Address:	800 Biesterfield Road Elk Grove Village, IL 60007				
<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"> o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. o Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. 					
APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.					

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

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

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT

1. Project Classification

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

Part 1110 Classification:

- Substantive
- Non-substantive

Part 1120 Applicability or Classification:

[Check one only.]

- Part 1120 Not Applicable
- Category A Project
- Category B Project
- DHS or DVA Project

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.

Alexian Brothers Health System proposes the establishment of an acute mental illness (AMI) category of service at Alexian Brothers Medical Center (ABMC). The patient care unit will be developed through the renovation of existing space; and will operate under the clinical direction of Alexian Brothers Behavioral Health Hospital (ABBHH). ABMC and ABBHH are located in the same IDPH-designated Health Service Area and Health Planning Area, approximately 12.6 miles/18 minutes apart.

This is a "substantive" project by virtue of the proposed establishment of an IDPH-designated category of service.

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.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$15,000		\$15,000
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	754,000		754,000
Contingencies	75,000		75,000
Architectural/Engineering Fees	91,000		91,000
Consulting and Other Fees	60,000		60,000
Movable or Other Equipment (not in construction contracts)	286,000		286,000
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)			
TOTAL USES OF FUNDS	\$1,281,000		\$1,281,000
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$1,281,000		\$1,281,000
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$1,281,000		\$1,281,000
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Related Project Costs

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

Land acquisition is related to project <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Purchase Price: \$ _____
Fair Market Value: \$ _____
The project involves the establishment of a new facility or a new category of service <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.
Estimated start-up costs and operating deficit cost is \$ <u>100,000</u>

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings: <input type="checkbox"/> None or not applicable <input checked="" type="checkbox"/> Preliminary <input type="checkbox"/> Schematics <input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>June 30, 2014</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 ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals

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

P

Cost Space Requirements

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

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

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

4

Facility Bed Capacity and Utilization

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

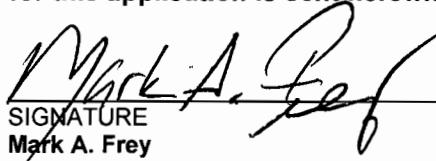
FACILITY NAME: Alexian Brothers Medical Center			CITY: Elk Grove Village, IL		
REPORTING PERIOD DATES: From: January 1, 2012 to: December 31, 2012					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	241	13,146	64,337	(17)	224
Obstetrics	28	2,765	7,196	None	28
Pediatrics	16	369	1,325	None	16
Intensive Care	36	2,307	8,361	None	36
Comprehensive Physical Rehabilitation	66	1,415	21,545	None	66
Acute/Chronic Mental Illness	0	0	0	+25	25
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	387	20,002	102,764	+8	395

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 Alexian Brothers Medical Center* 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.

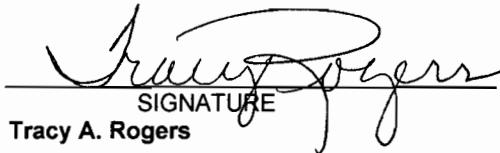


SIGNATURE
Mark A. Frey

PRINTED NAME

President & CEO

PRINTED TITLE



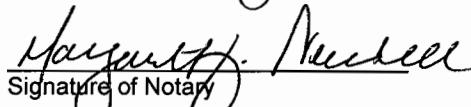
SIGNATURE
Tracy A. Rogers

PRINTED NAME

Senior Vice President & COO

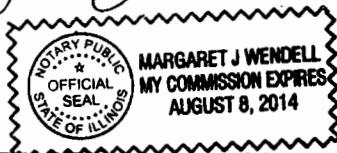
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 28th day of August 2013



Signature of Notary

Seal

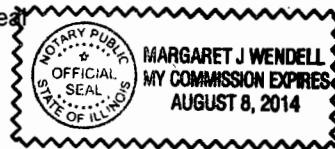


Notarization:
Subscribed and sworn to before me
this 28th day of August 2013



Signature of Notary

Seal



*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:

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

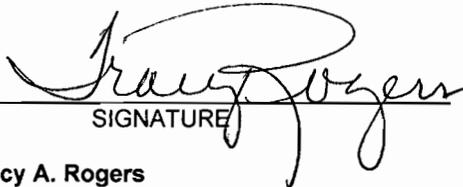

SIGNATURE

Mark A. Frey

PRINTED NAME

President & CEO

PRINTED TITLE


SIGNATURE

Tracy A. Rogers

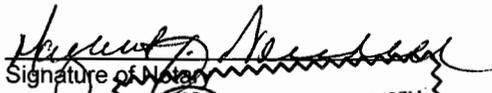
PRINTED NAME

Senior Vice President & COO

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 28th day of August 2013

Notarization:
Subscribed and sworn to before me
this 28th day of August 2013

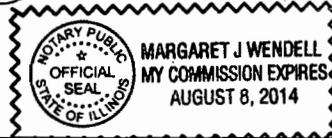

Signature of Notary

Seal




Signature of Notary

Seal



*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:

- 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 Ascension Health * 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.

Christine K. McCoy
SIGNATURE

Christine K. McCoy

PRINTED NAME

Sr. V.P., Legal Services & General Counsel

PRINTED TITLE

Katherine A. Arbuckle
SIGNATURE

Katherine A. Arbuckle

PRINTED NAME

Sr. V.P. and Chief Financial Officer

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 3rd day of September 2013

Notarization:
Subscribed and sworn to before me
this 3rd day of September 2013

Jamie A. Holleran
Signature of Notary

Jamie A. Holleran
Signature of Notary

Seal



JAMIE A. HOLLERAN
My Commission Expires
March 31, 2015
Jefferson County
Commission #11166695

*Insert EPAACS legal name of the applicant

Seal



JAMIE A. HOLLERAN
My Commission Expires
March 31, 2015
Jefferson County
Commission #11166695

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?
AMI	8,870	<14,000	(5,130)	YES

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

PROJECT SERVICES UTILIZATION:

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

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

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

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MET STANDARD?
YEAR 1	AMI		7,000 pt days	7,447+	NO
YEAR 2	AMI		7,900 pt days	7,447+	YES

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

UNFINISHED OR SHELL SPACE:

NOT APPLICABLE, NO SHELL SPACE TO BE PROVIDED

Provide the following information:

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

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

ASSURANCES:

Submit the following:

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

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

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

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

Category of Service	# Existing Beds	# Proposed Beds
<input checked="" type="checkbox"/> Acute Mental Illness	0	25
<input type="checkbox"/> Chronic Mental Illness		

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

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

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

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

VIII. - 1120.120 - Availability of Funds

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

_ \$1,281,000 _	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	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: <ol style="list-style-type: none"> 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
_____	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.
\$1,281,000	TOTAL FUNDS AVAILABLE	

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

IX. 1120.130 - Financial Viability

NOT APPLICABLE, PROJECT IS TO BE FUNDED THROUGH INTERNAL SOURCES

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. All of the projects capital expenditures are completely funded through internal sources
2. 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
3. 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

NOT APPLICABLE, PROJECT IS TO BE FUNDED THROUGH INTERNAL SOURCES

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		G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)		
Contingency										
TOTALS										

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

APPEND DOCUMENTATION AS ATTACHMENT -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.

ALEXIAN BROTHERS MEDICAL CENTER

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	2010	2011	2012
Inpatient	472	554	556
Outpatient	1,917	1,990	2,424
Total	2,389	2,544	2,980
Charity (cost in dollars)			
Inpatient	\$4,441,227	\$5,183,200	\$4,158,489
Outpatient	\$2,921,085	\$3,133,285	\$2,974,824
Total	\$7,362,312	\$8,316,285	\$7,133,313
MEDICAID			
Medicaid (# of patients)	2010	2011	2012
Inpatient	2,570	2,542	2,476
Outpatient	37,908	42,751	52,913
Total	40,478	45,293	55,389
Medicaid (revenue)			
Inpatient	\$7,108,711	\$7,991,484	\$12,102,180
Outpatient	\$6,018,556	\$5,051,710	\$5,310,083
Total	\$13,127,267	\$13,043,194	\$17,412,263

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.

ALEXIAN BROTHERS BEHAVIORAL HEALTH HOSPITAL

CHARITY CARE			
	2010	2011	2012
Net Patient Revenue	\$403,268,639	\$417,752,000	\$438,858,000
Amount of Charity Care (charges)	\$39,170,934	\$44,245,378	\$37,949,509
Cost of Charity Care	\$7,362,312	\$8,316,485	\$7,133,313

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



To all to whom these Presents Shall Come, Greeting:

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

ALEXIAN BROTHERS MEDICAL CENTER, INCORPORATED IN TEXAS AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON AUGUST 02, 1971, 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 A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

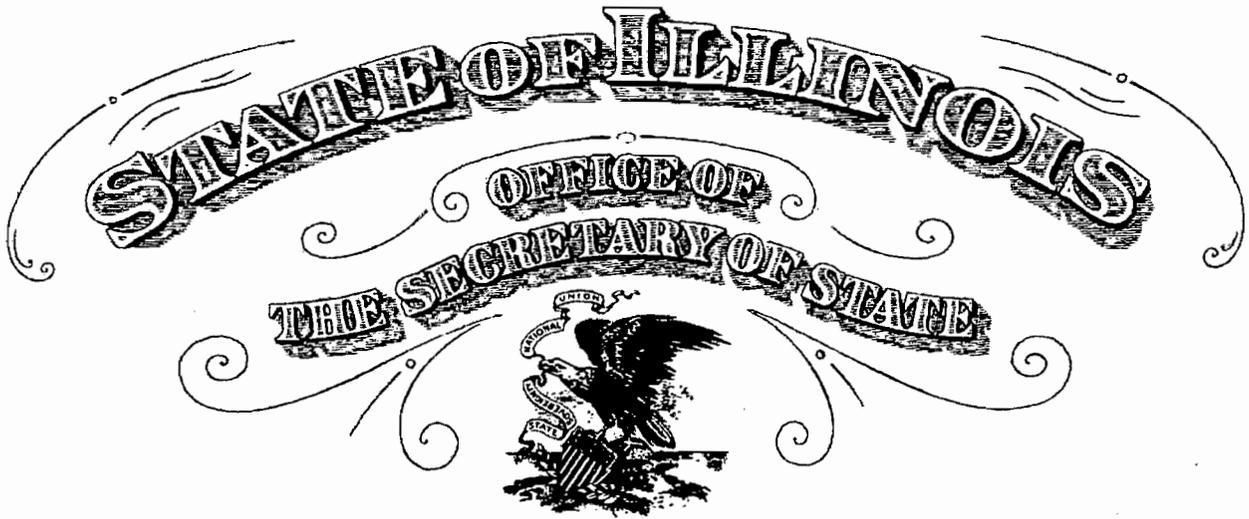


Authentication #: 1315602656
Authenticate at: <http://www.cyberdriveillinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 5TH day of JUNE A.D. 2013

Jesse White

SECRETARY OF STATE ATTACHMENT I



To all to whom these Presents Shall Come, Greeting:

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

ALEXIAN BROTHERS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 03, 1983, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 5TH day of JUNE A.D. 2013

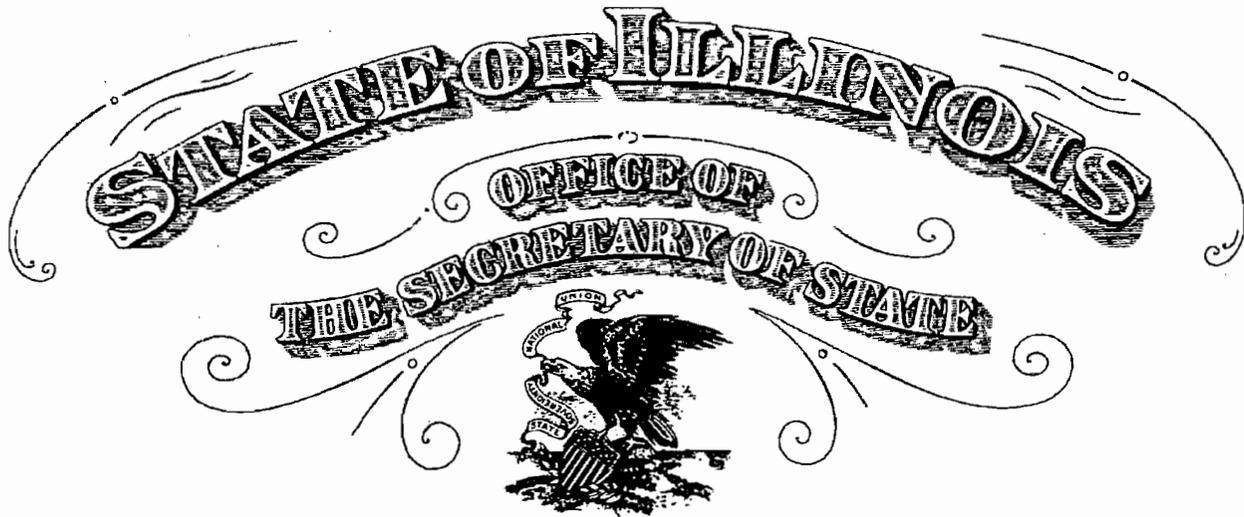
Jesse White

Authentication #: 1315602680

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

SECRETARY OF STATE

ATTACHMENT 1



To all to whom these Presents Shall Come, Greeting:

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

ASCENSION HEALTH, INCORPORATED IN MISSOURI AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON JUNE 27, 2011, 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 A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 13TH day of JUNE A.D. 2013



Jesse White

Authentication #: 1316401478
Authenticate at: <http://www.cyberdriveillinois.com>

SECRETARY OF STATE ATTACHMENT I



ALEXIAN
BROTHERS
Medical Center

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

Dear Ms. Avery:

I hereby certify that the owner of the site on which Alexian Brothers Medical Center is located is Alexian Brothers Medical Center.

Sincerely,


John Werrbach
President/CEO

Notarized:

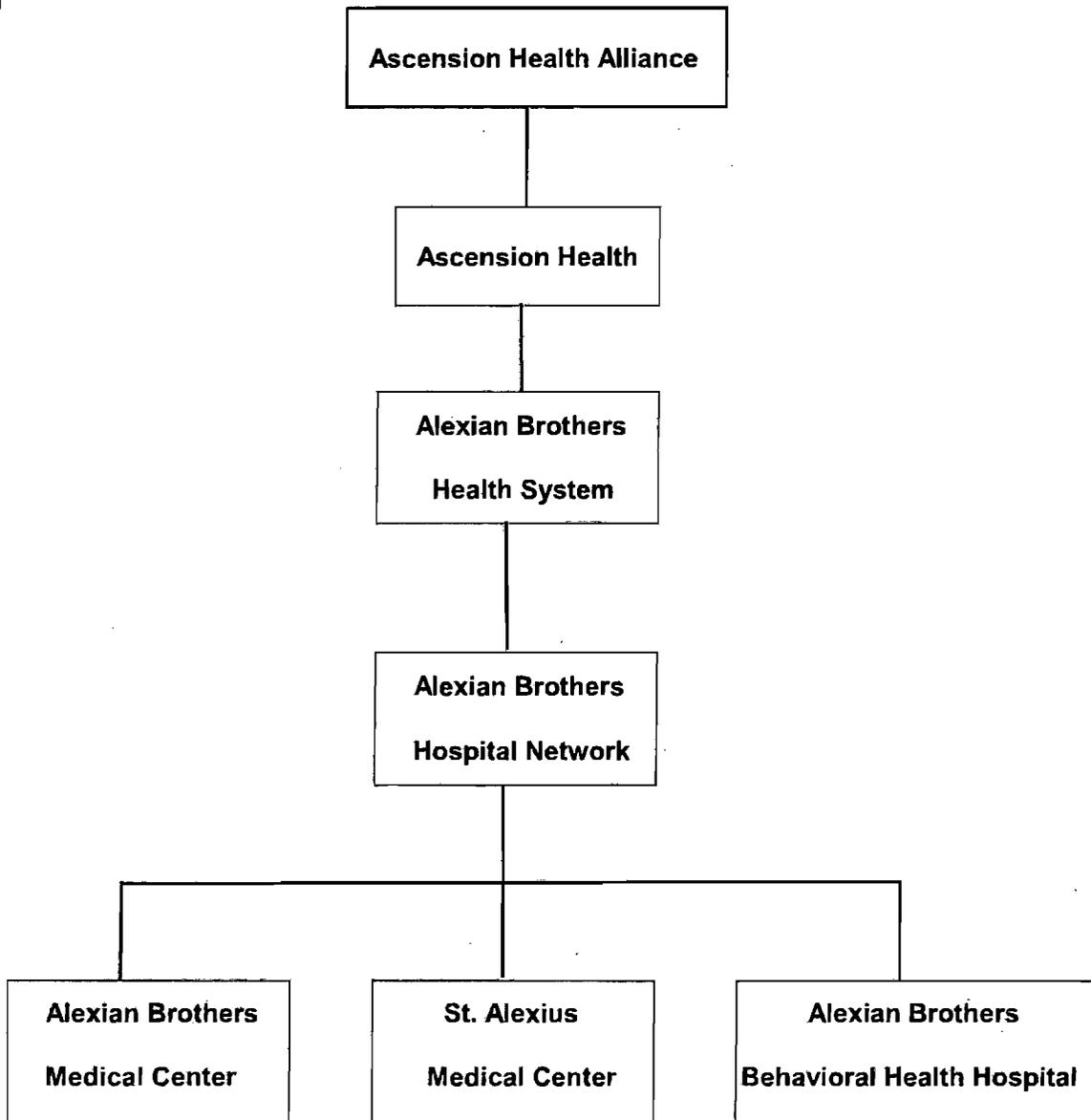
*State of Illinois
County of Cook
Signed before me on August 27, 2013
by John Werrbach.*



*Nancy H. Briggs
Notary Public*

ATTACHMENT 2

not for profit





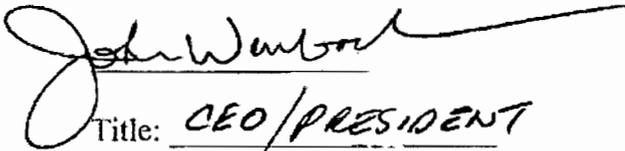
ALEXIAN
BROTHERS
Medical Center

Illinois Health Facilities and
Services Review Board
Springfield, Illinois

To Whom it May Concern:

I hereby certify that the Alexian Brothers Medical Center in Elk Grove Village, Illinois is not located within a special flood hazard area, and that the project will be developed consistent with the requirements of Illinois Executive Order #2005-5.

