

ORIGINAL

14-032

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

JUL 11 2014

This Section must be completed for all projects.

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Facility/Project Identification

Facility Name: St. Bernard Hospital Ambulatory Care Center / Physicians Office Building
Street Address: 326 W. 64 th Street (campus address)
City and Zip Code: Chicago, Illinois 60621
County: Cook Health Service Area 6 Health Planning Area: A-03

Applicant /Co-Applicant Identification

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

Exact Legal Name: St. Bernard Hospital
Address: 326 W. 64 th Street, Chicago, Illinois 60621
Name of Registered Agent: Charles Alan Holland
Name of Chief Executive Officer: Charles Holland
CEO Address: 326 W. 64 th Street, Chicago, Illinois 60621
Telephone Number: 773-962-4100

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)

Name: Guy R. Alton
Title: Chief Financial Officer
Company Name: St. Bernard Hospital
Address: 326 W. 64 th Street, Chicago, Illinois 60621
Telephone Number: 773-962-4073
E-mail Address: guyalton@stbh.org
Fax Number: 773-962-9276

Additional Contact

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

Name: Edwin W. Parkhurst, Jr.
Title: Managing Principal
Company Name: PRISM Healthcare Consulting
Address: 800 Roosevelt Road, Building E, Suite 110
Telephone Number: 630-790-5089
E-mail Address: eparkhurst@consultprism.com
Fax Number: 630-790-2696

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: Guy R. Alton
Title: Chief Financial Officer
Company Name: St. Bernard Hospital
Address: 326 W. 64 th Street, Chicago, Illinois 60621
Telephone Number: 773-962-4073
E-mail Address: guyalton@stbh.org
Fax Number: 773-962-9276

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: St. Bernard Hospital
Address of Site Owner: 326 W. 64 th Street, Chicago, Illinois 60621
Street Address or Legal Description of Site: 326 W. 64 th Street, Chicago, Illinois 60621
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 <u>ATTACHMENT-2</u> , 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: St. Bernard Hospital
Address: 326 W. 64 th Street, Chicago, Illinois 60621
<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 <u>ATTACHMENT-3</u> , 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

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.

St. Bernard Hospital (SBH) proposes to construct a free-standing three-level ambulatory care / medical office building (ACC/MOB) on the Hospital Campus at 326 West 64th Street, Chicago, Illinois, 60621. The proposed project will also include certain site improvements to provide the required parking, compliance with the City of Chicago zoning requirements, and the underlying Hospital Campus Planned Unit Development (PUD) requirements, as have been approved.

The proposed 70,267 bgsf ACC/POB will cost in the \$33.2 M range and include approximately 19,355 sq. ft. of space for select ancillary services and hospital-based clinics, 21,900 sq. ft. of leasable physician office space, 6,125 sq. ft. of shell space for future use, plus requisite support and mechanical spaces. In part, the project rationale is based on St. Bernard's need to respond to the changing health delivery system emphasizing ambulatory care, providing an alternative delivery model to those seeking emergency room services for primary care, and providing facilities to encourage specialists necessary to correct local in-market physician shortages.

The ACC/POB, expected to open in 2016, will house many services already available, but for which the Hospital has very limited space. Anticipated services include diagnostic imaging, non-invasive cardiology, physical therapy services, and laboratory specimen collection. Select Hospital sponsored clinics such as a women's wellness clinic, orthopaedic clinic, and specialty care clinic will also be relocated to the facility. A new Walk-in Clinic will be developed to facilitate local access to needed healthcare services.

The proposed project is non-substantive, by definition, in that it will not: 1) construct a new healthcare facility on a new site, 2) propose a new or discontinue a category of service, nor 3) change the Hospital's bed capacity. The Project proposes to develop ambulatory related health services in a free-standing, Hospital Campus based, ACC/POB building.

There is strong support from the Englewood Community as indicated by the various support letters, as well as the City of Chicago, for this much needed project to enhance local access to healthcare services on Chicago's medically underserved South Side.

Support Letters

DISTRICT OFFICE:
4926 SOUTH ASHLAND
CHICAGO, IL 60609
773-925-6380
FAX: 773-925-6384

Email: esthergolar@sbcglobal.net

SPRINGFIELD OFFICE:
248-W STRATTON BLDG.
SPRINGFIELD, IL 62706
217-782-5971
FAX: 217-558-6370



ESTHER GOLAR
STATE REPRESENTATIVE - 6TH DISTRICT

**COMMITTEES
MEMBER:**

- ILLINOIS LEGISLATIVE
BLACK CAUCUS-
HOUSE CHAIRPERSON
- PUBLIC POLICY &
ACCOUNTABILITY FOR
EDUCATION-CHAIRPERSON
- DISABILITY SERVICES-
VICE-CHAIRPERSON
- JUDICIARY II CRIMINAL LAW
(SUBCOMMITTEE ON
GANG CRIMES)
- ELEMENTARY & SECONDARY
EDUCATION (SUBCOMMITTEE
ON ACCOUNTABILITY)
- HEALTH CARE AVAILABILITY
AND ACCESS
- MEDICAID REFORM

June 27, 2014

Courtney Avery
Administrator
Health Facilities and Services Review Board
525 W. Jefferson Street
Springfield, IL 62761

Dear Ms. Avery,

The need for expanded access to health care in Chicago's underserved neighborhoods continues to rise. Outpatient ambulatory care is the key driver in demand for health care services. St. Bernard Hospital in Chicago's Englewood neighborhood proposes to build a 70,000 sq. ft. ambulatory care center on its hospital campus. I ask that you approve the project as its success will improve access to care to meet the needs of constituents.

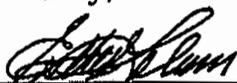
The need for health care services in this community has been well documented. In 2012, St. Bernard Hospital contracted a third-party firm to conduct a community needs assessment (CNA). The results of the CNA were the basis for developing the new facility. Anticipated services include select Hospital sponsored clinics such as a walk-in clinic, women's wellness clinic, and specialty care clinic. An outpatient pharmacy is also proposed, as well as space for physician offices.

Englewood faces higher rates of poverty and unemployment than some of its surrounding neighborhoods. I cannot overstate the need for economic development in the community. Along with reducing blight in the neighborhood, St. Bernard's Ambulatory Care Center will raise the profile of an area working to make a turnaround.

As a safety-net provider, St. Bernard serves a disproportionate number of poor and indigent patients — many of whom use the emergency room for primary care. The Ambulatory Care Center will help reduce costs to city and county health care systems and increase access health care services.

Again, I ask that you support the St. Bernard Hospital proposed project. Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Esther Golar", written over a horizontal line.

State Representative Esther Golar- 6th District



WILLIE B. COCHRAN
ALDERMAN, 20TH WARD

6357 SOUTH COTTAGE GROVE AVENUE
CHICAGO, ILLINOIS 60637
TELEPHONE (773) 955-5610
FAX: (773) 955-5612

CITY COUNCIL-CITY OF CHICAGO
CITY HALL, ROOM 300
121 NORTH LA SALLE STREET
CHICAGO, ILLINOIS 60602
TELEPHONE 312-744-6840

E-MAIL: WILLIE.COCHRAN@CITYOFCHICAGO.ORG

COMMITTEE MEMBERSHIPS

AVIATION
BUDGET
COMMITTEES, RULES & ETHICS
ECONOMIC, CAPITAL AND TECHNOLOGY
DEVELOPMENT
FINANCE
HEALTH AND ENVIRONMENTAL PROTECTION
LICENSE AND CONSUMER PROTECTION

June 26, 2014

Courtney Avery
Administrator
Health Facilities and Services Review Board
525 W. Jefferson Street
Springfield, IL 62761

Dear Ms. Avery,

As the Alderman of the 20th Ward, I fully support St. Bernard Hospital's plan to build an ambulatory care facility on 63rd Street between Harvard Avenue and Stewart Avenue. The south side of Chicago faces a critical lack of access to health care and St. Bernard Hospital's proposal to build a 70,000 sq. ft. ambulatory care center on its Englewood hospital campus would deliver much needed service to area residents. I ask that you approve the project as I am confident it will positively impact our community through local employment opportunities, as well as by helping expand access to health care.

St. Bernard hopes to break ground on the project in the fall of 2014 with completion expected by Spring/Summer 2016. The expansion will allow many services already available at St. Bernard Hospital the space needed to meet the demand of the newly insured and expanded Medicaid populations covered under the Affordable Care Act. The Hospital plans to relocate services burdened by space limitations such as diagnostic imaging, cardiology, and physical therapy services, and the Hospital sponsored walk-in clinic, women's wellness clinic, and specialty care clinic to the new Center. Physician offices and a pharmacy are also planned.

Englewood faces higher rates of poverty and unemployment than some of its surrounding neighborhoods. I cannot overstate the need for economic development in the community. Along with reducing blight in the neighborhood, St. Bernard's Ambulatory Care Center will raise the profile of an area working to make a turnaround.

As a safety-net provider, St. Bernard serves a disproportionate number of poor and indigent patients — many of whom use the emergency room for primary care. The Ambulatory Care Center will help reduce costs to the health care system and increase access health care services. Please approve the St. Bernard Hospital CON. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Willie B. Cochran". The signature is fluid and cursive, with a large initial "W" and "B".

Willie B. Cochran
Alderman, 20th Ward

Teamwork Englewood

Investing in Our Community Through Partnership, Pride, and Persistence

815 West 63rd Street, Chicago, IL 60621
(773) 488-6612 (773) 488-6601 (Fax)
www.teamworkenglewood.org



June 27, 2014

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

Dear Ms. Avery,

Teamwork is a community development organization that has been working to improve the overall well being of the Englewood community for over 10 years. St. Bernard Hospital is a community institution that has committed itself to the health care of our residents for more than 110 years. Over the years they have expanded services, as well as built affordable housing to support this community. Located in a historically underserved neighborhood, I ask that you approve this project to bring vitally needed health care services to this community.

An economically disadvantaged community, I know very well the acute need for access to health care services in Englewood. A safety-net hospital, St. Bernard's mission has always been to serve the poor and powerless of which there are many in Englewood. When they saw a need for dental services they created a Dental Center, recognizing the high rate of infant and maternal mortality they created a Prenatal Women's Wellness Clinic. Over the years, when there has been a need in this community the hospital has stepped up to offer is continued support.

The proposed Ambulatory Care Center is not only necessary, but also long overdue. Please approve the new ambulatory care building at St. Bernard Hospital. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Willard Payton". The signature is fluid and cursive.

Willard Payton
Board Chairman

BOARD MEMBERS
Pastor St. John Chisum
Pastor Leon Jenkins, Jr.
Pastor Willard Payton
Minister Rahim Aton
Bishop James Dukes
Pastor Leonard DeVille
Pastor Evelyn Massey, Emeritus.
Pastor Elaine Bryant, Emeritus

PASTORS OF ENGLEWOOD

1500 West 69th Street
Chicago, Illinois 60636
773 - 776 - 3134

June 27, 2014

Courtney Avery
Administrator
Health Facilities and Services Review Board
525 W. Jefferson Street
Springfield, IL 62761

Dear **Ms. Avery**,

I represent the Pastors of Englewood, a consortium of churches serving the Englewood community. Our neighbors face serious health disparities due to high rates of poverty, lack of employment opportunities and adequate access to health care. St. Bernard Hospital plans to build an ambulatory care center on its hospital campus. The services provided in this 70,000 sq. ft. facility represents greater stability and new jobs, but more importantly it will provide improved access to health care services. As someone who works toward the betterment of this community I ask you approve this project.

We need jobs for our residents, we need development for our neighborhood and we need more medical services. There is very little new construction in our community, as a matter of fact the space where the new building will be located has been vacant for more than 30 years. Our people deserve an up-to-date medical facility like other Chicagoans. Please approve the St. Bernard's new facility. Thank you.

Sincerely,

Elder Willard Payton

Elder Willard Payton
Co-Chairman, Pastors of Englewood

ST. BERNARD HOSPITAL AND HEALTH CARE CENTER

326 WEST 64TH STREET, CHICAGO, ILLINOIS 60621
TELEPHONE 773.962.3900 FACSIMILE 773.602.3849

June 25, 2014

Courtney Avery
Administrator
Health Facilities and Services Review Board
525 W. Jefferson Street
Springfield, IL 62761

Dear Ms. Avery,

Through many years of service to residents of Englewood I am acutely aware of the challenges facing the community. As a primary care physician I see firsthand the need for expanded health care services on the South Side of Chicago. There are a number of services for which patients are forced to travel far outside their neighborhoods for treatment or face crowded wait rooms in aging facilities. St. Bernard Hospital's plan to build a 70,000 sq. ft. ambulatory care center is exactly the kind of support this community needs. As someone working to reduce disparities in health care I ask that you approve the St. Bernard Hospital CON.

A safety-net hospital, St. Bernard's mission has always been to serve the poor and powerless of which there are many in Englewood. In the fast changing world of health care it is more important than ever for providers to position themselves to serve the expanded Medicaid population. Working to build collaborative relationships with both health and social service agencies in the area is expected to bring down the cost of health care for the state and deliver better overall health care.

The physicians of the medical staff at St. Bernard Hospital are in unanimous agreement that this facility is necessary for us to better serve this community. Frankly, the planned facility is long overdue, please approve the St. Bernard Hospital CON. Thank you.

Sincerely,


Jean-Wilson Muscadin, M.D.
Medical Staff President



SERVING OUR COMMUNITY SINCE 1904 • SPONSORED BY THE RELIGIOUS HOSPITALIERS OF SAINT JOSEPH



Healthcare for the entire family

June 25, 2014

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

Dear Ms. Avery,

Managing a Federally Qualified Community Health Center in the Greater Englewood community located on the South Side of the City of Chicago, I am acutely aware of the challenges facing many of our communities. I see firsthand the need for expanded health care services on the South Side of Chicago, as well as the disparities in access to care available. St. Bernard Hospital's plan to build a 70,000 sq. ft. ambulatory care center is exactly the kind of support the South Side needs to begin to close the gaps in access to health care. As someone working to reduce disparities in health care, I ask that you approve the St. Bernard Hospital CON.

As a safety-net hospital, St. Bernard's mission is to serve the poor and powerless of which there are many in Englewood. In the fast changing world of health care, it is more important than ever for providers to position themselves to serve the expanded Medicaid population. In order to achieve these aims it is imperative that additional facilities be brought online as quickly as possible. The St. Bernard CON will do just that.

The expansion of services at St. Bernard is important to serving patients in their communities. There are a number of services for which low-income residents are forced to travel long distances outside of their neighborhoods for treatment or face crowded waiting rooms in aging facilities. The proposed Ambulatory Care Center is not only necessary, but long overdue. Please approve the St. Bernard Hospital CON. Thank you in advance for your consideration.

Sincerely,


Margie Johnson, MS
Executive Director

Phone: (773) 651-3629 ✚ Fax: (773) 651-9268

Beloved Community Family Wellness Center 6821 S. Halsted St. Chicago, Illinois 60621



BETTER HEALTH NETWORK

Where Better Care Means Better Health

326 West 64th Street, Chicago, IL 60621 - Tel: 773-896-2588

Website: www.betterhealthchicago.org

July 3, 2014

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

Dear Ms. Avery,

On behalf of Better Health Network (BHN), a new Accountable Care Entity (ACE) serving the south and west communities of Chicago and Cook County, we are pleased to support St. Bernard Hospital's plan to build a 70,000 sq. ft. ambulatory care center serving the needs of residents living on the South Side of Chicago. As a new health plan, we are acutely aware of the challenges in providing, accessible, comprehensive health care in many of our communities. St. Bernard Hospital, a vital BHN ACE primary member, has successfully addressed and served the health needs of this population. St. Bernard's Ambulatory Care Center is exactly the kind of facility the South Side needs to begin closing the gaps in access to health care. As someone working to reduce disparities in health care, I ask that you approve the St. Bernard Hospital CON.

A safety-net hospital, St. Bernard's mission is to serve the poor and powerless of which there are many in Englewood and the surrounding communities. In the fast changing world of health care it is more important than ever for providers to position themselves to serve the expanded Medicaid population. St. Bernard's decision to build an Ambulatory Care Center demonstrates their foresight in understanding the anticipated health needs of the population as well as their ongoing commitment to provide care to all in need. The new care center will enable Enrollees of Better Health Network to receive comprehensive care in one centralized location. Centralized, comprehensive care is one of our primary goals. In order to achieve these aims it is imperative that additional facilities be brought online as quickly as possible. The St. Bernard CON will do just that.

The expansion of services at St. Bernard is important to serving patients where they live. There are a number of services for which low-income residents are forced to travel far outside their neighborhoods for treatment or face crowded wait rooms in aging facilities. The proposed Ambulatory Care Center is not only necessary, it will also be a model of ambulatory health care, setting the standards for other providers to follow with its modern facility and state-of-the-art equipment, laboratory services and ancillary health and wellness programs.

Please approve the St. Bernard Hospital CON. Thank you.

Sincerely,

Cynthia A. Yannias
Executive Director
Better Health Network

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	\$ 24,263	\$ 65,600	\$ 89,863
Site Survey and Soil Investigation	10,982	29,693	40,675
Site Preparation	-0-	364,861	364,861
Off Site Work	-0-	-0-	-0-
New Construction Contracts	6,174,573	16,372,200	22,546,773
Modernization Contracts	-0-	-0-	-0-
Contingencies	617,457	1,637,220	2,254,677
Architectural/Engineering Fees	208,400	563,500	771,900
Consulting and Other Fees	154,420	417,514	571,934
Movable or Other Equipment (not in construction contracts)	3,891,686	-0-	3,891,686
Bond Issuance Expense (project related)	-0-	-0-	-0-
Net Interest Expense During Construction (project related)	-0-	-0-	-0-
Fair Market Value of Leased Space or Equipment	-0-	-0-	-0-
Other Costs To Be Capitalized	-0-	2,676,202	2,676,202
Acquisition of Building or Other Property (excluding land)	-0-	-0-	-0-
TOTAL USES OF FUNDS	\$ 11,081,781	\$ 22,126,790	\$ 33,208,571
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$ 11,081,781	\$ 22,126,790	\$ 33,208,571
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$ 11,081,781	\$ 22,126,790	\$ 33,208,571
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 Yes No
Purchase Price: \$ _____
Fair Market Value: \$ _____

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

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

Estimated start-up costs and operating deficit cost is \$ \$276,000.

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

None or not applicable Preliminary
 Schematics Final Working

Anticipated project completion date (refer to Part 1130.140): June 1, 2016

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

Purchase orders, leases or contracts pertaining to the project have been executed.
 Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
 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:

Cancer Registry
 APORS
 All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
 All reports regarding outstanding permits **NA**

Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the 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 <u>ATTACHMENT-9</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.							

