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Via Federal Express

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Department of Public Health
Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Update on Holy Cross Hospital Project No. 13-076

Dear Mr. Constantino:

This letter follows Polsinelli PC's March 17, 2014 letter providing comments to the Holy Cross Hospital ("HCH") application to establish a new 50-bed acute mental illness ("AMI") unit. Subsequent to the submission of our March 17, 2014 letter, Sinai Health System ("SHS") submitted its 2013 audited financial statements to the Illinois Health Facilities and Services Review Board (the "CON Board"). As you know, SHS does not have outstanding bonds that are "A" rated or better. Thus, it has submitted financial statements as required by the CON Board's rules.

The SHS 2013 audited financial statements do not demonstrate the proposed project is financially viable. Even in the absence of the proposed \$8.8 million expenditure, the SHS most recent financial statement are a reflection of the struggles that it faces as an inner-city safety net provider. Given other safety net providers offer a viable alternative in the communities HCH and Mt. Sinai Hospital serve for caring for patients suffering from mental illness who require inpatient admission, it is clear the proposed HCH inpatient behavioral health unit is not the best use of SHS's scarce financial resources.

The latest SHS financial statements provide further evidence of why the CON Board should not approve the pending project. Funding the project from cash reserves would deplete the vast majority of its cash reserves.

1. Availability of Funds (Criterion 1120.120(a))

The applicants propose to fund the proposed HCH AMI unit entirely with cash. The 2013 SHS audited financial statements show a balance of cash and cash equivalents of approximately \$11 million. While the applicants technically had sufficient cash on hand on June 30, 2013 to fund the project, the financial statements are nearly nine months old. Importantly, historical financial statements, which are a snapshot in time, are not indicative of an applicant's current ability to fund a project. Given the applicants' low cash reserves, the CON Board should request a letter from the financial institutions where they have their accounts to document sufficient funds are currently available to fund the project prior to consideration of this application.

2. Financial Viability (Criterion 1120.13(b))

As noted in our March 17, 2014 letter, the applicants technically qualify for the financial viability waiver due to the purported funding of the project with cash. The CON Board should not approve a project that would so deplete SHS's cash reserves. As shown in Attachments 1 and 2, the financial position of SHS did not improve from 2012 to 2013. In fact, as of June 30, 2013, SHS's current ratio, which is a measure of an organization's ability to pay its short-term obligations, fell to 0.96. A current ratio less than 1 suggests SHS may have difficulty meeting its ongoing financial obligations if the proposed project is approved. Additionally, three of the six financial viability ratios worsened in 2013 (Net Margin Percentage, Projected Debt Service Coverage and Cushion Ratio). Assuming SHS's financial performance does not significantly change in 2014, the \$8.8 million in cash proposed to fund the HCH AMI unit will further deplete SHS's reserves and worsen its financial position. Importantly, cash on hand would be reduced from 10 days to 2 days, which could jeopardize SHS's ability to fund operations. Accordingly, the CON Board should consider whether the proposed project is the most prudent use of SHS's scarce financial resources.

Thank you for consideration of our comments to the Holy Cross Hospital CON application.

Sincerely,



Anne M. Cooper

AMC
Attachments

Attachment – 1

Consolidated Sinai Health System & Holy Cross Hospital
Financial Viability Ratios
2012-2013
(Dollars in Thousands)

	Standard	2013	Standard Met	2012	Standard Met
Current Ratio					
Current Assets	>2	\$119,742	No	\$94,097	No
Current Liabilities		\$124,609		\$92,407	
			0.96	1.02	
Net Margin Percentage					
Net Income*	>3%	(\$17,205)	No	(\$2,468)	No
Net Revenue		\$401,477		\$359,064	
			-4.3%	-0.7%	
Long Term Debt to Capitalization					
Long-Term Debt	<50%	\$90,496	Yes	\$98,023	No
Long-Term Debt + Net Assets		\$206,776		\$112,761	
			43.8%	86.9%	
Projected Debt Service Coverage					
Net Income* + Depreciation + Interest + Amortization	>2.5	\$3,784	No	\$15,998	Yes
Principal Payments + Interest		\$80,684		\$2,449	
Days Cash on Hand					
Cash + Investments + Board Designated Funds	>75 days	\$11,011	No	\$8,851	No
Operating Expenses - Depreciation		\$401,763/365 days	10 days	\$347,818/365 days	9 days
Cushion Ratio					
Cash + Investments + Board Designated Funds	>7.0	\$11,011	No	\$8,851	No
Principal Payments + Interest		\$80,684		\$2,449	

* Excludes \$115 million inherent contribution received in acquisition of Holy Cross Hospital

Attachment – 2
**Impact of Proposed Project on Consolidated Sinai Health System Financial Statements
Financial Viability Ratios
2013
(Dollars in Thousands)**

	Standard	2013	Standard Met
Current Ratio			
Current Assets	>2	\$110,942	No
Current Liabilities		\$124,609	
Net Margin Percentage			
Net Income*	>3%	(\$17,205)	No
Net Revenue		\$401,477	
Long Term Debt to Capitalization			
Long-Term Debt	<50%	\$90,496	Yes
Long-Term Debt + Net Assets		\$206,776	
Projected Debt Service Coverage			
Net Income* + Depreciation + Interest + Amortization	>2.5	\$3,784	No
Principal Payments + Interest		\$80,684	
Days Cash on Hand			
Cash + Investments + Board Designated Funds	>75 days	\$2,211	No
Operating Expenses - Depreciation		\$401,763/365 days	
Cushion Ratio			
Cash + Investments + Board Designated Funds	>7.0	\$2,211	No
Principal Payments + Interest		\$80,684	

* Excludes \$115 million inherent contribution received in acquisition of Holy Cross Hospital