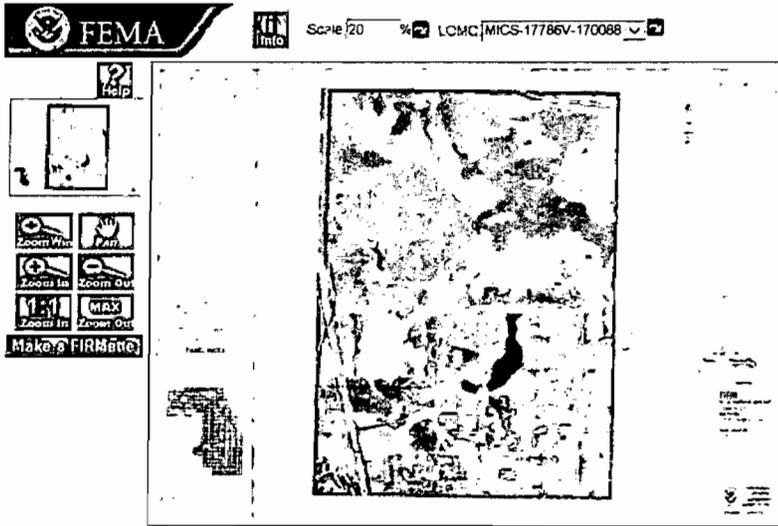
Sincerely,



Title: CEO/PRESIDENT

Date: 8-27-13

ATTACHMENT 5



ATTACHMENT 5

31



**Illinois Historic
Preservation Agency**

FAX (217) 782-8161

1 Old State Capitol Plaza • Springfield, Illinois 62701 1512 • www.illinois-history.gov

Cook County

Elk Grove Village

CON - Interior Rehabilitation for Acute Mental Illness Unit, Alexian Brothers
Medical Center
800 Biesterfield Road
IHPA Log #018061013

June 19, 2013

Jacob Axel

Axel & Associates, Inc.
675 North Court, Suite 210
Palatine, IL 60067

Dear Mr. Axel:

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker
Deputy State Historic
Preservation Officer

ATTACHMENT 6

PROJECT COSTS

Preplanning Costs		\$15,000
evaluation of alternatives	\$15,000	
Modernization Contracts		\$754,000
renovation of 5-East nursing unit	\$754,000	
Contingencies		\$75,000
renovation-related contingency	\$75,000	
Architectural/Engineering Fees		\$91,000
design services	\$70,000	
governmental agency interaction	\$12,000	
inspections/supervision	\$4,000	
misc./other	\$5,000	
Consulting and Other Fees		\$60,000
CON-related	\$40,000	
interiors/furniture selection	\$10,000	
misc./other	\$10,000	
Movable and Other Equipment		\$286,000
patient rooms	\$220,000	
dayroom	\$6,000	
patient support	\$18,000	
family area	\$5,000	
administrative areas/offices	\$22,000	
misc./other	\$15,000	

Cost Space Requirements

Dept./Area	Cost	Departmental Gross Square Feet		Amount of Proposed Total Square Feet		
		Existing	Proposed	New Const.	That is:	
AMI	\$ 1,281,000		8,870		Modernized	As Is
TOTAL	\$ 1,281,000		8,870		8,870	
						Vacated Space



ALEXIAN
BROTHERS
HEALTH SYSTEM

August 28, 2013

Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

Re: Establishment of an Acute Mental Illness Unit at Alexian Brothers Medical Center

To Whom It May Concern:

In accordance with Review Criterion 1130.520.b.3, Background of the Applicant, we are submitting this letter assuring the Illinois Health Facilities and Services Review Board that:

Alexian Brothers Health System ("ABHS") has not had any adverse actions against any Illinois health care facility owned or operated by ABHS during the three (3) year period prior to the filing of this application.

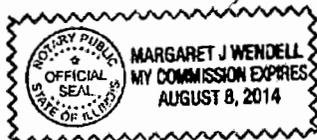
ABHS authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1130.520.b.3 or to obtain any documentation or information which the State Board or Agency finds pertinent to this CON application.

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

Sincerely,


Mark A. Frey
President & CEO

Notarized: 



DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION



State of Illinois 2132855
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
LA MAR HASBROUCK, MD, MPH
DIRECTOR Department of Public Health

EXPIRATION DATE: 06/30/14
CATEGORY: B68D
LIC. NUMBER: 0002238

FULL LICENSE
GENERAL HOSPITAL
EFFECTIVE: 07/01/13

BUSINESS ADDRESS

ALEXIAN BROTHERS MEDICAL CENTER
800 WEST BIESTERFIELD ROAD

ELK GROVE VILLAG IL 60007
The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

State of Illinois 2132855
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

ALEXIAN BROTHERS MEDICAL CENTER

EXPIRATION DATE: 06/30/14
CATEGORY: B68D
LIC. NUMBER: 0002238

FULL LICENSE
GENERAL HOSPITAL
EFFECTIVE: 07/01/13

05/04/13

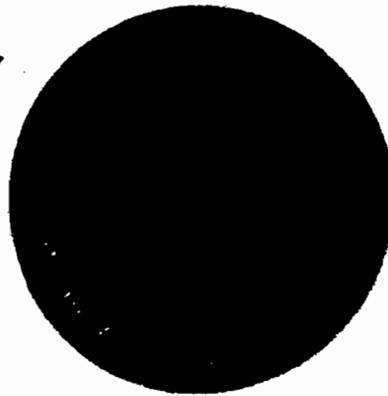
ALEXIAN BROTHERS MEDICAL CENTER
800 WEST BIESTERFIELD ROAD
ELK GROVE VILLAG IL 60007

FEE RECEIPT NO.

Alexian Brothers Medical Center

Elk Grove Village, 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

June 12, 2010

Accreditation is customarily valid for up to 39 months.

David L. Nahrwold

David L. Nahrwold, M.D.
Chairman of the Board

Organization ID #7340
Print/Reprint Date: 11/11/10

Mark Chassin

Mark Chassin, M.D.
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.



PURPOSE OF THE PROJECT

The purpose of the proposed project is to improve the ability of area residents to access the acute mental illness inpatient services long provided by Alexian Brothers Health System (ABHS). As a result, the service population's health status and well-being will be improved.

Because Alexian Brothers Medical Center (ABMC) and Alexian Brothers Behavioral Hospital (ABBHH) are in such close proximity to one another, and because a majority of the patients admitted to the proposed AMI unit at ABMC will be initially evaluated by ABBHH staff, it is anticipated that the ABMC unit's patient origin will be virtually identical to that of ABBHH.

The table that follows summarizes ABBHH's 2012 inpatient origin. 35 of the 36 identified ZIP Code areas (the exception being DeKalb) are located in the northwestern suburbs of Chicago, confirming that the proposed unit will primarily serve and benefit residents of its northwest suburban service area. Also of note, and confirming the broad area historically served by ABBHH, are the facts that : 1) the ZIP Code area contributing the largest number of patients accounted for less than 4% of the hospital's admissions; and 2) patients were admitted from a total of 568 different ZIP Code areas in 2012.

ZIP & CITY	%	Cum. %
60169 - HOFFMAN ESTATES	3.83%	3.83%
60193 - SCHAUMBURG	3.46%	7.30%
60007 - ELK GROVE VILLAGE	3.35%	10.65%
60107 - STREAMWOOD	2.71%	13.36%
60133 - HANOVER PARK	2.43%	15.79%
60103 - BARTLETT	2.43%	18.22%
60194 - SCHAUMBURG	1.82%	20.04%
60172 - ROSELLE	1.74%	21.78%
60123 - ELGIN	1.56%	23.34%
60014 - CRYSTAL LAKE	1.52%	24.86%
60004 - ARLINGTON HEIGHTS	1.42%	26.28%
60120 - ELGIN	1.42%	27.70%
60010 - BARRINGTON	1.40%	29.10%
60056 - MOUNT PROSPECT	1.37%	30.48%
60005 - ARLINGTON HEIGHTS	1.37%	31.85%
60074 - PALATINE	1.34%	33.19%
60110 - CARPENTERSVILLE	1.29%	34.48%
60102 - ALGONQUIN	1.28%	35.76%
60101 - ADDISON	1.25%	37.01%
60013 - CARY	1.13%	38.14%
60067 - PALATINE	1.05%	39.19%
60191 - WOOD DALE	1.04%	40.23%
60173 - SCHAUMBURG	1.01%	41.24%
60047 - LAKE ZURICH	1.01%	42.24%
60016 - DES PLAINES	0.99%	43.23%
60089 - BUFFALO GROVE	0.97%	44.20%
60115 - DEKALB	0.94%	45.15%
60143 - ITASCA	0.93%	46.07%
60090 - WHEELING	0.93%	47.00%
60018 - DES PLAINES	0.91%	47.91%
60156 - LAKE IN THE HILLS	0.89%	48.80%
60098 - WOODSTOCK	0.89%	49.70%
60142 - HUNTLEY	0.86%	50.56%
60050 - MCHENRY	0.86%	51.42%
532 ZIP Code areas with fewer than 0.86% of dischgs	48.58%	100.00%

Alexian Brothers Health System operates three acute care hospitals, all located in the northwest suburbs, one of which is Alexian Brothers Behavioral Health Hospital, a 141-bed

ATTACHMENT 12

psychiatric hospital located in Hoffman Estates. ABBHH is one of only two non-governmental not-for-profit psychiatric hospitals operating in Illinois. The hospital has developed a reputation for excellence in mental health services, and traditionally operates above the IDPH's target occupancy level, maintains a waiting list for admission, and refers patients to other providers when immediate admission is necessary, and an appropriate bed is not available at ABBHH.

ABHS's other two hospitals are St. Alexius Medical Center (SAMC) and Alexian Brothers Medical Center (ABMC). ABBHH and SAMC share a campus in Hoffman Estates, approximately 18 minutes to the northwest of ABMC. SAMC does not provide mental illness (AMI) services.

The proposed establishment of an inpatient AMI unit addresses two existing problems, and does so in a cost effective manner. The first problem is that demand for inpatient services at ABBHH consistently exceeds the hospital's physical capacity to admit patients. During 2012, ABBHH was forced to "re-direct" 1,201 patients to other hospitals, due to a lack of an appropriate bed. In addition, the hospital typically maintains a waiting list of approximately ten patients, those being patients that have been evaluated by ABBHH staff, and having the ability to delay admission for up to two weeks, until an appropriate bed is available. Like most psychiatric hospitals, ABBHH operates age group-specific units and programming—children, adolescents/young adults, adults, and older adults/geropsychiatry—and limits admissions to units, accordingly.

The second problem to be addressed through the development of an AMI unit at ABMC is some (primarily) geropsychiatry patients' need for medical services that cannot be provided in a psychiatric hospital. Currently, such ABBHH patients must be discharged, transported to St. Alexius Medical Center for services typically provided on an outpatient basis, transported back to ABBHH, and readmitted. This process is stressful, cumbersome, disruptive to therapy, and costly.

The proposed AMI unit at ABMC will have an older adult/geropsychiatry focus, adopt the clinical programs used by ABBHH, operate as an extension of ABBHH, and be managed by

ABBHH. Admission to the proposed AMI unit, however, will not be limited to a specific age group.

With the establishment of the proposed unit at ABMC, a portion of ABBHH's bed complement allocated to older adults will be re-designated for other age groups, resulting in a reduced number of "re-directs" in those age groups.

The primary goal of the project is to reduce the number of patients "re-directed" to facilities not operated by ABBHH and to reduce or eliminate ABBHH's waiting list. Success will be immediately measurable.

ALTERNATIVES

The primary purpose of the proposed project is to increase the access of area residents to the acute mental illness inpatient services provided through Alexian Brothers Health System (ABHS) and Alexian Brothers Behavioral Health Hospital (ABBHH). Given that purpose and goal, only one viable alternative to the proposed project is available to the applicants. That alternative involves the construction of an addition to Alexian Brothers Behavioral Health Hospital, to allow an expanding of the hospital's bed capacity. That alternative was dismissed due to the capital cost associated with the required new construction, and the availability of suitable space at Alexian Brothers Medical Center (ABMC). A preliminary estimate of the alternative identified a construction-related cost of approximately \$7.5M. One of the benefits of developing an AMI service at ABMC is the direct access to medical services required by some patients, which cannot be provided in the psychiatric hospital setting. General accessibility to AMI services, because ABBHH and ABMC are in close proximity to one another, would be identical, regardless of where the beds are to be developed. Ongoing staffing costs would also be very similar. Because of the intent to have the proposed ABMC unit managed by ABBHH, and for the unit to duplicate ABBHH's programs, it is anticipated that the quality of care will be identical.

Given the construction cost associated with the identified alternative to the proposed project, the alternative was deemed by the applicants to be inferior to the proposed project.

SIZE

The proposed acute mental illness unit will be developed through the renovation of ABMC's 5-East nursing unit and a limited amount of adjacent space. The space to be used consists of 8,870 DGSE.

The proposed amount of space is programmatically necessary, and physically dictated to a great extent by the current design of the unit. The allocated space is consistent with the IHFSRB's standard, contained in Appendix B to Part 1110.

PLANNING AREA NEED

The August 14, 2013 edition of the IDPH's "Inventory" identifies an "excess" of 122 acute mental illness beds in Planning Area A-07, which encompasses the northwestern suburbs. The bed need calculation is based on 2010 utilization. That "need/excess", however is greatly skewed by three area providers.

The largest provider, in terms of the number of AMI beds, is Streamwood Behavioral Health Hospital, a 162-bed psychiatric hospital which limits its admissions to patients 21 years of age and younger. As noted in the table below, Streamwood operates below the IDPH's target occupancy rate in 2011. Maryville Academy/Scott Nolan Center, approved to operate 125 beds, operated at 28% occupancy in 2011 (19% of its then-approved 180 beds), and similar to Streamwood, limits its admissions to patients 20 years of age and younger. Advocate Lutheran General Hospital, while smaller in size, operates at a utilization rate of less than 60%. Alternatively, Alexian Brothers Behavioral Health Hospital, which will provide clinical management to the proposed Alexian Brothers Medical Center (ABMC) unit, operated at 91.3% occupancy in 2011 (and slightly higher in 2012).

The table below identifies the 2008 and 2011 utilization of area providers of AMI services.

	2008 Beds	2011 Beds	2008 Occ.	2011 Occ
Advocate Lutheran General Hospital	55	55	56.8%	57.6%
Alexian Brothers Behavior Health	141	141	89.1%	91.3%
Maryville Academy	180	180*	0.0%	19.4%
Northwest Community Hospital	32	32	79.2%	80.8%
Streamwood Behavioral Health	162	162	64.2%	73.2%
*reduced to 125 beds 3/14/12 by Board Order				

SERVICE TO PLANNING AREA RESIDENTS

The proposed project will provide a necessary service to the residents of the service area, as evidenced by the demand for inpatient psychiatric services at Alexian Brothers Behavioral Health Hospital, which will provide clinical management for the proposed AMI unit. That demand is discussed in detail elsewhere in this document.

Because Alexian Brothers Medical Center (ABMC) and Alexian Brothers Behavioral Hospital (ABBHH) are in close proximity to one another, and because many of the patients admitted to the proposed AMI unit at ABMC will be evaluated prior to admission by ABBHH staff, it is anticipated that the ABMC unit's patient origin will be virtually identical to that of ABBHH.

The table that follows summarizes ABBHH's 2012 inpatient origin. 35 of the 36 identified ZIP Code areas (the exception being DeKalb) are located in the northwestern suburbs of Chicago, confirming that the proposed unit will primarily serve and benefit residents of its northwest suburban service area. Also of note, and confirming the broad area historically served by ABBHH, are the facts that : 1) the ZIP Code area contributing the largest number of patients accounted for less than 4% of the hospital's admissions; and 2) patients were admitted from a total of 568 different ZIP Code areas in 2012.