Facility Bed Capacity and Utilization

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

FACILITY NAME: St. Bernard Hospital		CITY: Chicago, Illinois			
REPORTING PERIOD DATES: From: January 1, 2012 to: December 31, 2012					
Category of Service	Authorized Beds	Admissions	Patient Days ¹	Bed Changes	Proposed Beds
Medical/Surgical	126	5,152	22,361	0	126
Obstetrics	22	1,274	3,593	0	22
Pediatrics	12	71	201	0	12
Intensive Care ²	10	233	1,929	0	10
Comprehensive Physical Rehabilitation	0	0	0	0	0
Acute/Chronic Mental Illness	40	1,587	11,958	0	40
Neonatal Intensive Care	0	0	0	0	0
General Long Term Care	0	0	0	0	0
Specialized Long Term Care	0	0	0	0	0
Long Term Acute Care	0	0	0	0	0
Other ((identify)	0	0	0	0	0
TOTALS:	210	8,317	40,042	0	210

¹ Includes observation days.

2. Direct Admissions Only

Facility Bed Capacity and Utilization (Draft AHQ)

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: St. Bernard Hospital		CITY: Chicago, Illinois			
REPORTING PERIOD DATES: From: January 1, 2013 to: December 31, 2013					
Category of Service	Authorized Beds	Admissions	Patient Days ¹	Bed Changes	Proposed Beds
Medical/Surgical	126	4,480	20,237	0	126
Obstetrics	22	1,087	3,059	0	22
Pediatrics	12	57	137	0	12
Intensive Care ²	10	237	2,044	0	10
Comprehensive Physical Rehabilitation	0	0	0	0	0
Acute/Chronic Mental Illness	40	1,542	11,492	0	40
Neonatal Intensive Care	0	0	0	0	0
General Long Term Care	0	0	0	0	0
Specialized Long Term Care	0	0	0	0	0
Long Term Acute Care	0	0	0	0	0
Other ((identify))	0	0	0	0	0
TOTALS:	210	7,403	36,969	0	210

1. Includes observation days.

2. Direct Admissions Only

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 St. Bernard Hospital *
 in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application 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.

Guy R. Alton
 SIGNATURE

Guy R. Alton
 PRINTED NAME

Chief Financial Officer
 PRINTED TITLE

Charles Holland
 SIGNATURE

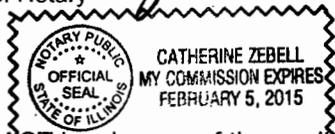
Charles Holland
 PRINTED NAME

Chief Executive Officer
 PRINTED TITLE

Notarization:
 Subscribed and sworn to before me
 this 8th day of July

Catherine Zebell
 Signature of Notary

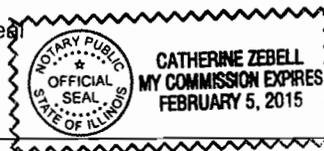
Seal



Notarization:
 Subscribed and sworn to before me
 this 8th day of July

Catherine Zebell
 Signature of Notary

Seal



*Insert EXACT legal name of the applicant

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

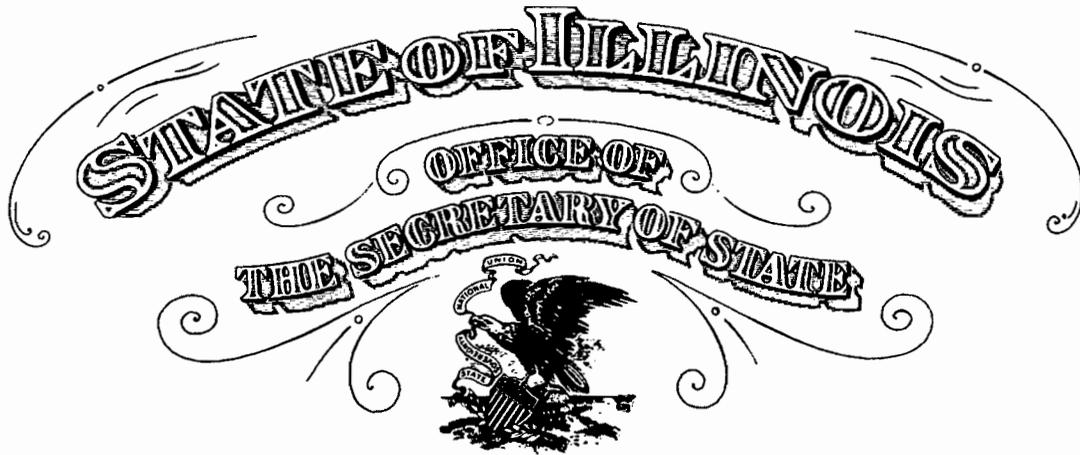
INDEX OF ATTACHMENTS (TO BE COMPLETED)		
ATTACHMENT NO.		PAGES
1	Applicant/Coapplicant Identification including Certificate of Good Standing	22 – 23
2	Site Ownership	24 – 27
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	28 – 30
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	31 – 32
5	Flood Plain Requirements	33 – 38
6	Historic Preservation Act Requirements	39 – 40
7	Project and Sources of Funds Itemization	41 – 43
8	Obligation Document if required	44
9	Cost Space Requirements	45 – 46
10	Discontinuation	NA
11	Background of the Applicant	47 – 52
12	Purpose of the Project	53 – 55
13	Alternatives to the Project	56 – 60
14	Size of the Project	61 – 67
15	Project Service Utilization	68 – 71
16	Unfinished or Shell Space	72
17	Assurances for Unfinished/Shell Space	73 – 74
18	Master Design Project	NA
19	Mergers, Consolidations and Acquisitions	NA
	Service Specific:	
20	Medical Surgical Pediatrics, Obstetrics, ICU	NA
21	Comprehensive Physical Rehabilitation	NA
22	Acute Mental Illness	NA
23	Neonatal Intensive Care	NA
24	Open Heart Surgery	NA
25	Cardiac Catheterization	NA
26	In-Center Hemodialysis	NA
27	Non-Hospital Based Ambulatory Surgery	NA
28	Selected Organ Transplantation	NA
29	Kidney Transplantation	NA
30	Subacute Care Hospital Model	NA
31	Children's Community-Based Health Care Center	NA
32	Community-Based Residential Rehabilitation Center	NA
33	Long Term Acute Care Hospital	NA
34	Clinical Service Areas Other than Categories of Service	75 – 86
35	Freestanding Emergency Center Medical Services	NA
	Financial and Economic Feasibility:	
36	Availability of Funds	87 – 88
37	Financial Waiver	89
38	Financial Viability	90
39	Economic Feasibility	91 – 93
40	Safety Net Impact Statement	94 – 96
41	Charity Care Information	97 – 104
Appendix A	Financials	105 – 132

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

Applicant /Co-Applicant Identification

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

Exact Legal Name: St. Bernard Hospital
Address: 326 W. 64 th Street, Chicago, Illinois 60621
Name of Registered Agent: Charles Alan Holland
Name of Chief Executive Officer: Charles Holland
CEO Address: 326 W. 64 th Street, Chicago, Illinois 60621
Telephone Number: 773-962-4100



To all to whom these Presents Shall Come, Greeting:

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

ST. BERNARD HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 27, 1904, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1416001226
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 9TH day of JUNE A.D. 2014 .

Jesse White

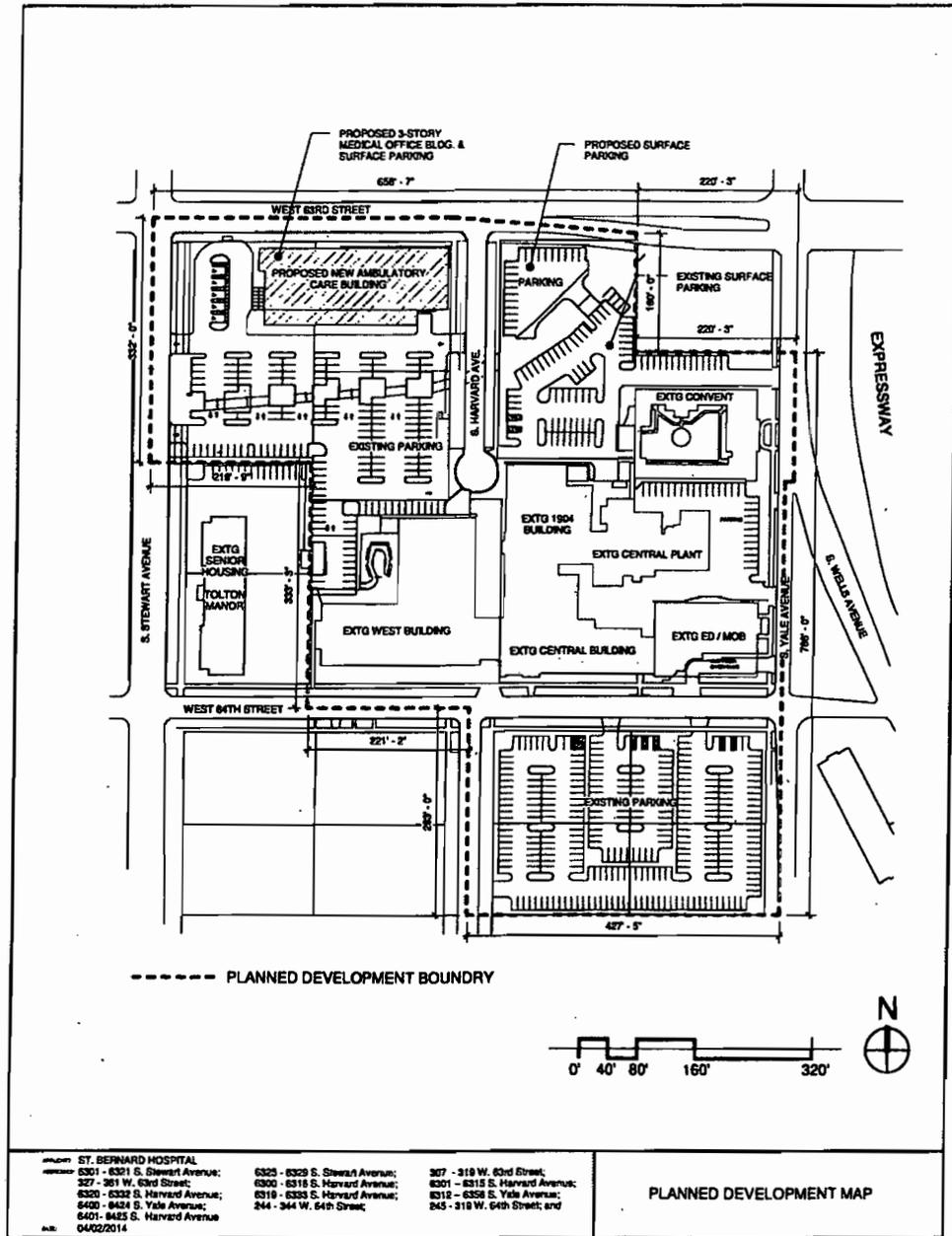
SECRETARY OF STATE

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: St. Bernard Hospital
Address of Site Owner: 326 W. 64 th Street, Chicago, Illinois 60621
Street Address or Legal Description of Site: 326 W. 64 th Street, Chicago, Illinois 60621
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 <u>ATTACHMENT-2</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.





COOK COUNTY ASSESSOR'S OFFICE

Joseph Berrios, Assessor

2011 Property List

Agency Number: 6419

Agency Name: ST BERNARD HOSPITAL

328 W 64TH ST, CHICAGO, IL 606210000

All exempt properties owned by the above agency are listed below. If any of the columns apply to a particular property, please check the appropriate blank and attach a completed Exempt Property Information Sheet for each property (make copies as necessary).

Basis For Exemption

The property is exempt from property taxes because it is owned by a Charitable Hospital and used exclusively for charitable purposes. (35 ILCS 200 / 15-65)

PIN	Ownership Changed	Use Changed	Property Leased/ Used By Others (New Lease)	Owner Change Of Address
20-18-106-008-0000				
20-21-200-001-0000				
20-21-200-002-0000				
20-21-200-003-0000				
20-21-200-004-0000				
20-21-200-005-0000				
20-21-200-016-0000				
20-21-200-017-0000				
20-21-200-018-0000				
20-21-200-019-0000				
20-21-200-020-0000				
20-21-200-021-0000				
20-21-200-022-0000				
20-21-200-023-0000				
20-21-201-002-0000				
20-21-201-003-0000				
20-21-201-007-0000				
20-21-201-008-0000				
20-21-201-010-0000				
20-21-201-013-0000				

Page 1 of 2

118 NORTH CLARK STREET, CHICAGO, IL 60602

PHONE: 312.443.7550 WEBSITE: WWW.COOKCOUNTYASSESSOR.COM



COOK COUNTY ASSESSOR'S OFFICE

Joseph Berrios, Assessor

2011 Property List

PIN	Ownership Changed	Use Changed	Property Leased/ Used By Others (New Lease)	Owner Change Of Address
20-21-201-014-0000				
20-21-201-015-0000				
20-21-205-001-0000				
20-21-205-002-0000				
20-21-205-003-0000				
20-21-205-004-0000				
20-21-205-005-0000				
20-21-205-006-0000				
20-21-205-015-0000				
20-21-205-018-0000				
20-21-205-019-0000				
20-21-205-020-0000				
20-21-205-027-0000				
20-21-205-028-0000				

118 NORTH CLARK STREET, CHICAGO, IL 60602
PHONE: 312.443.7550 WEBSITE: WWW.COORCOUNTYASSESSOR.COM

Operating Identity/Licensee

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

Exact Legal Name: St. Bernard Hospital

Address: 326 W. 64th Street, Chicago, Illinois 60621

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

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



**Illinois Department of
PUBLIC HEALTH**

HF104555

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.

**LaMar Hasbrouck, MD, MPH
Acting Director**

Issued under the authority of
the Illinois Department of
Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/2014		0002303

General Hospital

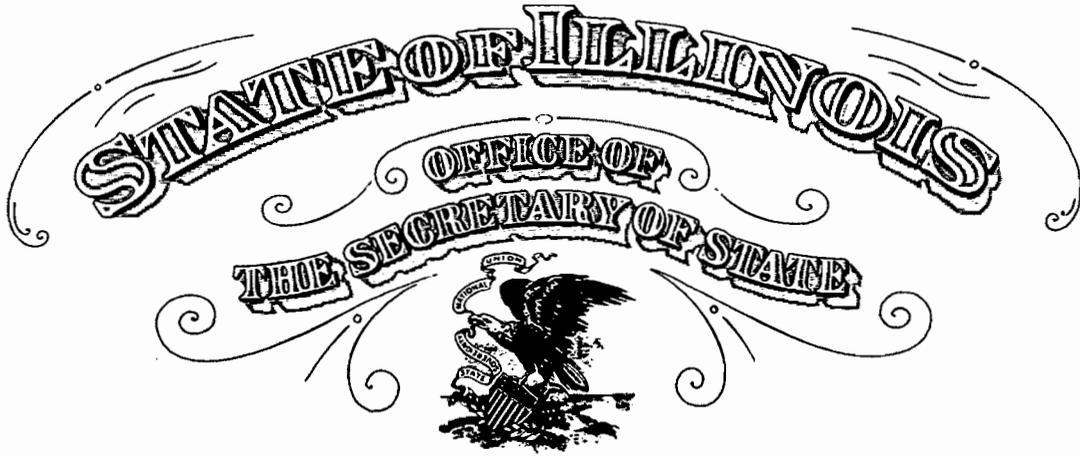
Effective: 01/01/14

St. Bernard Hospital

326 West 64th Street

Chicago, IL 60621

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10M 3/12



To all to whom these Presents Shall Come, Greeting:

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

ST. BERNARD HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 27, 1904, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1416001226
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 9TH day of JUNE A.D. 2014 .

Jesse White

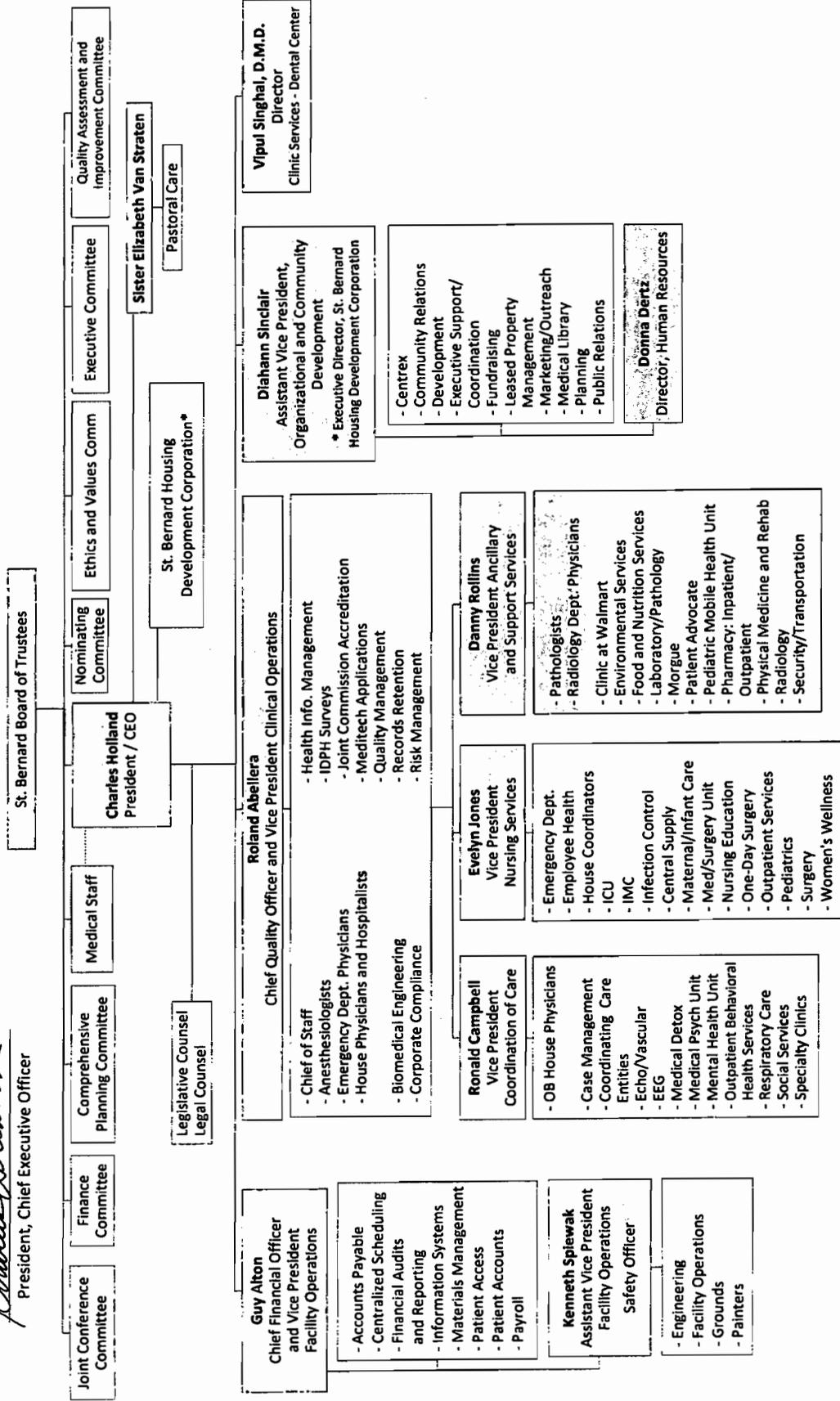
SECRETARY OF STATE

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.