ZIP & CITY	%	Cum. %
60169 - HOFFMAN ESTATES	3.83%	3.83%
60193 - SCHAUMBURG	3.46%	7.30%
60007 - ELK GROVE VILLAGE	3.35%	10.65%
60107 - STREAMWOOD	2.71%	13.36%
60133 - HANOVER PARK	2.43%	15.79%
60103 - BARTLETT	2.43%	18.22%
60194 - SCHAUMBURG	1.82%	20.04%
60172 - ROSELLE	1.74%	21.78%
60123 - ELGIN	1.56%	23.34%
60014 - CRYSTAL LAKE	1.52%	24.86%
60004 - ARLINGTON HEIGHTS	1.42%	26.28%
60120 - ELGIN	1.42%	27.70%
60010 - BARRINGTON	1.40%	29.10%
60056 - MOUNT PROSPECT	1.37%	30.48%
60005 - ARLINGTON HEIGHTS	1.37%	31.85%
60074 - PALATINE	1.34%	33.19%
60110 - CARPENTERSVILLE	1.29%	34.48%
60102 - ALGONQUIN	1.28%	35.76%
60101 - ADDISON	1.25%	37.01%
60013 - CARY	1.13%	38.14%
60067 - PALATINE	1.05%	39.19%
60191 - WOOD DALE	1.04%	40.23%
60173 - SCHAUMBURG	1.01%	41.24%
60047 - LAKE ZURICH	1.01%	42.24%
60016 - DES PLAINES	0.99%	43.23%
60089 - BUFFALO GROVE	0.97%	44.20%
60115 - DEKALB	0.94%	45.15%
60143 - ITASCA	0.93%	46.07%
60090 - WHEELING	0.93%	47.00%
60018 - DES PLAINES	0.91%	47.91%
60156 - LAKE IN THE HILLS	0.89%	48.80%
60098 - WOODSTOCK	0.89%	49.70%
60142 - HUNTLEY	0.86%	50.56%
60050 - MCHENRY	0.86%	51.42%
532 ZIP Code areas with fewer than 0.86% of dischgs	48.58%	100.00%

ATTACHMENT 22b2

46

SERVICE DEMAND

The proposed establishment of a 25-bed acute mental illness unit at Alexian Brothers Medical Center ("ABMC") will allow Alexian Brothers Health System (ABHS) and Alexian Brothers Behavioral Health Hospital ("ABBHH") to better serve those area residents requiring inpatient acute mental illness ("AMI") services, and seeking those services from ABBHH/ABHS.

The demand for inpatient AMI services, as provided by ABBHH, is so great, that the "need" for the proposed 25-bed unit at ABMC is supported in this ATTACHMENT, consistent with IHFSRB expectations, and without going outside of Alexian Brothers Health System. Specifically,

- ABBHH has, since 2009, operated above the IHFSRB's target occupancy level, and will "redirect" approximately 523 appropriate patients annually to the proposed unit (see attached letter from Clayton Chia);
- ABMC's Emergency Department transferred 480 patients to inpatient AMI programs in 2012. Had AMI beds been available at ABMC, 142 of those patients would have been admitted to the ABMC unit (see attached letter from Richard Stephani, MD). Those patients will be admitted to the proposed unit; and
- St. Alexius Medical Center's Emergency Department transferred 1,993 patients to inpatient AMI programs during the 12-month period ending June 30, 2013. Had AMI beds been available at ABMC, 371 of those patients would have been transferred to the ABMC unit (see attached letter from John Sullivan, D.O.).

The three sources identified above will result in approximately 1,036 patients being admitted to the proposed ABMC unit. Because only the three in-System sources are being used to support the proposed unit, projected utilization is viewed as being very conservative. In addition, routinely, and with great regularity, ABBHH must turn away prospective inpatients,

ATTACHMENT 22(b)(3)

“deflecting” them to another hospital, due to a lack of available beds. While the hospital does not keep records of such occurrences, Dr. Gregory Teas, ABBHH’s Medical Director, estimates that approximately 1,200 patients are “deflected” annually. Because sufficient patient-specific data is not recorded to meet the requirements of Section 1110.730(b)(3), these patients have not been used to justify the proposed 25-bed unit. (letter attached)

The applicants acknowledge, as noted in ATTACHMENT 22b1, that while ABBHH has historically experienced an extraordinary demand for its services, and a resultant occupancy rate that consistently surpasses the IDPH’s target rate, other providers in Planning Area A-07 have not experienced that demand. The applicants believe that this disparity is largely the result of the programmatic reputation that ABBHH has developed, both within the provider/referral source community and the community, in general. Of note is the fact that during the first six months of 2013, Northwest Community Hospital referred 51 patients to ABBHH and Advocate Lutheran General Hospital referred 22 patients to ABBHH. The AMI census at both of these Planning Area A-07 hospitals is below the IDPH’s target level.

While clearly a larger unit could be justified, the number of beds being proposed is limited by the physical constraints of the nursing unit to be renovated for use as the AMI unit.

As discussed elsewhere in this application, the ABMC unit will be managed by Alexian Brothers Behavioral Health Hospital, and provide services consistent with ABBHH treatment protocols. ABBHH’s average length of stay is 7.5 days, suggesting that the 1,036 patients identified above will require 7,770 patient days of care, resulting in an average daily census of 21.3 patients, supporting a “need” for the proposed 25 beds.



ALEXIAN
BROTHERS
Behavioral Health Hospital

August 26, 2013

Illinois Health Facilities and
Services Review Board
Springfield, Illinois

To Whom It May Concern:

Alexian Brothers Behavioral Health Hospital ("ABBHH") is a 141-bed psychiatric hospital, providing a broad spectrum of inpatient, partial hospitalization, outpatient and community-based mental health programs.

ABBHH has operated with an annual occupancy rate in excess of 90% during each of the last four years (2009-2012), with 2013 Y-T-D data indicating a 90%+ annual occupancy rate again this year. The IHFSRB's target occupancy rate for inpatient acute mental illness ("AMI") services is 85%.

During 2012, ABBHH turned away approximately 1,200 patients, due entirely to the absence of an appropriate bed for the prospective patient. Aside from ABBHH's absolute patient census on certain days, our ability to admit patients in need of inpatient care is limited by both our practice of providing age group-specific patients units, and the need to "block" a bed in a semi-private patient room, due to safety or other constraints resulting from the patient occupying the room.

The proposed AMI unit at Alexian Brothers Medical Center ("ABMC") will operate as a programmatic extension of ABBHH, with ABBHH providing clinical management of the unit, and treatment on the unit being provided consistent with ABBHH protocols. Because of the close proximity of the two hospitals, the number of patients referred from ABMC to ABBHH, and the cost associated with adding beds to ABBHH, we view the establishment of an AMI unit at ABMC as a reasonable avenue to address the inpatient mental illness requirements of the communities that the two hospitals have jointly served for many years. Over 80% of the patients now admitted to ABBHH reside within 30 minutes of ABMC.

Upon the opening of the proposed ABMC unit, ABBHH intends to "redirect" certain referrals, particularly from the ABMC Emergency Department, to the ABMC unit. It is anticipated that approximately 525 patients will be "redirected" annually, reducing ABBHH's patient days by approximately 3,925; allowing ABBHH to operate at 85-86% occupancy. It is likely that many of the "redirected" patients will be those that will require services, such as imaging and respiratory therapy, not available at ABBHH. Alternatively, access to ABBHH will be improved through the lowered occupancy rate/increased number of beds available for new patients.

Sincerely,

Clayton Ciha
President and CEO



Elizabeth D. Neary
8/26/2013

ATTACHMENT 22b3

TO: Illinois Health Facilities Planning Board
Springfield, Illinois

I am the Medical Director of the Emergency Department at Alexian Brothers Medical Center, which does not operate an inpatient psychiatry unit. The Emergency Department routinely transfers patients in need of inpatient psychiatric care to hospitals that provide that service.

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed inpatient psychiatry unit to be developed by Alexian Brothers Health System at Alexian Brothers Medical Center.

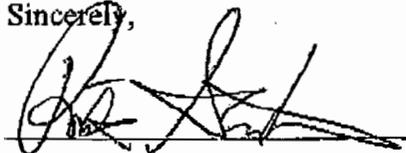
During 2012 our Emergency Department referred 338 patients to Alexian Brothers Behavioral Health Hospital (ABBH) and 142 behavioral health patients to other hospitals. Those hospitals are identified on the attached list.

If the proposed unit at Alexian Brothers Medical Center had been available, and if beds were available in that unit, I estimate all of the patients referred to the other hospitals, with the exception of Alexian Brothers Behavioral Health Hospital, would have been admitted to the Alexian Brothers Medical Center unit.

I estimate that 90% of the patients referred for inpatient psychiatric care in 2012 lived within 30 minutes of Alexian Brothers Medical Center.

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

Sincerely,



Notarized:



County of Cook
Signed before me on 8/27/13
by Rick Stephani.

Nancy H. Briggs
ATTACHMENT

ALEXIAN BROTHERS MEDICAL CENTER EMERGENCY DEPARTMENT
2012 BEHAVIORAL HEALTH REFERRALS

Alexian Brothers Behavioral health Hospital	338
Chicago Lakeshore Hospital	6
Chicago Read	1
Elmhurst memorial Hospital	2
Glen Oaks Hospital	41
Gottlieb Memorial Hospital	3
Hartgrove Hospital	1
Hinsdale Hospital	1
Illinois Masonic Medical Center	2
Ingalls Memorial Hospital	1
Linden Oaks Hospital	3
MacNeal Memorial Hospital	5
Mercy Center	10
Norwegian American Hospital	1
Northwest Community Hospital	5
Riveredge Hospital	6
Skokie Hospital	1
St. Anthony's Hospital	1
St. Joseph Hospital (Elgin)	10
Scott Noland Center	5
Streamwood Behavioral Health Hospital	24
Weiss Memorial Hospital	2
Westlake Hospital	11

To: Illinois Health Facilities Planning Board
Springfield, Illinois

I am the Medical Director of the Emergency Department at St. Alexius Medical Center in Hoffman Estates, Illinois. Our Medical Center does not operate an inpatient psychiatry unit, and as a result, the Emergency Department routinely transfers patients in need of inpatient psychiatric care to hospitals that provide this service.

This letter is being provided in response to Review Criterion 1110.1540(c) in support of the proposed inpatient psychiatry unit to be developed by Alexian Brothers Health System at Alexian Brothers Medical Center.

From June 1, 2012 through June 30, 2013 our Emergency Department transferred 1993 patients to the facilities identified below for inpatient psychiatric care:

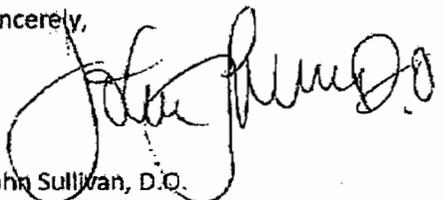
Alexian Brothers Behavioral Health Hospital	1529	patients
Central DuPage Hospital	1	patients
Chicago Lake Shore	15	patients
Chicago Reed	1	patients
Childrens Memorial	6	patients
Glen Oaks	80	patients
Good Samaritan	3	patients
Gottlieb	1	patients
Hartgrove	6	patients
Hinsdale	1	patients
Illinois Masonic	2	patients
Ingalls	1	patients
Kindred	4	patients
Linden Oaks	14	patients
Lutheran General	13	patients
Maryville Academy	9	patients
MacNeal	16	patients
Mercy Aurora	29	patients
Mount Sinai	1	patients
Northwest Community	22	patients
Norwegian	3	patients
Pavilion	1	patients
Rivers Edge	17	patients
Rush	1	patients
Scott Nolan	73	patients
Sherman	1	patients
St. Elizabeth	9	patients
St. Joseph, Elgin	25	patients
St. Joseph, Joliet	1	patients
St. Mary	2	patients

Streamwood Behavioral Health	100	patients
Tinley Park	1	patients
University of Illinois, Chicago	2	patients
Vista	1	patients
Weiss	1	patients
Westlake	2	patients

Thus for the time period of June 2012 – June 2013, 1993 patients were transferred for inpatient psychiatric treatment, and of these patients, 464 were transferred to facilities other than Alexian Brothers Behavioral Health Hospital. If the above proposed unit had been available with open beds, I estimate that 80% of these out of system transfers would have been referred to the Alexian Brothers inpatient psychiatric unit. Furthermore, I estimate that 90% of these patients live within 30 minutes of Alexian Brothers Medical Center.

The information provided is accurate to the best of my knowledge and belief, and the referred patients have not been used to support another similar project.

Sincerely,



John Sullivan, D.O.
 Medical Director, Emergency Department
 St. Alexius Medical Center



Elizabeth D. Neary
 8/22/2013



ALEXIAN
BROTHERS
Behavioral Health Hospital

June 21, 2013

Illinois Health Facilities and
Services Review Board
Springfield, IL

To Whom It May Concern:

I am the Chief Medical Officer of Alexian Brothers Behavioral Health Hospital. The hospital operates a full spectrum of age group-specific inpatient, partial hospitalization and outpatient mental health programs. The inpatient units have traditionally operated at utilization rates exceeding 90%, with admissions limited not only by the number of open beds, but the unit on which the open beds are available.

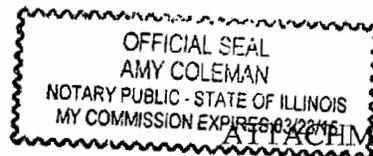
ABBHH's largest referral sources are local physicians (including psychiatrists), the emergency departments of St. Alexius Medical Center and Alexian Brothers Medical Center, other hospitals, and community agencies. While the majority of our inpatients reside in the northwest suburbs, we regularly receive referrals from throughout Illinois. Unfortunately we do not have the physical capacity to accept all prospective referrals. Our records, which are limited to tracking referral request volume, indicate that on a monthly basis we need to turn down approximately 100 referrals due to the lack of an appropriate bed. In a minority of cases, these patients are placed on a waiting list, and are contacted when an appropriate bed becomes available, most often within 2-3 days. When we assist in locating an alternative clinically appropriate program, it is not unusual for us to contact six or more hospitals, before a suitable bed is found.

Alexian Brothers Health System's plan to develop an ABBHH-managed psychiatry unit across our campus at Alexian Brothers Medical Center would, in my opinion, would essentially eliminate the necessity for us to turn patients away.

Sincerely,

Gregory Teas, M.D.

Notarized:



SERVICE ACCESSIBILITY

Within IDPH-designated Planning Area A-07, and consistent with Criterion 1110.b(5), accessibility to acute mental illness services is significantly limited. As documented on the following two pages, Maryville Academy/Scott Nolan Center (125 beds) accepts patients no older than twenty years old, and Streamwood Behavioral Health Hospital (162 beds) limits its admissions to patients 21 years of age, and younger (please see portions of the hospitals' websites, attached). Together, these two providers account for 55.7%% of Planning Area A-07's AMI beds.

MARYVILLE ACADEMY

Over 125 Years of Caring for Children



[Home](#) > [Maryville Scott Nolan Psychiatric Hospital](#) > [ABOUT MARYVILLE](#) | [PROGRAMS](#) | [EVENTS](#) | [PATIENTS](#) | [SERVICES](#) | [ADMISSION](#) | [DONATE](#) | [VOLUNTEER](#) | [EMPLOYMENT](#) | [CONTACT & MAIL](#) <<

- [Collaborative Problem Solving Overview](#)
- [Programs](#)
- [Deaf and Hard-of-Hearing Program](#)
- [Medical Staff](#)
- [Maryville Scott Nolan Charity Assistance](#)
- [Success Story](#)
- [Scott Nolan Board of Directors](#)

Maryville Scott Nolan Psychiatric Hospital

Serving children ages 3 - 20 who are experiencing a crisis that requires hospitalization

The Scott Nolan Psychiatric Hospital is an inpatient psychiatric hospital program designed for children, adolescents and young adults, ages 3-20, who are in immediate need of psychiatric stabilization and who are at risk of harming themselves or others.

ATTACHMENT 22b5

56

Streamwood Behavioral Healthcare System

Children, Adolescents, Families

[About](#) [Services](#) [Referrals](#) [Community Involvement](#) [Staff](#) [New News](#)

Acute Services

Our acute inpatient care is designed specifically for children and adolescents. The children are programmed together while the adolescents are programmed separately based upon gender and differing developmental and psychiatric needs. These programs provide intensive evaluation, stabilization, and short-term treatment. SBHS has the following inpatient programs:

- Children ages 3-12
- Adolescent Males ages 12-17
- Adolescent Females ages 12-17
- Young Adults ages 18-21

ATTACHMENT 22b5

57

UNNECESSARY DUPLICATION

Six IDPH-approved acute mental illness providers are located within 30 minutes (MapQuest, adjusted) of St. Alexius Medical Center:

- Alexian Brothers Behavioral Health Hospital (Hoffman estates)
- Streamwood Behavioral Health Hospital (Streamwood)
- Northwest Community Hospital (Arlington Heights)
- Scott Nolan Center (Des Plaines)
- Riveredge Hospital (Forest Park)
- Gotllieb Memorial Hospital (Melrose Park)

Below are listed all ZIP Code areas located, in full or in part, within a 30-minute drive of ABMC:

**ZIP Code Areas within
30 Minutes (MapQuest, adjusted)
of ABMC**

60004
60005
60006
60007
60008
60010
60016
60056
60067
60068
60070
60074
60089
60090
60101
60103
60104
60106

60107
60108
60120
60126
60131
60137
60139
60143
60148
60157
60162
60163
60164
60165
60172
60173
60176
60179
60181
60184
60185
60187
60188
60190
60193
60194

The 2015 population, according to ZIP Code-specific projections developed by Geolytics, of the above-identified area is 1,318,551. The State of Illinois does not provide population projections on a ZIP Code-specific basis.