Charles Holland
President, Chief Executive Officer



May 2014

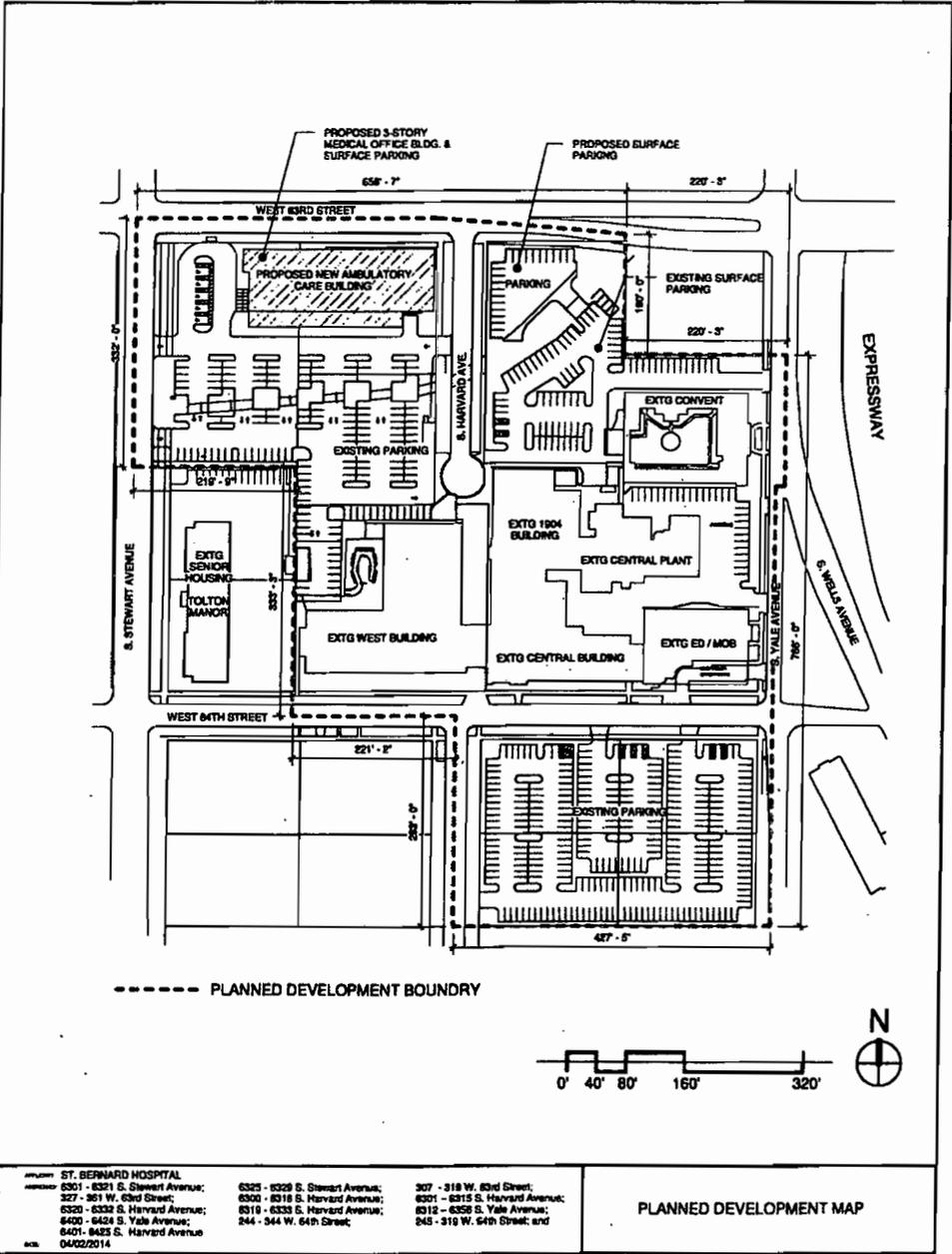
Flood Plain Requirements

[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.

There is no published FEMA map for this parcel. Attached is documentation the proposed site on the Hospital campus is an area of “minimal flood hazard” and is a “moderate to low risk” flood area (FEMA DFIRM Panel 17031C0520J)



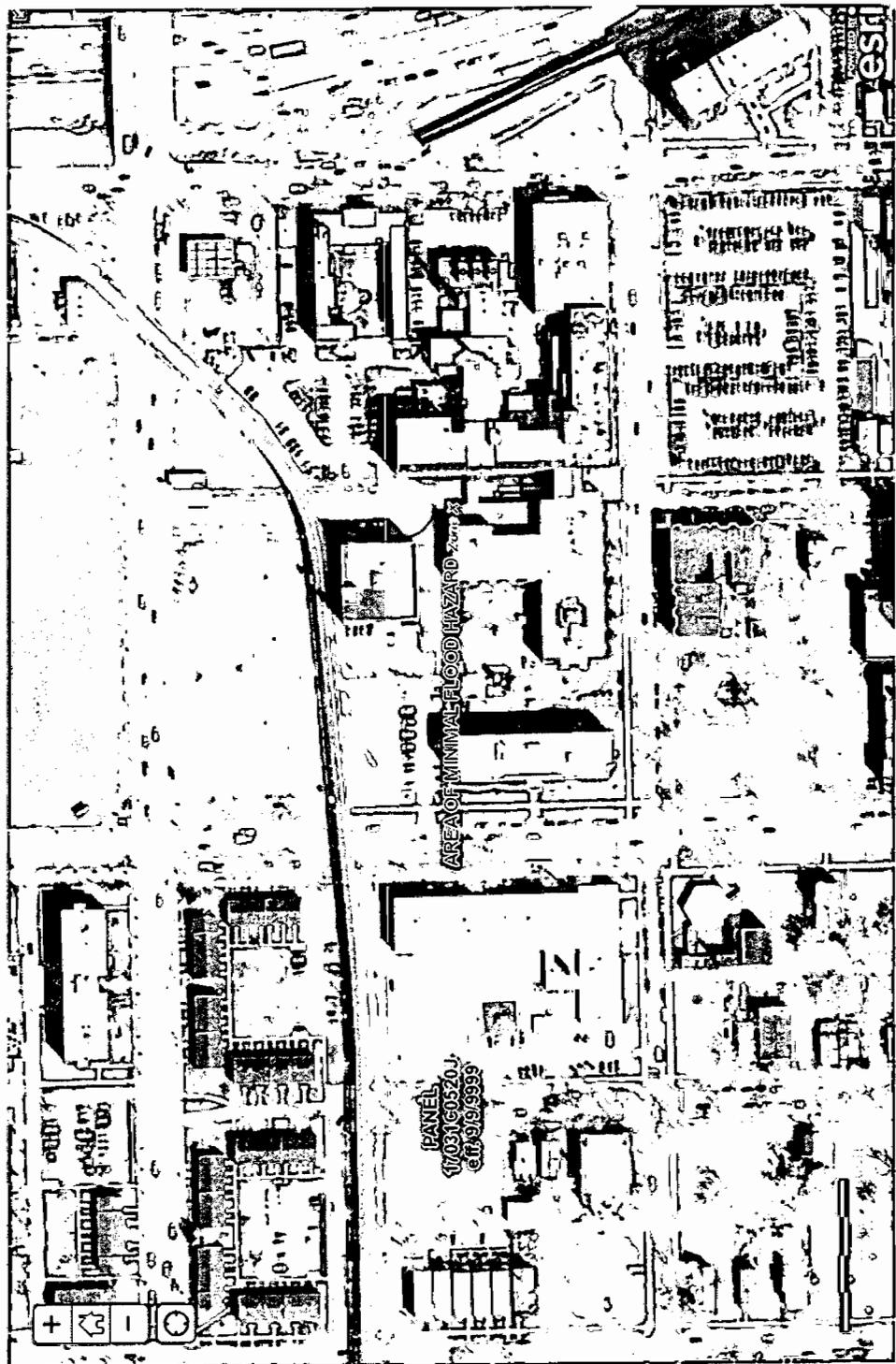
6313 south stewart st chicago il 60621

Share Print Measure

Details Basemap

About Content Legend

- Legend**
- NFHL (click to expand)
 - LOMRS Effective
 - LOMAS
 - FIRM Panels
 - Cross-Sections
 - Base Flood Elevations
 - Flood Hazard Boundaries
 - Other Boundaries
 - Limit Lines
 - SFHA / Flood Zone Boundary
 - Flood Hazard Zones
 - 1% Annual Chance Flood Hazard
 - Regulatory Floodway
 - Special Floodway
 - Area of Undetermined Flood Hazard
 - 0.2% Annual Chance Flood Hazard
 - Future Conditions 1% Annual Chance Flood Hazard
 - Area with Reduced Risk Due to Levee



Esri.com Help Terms of Use Privacy Contact
Esri Report Abuse

// Make spelling changes

Cook County Map Panels

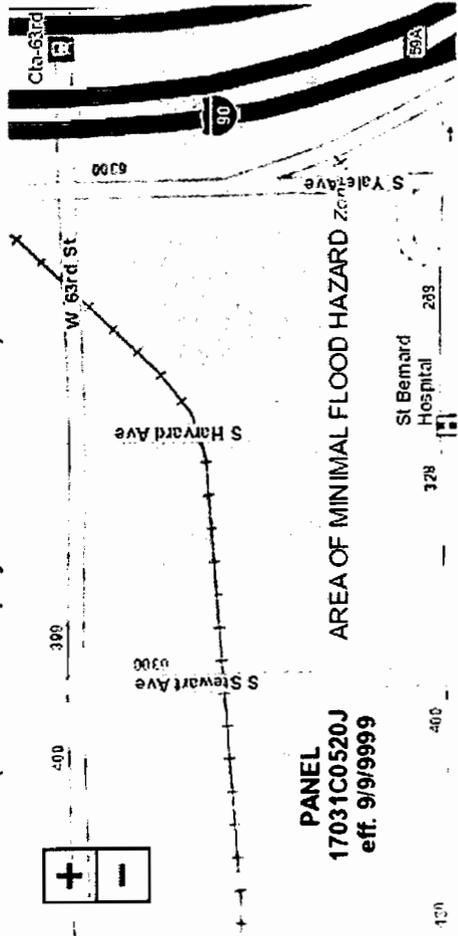
Effective Flood Insurance Rate Maps for Cook County may be viewed and/or downloaded at the FEMA Map Service Center

... even more!

Below are links to resources pertaining to Cook County

- Chicago River Watershed Discovery
- Des Plaines Watershed Discovery
- Lower Fox Watershed Discovery
- Upper Fox Watershed Discovery
- Unmapped Special Flood Hazard Areas (SFHA) (pdf)
- Destined for DFIRMs - stream studies becoming flood maps
- Effective DFIRMs Map Search on FEMA's Map Service Center
- FEMA's National Flood Hazard Layer (NFHL) download

NFHL Viewer (flood data displays when zoomed in)



What is a DFIRM?

The DFIRM Database is a digital version of the FEMA flood insurance rate map that is designed for use with digital mapping and analysis software.

A sample DFIRM showing areas of greater flood risk in blue. The DFIRM is designed to provide the user with the ability to determine the flood zone, base flood elevation and the floodway status for a particular location. It also has NFIP community information, map panel information, cross section and hydraulic structure information, and base map information like road, stream, and public land survey data.

<http://www.illinoisfloodmaps.org/dfirm.aspx?county=cook>

6/6/2014

[Skip navigation](#)

Homeowners insurance
doesn't cover floods.



CREATE YOUR FLOOD RISK PROFILE

Knowing your relative flood risk level can help you assess your risk of financial loss. Once you understand your risks, you can talk with your agent to establish a coverage amount that's right for you.

To determine your flood risk and find an agent serving your area, enter your location below. All fields are required.

Street Address: City:

State/Territory: Zip code:

Residential: Yes No

Submit

Submit

Your property information is used only to search our database to determine your relative risk level.

LEARN MORE FROM THE
NATIONAL FLOOD
INSURANCE PROGRAM:

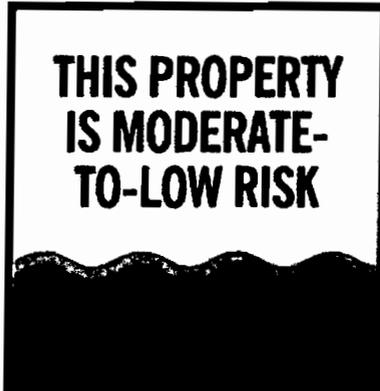
Customer Service:
(888) 379-9531

https://www.floodsmart.gov/floodsmart/pages/landing_pages/landing0000_1.jsp

6/6/2014

 [Print](#)  [Email](#)

Flood Risk Profile



Property Address:
326 W 64th St, Chicago, Illinois 60621

Property Type:
Commercial

[CHANGE ADDRESS](#)

[Disclaimer](#) | [Learn About Policies](#)

YOUR ESTIMATED ANNUAL PREMIUM COST

Contents Only Building and Contents

\$185 - \$2,123 \$643 - \$4,807

* Contents Only and Building and Contents coverage is reflective of Preferred Risk Policy (PRP) Premiums. Most residential and commercial properties in moderate- to low-risk areas will qualify for the low-cost PRP. Premium estimates are approximate and vary based on multiple factors. See a licensed insurance agent to determine your actual cost.

[Detailed Premium Estimate](#)

AGENTS SERVING YOUR AREA

Contact an agent to purchase a flood insurance policy. Pricing does not vary by agent.

Frank Cooper
Frank Cooper Insurance Agency, Inc
Direct (866)-538-5758
General (773)-538-5758
Mobile (630)-393-7433
Fax (773)-538-5793

Distance:3.0mi.
[Email Frank Cooper](#)

Zelda Matthews
AZM Group, agent for Nationwide Insurance

Distance:5.4mi.
[Email Zelda Matthews](#)

<https://www.floodsmart.gov/floodsmart/oneStepFloodRiskAddressSearch.action>

6/6/2014

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.



**Illinois Historic
Preservation Agency**

FAX 217/524-7525

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

Cook County
Chicago
326 West 64th Street
IHFSRB

PLEASE REFER TO: IHPA LOG #008040814

New construction, Ambulatory care center & physician office bldg.-St. Bernard's Hospital

April 14, 2014

Edwin Parkhurst, Jr.
Prism Consulting Services Inc.
Healthcare Consulting Division
Building 4, Suite 317
799 Roosevelt Road
Glen Ellyn, IL 60137

Dear Mr. Parkhurst:

The Illinois Historic Preservation Agency is required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) to review all state funded, permitted or licensed undertakings for their effect on cultural resources. Pursuant to this, we have received information regarding the referenced project for our comment.

Our staff has reviewed the specifications under the state law and assessed the impact of the project as submitted by your office. We have determined, based on the available information, that no significant historic, architectural or archaeological resources are located within the proposed project area.

According to the information you have provided concerning your proposed project, apparently there is no federal involvement in your project. However, please note that the state law is less restrictive than the federal cultural resource laws concerning archaeology. If your project will use federal loans or grants, need federal agency permits, use federal property, or involve assistance from a federal agency, then your project must be reviewed under the National Historic Preservation Act of 1966, as amended. Please notify us immediately if such is the case.

This clearance remains in effect for two (2) years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the IL Human Skeletal Remains Protection Act (20 ILCS 3440).

Please retain this letter in your files as evidence of compliance with the Illinois State Agency Historic Resources Preservation Act.

Sincerely,

Anne E. Haaker
Deputy State Historic
Preservation Officer

A teletypewriter for the speech/hearing impaired is available at 217-524-7128. It is not a voice or fax line.

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	\$ 24,263	\$ 65,600	\$ 89,863
Site Survey and Soil Investigation	10,982	29,693	40,675
Site Preparation	-0-	364,861	364,861
Off Site Work	-0-	-0-	-0-
New Construction Contracts	6,174,573	16,372,200	22,546,773
Modernization Contracts	-0-	-0-	-0-
Contingencies	614,457	1,637,220	2,254,677
Architectural/Engineering Fees	208,400	563,500	771,900
Consulting and Other Fees	154,420	417,514	571,934
Movable or Other Equipment (not in construction contracts)	3,891,686	-0-	3,891,686
Bond Issuance Expense (project related)	-0-	-0-	-0-
Net Interest Expense During Construction (project related)	-0-	-0-	-0-
Fair Market Value of Leased Space or Equipment	-0-	-0-	-0-
Other Costs To Be Capitalized	-0-	2,676,202	2,676,202
Acquisition of Building or Other Property (excluding land)	-0-	-0-	-0-
TOTAL USES OF FUNDS	\$ 11,081,781	\$ 22,126,790	\$ 33,208,571
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$ 11,081,781	\$ 22,126,790	\$ 33,208,571
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$ 11,081,781	\$ 22,126,790	\$ 33,208,571
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Preplanning Cost

Pre-construction services		<u>\$89,863</u>
Total		<u>\$89,863</u>

Site Survey and Soil Investigation

Geo-tech Report	\$3,500	
Survey	9,000	
Soils Analysis	<u>28,175</u>	
Total		<u>\$40,675</u>

Site Preparation

Unsuitable Soils	300,000	
Environmental Testing	<u>64,861</u>	
Total		<u>\$364,861</u>

Architectural and Engineering Fees

A & E Fee	702,900	
Civil Engineering	<u>69,000</u>	
Total		<u>\$771,900</u>

Consulting and Other Fees

Traffic Study	12,000	
Parking Study	10,000	
PUD Revision	11,500	
Vibration Analysis	10,560	
Parking Lot Design	29,200	
Building Permit	114,900	
Legal Services	40,000	
Utility / CTA Fees	203,774	
CON Fees	70,000	(estimated)
Permit Application Processing Fee	70,000	(estimated)
Total		<u>\$571,934</u>

Moveable Medical Equipment

Imaging Systems	\$1,465,000	
Non-invasive Cardiology	345,000	
Pulmonary Function	20,000	
Lab Specimen Collection	50,000	
Pharmacy	50,000	
Physical Therapy	150,000	
Clinics / Misc. *	<u>1,811,686</u>	
Total		<u>\$3,891,686</u>

* Exam room equipment and furniture, miscellaneous scopes, moveable exam lights, refrigerators, staff facilities equipment, ice-makers, etc.

Other Costs to be Capitalized

Green Roof	358,969	
Parking Lot D	554,414	
Builder Risk Insurance	23,000	
FF & E	653,819	
Site Signage	286,000	
Security System	200,000	
Phone System	<u>600,000</u>	
Total		<u>\$2,676,202</u>

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

- None or not applicable
- Preliminary
- Schematics
- Final Working

Anticipated project completion date (refer to Part 1130.140): June 1, 2016

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

- Purchase orders, leases or contracts pertaining to the project have been executed.
- Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
- Project obligation will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

See Attachment 14, Exhibit 2, as a basis to reference campus configuration, building placement, and the proposed ACC/POB block schematics.

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.							