Notes



Trip to:

Alexian Brothers Behavioral Health Hospital
1650 Moon Lake Blvd
Hoffman Estates, IL 60169
(847) 882-1600
9.00 miles / 15 minutes



Alexian Brothers Medical Center
800 Biesterfield Rd, Elk Grove Village, IL 60007
(847) 981-3613



1. Start out going west on Biesterfield Rd toward Beisner Rd. [Map](#) **0.4 Mi**
0.4 Mi Total



2. Merge onto I-290 W / IL-53 N via the ramp on the left toward Rockford. [Map](#) **2.3 Mi**
2.8 Mi Total



3. Take the Higgins Rd / IL-72 exit, EXIT 1B, toward IL-58 / Golf Rd / Woodfield Rd. [Map](#) **0.4 Mi**
3.2 Mi Total



4. Turn left onto IL-72 W / Higgins Rd. [Map](#) **5.6 Mi**
8.8 Mi Total



5. Turn left onto Moon Lake Blvd. [Map](#) **0.2 Mi**
9.0 Mi Total



6. 1650 MOON LAKE BLVD is on the right. [Map](#)



Alexian Brothers Behavioral Health Hospital
1650 Moon Lake Blvd, Hoffman Estates, IL 60169
(847) 882-1600

Total Travel Estimate: 9.00 miles - about 15 minutes

BOOK TRAVEL with **mapquest** (877) 577-5766

©2013 MapQuest, Inc. Use of directions and maps is subject to the MapQuest Terms of Use. We make no guarantee of the accuracy of their content, road conditions or route usability. You assume all risk of use. [View Terms of Use](#)

ATTACHMENT 22.c)1

60

Notes



Trip to:

Streamwood Behavioral Health Care System

1400 E Irving Park Rd

Streamwood, IL 60107

(630) 837-2268

8.52 miles / 14 minutes



Alexian Brothers Medical Center

800 Biesterfield Rd, Elk Grove Village, IL 60007

(847) 981-3613



1. Start out going west on Biesterfield Rd toward Beisner Rd. [Map](#)

0.8 Mi
0.8 Mi Total



2. Turn left onto Rohlwing Rd / IL-53. [Map](#)

1.1 Mi
1.9 Mi Total



3. Turn right onto Elgin OHare Expy W. [Map](#)

4.2 Mi
6.1 Mi Total



4. Take the Irving Park Rd / IL-19 exit toward Springinsguth Rd. [Map](#)

0.4 Mi
6.5 Mi Total



5. Turn right onto W Irving Park Rd / IL-19. [Map](#)

2.0 Mi
8.5 Mi Total



6. 1400 E IRVING PARK RD is on the right. [Map](#)



Streamwood Behavioral Health Care System

1400 E Irving Park Rd, Streamwood, IL 60107

(630) 837-2268

Total Travel Estimate: 8.52 miles - about 14 minutes

BOOK TRAVEL with **mapquest** (877) 577-5766

©2013 MapQuest, Inc. Use of directions and maps is subject to the MapQuest Terms of Use. We make no guarantee of the accuracy of their content, road conditions or route usability. You assume all risk of use. [View Terms of Use](#)

ATTACHMENT 22.c)1

41

Notes



Trip to:

Northwest Community Healthcare

800 W Central Rd

Arlington Heights, IL 60005

(847) 618-4968

7.33 miles / 14 minutes



Alexian Brothers Medical Center

800 Biesterfield Rd, Elk Grove Village, IL 60007

(847) 981-3613



1. Start out going west on Biesterfield Rd toward Beisner Rd. [Map](#)

0.4 Mi
0.4 Mi Total



2. Merge onto I-290 W / IL-53 N via the ramp on the left toward Rockford. [Map](#)

2.3 Mi
2.8 Mi Total



3. Take the Higgins Rd / IL-72 exit, EXIT 1B, toward IL-58 / Golf Rd / Woodfield Rd. [Map](#)

0.4 Mi
3.2 Mi Total



4. Stay straight to go onto E Frontage Rd. [Map](#)

1.0 Mi
4.2 Mi Total



5. Turn right onto Golf Rd / IL-58 E. [Map](#)

1.3 Mi
5.5 Mi Total



6. Turn left onto S New Wilke Rd. [Map](#)

1.1 Mi
6.5 Mi Total



7. Turn right onto W Central Rd. [Map](#)

0.5 Mi
7.0 Mi Total



8. Turn left. [Map](#)

0.2 Mi
7.2 Mi Total



9. Turn right. [Map](#)

0.06 Mi
7.3 Mi Total



10. Turn right. [Map](#)

0.04 Mi
7.3 Mi Total



11. 800 W CENTRAL RD. [Map](#)



Northwest Community Healthcare

800 W Central Rd, Arlington Heights, IL 60005

(847) 618-4968

Total Travel Estimate: 7.33 miles - about 14 minutes

ATTACHMENT 22.c)1

62

Notes



Trip to:

Scott Nolan Center

555 Wilson Ln

Des Plaines, IL 60016

(847) 768-5430

9.34 miles / 22 minutes



Alexian Brothers Medical Center

800 Biesterfield Rd, Elk Grove Village, IL 60007

(847) 981-3613



1. Start out going west on Biesterfield Rd. [Map](#)

0.1 Mi
0.1 Mi Total



2. Make a U-turn onto Biesterfield Rd. [Map](#)

0.7 Mi
0.8 Mi Total



3. Turn left onto S Arlington Heights Rd. [Map](#)

1.7 Mi
2.5 Mi Total



4. Turn right onto Oakton St. [Map](#)

4.8 Mi
7.3 Mi Total



5. Turn left onto Mannheim Rd / Lee St / US-45 N / US-12 W. [Map](#)

1.5 Mi
8.9 Mi Total



6. Turn right onto Elk Blvd. [Map](#)

0.2 Mi
9.1 Mi Total



7. Take the 2nd right onto Rand Rd. [Map](#)

0.2 Mi
9.3 Mi Total



8. Take the 1st right onto Wilson Ln. [Map](#)

0.07 Mi
9.3 Mi Total



Scott Nolan Center

555 Wilson Ln, Des Plaines, IL 60016

(847) 768-5430

Total Travel Estimate: 9.34 miles - about 22 minutes

BOOK TRAVEL with **mapquest** (877) 577-5766

©2013 MapQuest, Inc. Use of directions and maps is subject to the MapQuest Terms of Use. We make no guarantee of the accuracy of their content, road conditions or route usability. You assume all risk of use. [View Terms of Use](#)

ATTACHMENT 22.c)1

63

Notes



Trip to:
Riveredge Hospital
8311 Roosevelt Rd
Forest Park, IL 60130
(708) 771-7000
17.72 miles / 23 minutes

 **Alexian Brothers Medical Center**
800 Biesterfield Rd, Elk Grove Village, IL 60007
(847) 981-3613

 1. Start out going west on Biesterfield Rd toward Beisner Rd. [Map](#) 0.7 Mi
0.7 Mi Total

  2. Merge onto I-290 E via the ramp on the left toward Chicago. [Map](#) 2.3 Mi
2.9 Mi Total

  3. Keep right to take I-290 E / Eisenhower Expy E toward Chicago. [Map](#) 10.2 Mi
13.1 Mi Total

  4. Keep left to take I-290 E / Eisenhower Expy E toward Chicago. [Map](#) 3.6 Mi
16.8 Mi Total

 5. Take EXIT 20 toward IL-171 / 1st Ave. [Map](#) 0.2 Mi
16.9 Mi Total

 6. Stay straight to go onto Bataan Dr. [Map](#) 0.06 Mi
17.0 Mi Total

  7. Take the 1st right onto S 1st Ave / IL-171. [Map](#) 0.5 Mi
17.4 Mi Total

 8. Turn left onto Roosevelt Rd / W Roosevelt Rd. [Map](#) 0.3 Mi
17.7 Mi Total

 9. 8311 ROOSEVELT RD is on the left. [Map](#)

 **B Riveredge Hospital**
8311 Roosevelt Rd, Forest Park, IL 60130
(708) 771-7000

Total Travel Estimate: 17.72 miles - about 23 minutes

BOOK TRAVEL with **mapquest** (877) 577-5766

©2013 MapQuest, Inc. Use of directions and maps is subject to the MapQuest Terms of Use. We make no guarantee of the accuracy of their content, road conditions or route usability. You assume all risk of use. [View Terms of Use](#)

ATTACHMENT 22.c)1

64

Notes



Trip to:

**Gottlieb Memorial Hospital
701 W North Ave**

Melrose Park, IL 60160

(708) 450-4901

14.78 miles / 22 minutes



Alexian Brothers Medical Center

800 Biesterfield Rd, Elk Grove Village, IL 60007
(847) 981-3613



1. Start out going west on Biesterfield Rd toward Beisner Rd. [Map](#)

0.7 Mi

0.7 Mi Total



2. Merge onto I-290 E via the ramp on the left toward Chicago. [Map](#)

2.3 Mi

2.9 Mi Total



3. Keep right to take I-290 E / Eisenhower Expy E toward Chicago. [Map](#)

7.1 Mi

10.0 Mi Total



4. Merge onto E North Ave / IL-64 E via EXIT 13A toward US-20 E / Lake St / I-294 N / Milwaukee. [Map](#)

4.6 Mi

14.6 Mi Total



5. Turn left. [Map](#)

0.2 Mi

14.8 Mi Total



Gottlieb Memorial Hospital

Admitting

701 W North Ave, Melrose Park, IL 60160

(708) 450-4901

Total Travel Estimate: 14.78 miles - about 22 minutes

BOOK TRAVEL with **mapquest** (877) 577-5766

©2013 MapQuest, Inc. Use of directions and maps is subject to the MapQuest Terms of Use. We make no guarantee of the accuracy of their content, road conditions or route usability. You assume all risk of use. [View Terms of Use](#)

ATTACHMENT 22.c)1

65

MALDISTRIBUTION/IMPACT ON OTHER PROVIDERS

As identified in the IDPH's *Inventory*, AMI Planning Area A-07 consists of five hospital providers: Advocate Lutheran General Hospital, Alexian Brothers Behavioral Health Hospital (ABBHH), Scott A. Nolan Center, Northwest Community Hospital and Streamwood Behavioral Health Center. All five of these programs are fully-matured and have been in operation for many years.

When evaluating the five programs, two facts stand out: 1) the Alexian Brothers program is the only program that has traditionally operated at an occupancy level exceeding the IDPH target, and 2) two of the programs (Nolan and Streamwood) do not provide services to adults. Referral patterns for AMI services within the northwestern suburbs have evolved over the years, and are well-established. The ABBHH program's high utilization and documented need to turn away one hundred patients a month due to a lack of beds confirms that demand exists for the programs offered by ABBHH, and that admission to the other area providers is often made on a "second choice" basis, as a referral from ABBHH.

Also of note is the reliance of other hospitals, including those providing AMI services on ABBHH. ABBHH tracked direct referrals from other hospitals during the first six months of 2013. On an annualized basis, in 2013 ABBHH will admit 294 patients from other hospitals providing AMI services in the metropolitan Chicago area, including a projected 146 patients referred from Advocate Lutheran General Hospital and Northwest Community Hospital, both of which are located in ABBHH's IDPH-designated service area, and both of which provide AMI services, themselves. It is also anticipated, based on the historical data, that an additional 208 patients will be referred to ABBHH from the Advocate hospitals in Barrington and Libertyville, neither of which provide AMI services.

A significant portion of the proposed Alexian Brothers Medical Center (ABMC) program's patient population will consist of patients currently being admitted to Alexian

Brothers Behavioral Health Hospital, and will allow ABBHH the flexibility to operate at the IDPH target occupancy rate of 85%. As a result, the establishment of an AMI program at ABMC (which will be clinically managed by ABBHH) will not cause the only area provider operating in excess of the IDPH target occupancy rate to drop below that target.

STAFFING

The proposed acute mental illness (AMI) unit will meet or exceed all licensure, JCAHO and industry staffing-related standards.

A Board-Certified psychiatrist will be named to the position of Medical Director. The initial Medical Director will be named approximately three months prior to the unit's opening, and will lead the process of adapting as necessary Alexian Brothers Behavioral Health Hospital's (ABBHH) clinical policies and treatment protocols for use in the AMI unit setting.

The nursing and therapy staff will include experienced registered nurses and therapists, many of which will have either worked at ABBHH, or completed an orientation process at that facility.

All personnel will undergo a unit orientation process, led by the Medical Director and members of the clinical leadership team.

Positions will initially be made available to Alexian Brothers Health System employees, including those working at ABBHH. Subsequent to the initial internal posting of available positions, normal recruitment means, such as advertisements in local newspapers and professional publications will be used to attract and hire qualified staff.

PERFORMANCE REQUIREMENTS

The proposed 25-bed acute mental illness unit is being developed consistent with the minimum size requirements addressed in Section 1110.730(f).



ALEXIAN
BROTHERS
Medical Center

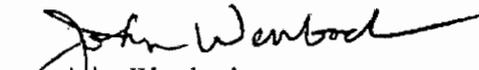
August 26, 2013

Illinois Health Facilities
and Services Review Board
Springfield, IL

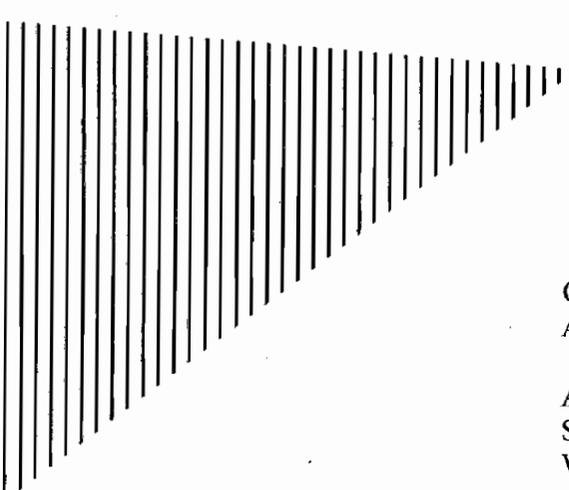
To Whom It May Concern:

Please be advised that it is the anticipation of the applicants that the acute mental illness unit to be developed at Alexian Brothers Medical Center will operate at or above the IHFSRB's target utilization rate by the second year of operation, following the opening of that unit.

Sincerely,


John Werrbach
President/CEO

ATTACHMENT 22g



CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

Alexian Brothers Health System and Subsidiaries
Six-Month Period Ended June 30, 2012
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

ATTACHMENT 39

Alexian Brothers Health System and Subsidiaries
Consolidated Financial Statements and Supplemental Schedules
Six-Month Period Ended June 30, 2012

Contents

Report of Independent Auditors.....	1
Consolidated Financial Statements	
Consolidated Balance Sheet.....	2
Consolidated Statement of Operations and Changes in Net Assets.....	4
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements.....	8
Supplementary Information	
Report of Independent Auditors on Supplementary Information	47
Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs	48
Obligated Group Consolidating Balance Sheet – June 30, 2012	49
Obligated Group Consolidating Statement of Operations and Changes in Net Assets – Six-Month Period Ended June 30, 2012	53

Report of Independent Auditors

Board of Governors
Alexian Brothers Health System

We have audited the accompanying consolidated balance sheet of Alexian Brothers Health System and subsidiaries (collectively, ABHS) as of June 30, 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the six-month period then ended. These financial statements are the responsibility of ABHS's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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. We were not engaged to perform an audit of the ABHS's internal control over financial reporting. Our audit 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 ABHS's 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ABHS at June 30, 2012, and the consolidated results of their operations and changes in net assets and cash flows for the six-month period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

October 10, 2012

Alexian Brothers Health System and Subsidiaries

Consolidated Balance Sheet

June 30, 2012

(Dollars in Thousands)

Assets

Current assets:

Cash and cash equivalents	\$	27,779
Interest in investments held by Ascension Health Alliance		8,661
Accounts receivable, less allowances for uncollectible accounts (\$43,129 in 2012)		119,976
Estimated third-party payor settlements		1,359
Inventories		16,599
Other		14,381
Total current assets		<u>188,755</u>

Interest in investments held by Ascension Health Alliance	229,463
Trustee-held funds	17,513
Restricted funds	15,235
Other long-term investments	82,293

Property and equipment, net	650,396
-----------------------------	---------

Other assets:

Investment in unconsolidated entities	5,254
Other	26,856
Total other assets	<u>32,110</u>
Total assets	<u>\$ 1,215,765</u>

Liabilities and net assets

Current liabilities:

Current portion of long-term debt	\$ 9,644
Accounts payable and accrued liabilities	132,367
Estimated third-party payor settlements	85,199
Other	<u>6,263</u>
Total current liabilities	233,473

Noncurrent liabilities:

Long-term debt	491,677
Self-insurance liabilities	28,880
Pension and other postretirement liabilities	21,508
Deferred accommodation fees and deposits	45,569
Other	<u>14,009</u>
Total noncurrent liabilities	<u>601,643</u>
Total liabilities	835,116

Net assets:

Unrestricted	365,413
Temporarily restricted	13,662
Permanently restricted	<u>1,574</u>
Total net assets	<u>380,649</u>

Total liabilities and net assets \$ 1,215,765

See accompanying notes.