Dept. / Area	Project Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Specialty Clinic	\$ 814,338			1,967			823
Women's Wellness	1,062,720			2,624			1,008
Non-Invasive Cardiology	777,750			1,830			288
Diagnostic Imaging	3,469,863			4,087			520
Lab Specimen Draw	601,920			1,368			384
Orthopaedic Clinic	468,180			1,156			663
Physical Therapy	1,442,412			3,501			--
Walk-in Clinic	872,890			2,129			--
Pharmacy	285,516			693			--
Total Clinical	\$ 9,795,589			19,355			3,686
NON REVIEWABLE							
Physician Offices (leased)	\$8,982,690			21,909			--
Conference Center	980,625			2,615			--
Reception / Waiting	860,776			2,270			--
Parking	3,432,385			0			--
Green Roof	358,969			0			--
Building Support / Mechanical	3,799,177			9,447			--
Circulation	3,130,235			8,546			--
Shell Space	1,868,125			6,125			--
Total Non-Clinical	\$23,412,982			50,912			0
TOTAL	\$33,208,571			70,267			3,686

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.



**Illinois Department of
PUBLIC HEALTH**

HF104555

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.

**LaMar Hasbrouck, MD, MPH
Acting Director**

Issued under the authority of
the Illinois Department of
Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
12/31/2014		0002303

General Hospital

Effective: 01/01/14

St. Bernard Hospital

326 West 64th Street

Chicago, IL 60621

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10M 3/12

St. Bernard
Hospital and Health Care Center
Chicago, IL

has been Accredited by

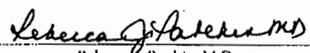


The Joint Commission

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

December 15, 2012

Accreditation is customarily valid for up to 36 months.


Rebecca J. Patchin, M.D.
Chair, Board of Commissioners

Organization ID #7304
Print/Reprint Date: 05/09/13


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

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



ST. BERNARD HOSPITAL AND HEALTH CARE CENTER

326 WEST 64TH STREET, CHICAGO, ILLINOIS 60621
TELEPHONE 773.962.3900 FACSIMILE 773.602.3849

July 10, 2014

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

Dear Ms. Avery:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that no adverse action has been taken against any facility owned or operated by St. Bernard Hospital during the three years prior to filing this application.

Neither St. Bernard Hospital nor any of its corporate officers or directors:

- has been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of (1) any felony or misdemeanor or violation of the law, except for minor parking violations or (2) the subject of any juvenile delinquency or youthful offender proceeding; or
- has been charged with fraudulent conduct or any act involving moral turpitude; or
- has any unsatisfied judgments against him or her; or
- is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order, or directive of any court or governmental agency.

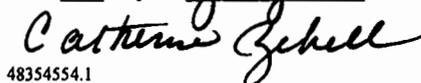
Additionally, pursuant to 77 Ill. Admin. Code § 1110.1540(b)(3)(J), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit.

Sincerely,

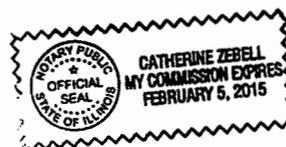


Charles Holland
President & Chief Executive Officer
St. Bernard Hospital

Subscribed and sworn to me
This 10th day of July, 2014



48354554.1



SERVING OUR COMMUNITY SINCE 1904 • SPONSORED BY THE RELIGIOUS HOSPITALLERS OF SAINT JOSEPH

ST. BERNARD HOSPITAL AND HEALTH CARE CENTER

326 WEST 64TH STREET, CHICAGO, ILLINOIS 60621
TELEPHONE 773.962.3900 FACSIMILE 773.602.3849

Attachment 11

July 10, 2014

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

Re: Criterion 1110.230

Dear Ms. Avery,

This letter authorizes the IHFSRB and IDPH access to any and all records as may be necessary to verify the information submitted as part of this CON Permit Application for an ACC/POB on the St. Bernard Hospital campus.

Sincerely,



Charles Holland
Chief Executive Officer

Notarization:

Subscribed and sworn to before me

this 10th day of July, 2014


Signature of Notary

Seal



SERVING OUR COMMUNITY SINCE 1904 • SPONSORED BY THE RELIGIOUS HOSPITALLERS OF SAINT JOSEPH

ST. BERNARD HOSPITAL AND HEALTH CARE CENTER

326 WEST 64TH STREET, CHICAGO, ILLINOIS 60621
TELEPHONE 773.962.3900 FACSIMILE 773.602.3849

Attachment 11

July 10, 2014

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

Re: Criterion 1110.230

Dear Ms. Avery,

This letter certifies that there has been no adverse action taken against St. Bernard Hospital, or its affiliates, in the 3 years prior to filing this CON Permit Application for an on-campus Hospital-based ACC/POB.

Sincerely,

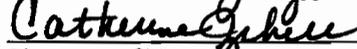


Charles Holland
Chief Executive Officer

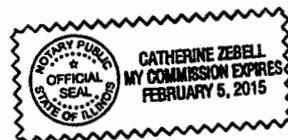
Notarization:

Subscribed and sworn to before me

this 10th day of July, 2014


Signature of Notary

Seal



SERVING OUR COMMUNITY SINCE 1904 • SPONSORED BY THE RELIGIOUS HOSPITALLERS OF SAINT JOSEPH

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

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 Board 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.

Criterion 1110.230 Project Purpose

1. Population Health

St. Bernard Hospital is considered a safety net hospital serving Chicago's Englewood area and surrounding communities. This area is considered medically underserved. The proposed project intends to relocate and expand select clinical services into a free-standing campus-based Ambulatory Care Center (ACC) with physician offices (POB) in order to improve access to much needed healthcare services. More specifically, the Women's Wellness Clinic, Specialty Clinic, and Walk-in Clinic (new service) are intended to assist in improving the healthcare and well-being of the local community / market. The ACC/POB will enhance local access to care.

2. Planning or Market Area

The area to be served encompasses the Hospital's current market area based on ambulatory and inpatient zip codes; primarily the Englewood community and surrounding area.

St. Bernard Hospital's primary service area is comprised of the following zip codes which account for approximately 80 percent of the Hospital's inpatient discharges and correlate with its outpatient market area.

<u>Zip Code</u>	<u>Community</u>
60621	Englewood
60636	West Englewood
60637	Woodlawn
60620	Auburn Gresham
60609	Back of the Yards
60619	Chatham
60628	Roseland
60653	Grand Boulevard

3. Existing Problems / Issues

St. Bernard Hospital was designed as an inpatient facility; as such it has adapted to ambulatory care program development. Current healthcare trends demonstrate a continuing shift to ambulatory care consistent with ACA precepts. The Hospital has existing space shortages to accommodate ambulatory care programs and is functionally deficient in this area. The proposed ACC/POB will provide an appropriate non-hospital based, yet Hospital campus located, facility to enhance ambulatory care delivery.

It is a well known fact Chicago's South Side is medically underserved and has physician shortages. The physician office component (POB) of the ACC/POB will provide space to accommodate new and specialty physicians.

4. Information Sources

- a. Hospital records
- b. Ambulatory Care Planning, St. Bernard Hospital; Healthcare Futures (2013)
- c. A Profile of Health and Health Resources within Chicago's 77 Community Areas, Feinberg School of Medicine, Northwestern University (2011)
- d. Community Health Status Indicators, CDC, 2009
- e. Community Health Demographics, CDC, 2012
- f. Community Health Needs Assessment, 2013
- g. Cook County Department of Public Health
- h. Metropolitan Chicago Hospital Council
- i. Illinois Department of Public Health

5. Response to identified issues

The project will improve access to ambulatory care services through the new ACC/POB, its programs, services, and office space to complement physician recruitment.

6. Goals

The primary goal is to increase access to existing ambulatory healthcare services by 3 to 5 percent, as measured by utilization, over the projection period. In addition, as noted in Attachment 34, certain conservative assumptions have been made regarding expected daily and annual visits to select clinics for which there is no or limited operating experience. Health status indicators will be evaluated, over-time, but cannot be predicted until a baseline is established for those patient serviced by the proposed new ACC/POB.

These respective goals, as noted in the projections and forecasts, are consistent with the Hospital's experience and healthcare reform initiatives. The projections are supported by independent research from such respected organizations as the Advisory Board which estimates outpatient growth in the 6 percent range over the projection period.

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

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.

St. Bernard Hospital is one of four (4) hospitals in the Better Health Network which is a collaborative effort deemed an Accountable Care Entity (an ACE or comparable to an Accountable Care Organization or ACO). It was organized to provide integrated person-centered healthcare. The members include:

- St. Bernard Hospital and Health Care Center
- South Shore Hospital
- Roseland Community Hospital
- Loretto Hospital

- Three FQHC's – Aunt Martha's Youth and Health Centers, Beloved Community Wellness Center, and Christian Community Health Center
- Partners in Health (a PHO)

This community health plan focuses on:

- Primary care
- OB/Gyn care
- Specialty care
- Behavioral Health, and
- Health and Wellness

St. Bernard's expects to care for an estimated 40,000 enrollees with approximately a third being new business for the Hospital, hence the need to provide for additional utilization. The target population includes:

- Pregnant women
- Children 0-19 years of age
- Parents and other caretakers eligible for covered services under Title XIX, and
- Eligible adults under the Affordable Care Act (ACA).

These organizations have partnered to develop and maintain community-based integrated health and human services in order to improve the well-being and health status of individuals and families within their respective communities. In order to do so, Saint Bernard Hospital needs to expand its physician practice base to include more primary care physicians, specialists, dental care professionals, and mental health professionals. The current hospital-based facilities have existing practices with no room for expansion by renovating the current facility configuration. More space is needed.

A. A lessor cost alternative

The proposed project was deemed the lowest cost and most cost-effective alternative which is supportive of existing programs to develop an on-campus ambulatory care focused facility.

B. Joint Venture

The proposed project focuses on developing community-based services to enhance local access and improve community health status (population health). The objective or goal cannot be achieved through a joint venture. There is no other truly locally based health organization to develop a joint venture.

C. Other Resources

There are no other locally based health care resources of the proposed scope available to meet the projects objectives / goals. Except for the proposed walk-in clinic, all of the services currently exist within the Hospital or in the mobile technology MRI facility.

D. On-Campus Facility Development

In order to facilitate the demand for expansion of ancillary services and physician office practices within the outpatient Pavilion Building, the project team looked at three alternative locations for the proposed on-campus project.

Option 1 developed a new medical office building on the hospital owned surface parking lot to the south of the Pavilion Building and Main Hospital on an existing parking lot. This option was designed to have a bridge back to the hospital at the second and third levels, allowing it to have movement from the existing practices, diagnostic imaging and surgery into the new structure. The estimated project cost is \$36.1 M.

Option 2 looked to demolish the existing Convent that is located to the north of the Pavilion Building and Central Energy Plant and create a new ancillary and medical office building that would connect back to the Pavilion Building on the second and third floors creating an exterior covered walkway to the emergency department at grade. The estimated project cost is \$36.4 M.

Option 3 developed a new freestanding ancillary and medical office building on the parcel the Hospital owns at the corner of West 63rd Street and Stewart which is part of the Hospital campus. This proposed free-standing facility provides physician office space as well as ambulatory diagnostic services (an ACC/POB) without a connection back to the existing Hospital structure. The current estimated project cost approximates \$33.2 million.

Of the three options evaluated, Option 3 was deemed the most cost-effective alternative; it also provides the physicians an independent front door and street presence separate from Saint Bernard Hospital to facilitate access, as well as providing the most appropriate parking solutions for the existing Emergency Department, the main Hospital and the proposed new ACC/POB facility on the Hospital campus.

Criterion 1110.230
 Facility Alternative Comparison
 On-Campus Facility Development
 Attachment 13

Option	Description	Total * Cost	Patient Access	Quality of Care	Financial Benefits
1	ACC/POB south of Hospital	\$36.1 M	Compromised due to poor site access / limited parking	Enhanced but not ideal	Lowest re patient access to on-campus services
2	Demolish convent. ACC north of Pavilion Building	\$36.4 M	Poor, due to inadequate site access / limited parking	Enhanced but not ideal	Medium re patient access to on-campus services
3	ACC/POB at northwest corner of Hospital campus (preferred option)	\$33.2 M	Best – Freestanding facility, highly visible with adequate parking	Best due primarily to good access for services / visibility	Highest ... Best access to services Best location for patients

* Estimated project costs

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

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

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

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

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

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

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

Project Size

1. The proposed physical space for each building element is based on an extensive analysis of St. Bernard's ambulatory care program including consideration for:
 - a. The Hospital's service area and related planning area.
 - b. Service area healthcare deficiencies and needs based on use rates and benchmarks
 - c. Care delivery model evaluation emphasizing ambulatory care
 - d. Physician requirements based on population ratios
 - e. Potential ACA implications on current care delivery model
 - f. Healthcare reform impacts on St. Bernard's current ambulatory care model
 - g. Physical needs assessment predicated on anticipated future ambulatory care delivery requirements for the local Englewood area and surrounding communities
 - h. Development of a functional space program reflecting the future care delivery model including hospital-related ambulatory clinics and leased space requirements for current and future leased physician offices.

Overall, the proposed facility is an ambulatory care center (ACC) with leased physician offices (POB). The hospital elements include certain relocated outpatient related and new outpatient elements in support of an ambulatory care delivery model consistent with community need for access to care as well as ACA precepts. These components are:

- Lab specimen draw (satellite of Hospital lab)
 - Diagnostic Imaging (relocated)
 - Non-invasive cardiology (relocated)
 - Walk-in Clinic (new service)
 - Specialty (Physicians) Clinic (new service in 2014)
 - Women's Wellness Clinic (relocated)
 - Orthopaedic Clinic (relocated)
 - Physical Therapy (relocated)
 - Pharmacy (satellite of Hospital pharmacy)
2. The BGSF/DGSF standards in Appendix B are not universally applicable to the proposed ACC/POB; however, the following table (Attachment 14, Exhibit 1) is being provided to indicate compliance with the State Board guidelines as may be inferred.
 3. Proposed Facility – Attachment 14, Exhibit 2 provides the campus planned development diagram (PUD) and block plans for each building level, as proposed. These earlier plans note dgsf area which have been further refined in Attachment 9 and 39, cost and square foot analysis.

Department/Service	Historical Utilization 2013	Projected Utilization		State Standard		Square Feet			Met Standard
		Year 1 2017	Year 2 2018	Square Feet / Room	Utilization / Room	Proposed	State Standard	Difference	
		2017	2018						
Laboratory	182,668	222,034	233,136	--	--	1,368	--	0	NA
Imaging									
• Gen Rad	14,427	18,381	19,760	1,300	8,000	Included	3,900 (3)		--
• Mammo	1,194	1,533	1,654	900	5,000	Included	900 (1)		--
• Ultrasound	7,474	10,139	11,254	900	3,100	Included	3,600 (4)		--
• Dexa	28	36	39	NA	NA	Included	900 (1)		--
• MRI *	0	1,391	1,488	1,800	2,500	Included	1,800 (1)		--
Total Imaging	23,113	31,480	34,195	--	--	4,087	11,100 (10)	(7,013)	Yes
Cardiology									
• EKG	2,1389	3,136	3,576	800	2,000	Included	1,600 (2)		
• Stress						Included	800 (1)		
• Echo						Included	800 (1)		
• PFT Tests						Included	8,800 (11)		
Total Cardiology						1,830	12,000	(10,170)	Yes

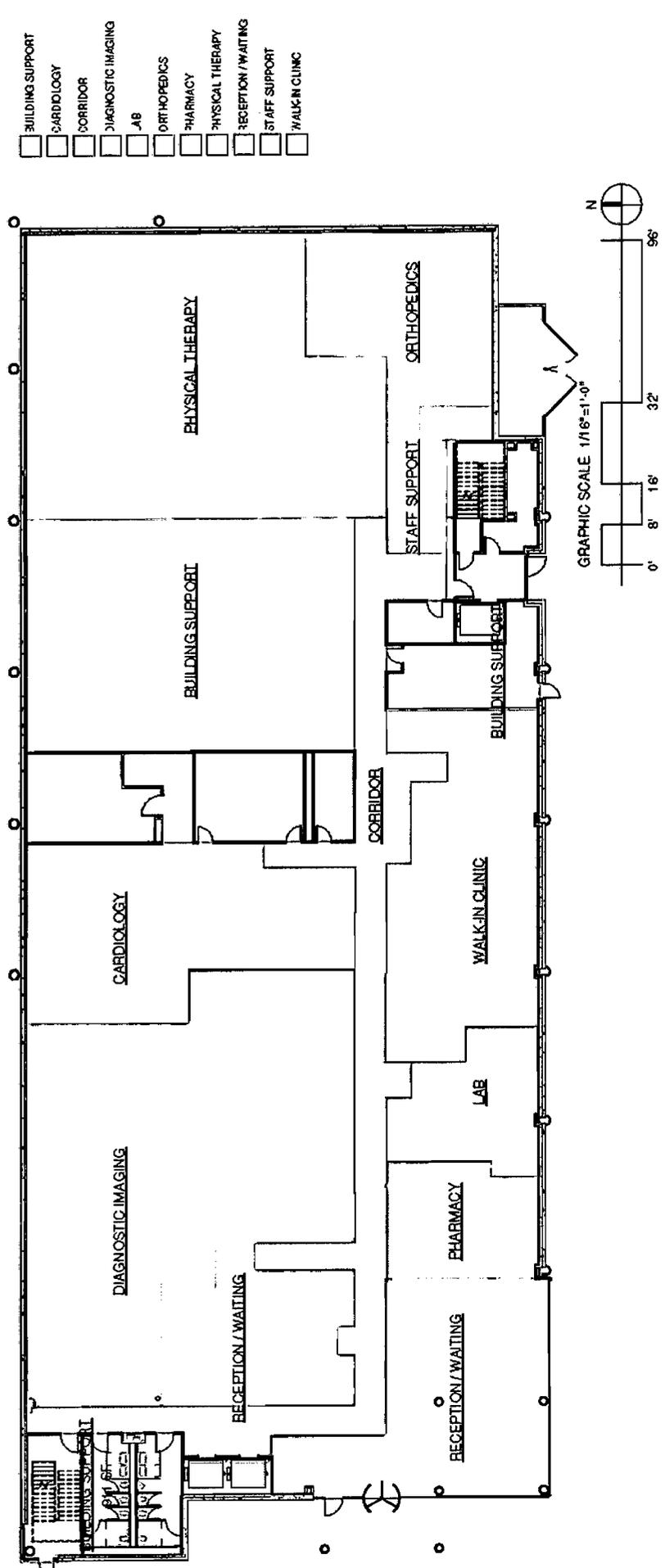
* New service began in 2014

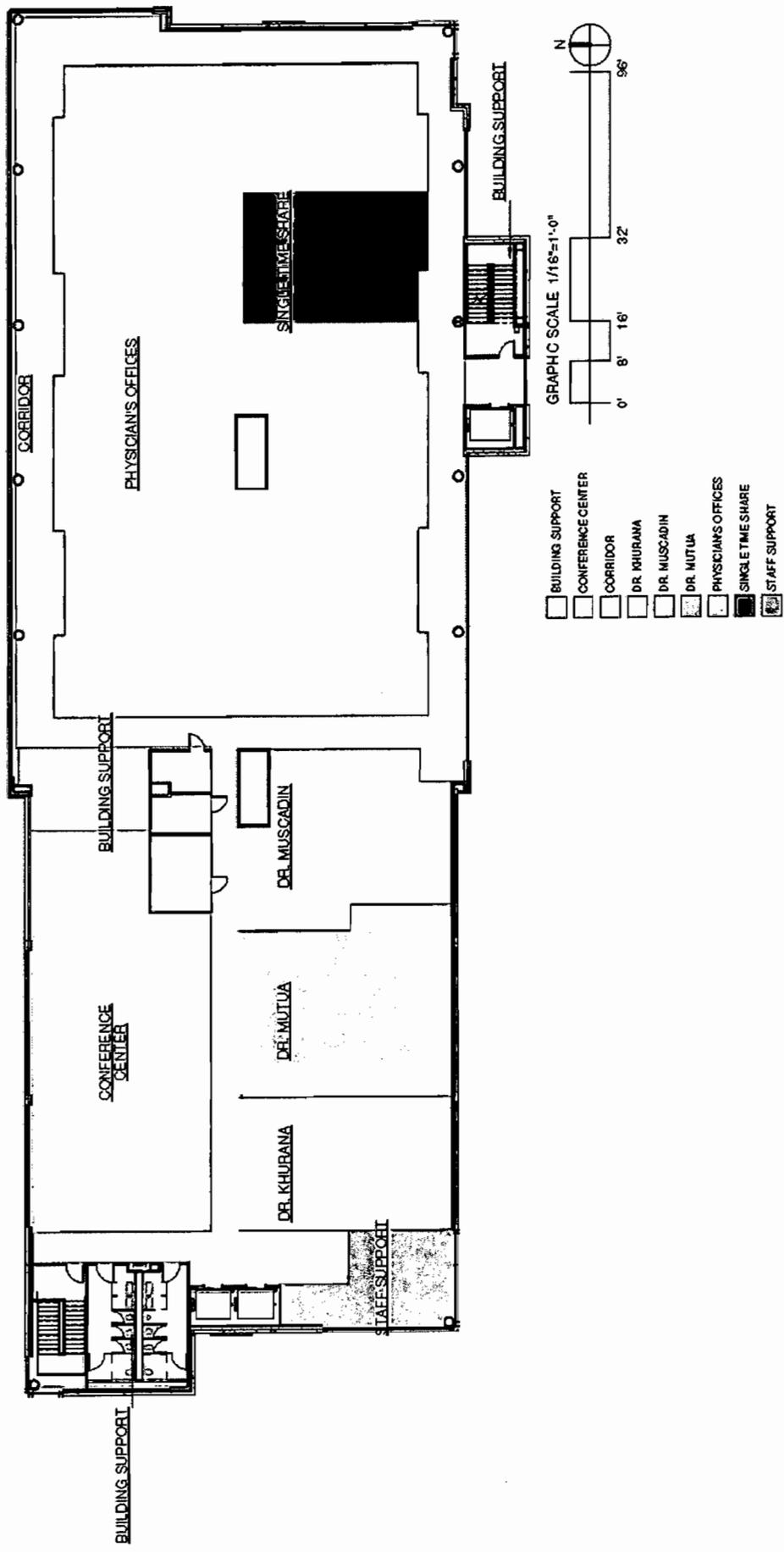
Department/Service	Historical Utilization	Projected Utilization		State Standard		Square Feet			Met Standard
		Year 1	Year 2	Square Feet / Room	Utilization / Room	Proposed	State Standard	Difference	
		2017	2018						
Walk-in Clinic	*	6,240	6,240	800	2,000	2,129	3,200 (4)	(1,071)	Yes
Specialty Clinic	**	5,733	6,020	800	2,000	1,967 *	2,400	(433)	Yes
Women's Wellness Clinic	1,619	6,240	6,500	800	2,000	2,624	3,200	(576)	Yes
Ortho Clinic	1,710	2,079	2,182	800	2,000	1,156	1,600 (2)	(444)	Yes
Pharmacy	29,006	41,973	44,071	--	--	693	--	0	NA
Physical Therapy									
• PT	3,239	3,937	4,134	--	--	Included	NA		--
• OT	866	1,053	1,105	--	--	Included	NA		--
• EMG	145	176	185	--	--	Included	NA		--
Total Physical Therapy	4,250	5,166	5,424	--	--	3,501	NA	0	--

Note: Clinic criteria is not stated in Section 1110, Appendix B, so the ambulatory care guidelines were utilized for this analysis.

* New service to begin in 2016 on opening of ACC/POB

** New service; 2014 estimate is 1,300 visits





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:

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

See Attachment 15, Exhibit 2 for the required table.

ST. BERNARD HOSPITAL AND HEALTH CARE CENTER

326 WEST 64TH STREET, CHICAGO, ILLINOIS 60621
TELEPHONE 773.962.3900 FACSIMILE 773.602.3849

Attachment 15

July 10, 2014

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

Re: Criterion 1110.234
Project Service Utilization

Dear Ms. Avery,

This letter attests to the fact we expect the State Board current utilization criteria, where applicable, will be met within two (2) years post project completion.

Sincerely,



Charles Holland
Chief Executive Officer

Notarization:

Subscribed and sworn to before me

this 10th day of July, 2014

Catherine Zebell
Signature of Notary

Seal



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Department/Service	Historical Utilization	Projected Utilization		State Standard		Square Feet			Met Standard
		Year 1	Year 2	Square Feet / Room	Utilization / Room	Proposed	State Standard	Difference	
Laboratory	2013	2017	2018	--	--	1,368	--	0	NA
	182,668	222,034	233,136						
Imaging									
• Gen Rad	14,427	18,381	19,760	1,300	8,000	Included	3,900 (3)		--
• Mammo	1,194	1,533	1,654	900	5,000	Included	900 (1)		--
• Ultrasound	7,474	10,139	11,254	900	3,100	Included	3,600 (4)		--
• Dexa	28	36	39	NA	NA	Included	900 (1)		--
• MRI *	0	1,391	1,488	1,800	2,500	Included	1,800 (1)		--
Total Imaging	23,113	31,480	34,195	--	--	4,087	11,100 (10)	(7,013)	Yes
Cardiology									
• EKG	2,1389	3,136	3,576	800	2,000	Included	1,600 (2)		
• Stress						Included	800 (1)		
• Echo						Included	800 (1)		
• PFT Tests						Included	8,800 (11)		
Total Cardiology						1,830	12,000	(10,170)	Yes

* New service began in 2014

Department/Service	Historical Utilization	Projected Utilization		State Standard		Square Feet			Met Standard
		Year 1	Year 2	Square Feet / Room	Utilization / Room	Proposed	State Standard	Difference	
	2013	2017	2018						
Walk-in Clinic	*	6,240	6,240	800	2,000	2,129	3,200 (4)	(1,071)	Yes
Specialty Clinic	**	5,733	6,020	800	2,000	1,967 *	2,400	(433)	Yes
Women's Wellness Clinic	1,619	6,240	6,500	800	2,000	2,624	3,200	(576)	Yes
Ortho Clinic	1,710	2,079	2,182	800	2,000	1,156	1,600 (2)	(444)	Yes
Pharmacy	29,006	41,973	44,071	--	--	693	--	0	NA
Physical Therapy									
• PT	3,239	3,937	4,134	--	--	Included	NA		--
• OT	866	1,053	1,105	--	--	Included	NA		--
• EMG	145	176	185	--	--	Included	NA		--
Total Physical Therapy	4,250	5,166	5,424	--	--	3,501	NA	0	--

Note: Clinic criteria is not stated in Section 1110, Appendix B, so the ambulatory care guidelines were utilized for this analysis.

* New service to begin in 2016 on opening of ACC/POB

** New service; 2014 estimate is 1,300 visits

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:

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage of the proposed shell space;
2. The anticipated use of the shell space, specifying the proposed GSF 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.

Unfinished or Shell Space

1. Shell space is 6,125 gross sq. ft. or approximately 8.8 percent of the proposed ACC/POB facility.
2. The anticipated use of the shell space is for non-clinical related leased physician offices.
3. Shell space is being constructed due to:
 - a. The need to accommodate new physicians based on the physician recruitment plan.
 - b. The first level of the proposed facility determined the “footprint” of the building and it is completely finished; the shell space is on the upper levels where other programmed areas do not fully fill the building configuration available space.
4. a) The shell space is to accommodate leased space for non-clinical physician offices. Hence, there is no historical utilization.
 - b) See attestation letter, Attachment 17; 2019 to 2020 time frame for completion.

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:

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.

ST. BERNARD HOSPITAL AND HEALTH CARE CENTER

326 WEST 64TH STREET, CHICAGO, ILLINOIS 60621
TELEPHONE 773.962.3900 FACSIMILE 773.602.3949

Attachment 17

July 10, 2014

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

Re: Criterion 1110.234 (Attachment 17)
Unfinished / Shell Space
Assurance Letter

Dear Ms. Avery,

Pursuant to Criterion 1110.234, we are providing this assurance letter to verify that any unfinished / shell space within the proposed ACC/POB will:

1. Only be finished after securing approval from the HFSRB through a CON or related process regardless of the capital thresholds or categories of service in effect at the time.
2. Potentially be completed in the 2019 to 2020 time frame, thereby requiring approval by HFSRB by 2018.

Sincerely,



Charles Holland
Chief Executive Officer

Notarization:

Subscribed and sworn to before me

this 10th day of July, 2014



Signature of Notary

Seal



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O. Criterion 1110.3030 - Clinical Service Areas Other than Categories of Service

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

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

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

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
New Services or Facility or Equipment	(b) -	Need Determination - Establishment
Service Modernization	(c)(1) -	Deteriorated Facilities
		and/or
	(c)(2) -	Necessary Expansion
		PLUS
	(c)(3)(A) -	Utilization - Major Medical Equipment
		Or
	(c)(3)(B) -	Utilization - Service or Facility
APPEND DOCUMENTATION AS <u>ATTACHMENT-34</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.		

* See Attachment 34, Exhibit 1 for a key room profile

Criterion 1110.3030
Clinical Service Areas Other than Categories of Service

Background

St. Bernard Hospital was developed primarily as an inpatient facility, but the existing facility does have the attached Pavilion Building which primarily houses physician offices. Overall, its facilities are oriented functionally to provide inpatient services, not ambulatory / outpatient services on an effective and efficient basis consistent with healthcare trends, health reform initiatives, and ACA precepts. Hence, the need to invest in ambulatory oriented facilities to improve local market access to healthcare services, as well as to provide facilities to facilitate physician recruitment.

The Affordable Care Act (ACA) encourages preventative care and population health management to improve community health status. Although subject to some disagreement, and given known shortages of physicians overall and in the local area, and thereby constrained access, expanded coverage for care under the ACA is expected to place an ever-increasing burden on hospital emergency departments. In addition, the complementary emphasis on improving population health and encouraging preventative care will increase the demand for ambulatory / outpatient care programs. Ambulatory care focused facility development will provide for a better care delivery model than the “traditional” one now in place.

Healthcare reform is a mixed blessing for hospitals. Increased coverage is anticipated to accelerate care delivery models which emphasize ambulatory and preventative care while deemphasizing inpatient care. However, the ACA also limits reimbursement. Thus, the implications for a hospital are not only related to transforming its care delivery model, but also providing care as efficiently and effectively as possible. A major trend encouraged by the ACA is the development of ambulatory care centers which in their response focus on outpatient and physician care delivery models. The face of ambulatory care is changing in great part due to the Accountable Care Act..

St. Bernard Hospital is a safety net hospital in Chicago’s South Side. The facility is in planning area A-3 roughly bounded to the north by Roosevelt Road, Cicero Avenue to the west, 127th Street to the south, and Lake Michigan to the east. More specifically, the Hospital is in Englewood and serves this community and surrounding areas, most of which are medically underserved.

This planning area and the Englewood community is characterized by:

1. A population demographic with a proportionately high degree of chronic conditions with various co-morbidities; it is not generally a healthy population.
2. A socioeconomic profile which hinders economic access to care.
3. A significantly low measure of health status.
4. A deficit of healthcare providers, including both hospitals and physicians, as well as related caregivers.

Hence, with this service area and market context, St. Bernard's carefully analyzed its care delivery model recognizing reform initiatives and community planning area need and determined:

1. Its care delivery model required transformation to better provide ambulatory / outpatient services to enhance access to required healthcare services.
2. An increase in the availability of ambulatory care services was paramount to improve local population health.
3. Enhanced access to ambulatory care was needed in the Englewood community and surrounding areas.
4. Additional physician office space was needed to encourage / facilitate physician care within the area and encourage an increase in physician supply.
5. A well designed ambulatory / outpatient facility was necessary to complement its developing Accountable Care Organization (ACO) model (more specifically the Better Health Network, an Accountable Care Entity).

Project Type

This ambulatory care center and physician office building facility will be on the Hospital campus and provide space for relocating existing ambulatory / outpatient services and leased physician office suites (an ACC/POB). Thus, under the Review Board rules, it is best classified as a non-substantive modernization program.

The relocations and select new service can best be defined as being necessary to respond to changes in industry care delivery standards although the Hospital has documented spatial and functional deficiencies as well as having deteriorated facility for which there is an IDPH plan of correction.

Clinical Service Areas (CSA)

Introduction

These various clinical service areas (nine in all) were determined to be of the highest priority for facility development given St. Bernard’s limited access to capital. The future utilization of these clinical service areas was based on various strategic planning analysis and conservative financial modeling based on, for the most part, historical utilization and Hospital experience, as well as researched trends, where applicable. (See also, Attachment 34, Exhibit 1)

1. Laboratory Specimen Collection (There is no State Board Standard for this CSA)

This program provides for specimen collection only. No major laboratory equipment or processing equipment is included.

Utilization (phlebotomy draws)

Current		Projected	
2011	8,645	2017	19,465
2012	15,227	2018	20,438
2013	16,014		

Projection Assumptions

5% annual growth, conservative CAGR, internal financial model.

2. Imaging

These select services complement and support an ambulatory care delivery model and the proposed related specialty clinics and physicians by providing diagnostic modalities.

Utilization

a. General Radiology

Current		Projected	
2011	14,621	2017	18,381
2012	15,000	2018	19,760
2013	14,427		

b. Mammography

Current		Projected	
2011	1,128	2017	1,533
2012	1,152	2018	1,654
2013	1,194		

c. Ultrasound

Current		Projected	
2011	6,533	2017	10,138
2012	7,005	2018	11,254
2013	7,464		

d. DEXA (No State Board Standard)

Current		Projected	
2011	1	2017	36
2012	26	2018	39
2013	28		

e. MRI (New service 2014)

Current		Projected	
2011	0	2017	1,391
2012	0	2018	1,488
2013	0		

Projection Assumptions

In general, 5% annual growth, conservative CAGR, internal financial model.

3. Non Invasive Cardiology (No explicit State Standard)

These select services complement and support ambulatory care delivery models and the related specialty clinics and physicians by providing necessary diagnostic modalities.

Utilization

a. EKG

Current		Projected	
2011	2,792	2017	3,136
2012	2,283	2018	3,576
2013	2,189		

b. Stress Testing

Current		Projected	
2011	188	2017	311
2012	206	2018	395
2013	175		

c. Echocardiograms

Current		Projected	
2011	550	2017	744
2012	587	2018	781
2013	612		

d. Pulmonary Function Testing (PFT procedures)

Current		Projected	
2011	8,645	2017	19,465
2012	15,227	2018	20,438
2013	16,014		

Projection Assumptions

5% annual growth, conservative CAGR, internal financial model.

4. Walk-in Clinic (No explicit State Board Standard)

This new service will open when the ACC/POB is activated. Its intent is to provide open access to care and potentially divert non-emergency patients who inappropriately use the Hospital Emergency Department as their primary care physicians' office. This clinic will improve access to care, complement the developing Accountable Care Entity (Better Health Network), and support Anchor Medical Home.

Anchor Medical Home was opened in 2014 to serve as a medical home for seniors and persons with disabilities on the South Side of Chicago. Opened in partnership with the Community Care Alliance of Illinois, the goal with this program is to provide quality care, care coordination, and care in the proper setting for a population with many healthcare needs. The hospital campus and ambulatory care center is and will be a patient friendly setting for persons with such special needs and improve local access to care.

Utilization

Current		Projected	
2011	0	2017	6,240
2012	0	2018	6,240
2013	0		

Projection Assumptions

Based on a 250 day operational year, and an average approximately 25 walk-in patients per day.

5. Specialty Clinic (No explicit State Board Standard)

Care delivery provided locally where a patient lives and works is important to improve population health and its management which requires medical home diagnostic services, follow-up care, prevention, and ongoing treatment protocols. The Specialty Clinic was opened in 2014. The ACC/POB will provide enhanced access to, and the services provided by, specialists for which there is considerable demand on the South Side, but with limited access.

Physicians staffing the clinic will include specialists such as:

- Cardiology
- Behavioral Health
- Diabetes Management
- Internal Medicine
- Gynecology
- Gastroenterology
- Surgery
- Physical Rehabilitation
- Pulmonology

Utilization

Current		Projected	
2011	0	2017	5,733
2012	0	2018	6,020
2013	0		

Projection Assumptions

A conservative twenty three (23) patients per day based on a 250-day year in 2017 with a 5% growth rate to 2018, conservative CAGR, internal financial assumptions.

6. Women’s Wellness Clinic (No explicit State Board Standard)

Established in 2010, the Women’s Wellness Clinic allows access to services for women in the Englewood and surrounding communities by providing free prenatal services including social service, dietary and prenatal care, wellness education, and professional referrals for follow-up care. Plans are to expand the service area of the clinic to ensure more women of childbearing age get the proper prenatal and post partum care to enhance population health and reduce high risk pregnancies and associated compromised babies. This is a primary goal of the developing Better Health Network

Utilization

Current		Projected	
2011	868	2017	6,240
2012	667	2018	6,500
2013	1,619		

Projection Assumptions

Hospital assumptions based on growth due to demonstrable community need and anticipated Better Health Network outcomes. The conservation assumption assumes 25 to 26 visits per day assuming a 250 day year.

7. Orthopaedic Clinic (No explicit State Board Standard)

The orthopaedic clinic began in 2011 to ensure access to orthopedic services would be available for patients on the South Side of Chicago. There is a severe shortage of orthopedic coverage in many of the South Side communities. The ACC/POB will expand coverage to help meet demonstrable need and demand.

Utilization

Current		Projected	
2011	905	2017	2,079
2012	1,293	2018	2,182
2013	1,710		

Projection Assumptions

5% annual growth conservative CAGR, internal financial model.

8. Pharmacy (There is no State Board Standard for this CSA)

This outpatient service will provide prescriptions as written for patient care.

Utilization

Current		Projected	
2011	26,644	2017	41,973
2012	27,855	2018	44,071
2013	29,006		

Projection Assumptions

Growth rate based on experience, probable ACA implications, and Hospital estimates which approximate 5% annual (CAGR) growth.