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Operations
and Changes in Net Assets

Six-Month Period Ended June 30, 2012
(Dollars in Thousands)

Operating revenue:	
Net patient and resident service revenue	\$ 486,177
Capitation revenue	19,920
Other revenue	15,245
Net assets released from restrictions for operations	<u>1,116</u>
Total operating revenue	522,458
Operating expenses:	
Salaries and wages	210,529
Employee benefits	47,396
Purchased services	17,765
Professional fees	27,445
Supplies	73,638
Insurance	12,930
Bad debts	22,196
Interest	7,553
Depreciation and amortization	22,704
Other	<u>52,849</u>
Total operating expenses before restructuring costs	495,005
Income from operations before restructuring costs	27,453
Restructuring costs	<u>3,605</u>
Income from operations	23,848
Nonoperating gains (losses):	
Investment return	168
Other	<u>(63)</u>
Total nonoperating gains, net	<u>105</u>
Excess of revenue and gains over expenses and losses	<u>23,953</u>

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Operations
and Changes in Net Assets (continued)

Six-Month Period Ended June 30, 2012

(Dollars in Thousands)

Unrestricted net assets:	
Excess of revenue and gains over expenses and losses	\$ 23,953
Pension and other postretirement liability adjustments	(3,573)
Transfers from sponsor and other affiliates, net	18,345
Net assets released from restrictions for property acquisitions	199
Other	156
Increase in unrestricted net assets	<u>39,080</u>
Temporarily restricted net assets:	
Contributions and grants	213
Net assets released from restrictions	(1,315)
Decrease in temporarily restricted net assets	<u>(1,102)</u>
Permanently restricted net assets:	
Contributions	<u>1</u>
Increase in permanently restricted net assets	<u>1</u>
Increase in net assets	37,979
Net assets, January 1, 2012	342,670
Net assets, June 30, 2012	<u>\$ 380,649</u>

See accompanying notes.

Alexian Brothers Health System and Subsidiaries

Consolidated Statement of Cash Flows

Six-Month Period Ended June 30, 2012

(Dollars in Thousands)

Operating activities	
Increase in net assets	\$ 37,979
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	22,704
Provision for bad debts	22,196
Amortization of fair value of debt adjustment	(742)
Interest, dividends, and net losses on investments	168
Restructuring expenses	(3,605)
Transfers from sponsor and other affiliates, net	(25,000)
Recognition of change in pension funded status	3,573
Restricted contributions, investment return and other restricted activity	1,143
(Increase) decrease in:	
Short-term investments	(8,661)
Accounts receivable	(29,638)
Estimated third-party payor settlements	(1,359)
Inventories and other current assets	1,616
Investments, including interest in investments held by	
Ascension Health Alliance	32,069
Self-insurance assets	108,501
Other assets	(8,506)
Increase (decrease) in:	
Accounts payable and accrued liabilities	5,515
Estimated third-party payor settlements	3,295
Self-insurance liabilities	(101,509)
Other current liabilities	97
Other noncurrent liabilities	(6,040)
Net cash provided by operating activities	<u>53,796</u>
 Investing activities:	
Property and equipment additions, net	<u>(51,857)</u>
Net cash used in investing activities	(51,857)

Alexian Brothers Health System and Subsidiaries
 Consolidated Statement of Cash Flows (continued)

Six-Month Period Ended June 30, 2012
 (Dollars in Thousands)

Financing activities:	
Issuance of long-term debt	\$ 653,836
Repayment of long-term debt	(665,651)
Decrease in assets under bond indenture agreements	16,484
Net cash provided by financing activities	4,669
Net change in cash and cash equivalents	6,608
Cash and cash equivalents, January 1, 2012	21,171
Cash and cash equivalents, June 30, 2012	\$ 27,779

See accompanying notes.

Cash paid for interest	\$ 6,335
------------------------	----------

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

Six-Month Period Ended June 30, 2012

1. Organization and Mission

Organizational Structure

In December 2011, Ascension Health Alliance became the sole corporate member and parent organization of Ascension Health, a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 21 U.S. states and the District of Columbia. In addition to serving as the sole corporate member of Ascension Health, Ascension Health Alliance serves as the member or shareholder of various other subsidiaries. Ascension Health Alliance, its subsidiaries, and the Health Ministries are referred to collectively from time to time hereafter as the System.

Ascension Health Alliance is sponsored by Ascension Health Ministries, a Public Juridic Person. The Participating Entities of Ascension Health Ministries are the Daughters of Charity of St. Vincent de Paul in the United States, St. Louise Province, the Congregation of St. Joseph, the Congregation of the Sisters of St. Joseph of Carondelet, and the Congregation of Alexian Brothers, Immaculate Conception Province Inc. – the American Province.

Effective January 1, 2012, Ascension Health became the sole corporate member of Alexian Brothers Health System (ABHS), through a business combination transaction. See the Affiliation with Ascension Health note for a further discussion of this business combination transaction.

The subsidiaries of ABHS included in the accompanying consolidated financial statements are as follows:

- Alexian Brothers Hospital Network (ABHN), including Alexian Brothers Medical Center (ABMC); St. Alexius Medical Center (St. Alexius); Alexian Brothers Behavioral Health Hospital (ABBHH); Alexian Brothers Ambulatory Group (ABAG); Alexian Brothers Specialty Group (ABSG); Bonaventure Medical Foundation, L.L.C. (BMF); Thelen Corporation (Thelen); Savelli Properties, Inc. (Savelli); Alexian Brothers Center for Mental Health (ABCMH); and Alexian Brothers Health Providers Association, Inc. (ABHP).

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

1. Organization and Mission (continued)

- Alexian Brothers Senior Ministries (ABSM), including Alexian Village of Milwaukee, Inc. (AVM); Alexian Village of Tennessee (AVT); Alexian Brothers Lansdowne Village (ABLV); Alexian Brothers Sherbrooke Village (ABSV); Alexian Brothers Community Services (ABCS); Alexian Brothers Senior Neighbors (ABSN); Alexian Elderly Services, Inc. (AES); and Alexian Village of Elk Grove (AVEG).
- Alexian Brothers Health System, Inc. Investment Trust (Trust).
- Alexian Brothers of St. Louis, Inc.
- Alexian Brothers Services, Inc. (A.B. Services).
- Alexian Brothers of San Jose, Inc. (ABSJ).
- Alexian Brothers Bonaventure House dba Alexian Brothers AIDS Ministries and Alexian Brothers Bettendorf Place, LLC (Bettendorf Place).

ABHS and its corporations (with the exception of ABHP, AVEG, and Thelen) 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 under Section 501(a) of the Code, except as follows:

- ABHP, AVEG, and Thelen, which are for-profit corporations.
- Savelli is a not-for-profit corporation exempt from federal income taxes on related income under Section 501(c)(2) of the Code.
- BMF is a limited liability company that has elected to be taxed as a partnership.
- Trust is an Illinois trust exempt from federal income tax on related income pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.
- Bettendorf Place is a single member limited liability company, with the single member being Alexian Brothers Bonaventure House.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

In 1976, ABHS formed Edessa, a wholly owned captive insurance company of ABMC. Edessa was formed to meet the funding requirements of the self-insured retention on ABHS's professional liability coverage. Edessa is a Bermuda corporation. Ownership of Edessa transferred to the System in January 2012, and as such, the results of Edessa are not included in the accompanying consolidated financial statements.

ABHS provides general healthcare services to patients/residents within their geographic locations through their acute care facilities, behavioral health hospital, continuing care centers, and other healthcare-related facilities. Expenses related to ABHS providing healthcare services for the six-month period ended amounted to approximately \$442,000. All other expenses included in the accompanying consolidated financial statements relate primarily to general and administrative costs.

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing and dedicates its resources to spiritually centered care that sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.
- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.
- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The cost of providing care of persons living in poverty and community benefit programs is estimated using internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service (IRS).

The amount of traditional charity care provided, determined on the basis of cost utilizing a cost to charge ratio based on expenses and charges of ABHS, excluding the provision for bad debt expense, was approximately \$6,967 for the six-month period ended June 30, 2012. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by ABHS or one of its member corporations are consolidated, and all significant intercompany accounts and transactions have been eliminated in consolidation.

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

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Carrying value of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of financial instruments classified as other than current assets and current liabilities are disclosed in the fair value measurements note.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less.

Interest in Investments Held by Ascension Health Alliance, Investments and Investment Return

Prior to April 2012, ABHS held a portion of its investments through the Health System Depository (HSD), an investment pool of funds in which the System and a limited number of nonprofit health care providers participated. The HSD investments were managed primarily by external investment managers within established investment guidelines. The value of ABHS's investment in the HSD represented ABHS's pro rata share of the HSD's funds held for participants.

During the six-month period ended June 30, 2012, the CHIMCO Alpha Fund, LLC (Alpha Fund) was created to hold primarily all investments previously held through the HSD. Catholic Healthcare Investment Management Company (CHIMCO), a wholly owned subsidiary of Ascension Health Alliance, acts as manager and serves as the principal investment advisor for the Alpha Fund within established investment guidelines, including socially responsible investment guidelines. In April 2012, a significant portion of the HSD's funds held for participants was transferred to the Alpha Fund, in which Ascension Health Alliance has an investment interest, as a member of the Alpha Fund. Ascension Health Alliance invests funds in the Alpha Fund on behalf of ABHS. As of June 30, 2012, ABHS has an interest in investments held by Ascension Health Alliance, which is reflected in the consolidated balance sheet, and represents ABHS's pro rata share of Ascension Health Alliance's investment interest in the Alpha Fund.

ABHS also invests in corporate bonds, government bonds, U.S. Treasury securities, and absolute return strategies that are locally managed.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

ABHS reports its interest in investments held by Ascension Health Alliance in the accompanying consolidated June 30, 2012, balance sheet as a current or long-term asset, based on liquidity needs as directed by ABHS, and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of ABHS. ABHS reports its other investments in the accompanying balance sheet based upon the long- or short-term nature of the investments and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of ABHS.

ABHS's investments, excluding its interest in investments held by Ascension Health Alliance, are measured at fair value and are classified as trading securities. The Alpha Fund's investments that are required to be recorded at fair value are classified as trading securities, including pooled short-term investment funds; U.S. government, state, municipal and agency obligations; asset-backed securities; corporate and foreign fixed income maturities; and equity securities, including private equity securities. The Alpha Fund's investments also include alternative investments, including investments in real assets, hedge funds, private equity funds, commodity funds, and private credit funds, which are valued based on the net asset value of the investments. In addition, the Alpha Fund participates, and the HSD participated, in securities lending transactions whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns comprise dividends, interest, and gains and losses on ABHS's investments, as well as ABHS's return on its interest in investments held by Ascension Health Alliance, and are reported as nonoperating gains (losses) in the consolidated statement of operations and changes in net assets, unless the return is restricted by donor or law.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing first-in, first-out (FIFO), or a methodology that closely approximates FIFO.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of an asset related to an agreement for use of the trade name "Alexian Brothers" and capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Intangible assets are included in other noncurrent assets on the consolidated balance sheet and comprise the following:

	2012
Capitalized computer software costs	\$ 9,780
Other	4,259
	14,039
Less accumulated amortization	969
Total intangible assets, net	\$ 13,070

Intangible assets with definite lives are amortized over their expected useful lives of two to five years.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. A summary of property and equipment at June 30, 2012, is as follows:

Land	\$ 34,885
Land improvements	2,741
Buildings	463,678
Equipment	90,397
	591,701
Less accumulated depreciation and amortization	21,597
	570,104
Construction in progress	80,292
Land, buildings, and equipment, net	\$ 650,396

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2012 was \$21,712.

Estimated useful lives by asset category are as follows: land improvements – 11 to 21 years, buildings – 4 to 44 years, and equipment – 2 to 20 years.

Interest costs incurred as part of related construction are capitalized during the period of construction. For the six-month period ended June 30, 2012, ABHS's capitalized net interest cost amounted to \$942.

Construction in progress at June 30, 2012, relates primarily to various building and building improvement projects. At June 30, 2012, approximately \$26,606 of total estimated remaining construction and infrastructure costs have been contractually committed. These projects are expected to be funded from bond proceeds, existing cash reserves, and cash from operations.

Restricted Net Assets

Temporarily restricted net assets represent those net assets whose use by ABHS has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by ABHS in perpetuity. ABHS's temporarily restricted net assets are restricted for various programs related to the provision of health and pastoral care. ABHS's permanently restricted net assets represent endowment funds for which the investments are to be held in perpetuity, and the related investment income is expendable to support healthcare or other donor-designated services.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statement of operations and changes in net assets as net assets released from restrictions.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

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

Deferred Accommodation Fees and Deposits

Advance fees paid by a resident upon entering into a continuing care contract, net of the estimated portion thereof that is expected to be refunded to the resident, are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Accommodation fees are refundable to residents based on contractual rebate schedules. The refundable portion based on the contractual rebate schedules of the deferred accommodation fees was approximately \$26,900 at June 30, 2012.

Under the terms of residency agreements with individuals, AVM and AVT are obligated to provide those individuals with occupancy and certain services in their respective residential units as well as required nursing care in their skilled nursing centers during the residents' remaining lifetimes, in exchange for payment of the respective accommodation fees and monthly service fees. AVM and AVT annually calculate the present value of the net cost of future services and use of facilities to be provided to current residents and compare those amounts with the balance of deferred accommodation fees. If the present value of the net cost of future services and use of facilities exceeds the deferred accommodation fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. Using a discount rate of 6.0% at June 30, 2012, no such liability was required. The discount rate is based on the average rate for actual earnings, dividends, and return on investments.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Performance Indicator

The performance indicator is excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, and contributions of property.

Operating and Nonoperating Activities

ABHS's primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, long-term care, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to ABHS's primary mission are considered to be nonoperating activities.

Net Patient Service Revenue, Accounts Receivable and Allowance for Uncollectible Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided excluding the provision for bad debt expense and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by approximately \$10,104 for the six-month period ended June 30, 2012.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The State of Illinois (the State) enacted an assessment program to assist in the financing of its Medicaid program through June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). ABHS have included their related prorated assessments of \$12,086 in 2012 within other expenses in the accompanying consolidated statement of operations and changes in net assets. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. ABHS have included their additional related prorated reimbursement of \$12,648 in 2012 within net patient service and resident revenue in the accompanying consolidated statement of operation and changes in net assets. St. Alexius and ABBHH also qualified for the Safety Net Adjustment Payments program (SNAP) to provide additional funding to providers based on funding formulas approved by the State for State fiscal year ended June 30, 2012. St. Alexius and ABBHH have included its related prorated SNAP reimbursement of \$1,524 within net patient and resident service revenue in the accompanying 2012 consolidated statement of operations and changes in net assets. St. Alexius also qualified for the Outpatient Assistance Adjustment program (OAAP) to provide additional funding to providers based on funding formulas approved by the State for State fiscal year ended June 30, 2012. St. Alexius has included its related prorated OAAP reimbursement of \$2,563 within net patient and resident service revenue in the accompanying 2012 consolidated statement of operation and changes in net assets. There were no advance quarterly payments at June 30, 2012.

During the six-month period ended June 30, 2012, approximately 39.8% of net patient service revenue was received under the Medicare program, 26.0% from Blue Cross Blue Shield HMO/PPO programs; 19.5% under various managed care programs, and 9.4% under various state Medicaid programs. ABHS grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable (net of contractual allowances) at June 30, 2012, include 15% from Medicare, 23% from Medicaid, 15% from HMO/PPO, and 27% from self-pay.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The provision for bad debt expense is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for bad debt expense to establish an appropriate allowance for uncollectible accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, ABHS follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with ABHS's policies.

Impairments and Restructuring Expenses

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value. No impairments were recorded during the six-month period ended June 30, 2012.

During the six-month period ended June 30, 2012, ABHS recorded total restructuring expenses of \$3,605. For the six-month period ended June 30, 2012, this amount comprised severance and change-in-control expenses.

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by ABHS. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of these investigations will not have a material adverse impact on the consolidated financial statements of ABHS.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Subsequent Events

ABHS evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the six-month period ended June 30, 2012, ABHS evaluated subsequent events through October 10, 2012, representing the date on which the financial statements were available to be issued. During this period, there were no subsequent events that required recognition or disclosure in the financial statements.

Adoption of New Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements*. This standards update clarified certain fair value measurement guidance and required that additional fair value measurement disclosures be made. ABHS adopted this guidance effective January 1, 2012. The disclosure updates adopted as of January 1, 2012, result in the provision of additional detail within the reconciliation of beginning and ending balances for assets and liabilities measured at fair value, whose fair value inputs are based on significant unobservable inputs (i.e., Level 3 assets and liabilities). These additional disclosure requirements are provided in the fair value measurements note. The adoption of this guidance did not have a material impact on ABHS's consolidated financial statements for the six-month period ended June 30, 2012.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS)*. This accounting standards update provides clarifications to certain existing fair value measurement guidance and includes updated guidance for certain fair value measurement principles and disclosures. ABHS adopted this guidance as of January 1, 2012. The adoption of this guidance did not have a material impact on ABHS's consolidated financial statements for the six-month period ended June 30, 2012.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

In July 2011, the FASB issued ASU 2011-07, *Presentation and Disclosure for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The guidance requires certain healthcare entities to reclassify in the statement of operations the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenues (net of contractual allowances and discounts). In addition, the guidance requires enhanced disclosures about policies for recognizing revenue, assessing bad debts, and qualitative and quantitative information about the changes in the allowance for uncollectible accounts. The guidance is effective for ABHS for the reporting period beginning on July 1, 2012, with early adoption permitted. ABHS is evaluating the impact of this guidance on the consolidated financial statements.