9. Physical Therapy

Relocating PT/OT services to an ACC/POB will allow enhanced access and the ability of current facilities to focus on inpatient care allowing more efficient and effective operations for both patients and caregivers as well as provide support for the orthopedic clinic..

Utilization (Total / aggregated modalities)

Current		Projected	
2011	3,139	2017	5,166
2012	3,527	2018	5,424
2013	4,250		

Projection Assumptions

5% annual growth conservative CAGR.

Summary

This proposed ACC/POB project involves the relocation of current existing Hospital-based services and the development of select new programs as necessary to meeting demonstrable community needs, respond to healthcare reform, and improve access to care while improving population health. The applicant anticipates no impact on current providers. This expansion / modernization project is predicated on essentially serving the Hospital's current patient base and market area more effectively. Growth is predicated on serving demonstrable current unmet need in the planning area.

Criterion 1110.3030
Key Room Profile
Clinical Service Areas Other Than Categories of Service

Clinical Service Area	Existing Key Rooms	Proposed * New Key Rooms	Total Key Rooms	Comments
Laboratory	1	1	1	New ambulatory / outpatient draw and specimen collection
Imaging				
• Gen Rad	3	2	5	
• Mammo	1	1	1	
• Ultrasound	3	1	4	
• Dexa	1	1	1	
• MRI *	<u>1</u>	<u>1</u>	<u>1</u>	Current MRI is a mobile unit which is a new service in 2014
Total Imaging	9	6	12	
Cardiology				
• EKG	1	2	3	
• Stress	1	1	2	
• Echo	1	1	2	
• PFT	<u>1</u>	<u>1</u>	<u>2</u>	Based on program not utilization
Total Cardiology	4	5	9	
Walk-in Clinic	0	4	4	New Ambulatory Service
Specialty Clinic	3	3	3	Key rooms based on allocated program space
Women's Wellness Clinic	3	4	4	Key rooms based on allocated program space

* Outpatient / ambulatory only; allocation based on State Board sq. ft. guideline and projected 2018 utilization

Criterion 1110.3030
Key Room Profile
Clinical Service Areas Other Than Categories of Service

Clinical Service Area	Existing Key Rooms	Proposed New Key Rooms	Total Key Rooms	Comments
Ortho	2	2	2	Key rooms based on allocated program space
Pharmacy	--	--	--	Outpatient only. No state criteria
Physical Therapy <ul style="list-style-type: none"> • PT • OT • EMG • ADL 	--	--	--	Outpatient only. No state criteria for this service

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:**

33,208,571	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
-0-	<p>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.</p>
-0-	<p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p>
-0-	<p>d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
-0-	<p>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;</p>
-0-	<p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p>
-0-	<p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
<u>33,208,571</u>	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT-36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ST. BERNARD HOSPITAL AND HEALTH CARE CENTER

326 WEST 64TH STREET, CHICAGO, ILLINOIS 60621
TELEPHONE 773.962.3900 FACSIMILE 773.602.3849

Attachment 36

July 10, 2014

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

Re: Availability of Funds
Criterion 1120.120 (Attachment 36)
Criterion 1120.140 (Attachment 39)

Dear Ms. Avery,

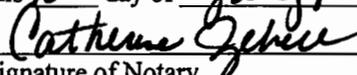
This letter attests to the fact St. Bernard Hospital has sufficient funds in the way of cash and securities to complete the proposed ACC/POB project in the amount of \$33,208,571 (Permit Application, Attachment 7).

Sincerely,


Charles Holland
Chief Executive Officer

Notarization:

Subscribed and sworn to before me

this 10th day of July, 2014


Signature of Notary

Seal



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IX. 1120.130 - Financial Viability

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

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

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

St Bernard Hospital is not an A-rated organization. Financial ratios are provided in Attachment 38

IX. 1120.130 - Financial Viability

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

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)
	2011	2012	2013	2018
Enter Historical and/or Projected Years:				
Current Ratio	1.29	1.92	1.99	2.18
Net Margin Percentage	5.98%	7.74%	4.14%	3.02%
Percent Debt to Total Capitalization	8.91%	7.22%	5.79%	0%
Projected Debt Service Coverage	65	80	57	NA
Days Cash on Hand	48	87	94	101
Cushion Ratio	77	142	161	NA

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

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements

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

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

B. Conditions of Debt Financing

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

* Include the percentage (%) of space for circulation

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

Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod. Foot	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
<u>Clinical</u>									
Specialty Clinic	\$ 262		1,967						\$515,354
Women's Wellness	261		2,624						684,864
Non-Invasive Cardiology	267		1,830						488,610
Diagnostic Imaging	527		4,087						2,153,849
Lab Specimen Draw	282		1,368						385,776
Orthopaedic Clinic	254		1,156						293,624
Physical Therapy	260		3,501						910,260
Walk-in Clinic	264		2,129						562,056
Pharmacy	260		693						180,180
Total / Average	\$ 321		<u>19,355</u>						<u>\$6,174,573</u>
<u>Non-Clinical</u>									
Physician Offices (leased)	\$ 255		21,909						\$5,586,795
Conference Center	221		2,615						577,915
Reception / Waiting	238		2,270						540,260
Building Support / Mechanical	685		9,447						6,471,953
Circulation	237		8,546						2,025,402
Shell Space	191		6,125						1,169,875
Total / Average	322		<u>50,912</u>						<u>16,372,200</u>
Subtotal / Average	321		70,267						22,546,773
Contingency (10%)	32		--						2,254,677
Total / Average	\$ 353		<u>70,267</u>						<u>\$24,801,450</u>

X. 1120.140 - Economic Feasibility

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

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 -39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

	FYE 2018 ACC/POB
D. Project Operating Costs	
Compensation	\$ 1,137,500
Supplies	468,000
Services	80,000
Utilities, Rep. & Maintenance	<u>463,601</u>
Total Operating Costs	<u>\$ 2,149,101</u>

OP Units of Service	363,177
Annual Operating Cost/UOS	\$5.92

E. Total Effect of Project on Capital Costs

Annual Depreciation	\$ 1,541,429
OP Units of Service	363,177
Capital Cost/UOS	\$4.24

XI. Safety Net Impact Statement

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

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

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

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

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

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)	Year	Year	Year
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Medicaid (revenue)	Year	Year	Year
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Safety Net Impact Statement

St. Bernard Hospital is a safety net hospital provider to Chicago's South Side and Englewood neighborhood. This project will enhance access to local care and, in doing so, further provide availability of safety net services within the community.

The proposed ACC/POB will have a positive impact on safety net services within the Hospital's service area and surrounding Chicago neighborhoods. There will be no negative impact on essential safety net services in the community nor on other local healthcare providers.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	2011	2012	2013
Inpatient	719	356	784
Outpatient	12,402	10,877	13,921
Total	13,121	11,233	14,705
Charity (cost in dollars)			
Inpatient	\$2,887,455	\$2,176,173	\$1,600,128
Outpatient	3,925,282	4,123,605	4,960,939
Total	\$6,812,737	\$6,299,788	\$6,561,067
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient	5,355	4,654	3,581
Outpatient	42,607	44,492	46,192
Total	47,962	49,146	49,773
Medicaid (revenue)			
Inpatient	\$45,395,762	\$44,273,869	\$41,668,870
Outpatient	10,841,848	11,233,013	14,621,303
Total	\$56,237,610	\$55,506,882	\$56,290,173

XII. Charity Care Information

Charity Care information **MUST** be furnished for **ALL** projects.

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

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

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

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

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

CHARITY CARE			
	2011	2012	2013
Net Patient Revenue	\$81,428,005	\$82,141,391	\$82,028,953
Amount of Charity Care (charges)	\$16,161,958	\$16,350,320	\$16,993,260
Cost of Charity Care	\$ 6,812,737	\$ 6,299,778	\$ 6,561,067

SAINT BERNARD HOSPITAL AND HEALTH CARE CENTER

326 West 64th Street
Chicago, Illinois 60621

POLICY STATEMENT:

- A. In recognizing the medical needs of the indigent, *SAINT BERNARD HOSPITAL AND HEALTH CARE CENTER* provides quality medical health care regardless of race, creed, color, sex, national origin, sexual orientation, handicap, age or inability to pay.
- B. *SAINT BERNARD HOSPITAL* recognizes its responsibility to the community by providing that no patient requiring medically necessary care will be refused services solely due to a lack of financial means. This policy is intended to provide the framework under which such care will be rendered.
- C. Although reimbursement for services rendered is critical to the operation and stability of *SAINT BERNARD HOSPITAL*, it is recognized that not all individuals possess the financial ability to purchase essential medical services. Therefore, in keeping the hospital's commitment to serve all members of its community, charity care will be considered in situations where the need and inability to pay to coexist.
- D. As a health care institution, it is part of our mission to care for the sick and special needs of the poor. Keeping its commitment to the community, *SAINT BERNARD HOSPITAL* recognizes and acknowledges the financial needs of patients who are unable to afford the charges associated with their medical care. The health care services provided will be provided at an uncompensated or reduced level based on established criteria. The dignity of the individual remains paramount during such consideration.

PURPOSE:

- A. To ensure prompt and compassionate care to those in need, and to determine eligibility for charity care.
- B. To define charity policy guideline in order to facilitate a consistent approach to accounts receivable write offs.
- C. This policy identifies circumstances under which *SAINT BERNARD HOSPITAL* will extend care free of charge, or at a discount commensurate with the ability to pay to a patient whose financial status make it impractical or impossible to pay for necessary medical services. The necessity for medical treatment of any patient will be based upon clinical judgment without regard to financial status of the patient.

DEFINITIONS OF TERMS:

- A. **BAD DEBT EXPENSE:** The provision for actual or expected uncollectibles resulting from the extension of credit.
- B. **CHARITY CARE:** Health care services provided free or at a reduced rate for individuals who meet certain financial criteria.
- C. **CONTRACTUAL ADJUSTMENTS:** Difference between revenue at established rates and amounts realized from third party payers under contractual agreements.
- D. **FAMILY INCOME:** Wages, salaries, dividends, interest, Social Security benefits, unemployment benefits, welfare payments, child support, alimony, strike benefits, workers' compensation, veterans benefits, training stipends, military allotments, regular support from family member not living in the household, government pensions, private pensions, insurance and annuity payments, income from rents, royalties, estates and trusts.
- E. **HOSPITAL UNINSURED PATIENT DISCOUNT ACT:** Pursuant to Public Act 95-0965 the hospital will extend a 50% discount to uninsured residents of Illinois whose family income is not more than 600% of the Federal Poverty Guidelines.

- F. CHARITY CARE is that portion of patient care services provided by a hospital for which a third-party payer is not responsible and a patient has the inability to pay. Any portion of costs that a patient is unable to pay can count as charity care.
- G. Charity Care does not include bad debt, contractual adjustments, or unreimbursed costs (Payment shortfalls). Charity care may include unpaid coinsurance; deductibles and non-covered services if the patient meets the hospital's charity care eligibility criteria.
- H. Denial of payment by Medicaid for any reason for services provided and any lack of payment for non-covered services provided to a Medicaid patient shall be considered charity.
- I. MEDICALLY NECESSARY SERVICES are those services as defined by Medicare (services or items reasonable and necessary for the diagnosis or treatment of illness or injury).

ELIGIBILITY CRITERIA:

SAINT BERNARD HOSPITAL uses the Federal guidelines for poverty levels published as guidelines to define recipients of charity care. Eligibility for charity care may be determined at any time by the hospital as information on the patient's eligibility becomes available.

UNINSURED DISCOUNT ELIGIBILITY

Pursuant to the Hospital Uninsured Patient Discount Act, the hospital will extend a 50% discount to uninsured residents of Illinois whose family income is no more than 600% of the Federal Poverty Guidelines. All uninsured patients (with an account balance greater than \$300.00 and a resident of the State of Illinois) will be eligible for this immediate 50 % discount, once a determination is made that there is no potential third party reimbursement for the services provided. The uninsured discount will be reversed if there is evidence of third party responsibility for the charges.

Any uninsured patient that does not pass the screening for charity will receive the uninsured discount, charged to bad debt, and a notice will be sent to the patient for the remaining balance.

CHARITY ELIGIBILITY

Presumptive Eligibility

All uninsured patients will be screened for charity, and considered presumptively eligible for financial assistance based on the following provided and verified information:

- Homelessness
- Deceased with no estate
- Mental incapacitation with no representative to act on the patient's behalf
- Current Medicaid eligibility, but not at the time of service
- Enrollment in WIC
- SNAP benefits
- Illinois free lunch and breakfast program
- Low income Home Energy Assistance Program (LIHEAP)
- Enrollment in an organized community based program providing access to medical care (income/financial status verification is criteria for membership)
- Receipt of grant assistance for medical services

St Bernard Hospital will screen uninsured outpatients through an Electronic and Information Technology (EIT) system. Based on family income standards if the total reported family income falls below 200% of the Federal Poverty (FPL) guidelines, the entire account (excluding luxury items) is charged to charity care. Patient's annual family income above 200%, but less than 300% of the FPL will have a financial responsibility of 25% of

the bill. Patient's annual family income above 300%, but less than 400% of the FPL will have a responsibility of 50% of the balance. A patient's annual family income above 400%, but less than 500% of the FPL will have a responsibility of 75% of the balance. If the patient's circumstances changes that will impair their financial obligation, the patient (or the patient's representative) must promptly notify the hospital of this change. Consideration for changes or additional adjustments will be considered at the time of notification, and will be considered on a case-by-case basis. Additional documentation may be requested for an additional determination based on what changes have occurred.

APPLICATION PROCESS

Inpatients- Uninsured Inpatients that are admitted will be screened and interviewed for determination of the programs that the patient would be eligible to apply. Applications for any third party payer that the patient may qualify for based on submitted information will be completed with cooperative efforts of the patient, the patient's family or representative, and a hospital representative. At the same time, the application for charity assistance will be completed and considered.

Any patient completing an application will sign the application; provide the needed documents for verification of information and a determination by St Bernard Hospital for any state, federal or local assistance. The patient and/or guarantor agrees to assist in the application for assistance.

If the patient meets the presumptive eligibility criteria as identified in the Presumptive Eligibility section, the patient will not be required to complete the section of the application regarding the monthly expenses for the purpose of consideration of charity, this is required information for the consideration of state or federal assistance.

All insured patients, may apply for charity benefits for medically necessary care by accessing an application on St Bernard Hospital website, or from the Patient Accounts Department. St Bernard Hospital will apply the same standards to any self pay balance and based on reviewed and submitted information will make a determination.

If the patient is uncooperative in the application process or not forthcoming with information regarding third party coverage, the application for charity assistance can be denied by the hospital and the patient may be made responsible for the payment of the hospital bill.

COLLECTIONS

All patients asking to be considered for charity assistance will be placed in a special financial class that will not have any active collection activity related to the balance.

If the hospital has reason to believe that a lawsuit may be filed on behalf of the patient, the hospital will invoke its right to file a lien with an itemized statement.

Policy approved: (Initial/date)

Director, PFS	<i>MGrabe</i>	<i>6/04/2014</i>			
CFO	<i>LRA</i>	<i>6/5/14</i>			
CEO	<i>CHA</i>	<i>6/6/2014</i>			

ST. BERNARD HOSPITAL
AND HEALTH CARE CENTER

326 WEST 64TH STREET CHICAGO ILLINOIS 60621
TELEPHONE 773-962-3900 FACSIMILE 773-602-3649

June 12, 2014

Arlyn Torres
Office of the Attorney General of Illinois
Charitable Trust Bureau
100 West Randolph Street, 11th Floor
Chicago, IL 60601

Dear Ms. Torres:

Enclosed please find the following for St. Bernard Hospital:

Annual Non-Profit Hospital Community Benefits Plan Report
Mission Statement
Charity Policy
Community Benefits Plan
2012 Community Health Needs Assessment
Audited Financial Statements
Medicare Filed Cost Report Worksheet C copy for 2013

If you should you have any questions or need further information please do not hesitate to contact me at 773-962-4073.

Sincerely,



Guy R. Alton
Chief Financial Officer



SERVING OUR COMMUNITY SINCE 1904 • SPONSORED BY THE RELIGIOUS HOSPITALLERS OF SAINT JOSEPH

Annual Non Profit Hospital Community Benefits Plan Report

Hospital or Hospital System: <u>St. Bernard Hospital</u>																				
Mailing Address: <u>326 West 64th Street</u>		<u>Chicago, IL 60621</u>																		
<small>(Street Address/P.O. Box)</small>		<small>(City, State, Zip)</small>																		
Physical Address (if different than mailing address):																				
<small>(Street Address/P.O. Box)</small>		<small>(City, State, Zip)</small>																		
Reporting Period: <u>01</u> / <u>01</u> / <u>13</u>	through <u>12</u> / <u>31</u> / <u>13</u>	Taxpayer Number: <u>36-2264414</u>																		
<small>Month</small>	<small>Day</small>	<small>Year</small>																		
<small>Month</small>	<small>Day</small>	<small>Year</small>																		
<p>If filing a consolidated financial report for a health system, list below the Illinois hospitals included in the consolidated report.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>Hospital Name</u></th> <th style="text-align: center;"><u>Address</u></th> <th style="text-align: center;"><u>FEIN #</u></th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table>			<u>Hospital Name</u>	<u>Address</u>	<u>FEIN #</u>															
<u>Hospital Name</u>	<u>Address</u>	<u>FEIN #</u>																		
<p>1. ATTACH Mission Statement: The reporting entity must provide an organizational mission statement that identifies the hospital's commitment to serving the health care needs of the community and the date it was adopted.</p>																				
<p>2. ATTACH Community Benefits Plan: The reporting entity must provide it's most recent Community Benefits Plan and specify the date it was adopted. The plan should be an operational plan for serving health care needs of the community. The plan must:</p> <ol style="list-style-type: none"> 1. Set out goals and objectives for providing community benefits including charity care and government-sponsored indigent health care. 2. Identify the populations and communities served by the hospital. 3. Disclose health care needs that were considered in developing the plan. 																				
<p>3. REPORT Charity Care: Charity care is care for which the provider does not expect to receive payment from the patient or a third-party payer. Charity care does not include bad debt. In reporting charity care, the reporting entity must report the actual cost of services provided, based on the total cost to charge ratio derived from the hospital's Medicare cost report (CMS 2552-96 Worksheet C, Part 1, PPS Inpatient Ratios), not the charges for the services.</p> <p>Charity Care..... \$ <u>6,887,368</u></p> <p>ATTACH Charity Care Policy: Reporting entity must attach a copy of its current charity care policy and specify the date it was adopted.</p>																				

4. **REPORT Community Benefits** actually provided other than charity care:
See instructions for completing Section 4 of the Annual Non Profit Hospital Community Benefits Plan Report.

Community Benefit Type

Language Assistant Services	\$ _____
Government Sponsored Indigent Health Care	\$ 1,001,009
Donations	\$ _____
Volunteer Services	
a) Employee Volunteer Services	\$ _____
b) Non-Employee Volunteer Services	\$ _____
c) Total (add lines a and b)	\$ _____
Education	\$ 293,401
Government-sponsored program services	\$ _____
Research	\$ _____
Subsidized health services	\$ 6,154,358
Bad debts	\$ 809,689
Other Community Benefits	\$ 66,723

Attach a schedule for any additional community benefits not detailed above.