3. Affiliation with Ascension Health

As stated in the Organizational Structure note, on January 1, 2012, Ascension Health became the sole corporate member of ABHS through a non-cash transaction, which was accounted for as a business combination in accordance with Accounting Standards Codification (ASC) 805, *Business Combinations*. Ownership of Edessa Insurance Company, Ltd. (Edessa) was also transferred to the System in January 2012. As a result of this transaction, ABHS changed its fiscal year end from December 31 to June 30 to align with the System's fiscal year end. Accordingly, the accompanying consolidated financial statements reflect the operating results of ABHS, excluding Edessa, from January 1, 2012 to June 30, 2012.

Push-down accounting was applied for this combination, and as such, the fair value adjustments recognized for assets and liabilities in conjunction with the accounting for the business combination as of January 1, 2012 are included in the financial statements for ABHS. Specifically, as compared to ABHS financial statements as of December 31, 2011, total assets as of January 1, 2012 reflect a net reduction in total assets of approximately \$59,300, primarily comprised of an increase to property and equipment of \$27,285, which was more than offset by reductions of deferred finance costs and goodwill of \$9,859 and \$76,038, respectively. Also, total liabilities as of January 1, 2012 reflect a net increase of approximately \$66,000, comprised primarily of an increase to long-term debt of \$40,141 and the recognition of a payable to the Alexian Brothers of America, Inc. of \$25,000. This \$25,000 liability was subsequently transferred to the System, which transfer is reflected as a component of changes in unrestricted net assets for the six months ended June 30, 2012.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

3. Affiliation with Ascension Health (continued)

The following table presents the fair value of ABHS's net assets as of January 1, 2012, by major asset and liability type, including designations regarding the restricted or unrestricted nature of such net assets, which include the fair value adjustments discussed above:

Fair value of net assets:	
Net working capital	\$ (48,306)
Tangible assets	626,936
Assets limited as to use	469,509
Other long term assets	17,911
Restricted assets	16,335
Noncurrent liabilities assumed and incurred	<u>(739,715)</u>
Fair value of net assets	<u>342,670</u>
Total unrestricted contribution	326,333
Temporarily restricted contribution	14,764
Permanently restricted contribution	<u>1,573</u>
Total contribution for financial reporting purposes	<u>\$ 342,670</u>

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Trustee-Held Funds, Restricted Funds, and Other Long-Term Investments

At June 30, 2012, ABHS's investments comprised its interest in investments held by Ascension Health Alliance and certain other investments held and managed locally. ABHS's cash, cash equivalents, interest in investments held by Ascension Health Alliance trustee-held funds, restricted funds, and other long-term investments are reported in the accompanying consolidated balance sheet as presented in the following table:

	2012
Cash and cash equivalents	\$ 27,779
Trustee-held funds	17,513
Restricted funds	15,235
Other long-term investments	82,293
Total cash and cash equivalents, assets limited as to use and other long-term investments	142,820
Interest in investments held by Ascension Health Alliance (current and long term)	238,124
Total	\$ 380,944

The composition of cash and investments classified as cash and cash equivalents, assets limited as to use, and other investments is summarized as follows:

	2012
Cash and equivalents (includes restricted funds)	\$ 55,778
U.S. government (includes restricted funds)	25,008
Fixed income	8,893
Asset-backed	80
Other investments – hedge funds	49,665
	139,424
Interest in investments held by Ascension Health Alliance	238,124
Total	\$ 377,548

Included in restricted funds are pledge receivables of \$3,396 at June 30, 2012.

25

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Cash and Cash Equivalents, Interest in Investments Held by Ascension Health Alliance, and Trustee-Held Funds, Restricted Funds, and Other Long-Term Investments (continued)

As of June 30, 2012, the composition of total Alpha Fund and HSD investments is as follows:

Cash, cash equivalents, and short-term investments, including pooled short-term investment funds	4.7%
U.S. government obligations	32.1
Asset-backed securities	10.3
Corporate and foreign fixed-income maturities	9.0
Equity, private equity and other investments	43.9
	100.0%

Investment return recognized by ABHS is summarized as follows:

Loss on interest in investments held by Ascension Health Alliance	\$ (1,983)
Interest and dividends	249
Net gains on investments	1,902
Total investment return	\$ 168

5. Fair Value Measurements

ABHS categorizes, for disclosure purposes, assets and liabilities measured at fair value in the financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. ABHS's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

96

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Fair Value Measurements (continued)

ABHS follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1 – Quoted prices that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar investments in active markets or exchanges or prices quoted for identical or similar investments in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation.

As of June 30, 2012, the Level 2 and Level 3 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

Cash and cash equivalents and short-term investments

Short-term investments designated as Level 2 investments primarily comprised commercial paper, whose fair value is based on amortized cost. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value. Cash and cash equivalents and additional short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements (continued)

U.S. government, state, municipal and agency obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmarking constant maturity curves and spreads.

Corporate and foreign fixed income maturities

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Asset-backed securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Equity securities

The fair value of investments in U.S. and international equity securities is primarily determined using the calculated net asset value. The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Alternative investments consist of hedge funds, private equity funds, and real estate partnerships. Alternative investments are valued using net asset values as determined by external investment managers.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Fair Value Measurements (continued)

Derivative assets and liabilities

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

As discussed in the significant accounting policies and the cash and cash equivalents, interest in investments held by Ascension Health Alliance, and assets limited as to use and other long-term investments notes, ABHS has an interest in investments held by Ascension Health Alliance. As of June 30, 2012, 17%, 52%, and 31% of total Alpha Fund assets that are measured at fair value on a recurring basis were measured based on Level 1, Level 2, and Level 3 inputs, respectively, while 0%, 100%, and 0% of total Alpha Fund liabilities that are measured at fair value on a recurring basis were measured at such fair values based on Level 1, Level 2, and Level 3 inputs, respectively.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2012, for all other financial assets that are measured at fair value on a recurring basis in the consolidated financial statements:

	June 30, 2012			Total	Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3			
Cash and cash equivalents	\$ 27,779	\$ -	\$ -	\$ 27,779	Daily	One
Investments:						
Other long-term investments, excluding accrued interest and other of \$2,038:						
Cash and cash equivalents	1,839	-	-	1,839	Daily	One
Fixed income:						
Corporate bonds	-	8,893	-	8,893	Daily	One
Nongovernment- backed collateralized mortgage obligations	-	80	-	80	Daily	One
Government mortgage-backed securities	-	3,820	-	3,820	Daily	One
Municipal bonds	-	87	-	87	Daily	One
U.S. Treasury securities	-	17,909	-	17,909	Daily	One
Total fixed income	1,839	30,789	-	32,628		
Hedge fund investments:						
Absolute return/multiple strategies	-	-	49,665	49,665	In redemption	
Total hedge fund investments	-	-	49,665	49,665		
Total other long-term investments	\$ 1,839	\$ 30,789	\$ 49,665	\$ 82,293		

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Fair Value Measurements (continued)

	June 30, 2012				Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	Total		
Restricted funds:						
Cash and cash equivalents	\$ 8,812	\$ -	\$ -	\$ 8,812	Daily	One
Fixed income – U.S. Treasuries	-	3,028	-	3,028	Daily	One
Total restricted funds	\$ 8,812	\$ 3,028	\$ -	\$ 15,235		

	June 30, 2012				Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	Total		
Trustee-held funds:						
Cash and cash equivalents	\$ 17,349	\$ -	\$ -	\$ 17,349	Daily	One
Fixed income – U.S. Treasuries	-	164	-	164	Daily	One
Total trustee-held funds:	\$ 17,349	\$ 164	\$ -	\$ 17,513		

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. ABHS uses techniques consistent with the market approach and income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

During the six-month period ended June 30, 2012, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) comprised the following:

	Absolute Return Strategies
January 1, 2012	\$ 50,088
Total realized and unrealized gains (losses)	1,512
Sales	(1,935)
June 30, 2012	\$ 49,665

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2012, for all financial liabilities that are measured at fair value on a recurring basis in the consolidated financial statements:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate swap	\$ —	\$ 3,902	\$ —	\$ 3,902

Fair value of the interest rate swap 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 collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and ABHS.

Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to ABHS for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon ABHS's current borrowing rates for similar types of long-term debt securities.

The following table presents the carrying amounts and estimated fair values of ABHS's financial instruments not carried at fair value at June 30, 2012:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	\$ 501,321	\$ 522,026

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Long-Term Debt

A summary of long-term debt as of June 30, 2012, is as follows:

	<u>2012</u>
Illinois Finance Authority Revenue Refunding Bonds Series 2005 (Alexian Brothers Health System):	
Series 2005A, with fixed interest rates ranging from 4.00% to 5.50% and varying debt service payments through January 1, 2028	\$ 65,839
Series 2005B, with fixed interest rates ranging from 4.00% to 5.50% and varying debt service payments through January 1, 2028	26,615
Illinois Finance Authority Revenue Bonds, Series 2008 (Alexian Brothers Health System), with fixed effective rate of 5.50%, due by annual mandatory redemption beginning February 15, 2029 through 2038	3,104
Illinois Finance Authority Revenue Refunding Bonds Series 2010 (Alexian Brothers Health System), with fixed interest rates ranging from 3.50% to 5.25% and varying debt service payments through February 15, 2030	76,348
Debt Agreement between Ascension Health Alliance, and Alexian Brothers Health System, scheduled principal payments beginning November 15, 2012 through 2051, with varying interest rates determined in accordance with the procedures of the Ascension Health Alliance Centralized Debt Management System	326,918
Mortgage note, 7.15%, with principal and interest due monthly through May 2013, and \$2,181 due on June 1, 2013, collateralized by real property	2,497
Total long-term debt	<u>501,321</u>
Less current maturities of long-term debt	<u>(9,644)</u>
Long-term debt, excluding current maturities	<u>\$ 491,677</u>

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Long-Term Debt (continued)

ABHS and certain of its affiliates (ABMC, St. Alexius, ABBHH, ABHN, ABSJ, AVM, AVT, Savelli, ABSV, ABLV, and ABCS, collectively referred to as the Obligated Group) entered into a Master Trust Indenture dated September 1, 1985, as amended and restated. 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 individual members of the Obligated Group to make principal and interest payments on notes issued for their benefit and to pay such amounts as are otherwise necessary to enable the Obligated Group to satisfy other obligations issued under the Master Trust Indenture. Outstanding debt issued by members of the Obligated Group pursuant to the Master Trust Indenture aggregated \$488,483 at June 30, 2012.

Obligations issued under the Master Trust Indenture are secured by a direct pledge of the unrestricted receivables of the Obligated Group and a mortgage on ABMC and St. Alexius. The proceeds from each bond issue are administered by bond trustees to comply with the terms of the Master Trust Indenture.

On August 11, 2005, ABHS issued Series 2005A Auction Rate Securities (Series 2005A), Series 2005B Auction Rate Securities (Series 2005B), and Series 2005C Variable Rate Demand Revenue Bonds (Series 2005C) (collectively, the Series 2005 Bonds), issued by the Illinois Finance Authority, for the purpose of partial refinancing of the ABHS Series 1999 Bonds. Assured Guaranty, (FSA), insures payment of the principal and interest of the Series 2005 Bonds. On April 14, 2008, ABHS converted the outstanding Illinois Finance Authority Revenue Refunding Bonds Series 2005A and Series 2005B from auction rate securities to fixed rate bonds. The aggregate amounts for each series are set forth below:

- Series 2005A Bonds are fixed rate bonds issued in the aggregate amount of \$87,425. Principal and interest payments on the Series 2005A Bonds are payable semiannually commencing on January 1, 2009 through 2028, with fixed interest rates ranging from 3.00% to 5.50% with an aggregate rate of 5.35%.
- Series 2005B Bonds are fixed rate bonds issued in the aggregate amount of \$85,925. Principal and interest payments on the Series 2005B Bonds are payable semiannually commencing on January 1, 2009 through 2028, with fixed interest rates ranging from 3.00% to 5.50% with an aggregate rate of 5.35%.

104

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Long-Term Debt (continued)

- Series 2005C Bonds were variable rate demand revenue securities issued in the aggregate amount of \$80,945. On April 21, 2011, the Series 2005C Bonds were refunded with the issuance of the Illinois Revenue Refunding Bonds, Series 2010 (ABHS Series 2010 Bonds), and that portion of the Assured Guaranty insurance policy for the Series 2005C was canceled.

On April 23, 2008, ABHS issued Revenue Bonds, Series 2008 (ABHS Series 2008 Bonds) in the aggregate amount of \$45,000 through the Illinois Finance Authority. The ABHS Series 2008 Bonds are due in varying annual principal installments beginning February 2029 through February 2038 with interest payable semiannually at an effective rate of 5.50%. The ABHS Series 2008 Bonds are supported by a debt service reserve of \$4,500. Proceeds of the ABHS Series 2008 Bonds were used for payment or reimbursement of costs of acquiring, constructing, renovating, remodeling, and equipping certain health facilities, including but not limited to the modernization and expansion of hospital facilities at ABMC, fund working capital, and to pay certain costs incurred with the bonds.

On April 21, 2010, ABHS issued ABHS Series 2010 Bonds in the aggregate amount of \$133,400 through the Illinois Finance Authority. The ABHS Series 2010 Bonds are due in varying annual principal installments beginning February 2011 through February 2030 with interest payable semiannually at an effective rate of 4.975%. The ABHS Series 2010 Bonds are supported by a debt service reserve of \$12,300. Proceeds of the ABHS Series 2010 Bonds were used to refund the ABHS Series 2005C Bonds in the amount outstanding of \$70,420 and for payment or reimbursement of costs of acquiring, constructing, renovating, remodeling, and equipping certain health facilities, including but not limited to the modernization and expansion of hospital facilities at St. Alexius, to fund the debt service reserve and to pay certain costs incurred with the bonds.

On May 10, 2012, ABHS entered into a debt agreement between Ascension Health Alliance and ABHS in the aggregate amount of approximately \$326,918. Amounts under the ABHS debt agreement of 2012 are due in varying annual principal installments beginning November 2012 through November 2051. Proceeds of the ABHS debt agreement were used to refund the ABHS Series 2004 Bonds; redeem the ABHS Series 1999 Bonds, the Alexian Village of Tennessee Series 1999 Bonds, the Alexian Village of Milwaukee Series 1988 Bonds, and the ABHS Series 2009 Bonds; and partially redeem the ABHS Series 2010 Bonds, the ABHS Series 2008 Bonds, and the ABHS Series 2005A and 2005B Bonds.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Long-Term Debt (continued)

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the Master Trust Indenture (MTI) and the debt agreement with Ascension Health Alliance are as follows:

Year ending June 30:	
2013	\$ 9,644
2014	8,129
2015	5,324
2016	11,645
2017	18,259
Thereafter	448,320
	<u>\$ 501,321</u>

ABHS has requested the Northern Trust N.A. to issue letters of credit obligating the Corporation in the event that certain conditions would cause the beneficiary of any of the respective letters of credit to draw on the agreement. Total letters of credit outstanding as of June 30, 2012 were \$14,338.

7. Derivative Instruments and Hedging Activities

ABHS has entered into interest rate related derivative instruments to manage its exposure on debt instruments. By using the derivative financial instrument to hedge exposures to changes in interest rates, ABHS is exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes ABHS, which creates credit risk for ABHS. When the fair value of a derivative contract is negative, ABHS owes the counterparty, and therefore, it does not possess credit risk. ABHS minimizes 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. ABHS management also mitigates risk through periodic reviews of its derivative positions in the context of their total blended cost of capital.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Derivative Instruments and Hedging Activities (continued)

Interest Rate Swap Agreement

ABHS entered into an interest rate swap agreement in June 2005. The changes in the fair value of the interest rate swap agreement of \$142 for the six-month period ended June 30, 2012 are recognized as a component of investment income return in nonoperating gains (losses) in the accompanying consolidated statement of operations and changes in net assets. Under the swap agreement, ABHS receives, monthly, 58.20% of one-month LIBOR plus 40 basis points and payments at an annual fixed rate of 3.089% through April 2028.

The fair value of the interest rate swap agreement of (\$3,902) at June 30, 2012, is included as a component of other long-term liabilities in the accompanying consolidated balance sheet. The differential to be paid or received under the interest rate swap agreement is recognized monthly and amounted to net payments of \$700 for the six-month period ended June 30, 2012, which has been included in nonoperating investment return in the accompanying consolidated statement of operations and changes in net assets. The value of the swap has been increased by a credit valuation adjustment of approximately \$117 at June 30, 2012.

A summary of outstanding positions under the interest rate swap agreement at June 30, 2012, is as follows:

Notional Amount	Maturity Date	Rate Received	Rate Paid
\$ 55,120	January 1, 2018	58.20% of LIBOR + 40 basis points	3.089%

8. Retirement Plans

ABHS sponsor various noncontributory defined benefit pension plans (Plans) for the benefit of certain eligible employees of participating entities. The normal retirement benefit of the Plans is a monthly retirement income, which is computed based on a cash balance accumulated from employer contributions and interest earnings thereon tied to the 10-year treasury bill rate. The normal benefit is payable to a married participant as a 50% joint and survivor annuity and to a single participant as a life only annuity. Alternative forms of payment are available.

107

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Retirement Plans (continued)

Contributions made to the Plans are calculated by multiplying each employee's annual earnings by percentages that vary depending on the employee's years of credited service. The assets of the Plans are held in a bank-administered trust. Active participants are also eligible to participate in the Alexian Brothers Retirement Savings 401(k) Plan (the 401(k) Plan), which permits them to defer income and receive a matching contribution to a portion of the savings.