5. **ATTACH Audited Financial Statements** for the reporting period.

Under penalty of perjury, I the undersigned declare and certify that I have examined this Annual Non Profit Hospital Community Benefits Plan Report and the documents attached thereto. I further declare and certify that the Plan and the Annual Non Profit Hospital Community Benefits Plan Report and the documents attached thereto are true and complete.

Guy R. Alton

773-962-4073

Name / Title (Please Print)

Phone: Area Code / Telephone No.



6-12-14

Signature

Date.

Guy R. Alton

773-962-4073

Name of Person Completing Form

Phone: Area Code / Telephone No.

galton@stbh.org

773-962-9276

Electronic / Internet Mail Address

FAX: Area Code / FAX No.

Audited Financial Statement



ST. BERNARD HOSPITAL AND AFFILIATES

Consolidated Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)



KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Trustees
St. Bernard Hospital and Affiliates:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of St. Bernard Hospital and Affiliates (the Corporations), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Bernard Hospital and Affiliates as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

March 26, 2014

ST. BERNARD HOSPITAL AND AFFILIATES

Consolidated Balance Sheets

December 31, 2013 and 2012

Assets	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 5,055,432	5,069,274
Patient accounts receivable, less allowance for uncollectible accounts of \$6,896,000 in 2013 and \$7,662,000 in 2012	16,576,799	10,869,159
Inventories of supplies	1,247,380	1,005,456
Prepaid expenses and other	<u>4,732,502</u>	<u>4,049,849</u>
Total current assets	<u>27,612,113</u>	<u>20,993,738</u>
Assets whose use is limited:		
By board for capital improvements	6,118,825	5,314,879
Restricted assets	10,980,047	9,195,101
Under self-insurance funding arrangement – held by trustee	<u>24,373</u>	<u>25,384</u>
Total assets whose use is limited	<u>17,123,245</u>	<u>14,535,364</u>
Land, buildings, and equipment, net	26,582,644	25,809,245
Long-term investments	30,841	30,991
Total assets	<u>\$ 71,348,843</u>	<u>61,369,338</u>

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	<u>2013</u>	<u>2012</u>
Current liabilities:		
Current installments of long-term debt	\$ 89,301	89,301
Accounts payable and accrued expenses	11,296,201	7,938,405
Estimated payables under third-party reimbursement programs	<u>1,935,309</u>	<u>2,307,324</u>
Total current liabilities	13,320,811	10,335,030
Long-term debt, net of current installments	2,470,653	2,559,954
Estimated liabilities under self-insurance program	14,083,661	14,223,308
Other long-term liabilities	<u>630,219</u>	<u>658,961</u>
Total liabilities	<u>30,505,344</u>	<u>27,777,253</u>
Commitments and contingencies		
Net assets:		
Unrestricted	29,333,452	23,331,984
Temporarily restricted	10,221,242	8,971,316
Permanently restricted	<u>1,288,805</u>	<u>1,288,785</u>
Total net assets	<u>40,843,499</u>	<u>33,592,085</u>
Total liabilities and net assets	<u>\$ 71,348,843</u>	<u>61,369,338</u>

ST. BERNARD HOSPITAL AND AFFILIATES

Consolidated Statements of Operations

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Net patient service revenue before provision for doubtful accounts	\$ 82,838,642	84,539,284
Provision for doubtful accounts	809,688	2,397,893
Net patient service revenue	<u>82,028,954</u>	<u>82,141,391</u>
Other revenues:		
Other revenue	10,837,971	9,234,745
Net assets released from restriction for operations	1,025,663	986,689
Total revenues	<u>93,892,588</u>	<u>92,362,825</u>
Expenses:		
Salaries and wages	39,576,303	38,271,190
Employee benefits	9,999,641	8,678,345
Professional fees and purchased services	16,636,232	15,389,578
Utilities, repairs, and maintenance	3,016,376	2,908,291
Supplies and drugs	8,624,928	8,955,032
Insurance and other	8,238,065	7,169,384
Interest	52,678	31,524
Depreciation and amortization	3,901,650	3,818,323
Total expenses	<u>90,045,873</u>	<u>85,221,667</u>
Income from operations	<u>3,846,715</u>	<u>7,141,158</u>
Nonoperating gains (losses), net		
Investment income	40,690	4,578
Change in fair value of derivative instrument	(893)	1,402
Total nonoperating gains, net:	<u>39,797</u>	<u>5,980</u>
Revenue and gains in excess of expenses and losses	3,886,512	7,147,138
Other changes in unrestricted net assets:		
Net assets released from restriction for purchase of equipment	2,114,956	1,906,632
Increase in unrestricted net assets	<u>\$ 6,001,468</u>	<u>9,053,770</u>

See accompanying notes to consolidated financial statements.

ST. BERNARD HOSPITAL AND AFFILIATES
Consolidated Statements of Changes in Net Assets
Years ended December 31, 2013 and 2012

	2013	2012
Unrestricted net assets:		
Revenue and gains in excess of expenses and losses	\$ 3,886,512	7,147,138
Other changes in unrestricted net assets:		
Net assets released from restriction for purchase of equipment		
Increase in unrestricted net assets	2,114,956	1,906,632
Increase in unrestricted net assets	6,001,468	9,053,770
Temporarily restricted net assets:		
Contributions for specific purposes	4,150,007	6,523,319
Net realized and unrealized gains and losses		
on temporarily and permanently restricted investments	240,538	209,570
Net assets released from restriction for purchase of equipment	(2,114,956)	(1,906,632)
Net assets released from restriction for operations	(1,025,663)	(986,689)
Increase in temporarily restricted net assets	1,249,926	3,839,568
Permanently restricted net assets:		
Uncollectible permanently restricted pledge receivable	—	(300)
Contributions to be held in perpetuity	20	—
Change in net assets	7,251,414	12,893,038
Net assets at beginning of year	33,592,085	20,699,047
Net assets at end of year	\$ 40,843,499	33,592,085

See accompanying notes to consolidated financial statements.

ST. BERNARD HOSPITAL AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities and gains and losses:		
Change in net assets	\$ 7,251,414	12,893,038
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains and losses:		
Depreciation and amortization	3,901,650	3,818,323
Provision for doubtful accounts	809,688	2,397,893
Net realized and unrealized gains and losses on unrestricted investments	(40,690)	(4,578)
Net realized and unrealized gains and losses on temporarily and permanently restricted investments	(240,538)	(209,570)
Restricted contributions	(4,150,027)	(6,523,319)
Net assets released from restriction for operations	1,025,663	986,689
Change in fair value of derivative instrument	893	(1,402)
Uncollectible permanently restricted pledge receivable	—	300
Changes in assets and liabilities:		
Patient accounts receivable	(6,517,328)	(3,079,329)
Inventories of supplies	(241,924)	(72,474)
Prepaid expenses and other	(683,546)	3,007,542
Accounts payable and accrued expenses	3,357,796	(6,639,138)
Estimated payables under third-party reimbursement programs	(372,015)	161,975
Estimated liabilities under self-insurance program	(139,647)	(486,447)
Net cash provided by operating activities and gains and losses	<u>3,961,389</u>	<u>6,249,503</u>
Cash flows from investing activities:		
Gross purchases of investment securities	(4,598,472)	(15,971,433)
Gross sales of investment securities	2,291,969	8,091,425
Acquisition of land, buildings, and equipment, net	(4,703,791)	(3,792,085)
Net cash used in investing activities	<u>(7,010,294)</u>	<u>(11,672,093)</u>
Cash flows from financing activities:		
Proceeds from restricted contributions	4,150,027	6,523,319
Proceeds from issuance of long-term debt	—	697,137
Repayment of long-term debt	(89,301)	(29,767)
Net assets released from restriction for operations	(1,025,663)	(986,689)
Net cash provided by financing activities	<u>3,035,063</u>	<u>6,204,000</u>
Net change in cash and cash equivalents	(13,842)	781,410
Cash and cash equivalents at beginning of year	<u>5,069,274</u>	<u>4,287,864</u>
Cash and cash equivalents at end of year	\$ <u>5,055,432</u>	<u>5,069,274</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 40,785	31,524

See accompanying notes to consolidated financial statements.

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(1) Description of Organization and Summary of Significant Accounting Policies

St. Bernard Hospital (Hospital), located in Chicago, Illinois, is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code), and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital, of which St. Bernard Health Network (Network) is its sole corporate member, provides inpatient, outpatient, and emergency care services for residents in the surrounding area. The Network is sponsored by Catholic Health International, located in Miramichi, New Brunswick, Canada. The Network is also the sole corporate member of St. Bernard Foundation. The consolidated financial statements include the accounts of the Hospital and the following affiliates (collectively referred to as the Corporations), which it controls:

- The St. Bernard Housing Development Corporation (Development Corporation), a separately incorporated not-for-profit corporation as described in Section 501(c)(3) of the Code, which is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code, engages in activities to foster the development, construction, and management of moderate and low-income housing within the immediate surrounding area of the Hospital. The Development Corporation is organized and operates exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the Hospital, as part of its service commitment to the community. The Hospital is the sole corporate member of the Development Corporation.
- The Foundation for Outreach Services, formerly the Women's Health Center South (Health Center), a separately incorporated taxable not-for-profit corporation, facilitates medical billing services for Hospital Operations on the south side of Chicago. The Hospital is the sole corporate member of the Health Center.
- The Foundation for Emergency Services (Emergency Services Foundation), a separately incorporated taxable not-for-profit corporation, was formed to facilitate billing for emergency room physicians. The Hospital is the sole corporate member of the Emergency Services Foundation.

All significant intercompany transactions and balances have been eliminated in consolidation.

The Health Center and Emergency Services Foundation had no significant activity in 2013 or 2012.

A summary of significant accounting policies utilized in the presentation of the accompanying consolidated financial statements follows:

- 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- Cash and cash equivalents include demand deposits and money market fund investments with original maturities of three months or less.
- Inventories of supplies are stated at the lower of cost (first-in, first-out) or market value.
- Assets whose use is limited include: assets set aside by the board of trustees for future capital improvements, over which the board of trustees retains control and may at its discretion

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

subsequently use for other purposes; assets held by a trustee to be used in accordance with the requirements of a self-insurance trust agreement; and restricted assets, which represent the fair value of certain permanently and temporarily restricted funds, which comprise money market funds, mutual bond and equity funds, and fixed income securities. Assets whose use is limited are classified as noncurrent assets because they are not expected to be expended to satisfy obligations classified as current liabilities.

- Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment return (including realized gains and losses on investments, unrealized gains and losses on trading securities, interest, and dividends) is included in revenue and gains in excess of expenses and losses unless the income or loss is restricted by donors, in which case the investment return is recorded directly to temporarily or permanently restricted net assets. Unrealized gains and losses on unrestricted investments are included in revenue and gains in excess of expenses and losses as management considers all investments to be trading securities.
- The Corporations have adopted the provisions of Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements and Disclosures – Overall*, 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 consolidated financial statements on a recurring basis. ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. Such disclosures are included in note 7.
- The Corporations have adopted the provisions of ASC Subtopic 825-10, *Financial Instruments – Overall*. ASC Subtopic 825-10 gives the Corporations the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Since adoption, the Corporations' management has not elected to measure any additional eligible financial assets or financial liabilities at fair value, and as a result, adoption of ASC Subtopic 825-10 has not had an effect on the consolidated results of operations or financial position of the Corporations.
- ASC Subtopic 815-10, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at their respective fair values. The Hospital is involved in an interest rate cap agreement. The fair value of the interest rate cap is included as a component of prepaid expenses and other in the accompanying consolidated balance sheets. For the Hospital, the derivatives are not designated and do not qualify as hedge instruments, and therefore, any periodic settlements on derivative instruments and the change in fair value of the interest rate cap agreement is recorded as a component of nonoperating gains (losses), net.
- Long-lived assets (including property and equipment) are periodically assessed for recoverability based on the occurrence of a significant adverse event of change in the environment in which the Corporations operate or if the expected future cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

period such determination is made based on the fair value of the related entity. No impairments were recorded during the year ended December 31, 2013 or 2012.

- All legal obligations, including those under the doctrine of promissory estoppel, associated with the retirement of tangible long-lived assets are recognized when incurred using management's best estimate of fair value. Management uses a discount rate of 5%, which approximates its credit-adjusted risk-free rate, to estimate fair value of its asset retirement obligations at the measurement date. The Hospital is legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of existing buildings. The estimated asbestos removal cost at December 31, 2013 and 2012 was \$630,219 and \$658,961, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.
- Provisions for estimated self-insured professional and general liability and employee healthcare risks include estimates of the ultimate cost of both reported losses and losses incurred but not reported as of the respective consolidated balance sheet dates. The Corporations have adopted Accounting Standards Update 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries* (ASU 2010-24). ASU 2010-24 clarifies that healthcare entities should not net insurance recoveries against the related claim liability and that the claim liability amount should be determined without consideration of insurance recoveries. The adoption of this standard had no impact to the accompanying consolidated financial statements.
- Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unrestricted contributions are reported as nonoperating gains (losses), net. Contributions 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 restrictions are accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restriction. Temporarily restricted net assets at December 31, 2013 and 2012 consist of amounts restricted by donors for operation of a dental clinic, pediatric mobile medical van unit, and building and medical equipment purchases. Permanently restricted net assets represent donor-restricted contributions, the principal amount of which may not be expended. Interest and dividend income from investment of those funds is to be utilized to provide for funding of children and adult outreach programs.
- The Corporations have adopted the provisions of ASC Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. ASC Subtopic 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. ASC Subtopic 958-205 also enhances disclosures related to both donor-restricted and board-designated endowment funds. Such disclosures are included in note 13.
- The Corporations report unconditional promises to give as contributions at the estimated amount to be ultimately realized. If pledges are expected to be collected in less than one year, the pledges receivable are classified as current assets in prepaid expenses and other. Pledge amounts due in excess of one year after the reporting date are classified as noncurrent assets. Gross pledges receivable of \$530,000 as of December 31, 2013, due in 2014, and gross pledges receivable of \$1,065,000 as of December 31, 2012, that were due in 2013, are classified as current assets in

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

prepaid expenses and other in the accompanying 2013 and 2012 consolidated balance sheets, respectively.

- The consolidated statements of operations include revenue and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of patient care services are reported as gains and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction, were to be used for the purposes of acquiring such assets), and permanent transfers of net assets among affiliated parties for other than goods and services.
- Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments arising under third-party reimbursement programs are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Included in 2013 and 2012 net patient service revenue is approximately \$0 and \$(250,000), respectively, of loss attributable to changes in third-party reimbursement settlements.
- In 2012, the Hospital adopted ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (ASU 2011-07). ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statement of operations. In addition, there are enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The provision for doubtful accounts on the accompanying consolidated statements of operations for the years ended December 31, 2013 and 2012 has been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the application of ASU 2011-07.
- The Medicare and Medicaid Electronic Health Record (EHR) Incentive Programs (the Programs) provide incentive payments to eligible hospitals and professionals as they adopt, implement, upgrade or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. The Programs define meaningful use as meeting certain core and menu criteria at certain levels dependent upon the program, the stage of meaningful use, and whether the participant is a hospital or provider professional. The Hospital accounts for the Programs using International Accounting Standards (IAS) 20, *Accounting for Government Grants and Disclosures of Government Assistance*. The Hospital applies the "ratable recognition" approach, which states that the grant income can be recognized ratably over the entire EHR reporting period once the "reasonable assurance" income recognition threshold of IAS 20 is met. For the year ended December 31, 2013 and 2012, the Hospital recognized \$3,521,140 and \$2,877,420, respectively, as other revenue related to the Medicare and Medicaid EHR incentives, which have been received or are expected to be received

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

based on certifications prepared by management under the appropriate guidelines for stage 1 meaningful use attestation.

- The Corporations incur expenses primarily for the provision of healthcare services as well as related general and administrative costs.
- The Corporations previously adopted ASC Subtopic 740-10, *Income Taxes – Overall*. ASC Subtopic 740-10 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity’s financial statements and how the values of these positions are determined. At the date of adoption and as of December 31, 2013, the Corporations do not have a liability for unrecognized tax benefits.
- ASU 2010-23, *Measuring Charity Care for Disclosure*. ASU 2010-23 requires charity care to be measured using cost and any related reimbursements recorded be separately disclosed. The disclosures required by this standard are included in note 4.
- Certain 2012 amounts have been reclassified to conform to the 2013 consolidated financial statement presentation.

Other significant accounting policies are set forth in the consolidated financial statements and in the following notes.

(2) Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Accruals for settlements with third-party payors are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the federal Medicare program, the Illinois Medicaid program, and the Blue Cross Plan of Illinois. A summary of payment arrangements with major third-party payors follows:

(a) Medicare

Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospital’s classification of patients under the prospective payment systems and the appropriateness of the patients’ admissions are subject to validation reviews.

Certain services related to Medicare beneficiaries are reimbursed based upon cost reimbursement methodologies. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary. As of December 31, 2013, annual Medicare cost reports have been final settled through 2009.

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(b) Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates per discharge and fee schedules, respectively. The Hospital also receives incremental Medicaid reimbursement for specific programs and services at the discretion of the State of Illinois Medicaid Program. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in existing payment methodologies and rates, based on the amount of funding available to the State of Illinois Medicaid Program.

The Hospital participates in the State of Illinois (the State) assessment program that assists in the financing of its Medicaid program. The State assessment program has been renewed by the State since its inception in 2004 and was renewed again on December 4, 2008 for the State's fiscal years ended June 30, 2009 through June 30, 2013. Renewal for the period July 1, 2013 to December 31, 2014 has also been approved by the State. 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).

The Hospital has included its related assessments of \$6,317,220 within insurance and other expense in the accompanying 2013 and 2012 consolidated statements of operations. No advance payments were made by the Hospital to the State as of December 31, 2013 or 2012.

The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas approved by CMS. The Hospital has included its additional related reimbursement of \$17,100,840 within net patient service revenue in the accompanying 2013 and 2012 consolidated statements of operations. The Hospital has reported deferred revenues of \$1,425,069 for accelerated disbursements made by the State in 2012, which are included within accounts payable and accrued expenses in the accompanying 2012 consolidated balance sheet. No such accelerated disbursement was received in 2013.

During 2013, The U.S. Centers for Medicare & Medicaid Services (CMS) notified the Illinois Department of Healthcare and Family Services (HFS) of its approval of the Enhanced Hospital Assessment program (outpatient payments approved September 27; inpatient payments approved September 30). The Enhanced Assessment program was authorized by Public Act 97-688 in the spring of 2012. P.A. 98-104 further amended the original Act, changing the original effective date from July 1, 2012 to June 10, 2012, adding an additional 21 days. The current effective date of the Enhanced Assessment as approved by CMS is June 10, 2012–December 31, 2014. The Department of Healthcare and Family Services developed a schedule for the issuance of the payments to hospitals by the state and the paying of assessments to the state by hospitals, retroactive to the June 10, 2012 effective date.

The Hospital has included its related assessment of \$684,078, retroactive to June 10, 2012, within insurance and other expense in the accompanying 2013 consolidated statements of operations for the Enhanced Hospital Assessment Program. The Enhanced Hospital Assessment Program provides hospitals within the State with additional Medicaid reimbursement based on funding formulas, also approved by CMS. The Hospital has included its additional related reimbursements received in 2013 of \$3,587,827, retroactive to June 10, 2012, within net patient service revenue in the accompanying consolidated statements of operations. The net impact of the retroactive enhanced assessment and

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

reimbursement for the year ended December 31, 2013 included in the accompanying consolidated statements of operations is \$2,903,749.

The Hospital also participates in the other State reimbursement programs, including the Critical Hospital Adjustment Payment (CHAP) and Safety Net Hospital Adjustment (SNAP) programs, among others. Under these programs, the Hospital recognized reimbursement of \$9,872,590 within net patient service revenue in the accompanying 2013 and 2012 consolidated statements of operations. No deferred revenues were required as of December 31, 2013 or 2012.

(c) Other

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

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with patient responsibility (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the patients are screened against the Hospital charity care policy and uninsured discount policy. For any remaining patient responsibility balance, the Hospital records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital's allowance for uncollectible accounts for self-pay patients, which includes uninsured patients and residual copayments and deductibles for which managed care has already paid, decreased from 76% of self-pay accounts receivable at December 31, 2012, to 73% of self-pay accounts receivable at December 31, 2013. In addition, the Hospital's self-pay write-offs decreased \$2,665,747 from \$10,632,043 for fiscal year 2012 to \$7,966,296 for fiscal year 2013. The Hospital has not changed its charity care or uninsured discount policies during fiscal year 2013 or 2012. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue for services provided (on the basis of discounted rates, as provided by policy). On the basis of historical experience, a portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Hospital records a provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<u>2013</u>	<u>2012</u>
Medicare	\$ 23,094,391	27,932,664
Medicaid	52,529,627	50,680,692
Blue Cross	11,864,582	2,543,207
Managed care	2,241,837	8,264,672
Self-pay and other	10,101,465	11,468,368
Charity	<u>(16,993,260)</u>	<u>(16,350,319)</u>
Net patient service revenue before provision for doubtful accounts	\$ <u>82,838,642</u>	<u>84,539,284</u>

(3) Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents. Hospital patients may be insured to various degrees under federal, state, and private healthcare insurance programs. The composition of net receivables from patients and third-party payors as of December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Medicare	28%	20%
Medicaid	38	50
Blue Cross	3	3
Managed care	23	17
Self-pay and other	8	10
	<u>100%</u>	<u>100%</u>

A summary of the Hospital's Medicare, Medicaid, Blue Cross, managed care, and other utilization percentages based upon gross patient service revenue for the years ended December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Medicare	29%	29%
Medicaid	39	43
Blue Cross	3	2
Managed care	22	18
Self-pay and other	7	8
	<u>100%</u>	<u>100%</u>

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(4) Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Since the Hospital does not expect payment for charity care services, charges for charity care are not reported as revenue. The following information measures the approximate level of charity care provided at cost in accordance with ASU 2010-23 and the Hospital's charity care policy in effect during the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Costs of charity care provided	\$ 6,561,098	6,299,779

(5) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, less accumulated depreciation, at December 31, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 5,508,026	5,493,026
Buildings and building improvements	44,593,211	43,252,828
Equipment	40,938,834	39,684,200
Construction in progress	<u>2,229,926</u>	<u>194,847</u>
	93,269,997	88,624,901
Accumulated depreciation	<u>66,687,353</u>	<u>62,815,656</u>
Land, buildings, and equipment, net of accumulated depreciation	\$ <u>26,582,644</u>	<u>25,809,245</u>

Depreciation is provided over the estimated useful lives of each class of depreciable assets using the straight-line method. Construction in progress at December 31, 2013 and 2012 consists primarily of costs incurred for various construction and renovation projects. The Hospital had outstanding commitments of approximately \$878,649 related to these projects at December 31, 2013.

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(6) Investments and Assets Whose Use is Limited

The Hospital reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices or other observable inputs. A summary of the composition of the Hospital's investment portfolio at December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 9,141,284	7,333,966
Mutual funds	1,727,748	1,483,078
Fixed income securities	<u>6,285,054</u>	<u>5,749,311</u>
	<u>\$ 17,154,086</u>	<u>14,566,355</u>

Investments are reported in the accompanying consolidated balance sheets at December 31, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Assets whose use is limited	\$ 17,123,245	14,535,364
Long-term investments	<u>30,841</u>	<u>30,991</u>
	<u>\$ 17,154,086</u>	<u>14,566,355</u>

The composition of investment return on the Hospital's investment portfolio for the years ended December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 175,886	53,005
Net realized gains and losses	87,480	198,020
Change in net unrealized gains and losses during the holding period	<u>17,862</u>	<u>(36,877)</u>
Investment return	<u>\$ 281,228</u>	<u>214,148</u>

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Nonoperating gains, net:		
Investment income	\$ 40,690	4,578
Temporarily and permanently restricted net assets – investment return	<u>240,538</u>	<u>209,570</u>
	<u>\$ 281,228</u>	<u>214,148</u>

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts payable and accrued expenses, patient accounts receivable, and estimated third-party payor settlements.
- Assets limited as to use and long-term investments: Quoted mutual funds and U.S. Treasury obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds and notes, U.S. government agency securities, and nonquoted mutual funds are measured using other observable inputs. The carrying value equals fair value.
- Interest rate cap: The fair value of the interest rate cap 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 the Hospital.
- For the Hospital's variable rate long-term debt, carrying amounts approximate fair value.

(b) Fair Value Hierarchy

The Corporations have adopted the provisions of ASC Subtopic 820-10 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporations have the ability to access at the measurement date. Level 1 assets include cash, common stocks, and quoted mutual funds.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets include money market funds, corporate bonds and notes, U.S. government agency securities, and foreign fixed income securities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013:

	Total	Fair value measurements at December 31, 2013 using		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 5,055,432	5,055,432	—	—
Interest rate cap derivative	509	—	509	—
Assets whose use is limited:				
Cash and cash equivalents	8,988,411	8,988,411	—	—
Money market funds	122,032	—	122,032	—
Mutual bond funds	860,452	860,452	—	—
Mutual equity funds	867,296	867,296	—	—
Corporate issued fixed income securities	4,557,815	—	4,557,815	—
U.S. Agency issued fixed income securities	905,575	—	905,575	—
Foreign issued fixed income securities	821,664	—	821,664	—
Total assets whose use is limited	17,123,245	10,716,159	6,407,086	—
Long-term investments:				
Cash and cash equivalents	30,841	30,841	—	—
Total long-term investments	30,841	30,841	—	—
Total	\$ 22,210,027	15,802,432	6,407,595	—

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2012:

	Total	Fair value measurements at December 31, 2012 using		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 5,069,274	5,069,274	—	—
Interest rate cap derivative	1,402	—	1,402	—
Assets whose use is limited:				
Cash and cash equivalents	6,644,483	6,644,483	—	—
Money market funds	658,492	—	658,492	—
Mutual bond funds	753,893	753,893	—	—
Mutual equity funds	729,185	729,185	—	—
Corporate issued fixed income securities	4,409,622	—	4,409,622	—
U.S. Agency issued fixed income securities	924,996	—	924,996	—
Foreign issued fixed income securities	414,693	—	414,693	—
Total assets whose use is limited	14,535,364	8,127,561	6,407,803	—
Long-term investments:				
Cash and cash equivalents	30,991	30,991	—	—
Total long-term investments	30,991	30,991	—	—
Total	\$ 19,637,031	13,227,826	6,409,205	—

Transfers between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Corporations evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2013 and 2012, there were no significant transfers in or out of Levels 1, 2, or 3.

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(8) Long-Term Debt

Long-term debt at December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Capital expenditure note; principal repayment date of August 31, 2017, variable interest rates of 1.57% and 1.56% at December 31, 2013 and 2012, respectively	\$ 2,559,954	2,649,255
Less current installments of long-term debt	<u>89,301</u>	<u>89,301</u>
Long-term debt, excluding current installments	<u>\$ 2,470,653</u>	<u>2,559,954</u>

In August 2011, the Hospital entered into a loan agreement with a commercial bank. In connection with the loan agreement, the commercial bank has made available to the Hospital a capital expenditure note in an amount not to exceed \$6,000,000, and a revolving note in an amount not to exceed \$4,000,000. Under the terms of the capital expenditure note, the Hospital was able to request draws not to exceed \$6,000,000 in the aggregate through August 31, 2012, at which point no further draws could be made. The then outstanding principal balance became payable through August 31, 2017, based on a 30-year amortization schedule with a balloon payment due on August 31, 2017. As of December 31, 2013, no draws have been made on the revolving note. Draws can be made through the expiration date on August 15, 2015 and repayments of interest begin in the first month following the draw. The St. Bernard Foundation, a separately incorporated not-for-profit corporation as described in Section 501(c)(3) of the Code, which supports, sponsors, and promotes programs and activities maintained and operated by the Network, the sole corporate member of the Hospital, is the guarantor for the loan agreement.

Estimated scheduled principal repayments on long-term debt based on the scheduled redemptions in accordance with the loan agreement for the ensuing four years are as follows:

2014	\$ 89,301
2015	89,301
2016	89,301
2017	<u>2,292,051</u>
	<u>\$ 2,559,954</u>

(9) Derivative Instruments and Hedging Activities

The Hospital has interest-rate-related derivative instrument to manage its exposure on its variable-rate debt instrument and does not enter into derivative instruments for any purpose other than cash flow hedging and similar risk management purposes. That is, the Hospital does not speculate using derivative instruments.

By using derivative financial instrument to hedge exposures to changes in interest rates, the Hospital exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the Hospital, which creates credit risk for the Hospital. When the fair value of a derivative contract is negative, the Hospital owes the counterparty, and therefore, it does not possess credit

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

risk. The Hospital minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is higher than Aa. 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.

The Hospital is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate cap agreement; however, this is not anticipated.

The Hospital entered into an interest rate cap agreement in 2012, with a notional amount of \$3,000,000, to effectively cap the floating interest rate paid on the capital expenditure note at 3%, which expires on September 1, 2015. Under the agreement, the counterparty will make monthly settlement payments to the Hospital to the extent that the floating interest rate set by USD-LIBOR-BBA exceeds 3%. No settlement payments were received in 2013.

The fair value of the interest rate cap agreement under ASC Subtopic 820-10 was \$509 and \$1,402 as of December 31, 2013 and 2012, respectively, and is recorded as a component of prepaid expenses and other in the accompanying consolidated balance sheets, with the change in fair value of the derivative instrument of (\$893) and \$1,402 recorded as a component of nonoperating gains (losses), net in the 2013 and 2012 consolidated statement of operations, respectively.

(10) Pension Plan

The Hospital sponsors a contributory, defined contribution, money-purchase pension plan for all qualified full-time and part-time employees who elect to participate in the plan. Benefits for individual employees are the amounts that can be provided by the sums contributed and accumulated for each individual. The Hospital recognized expense under the terms of the plan in the amount of approximately \$752,000 and \$692,000 for the years ended December 31, 2013 and 2012, respectively, which is included with employee benefits expense. The Hospital funds the plan on a current basis.

(11) Self-Insurance

(a) Professional and General Liability

Effective January 1, 1977, the Hospital adopted a self-insurance program for professional and general patient liability coverage. Claims based on occurrences prior to January 1, 1977 are insured under previous commercial insurance policies. For the periods October 1, 1980 through December 31, 1986 and December 1, 1999 through November 30, 2001, the Hospital obtained claims-made-based excess commercial insurance coverage; for all other periods since January 1, 1977, excess commercial insurance coverage was not obtained. There are no assurances that the Hospital would be able to procure professional and general patient liability commercial insurance coverage in the future, if desired.

The Hospital maintains a revocable trust fund with an independent trust agent for the administration and protection of its malpractice and general liability self-insurance assets. Under the trust agreement, trust fund assets are only to be used for the self-insurance program, and are not available for the general operations of the Hospital.

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

The Hospital has designated attorneys to handle legal matters relating to professional and general patient liability claims. Estimated undiscounted liabilities under the self-insured professional and general liability program of \$14,083,661 and \$14,223,308 at December 31, 2013 and 2012, respectively, include the ultimate cost of both reported losses and losses incurred but not reported as of the respective consolidated balance sheet dates and were determined by a consulting actuary. The portion of the accrual for estimated self-insured professional and general patient liability claims expected to be paid within one year of the consolidated balance sheet dates is not readily determinable, and therefore, the entire accrual is classified as a noncurrent liability. Provisions for self-insured professional and general liability claims for the years ended December 31, 2013 and 2012 amount to \$565,967 and \$250,034, respectively, and are included within insurance and other expense in the accompanying consolidated statements of operations. There were no estimated insurance recoveries in 2013 or 2012.

(b) Health Insurance

The Hospital maintains a self-insurance program for employee health coverage, including stop-loss coverage for claims in excess of specified retentions. The gross liability for estimated medical claims of \$549,825 and \$221,030 at December 31, 2013 and 2012, respectively, is included with accounts payable and accrued expenses, and includes estimates of the ultimate costs for both reported claims and claims incurred but not reported as of the consolidated balance sheet dates. The provision for self-insured healthcare claims of approximately \$5,415,000 and \$4,479,000 in 2013 and 2012, respectively, is included with employee benefits expense.

(12) Collective Bargaining Agreement

The Hospital maintains a collective bargaining agreement with Service Employees International Union Healthcare Illinois/Indiana (Union). This agreement was renewed in 2013 and is effective through December 31, 2014. The Union covers approximately 38% of the Hospital's employees, specifically service and maintenance and technical employees. The provisions of the collective bargaining agreement for salaries and benefits are subject to negotiation on an annual basis.

(13) Endowment

During 2005, the Hospital established a donor-restricted endowment fund (Fund), the principal of which may not be expended. Interest and dividend income from investment of the Fund is to be utilized for the operation of children and adult outreach programs in the community. The Fund is classified in permanently restricted net assets in the consolidated balance sheets at December 31, 2013 and 2012.

UPMIFA was adopted by Illinois effective June 30, 2009. UPMIFA eliminates the historical dollar value threshold, an amount below which an organization could not spend from the endowment and replaces it with guidelines that constitute prudent spending with preservation of the endowment. UPMIFA requires the establishment of a spending policy that may result in the value of the endowment dropping below the historical dollar value threshold. The Hospital classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Investment returns in excess of spending are classified as increases in

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

temporarily restricted net assets until appropriated for expenditure by the Hospital. The Hospital has established an investment policy that is reviewed annually by the board of trustees.

Changes in endowment net assets for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Endowment net assets, beginning of year	\$ 1,288,785	1,289,085
Contributions to be held in perpetuity	20	—
Uncollectible permanently restricted pledge receivable	—	(300)
Interest and dividends	31,672	39,614
Net unrealized and realized gains and losses	178,238	103,260
Fees and expenses	—	—
Appropriation of endowment assets for expenditure	<u>(209,910)</u>	<u>(142,874)</u>
Endowment net assets, end of year	\$ <u>1,288,805</u>	<u>1,288,785</u>

The principal of the Fund is approximately \$1,283,720 and \$1,283,700 at December 31, 2013 and 2012, respectively. There were no unrealized losses in excess of the Fund's principal at December 31, 2013 and 2012.

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Hospital to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. Subsequent gains restore the fair value of the assets of the endowment fund to the required level. There were no deficiencies as of December 31, 2013 and 2012.

(b) Return Objectives and Risk Parameters

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark composed of the major indices related to the investment allocation being targeted for the portfolio.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital targets a diversified asset allocation that places emphasis on investments in equity and fixed income mutual funds to achieve its long-term return objectives within prudent risk constraints. Major investment decisions are authorized by the board of trustees, which oversees the investment program in accordance with established guidelines.

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(d) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Hospital has a policy of spending based on the amount of capital gains, interest, and dividends reinvested in the endowment assets. The spending rate (the annual amount withdrawn from the endowment assets to support the operating budget) is determined by the board based on the actual investment return at the end of each quarter. In establishing these policies, the Hospital expects the current spending policy to allow its endowment to maintain its purchasing power and prevent deficiencies below the required principal level. Additional real growth will be provided through new gifts and any excess investment return.

(14) Commitments and Contingencies

(a) *Medicare Reimbursement*

For the years ended December 31, 2013 and 2012, the Hospital recognized approximately 28% and 33%, respectively, of net patient service revenue from services provided to Medicare beneficiaries. Federal legislation has included provisions to modify Medicare payment systems to healthcare providers as well as phase out cost-based reimbursement mechanisms to prospective payment methodologies. Changes in Medicare reimbursement as a result of CMS' implementation of the provisions of Medicare legislation may have an adverse effect on the Hospital's net patient service revenue.

The Hospital has received and expects to receive future notices from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contract (RAC) program. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse impact on the Hospital's net patient service revenues.

(b) *Charity Care Legislation*

Effective June 14, 2012, the Governor of Illinois signed into law *Public Act 97-0688*, which creates new standards for state income tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. The Hospital has not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

(c) *Litigation*

The Corporations are involved in litigation and regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, management anticipates that these matters will be resolved without material adverse effect on the Corporation's consolidated financial position or results of operations.

ST. BERNARD HOSPITAL AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(d) Regulatory Investigations

The laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for the Hospital and other healthcare organizations. Recently the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The Hospital maintains a compliance program designed to educate employees and to detect and correct possible violations.

(e) The Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (often referred to, collectively, as the Affordable Care Act of the healthcare reform law), was signed into law on March 23, 2010. The statute will change how healthcare services are delivered and reimbursed through a variety of mechanisms. The law contains stronger antifraud enforcement provisions and provides additional funding for enforcement activity.

On May 6, 2011, the Centers for Medicare and Medicaid Services issued the final rule establishing a hospital value-based purchasing program (VBP) for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2013, value-based incentive payments will be made based upon a provider's achievement of or improvement in a set of clinical and quality measures designed to foster improved clinical outcomes. The VBP will start with a 1% reduction in Medicare inpatient payments in federal fiscal year 2013 that will increase annually by 0.25% up to 2% of payments by federal fiscal year 2017. These value-based incentives will be withheld and redistributed based on the hospital performance. The Hospital will continue to monitor the impact of this and other legislation as these regulations become finalized and placed into action.

(f) Investment Risk and Uncertainties

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

(g) Letters of Credit

The Hospital has letters of credit outstanding for its workers' compensation insurance program and a managed care contract in the aggregate amount of approximately \$200,000 and \$196,000, respectively, none of which had been drawn upon as of either December 31, 2013 or 2012. The letters of credit for its workers' compensation insurance program and for a managed care contract mature on May 1, 2015.

(15) Subsequent Events

The Corporations evaluated subsequent events after the consolidated balance sheet date of December 31, 2013 through March 26, 2014, which was the date the consolidated financial statements were available to be issued, noting no subsequent events requiring recording or disclosure.