In addition, Thelen and ABAG each sponsor a contributory 401(k) plan (the Thelen Plan and ABAG Plan, respectively) that covers substantially all employees of Thelen and ABAG. Participants may contribute a percentage of their salary up to the IRS limits. The ABAG Plan was amended in June 2009 to provide for a dollar-for-dollar match on the first 2% of earnings the employee saves. Employees who were eligible participants in the previous BMG 401(k) plan also became eligible to participate in the ABAG defined benefit plan as of July 1, 2009. As part of this amendment, sponsorship of the ABAG Plan was assumed by ABHS. The Thelen Plan may also make matching contributions starting January 1, 2008.

Cost recognized in the consolidated financial statements pursuant to the terms of the 401(k) Plan, the Thelen Plan, and the ABAG Plan totaled approximately \$3,413 for the six-month period ended June 30, 2012, and is reflected as employee benefits expense in the accompanying consolidated statement of operations and changes in net assets. The 401(k) Plan, the Thelen Plan, and the ABAG Plan are funded on a current basis.

Effective December 31, 2009, ABHS amended the Basic Plan to close participation to employees hired on or after January 1, 2010. Eligible participants as of December 31, 2009, employees hired during 2009, and certain groups of employees who were not currently at work on December 31, 2009, but returned to work within the provisions of the Plan continue to be eligible to participate in the Plan. The Basic Plan will be frozen effective January 12, 2015. There is no curtailment gain or loss related to the freeze. In addition, the 401(k) Plan was amended effective January 1, 2010, to add a Retirement Contribution Account (Account) for employees hired on or after January 1, 2010. This Account provides for a contribution to the 401(k) Plan based upon earnings and years of service for eligible employees without regard to whether they are currently deferring their own savings.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Retirement Plans (continued)

ABHS recognize the cost related to employee service using the unit credit cost method. Gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, and prior service costs are amortized over the expected future service period. The excess of plan assets over the projected benefit obligation at transition is also amortized over the expected future service period.

ABHS accounts for the defined benefit pension plan in accordance with ASC 715, *Compensation — Retirement Benefits*. ASC 715 requires the recognition in the consolidated balance sheet of the funded status of defined benefit pension plans and other postretirement benefit plans, including all previously unrecognized actuarial gains and losses and unamortized prior service cost, as a component of unrestricted net assets.

The actuarial funding method used in the actuarial valuation for 2012 is the projected unit credit cost method. The measurement date for plan liabilities and assets is June 30.

The following tables set forth the Plans' Basic Pension Plan and SERP Restoration Plan funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions used in determining the benefit obligation at June 30, 2012:

Change in benefit obligation:	
Projected benefit obligation at January 1, 2012:	\$ 117,023
Service cost	5,457
Interest cost	2,621
Actuarial gains	2,439
Benefits paid	(3,920)
Projected benefit obligation at June 30, 2012	<u>\$ 123,620</u>
Change in plan assets:	
Fair value of plan assets at January 1, 2012:	\$ 101,186
Actual return on plan assets	3,166
Employer contributions	7,140
Benefits paid	(3,887)
Fair value of plan assets at June 30, 2012	<u>\$ 107,605</u>

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Retirement Plans (continued)

	<u>June 30, 2012</u>
Reconciliation of funded status:	
Funded status	<u>\$ (16,015)</u>
Amounts recognized in the accompanying consolidated balance sheet:	
Accrued benefit liability	\$ (15)
Other long-term liabilities	<u>(16,000)</u>
Net amounts recognized in the balance sheet	<u>\$ (16,015)</u>
Amounts not yet reflected in net periodic benefit cost and included as an accumulated credit to unrestricted net assets:	
Net actuarial loss	\$ 2,839
Prior service cost	—
Net amounts included as an accumulated charge to unrestricted net assets	<u>\$ 2,839</u>
Calculation of change in unrestricted net assets:	
Accumulated unrestricted net assets, end of year	\$ 2,872
Reversal of accumulated unrestricted net assets, prior year	<u>(33)</u>
Change in unrestricted net assets	<u>\$ 2,839</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:	
Net gain experienced during the year	\$ 2,839
Net amounts recognized in unrestricted net assets	<u>\$ 2,839</u>
Estimate of amounts that will be amortized out of unrestricted net assets into net pension cost:	
Net loss	\$ —
Prior service cost	\$ —

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Retirement Plans (continued)

	<u>June 30, 2012</u>
Components of net periodic benefit cost:	
Service cost	\$ 5,456
Interest cost	2,621
Expected return on plan assets	(3,599)
Net periodic benefit cost	<u>\$ 4,478</u>
Weighted average assumptions:	
Discount rate – benefit obligation	4.2%
Discount rate – periodic benefit cost	4.7%
Expected return on plan assets	7.0%
Rate of compensation increase	4.0%

The following tables set forth the Plans' Bargaining Unit Pension Plan funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions used in determining the benefit obligation at June 30, 2012:

Change in benefit obligation:	
Projected benefit obligation at January 1, 2012:	\$ 14,149
Interest cost	341
Actuarial gains	700
Benefits paid	(303)
Projected benefit obligation at June 30, 2012	<u>\$ 14,887</u>
Change in plan assets:	
Fair value of plan assets at January 1, 2012:	\$ 10,172
Actual return on plan assets	308
Benefits paid	(303)
Fair value of plan assets at June 30, 2012	<u>\$ 10,177</u>
Amounts recognized in the accompanying consolidated balance sheet:	
Other long-term liabilities	<u>\$ (4,710)</u>
Amounts not yet reflected in net periodic benefit cost and included as an accumulated credit to unrestricted net assets:	
Net actuarial loss	<u>\$ 734</u>

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Retirement Plans (continued)

	<u>June 30, 2012</u>
Calculation of change in unrestricted net assets:	
Accumulated unrestricted net assets, end of year	\$ 734
Change in unrestricted net assets	<u>\$ 734</u>
Estimate of amounts that will be amortized out of unrestricted net assets into net pension cost:	
Net loss	<u>\$ 734</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:	
Net loss experienced during the sixth month period ended June 30, 2012	\$ 734
Net amounts recognized in unrestricted net assets	<u>\$ 734</u>
Weighted average assumptions:	
Discount rate – benefit obligation	4.5%
Discount rate – periodic benefit cost	5.0%
Expected return on plan assets	7.0%
Rate of compensation increase	N/A
Components of net periodic benefit cost:	
Interest cost	\$ 340
Expected return on plan assets	<u>(342)</u>
Net periodic benefit cost	<u>\$ (2)</u>

The accumulated benefit obligation equals the projected benefit obligation at June 30, 2012 as disclosed in the previous table.

ABHS's overall expected long-term rate of return on assets is 7.0% at June 30, 2012. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

112

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Retirement Plans (continued)

ABHS expects to contribute \$11,820 to its Plans in 2013.

The benefits expected to be paid in each year from 2013 to 2017 are \$12,955, \$12,569, \$12,626, \$13,754, and \$13,817, respectively. The aggregate benefits expected to be paid in the five years from 2018 to 2022 are \$76,046. The expected benefits are based on the same assumptions used to measure ABHS's benefit obligation at June 30 and include estimated future employee service.

ABHS has developed a Pension Plan Investment Policy and Guidelines (policy), which had been reviewed and approved by the ABHS Investment Subcommittee and ratified by the ABHS Finance Committee as of December 31, 2011. The policy established goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications as well as specific manager guidelines. Management of the Pension Plan has been assumed by the CHIMCO, which has maintained the previously established asset allocation.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of June 30, 2012:

Asset	Target Allocation	Acceptable Range	Actual Allocation at June 30, 2012
Cash and equivalents	0%	0-5%	1%
Domestic common stocks	15	10-20	13
Intermediate fixed securities	20	15-25	22
Enhanced cash	30	25-35	31
Long/short equity	20	15-25	19
Alternative investments	15	10-20	14
Total	100%	100%	100%

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Retirement Plans (continued)

Overall Investment Objective

The overall investment objective of the Pension Plan is to invest the plan assets in a prudent manner to best serve the participants of the Plan. Pension Plan investment assets are to produce investment results, which achieve the Plan's actuarial assumed rate of return, protect the integrity of the Plan, assist ABHS in meeting the obligations to the Plan participants, manage risk exposures, focus on downside sensitivities, and maintain enough liquidity in the portfolio to ensure timely cash outflows and beneficiary payments. The Plans' investments are diversified among various asset classes incorporating multiple strategies and managers to exceed a weighted benchmark return based upon policy asset allocation targets and standard index returns.

Allocation of Investment Strategies

The Plan maintains a percent of assets in domestic equity stocks to achieve the expected rate of return. To manage risk exposure, the Plans' assets are invested in intermediate term fixed-income funds, short-term fixed income funds, and shares or units in alternative investment funds involving hedged strategies and long/short equity funds. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and these securities are valued accordingly. Because of the inherent uncertainties of valuation, these estimated fair values may differ from values that would have been used had a ready market existed.

Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by ABHS and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with them are based on share prices reported by the funds as of the last business day of the fiscal year. ABHS's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of ABHS's interest.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Retirement Plans (continued)

The fair value of ABHS's pension plan assets at June 30, 2012, by asset category class, are as follows:

	June 30, 2012			Total	Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3			
Pension plan assets excluding accrued interest of \$189:						
Cash and cash equivalents	\$ 1,321	\$ -	\$ -	\$ 1,321	Daily	One
Corporate stocks	15,680	-	-	15,680	Daily	One
Fixed income:						
Short-term bond fund	36,270	-	-	36,270	Daily	One
Intermediate-term bond fund	25,973	-	-	25,973	Daily	One
Other fixed income fund	7,995	-	-	7,995	Daily	One
Total fixed income	70,238	-	-	70,238		
Hedge fund investments:						
Equity long/short	-	-	11,067	11,067	Annually	95
Equity long/short	-	-	10,623	10,623	Quarterly	92
Absolute return/multiple strategies	-	-	7,842	7,842	Quarterly	92
Absolute return/multiple strategies	-	-	1,011	1,011	In Redemption	
Total hedge fund investments	-	-	30,543	30,543		
Total pension plan assets	\$ 87,239	\$ -	\$ 30,543	\$ 117,782		

During the six months ended June 30, 2012, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	Hedge fund investments
Beginning balance	\$ 30,149
Total realized and unrealized gains (losses)	537
Sales	(258)
Ending balance	\$ 30,428

115

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Retirement Plans (continued)

Fair Value of Financial Instruments

The following methods and assumptions were used by ABHS in estimating the fair value of its financial instruments of the Plan:

- Fair value for corporate stocks and fixed income funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The Plan has, in hedge funds, for which quoted market prices are not available. The estimated fair value of these alternative investments includes estimates, appraisals, assumptions, and methods provided by external financial advisors and reviewed by the Plan.

Fair Value Hierarchy

The Plan follows ASC Subtopic 715-20-50 on January 1, 2009, 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 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The Plan has various alternative investment funds in which the NAV is used as a practical expedient to determine fair value in accordance with ASC Subtopic 820-10-65-6. The Plan has no required commitments to fund the alternative investment funds. The redemption frequency of the alternative investment funds is quarterly with a notice period of 95 days.

9. Self-Insurance Programs

Professional and General Liability

ABHS is covered by a wholly owned offshore captive insurer, Edessa. As discussed in Note 1, ownership of Edessa was transferred from ABHS to Ascension Health on January 11, 2012. The Edessa policies provide professional liability coverage on a claims-made basis and general liability on an occurrence basis. For exposures under ABHN, Edessa retains the first \$1 million of each and every claim, primary, and \$10 million per occurrence, \$20 million annual aggregate, excess. For all other exposures, Edessa retains \$1 million per occurrence, \$7.5 million aggregate. Above the amounts it retains, Edessa provides an additional \$115 million of coverage that is 100% reinsured to commercial reinsurers.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Self-Insurance Programs (continued)

Included in operating expenses in the accompanying consolidated statement of operations and changes in net assets is professional and general liability expense of \$11,743 for the six-month period ended June 30, 2012. Included in long-term self-insurance liabilities on the accompanying consolidated balance sheet are professional and general liability loss reserves of approximately \$28,878 at June 30, 2012.

Workers' Compensation

ABHS is covered for workers compensation through a combination of self-insurance and commercial insurance. Loss reserves are based on undiscounted estimates of the ultimate costs for claims reported and incurred but not reported.

Included in operating expenses in the accompanying consolidated statement of operations and changes in net assets is workers' compensation expense of \$1,491 for the six-month period ended June 30, 2012.

10. Lease Commitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:	
2013	\$ 14,656
2014	14,046
2015	11,170
2016	7,181
2017	4,195
Thereafter	18,487
Total	<u>\$ 69,735</u>

ABHS has subleased certain of its space under the operating leases reported above. Total future minimum rents to be received under noncancelable subleases with terms of one year or more are \$2,912.

Alexian Brothers Health System and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

10. Lease Commitments (continued)

In addition, ABHS is a lessor under certain operating lease agreements. Future minimum rental receipts under all noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:	
2013	\$ 1,969
2014	1,246
2015	742
2016	353
2017	222
Thereafter	406
Total	<u>\$ 4,938</u>

Rental expense under operating leases amounted to \$10,497 during the six-month period ended June 30, 2012.

11. Related-Party Transactions

ABHS utilized various centralized programs and overhead services of the System or its other sponsored organizations, including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to ABHS for these services represent both allocations of common costs and specifically identified expenses that are incurred by the System on behalf of ABHS. Allocations are based on relevant metrics such as ABHS's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of the System. The amounts charged to ABHS for these services may not necessarily result in the net costs that would be incurred by ABHS on a stand-alone basis. The charges allocated to ABHS were approximately \$3,515 for the six-month period ended June 30, 2012, and are included in purchased services in the consolidated statement of operations and changes in net assets.

12. Contingencies and Commitments

In addition to professional liability claims, ABHS is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on ABHS's consolidated balance sheet.

Supplementary Information



Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787
Tel: +1 312 879 2000
Fax: +1 312 879 4000
www.ey.com

Report of Independent Auditors on Supplementary Information

The Board of Governors
Alexian Brothers Health System

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst & Young LLP

October 10, 2012

Alexian Brothers Health System and Subsidiaries

Schedule of Net Cost of Providing Care of Persons
Living in Poverty and Community Benefit Programs
(Dollars in Thousands)

The net cost excluding the provision for bad debt expense of providing care of persons living in poverty and community benefit programs is as follows:

	<u>2012</u>
Traditional charity care provided	\$ 6,967
Unpaid cost of public programs for persons living in poverty	16,190
Other programs for persons living in poverty and other vulnerable persons	1,041
Community benefit programs	<u>3,475</u>
Care of persons living in poverty and community benefit programs	<u>\$ 27,673</u>

Alexian Brothers Health System Obligated Group

Obligated Group Consolidating Balance Sheet

June 30, 2012

	Alexian Brothers Consolidated Obligated Group	Alexian Brothers Health System	Alexian Brothers Hospital Network	Alexian Brothers Medical Center	St. Alexius Medical Center	Alexian Brothers Behavioral Health Hospital	Savelli Properties Inc.
Assets							
Current assets:							
Cash and cash equivalents	\$ 24,989	\$ (121,552)	\$ -	\$ 57,508	\$ 74,747	\$ 10,983	\$ 2,087
Interest in investments held by Ascension Health Alliance	8,661	8,661	-	-	-	-	-
Accounts receivable, less allowances for uncollectible accounts (\$42,598 in 2012)	113,733	-	(146)	58,954	43,877	7,774	-
Estimated third-party payor settlements	1,359	-	-	418	760	-	-
Inventories	16,599	-	4,475	7,711	3,788	90	-
Other	34,176	(1,249)	29,910	160	4,011	273	123
Total current assets	199,517	(114,140)	34,239	124,751	127,183	19,120	2,210
Interest in investments held by Ascension Health Alliance	216,160	68,110	-	32,000	25,000	6,000	-
Trustee-held funds	16,781	16,526	-	-	-	-	-
Restricted funds	14,111	5,542	-	4,976	1,076	95	-
Other long-term investments	82,293	82,293	-	-	-	-	-
Property and equipment, net	631,747	10,058	33,611	214,204	237,225	24,023	10,308
Other assets:							
Investment in unconsolidated entities	1,478	1	53,942	-	1,477	-	-
Other	29,326	23,405	9,171	179	91	53	16
Total other assets	30,804	23,406	63,113	179	1,568	53	16
Total assets	\$ 1,191,415	\$ 91,795	\$ 130,963	\$ 376,110	\$ 392,052	\$ 49,291	\$ 12,554

See accompanying notes.

Alexian Brothers Health System Obligated Group
Obligated Group Consolidating Balance Sheet (continued)

	Alexian Village of Milwaukee Inc	Alexian Village of of Tennessee	Alexian Brothers Landsdowne Village	Alexian Brothers Sherbrooke Village	Alexian Brothers Community Services	Alexian Brothers San Jose Inc.	Eliminations
Assets							
Current assets:							
Cash and cash equivalents	\$ 409	\$ 224	\$ 23	\$ 52	\$ 508	\$ -	\$ -
Interest in investments held by Ascension Health Alliance	-	-	-	-	-	-	-
Accounts receivable, less allowances for uncollectible accounts (\$42,598 in 2012)	1,131	539	1,010	667	1,054	-	(1,127)
Estimated third-party payor settlements	-	7	166	8	-	-	-
Inventories	149	109	17	20	240	-	-
Other	1,977	1,566	86	123	371	-	(3,175)
Total current assets	3,666	2,445	1,302	870	2,173	-	(4,302)
Interest in investments held by Ascension Health Alliance	12,739	2,929	12,846	13,999	42,555	2	-
Trustee-held funds	165	55	-	37	-	-	-
Restricted funds	102	2,261	7	52	-	-	-
Other long-term investments	-	-	-	-	-	-	-
Property and equipment, net	25,223	46,328	3,948	22,050	4,769	-	-
Other assets:							
Investment in unconsolidated entities	-	-	-	-	-	-	(53,942)
Other	1,032	6	1	248	1,836	-	(6,712)
Total other assets	1,032	6	1	248	1,836	-	(60,654)
Total assets	\$ 42,927	\$ 54,022	\$ 18,104	\$ 37,256	\$ 51,313	\$ 2	\$ (64,956)

See accompanying notes.

Alexian Brothers Health System Obligated Group
Obligated Group Consolidating Balance Sheet (continued)

	Alexian Brothers Consolidated Obligated Group	Alexian Brothers Health System	Alexian Brothers Hospital Network	Alexian Brothers Medical Center	St. Alexius Medical Center	Alexian Brothers Behavioral Health Hospital	Savelli Properties Inc.
Liabilities and net assets							
Current liabilities:							
Current portion of long-term debt	\$ 9,618	\$ 9,618	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	125,168	39,755	18,585	23,114	31,264	4,624	509
Estimated third-party payor settlements	85,199	-	-	47,428	33,233	3,024	-
Other	5,969	(178,098)	129,345	33,027	20,666	-4,829	714
Total current liabilities	225,954	(128,725)	147,930	103,569	85,163	12,477	1,223
Noncurrent liabilities:							
Long-term debt	491,619	491,619	-	-	-	-	-
Self-insurance liabilities	28,096	7	-	16,174	9,768	1,901	7
Pension and other postretirement liabilities	21,508	16,789	-	-	-	-	-
Deferred accommodation fees and deposits	45,569	-	-	-	-	-	-
Other	9,468	4,562	-	4,898	-	-	-
Total noncurrent liabilities	596,260	512,977	-	21,072	9,768	1,901	7
Total liabilities	822,214	384,252	147,930	124,641	94,931	14,378	1,230
Net assets:							
Unrestricted	355,087	(298,000)	(16,967)	246,493	296,045	34,818	11,304
Temporarily restricted	12,685	5,543	-	4,047	1,076	95	-
Permanently restricted	1,427	-	-	929	-	-	-
Total net assets	369,199	(292,457)	(16,967)	251,469	297,121	34,913	11,304
Total liabilities and net assets	\$ 1,191,413	\$ 91,795	\$ 130,963	\$ 376,110	\$ 392,052	\$ 49,291	\$ 12,534

See accompanying notes.

124

Alexian Brothers Health System Obligated Group
Obligated Group Consolidating Balance Sheet (continued)

	Alexian Village of Milwaukee Inc.	Alexian Village of of Tennessee	Alexian Brothers Landsdowne Village	Alexian Brothers Sherbrooke Village	Alexian Brothers Community Services	Alexian Brothers San Jose Inc.	Eliminations
Liabilities and net assets							
Current liabilities:							
Current portion of long-term debt	\$ -	\$ 39	\$ -	\$ -	\$ -	\$ -	\$ (39)
Accounts payable and accrued liabilities	1,757	2,419	655	787	3,287	-	(1,588)
Estimated third-party payor settlements	-	-	-	-	1,514	-	-
Other	195	1,059	71	83	4,759	(1,294)	(9,387)
Total current liabilities	1,952	3,517	726	870	9,560	(1,294)	(11,014)
Noncurrent liabilities:							
Long-term debt	-	-	-	-	-	-	-
Self-insurance liabilities	49	49	56	47	38	-	-
Pension and other postretirement liabilities	-	-	-	-	-	4,719	-
Deferred accommodation fees and deposits	16,092	29,470	-	-	7	-	-
Other	-	8	-	-	-	-	-
Total noncurrent liabilities	16,141	29,527	56	47	45	4,719	-
Total liabilities	18,093	33,044	782	917	9,605	3,425	(11,014)
Net assets:							
Unrestricted	24,732	18,717	17,315	36,287	41,708	(3,423)	(53,942)
Temporarily restricted	69	1,796	7	52	-	-	-
Permanently restricted	33	465	-	-	-	-	-
Total net assets	24,834	20,978	17,322	36,339	41,708	(3,423)	(53,942)
Total liabilities and net assets	\$ 42,927	\$ 54,022	\$ 18,104	\$ 37,256	\$ 51,313	\$ 2	\$ (64,956)

See accompanying notes.

125

Alexian Brothers Health System Obligated Group

Obligated Group Consolidated Statement of Operations and Changes in Net Assets

Six-Month Period Ended June 30, 2012

	Alexian Brothers Consolidated Obligated Group	Alexian Brothers Health System	Alexian Brothers Hospital Network	Alexian Brothers Medical Center	St. Alexius Medical Center	Alexian Brothers Behavioral Health Hospital	Savill Properties Inc.	Alexian Village of Milwaukee Inc.	Alexian Village of Tennessee	Alexian Brothers Landstone Village	Alexian Brothers Sherbrooke Village	Alexian Brothers Community Services	Alexian Brothers San Jose Inc.	Eliminations
(Operating revenue)														
Net patient and resident service revenue	\$ 464,810	\$ -	\$ -	\$ 232,554	\$ 166,093	\$ 34,341	\$ -	\$ 11,418	\$ 11,004	\$ 5,703	\$ 5,723	\$ 476	\$ -	\$ (3,166)
Capital revenue	18,997	-	-	491	460	324	-	-	-	-	-	17,762	-	-
Other revenue	14,508	19,062	50,316	3,704	2,644	2,152	1,403	402	521	11	27	790	-	(66,617)
Net assets released from restrictions for operations	426	-	-	144	56	16	-	15	125	5	5	-	-	-
Total operating revenue	498,721	19,062	50,316	235,093	169,853	36,834	1,403	11,833	11,520	5,781	5,733	19,048	-	(66,782)
Operating expenses														
Salaries and wages	183,331	10,007	15,338	72,092	53,476	16,756	-	4,908	4,276	2,291	2,326	3,235	-	(1,946)
Employee benefits	43,169	4,939	6,465	17,416	12,259	2,654	-	1,171	1,279	445	446	1,363	13	(4,263)
Purchased services	9,438	1,227	6,242	9,012	1,699	411	5	183	-	-	-	43	1	(9,317)
Professional fees	39,955	842	2,756	13,333	16,243	3,476	25	1,629	1,224	1,224	622	7,728	-	(9,377)
Supplies	72,650	139	479	41,995	22,929	602	-	1,116	1,246	614	521	1,214	-	-
Insurance	10,855	76	9	5,657	2,863	650	8	131	150	98	99	135	-	-
Plant debts	20,216	-	219	10,391	3,090	924	130	48	34	33	25	20	-	-
Interest	7,244	(2,495)	-	5,644	3,396	528	-	32	44	-	-	33	-	-
Depreciation and amortization	21,835	746	5,242	7,728	2,115	445	283	590	908	234	383	289	-	-
Other	20,759	2,850	9,178	39,094	31,847	7,845	1,124	1,078	1,441	372	555	782	-	(44,780)
Total operating expenses before restructuring costs	461,323	18,331	42,902	224,482	136,641	34,284	1,927	10,868	10,737	3,323	4,247	12,246	14	(69,783)
Income (loss) from operations before restructuring costs	37,398	731	5,414	12,611	11,208	2,652	(194)	969	783	208	1,098	1,902	(14)	-
Restructuring costs	3,615	-	3,015	-	-	-	-	-	-	-	-	-	-	-
Income (loss) from operations	33,783	731	2,399	12,611	11,208	2,652	(194)	969	783	208	1,098	1,902	(14)	-
Nonoperating gains (losses)														
Investment returns	179	(170)	-	243	0	-	1	(0)	8	3	46	(9)	-	-
Other	(139)	-	-	(35)	(124)	-	-	-	-	-	-	-	-	-
Total nonoperating gains (losses) net	40	(170)	-	208	(124)	-	1	(0)	8	3	46	(9)	-	-
Excess (deficit) of revenues and gains over expenses and losses	33,823	561	2,399	13,139	11,147	2,652	(193)	962	791	211	1,054	1,603	(14)	-
Other changes in unrestricted net assets														
Provision and other postretirement liability adjustments	(3,373)	(2,639)	-	-	-	-	-	-	-	-	-	-	-	(234)
Transfers from (to) sponsor and other affiliates, net	10,845	(105,066)	-	(2,026)	76,449	8,334	-	7,700	13,400	-	-	-	-	-
Net assets released from restrictions for property acquisitions	73	-	-	24	51	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in unrestricted net assets	\$ 40,968	\$ (107,344)	\$ 2,399	\$ 21,191	\$ 87,627	\$ 8,286	\$ (191)	\$ 8,663	\$ 14,191	\$ 211	\$ 1,054	\$ 1,603	\$ (240)	\$ -

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

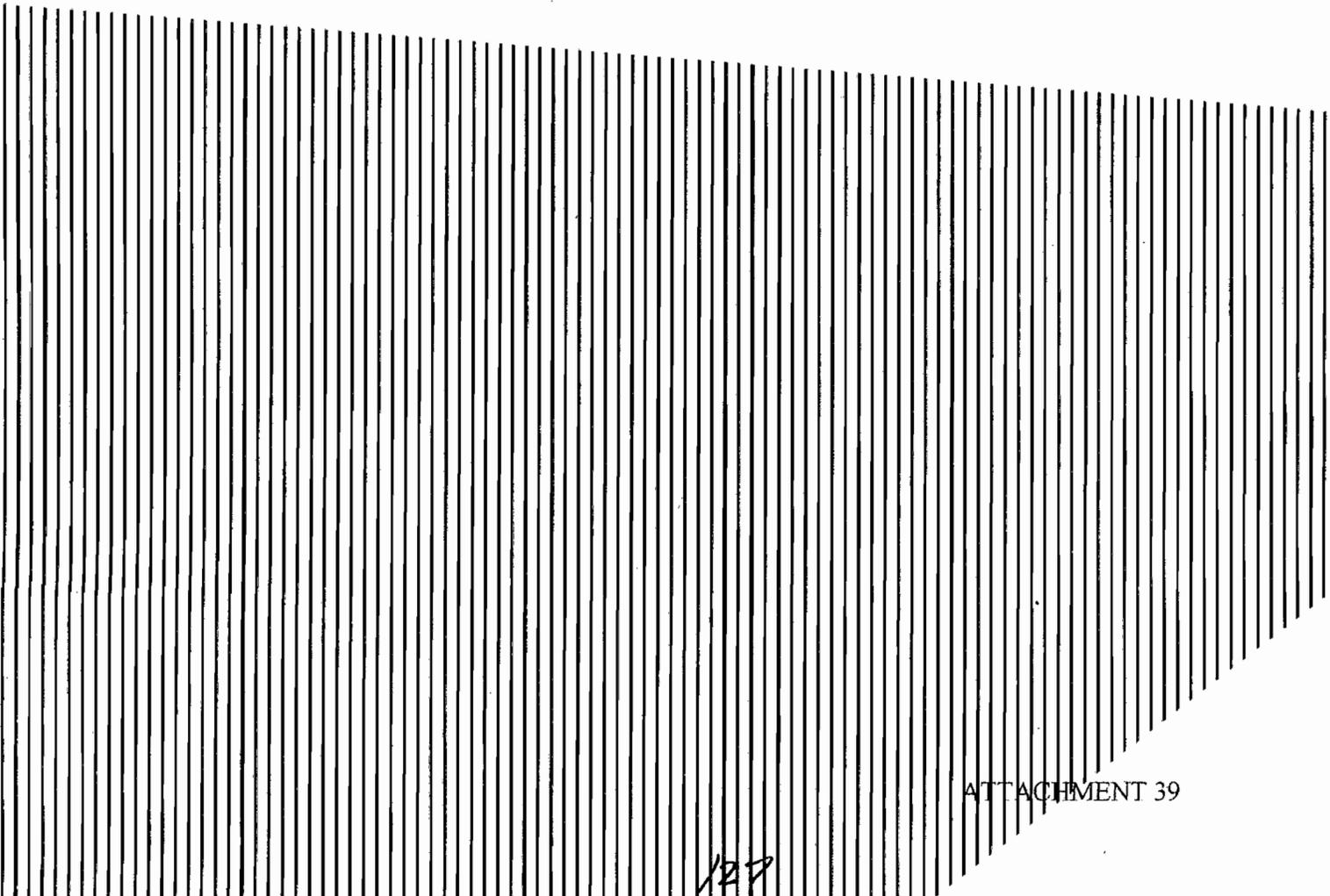
Ernst & Young is a global leader in assurance, tax, transaction and advisory services.

Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity.

Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.





ALEXIAN
BROTHERS
HEALTH SYSTEM

August 28, 2013

Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

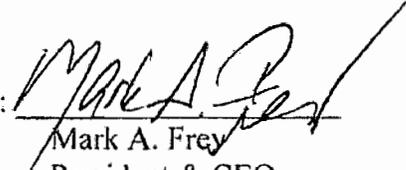
Re: Establishment of an Acute Mental Illness Unit at Alexian Brothers Medical Center

To Whom It May Concern:

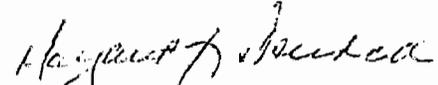
I hereby attest that:

- the proposed establishment of an acute mental illness unit at Alexian Brothers Medical Center will be funded through cash, and that no debt financing is to be used; and
- applicant Alexian Brothers Health System maintains sufficient cash and short-term securities to fund this project.

By:


Mark A. Frey
President & CEO

Title: _____

Notarized: 



ATTACHMENT 42A

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A		B		C		D		E		F		G		H		Total Costs (G + H)	
	New	Cost/Sq. Foot	Mod.		New	DGSF	Circ.		Mod.	DGSF	Circ.		Const. \$ (A x C)	Mod. \$ (B x E)				
Reviewable																		
AMI		\$	85.01						8.870						\$	754,000	\$	754,000
contingency		\$	8.46												\$	75,000	\$	75,000
TOTAL		\$	93.46						8.870						\$	829,000	\$	829,000

129

PROJECTED OPERATING AND CAPITAL COSTS
per ADJUSTED PATIENT DAY

Adjusted Patient Days: \$ 222,873,000
 \$ 2,129 104,674

Operating Expense per Adjusted Patient Day:

	AMI	Hospital
salaries/benefits	\$ 23.75	\$ 1,601.10
medical supplies	\$ 2.42	\$ 578.03
TOTAL	\$ 26.17	\$ 2,179.13

Capital Expense per Adjusted Patient Day: \$ 219.68

SAFETY NET IMPACT STATEMENT

Alexian Brothers Medical Center (ABMC), as is the case with Alexian Brothers Health System's (ABHS) other hospitals and programs, is a safety net provider. Despite its suburban location, ABMC provided services to nearly 3,000 patients without any charge in 2012, and provided services to an additional 55,400 Medicaid recipients. Patients are not turned away due to a lack of financial resources.

Somewhat unique to ABHS is the manner in which it develops and supports community-based facilities, programs and services, consistent with the Alexian Brothers values of compassion, dignity of the person, care of the poor, holism and partnership. These programs, none of which are self-sufficient, are subsidized by ABMC and ABHS's other two hospitals through ABHS, and provide services throughout the metropolitan Chicago area. Examples of the safety net programs that are subsidized are:

Bonaventure House and The Harbor

Bonaventure House was founded in the 1980s in Chicago's Lakeview community, and The Harbor was established in Waukegan in 1998. These two residential facilities are the only two state-licensed recovery homes for men and women living with HIV/AIDS. The facilities offer 24/7 staffing, case management services, occupational therapy, holistic spiritual care, after care, and recovery care for those in need of assistance in maintaining sobriety. Requirements for residency include a diagnosis of HIV/AIDS, homelessness or a risk of becoming homeless, and 90 days of maintained sobriety with a commitment to remain sober.

Bettendorf Place

Bettendorf Place is located on the South side of Chicago, and provides semi-permanent supportive housing for men and women with qualifying disabilities. The facility provides 23 furnished studio apartments, common meeting and laundry spaces, counseling offices, and a technology learning center. The requirements for Bettendorf Place residency are the presence of

a qualifying chronic disease, and some source of limited income. The expected outcome for all residents is that they will transition into permanent housing with stable health.

Case management, occupational therapy, holistic spiritual care and access to the computer lab/technology learning center are made available to community residents, as well as those living in Bettendorf Place.

Alexian Center for Mental Health

A community mental health center, providing outpatient services to the residents of the northwest suburbs has been in operation since 1962. The center, which was publically-funded and operated under a number of names as it evolved, was on the brink of closing in 1997 due to insufficient funding. Understanding the need for the center's programming, and particularly the need presented by the lower income component of the area's population, ABHS acquired the center, and in 2004 centralized services in Arlington Heights. Since assuming responsibility for the community-based center, ABHS has expanded the center's programmatic base and received JCAHO accreditation. Among the programs offered through the center are: partial/day hospitalization, age group-specific outpatient therapy, psychosocial rehabilitation, case management, and a transitional housing program.